

30 October 2008

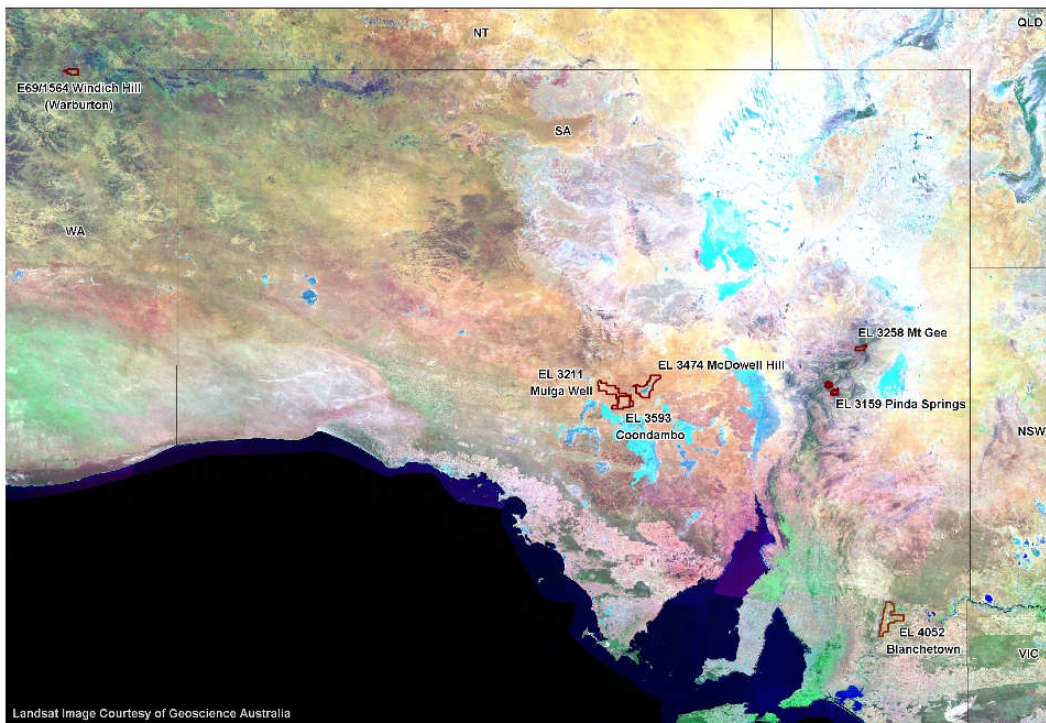
**COMPANY ANNOUNCEMENTS OFFICE
AUSTRALIAN STOCK EXCHANGE**

ASX CODE MTN

**QUARTERLY ACTIVITY REPORT
1 July 2008 – 30 September 2008**

Marathon Resources Limited (ASX: "MTN") is pleased present its activity report for the quarter ending 30 September 2008. Highlights of the past quarter included:

- Upgrade of resource at Company's 100% owned Mt Gee uranium project in SA.
- Approval of Rectification Plan for the clean up at Mt Gee.
- Release of Marathon's Policy Paper, *Learning from Waste in the Wilderness*.
- Update on drilling program at Warburton, WA.



Marathon Resources- Map of Tenements

EL3258 Mt Gee (100% MTN owned in SA's northern Flinders Ranges)

Resource Upgrade

On 2 September, the Company released the second resource upgrade this year for its Mt Gee uranium project. The highlights were:

- Increase of contained U₃O₈ from 30.0 thousand tonnes (Kt) to 31.4 Kt
- Increase of resource tonnes from 46.1 million tonnes (Mt) to 51.0Mt
- Increase of resource in the 'indicated' category from 3.8Mt to 4.0 Mt

The Company believes the potential exists for further mineralisation in the north east quadrant of the Mt Gee area.

Marathon's Mt Gee uranium project is one of the largest undeveloped uranium deposits in Australia.

Rectification Plan

On 11 August, the Department of Primary Industries and Resources SA (PIRSA) approved Marathon's Rectification Plan for the retrieval and disposal of drill cuttings buried at Mt Gee. The Company is waiting for instructions from PIRSA on a commencement date for the clean up to begin.

The drill cuttings, currently buried in bags at Mt Gee, will be excavated. The drill cuttings will then be decanted and reburied in the Mt Gee site while the bags and some known items of used industrial clothing and rubbish will then be removed from the site after scanning to confirm they contain no radioactive residue.

Policy Paper

On 15 August, Marathon released its Policy Paper, titled *Learning from Waste in the Wilderness*, in response to a series of exploration incidents which led to the suspension of the Company's exploration drilling program at the Mt Gee uranium project in the northern Flinders Ranges, South Australia.

The Policy Paper, in which Marathon commits itself to a "new course" of international leading practice across all its operations, will become the Company's blueprint for the future. The report examined the issues that led to the suspension of Marathon's exploratory drilling program earlier this year, how the Company has changed and will continue to change its policies and systems, and how it intends managing its ongoing engagement with a wide range of key regional stakeholders.

Other updates

Work is continuing on the Pre Feasibility Study (PFS) and baseline data collection for the proposed Environmental Impact Study (EIS) for the Mt Gee uranium project. This work commenced in December 2007 and is expected to take 12 to 18 months to complete.

EL 3593 Coondambo

Results were received for soil samples and these were assessed in conjunction with three previous phases of calcrete sampling. Initial calcrete coverage was on a 500m x 500m offset triangular sampling spread with follow-up phases at 200m x 200m and 100m x 100m grid spacing.

A total of 881 calcrete and 533 soil samples were processed, with all analysed by the ALS ME-MS41 technique using an aqua-regia digest with ICPMS finish.

The elements showing most character appear to be Cu, U, Sb, Fe, Au +/- B, with most derived from leakage haloes focused along major structures.

The most prominent structures with a geochemical response are located in the northwest of the tenement and a prominent east-west structure across the centre of the tenement.

A detailed ground magnetic survey is planned to cover the structures of interest.

EL 3211 Mulga Well

Marathon planned to drill three holes to test a combined geochemical/EM target. All approvals are in place, but lack of water for drilling and access difficulty has led to the postponing of the drilling until 2009.

EL 4052 Blanchetown

A second phase of limited infill sampling at 100 metre sample spacing was completed. Analysis of the results using geochemical indexes highlighted two features. The Monazite Index elements are within minerals concentrated by physical processes whereas most of the elements within the Chi Index are primarily distributed by chemical processes. This suggests the minerals hosting the Chi Index elements may have been concentrated by physical processes then subjected to chemical weathering and remobilization.

Further exploration will attempt to define the location of the strandlines using high sensitive ground magnetic readings on traverses oriented north-south.

E69/1564 Warburton

The Warburton tenements are the subject of a Joint Venture between Marathon and Primary Resources Limited ("Primary"). The first tranche of this agreement required that Marathon spend \$850,000 in the first 12 months to take its interest to 15%. This condition has been met.

During the quarter, two more diamond drill holes (WA-02 and WA-03) were completed on tenement E69/1564. These holes were drilled to test geophysical targets interpreted to be at depths around 300m to 350m. Mineral commodities sought in the area are Cu-Ni deposits, similar to the Babel Nebo deposit currently being explored nearby by BHP Billiton, or an IOCG deposit.

The holes were drilled with Reverse Circulation ("RC") pre collars and diamond tails. The depths of WA-02 and WA-03 respectively were 731.1m and 490.5m. The RC chips and the drill core from both holes have been logged. Rocks intersected range from mafic breccia, basalt and dolerite through to mafic pyroclastics and rhyolite with some sediments. These rock types represent a volcanic

sequence that shows signs of concurrent and subsequent brecciation, with numerous pathways for sulphides. Sulphides present are dominated by pyrite and pyrrhotite, with lesser amounts of chalcopyrite and galena.

RC samples have been prepared as 4m composite and diamond core cut and sampled at 1m intervals. Samples for petrological analysis have also been collected.

All samples have been tested for magnetic susceptibility and submitted for assay. Assay results for these two holes, and hole WA-01 which was completed in the previous quarter, will be available in November.

In October, the conditions of the Joint Venture agreement with Primary were revised. Primary has agreed to meet up to \$200,000 of diamond drill hole WA-03, the third hole in the drilling program at Warburton. In return, Marathon has the right to spend a further \$785,000 in the second year of the Joint Venture to take its interest to 50%. The previous arrangement provided for Marathon to spend \$900,000 to take its interest to 55%. Upon this earning commitment being met, each party will contribute equally to the expenditure on the Joint Venture, with Primary's contribution to WA-03 a part of its commitment. This differs from the previous arrangement whereby Marathon was to spend a further \$1.5 million over 18 months to take its interest to 70%.

The information in this report that relates to Exploration Results has been compiled by Mr Brenton Newell, a part-time employee of Marathon Resources Ltd and a Member of the Australian Institute of Geoscientists. He 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. Mr Brenton Newell consents to inclusion in the report of these matters based on their information in the form and context in which it appears.

The Mt Gee Mineral Resource Estimate was based on information compiled on behalf of Marathon by Tony Marshall B.Sc (Hons) Uni.Melb., a Member of the AusIMM. Tony Marshall is Principal Geologist with SMGC and a full-time employee of that company. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Tony Marshall consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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Notes to Editor

Marathon is a minerals exploration company focused on the development of Mt Gee, one of Australia's largest undeveloped uranium deposits.

The Mt Gee project is located within the Paralana Mineral System of South Australia, a uranium-rich state which is home to the world's largest uranium deposit at Olympic Dam.

Marathon's portfolio also includes highly prospective copper-gold-uranium properties in the Gawler Craton of South Australia.

The Company has gold and copper-gold projects in other parts of South Australia and western Victoria, including first class copper-gold and base metal (silver-lead-zinc) projects in the Adelaide Geosyncline in South Australia and a prospective copper-gold project in the Moyston Fault Zone in Victoria.

Marathon also has a joint venture with listed uranium explorer UraniumSA Ltd (ASX: USA), in which the company holds a 7% stake; and with Primary Resources Ltd (ASX: PRZ) in the Warburton Project in Western Australia.

Marathon listed on the Australian Securities Exchange on 15 March 2005, under the stock code of MTN.

www.marathonresources.com.au

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

MARATHON RESOURCES LIMITED

ABN

31 107 531 822

Quarter ended ("current quarter")

30 SEPTEMBER 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(1,294)	(1,294)
(b) development		
(c) production	(937)	(937)
(d) administration		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Capital raising costs	(26)	(26)
Net Operating Cash Flows	(2,257)	(2,257)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects investments (b)equity		
(c) other fixed assets	(4)	(4)
1.9 Proceeds from sale of: (a)prospects investments (b)equity		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(4)	(4)
1.13 Total operating and investing cash flows (carried forward)	(2,261)	(2,261)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,261)	(2,261)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	10	10
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other –Prospectus & Supplementary Prospectus		
	Net financing cash flows	10	10
Net increase (decrease) in cash held			
		(2,251)	(2,251)
1.20	Cash at beginning of quarter/year to date	5,379	5,379
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,128	3,128

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	234
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	NIL	-
3.2	Credit standby arrangements	NIL	-

Estimated cash outflows for next quarter

+ See chapter 19 for defined terms.

	\$A'000
4.1 Exploration and evaluation	350
4.2 Development	-
Total	350

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	190	80
5.2 Deposits at call	2,938	5,299
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,128	5,379

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	None relinquished		
6.2	Interests in mining tenements acquired or increased	EL 5086 Deddick River EL 5085 Little Yalmy	0 0	100% 100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A			
7.3 +Ordinary securities	60,740,287	60,690,287		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	50,000	-	0.20 cents	0.20 cents
7.5 +Convertible debt securities <i>(description)</i>	N/A			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	1,055,700 30,000 45,000 3,000,000 500,000	- - - - -	0.20 cents 0.20 cents 0.45 cents 1.18 4.36	30/06/09 30.6.2010 30.6.2010 30.6.2011 30.6.2010
7.8 Issued during quarter	-			
7.9 Exercised during quarter	50,000	-	020 cents	
7.10 Expired during quarter	-	-		
7.11 Debentures <i>(totals only)</i>	N/A	-		
7.12 Unsecured notes <i>(totals only)</i>	N/A	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Director/Company Secretary)

Date: 30 October 2008.

Print name: S M Appleyard

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.