



**Marathon Resources Ltd**  
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ABN 31 107 531 822

Wednesday 21 October 2009

Manager Companies  
Company Announcements Office  
Australian Securities Exchange Limited

By e Lodgement: ASX On-line

Dear Sir/Madam

**ASX Code: MTN**

**Dispatch of Notice of Meeting**

I enclose a copy of the Company's Notice of Annual General Meeting, Explanatory Memorandum and (sample) Proxy Form being sent today to the Company's shareholders.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Sam Appleyard', written over a light grey circular stamp.

**Sam Appleyard**  
Company Secretary

## Marathon Resources Limited

ABN 31 107 531 822

### Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Marathon Resources Limited will be held at the Sebel Playford, 120 North Terrace, Adelaide, SA 5000 on 19 November 2009, at 9:30am (Adelaide time).

#### Business:

#### Accounts

To consider the financial report and the reports of the Directors and of the Auditors for the financial year ended 30 June 2009.

The annual report is available to view online at the following web site  
[www.edocumentview.com.au/mtn](http://www.edocumentview.com.au/mtn)

#### Resolution 1 - Re-election of Mr Chen Zeng as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Mr Chen Zeng, having retired by rotation in accordance with the Company’s Constitution and having offered himself for re-election, is hereby re-elected as a Director of the Company with immediate effect.”

Information regarding the candidate for re-election can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

#### Resolution 2 - Adoption of the Remuneration Report for the year ended 30 June 2009

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of Section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report for the period ended 30 June 2009 as set out in the Directors’ Report section of the 2009 Annual Report.”

The vote on the resolution to adopt the Remuneration Report is advisory only and does not bind the Directors of the Company.

#### Special Business:

#### Resolution 3 – Approval of grant of Options to Chairman, Mr Peter Williams

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, the grant by the Company of 250,000 unlisted Options to the nominee of Mr Peter Williams on the terms and conditions set out in Annexure A, is approved.”

Information regarding Resolution 3 can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 3 by Mr Peter Williams' nominee and its associates, including Mr Peter Williams, or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities. However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

### **Resolution 4 – Approval of grant of Options to Director, Mr Chen Zeng**

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, and subject to the passing of Resolution 1, the grant by the Company of 250,000 unlisted Options to Mr Chen Zeng, on the terms and conditions set out in Annexure A, is approved.”

Information regarding Resolution 4 can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 4 by Mr Chen Zeng and any associate of Mr Chen Zeng, or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities. However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

### **Resolution 5 - Approval of grant of Options to Director, Mr Christopher Schacht**

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, the grant by the Company of 250,000 unlisted Options to Mr Christopher Schacht on the terms and conditions set out in Annexure A, is approved.”

Information regarding Resolution 5 can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 5 by Mr Christopher Schacht and any associate of Mr Schacht, or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities. However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

**Resolution 6 - Approval of grant of options to Director, Dr John G (Shad) Linley**

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, the grant by the Company of 250,000 unlisted Options to the nominee of Dr John G (Shad) Linley, on the terms and conditions set out in Annexure A, is approved.”

Information regarding Resolution 6 can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

**Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 6 by the nominee of Dr John G (Shad) Linley and any of its associates, including Dr John G (Shad) Linley, or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities. However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

**Resolution 7 - Approval of Employee Share Option Plan**

“That, for the purpose of ASX Listing Rule 7.2 Exception 9 and for all other purposes, any issue of securities made within the three year period ending 18 November 2012 under the terms and conditions of the Company’s employee incentive scheme known as ‘Marathon Resources

Ltd Share Option Plan’, as set out in Annexure B to the Explanatory Memorandum accompanying this Notice of Meeting (and as amended from time to time), is approved as an exception to ASX Listing Rule 7.1.”

The Company will disregard any votes cast on Resolution 7 by the Directors and any of their associates. However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

**Resolution 8 - Approval of amendment of terms of existing Options**

“That, for the purposes of ASX Listing Rule 6.23.4 and for all other purposes, the terms and conditions of:

- (a) the 1,000,000 unlisted Options granted to the nominee of Dr John G (Shad) Linley, The Dr J G Linley Family Settlement trust;
- (b) the 60,000 unlisted Options granted to Ms Felicia Rankin;
- (c) the 1,500,000 unlisted Options granted to Sheoak Runner Pty Ltd, the nominee of Dr J R Santich; and
- (d) the 1,500,000 unlisted Options granted to Archon Resource Technologies Pty Ltd, the nominee of Dr W Bogacz,

are amended with immediate effect, so that each of those Options may be transferred to any person with the consent of the Board.”

Information regarding Resolution 8 can be found in the Explanatory Memorandum

that accompanies this Notice of Annual General Meeting.

### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 8 by The Dr J G Linley Family Settlement trust, Ms Felicia Rankin, Sheoak Runner Pty Ltd, Archon Resource Technologies Pty Ltd and any of their respective associates, including Dr John G (Shad) Linley, Dr J R Santich and Dr W Bogacz. However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

## **Information for Members**

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### **Explanatory Memorandum**

The Explanatory Memorandum accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting and should be read in conjunction with this Notice.

Members are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used both in this Notice of Annual General Meeting and the Explanatory Memorandum.

### **“Snap-shot” Time**

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that for the purposes of voting at the meeting, Shares will be taken to be held by those who hold them as at 5.00pm Adelaide time on 17 November 2009.

### **Proxies**

A Shareholder entitled to attend and vote at the meeting may appoint a proxy. The person appointed as a proxy may be an individual or a body corporate and need not be a Shareholder. If a Shareholder is entitled to cast two or more votes, the Shareholder may appoint one or two proxies.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the Shareholder’s voting rights. If the proportion is not specified, each proxy may exercise half of the Shareholder’s voting rights. Fractional votes will be disregarded.

Please read carefully the instructions on the enclosed Proxy Form and consider how you wish to direct the proxy to vote on your behalf. You may direct the proxy to vote “for”, “against” or “abstain” from voting on each resolution or you may leave the decision to the appointed proxy after discussion at the meeting.

To record a valid vote members will need to take either of the following steps:

- (a) Cast your vote online by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions and information provided on the enclosed proxy form (see CDA sample attached); or
- (b) Complete and lodge the Proxy Form (and the power of attorney or other authority (if any) under which it is signed, or a certified copy of it) at the share registry of the Company,

Computershare Investor Services Pty Limited, located at GPO Box 242, Melbourne VIC 3001, or by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or

- (c) For Intermediary Online subscribers only (custodians), please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions,

no later than 48 hours before the time for the holding of the meeting

### **Corporate Representative**

A corporation that is a Shareholder or a proxy may elect to appoint a person to act as its corporate representative at the meeting, in which case the corporate Shareholder or proxy (as applicable) must provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that Shareholder's or proxy's (as applicable) corporate representative. The authority must be sent to the Company and/or the Company's Share Registry (detailed above) in advance of the meeting or handed in at the meeting when registering as a corporate representative.

### **By order of the Board**



**S M Appleyard**  
Company Secretary  
Marathon Resources Limited  
6th October 2009

# Explanatory Memorandum

## Introduction

This Memorandum has been prepared for the information of Shareholders of Marathon Resources Limited in connection with the business to be conducted at the Annual General Meeting of the Company to be held at the Sebel Playford on Thursday 19 November 2009 at 9:30am (Adelaide time).

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting. Capitalised terms in this Explanatory Memorandum are either defined in the Glossary or elsewhere in this Explanatory Memorandum.

## Resolution 1 - Re-election of Mr Chen Zeng as a Director

In accordance with Listing Rule 14.4 and clause 46 of the Constitution, at every Annual General Meeting, one third of the Directors for the time being must retire from office and are eligible for re-election. The Directors to retire are to be those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement.

The Directors presently in office are Messrs Peter Williams, Chen Zeng and Chris Schacht and Dr John G (Shad) Linley.

Mr Zeng is the Director who retires by rotation at the Annual General Meeting. He has offered himself for re-election.

Mr Zeng was appointed a non-executive director of Marathon on 26 December 2006. Mr Zeng has been the managing director of CITIC Australia since November 2002. CITIC Australia is the Australian arm of China's giant state-owned CITIC Group, which has assets of over US\$100 billion and investments in banking, financial, energy and raw materials businesses. Mr Zeng has over 17 years experience managing various business operations, business and asset restructures, and has developed a number of projects for the CITIC and CITIC Australia groups. He is also an executive director of the Hong Kong-listed CITIC Resources Holdings Ltd. Mr Zeng holds a BA (Economics) and a Master's Degree in International Finance from the Shanghai University of Finance and Economics. Mr Zeng is also a non-executive Director of Macarthur Coal Ltd.

An assessment of the performance of Mr Zeng has been conducted in the context of his skills, experience, knowledge and understanding of the Company's business. The Directors (other than Mr Zeng) recommend Shareholders vote in favour of Resolution 1. The Chairman intends to vote undirected proxies in favour of this Resolution.

## Resolution 2 - Adoption of the Remuneration Report

In accordance with Section 250R(2) of the Corporations Act, Shareholders are required to vote on the Company's Remuneration Report for the year ended 30 June 2009.

The Remuneration Report is contained in the Directors' Report in the 2009 Annual Report. The Report describes the underlying policies and structure of the remuneration arrangements of the Company and sets out the remuneration arrangements in place for Directors and senior executives.

The Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Members should note that the vote on Resolution 2 is not binding on the Company or the Directors.

The Directors recommend Shareholders vote in favour of Resolution 2. The Chairman intends to vote undirected proxies in favour of the Resolution.

### **Resolutions 3 to 6 - Approval of grant of Options to Messrs Peter Williams, Chen Zeng and Christopher Schacht and Dr John G (Shad) Linley**

#### **1. Background**

Resolutions 3 to 6 seek approval of the grant of 250,000 Options to each of the Directors, Messrs Peter Williams, Chen Zeng and Christopher Schacht and Dr John G (Shad) Linley or, in the case of Mr Peter Williams Dr John G (Shad) Linley, their respective nominees, on the terms set out in Annexure A to this Explanatory Memorandum.

Approval for the grant of 250,000 Options to each of the Directors was obtained from Shareholders at the 2008 Annual General Meeting, but due to an administrative oversight, these Options were not issued to the Directors within the 1 month deadline imposed by the ASX. Accordingly, approval is sought again at this Annual General Meeting for the grant of the Options on the same terms and conditions as at the 2008 Annual General Meeting with the exception that the Options will be transferable only with the prior consent of the Board.

The grant of the Options is intended to act as an incentive for the Directors to align themselves with the Company's strategic plan focusing on optimising performance with the benefits flowing through to enhanced Shareholder returns. The Options, if approved for grant, will not form part of the Directors' respective remuneration packages but will be in addition to their remuneration as Non-Executive Directors.

The Board acknowledges the grant of options to non-executive directors is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of the Options to the Directors reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company and retain them, whilst maintaining the Company's cash reserves.

#### **2. Key Details of Options**

The key terms of the Options are as follows:

<b>Number to be granted to each Director</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
250,000	\$1.10	28 December 2014

The full terms of the Options are set out in Annexure A. Each Option will be granted on the same terms, with no distinction between those granted to the Non-Executive Directors.

#### **3. Chapter 2E Corporations Act**

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a Related Party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each of the Directors is considered to be a Related Party of the Company because each is a director of the Company.

The proposed grant of Options by the Company to the Directors (or their respective nominees) constitutes the giving of a financial benefit to Related Parties of the Company and, therefore, requires prior Shareholder approval. In accordance with the requirements of Chapter 2E, and in particular with Section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed grant of Options by the Company to each of the Directors (or their respective nominees):

- (a) each of the Directors (or their respective nominees) is a Related Party of the Company to whom proposed Resolutions 3 to 6 (inclusive) would permit the financial benefits to be given;
- (b) the nature of the financial benefit to be given to each of the Directors (or their respective nominees) is the grant of 250,000 Options to each of the Directors;
- (c) as at the ASX Lodgement Date, the issued capital of the Company is 77,008,677 Shares and 4,060,000 Options. A comparison of the current issued capital of the Company and the issued capital of the Company should each Director (or their nominee) exercise all of their 250,000 Options (assuming that Resolutions 3 to 6 (inclusive) are approved by Shareholders, no existing options are exercised and no other securities are issued by the Company in the meantime) is set out in the table below:

<b>Current number of Shares on issue</b>	<b>Number of Shares on issue following Exercise of Options by the Directors</b>
77,008,677	78,008,677

- (d) If Shareholders approve the grant of the 1,000,000 Options in total to the Directors, the exercise of those Options by the Directors may result in a dilution of all other Shareholders' holdings in the Company to a maximum of approximately 1.28% (based on the number of Shares on issue at the ASX Lodgement Date and assuming that Resolutions 3 to 6 (inclusive) are approved by the Shareholders, the Options the subject of Resolutions 3 to 6 (inclusive) are subsequently granted and exercised, no existing options are exercised and no other securities are issued by the Company in the meantime);
- (e) If Resolutions 3 to 6 (inclusive) are approved by Shareholders, the Directors will be entitled to the following securities<sup>1</sup> in the Company:

<b>Director</b>	<b>Number of Shares<sup>2</sup></b>	<b>Number of Options</b>
Peter Williams	817,600	250,000
Chen Zeng	Nil	250,000

Christopher Schacht	55,500	250,000
John G (Shad) Linley	375,000	1,250,000

1. The securities are based on the relevant interests (as defined in the Corporations Act) of the Directors as at the ASX Lodgement Date, assuming Resolutions 3 to 6 are approved. Subject to the Corporations Act, the Listing Rules and the Company's Constitution, any of the Directors may from time to time either dispose of some or all of their security holdings in the Company and/or increase their security holdings in the Company.
  2. Shares include the Shares directly held by Directors and those indirectly held by, and in which, the Directors have a relevant interest.
- (f) the 1,000,000 Options will be granted by the Company to the Directors for no consideration and therefore no funds will be raised by the grant of the Options to Directors. Any funds raised from time to time due to the exercise of any Options by a Director will be used as the Board elects for the benefit of the Company in the furtherance of its business activities;
- (g) see section 4 of this Explanatory Memorandum regarding an indicative valuation of the Options;
- (h) details of the Directors' remuneration for the financial year ending 30 June 2009 can be found in the Remuneration Report as set out in the Directors' Report section of the 2009 Annual Report.
- (i) if Resolutions 3 to 6 (inclusive) are approved by Shareholders, the Options will be granted no later than 1 month after the date of this Annual General Meeting and it is anticipated that the grant will be on one date;
- (j) the proposed grant of the Options to Directors will be made pursuant to the terms and conditions set out in and Annexure A of this Explanatory Memorandum;
- (k) see section 8 of this Explanatory Memorandum in relation to each Director's interest in the outcome of Resolutions 3 to 6 (inclusive) and their recommendation in respect to those Resolutions; and
- (l) other than the information specified in this Explanatory Memorandum, the Company believes there is no other information that would be reasonably required by the Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 3 to 6 (inclusive).

#### 4. Valuation of Options

The highest, lowest and last sale prices for the Shares on ASX during the 12 months immediately preceding the ASX Lodgement Date and the respective dates of those sale prices were:

Highest: \$1.08 per Share on 1/06/2009  
Lowest: \$0.205 per Share on 22/10/2009  
Last: \$0.58 per Share on 25/09/2009 being the last day on which the Company's Shares were traded on ASX before the ASX Lodgement Date.

Marathon has prepared a valuation, which the Board has adopted, in relation to the indicative

value of the Options to be granted to the Directors. The valuation uses the Black-Scholes Option Pricing Model and the following assumptions:

- (a) The indicative valuation has assumed that the grant date of the Options is 19 November 2009, although the volume weighted average price of Marathon Shares used is up to and including 25 September 2009. The valuation is not a representative valuation of the Options at the proposed date of grant. In order for this valuation to be provided, a new valuation model would need to be run with updated assumptions at the time of grant (i.e. immediately following the Annual General Meeting).
- (b) An exercise price of \$1.10 per Option.
- (c) The volume weighted average price of Marathon Shares over the 5 ASX trading days to the ASX Lodgement Date, the date of this indicative valuation, of \$0.628 per Share.
- (d) An estimated future volatility of the Company's Share price of 145.3% based on historical recorded volatility in the Company's Share price as well as those of comparable companies.
- (e) Risk-free interest rates for the Options of 5.13%.
- (f) In calculating the indicative value of the Options, it has been assumed that they are exercised on their expiry date which is, for each Option, 28 December 2014.
- (g) The indicative value for each Option is \$0.507.
- (h) The Options to be granted to the Directors (or their respective nominees), pursuant to Resolutions 3 to 6 (inclusive), will not be quoted on ASX. Using the Black-Scholes Option Pricing Model and based on the above assumptions, the indicative value of each Option is \$0.507 and the total value of the 1,000,000 Options to be granted to the Directors, based on the indicative valuation, is \$507,000. This indicative value is the maximum value of the Options, it contains no reductions for early exercise or discount for limitations on the transferability of the Options.

## **5. Listing Rule 10.11**

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a Related Party, or a person whose relationship with the entity or a Related Party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

The grant of the Options to the Directors (or their respective nominees) requires the Company to obtain Shareholder approval because the Directors and their nominees (if one) are Related Parties of the Company.

It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought under Listing Rule 10.11 for the grant of Options to the Directors.

## **6. Listing Rule 7.1**

Approval pursuant to Listing Rule 7.1 is not required in order to grant the Options to the Directors if approval is obtained under Listing Rule 10.11. Accordingly, the grant of Options to the Directors will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

## **7. Listing Rule Requirements**

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolutions 3 to 6 (inclusive):

- (a) the maximum number of Options that may be granted by the Company to each of the Directors, Messrs Peter Williams, Chen Zeng and Christopher Schacht and Dr John G (Shad) Linley, (or their respective nominees) is 250,000 Options, being an aggregate total of 1,000,000 Options. If all the Options are exercised by the Directors (or their nominees), then each of the Directors (or their respective nominees) will be entitled to 250,000 Shares as a result of the exercise of those Options, being an aggregate total of 1,000,000 Shares;
- (b) Mr Williams has elected to have his options granted to Cluan Capital Management Pty Ltd. Mr Williams is Director and majority shareholder of Cluan Capital Management Pty Ltd;
- (c) Dr Linley has elected to have his options granted to his family discretionary trust known as "The Dr J G Linley Family Settlement". Dr Linley is the Trustee, Appointor and principal Beneficiary of his family discretionary trust;
- (d) Messrs Chen Zeng and Christopher Schacht have both elected to have their options granted in their own names.
- (e) if Resolutions 3 to 6 (inclusive) are approved by Shareholders, the Options will be granted by the Board no later than 1 month after the date of the Meeting and it is anticipated that the grant will be on one date;
- (f) the Options will be granted for no consideration and therefore no funds will be raised by the grant of the Options to the Directors. Any funds raised from time to time due to the exercise of any Options by a Director will be used as the Board sees fit; and
- (g) the exercise price for each Option being granted to the Directors is \$1.10.

## **8. Recommendations of Directors**

- (a) Mr Peter Williams declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of that Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 3, recommend that Shareholders vote in favour of Resolution 3 on the basis that they consider the grant of Options is reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Williams) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 3.
- (b) Mr Chen Zeng declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4 on the basis that they consider the grant of Options is reasonable in the circumstances, given the the necessity to attract and retain the highest calibre of professionals to, and with, the Company,

whilst maintaining the Company's cash reserves. The Board (other than Mr Zeng) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4.

- (c) Mr Christopher Schacht declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5 on the basis that they consider the grant of Options is reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Schacht) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 5.
- (d) Dr John G (Shad) Linley declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6 on the basis that they consider the grant of Options is reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Dr Linley) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.

#### **Resolution 7 - Approval of Employee Share Option Plan**

The Company currently has in place the Marathon Resources Ltd Employee Share Option Plan (ESOP) under which Employees may be offered the opportunity to receive Options in the Company in order to assist in the attraction, retention and motivation of Employees.

The ESOP is designed to provide incentives to Employees and to recognise their contribution to the Company's success. Under the Company's current circumstances the directors of the Company consider that Options are a cost effective and efficient means of incentivising Employees. To enable the Company to secure Employees who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The ESOP is designed to achieve this objective, by encouraging continued improvement in performance over time.

Under the ESOP, the Board may offer to eligible persons the opportunity to receive such number of Employee Options in the Company as the Board may decide on the terms and conditions set out in Annexure B. Options granted under the ESOP will be offered to eligible persons on the basis of the Board's view of the contribution of the eligible person to the Company.

ASX Listing Rule 7.1 restricts the number of equity securities a listed entity can issue without shareholder approval. ASX Listing Rule 7.2 contains a number of exceptions to ASX Listing Rule 7.1. In particular, Exception 9(a) provides, in the case of an employee incentive scheme established before an entity is listed, that ASX Listing Rule 7.1 does not apply to an issue under the scheme if within 3 years before the date of issue a summary of the terms of the scheme was set out in a prospectus. The ESOP was established before the Company was granted official quotation by ASX in March 2005. In accordance with Rule 7.2 Exception 9(a), a summary of the

terms of the ESOP was included in the prospectus dated 20 October 2004 issued by the Company. The exemption from Rule 7.1 previously conferred by Listing Rule 7.2 Exemption 9(a) ceased to apply in respect of issues of securities under the Plan upon the expiration of three years from the date of the prospectus, namely on 20 October 2007.

Exception 9(b) of ASX Listing Rule 7.2 provides that ASX Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if within 3 years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1. The Company seeks shareholder approval of the purposes of that exception, such that the Company can issue securities under the ESOP within the three year period ending 18 November 2012 without the need for further Shareholder approval under Listing Rule 7.1.

The terms and conditions of the ESOP have recently been reviewed to ensure compliance with current legislation and regulatory requirements and expected changes to those legislative and regulatory requirements, and several amendments have been made to the original terms of the ESOP as a result. The full revised terms of the ESOP are set out in Annexure B to this Explanatory Memorandum.

In accordance with the requirements of ASX Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) a copy of the revised terms and conditions of the ESOP is annexed as Annexure B to this Explanatory Memorandum;
- (b) no Employee Options have been issued under the ESOP since the date of its last approval, as the ESOP has not received prior approval by shareholders, but 3,860,000 Options have been issued under the ESOP since the date it was summarized in the company's prospectus dated 20 October 2004; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 7.

Resolution 7 is to be considered as an ordinary resolution.

As the directors of the Company are excluded from voting on this resolution they do not wish to make a recommendation as to how shareholders ought to vote in respect of this resolution. The Chairman intends to vote any undirected proxies in favour of Resolution 7.

## Resolution 8– Amendment of terms of existing Options

Resolutions 8 provides an amendment to the terms of the Options specified in the table below, such that these Options will be transferable with the consent of the Board.

Holder	Options	Expiry Date	Exercise price
The Dr JG Linley Family Settlement trust, nominee of Dr JG (Shad) Linley (Chief Executive Officer and Managing Director)	1,000,000	02/09/2012	80 cents
Ms Felicia Rankin	30,000	30/6/2010	5.67 cents
	30,000	30/6/2010	30.67 cents
Sheoak Runner Pty Ltd, nominee of Dr J R Santich (former Managing Director)	1,500,000	30/6/2011	\$1.037
Archon Resource Technologies Pty Ltd, nominee of Dr W Bogacz (former Executive Director)	1,500,000	30/6/2011	\$1.037

The existing terms of Options granted to the Dr JG Linley Family Settlement trust provide that the Options will only be transferable if the Options are held on trust and there is a change in the trustee of that trust, in which case the Options may be transferred to the persons who are, for the time being and from time to time, the trustees of that trust in their capacity as trustees of that trust.

The Options granted to Ms Rankin, Sheoak Runner Pty Ltd and Archon Resource Technologies were granted under the ESOP and may only, under the current terms, be transferred to an “associate” (within the meaning of the ESOP) of the relevant employee and only with the prior consent of the Board.

The amendment to the transferability of the Options will allow the holders more flexibility in terms of transferring the Options (provided the Board consents to the proposed transfer) and will ensure that the transferability of all Options on issue is consistent. The transferability will also be consistent with the terms of all future Options granted under the ESOP (if Resolution 7 is approved).

Dr Linley in his capacity as trustee of the Dr JG Linley Family Settlement trust has given his consent to the amendment of the terms of the Options held by the Dr JG Linley Family Settlement trust. The amendment proposed in respect to those Options held by each of Ms Felicia Rankin, Sheoak Runner Pty Ltd, Archon Resource Technologies Pty Ltd does not require the consent of the option holders under the terms of the ESOP.

As Dr Linley is excluded on voting on Resolution 8, he does not wish to make a recommendation as to how shareholders ought to vote in respect of this resolution. The Directors (other than Dr Linley) recommend Shareholders vote in favour of Resolution 8.

The Chairman intends to vote undirected proxies in favour of Resolution 8.

## GLOSSARY

In this Explanatory Memorandum, the following terms have the following unless the context otherwise requires:

"**\$**" means Australian dollars.

"**ASX Lodgement Date**" means 28 September 2009;

"**ASX**" means ASX Limited ACN 008 624 691;

"**Board**" means the Board of Directors from time to time.

"**Company**" or "**Marathon**" means Marathon Resources Limited ABN 31 107 531 822.

"**Constitution**" means the constitution of the Company from time to time.

"**Corporations Act**" means the *Corporations Act 2001* (Cth).

"**Directors**" means the directors of the Company from time to time and "**Director**" means any one of them.

"**Employee**" has the same meaning as in the ESOP set out in Annexure B.

"**ESOP**" means the Marathon Resources Ltd Share Option Plan.

"**Explanatory Memorandum**" means this explanatory memorandum.

"**Listing Rules**" means the listing rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

"**Meeting**" or "**Annual General Meeting**" means the annual general meeting of Shareholders of the Company or any adjournment thereof, convened by the Notice.

"**Notice**" or "**Notice of Annual General Meeting**" means the notice of general meeting which accompanies this Explanatory Memorandum.

"**Option**" means an option to subscribe for a Share.

"**Related Party**" has the meaning given to that term in Section 228 of the Corporations Act.

"**Resolution**" means a resolution referred to in the Notice.

"**Share**" means a fully paid ordinary share in the capital of the Company.

"**Shareholder**" means a holder of Shares in the Company.

## Annexure A

### TERMS AND CONDITIONS

1. The Option holder is entitled on payment of \$1.10 per share (the Exercise Price) to be allotted one ordinary fully paid share for each Option exercised (subject to possible adjustments as referred to below).
2. Options held by the Option holder are exercisable up to and including 28 December 2014 (the Exercise Date). Reminder notices will be forwarded to the option holder prior to the Exercise Date. Options not exercised on or before the Exercise Date will lapse.
3. An Option is exercisable by notice in writing to the Company lodged at the office of the Company's share registry together with payment of the Exercise Price for each Option exercised. The minimum number of Options which may be exercised at any time is a marketable parcel except where less than that number is held in which case all Options held by one holder must be exercised.
4. The Company will not apply for official quotation of Options on the ASX. The Company will make application for official quotation on the ASX of new shares allotted on exercise of Options. Shares allotted on exercise of Options will participate equally in all respects with existing issued ordinary shares. In particular, shares allotted on exercise of Options will qualify for dividends declared after the date of allotment.
5. Options carry no right (without exercising the Options) to participate in rights issues which may be offered by the Company to its shareholders after the date of issue of the Options or in bonus issues or dividends. However the Company must give prior notice to Option holders of any new issue before the record date for determining entitlements to the issue in accordance with ASX Listing Rules and Option holders have the right to exercise the Options prior to the record date for determining entitlements.
6. If during the currency of Options the issued capital of the Company is reconstructed, the number or nominal value of Options to which the holder is entitled will be reconstructed in the same proportion as the issued capital of the Company is reconstructed (subject to the same provisions with respect to rounding of entitlements sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all respects the term for the exercise of the Options shall remain unchanged.
7. If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to this formula:

$$A = O - \frac{E(P - (S + D))}{(N + 1)}$$

Where:

- A = the new exercise price of the Option;
- O = the old exercise price of the Option;
- E = the number of underlying ordinary shares into which one Option is exercisable
- P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days ending on the day before the ex rights date or ex entitlements date (excluding special crossings and overnight sales);
- S = the subscription price for an ordinary share under the pro rata issue;
- D = the dividend due but not yet paid on each ordinary share at the relevant time (except those to be issued under the pro rata issue); and
- N = the number of ordinary shares that must be held to entitle holders to receive a right to one new ordinary share in the pro rata issue.
8. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
  9. Options may, with the prior approval of the Board, be transferred at any time prior to their expiry by completing a standard form of transfer.
  10. Optionholders appearing on the Company's Register of Optionholders at the relevant date will be entitled to receive and will be sent all reports and accounts required to be laid before shareholders in general meetings and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings.

**Annexure B**

**MARATHON RESOURCES LTD**

ACN 107 531 822

("The Company")

**EMPLOYEE SHARE OPTION PLAN**

# MARATHON RESOURCES LTD SHARE OPTION PLAN

## Plan Rules

### 1. Purpose

- (a) The Marathon Resources Ltd Share Option Plan provides Eligible Employees with the opportunity to acquire Options, and ultimately Shares, in the Company.
- (b) The manner in which Eligible Employees will be invited to participate in the Plan is set out in these Rules.
- (c) The Plan commences on the date these Rules are adopted by the Company or any later date that the Board decides.

### 2. Definitions and interpretation

#### 2.1 Definitions

In these Rules, unless the contrary intention appears:

**"Additional Requirements"** means the performance, vesting and/or other criteria (if any) that are determined by the Board and specified in the Offer Notice to an Eligible Employee.

**"Associate"** has the meaning ascribed to that term in *the Income Tax Assessment Act 1936* (Cth).

**"Associated Company"** means a related body corporate (within the meaning of that expression in the Corporations Act) of the Company, that the Board determines employees of which will be eligible to participate in the Plan.

**"ASX"** means ASX Limited ACN 008 624 691, or the securities exchange operated by ASX Ltd, as the context requires.

**"Base Number"** means the number of Shares for which the Options may be exercised as specified in the Certificate or otherwise under these Rules.

**"Board"** means the Board of Directors of the Company as constituted from time to time.

**"Certificate"** means an Option certificate issued pursuant to Rule 5 in such form as the Board may from time to time determine, and includes any replacement Certificate issued pursuant to Rule 7(c).

**"Company"** means Marathon Resources Ltd ACN 107 531 822

**"Control"** has the same meaning as in section 50AA of the Corporations Act.

**"Corporations Act"** means the *Corporations Act 2001* (Cth).

**"Date of Grant"** means the date the Options are granted to the Participant.

**"Eligible Employee"** means an Employee who has been in the employ of the Company for at least six months (or, in the case of a consultant, has been continuously engaged as a consultant by the Company for at least six months) and has been approved or selected to receive an invitation by the Board for participation in the Plan.

**"Employee"** means a person who the Board determines to be in the full-time or part-time employment of a company in the Group or a person otherwise in the employment of a company in the Group who the Board determines to be an Employee for the purposes of the Plan and, for the avoidance of doubt, includes directors of any member of the Group.

**"Exercise Period"** means, in respect of Options granted to a Participant, the period commencing on the first day after:

- (a) if Options are subject to vesting conditions, the date after satisfaction or waiver of all those vesting conditions; or
- (b) if the Options are not subject to vesting conditions, the Date of Grant;

and, subject to Rule 8 ending on the Expiration Date.

**"Exercise Price"** means the amount (if any) payable by a Participant on the exercise of an Option as specified in the Grant Notice.

**"Expiration Date"** means the earlier to occur of:

- (a) five years after the Date of Grant; and
- (b) the date of expiry (if any) specified in the Offer Notice.

**"Group"** means the Company and the Associated Companies.

**"Listing Rules"** means the listing rules of the ASX.

**"Notice of Exercise"** means a duly completed and executed notice of exercise of Option by a Participant, in a form approved by the Board from time to time.

**"Offer"** means an offer of grant of Options to an Eligible Employee under Rule 4(a).

**"Offer Notice"** means a notice issued to an Eligible Employee under Rule 4(a).

**"Option"** means a right, granted to a Participant, to subscribe for or acquire a Share under the Plan.

**"Participant"** means a person who holds an Option granted under the Plan.

"Plan" means the Marathon Resources Ltd Employee Share Option Plan established and operated in accordance with these Rules.

"Rules" means the rules governing the Plan set out in this instrument, as amended from time to time.

"Security Interest" means a mortgage, charge, pledge, lien or other encumbrance of any nature.

"Shares" mean fully paid ordinary shares in the capital of the Company.

## 2.2 Interpretation

In these Rules, unless the contrary intention appears:

- (a) reference to any legislation or any provision of any legislation includes any modification or re-enactment of the legislation or any legislative provision substituted for, and all legislation and statutory instruments and regulations issued under the legislation;
- (b) words denoting the singular include the plural and vice versa;
- (c) words denoting a gender include the other genders;
- (d) words denoting an individual or person include the individual's or person's legal personal representatives, executors, administrators and successors;
- (e) headings are for convenience only and do not affect the interpretation of these Rules;
- (f) reference to a clause or paragraph is a reference to a clause or paragraph of these Rules, or the corresponding Rule or Rules of this Plan as amended from time to time;
- (g) reference to any document or agreement includes reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (h) where any word or phrase is given a definite meaning in these Rules, any part of speech or other grammatical form of that word or phrase has a corresponding meaning; and
- (i) if a Participant is an Associate of an Eligible Employee then:
  - (i) a reference in these Rules to a Participant ceasing (for any reason and howsoever defined or described) to be an Employee is a reference to the Employee in respect of whom the Associate is the Associate so ceasing to be an Employee as if the Options held by the Associate were held by such Employee, and the Rules apply accordingly;
  - (ii) the Rules otherwise apply to and bind the Associate; and

- (iii) a reference in Rule 8(a) to a Participant, where Options are held jointly or otherwise by an Associate of an Employee, extends to the Employee of which the Participant is the Associate.

### **3. Eligibility**

- (a) Only Eligible Employees and their Associates may be granted Options under the Plan.
- (b) No Employee is entitled to Options unless the Board in its absolute discretion selects that Employee to be an Eligible Employee.

### **4. Grant of Options**

- (a) The Company may, by notice in writing, offer to grant an Eligible Employee Options in the Plan.
- (b) No amount will be payable by an Eligible Employee to the Company in consideration of the granting of Options.
- (c) The Offer Notice must specify:
  - (i) the name and residential address of the Eligible Employee to whom the offer is made;
  - (ii) the Acceptance Grant;
  - (iii) the number of Options granted to the Eligible Employee;
  - (iv) the Exercise Price or the manner of determining the Exercise Price; and
  - (v) the Additional Requirements (if any) and any other specific terms and conditions applicable to the Options,

and must be issued with such other information and documents as may be required by the Corporations Act (including any instrument of exemption or modification thereof) or the Listing Rules.

- (d) An Eligible Employee may either:
  - (i) accept the Offer made in the Offer Notice;
  - (ii) reject the Offer;
  - (iii) accept the Offer and nominate in writing that the Options be granted to one or more Associates of the Eligible Employee whereupon the Company may, at the discretion of the Board, grant the Options to the Associates of the Eligible Employee.

## **5. Certificate**

A Certificate must be issued evidencing that the Options have been granted to the Participant and setting out the number of Shares to which the Participant is entitled to subscribe for or acquire. The Certificate must be issued to the Participant within 2 months of the acceptance of the Offer by the Participant.

## **6. Entitlement**

- (a) Each Option entitles the Participant to acquire or to subscribe for and be allotted, credited as fully paid, one Share at the Exercise Price.
- (b) Subject to these Rules and the Listing Rules, the Company must allot Shares following the exercise of Options.
- (c) Shares issued on the exercise of Options will rank equally with all existing Shares of that class from the date of allotment.

## **7. Exercise of Options**

- (a) Subject to the satisfaction or waiver of the Additional Requirements (if any) and these Rules, an Option which has not lapsed is exercisable during the relevant Exercise Period by the Participant lodging with the Company, or such person nominated by the Board for that purpose, a Notice of Exercise signed by the Participant, together with the most recent Option Certificate and, subject to Rule 7(b), the Exercise Price for each Option to be exercised.
- (b) All payments pursuant to Rule 7(a) must be made by cheque or bank draft made out in favour of the Company, or such other method of payment approved by the Board, and must be forwarded to the Company Secretary of the Company, or such other person nominated by the Board for that purpose.
- (c) Each time a Participant exercises any Options covered by a Certificate, the Participant must exercise Options in multiples of 1,000 or such other number as the Board may decide (and, in the case where a Participant holds less than this number, the number held by a Participant). Where a Participant submits a Notice of Exercise in respect of any part of the Options held by the Participant, the Company must issue a replacement Certificate showing the transaction and the remaining number of Options held by the Participant.
- (d) Notwithstanding any other Rule, the Board is not obliged to accept a Notice of Exercise if, in its reasonable opinion, the resulting acquisition of Shares or, if the Shares were to be subsequently sold, such action by that Participant would likely breach the insider trading provisions of the Corporations Act.

## 8. Lapse of Options

- (a) Subject to Rule 8(b), an Option not previously exercised during the Exercise Period will lapse on the date which is the earlier of:
  - (i) the Expiration Date;
  - (ii) non-satisfaction of any Additional Requirements that would result in forfeiture or lapse of the Options;
  - (iii) a determination of the Board that the Options lapse following the Participant having in the opinion of the Board been dismissed for a reason which entitles the Company or an Associated Company to dismiss the Participant without notice or committing any act of fraud, defalcation or gross misconduct in relation to the affairs of the Company or any Associated Company (whether or not charged with an offence) or doing any act which in the reasonable opinion of the Board brings the Company or any Associated Company into disrepute;
  - (iv) except in the case of retirement at or after age 60 (or such earlier date as is approved by the Board), permanent disability, redundancy or death, one month after the date of termination of the Participant's employment with the Company or any Associated Company in circumstances other than those referred to in paragraph (iii) above; and
  - (v) the Company's receipt of notice of surrender of the relevant Options from a Participant.
- (b) The Board has the absolute discretion to determine that Options will not lapse on the occurrence of any of the events referred to in Rule 8(a)(ii) to (v) (inclusive), but the Board cannot allow Options to be exercised beyond the Expiration Date. A determination that Options will not lapse on the occurrence of an event referred to in rules 8(a)(ii) will constitute a waiver by the Board of the relevant Additional Requirements.

## 9. Transfers

- (a) Options are personal to the Participant and may only be exercised during the Exercise Period and not exercised by any other person or body corporate, (except that on the death of the Participant, the Options may be exercised during the Exercise Period in accordance with Rule 7 by the Participant's legal personal representative or in the event that an order is made for the Participant's estate to be administered under the laws relating to mental health, then by the person who is appointed to administer such estate).
- (b) The Options may be transferred at any time to any person, with the prior approval of the Board.
- (c) Options will not be quoted on the ASX.

## 10. Quotation of Shares

The Company will make application to the ASX for official quotation of Shares issued on the exercise of Options, if other Shares of that class of the Company are listed for quotation of the ASX at that time.

## 11. Changes in circumstances

- (a) In the event of any reorganisation of the capital of the Company, the terms of the Options must be reorganised in accordance with the Listing Rules as at the date of reorganisation.
- (b) Participants will not be entitled to participate in any new issue of Shares in the Company as a result of such holding unless they have become entitled to exercise their Options under the Plan and do so prior the record date for the determination of entitlements to the new issue and participate as a result of being a holder of Shares.
- (c) If the Company makes a bonus issue of Shares pro-rata to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been allotted in respect of an Option before the record date for determining entitlements to the bonus issue, then the number of Shares over which the Option is exercisable must be increased by the number of Shares which the Participant would have received if the Participant had exercised the Option prior to the record date.
- (d) If the Company makes an offer of Shares pro-rata to existing shareholders (other than a Bonus Issue and an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been allotted in respect of an Option before the books closing date for determining entitlements to the rights issue, the Exercise Price of the Option must be adjusted in accordance with the Listing Rules on the basis that the Exercise Price is the exercise price referred to in the Listing Rules.
- (e) If the Company from time to time offers shareholders other securities, then the Board will determine in its absolute discretion whether the other securities are to be offered to Participants on the exercise of Options or whether any other equivalent securities, interest or rights will be offered to them and the basis thereof, to the intent that on the exercise of Options the Participants may be treated whenever possible as if they were shareholders at the Date of Grant.
- (f) The Board will be entitled to have any calculations or adjustments which are required to be made for the purposes of these Options to be made by the auditors of the Company for the time being and such calculations, in the absence of manifest error, will be final and conclusive and binding on the Participant.
- (g) The Company must notify each Participant of any adjustments made to the Exercise Price or the number of Options or the number of Shares underlying each Option.

## 12. Takeover, scheme of arrangement, voluntary winding up

- (a) Where, prior to the Expiry Date and whether or not Rules 12(b), 12(c) or 12(d) apply, the Board determines that there are circumstances which have occurred or are likely to occur which will result in significant changes to the structure or control of the Company which may materially adversely affect the rights of or value of benefits to Participants, the Board must give written notice of such determination and notwithstanding any other provisions of these Rules must henceforth allow each Participant to lodge with the Company a Notice of Exercise.
- (b) If offers to acquire Shares in any class of shares in the Company are made under a takeover scheme or takeover announcement, then the Board must immediately give written notice to each Participant of the takeover offer and the Participant may, notwithstanding any other provisions of these Rules, exercise any Options at any time during the period of 6 months after the date on which the offers are made or, if the offers are conditional, the date on which the offers become unconditional, provided that no Option will be capable of exercise later than the Expiration Date.
- (c) If a scheme of arrangement under the Corporations Act is proposed between the Company and its shareholders, the Board may, at the request of the Participant:
- (i) if another company ("acquiring company") acquires Control of the Company and with the agreement of the acquiring company, seek to arrange that, as a condition of the proposed scheme, the Options relate to shares in the acquiring company instead of Shares, on such terms as are agreed between the Company, the option holder and the acquiring company (in which case this document will apply with all necessary modifications as if references to Shares were references to shares in the acquiring company and references to the Company were references to the acquiring company); and/or
  - (ii) notwithstanding the other provisions of these Rules, permit Options to be exercisable, conditional on the scheme of arrangement becoming effective during such a period and on such other terms as it may decide provided that no Option will be capable of exercise later than the Expiration Date.
- If no determination is made under paragraphs (i) or (ii), Options will continue to be subject to these Rules and the terms and conditions on which they were granted.
- (d) If a resolution for a member's voluntary winding up of the Company is to be put before members of the Company (other than for the purpose of a reconstruction or amalgamation) the Participant may, notwithstanding any other provision of these Rules, exercise his or her Options immediately such notice of meeting of members is

dispatched to members provided that no Option will be capable of exercise later than the Expiration Date.

### **13. Notices**

Any notice or direction given under these Rules is validly given if it is handed to the person concerned or sent by ordinary prepaid post to the person's last known address or in such manner as the Board from time to time determines.

### **14. Right to accounts**

Participants will have the right, upon request, to be sent all reports and accounts required to be laid before members of the Company in a general meeting and all notices of general meetings of members but will not, as a Participant, have any right to attend or vote at those meetings.

### **15. Limitations on size of the Plan**

The number of Shares acquired during the previous 5 years from new issues by the Company under all employee share schemes established by the Company (including as a result of exercise of options to acquire unissued Shares granted under any such employee share scheme) when aggregated with the number of Shares which would be acquired from new issues by the Company under all employee share schemes established by the Company were all outstanding options to acquire unissued Shares (issued pursuant to such employee share schemes) to be exercised must not exceed 10% of the total issued share capital of the Company.

### **16. Variation of Rules**

- (a) The Company may, subject to the Listing Rules and Rule 16(b), add to or vary any of these Rules, or waive or modify the application of any of these Rules in relation to any Participant, at any time by resolution of the Board.
- (b) If an addition or variation under Rule 16(a) reduces the rights of Participants in respect of Options held by them prior to the date of amendment under the Plan, the Board must obtain the consent of three-quarters of the Participants affected by such addition or variation.

### **17. Termination or suspension of the Plan**

The Plan may be terminated or suspended at any time by the Board, but any such termination or suspension will not affect or prejudice rights of Participants holding Options at that time.

## **18. Administration of the Plan**

- (a) The Plan will be administered by the Board in accordance with these Rules. The Board may make regulations for the operation of the Plan that are consistent with these Rules.
- (b) Where the Rules provide for a determination, decision, approval or opinion of the Board, such determination, decision, approval or opinion of the Board is in its absolute discretion.
- (c) Any power or discretion that is conferred on the Board by these Rules may be exercised by the Board in the interests or for the benefit of the Company, and the Board is not, in exercising any such power or discretion under any fiduciary or other obligation to any other person.
- (d) The decision of the Board as to the interpretation, effect or application of these Rules will be final.
- (e) The Board may delegate such functions and powers under this Plan, as it may consider appropriate, for the efficient administration of the Plan, to a committee made up of a person or persons capable of performing those functions and exercising those powers.
- (f) The Board or a committee may take and rely upon independent professional or expert advice in or in relation to the exercise of any of their powers or discretions under these Rules.

## **19. No Interest in Shares**

A Participant has no interest in Shares the subject of his or her Options unless and until those Options are exercised and underlying Shares are allotted to that Participant.

## **20. Rights of Participant**

Nothing in these Rules:

- (a) confers on any Participant the right to continue as an Employee of the Company or any Associated Company;
- (b) affects any rights which the Company or any Associated Company may have to terminate the employment of any Employee; or
- (c) may be used to increase damages in any action brought against the Company or any Associated Company in respect of any such termination.

## **21. General**

- (a) The entitlements of the Participants and these Rules are subject to the Company's Constitution, the Listing Rules and the Corporations Act.

- (b) The Plan must operate in accordance with these Rules, which bind the Company, each Associated Company, and each Participant.
- (c) Notwithstanding any Rule or the terms of any Option, no Option may be granted or exercised if to do so would contravene the Corporations Act or any other applicable laws or the Listing Rules.
- (d) The Company must pay all the expenses, costs and charges incurred in operating the Plan. The Company is not responsible for any duties or taxes which may become payable in connection with the issue and allotment of Shares pursuant to an exercise of the Options or any other dealing with the Options or Shares.

## **22. Security Interests**

Participants may not grant any Security Interest in or over or otherwise dispose or deal with any Options or any interests therein, and any such Security Interest or disposal or dealing will not be recognised in any manner by the Company.

## **23. Governing Law**

This Plan and the rights of the Participants under the terms and conditions of the Plan are to be governed by the laws of South Australia.



000001 000 MTN  
 MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

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Vote online or view the annual report, 24 hours a day, 7 days a week: <a href="http://www.investorvote.com.au">www.investorvote.com.au</a>	
<input checked="" type="checkbox"/> <b>Cast your proxy vote</b> <input checked="" type="checkbox"/> <b>Access the annual report</b> <input checked="" type="checkbox"/> <b>Review and update your securityholding</b>	<b>Your secure access information is:</b> <b>Control Number: 9999999</b> <b>SRN/HIN: I9999999999      PIN: 99999</b> <b>PLEASE NOTE:</b> For security reasons it is important that you keep your SRN/HIN confidential.

**For your vote to be effective it must be received by 9.30am (Adelaide time) on Tuesday, 17th November 2009**  
**How to Vote on Items of Business**

All your securities will be voted in accordance with your directions.

**Appointment of Proxy**

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

**Signing Instructions for Postal Forms**

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

**Attending the Meeting**

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.computershare.com](http://www.computershare.com).

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
 or turn over to complete the form →**

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



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## Proxy Form

Please mark  to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Marathon Resources Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Marathon Resources Limited to be held at the Sebel Playford, 120 North Terrace, Adelaide, South Australia on Thursday, 19th November 2009 at 9.30am and at any adjournment of that meeting.

**Important for Items 3 & 7:** If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 3 & 7 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 3 & 7 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of items 3 & 7 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

### STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on the behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1. Re-election of Mr Chen Zeng as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval of grant of Options to Chairman, Mr Peter Williams	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of grant of Options to Director, Mr Chen Zeng	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval of grant of Options to Director, Mr Christopher Schacht	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval of grant of Options to Director, Dr John G (Shad) Linley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Approval of amendment of terms of existing Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

### SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

\_\_\_\_\_

Contact Daytime Telephone

\_\_\_\_\_

Date / /

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Computershare