

ANNUAL
REPORT
2010





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Chairman's Address

On behalf of the Board of Directors I have pleasure in presenting the Seventh Annual Report to shareholders of Marathon Resources Limited ("Marathon").

We are very encouraged by the work undertaken on Marathon's Exploration Licence area 4355 (EL 4355) in the Northern Flinders Ranges during the past year ended 30 June 2010, including the Mt Gee resource.

Your Board and management look forward to further extensive exploration of this resource which is well documented as presently the 5th largest undeveloped uranium resource in Australia.

As part of Marathon's 2009-2010 operations, we completed the rectification of the Mt Gee project site and prepared a comprehensive report on the rehabilitation and revegetation of the area. The Company continued with permitted exploration work on EL 4355 and by September 2009, had completed 4443 line kilometres of heli-mag survey, analysis, mapping and radiometric surveys.

In October 2009, Primary Industries and Resources South Australia ("PIRSA") renewed Marathon's Exploration Licence for one year, but with limited scope in anticipation of amendments to the South Australian Mining Act being passed. Marathon supports the amendments proposed by the Government to the Mining Act and considers the existing regulatory regime to be both appropriate and competitive in order to attract internationally-sourced risk capital to the State.

Following PIRSA's granting of the renewed Exploration Licence in October 2009, Marathon lodged immediately the required

Declaration of Environmental Factors ("DEF"). Disappointingly, the application was not approved until eight months later in June 2010, and non-ground disturbing activities were not allowed to re-commence until July 2010.

The South Australian Government issued its Northern Flinders Ranges Project document ("NFR Project") named "Seeking a Balance" on 27th October 2009 and no action was taken on the DEF lodged by Marathon pending the lodgement of submissions to the NFR Project. Marathon has always acknowledged that the part of the North Flinders Ranges contained within the Company's EL 4355 does contain significant areas of cultural and biodiversity value but equally it also contains areas of high mineral prospectivity of great potential to shareholders and to the state of South Australia.

Marathon submitted a report to the SA Government on the "Seeking a Balance" document, after the closing date for submissions was extended to 29th January 2010. In our report we stated:

"Marathon Resources believes the proposed management plan for the Northern Flinders Ranges is a flawed policy document that:

- ***was undertaken without consultation with key stakeholders;***
- ***relies on a questionable scientific base;***
- ***adds unnecessary layers of regulation and control.***

Importantly the proposed paper could have a significant unintended consequence that would seriously damage South Australia's reputation as a safe haven for investment."

The issue of sovereign risk for South Australia was raised and that the State's credibility could be damaged in international investment fund markets.

The NFR Project, however, has not been well received by miners and explorers, or by parties opposed to the resources industry. Marathon believes that existing laws and regulations are consistent with other Australian states and provide sufficient management and control for the industry to develop in a socially, economically and environmentally responsible manner. This includes the stringent rules which apply to approvals around all Environmental Impact Statement applications which in turn ensure that all stakeholders' interests are protected.

There is substantial risk for South Australia should the retrospective provisions of the NFR Project become enacted. Meanwhile, Marathon is committed to delivering the highest standards of practice for all of its activities and will continue direct dialogue with all relevant stakeholders.

From an operational point of view, Marathon has maintained a focus on permitted exploration activities and has recovered from the reputational problems of the previous year.

This has meant a great deal of perseverance and determination being displayed by your Company's Directors and staff and I thank them most sincerely for their contributions.

It has been a commendable effort to address the key issues of political and public scrutiny while maintaining the Company's obligations and objectives.

Your Board remains most confident that the exploration work we have undertaken has identified a very prospective resource at Mt Gee and we look forward to reporting the results of our activity during the next phase of development.

The market for uranium exports remains buoyant and long-term arrangements can be negotiated satisfactorily where large deposits are proven. Marathon believes that this opportunity can be realised in the near future for the Company and its shareholders.



Peter L Williams

Directors' Review of Operations

Mt Gee Uranium Project South Australia (EL 4355)

Resource Statement

The current resource estimate of our Mt Gee uranium project is 31.3Kt* of contained U_3O_8 . This ranks our project as the fifth largest undeveloped uranium deposit in Australia.

The Company believes potential exists for further mineralisation at Mt Gee, as the deposit is open to the northeast, east and southeast of the delineated mineralisation.

Additional mineralisation is evident at the Armchair and Hodgkinson deposits. However, resource estimates will not be possible until additional infill drilling is completed.

Replacement of Exploration Licence EL3258 with EL4355

Exploration Licence 3258 expired on 10th October 2009 at the end of the statutory five year period. Primary Industry and Resources South Australia (PIRSA) granted a Replacement Licence No 4355 over the same area as EL 3258 on 22nd October 2009 for a period of one year. Additional Conditions were attached to EL 4355. Prior to carrying out any exploration operations, approval must be obtained from the Director of Mines and the Chief Executive of Department of Environment and Heritage (DEH). An application supported by a Declaration of Environmental Factors (DEF) to carry out such operations must be lodged with PIRSA.

Declaration of Environmental Factors

In accordance with the new conditions attached to EL 4355 Marathon lodged a DEF with PIRSA. The first DEF was submitted on 20th November 2009 to obtain permission to conduct low-impact, non-invasive exploration activities including geological mapping, stream sediment sampling and helicopter supported ground gravity surveying. The DEF was resubmitted in April 2010 in response to comments from PIRSA and DEH in late March 2010 and the approved exploration program was finalised on 29th June 2010.

Helicopter Magnetic and Radiometric Survey

Magnetic/radiometric data coverage over EL 3258 Mt Gee previously consisted of a consolidation of two airborne surveys completed by CRA Exploration in the early 1990s. In September 2009, Marathon completed a helicopter-based high resolution magnetic and radiometric survey over the whole of EL3258. The re-surveyed data displays a significant improvement compared to the previously existing data. The radiometric survey delineated numerous surface uranium occurrences within the highly fractured Paralana Mineral System (Figure 1). A number of these uranium occurrences appear within discrete steeply dipping shear systems. Marathon is particularly interested in these enriched shear systems, as they may represent the elusive "feeder systems" from the underlying granites.

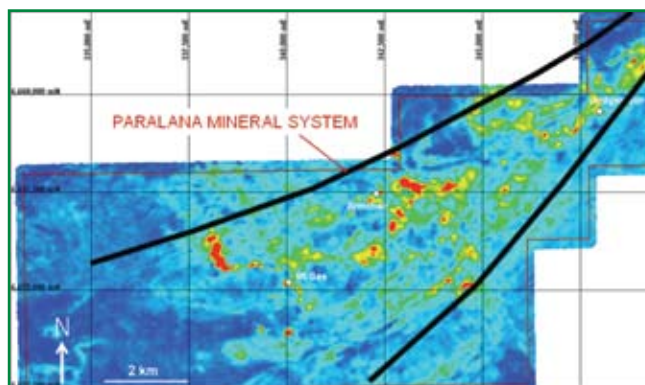


Figure 1: Radiometric image (uranium channel) showing numerous uranium occurrences within the Paralana Mineral System.

The new detailed magnetic survey also assisted in identifying additional structural patterns associated with mineralisation (Figure2)

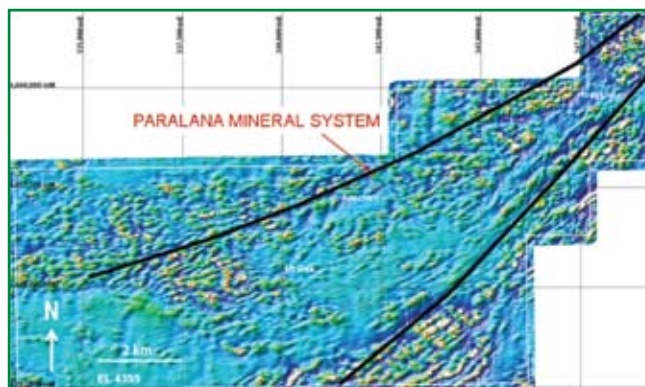


Figure 2: New detailed airborne magnetic image (Reduce to Pole, first vertical derivative) highlighting both major lineaments and subtle structures associated with mineralisation.

Mapping

Detailed geological mapping at a scale of 1:1000 was completed over two shear zones identified by the new radiometric survey – i.e., Shearadean and Sheardava. Mapping has confirmed a complex structural association with high grade uranium mineralisation at these two areas. Surface assay readings were taken during mapping with a Radiation Solutions RS 230 spectrometer. Ten samples collected from previous mapping in collaboration with Tübingen University students were also assayed to validate the readings from the RS-230 Gamma Ray Spectrometer. Results in Figure 3 show a good correlation between the laboratory assay and the spectrometer readings.

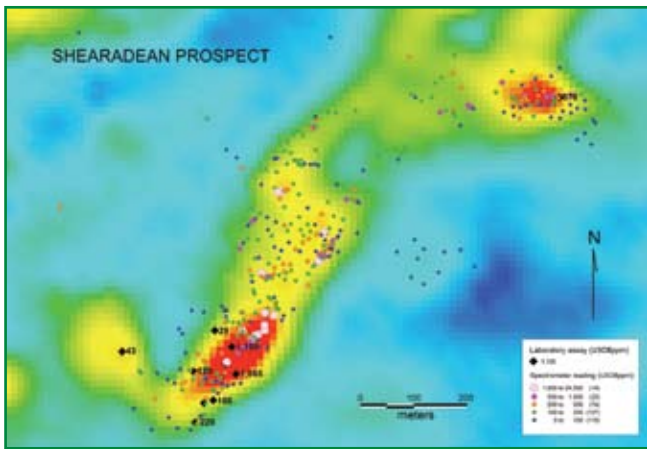


Figure 3: Radiometric image (uranium channel) of Shearadean prospect showing compatible results from rock chip samples and spectrometer readings.

Re-logging and photographing of previous drill holes

In a data assessment program, 11 Exoil holes, 3 Marathon holes, 45 CRA Exploration holes and 31 SA Mines Department underground holes were re-examined and 9,292 metres of core were photographed. Some of these holes were re-logged and re-assayed. The program was designed to confirm different types of uranium mineralisation identified during the mapping program that are different to the previously known "Hematite Breccia". Mineralisation in the Mt Painter region shows a number of distinctive structural characteristics and geochemical signatures. They possibly represent various mineralised structures with different concentrations of Cu, Mo and rare earth elements.

Helicopter Supported Stream Sediment In-Fill Survey Results

A sampling programme was designed to repeat anomalous samples defined in the late 2008 regional sampling programme and in-fill with closer spaced samples. Additional samples were collected in the west of the tenement. Access to the sample sites was either by helicopter or on foot. A total of 85 samples were collected and assayed.

The additional coverage means the geochemical database is compatible with the new full tenement aeromagnetic, radiometric and gravity datasets. The current geochemical interpretation integrated all available assay results from previous surveys.

The results confirm the strong correlation between the ME-MS23 and ME-MS61 assay techniques for the ore elements U, Mo and Cu. It also demonstrates that the partial leach technique has effectively defined prospective areas for further exploration at the same time as negating possible interference. Five priority areas were identified with two indicative of previously unidentified mineralisation.

Ground Gravity Interpretation

During November and December 2008, a total of 1,967 gravity stations were recorded on three detailed lines, three grids, and 72 regional stations. The three detailed lines were recorded over areas of known mineralisation and the results are being used to assist in the interpretation of a more detailed survey over our EL. The three grids extended an existing detailed survey from 2001 and covered rock types known to host uranium mineralisation. The regional stations were measured at one kilometre intervals over the remainder of the tenement.

The entire gravity data set was reprocessed and the compiled images display various structures and structural domains within the tenement including a strong NE and NW/NNW grain.

Directors' Review of Operations

Glendambo Prospect

South Australia U, IOCG (EL 3211, EL 3474, EL 3540, EL 3595)

The prospect area is located 250 kilometres northwest of Port Augusta, South Australia. EL 3595 (Coondambo) is a 50/50 Joint Venture with Platsearch Limited, while UraniumSA Limited undertook exploration in EL 3211 (Mulga Well), EL 3474 (McDowell Hill) and EL 3540 (Bon Bon) for palaeochannel uranium under its joint venture with Marathon.

During the reporting period EL 3474 (McDowell Hill) and EL 3540 (Bon Bon) were relinquished because they lie within the Woomera Prohibited Area and access to explore was denied by Royal Australian Air Force Aerospace Operational Support Group. The exploration potential of EL 3595 has been re-assessed resulting in it being terminated on 02/06/10.

No field work was carried out on the Mulga Well EL 3211 tenement. Assessment of geochemical and geophysical data identified possible drill targets, but drilling is pending a review of the Company's exploration programme.

EL 4052 Blanchetown

South Australia Heavy Mineral Sands

The prospect area is located approximately 120 kilometres northeast of Adelaide, South Australia. Using geochemistry as an exploration tool, Marathon identified several strandlines considered likely to contain concentrations of heavy mineral sands.

A helicopter supported magnetic and radiometric survey was completed over six test areas within the tenement. Each area is approximately two square kilometres, with 25 metre spaced survey lines oriented north-south. The detailed magnetic data was aimed at defining possible economic concentrations of heavy minerals within the strandlines. To highlight these trends, various filters were applied to the data during geophysical processing. Figure 4 illustrates a hybrid image that highlights some linear features that could be drill tested for heavy minerals. A decision on drilling is pending a review of the Company's exploration programme.

Environmental management

In 2008, the company undertook a complete review of our structure, objectives and operations. A key outcome of the review was the decision to develop a full Environmental Management System (EMS) that is compliant with ISO 14001 standards. The EMS implementation commenced in 2008-2009, and was completed in 2009-2010.

Research

Exploration licence 4355 is located within a significant tectonic deformation regime associated with the Paralana Fault System of the Mt Painter Inlier. The area has been intensely explored for polymetallic / uranium mineralisation resulting in the identification of significant resources.

Previous exploration was focused on the mineralised "hematite breccias" which lead to the discovery of the Mt Gee deposit, currently the 5th largest undeveloped uranium deposit in Australia. However, current work conducted by Marathon has identified more than one type of mineralisation within the system. Significant shear zones have been found to be associated with high grade uranium mineralisation and so a detailed study is needed to investigate these new styles of mineralisation. Some mapped "hematite breccias" may only be surface features formed in the weathering profile. A regolith study will help determine if the "hematite breccias" are just lateritic caps or actual brecciated brittle structures.

Three projects are being established in the form of R&D Honours Projects, in collaboration with the University of Adelaide and PIRSA for the year 2011. This will bring benefits to Marathon and will also provide support for students and researchers in South Australia. These studies will enhance the understanding of ore genesis; structural controls of fluid conduits; define different rock types and their evolution; and interpret an underground projection from the surface exposures for various structures and rock types.

Water and Power studies

Studies to identify sources of power and water for the Mt Gee project are continuing. A review of options for a suitable power supply for a mine is giving consideration to conventional and renewable energy sources, including geothermal. Investigation into water supply options had included identification of water sources for the recommencement of a drilling programme at Mt Gee and development works for a mine and operation of a mine. While local groundwater supplies within the Mt Gee area are sufficient for a drilling programme, alternative sources of water will be required for construction and operation of a mine. A search for sustainable water supplies is continuing and the next stage will include geophysical studies to identify prospective groundwater targets for drilling.

Community engagement

Marathon Resources engages its stakeholders in a variety of ways. For its Mt Gee uranium project, a formal community engagement mechanism was established in 2007. The Northern Flinders Community Consultative Committee (NFCCC) is independently chaired.

In addition to the NFCCC, the Company actively sponsors a range of community activities and events. Marathon Resources is also an ongoing supporting partner of the Royal Flying Doctor Service.

Indigenous relations

The Company recognises its legal, social, and economic obligations to develop and sustain relationships with the Indigenous traditional land owners at all its tenements, and is aware that during any exploration and proposed mining operational phases, it must comply with State and Commonwealth legal requirements relating to Native Title matters.

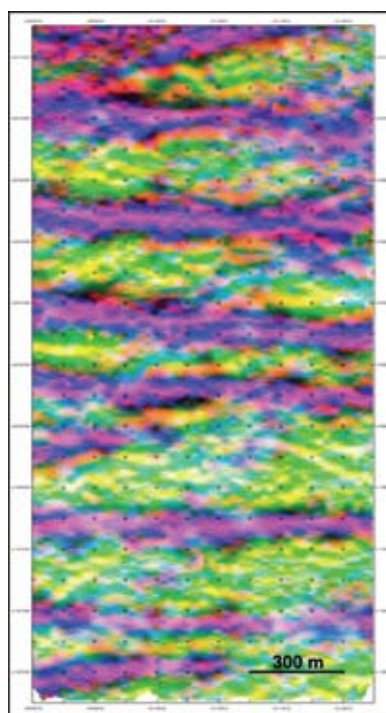


Figure 4: An example of a hybrid image [from Area 2] with magnetic intensity in the red colour band, the Thorium channel data is in the green colour band and the DTM (elevation) in the blue band. The process highlights trends and features which could potentially be tested for heavy mineral strand lines.

*

Category	Tonnes (Mt)	Grade U ₃ O ₈ (ppm)	Tonnes U ₃ O ₈ kt
Indicated	4	706	2.8
Inferred	47	607	28.5
Total	51	615	31.3
# at 300 ppm U ₃ O ₈ cutoff			

Information in this Annual Report relating to Exploration Results has been compiled by Dr Phung Nguyen B.Sc (Hons), PhD (Uni.WA.), a part-time employee of Marathon and a Member of the AusIMM. 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. At time of reporting Tony Marshall was Principal Geologist with SMG Consulting and a full-time employee of that company.

Each respectively has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which each 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".

Each respectively consents to the inclusion in this Report of the statements based on the information in the form and context appearing.

Directors' Report

The directors present their report on Marathon Resources Limited entity ("Group") for the year ended 30 June 2010.

Directors

The names of the directors in office at any time during or since the end of the year are:

Peter Williams (appointed 21.05.2004)

Chen Zeng (appointed 27.12.2006)

Christopher Schacht (appointed 24.01.2008)

John G. (Shad) Linley (appointed 30.06.2008)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.



Information on Directors

Peter Williams – BEc, FCA

Chairman (non-executive) | Appointed 21st May 2004
Peter Williams is a Chartered Accountant with extensive professional and commercial experience. He has broad experience as managing director and chairman of public companies. He was a partner of Deloitte for 17 years and Managing Director of the Lloyd Helicopter group then Enterprise Solutions Asia Pacific Limited. Since then he has acted as a non-executive director of venture capital company Playford Capital Pty Ltd. He is a member of the Company's Audit Committee.

Chen Zeng – BA (Economics) Masters Degree in International Finance Shanghai University of Finance and Economics

(non-executive) | Appointed 27th December 2006
Mr Chen Zeng is Executive Chairman of CITIC Australia Pty Ltd and CITIC Resources Australia Pty Ltd, the Australian arm of China's CITIC Group which has assets of over \$20 billion. He is President & CEO of CITIC Resources Holdings Ltd (Hong Kong listed). He was appointed Director of CITIC Group in January 2010. Mr Zeng is also a Director of Macarthur Coal Ltd (ASX listed). He is a member of the Company's Audit Committee.

Christopher Schacht

(non-executive) | Appointed 24th January 2008
Christopher Schacht is a qualified teacher who entered political service in the 1970s as a ministerial advisor to both SA state government then Federal government. Mr Schacht served in the Senate of the Federal Parliament for 15 years until 2002. During his time as a minister from 1993 to 1996, he held the portfolios at various times of Science, Small Business, Customs and Construction. Currently, a self-employed consultant, advisor and investor, Mr Schacht is the President of the Australian Volleyball Federation and in October 2006 he was elected to the Legal Commission of the FIVB (Federation Internationale de Volleyball) for a four year term. He is the chairman of the Company's Audit Committee.

John G (Shad) Linley – Doctorate of Philosophy (Adelaide University),

BSc (Hons), F AusIMM (CEO)

Chief Executive Officer | Appointed 30th June 2008 (Non-Executive)
Appointed 10th June 2009 (CEO)

Dr Linley is a qualified geologist holding a PhD from the University of Adelaide. Recently CEO of Sun Metals, the world's most efficient and environmentally sensitive zinc refinery was successfully built and operated under his stewardship on the edge of the Great Barrier Reef. Dr Linley's career has also included roles such as the Vice President of Texas Gulf Australia, Director of the Centre for Strategic Industrial and Resource Development in Brisbane and positions with Fluor Engineers and Constructions where he was involved in the Olympic Dam project. Dr Linley is also a director of Kagara Ltd (ASX listed).

Company Secretary

Stuart Appleyard – LLB

Appointed 28th January 2004

Stuart Appleyard is a practising lawyer with extensive experience in corporate, commercial and property law. A consultant with Lynch Meyer, Lawyers, he has a particular focus on complex commercial agreements, joint ventures, property advising and development, and due diligence associated with those areas. He has advised on mining, resource and native title issues in both South Australia and the Northern Territory. He is secretary of the Company's Audit Committee.



Directors' Report

Corporate Governance

The Board of Marathon Resources Limited is committed to achieving and demonstrating the highest standards of corporate governance and has adopted practices and policies in accordance with the ASX Corporate Governance Recommendations. The Corporate Governance Statement forms a separate part of the Annual Report.

Significant Changes in the State of Affairs

Having regard for the uncertain impact of the global financial crisis the Directors elected to ensure a prudent approach to the utilisation of cash. During the year all tenements that were unlikely to generate a positive outcome from further exploration spending were discontinued.

The Company focus was wholly directed at the Mt Gee (EL 4255) tenement which contains Australia's fifth largest undeveloped uranium resource.

After Balance Date Events

There is no matter or circumstance that has arisen since 30th June 2010 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

OPTIONS

At the date of this report, the unissued ordinary shares of Marathon Resources Limited under options are as follows:

Grant Date	Date of Expiry	Exercise Price		Number under Option
		At Grant	Post 2007 Rights	
16th November 2006	30th June 2011	\$1.18	\$ 1.0367 (1)	3,000,000
2nd September 2009	2nd September 2012	\$ 0.80	-	1,000,000
15th December 2009	31st December 2014	\$ 1.10	-	1,000,000
				5,000,000

(1) Following a rights issue in November 2007 unexercised options at that date become subject to an exercise price reduction.

During the year ended 30 June 2010, and to the date of this report the following ordinary shares of Marathon Resources Limited were issued on the exercise of options. No amounts are unpaid on any of the shares.

Exercise Date	Exercise Price	Number of Shares to be Issued
24th June 2010	\$ 0.0567	30,000
24th June 2010	\$ 0.3067	30,000
		60,000

None of the options entitles the holders to participate, by virtue of the options, in any dividend or share issue of any other corporation.

Principal Activities

The principal activity of the Group during the year was mineral exploration. There were no significant changes in the nature of these activities during the year.

Review of Operations and Operating Results

The Company's Directors have set out a review of operations for the year in a separate report on pages 4 to 7.

The consolidated operating loss of the Group for the financial year to 30 June 2010 after applicable income taxes was \$ 4,085,557 (2009 Loss of \$ 5,605,221).

Dividends

The Directors do not recommend the payment of a dividend and no amount has been paid or declared since the end of the previous financial year.

Future Developments, Prospects and Business Strategies

The Group is a mineral explorer and, potentially, a miner of uranium, gold and other metals in future years. The outcomes of these operations cannot be predicted at this time. The Group may require further capital to sustain these activities.

Environmental Issues

The Group's operations are subject to environmental regulation.

No notification of any breach of any environmental regulation has been received in respect of any of the Company's tenements during the year.

Auditor's Independence

The auditor has not been engaged during the year for any non-audit services which may have impaired the auditor's independence. The auditor's independence declaration for the year ended 30 June 2010 has been received and is included in this report.

Directors' and Executives' Remuneration – Audited

Remuneration Policy

The remuneration policy is designed to align Key Management Personnel objectives with shareholder and business objectives by providing a fixed remuneration package to Non-Executive Directors and time based remuneration to Executive Directors. The Board of Marathon believes the policy to be appropriate and effective in attracting and retaining the best Directors and Executives to manage and direct the Group, as well as to create goal congruence between Directors, Executives and shareholders.

The Company's policy for determining the nature and amounts of emoluments of board members and other Key Management Personnel of the Company is as follows.

The Company's Constitution specifies that the total amount of remuneration of Non-Executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of Non-executive Directors has been set at \$500,000 per annum. Directors may apportion any amount up to this maximum amount amongst the Non-Executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The remuneration of the Managing Director is determined by the Non-Executive Directors and approved by the Board as part of the terms and conditions of his employment which are subject to review from time to time.

The remuneration of other executive officers and employees is determined by the Chief Executive Officer subject to the approval of the Board.

Non-Executive Director remuneration is by way of fees and statutory superannuation contributions. Non-Executive Directors do not participate in schemes designed for remuneration of executives but they may receive options or bonus payments subject to shareholder approval and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of Marathon given the nature of the Company's business as a mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success for the Company and to maximise the long term performance of the Company.

As the Company is a mineral exploration entity, in the opinion of the Board, the Company's earnings and the consequences of the Company's performance on shareholder wealth are not related to the Company's remuneration policy.

Directors' Report

Directors' and Executives' Remuneration

Directors	Directors Fees	Salary and wages	Cash Bonus	Superannuation Contributions	Share-based Payments Options	Total	% of remuneration consisting of options	
P.L. Williams	2010	60,000	-	-	5,400	59,500	124,900	48%
	2009	55,000	-	-	4,950	-	59,950	-
C Zeng	2010	40,000	-	-	3,600	59,500	103,100	58%
	2009	35,000	-	-	1,800	-	36,800	-
C. Schacht	2010	40,000	-	-	3,600	59,500	103,100	58%
	2009	35,000	-	-	3,150	-	38,150	-
J Linley	2010	40,000	73,904	-	10,251	517,500	641,655	81%
	2009	35,000	5,555	-	3,150	-	43,705	-
Executives								
S. Appleyard	2010	-	45,000	-	20,400	-	65,400	-
	2009	-	45,000	-	20,400	-	65,400	-
I. McRae	2010	-	105,860	-	31,250	-	137,110	-
	2009	-	187,502	25,000	93,317	-	305,819	-
Total	2010	180,000	224,764	-	74,501	696,000	1,175,265	59%
	2009	160,000	238,057	25,000	126,767	-	549,824	-

Options issued as part of remuneration for the year ended 30 June 2010

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the relevant directors and executives of Marathon Resources Limited and its subsidiary to increase goal congruence between executives, directors and shareholders.

Options Granted as Remuneration

Director / Executive	Granted No	Grant Date	Value per Option at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
John G (Shad) Linley	1,000,000	2nd Sept 2009	0.458	0.80	3rd Sept 2009	2nd Sept 2012
Grant of options pursuant to shareholder approval at an EGM on 2nd September 2009.						
Peter Williams	250,000	15th Dec 2009	0.238	1.10	16th Dec 2009	31st Dec 2014
Chen Zeng	250,000	15th Dec 2009	0.238	1.10	16th Dec 2009	31st Dec 2014
Christopher Schacht	250,000	15th Dec 2009	0.238	1.10	16th Dec 2009	31st Dec 2014
John G (Shad) Linley	250,000	15th Dec 2009	0.238	1.10	16th Dec 2009	31st Dec 2014
Grant of options pursuant to shareholder approval at AGM on 19th November 2009.						

All options were granted for nil consideration and vested on issue.

Contracts of Service

Mr Ian McRae was appointed general manager on 19th February 2008 and is employed on a three year contract which may be terminated by either party by giving 3 months notice in writing to the other party. Mr McRae's primary responsibility is the supervision of the Mt Gee project. In this respect an element of his remuneration is performance related. A bonus is earned on achievement of periodic KPIs set by the board. At balance date no performance hurdles had been reached and no bonuses paid. The performance related bonus recognised in 2009 was a short term incentive related to environmental rectification. There are no long term incentives in place. On the appointment of a CEO on 10th June 2009 Mr McRae's designation changed to Mt Gee Project Manager on that date.

Number of Options Held by Key Management Personnel

	Balance 01.07.2009	Granted as Compensation	Option Exercised	Net Change	Other*	Balance 30.06.10
Peter Williams	-	250,000	-	-	-	250,000
Chen Zeng	-	250,000	-	-	-	250,000
Chris Schacht	-	250,000	-	-	-	250,000
John G (Shad) Linley	-	1,250,000	-	-	-	1,250,000
Stuart Appleyard	-	-	-	-	-	-
Ian McRae	-	-	-	-	-	-
Total	-	2,000,000	-	-	-	2,000,000

* 'Net Change Other' refers to options forfeited or expired during the financial year.

Number of Shares Held by Key Management Personnel

	Balance 01.07.2009	Received as Compensation	Option Exercised	Net Change Other*	Balance 30.06.10
Peter Williams	817,600	-	-	-	817,600
Chen Zeng	-	-	-	-	-
Chris Schacht	63,000	-	-	(7,500)	55,500
John G (Shad) Linley	375,000	-	-	-	375,000
Stuart Appleyard	1,590,048	-	-	-	1,590,048
Ian McRae	33,000	-	-	-	33,000
Total	2,878,648	-	-	(7,500)	2,871,148

* Net Change Other refers to shares purchased or sold during the financial year.

Meetings of Directors

During the financial year, the number of meetings held at which a director was eligible to attend and the number actually attended by each director were:

Board Meetings	Appointed	Meeting Held	Meetings Attended
Peter Williams	21 May 2004	12	12
Chen Zeng	27 December 2006	12	10
Christopher Schacht	24 January 2008	12	12
John G (Shad) Linley	30 June 2008	12	12

Committee Meetings	Meetings Held	Meeting Attended
Audit Committee		
Peter Williams	3	3
Chen Zeng	3	2
Christopher Schacht (Chairman)	3	3

Insurance Premiums

Since the end of the previous year the Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts. The terms of the policies prohibit disclosure of details of the amount of insurance cover, the nature thereof and the premium paid.

Proceedings

The Company is party to legal proceedings brought against it in the 2008 year by an ex employee for alleged breach of contract. Directors are defending the legal action but had nevertheless made a provision in the accounts for the year ended 30th June 2008. At the date of this report the matter is unresolved and a contingent liability may arise for an amount in addition to the provision. Directors are not aware of any other proceeding initiated during the year or contemplated against or on behalf of the company. Signed in accordance with a resolution of the Board.



Christopher Schacht
Director



Peter L Williams
Director

Dated at Adelaide, South Australia this 15th day of September 2010

Corporate Governance Statement

The Board of Directors (the Board) of Marathon Resources Limited (the Company) is committed to achieving and demonstrating the highest standard of Corporate Governance.

The Board guides the affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has responsibility for the overall Corporate Governance of the Company including its strategic direction, establishment of goals for its management and monitoring the achievement of these goals.

The individual Directors recognise that their primary responsibility is to the owners of the Company, its shareholders, while simultaneously having regard for the interests of all stakeholders of the company and the broader community.

This statement outlines the Company's Corporate Governance Practices in place during the financial year. The Company's statement is made based on the ASX Corporate Governance Councils revised Corporate Governance Principles and recommendations (the revised principles) released on 2 August 2007.

Although the ASX Corporate Governance Council's Recommendations are not mandatory, under listing rule 4.10.3 companies are required to provide a statement in their annual report disclosing the extent to which they have followed the recommendations in the reporting period, identifying any principles which have not been followed with reasons for not having done so.

The revised principles and the Company's compliance with each principle is as follows:

1. Lay solid foundations for management and oversight

The role of the Board is covered by the Corporations Act 2001, ASX listing rules and the constitution of the Company. Its primary role is the creation of long term shareholder wealth and its protection. In achieving these ends the Board oversees the development of strategies, the setting of objectives, the establishment of policies to be implemented by management and assumes responsibility for ensuring adequate systems of internal control, risk management and financial reporting. The Board also ensures the provision of resources to senior management to achieve the Company's objectives and undertakes subsequent monitoring of their performance.

The Board Charter is set out on the Company's website www.marathonresources.com.au

Pursuant to their appointment Non-Executive Directors have limited involvement in the day to day management of the Company. The board has appointed a Director as Chief Executive Officer, responsible for the operational and administrative performance of the Company and the provision of relevant information and input to the Board to enable it to discharge its responsibilities.

Senior management are subject to an Annual Performance Evaluation which is undertaken by the Board. The reviews are internal. The use of external facilitators is not warranted as the members of the Board have direct access to Management. The Chairman presides over the review process with input from other Directors. For some job functions a basis of evaluation of performance is measuring an individual's output against Board agreed KPI's. With the exception of Management the last review of senior staff performance was on July 2009.

2. Structure of the Board to add value

The majority of the Board of Marathon Resources Limited consists of non executive Directors. Those Directors holding shares in the Company either directly or indirectly, are not considered to be substantial shareholders. No Non-Executive Director of the Company has a material contractual relationship with the Company, other than as a Director. No Director is or has been employed in an executive capacity or acts or has acted as a material professional advisor, other than Dr Linley who was appointed to the role of CEO 10th June 2009.

Corporate Governance best practice recommends the majority of the Board comprise independent directors, with "independence" in ASX Recommendation 2.1 taken into account for this purpose. Mr Zeng is Managing Director of Citic Australia Pty Ltd a substantial shareholder of Marathon and may be perceived as a non independent Director. Messrs Williams and Schacht are considered independent Directors. Despite this departure from the revised recommendations, the Board considers it presently has an appropriate balance of skills, experience and independence to properly fulfil its role.

The role of the Chair is undertaken by a separate dedicated Director.

The Board is cognisant of the need to focus on its renewal from time to time to ensure an appropriate balance of skills and experience relevant to the nature and extent of company operations and its future direction at any given point of time.

The Board does not have a separate nomination committee to oversee the procedure for the selection and appointment of new Directors.

The scope and size of the Company dictates a small independent Board. When a need arises and where it is considered the Board would benefit from the appointment of a Director with specific skills and experience all members of the Board participate in seeking out appropriate potential candidates. In some instances assistance from external sources if necessary may be sought.

The Board has in the past and may regularly change members and therefore does not undertake a formal performance evaluation of either each of the Directors or the Board as a whole.

The statutory Directors' report sets out relevant experience and expertise on each Director, their period in office and status.

More detailed particulars of each Director are set out in the company's web site at www.marathonresources.com.au

Access to Information

Any Director has the right to seek independent professional advice in connection with their duties and responsibilities at the Company's expense.

Each Director has access to the Company Secretary. The Secretary is accountable to the Board through the Chair on all governance matters. The appointment or removal of the Secretary is a matter of decision for the Board.

3. Promote Ethical and responsible decision-making

The Directors are aware of and subscribe to the Code of Conduct of the Australian Institute of Company Directors.

Additionally the Company has a Code of Conduct built on highest standards of ethical behaviour. Directors and employees are expected to act with the utmost personal integrity, as required by the Company's Code of Conduct.

The Company's Code of Conduct is set out on the Company's website www.marathonresources.com.au

To meet these obligations Directors and Senior Management seek to:

- Comply with all legal obligations in a timely manner and promote active compliance within the Company.
- Adopt practices necessary to meet the reasonable expectations of all of the Company's stakeholders and the wider community.

Specifically Directors and senior management must:

- Use the Company's assets appropriately and efficiently for the Company's benefit.
- Ensure the securities market is fully informed of all matters requiring disclosure.
- Not misuse information or their position for their own personal gain.
- Avoid or fully disclose conflict of interest events or situations.

Further, conflicts of interest that arise must be disclosed to the Board immediately and addressed by elimination of the conflict, abstaining from participation in decision making, or if in insoluble circumstances by resignation.

Trading in Company Securities

The Board policy is strict compliance with the requirements of section 1043A of the Corporations Act 2001 which prohibits individual Directors and senior management from trading in the Company's securities whilst in possession of inside information.

The Company has established trading windows but does not otherwise preclude Directors and management trading in the

Company's securities where the Board is formally notified via the Board Chair and permission sought.

Any acquisition or disposal of securities by Directors is reported to the ASX in compliance with the Corporations Act and ASX listing rules.

The Company's Share Trading Policy is set out on the Company's website www.marathonresources.com.au

4. Safeguard integrity in financial reporting

Directors have established an Audit and Risk committee comprising three members from a Board of four the majority of whom as previously stated are non executive. The committee is chaired by an independent Director who is not the Chair of the Board.

The Statutory Directors Report details the number of meetings held and attendees.

The Audit and Risk committee charter is set out on the Company's website www.marathonresources.com.au

The committee's principle responsibilities are:

- liaise with external auditors on matters arising from conduct of external audits,
- ensure compliance with ASX listing rules,
- review management reporting and financial controls,
- overview company policy and procedure development,
- assess and manage the Company's risk profile.

5. Make timely and balanced disclosure

The Board's policy is to ensure strict compliance with the continuous disclosure regime to ensure that its obligations to disclose relevant information under the requirements of the Australian Securities Exchange Limited, Australian Securities & Investment Commission are met.

Board processes are structured to ensure all information particularly any that may be considered price sensitive is released in a timely manner, is factual and does not omit material information.

Company announcements to the ASX are simultaneously posted on the Company's website.

The Company uses external geological services in developing the material for ASX JORC code reporting to ensure balance in reporting of resources.

An external Public Relations Consultant is used to disseminate information released to the market to ensure the widest possible circulation of material to external parties including Stockbrokers, Analysts, the media and most importantly the Company's shareholders.

Corporate Governance Statement

6. Respect the rights of shareholders

The Board seeks to ensure that shareholders are informed of all major developments affecting the Company's state of affairs.

In addition to communication through its statutory reporting obligations via:

- The Annual Report
- The Interim Report
- ASX disclosures
- Explanatory memorandum for AGM resolutions.
the Company uses its website and external public relations services to disseminate information as widely as possible.

A Communications Manager is employed by the company to among other things, promote the interests of shareholders.

The Company periodically issues a newsletter and uses audio/visual presentations in some media releases.

The statutory annual report is available to shareholders electronically.

The Company requires the attendance of a representative of its external auditors at its annual general meeting and encourages shareholders to attend and raise questions with the auditor's representative or Directors.

7. Recognise and manage risk

The Board assumes responsibility for establishing the Company's risk profile focus and for ensuring management has developed and adequately reports against sound systems of risk control.

The size and nature of the Company's operations is such that risk is focused on a smaller than normal range of potential adverse events while not impacting potential opportunities.

The Company's Risk management policy is set out on the Company's website www.marathonresources.com.au

Key areas of risk which are regularly monitored are:

Operational Risk

- acquisition of new exploration tenements and their subsequent status,
- land access and native title considerations,
- physical exploration activities

These matters are regularly reported on to the Board in Managements' Operation Reports.

Indigenous People

The Company acknowledges and accepts the bond and special interests that the indigenous people have over areas where the company carries out operations.

The Company proactively seeks to foster a respectful, cooperative and trusting relationship through honest and open communication with them and their advisors.

The Company recognises the legal, social, and economic obligations to develop and sustain relationships with Indigenous Traditional Owners at all sites. It recognises that during exploration and mining operational phases, it must comply with State and Commonwealth legal requirements relating to Native Title matters.

HSE&C

The Company operates under a health, safety and environment system developed by management. The Board periodically reviews the adequacy and effectiveness of the system.

A schematic overview has been posted on the Company's website.

The primary focus in this area is environmental management and compliance.

Environment

The Company has always recognised the importance of sound environmental practice and promoted environmental awareness by all of its employees and contractors. Major exploration operations by the Company are conducted in an area of the Flinders Ranges which is environmentally sensitive.

This necessitated a commitment to continuous improvement of practices. The Board following independent appraisal initiated the development of a full EMS system ultimately leading to ISO 14001 standard.

Consultants were appointed to assist the Company in developing its EMS system, the system was finalised in the first half of 2009/2010 financial year.

Financial Reporting

Management operate with Board defined limits of authority and a requirement to present monthly financial reports at a detailed level to Directors. These requirements assist in managing the risk of failure to achieve business objectives and protecting the Company's assets.

In accordance with the requirements of Sec 295A of the Corporations Act 2001 The Board confirm that they have received assurance from the General Manager / CEO and Chief Financial Officer that:

- Financial statements are in compliance with accounting standards as required by Sec 296 of the Corporations Act.
- Financial statements give a true and fair view of the financial performance and position at balance date required by Sec 297 of the Corporations Act.
- Records have been properly maintained and that risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

Confirmation that the Board has received the assurance is set out in the Statutory Annual Directors' Declaration.

8. Remunerate fairly and responsibly

The performance in establishing the remuneration of Executive Management and Executive Directors, when such office is held, is reviewed by the Board with the exclusion of the Executive concerned.

The remuneration of Non Executive Directors is set by reference to an aggregate cap approved by shareholders from time to time at the annual general meeting.

External advice is sought on remuneration matters when deemed necessary.

The company does not have a remuneration committee, as this role is undertaken by the Board..

The details of remuneration of Directors and Senior Management are set out in the Statutory Directors' Report. The contribution of each Non Executive Director is taken into account in arriving at individual remuneration levels having regard for reasonable and competitive market rates.

In accordance with listing rule 4.10.3 the company summarises its departures from the ASX's principles of good corporate governance recommendations.

Corporate Governance Recommendations	Notification of Departure	Explanation
2.1 Majority of Directors should be independent	Two of the four Directors are independent	The Board considers it presently has an appropriate balance of skills, experience and independence to properly fulfil its role
2.4 The Board should establish a nomination committee	The Company does not have a nomination committee	The Board is of the opinion that it is not of a sufficient size to warrant a nomination committee at this time
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors	The Company does not have a formal documented process	Changing composition of the Board is indicative of an ongoing process of evaluation
8.1 The Board should establish a remuneration committee	The Company does not have a remuneration committee	The Board is of the opinion that it is not a sufficient size to warrant a remuneration committee at this time. This role is undertaken by the Board.

Directors' Declaration

The Directors of the company declare that:

- The financial statements and notes set out on pages 24 to 50, are in accordance with the Corporations Act 2001 and:
 - complying with Accounting Standards and the Corporations Regulations 2001;
 - giving a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and consolidated group: and
 - Complies with international financial reporting standards as disclosed in note 1.
- The General Manager / CEO and Chief Finance Officer have each declared that:
 - the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - the financial statements and notes for the financial year comply with Australian Standards; and
 - the financial statements and notes for the financial year give a true and fair view.
- In the directors opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Christopher Schacht
Director



Peter L Williams
Director

Dated at Adelaide, South Australia this 15th day of September 2010



Auditors Independence Declaration



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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF MARATHON RESOURCES LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as auditor for the audit of Marathon Resources Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON
South Australian Partnership
Chartered Accountants



J L Humphrey
Partner

Adelaide, 15 September 2010

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Independent Audit Report

to members of Marathon Resources Ltd and Controlled Entities



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARATHON RESOURCES LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Marathon Resources Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors also state, in the notes to the financial statements, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial statements, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MARATHON RESOURCES LIMITED Cont**

Auditor's responsibility Cont

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion,;

- a the financial statements of Marathon Resources Limited are in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial statements also comply with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Independent Audit Report

to members of Marathon Resources Ltd and Controlled Entities



3

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARATHON RESOURCES LIMITED Cont

Significant uncertainty regarding:

Continuation as a going concern

Without qualification to the audit opinion expressed above, attention is drawn to Note 24 – Economic Dependency. The consolidated entity's ability to continue as a going concern is contingent upon successfully raising additional capital, which indicates the existence of a material uncertainty which may cast significant doubt about the appropriateness of the going concern basis of accounting. If additional funds are not raised, the going concern basis may not be appropriate, with the result that the company and consolidated entity may have to realise their assets and extinguish their liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances had been made in the financial report.

Access to Mt Gee

Without qualification to the audit opinion expressed above, attention is drawn to Note 1(p) – Critical Accounting Estimates and Judgements. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the carrying value of capitalised exploration expenditure associated with the Mt Gee tenement. The financial report has been prepared on the basis that there is no impairment of the \$15,458,283 capitalised as exploration expenditure. That impairment decision is based on the critical assumption that the Mt Gee tenement licence will be renewed when it expires in October 2010 and the company will be permitted to resume comprehensive exploration activities on the Mt Gee tenement.

The outcome of the Mt Gee licence and continuing exploration activities matter may impact the company's ability to raise further capital.

Report on the remuneration report

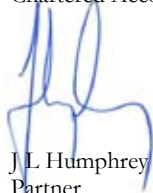
We have audited the Remuneration Report included in pages 3 to 5 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MARATHON RESOURCES LIMITED Cont**

Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of Marathon Resources Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

Yours faithfully
GRANT THORNTON
South Australian Partnership
Chartered Accountants



J.L. Humphrey
Partner

Adelaide, 15 September 2010

Financial Statements

Statement of Comprehensive Income for the Year Ended 30 June 2010

		Consolidated	
	Notes	2010 \$	2009 \$
Revenue	2	125,057	546,888
Gain on sale of financial asset		257,250	-
Depreciation	5	(139,631)	(162,783)
Exploration expenditure written off			
- Current period expenditure		(105,823)	(538,105)
- Prior period expenditure		(843,540)	(571,898)
- Impairment	7	(342,616)	(1,447,240)
Financial assets fair value adjustment	6	(43,700)	(471,500)
Employee benefits expense		(1,314,563)	(1,461,857)
Share based payment expense		(696,000)	-
Occupancy expense		(195,528)	(159,519)
Consulting expense		(200,168)	(413,612)
Travel expense		(42,118)	(135,701)
ASX listing and registry expense		(103,018)	(98,851)
Corporate administration	2	(44,159)	(611,656)
Loss before income tax		(4,085,557)	(5,525,834)
Income tax expense	3	-	(79,387)
Loss for the year after tax expense		(4,085,557)	(5,605,221)
Other comprehensive income			
Changes in fair value of available for-sale-financial assets		60,000	(98,660)
Reclassification of available for-sale-financial asset to profit and loss upon disposal		556,455	-
Total other comprehensive income		616,455	(98,660)
Total comprehensive income for the year		(3,469,102)	(5,703,881)
Earnings per share			
Basic (cents per share)	23	(5.30)	(8.10)
Diluted (cents per share)		(5.30)	(8.10)

The accompanying notes form part of these financial statements.

Statement of Financial Position as At 30 June 2010

	Notes	2010 \$	Consolidated 2009 \$
Current Assets			
Cash and Cash Equivalents	17(a)	1,940,375	3,839,113
Trade and Other Receivables	4	61,830	401,461
Financial Assets	6	160,800	564,025
Total Current Assets		2,163,005	4,804,599
Non-Current Assets			
Property, Plant & Equipment	5	351,454	460,358
Exploration & Evaluation Expenditure	7	15,482,222	15,672,445
Total Non-Current Assets		15,833,676	16,132,803
Total Assets		17,996,681	20,937,402
Current Liabilities			
Trade and Other payables	8	108,353	282,779
Short Term Provisions	9	868,793	872,888
Total Current Liabilities		977,146	1,155,667
Net Assets		17,019,535	19,781,735
Equity			
Issued Capital	10	36,553,326	36,542,424
Reserves	11	2,161,602	862,443
Retained Losses		(21,695,393)	(17,623,132)
Total Equity		17,019,535	19,781,735

The accompanying notes form part of these financial statements.

Financial Statements

Statement of Changes in Equity for The Year Ended 30 June 2010

	Notes	Share Capital \$	Retained Earnings \$	Share Option Reserve \$	Financial Asset Revaluation Reserve \$	Total \$
Consolidated						
Balance 1 July 2008		31,807,520	(13,256,131)	2,832,446	(633,123)	20,750,712
Share Issues (net of transaction costs)		4,734,904	-	-	-	4,734,904
Option Issues / exercised		-	1,238,220	(1,238,220)	-	-
Total comprehensive income		-	(5,605,221)	-	(98,660)	(5,703,881)
Balance at 30 June 2009		36,542,424	(17,623,132)	1,594,226	(731,783)	19,781,735
Share Issues (net of transaction costs)		10,902	-	-	-	10,902
Option Issues / exercised / expired		-	13,296	682,704	-	696,000
Total comprehensive income		-	(4,085,557)	-	616,455	(3,469,102)
Balance at 30 June 2010		36,553,326	(21,695,393)	2,276,930	(115,328)	17,019,535

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the Year Ended 30 June 2010

	Notes	2010 \$	Consolidated 2009 \$
Cash flows from operating activities			
Interest and sundry income received		125,058	242,737
Research and Development tax concession received		302,898	-
Payments to suppliers and employees		(2,544,167)	(3,882,591)
Net cash provided by (used in) operating activities	17b	(2,116,211)	(3,639,854)
Cash flows from investing activities			
Proceeds on disposal plant equipment		-	37,090
Purchase of plant and equipment		(30,727)	(86,485)
Payment for financial assets		-	(101,968)
Payment for exploration activities		(995,933)	(2,473,952)
Proceeds on disposal of available for sale financial asset		1,233,231	-
Net cash provided by (used in) investing activities		206,571	(2,625,315)
Cash flows from financing activities			
Proceeds from issue of shares		10,902	4,920,141
Payment of expenses of the issue of shares		-	(264,624)
Net cash provided by (used in) financing activities		10,902	4,655,517
Net (decrease)/increase in cash held		(1,898,738)	(1,609,652)
Cash at 30 June 2009		3,839,113	5,448,765
Cash at 30 June 2010	17a	1,940,375	3,839,113

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for The Year Ended 30 June 2010

Note 1 – Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report cover Marathon Resources Limited and its controlled entity as a consolidated entity ("Group"). Marathon Resources Limited is a listed public company, incorporated and domiciled in Australia.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Marathon Resources Limited and its controlled entity comply with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Third Statement of Financial Position

Two comparative periods are presented for the statement of financial position when the Group:

- I. Applies and accounting policy retrospectively.
- II. Makes a retrospective restatement of items in its financial statements.
- III. Reclassifies items in the financial statements.

We have determined that only one comparative period for the statement of financial position was required for the current reporting period as the application of the new accounting standards have had no material impact on the previously presented primary financial statements that were presented in the prior year financial statements.

Adoption of new and revised accounting standards

In the current year the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The 2009 comparatives contained in these financial statements therefore differ from those published in the financial statements for the

year ended 30 June 2009 as described below.

Significant effects on current, prior or future periods arising from the first-time application of the standards discussed above in respect of presentation, recognition and measurement of accounts are described in the following notes.

Adoption of AASB 8 Operating Segments

Marathon Resources Limited and its controlled entities have adopted AASB 8 Operating Segments in these financial statements which has resulted in the removal of the segment reporting note.

Adoption of AASB 101 Presentation of Financial Statements

(revisions), AASB 2007-8 and 2007-10 Amendments arising from the revisions to AASB 101

Marathon Resources Limited and its controlled entities have adopted the revisions to AASB 101 Presentation of Financial Statements in these financial statements which has resulted in the introduction of the statement of comprehensive income changes to the statement of changes in equity and other terminology changes.

Accounting policies

a) Principles of Consolidation

A controlled entity is any entity of which Marathon Resources Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

The controlled entities are disclosed in Note 18 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those policies applied by the parent entity.

b) Income Tax

Current tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the condition of deductibility imposed by the law.

Tax consolidation

Marathon Resources Limited and its wholly-owned Australian subsidiary are part of a tax-consolidated group under Australian taxation law. Each entity in the group recognises its own current and deferred liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the consolidated group.

c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Assets acquired are recorded at the cost of acquisition being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with

the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is calculated on a straight-line basis over the useful life of those assets to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5-33%
Office equipment	10-20%
Motor vehicles	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

d) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Where a decision is made to proceed with development, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are expended over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs may ultimately include the dismantling and removal of mining plant, equipment and building structures, waste removal, and

Notes to the Financial Statements

for The Year Ended 30 June 2010

rehabilitation of the site in accordance with generally accepted clauses of the mining permit. Such costs will be determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any change in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs will be determined on the basis that the restoration will be completed within one year of abandoning the site.

e) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and subsequent measurement

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

f) Impairment of Assets

At each reporting date, the group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g) Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interest are shown at Note 13.

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interest in joint venture entities are brought to account using the cost method.

h) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

i) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position where applicable.

k) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets

l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financial activities, which are disclosed as operating cash flows.

m) Comparative Figures

Unless otherwise required by an accounting standard comparative information is disclosed in respect of the previous corresponding period, including for narrative and descriptive information. To the extent that items are amended or reclassified comparative amounts are also amended or reclassified. Prior period errors are retrospectively corrected in the next financial report following discovery.

n) Share Based Payments

The company issues shares and options from time to time for no consideration. Equity-settled share based payments are measured at fair value at the date of grant. Fair value is determined by the use of a Black-Scholes pricing model. The fair value is fully expensed on a straight line basis by the date of vesting.

o) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

p) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Exploration and evaluation

The group's policy for exploration and evaluation is discussed in note 1(d). The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the statement of comprehensive income.

Critical judgement – no impairment of Mt Gee exploration asset of \$ 15,458,283

Since the completion of the environmental rectification work carried out in 2007/08 which arose from the non compliant burial of drill cuttings and excess assay material at Mt Gee the Company has been restricted to low impact exploration activities at the site. The Company now awaits proposed government amendments to the South Australian Mining Act which may enable agreement to be reached with PIRSA on a return to drilling activities. There is also an assumption that the Mt Gee licence (EL 4355) will be renewed when it expires in October 2010 and the Company will be permitted to return to expanded exploration activities in the future. Having regard to these matters Directors are of the opinion that there is no impairment of the Mt Gee exploration asset of \$ 15,458,283.

Critical estimate – Provision of \$ 800,000 on a legal action with claim of \$ 1,600,000

Proceedings have been brought against the Company by an ex employee for alleged breach of contract. The Company denies the claim and is defending the proceedings. The nature of the action is based on an all or nothing claim with a maximum exposure to the Company of \$1.6 million. Marathon has separately advanced a cross claim of approximately \$0.847 million. Based on legal advice the Directors believe that it is more likely than not to successfully defend the claim in its entirety. In view of the fact that the matter is complex and not without attendant risk of an adverse outcome Directors are of the view that a provision of 50% of the maximum exposure is reasonable. There have been no developments during the year that would cause the earlier assessment to be revised.

Notes to the Financial Statements

for The Year Ended 30 June 2010

q) New Accounting Standards and Interpretations

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows.

AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretation 9 & 16] [applicable for annual reporting periods commencing from 1 July 2009] and AASB 2009-5. Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] [applicable for annual reporting periods commencing from 1 January 2010].

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

AASB 9 Financial Instruments and AASB 2009-11. Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1,3,4,5,7,101,102,108,112,118,121,127,128,131,132,136,139,1023 & 1038 and interpretations 10 & 12] [applicable for annual reporting periods commencing on or after 1 January 2013].

These standards are applicable retrospectively and amend the classification and measurement of financial assets. It is not anticipated that there will be material impacts from the adoption of these standards.

The changes made to accounting requirements include:

- simplifying the classification of financial assets into those carried at amortised cost and those carried at fair value.
- simplifying the requirements for embedded derivatives.
- removing the tainting rules associated with held-to-maturity assets.
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost.
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairments or recycling on disposal of the instrument and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on
 - the objective of the entity's business model for managing the financial assets and
 - the characteristics of the contractual cash flows

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] [applicable for annual reporting periods commencing on or after 1 January 2010]

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transactions. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Company.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] [applicable for annual recording periods commencing on or after 1 February 2010]

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact on the Company.

AASB 2009-12 Amendments to Australian Accounting Standards [AASBs 5,8,108,110,112,119,133,137,139,1023 & 1031 and Interpretations 2,4,16, 1039 & 1052] [applicable for annual reporting periods commencing on or after 1 January 2011]

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosure. These amendments are not expected to impact on the Company.

AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] [applicable for annual reporting periods commencing on or after 1 July 2010]

The standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact on the Company.

AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments [applicable for annual reporting periods commencing on or after 1 July 2010]

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish

the liability and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact on the Company.

The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

Note 2 – Revenue and Expenses from Continuing Operations

	Note	Consolidated	
		2010 \$	2009 \$
a. Revenue			
R & D Tax Concession	2c	-	302,898
Interest		123,493	233,766
Diesel fuel rebate		909	4,933
Sundry Income		655	5,291
		125,057	546,888
b. Expenses			
Corporate administration include:			
Administration accounting and auditing		65,242	63,770
Computer costs		9,953	35,609
Insurance		66,574	40,137
Communication costs		20,462	35,027
Printing, office supplies		20,982	37,806
Public relations		55,309	117,498
Legal fees		134,217	89,290
Other expenses		68,420	192,519
		441,159	611,656

2c. The 2008-2009 research & development claim had not been lodged at balance date awaiting the outcome of an AusIndustry review of the Company's 2009 claim for the 2007-08 year.

Prior to the date of this 2010 annual report the review had been finalised in the Company's favour. It is anticipated this claim will be recognised as revenue on lodgement and receipt in 2010-11.

Notes to the Financial Statements

for The Year Ended 30 June 2010

Note 3 – Income Tax

	Consolidated	
	2010 \$	2009 \$
The components of tax expense comprise:		
Income tax expense	-	79,387
The prima facie income tax expense from ordinary activities before tax is reconciled to the income tax as follows:		
Loss from continuing operations	(4,085,557)	(5,525,834)
Prima facie tax benefit on profit from ordinary activities before income tax at 30% (2009:30%)	(1,225,667)	(1,657,750)
Non-assessable items	(80,441)	(93,535)
Non-deductible expenses	8,991	12,373
Non offset portion of capital gain	28,005	-
Movement in recognised tax assets and liabilities	(103,989)	(75,476)
Current year tax loss not brought to account	1,373,101	1,894,225
Income tax attributable to entity	-	79,387

Unrecognised deferred tax assets:

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated	
	2010 \$	2009 \$
Tax value of carried forward tax losses		
- Capital	36,393	85,563
- Revenue	4,063,255	3,589,262
Temporary differences recognised	-	-
Temporary differences not recognised	34,598	219,535
	4,134,246	3,894,360

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from them.

Note 4 – Trade and Other Receivables

	Consolidated	
	2010 \$	2009 \$
GST recoverable	26,367	46,756
Other debtors	35,463	338,515
Prepayments	-	16,190
	61,830	401,461

No trade and other receivables are outside terms at balance date.

Note 5 – Property, Plant and Equipment

	Consolidated	
	2010 \$	2009 \$
Plant and equipment	807,824	777,097
Less Accumulated Depreciation	(456,370)	(316,739)
Total Plant and Equipment	351,454	460,358
Movement in carrying amounts		
Balance at beginning of financial year	460,358	600,886
Additions	30,727	86,485
Disposals	-	(64,230)
Depreciation	(139,631)	(162,783)
Balance at end of financial year	351,454	460,358

Notes to the Financial Statements

for The Year Ended 30 June 2010

Note 6 – Financial Assets

	Notes	Consolidated	
		2010 \$	2009 \$
Current			
Financial assets at fair value through profit / loss	6a	48,300	92,000
Available-for-sale financial assets	6b	112,500	472,025
Total Financial Assets		160,800	564,025

6a – Financial asset at fair value through profit/loss

- Shares in Strzelecki Metals Ltd (Formerly Primary Resources Ltd)		48,300	92,000
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Pursuant to a joint venture agreement with Primary Resources Limited, the company purchased 2,300,000 ordinary shares at an issue price of 20 cents each fully paid as follows:

Issue Date	No	\$
2 May 2007	1,150,000	230,000
28 June 2007	1,150,000	230,000
		<u>460,000</u>

The market value of these shares at balance date was \$0.021 (\$0.04 in 2009). The reduction in the fair value to balance date of \$43,700 (Reduction \$ 471,500 in 2009) has been recorded through the profit and loss in the financial assets fair value adjustment.

6b – Available-for-Sale financial assets

6b(i) – Shares and options in Phoenix Copper Ltd

- Shares in Phoenix Copper Ltd		112,500	52,500
- Options in Phoenix Copper Ltd		-	-

Pursuant to the disposal of a tenement interest to Phoenix Copper Ltd the Company was allotted 750,000 ordinary shares at an issue price of 20 cents each fully paid on the listing of Phoenix Copper Ltd on 30th January 2008 and in addition 750,000 options having an exercise price of 25 cents were granted to the Company on 25th January 2008 and are exercisable at any time up to expiry date 25th January 2013. The fair values on recognition were as follows:

Issues	No	\$
Shares	750,000	150,000
Options	750,000	77,828
		<u>227,828</u>

The market value of these shares at balance date was \$ 0.15 (\$0.07 in 2009). The increase in fair value to balance date of \$ 60,000 (reduction \$ 10,875 in 2009) has been recognised directly in equity through the financial asset revaluation reserve.

6b(ii) – UraniumSA Ltd

- Shares in UraniumSA Ltd		-	419,525
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Pursuant to a joint venture agreement with UraniumSA Limited, the company was allotted 4,370,061 ordinary shares at an issue price of 20 cents each fully paid on the listing of UraniumSA Limited 18 October 2006.

Pursuant to a rights issue the Company acquired a further 1,456,687 shares at a price of \$0.07 per share fully paid (amounting to \$ 101,968) on 15th June 2009. On 13th October 2009 2,185,031 bonus options were granted to the Company.

The market value of all shares at 30th June 2009 was \$ 0.072. The shares and options were disposed on 9th October 2009 at a price of \$ 0.2079 and \$ 0.01 each respectively.

Note 7 – Exploration and Evaluation Expenditure

	Consolidated	
	2010 \$	2009 \$
Exploration and Evaluation Costs	15,824,838	17,119,685
Less Provision for Impairment	(342,616)	(1,447,240)
Total Exploration and Evaluation Expenditure	15,482,222	15,672,445
Movement		
Balance at beginning of financial year	15,672,445	15,234,817
Additions	995,933	2,456,766
Write-off of exploration permits	(843,540)	(571,898)
Impairment	(342,616)	(1,447,240)
Balance at end of financial year	15,482,222	15,672,445

The recoverability of the carrying value of exploration and expenditure assets is dependant upon the successful development and commercial exploitation or alternatively, sale of respective area of interest. For details of the Company's interests in tenements and Joint Ventures, refer to Note 13.

Note 8 – Trade and Other Payables

	Consolidated	
	2010 \$	2009 \$
Trade payables	43,660	167,208
Other payables	38,513	77,348
Accrued expenses	26,179	38,223
	108,352	282,779

Note 9 – Short Term Provisions

	Consolidated	
	2010 \$	2009 \$
Employee benefits		
Balance at beginning of financial year	72,888	22,548
Additional provisions	13,889	121,938
Amounts paid out	(17,984)	(71,598)
Balance at end of financial year	68,793	72,888
Provision in respect of legal action by ex-employee for breach of contract	9a 800,000	800,000
	868,793	872,888

9a – Refer note 1 (p) for further detail

Notes to the Financial Statements

for The Year Ended 30 June 2010

Note 10 – Issued Capital

	Consolidated	
	2010 \$	2009 \$
77,068,677 (2009: 77,008,677) fully paid ordinary shares	36,553,326	36,542,425

Movements in ordinary shares	2010		2009	
	Number	\$	Number	\$
Balance at beginning of report period	77,008,677	36,542,424	60,690,287	31,807,520
Issued at 5.67 cents (24/06/10) – employee option exercised	30,000	1,701	-	-
Issued at 30.67 cents (24/06/10) – Employee options exercised	30,000	9,201	-	-
Adjustment to strike price on 118,600 options exercised in prior year	-	-	-	(16,996)
Issued at 5.67 cents (03/07/08) – Options Exercised	-	-	50,000	2,835
Issued at 30.67 cents (06/11/08) – Employee Options Exercised	-	-	15,000	4,600
Issued at 32 cents (12/12/08) Rights Issued	-	-	15,222,690	4,712,261
Issued at 5.67 cents (16/06/06) – Options Exercised	-	-	789,600	44,771
Issued at 5.67 cents (17/06/09) – Options Exercised	-	-	197,500	11,198
Issued at 5.67 cents (22/06/09) – Options Exercised	-	-	43,600	2,472
	77,068,677	36,553,326	77,008,677	36,727,661
Less share issue and capital raising expenses (net of tax)	-	-	-	(185,237)
At reporting date	77,068,677	36,553,326	77,008,677	36,542,424

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Movement in Options

	Consolidated			
	2010		2009	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	3,060,000	1.02	4,680,700	1.27
Granted	2,000,000	0.95	-	-
Forfeited	-	-	-	-
Exercised	(60,000)	0.18	(1,095,700)	0.06
Expired	-	-	(525,000)	4.15
Outstanding at year end	5,000,000	1.00	3,060,000	1.02
Exercisable at year end	5,000,000	1.00	3,060,000	1.02

Note 10 – Issued Capital continued

The options outstanding at 30 June 2010 had a weighted average exercise price of \$ 1.00 and a weighted average remaining contractual life of 21 months. Exercise prices range from \$0.80 to \$ 1.10 in respect of options outstanding 30 June 2010.

Included in the options outstanding are employee options disclosed under Note 12.

Capital Management

The management's objectives when managing capital are to ensure that the group can fund its operations and continue as a going concern.

The management monitors capital on the basis of expenses cover times ratio. This ratio is calculated as cash and cash equivalent divided by loss before income tax depreciation impairment and fair value adjustment as shown on the statement of financial position and statement of comprehensive income respectively.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year, which is to maintain the expenses cover times at greater than 1. The ratios for 30 June 2010 and 30 June 2009 are as follows:

	Consolidated Group	
	2010 \$	2009 \$
Cash and cash equivalent	1,940,375	3,839,113
Loss before income tax	4,085,557	5,525,834
Less items before income tax		
Depreciation	(139,631)	(162,783)
Impairment	(342,616)	(1,447,240)
Fair value adjustment	(43,700)	(471,500)
Loss before income tax, depreciation, impairment fair value adjustments	3,559,610	3,444,311
Expenses cover times	0.55	1.11

The directors are taking steps to identify sources of additional capital and reduction in the rate of expenditure to address the drop of the expenses cover times to less than 1 (refer Note 24).

Note 11 – Reserves**Option Reserve**

The option reserve records items recognised as expenses on valuation of employee share options.

Financial Assets Revaluation Reserve

The financial assets revaluation reserve records revaluations of available for sale financial assets.

Notes to the Financial Statements

for The Year Ended 30 June 2010

Note 12 – Share-Based Payments

Employee Option Plan

The Company has established an Employee Share Option Plan ('the Plan') to assist in the attraction, retention and motivation of employees or officers of the Company. All employees (full and part-time) and consultants will be eligible to participate in the Plan after a qualifying period of 6 months' employment (or, in the case of a consultant, having provided consulting services on a continuous basis for at least 6 months). The allocation of options to each employee, officer or consultant is in the discretion of the Board. Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue. The total number of shares the subject of options issued under the plan, when aggregated with issues during the previous five years pursuant to the plan, must not exceed 10% of the Company's issued share capital.

The following share-based payment arrangements existed at 30 June 2010:

On 16 November 2006, 3,000,000 share options were granted to employees under the Marathon Resources Limited employee option plan to take up ordinary shares at a current exercise price of \$1.0367 each. The options are exercisable on or before 30 June 2011. At balance date no share options had been exercised.

On 2 September 2009, 1,000,000 share options were granted pursuant to listing rule 10.11 to a director and recorded under 'the Plan' following shareholder approval at an EGM held on that date to take up ordinary shares at a current exercise price of \$0.80 each. The options are exercisable on or before 2 September 2012. At balance date no share options had been exercised.

On 15 December 2009, 1,000,000 share options were granted pursuant to listing rule 10.11 to directors and recorded under 'the Plan' following shareholder approval at the 2009 Annual General Meeting to take up ordinary shares at a current exercise price of \$1.10 each. The options are exercisable on or before 31 December 2014. At balance date no share options had been exercised.

The weighted average fair value of options granted during the year was \$ 0.348.

This price was calculated using Black Scholes option pricing model applying the following inputs:

Options Issued	2nd September 2009	15th December 2009
Exercise price	\$ 0.80	\$ 1.10
Life of options	3 years	5 years
Underlying share price	\$ 0.70	\$ 0.455
Expected share price volatility	109%	82%
Risk free interest rate	4.55%	5.21%
Aggregate fair value of options granted	\$ 458,000	\$ 238,000

Included under share based payments expense in the income statement is \$ 696,000 (2009 \$ Nil) which relates in full to equity settled share based payments transactions.

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

All employee options granted are ordinary shares in Marathon Resources Limited, which confer a right of one ordinary share for every option held.

	Consolidated			
	2010		2009	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	3,060,000	1.02	3,575,000	1.61
Granted	2,000,000	0.95	-	-
Forfeited	-	-	-	-
Exercised	(60,000)	0.18	(15,000)	0.06
Expired	-	-	(500,000)	4.36
Outstanding at year end	5,000,000	1.00	3,060,000	1.02
Exercisable at year end	5,000,000	1.00	3,060,000	1.02

Note 12 – Share-Based Payments continued

Employee Option Plan continued

The employee options is part of the total options granted as disclosed under Note 12.

The employee options outstanding at 30 June 2010 had a weighted average exercise price of \$1.00 and a weighted average remaining contractual life of 21 months. Exercise prices range from \$0.80 to \$ 1.10 in respect of options outstanding 30 June 2010.

Pursuant to a discounted share issue price arising under a rights issue in November 2007 unexercised options at that date became subject to an exercise price reduction as follows:

Grant Date	Expiry Date	Exercise Price	
		At Grant	Post 2007 Rights
16th November 2006	30th June 2011	\$1.18	\$1.0367

Note 13 – Tenements and Joint Ventures

The Company's interests in tenements and unincorporated joint venture operations at the date of this report are as follows:

Project	Tenement	Commodity	Consolidated	
			2010 \$	2009 \$
100% Interest				
South Australia				
Blanchetown **	EL 4052	Mineral sands	103,819	70,268
Mt Gee	EL 4355	Uranium, Rare earths	15,458,283	14,494,147
Mulga Well **				
– Hard rock rights	EL 3211	Uranium, Copper, Gold	238,797	236,554
Victoria				
Deddick River*	ELA 5086	Copper, Gold	-	26,504
Little Yalmy*	ELA 5085	Copper, Gold	-	24,300
Joint Ventures				
South Australia				
Coondambo ***	EL 2819	Copper, Gold, Uranium	-	192,882
Western Australia				
Warburton ****	E69/1564 2211 / 2177 2178 / 2179 2180 / 2181	Copper, Nickel, Uranium	-	1,525,846
Victoria				
Kalymna***	EL 4526	Copper, Gold	-	521,248
			15,800,899	17,091,749
Application Monies for Grants of New Tenements			-	-
Accrued commitments			23,939	27,936
Total exploration costs			15,824,838	17,119,685
Less provided for impairment			(342,616)	(1,447,240)
Carrying value of exploration costs Per Note 7			15,482,222	15,672,445

* Deddick River EL 5086 and Little Yalmy EL 5085 were allowed to lapse on 24th November 2009.

** Impairment provisions have been made against these two tenements due to exploration activities not yielding any positive results.

*** The Coondambo and Kalymna JV interests were transferred to the JV partners on 2nd June 2010 and 18th December 2009 respectively.

**** In the 2009 year an impairment provision was made in respect of the parcel of tenements as a result of JV decisions taken in that year. The impact of these decisions resulted in the cessation of the JV and the balance of the investment in the tenement being expensed in the current year.

Notes to the Financial Statements

for The Year Ended 30 June 2010

Note 13 – Tenements and Joint Ventures continued

In respect of the Mulga Well tenement (EL 3211) the company continues to hold a 100% interest in the rights to hard rock exploration while being a party to a joint venture in respect of Palaeochannel exploration over the tenement.

Interests in unincorporated joint venture operations at the date of this report were as follows:

Name of entity	Principal activity	Joint Venture Partner	2010	2009
Coondambo**	Mineral exploration	Platsearch NL	0 %	50%
Bon Bon*	Mineral exploration	UraniumSA	0 %	30%
MacDowell Hill*	Mineral exploration	UraniumSA	0 %	30%
Mulga Well*	Mineral exploration	UraniumSA	0 %	30%
Kalymna**	Mineral exploration	PS & GF Forwood	0 %	90%
Warburton**	Mineral exploration	Strzelecki Metals Ltd	0 %	50%

The company's interest in the joint ventures were terminated as follows:

* The Company's interest in this joint venture entered into on 18 October 2006 was free carried.

The tenements underpinning this JV impinge upon the Commonwealth Defence Department Woomera facility and continuing access to them has been denied. As a result of this "Force Majeure" event the JV was concluded effective 18th April 2010

** These Joint Ventures were brought to an end by the Company during the year.

Note 14 – Commitments For Expenditure and Contingent Liabilities

Exploration Expenditure Commitments

The Company has certain statutory obligations to perform exploration work and expend minimum amounts of money on its mineral exploration tenements.

The terms of current and future joint ventures, granting of new licences and changes to existing licences will impact on the Company's expenditure commitments.

Total annual expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	Consolidated	
	2010 \$	2009 \$
Tenement maintenance commitment		
Not longer than 1 year	-	259,208
Longer than 1 year and not longer than 5 years	-	582,692
Operating lease commitment		
Not longer than 1 year	258,716	125,196
Longer than 1 year and not longer than 5 years	252,261	247,848
Aggregate commitment		
Not longer than 1 year	258,716	384,404
Longer than 1 year and not longer than 5 years	252,261	830,540

Contingent liability

The Company is defending a litigation claim by a former employee in relation to his dismissal. The Company has received legal advice that it has a strong defence and should be successful. However, if this is not the case then an additional cost may be incurred over that recognised as a provision in the financial statements.

800,000	800,000
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Note 15 – Segment Information

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

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in determining the allocation of resources.

The group is managed primarily on the basis of cost centres since each cost centre have different cash requirements. Operating segments are therefore determined on the same basis. The group's operating segments are divided into JORC compliant resource tenements, other tenements, investments and corporate.

JORC compliant resource tenements

This relates to tenements in the group on which the group have ongoing exploration activities. Qualifying expenditure incurred on JORC compliant resource tenements are capitalised.

Other tenements

This relates to tenements other than JORC compliant resource tenements.

Investment

This segment monitors the performance of the group's quoted investments.

Unallocated

This relates to all other income and expenses of the group which are not directly attributed to any of the above segments.

Segment Performance	Tenements		Investment	Unallocated	Total
	Jorc Compliant Resource	Other			
Twelve Months Ended 30th June 2010					
Income	-	-	-	125,057	125,057
Depreciation	(16,465)	-	-	(123,166)	(139,631)
Exploration expenditure	-	(1,205,494)	-	-	(1,205,494)
Overheads	-	(86,486)	-	(2,992,553)	(3,079,039)
Net gain on sales of financial assets	-	-	257,250	-	257,250
Movement in fair value of financial assets	-	-	(43,700)	-	(43,700)
Net (loss) / profit before tax	(16,465)	(1,291,980)	213,550	(2,990,662)	(4,085,557)
Twelve Months Ended 30th June 2009					
Income	-	-	-	546,888	546,888
Depreciation	(18,283)	-	-	(144,500)	(162,783)
Exploration expenditure	(505,877)	(2,051,366)	-	-	(2,557,243)
Overheads	-	(190,934)	-	(2,690,262)	(2,881,196)
Movement in fair value of financial assets	-	-	(471,510)	-	(471,500)
Net (loss) / profit before tax	(524,160)	(2,242,300)	(471,500)	(2,287,874)	(5,525,834)

Notes to the Financial Statements

for The Year Ended 30 June 2010

Note 15 – Segment Information continued

Segment assets and liabilities

	Tenements		Investments	Unallocated	Total
	Jorc Compliant Resource	Other			
As At 30th June 2010					
Total Assets	15,692,934	23,939	160,800	2,119,009	17,996,682
Total liabilities	43,660	-	-	933,486	977,146
As At 30th June 2009					
Total Assets	14,744,009	1,150,362	564,025	4,479,006	20,937,402
Total liabilities	167,208	-	-	988,459	1,155,667

Note 16 – Financial Instruments

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivables and payable which are summarised as follows:

	Weighted Average Effective		Fixed Interest Maturing		Non-interest Bearing				Total	
	Interest Rate		Within 1 Year		Within 1 year		> 1 year		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	%	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000

Financial Assets

Loans and receivables

- Cash and cash equivalents	4.27	3.28	1,918	3,835	22	4	-	-	1,940	3,839
- Receivables	-	-	-	-	61	401	-	-	61	401

Available for sales

Financial assets	-	-	-	-	113	472	-	-	113	472
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Financial assets at fair value
through profit & loss

	-	-	-	-	48	92	-	-	48	92
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Total Financial Assets			1,918	3,835	244	969			2,162	4,804
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Financial Liabilities

Trade and other payables	-	-	-	-	108	283	-	-	108	283
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Total Financial Liabilities	-	-	-	-	108	283	-	-	108	283
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The group does not hold any derivative instruments.

i. Treasury Risk Management

A finance committee consisting of senior executives of the group meet on a regular basis to evaluate management strategies in the context of the most recent economic conditions and forecasts.

ii. Finance Risks

The Group's financial instruments are exposed to a variety of financial risks, being Market risk (Interest rate and Price risk), Credit risk and Liquidity risk. The group operate mainly in Australia and as such are not subject to foreign exchange risk..

Interest rate risk

The consolidated group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities summarised in the table above.

Sensitivity: At 30th June 2010, if interest rates had changed by +/- 10 basis points from the year end rates with all other variables held constant post tax loss would have been \$ 2,890 more/less as a result of lower/higher interest income from term deposits.

Price risk

Price risk relates to the risk that the fair value of a financial instrument will fluctuate because of changes in market prices largely due to market forces. The groups available-for-sales financial assets and fair value through profit and loss financial assets as disclosed in Note 6 are subject to price risk. Investments within these 2 categories of financial assets are publicly traded on the ASX.

Sensitivity of fair value through profit and loss financial assets At 30th June 2010, if the market price of these financial assets had changed by +/- 10% from the year end market price with all other variables held constant, the post tax loss would have been \$4,370 less/more, with corresponding increase/decrease in equity.

Sensitivity of available for sales financial assets.

At 30th June 2010, if the market price of these financial assets had changed by +/- 10% from the year end market price with all other variables held constant, the group equity would have been \$16,080 more/less, with no effect to profit and loss.

Credit risk

Exposure to credit risk relating to financial assets arises from

the potential non-performance by counterparties of contract obligation that could lead to a financial loss to the Group.

The group's maximum exposure to credit risk are its cash and cash equivalent and receivables as noted in the table above. The group manages its credit risk by depositing with reputable licenced banks. Other receivables are due mainly due from government as a result of the R&D tax offset, and therefore not expose to credit risk.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate sources of funding are available.

Maturity of the group's financial liabilities are within 1 year.

b) Fair Value

The fair value financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised below.

Consolidated Group	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total
Year Ended 30 June 2010				
Financial Assets				
Available for sale investment	112,500	-	-	112,500
Financial assets at fair value through profit and loss	48,300	-	-	48,300
	160,800	-	-	160,800
Financial Liabilities	-	-	-	-
Year Ended 30 June 2009				
Financial Assets				
Available for sale investments	472,025	-	-	472,025
Financial assets at fair value through profit and loss	92,000	-	-	92,000
	564,025	-	-	564,025
Financial Liabilities	-	-	-	-

Notes to the Financial Statements

for The Year Ended 30 June 2010

Note 17 – Notes to The Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2010 \$	2009 \$
Cash on hand	500	500
Cash at call	21,766	3,780
Short-term bank deposit	1,918,109	3,834,833
Cash and cash equivalents	1,940,375	3,839,113

The effective interest rate on short-term bank deposits is 4.27% (2009: 3.28%). All deposits are for less than 12 months.

(b) Reconciliation of Cash Flow from Operations with Loss after Tax

	Consolidated	
	2010 \$	2009 \$
Loss after income tax	(4,085,557)	(5,605,221)
Cash flows excluded from profit attributable to operating activities:		
Loss on disposal of plant and equipment	-	27,140
Gain on disposal of financial assets	(257,250)	-
Non-cash flows in profit		
Depreciation	139,631	162,783
Employee benefits expense – share based payments	696,000	-
Fair value adjustment on financial assets	43,700	471,500
Exploration expenditure written off	843,540	571,898
Income tax attributable to share issue costs	-	79,387
Impairment provision	342,616	1,447,240
Change in assets and liabilities		
(Increase) Decrease in Exploration accruals	-	17,188
(Increase) Decrease in receivables / prepayments	339,631	(110,919)
Increase (Decrease) in payables	(174,427)	(751,188)
Increase (Decrease) in provisions	(4,095)	50,340
Net Cash provided by (used in) operating activities	(2,116,211)	(3,639,854)

Note 18 – Investment in Controlled Entity

Entities	Country of incorporation	Class of share	Interest Held		Cost of Investment	
			2010	2009	2010	2010
Bonanza Gold Pty Ltd	Australia	Ordinary	100%	100%	230,000	230,000
			Provision for impairment		(230,000)	(230,000)
					-	-

Parent Entity Information	2010 \$	2009 \$
Parent Entity		
Asset		
Current assets	67,372	242,220
Non-current assets	15,410,078	14,967,190
Total assets	15,477,450	15,209,410
Liabilities		
Current liabilities	-	-
Non-current liabilities	16,415,336	15,622,512
Total liabilities	16,415,336	15,622,512
Equity		
Issued capital	460	460
Retained earnings	(938,346)	(413,562)
Shareholder equity	(937,886)	(413,102)
Financial performance		
Profit (loss) for the year	(524,784)	(505,876)
Other comprehensive income	-	-
Total comprehensive income	(524,784)	(505,876)

Exploration Expenditure Commitments

The Company has certain statutory obligations to perform exploration work and expend minimum amounts of money on its mineral exploration tenements.

The terms of current and future joint ventures, granting of new licences and changes to existing licences will impact on the Company's expenditure commitments.

Total annual expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	Consolidated	
	2010 \$	2009 \$
Tenement maintenance commitment		
Not longer than 1 year	-	259,208
Longer than 1 year and not longer than 5 years	-	582,692
Operating lease commitment		
Not longer than 1 year	258,716	125,196
Longer than 1 year and not longer than 5 years	252,261	247,848
Aggregate commitment		
Not longer than 1 year	258,716	384,404
Longer than 1 year and not longer than 5 years	252,261	830,540

Contingent liability

The Company is defending a litigation claim by a former employee in relation to his dismissal. The Company has received legal advice that it has a strong defence and should be successful. However, if this is not the case then an additional cost may be incurred over that recognised as a provision in the financial statements.

	800,000	800,000
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Notes to the Financial Statements

for The Year Ended 30 June 2010

Note 19 – Key Management Personnel Compensation

Names and positions of key management personnel in office at any time during the financial year are:

Peter Williams	Chairman (non-executive)	Appointed 21/05/2004
Chen Zeng	Non-Executive Director	Appointed 27/12/2006
Chris Schacht	Non-Executive Director	Appointed 24/01/2008
John G (Shad) Linley	Chief Executive Officer	Appointed 30/06/2008
Stuart Appleyard	Secretary	Appointed 28/01/2004
Ian McRae	Project Manager Mt Gee	Appointed 28/01/2008

Key Management Personnel Remuneration

		Directors Fees	Salary and wages	Cash Bonus	Superannuation contributions	Share-based Payments Options	Total	% of remuneration consisting of options
P.L. Williams	2010	60,000	-	-	5,400	59,500	124,900	48%
	2009	55,000	-	-	4,950	-	59,950	-
C Zeng	2010	40,000	-	-	3,600	59,500	103,100	58%
	2009	35,000	-	-	1,800	-	36,800	-
C Schacht	2010	40,000	-	-	3,600	59,500	103,100	58%
	2009	35,000	-	-	3,150	-	38,150	-
J Linley	2010	40,000	73,904	-	10,251	517,500	641,655	81%
	2009	35,000	5,555	-	3,150	-	43,705	-
S. Appleyard	2010	-	45,000	-	20,400	-	65,400	-
	2009	-	45,000	-	20,400	-	65,400	-
I McRae	2010	-	105,860	-	31,250	-	137,110	-
	2009	-	187,502	25,000	93,317	-	305,819	-
Total	2010	180,000	224,764	-	74,501	696,000	1,175,265	59%
	2009	160,000	238,057	25,000	126,767	-	549,824	-

Options issued as part of remuneration for the year ended 30 June 2010

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Marathon Resources Limited and its subsidiary to increase goal congruence between executives, directors and shareholders.

Options Granted as Remuneration during the year (or up to the date of this report)

Key Management Personnel	Granted No	Grant Date	Value per Option at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
John G (Shad) Linley	1,000,000	2nd Sept 09	\$0.458	\$0.80	3rd Sept 09	2nd Sept 12
Grant of options pursuant to shareholder approval at an EGM on 2nd September 2009.						
Peter Williams	250,000	15th Dec 2009	\$0.238	\$ 1.10	16th Dec 2009	31st Dec 2014
Chen Zeng	250,000	15th Dec 2009	\$0.238	\$ 1.10	16th Dec 2009	31st Dec 2014
Christopher Schacht	250,000	15th Dec 2009	\$0.238	\$ 1.10	16th Dec 2009	31st Dec 2014
John G (Shad) Linley	250,000	15th Dec 2009	\$0.238	\$ 1.10	16th Dec 2009	31st Dec 2014
Grant of options pursuant to shareholder approval at an AGM on 19th November 2009.						

All options are granted for nil consideration.

Note 19 – Key Management Personnel Compensation continued**Number of Options Held by Key Management Personnel**

	Balance 01.07.2009	Granted as Compensation	Option Exercised	Net Change Other*	Balance 30.06.10
Peter Williams	-	250,000	-	-	250,000
Chen Zeng	-	250,000	-	-	250,000
Chris Schacht	-	250,000	-	-	250,000
John G (Shad) Linley	-	1,250,000	-	-	1,250,000
Stuart Appleyard	-	-	-	-	-
Ian McRae	-	-	-	-	-
Total	-	2,000,000	-	-	2,000,000

* 'Net Change Other' refers to options forfeited or expired during the financial year.

Number of Shares Held by Key Management Personnel

	Balance 01.07.2009	Received as Compensation	Option Exercised	Net Change Other*	Balance 30.06.10
Peter Williams	817,600	-	-	-	817,600
Chen Zeng	-	-	-	-	-
Chris Schacht	63,000	-	-	(7,500)	55,500
John G (Shad) Linley	375,000	-	-	-	375,000
Stuart Appleyard	1,590,048	-	-	-	1,590,048
Ian McRae	33,000	-	-	-	33,000
Total	2,878,648	-	-	(7,500)	2,871,148

* Net Change Other refers to shares purchased or sold during the financial year.

Note 20 – Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those to other parties, unless otherwise stated.

Mr S M. Appleyard is a consultant with Lynch Meyer Lawyers. The Company's fees to Lynch Meyer during the year amounted to \$7,524 (2009: Nil)

Apart from the Lynch Meyer transactions the Company has had no related party transactions with any of its key management personnel in either the current or prior financial year.

The Company has advanced funds to its subsidiary during the year amounting to \$ 792,823 (2009: \$2,245,576). The balance owing from the subsidiary at year end was \$16,415,336 (2009: \$15,622,513). These amounts have been eliminated in full on consolidation.

Note 21 – Auditor's Remuneration

	Consolidated	
	2010 \$	2009 \$
Amounts received or due & receivable by the Auditor of the company for:		
- auditing & review services	34,600	29,800
- other services	-	-

Notes to the Financial Statements

for The Year Ended 30 June 2010

Note 22 – Matters Subsequent to the End Of The Year

There is no matter or circumstance that has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

Note 23 – Earnings Per Share

	Consolidated	
	2010 \$	2009 \$
Basic earnings per share	(0.053)	(0.081)
Loss used to calculate basic EPS	(4,085,557)	(5,605,221)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	77,009,663	69,129,051

The weighted number of share options on issue during the year is not included in the calculation of diluted earnings per share because they are anti-dilutive for both reported years. These options could potentially dilute basic earnings per share in the future.

Note 24 – Economic Dependency Going Concern

The financial report has been prepared on the basis of going concern.

As a junior explorer the Group has generally only sufficient funds on hand to meet ongoing corporate and exploration commitments. As a consequence the Directors periodically are required to consider the following:

- the need to farm out the Group's surplus exploration commitments;
- identify sources of additional capital; and
- reduce in the rate of expenditure.

The Group is economically dependent on the achievement of one or all of the above options.

The Company's ability to continue as a going concern is contingent upon successfully raising additional capital. If additional funds are not raised, the going concern basis may not be appropriate, with the result that the Company may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances had been made in the financial report.

Note 25 – Company Details

The registered office and principal place of business is:

Marathon Resources Limited
235 Port Road
Hindmarsh South Australia 5007

Shareholder Information

Shareholder Information

At the date of this report all the issued securities of the Company comprised ordinary shares none of which were subject to any restrictions.

Substantial Shareholders At 14th September 2010

Name	Fully Paid Shares	Ordinary Shares %
Talbot Group Investments Pty Ltd	16,625,068	21.57
CITIC Australia Pty Ltd	12,789,664	16.60
HSBC Custody Nominees (Australia) Ltd	7,744,409	10.05

Distribution of Shareholdings at 14th September 2010

All securities issued by the Company are fully paid ordinary shares entitling the holders to participate in dividends and proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of the shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share counts as one vote.

Range	Total Holders	Number Of Shares
1 – 1,000	608	363,466
1,001 – 5,000	942	2,532,483
5,001 – 10,000	409	3,308,623
10,001 – 100,000	454	13,497,829
100,001 – 1,000,000	53	14,979,435
1,000,001 – maximum	6	42,386,841
Total	2,472	77,068,677

At 14th September 2010 a marketable parcel constituted 1,352 shares.

The number of shareholders holding less than a marketable parcel was - 733 511,180

Twenty Largest Shareholders at 14th September 2010

Name	Fully Paid Ordinary Shares	% Of Issued Capital
Talbot Holdings	16,625,068	21.57
Citic Australia Pty Ltd	12,789,664	16.60
HSBC Custody Nominees (Australia) Limited	7,744,409	10.05
National Nominees Limited	2,343,413	3.04
Citicorp Nominees Pty Ltd	1,872,533	2.43
Archon Resource Technologies Pty Ltd	1,011,754	1.31
Mr William Sydney Latimer (WS Latimer Family No 3 A/C)	900,000	1.17
Wieslaw + Halina Bogacz (Archon Res Tec P/L Super A/C)	880,914	1.14
FMS Pty Ltd (FMS Family A/C)	880,068	1.14
AMMF Investments Pty Ltd (AM Family A/C)	720,000	0.93
FMS Pty Ltd (SM Appleyard S/F A/C)	709,980	0.92
Cluan Capital Management Pty Ltd (PL Williams Family A/C)	700,000	0.91
ANZ Nominees Limited (cas income A/C)	671,883	0.87
Mrs Georgia Georgaklis	415,500	0.87
Walter Carmody	400,366	0.52
Starwhist Pty Ltd	394,000	0.51
Dr John Gordon Linley	375,000	0.49
Ms Carol Ann Agnew	364,210	0.47
PM Dight & Associates Pty Ltd (PM Digit & Assoc S/F AC)	354,220	0.46
Golden Ice Pty Ltd (Red Ice A/C)	352,000	0.46
Totals	50,504,982	65.53

Corporate Directory

Directors

Peter Williams CHAIRMAN (NON-EXECUTIVE)
Chen Zeng NON-EXECUTIVE
John G (Shad) Linley CHIEF EXECUTIVE OFFICER
Christopher Schacht NON-EXECUTIVE

Company Secretary

Stuart Appleyard

Mt Gee Project Manager

Ian McRae

Registered & Principal Business Office

235 Port Road
Hindmarsh SA 5007

Bankers

National Australia Bank
22-28 King William Street
Adelaide SA 5000

Principal Lawyers

Watson Lawyers
Ground Floor
60 Hindmarsh Square
Adelaide SA 5000

Auditors

Grant Thornton
Chartered Accountants
67 Greenhill Road
Wayville SA 5066

Share Registrar

Computershare Registry Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide SA 5000
Investor enquiries: 1300 556 161
International: +61 3 9415 4000

Marathon Resources Limited

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