

31st October 2011

**COMPANY ANNOUNCEMENTS OFFICE
AUSTRALIAN SECURITIES EXCHANGE**

ASX CODE MTN

**QUARTERLY ACTIVITY REPORT
1st July – 30th September 2011**

Marathon Resources Limited (ASX: “MTN”) presents its Activity Report for the Quarter ending 30th September 2011. Highlights of the past Quarter included:

- Finalisation of Aboriginal Heritage surveys of drill site locations at Mt Gee
- Finalisation of Declaration of Environmental Factors (DEF) for a drilling program within Exploration Licence 4355.
- Announcement by the SA Government that exploration and mining will be banned at Arkaroola for all time.

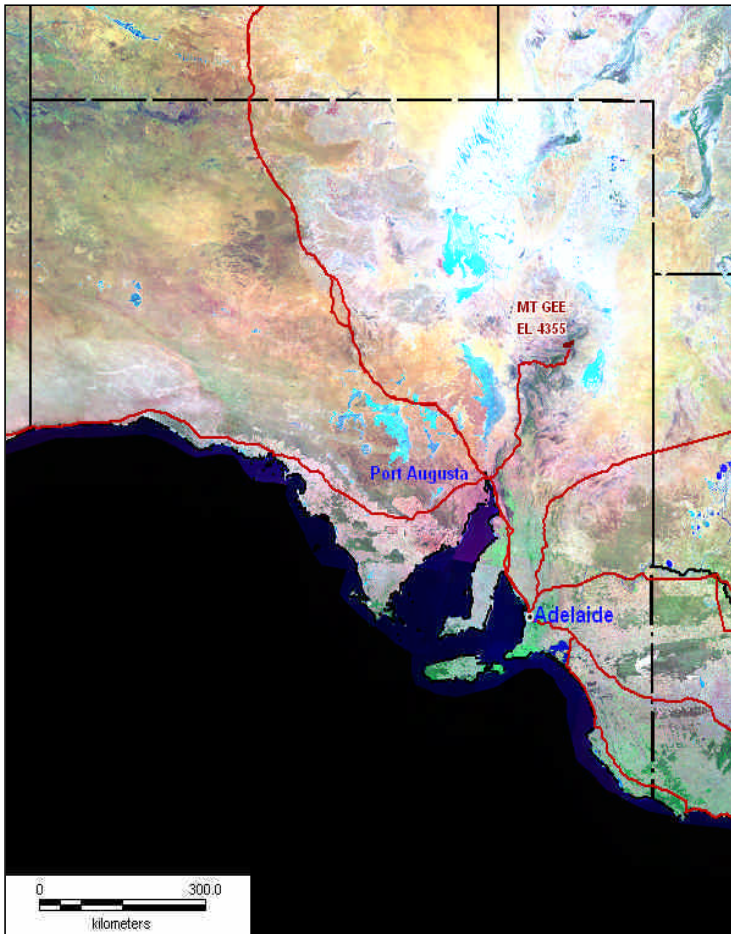


Figure 1: Marathon Resources - Tenement Map

EL 4355 Mt Gee

South Australia

Finalisation of Aboriginal Heritage Survey

An Aboriginal Heritage Survey to examine proposed drill collar positions for Phase 1 drilling within EL 4355 was completed on 21st June. The survey was conducted under a Part 9B Agreement with the Adnyamathanha Traditional Lands Association (ATLA). The survey report approving drilling at the finalised sites was provided by ATLA to Marathon on 2nd July 2011.

Finalisation of a DEF for a drilling program

In the previous reporting quarter, Marathon submitted a DEF to Primary Industries and Resources South Australia (PIRSA) for approval to conduct a drilling exploration program designed to demonstrate the North, Northeast, East, Southeast and Southwest extensions of the Mt Gee deposit. The DEF addressed the unique Schedule C conditions attached to Exploration Licence 4355. Specific environmental related Conditions prevented use of conventional drilling methodologies and so Marathon proposed combining several innovative techniques to satisfy the requirements of PIRSA.

Marathon was advised on 21st July 2011 by PIRSA that the DEF was considered finalised by PIRSA and that final approval documentation would be forwarded to the Director of Mines for authorisation.

Announcement by the SA Government that exploration and mining will be banned at Arkaroola for all time.

On 22nd July 2011 the then Premier of South Australia, The Hon Mike Rann, together with the state's Ministers for the Environment and Conservation, and Mineral Resources Development, made a statement giving unprecedented protection under the Mining Act for Arkaroola.

Marathon entered a Trading Halt 22nd July 2011.

Marathon released a further statement to the market 26th July 2011 updating its position and announced it is taking appropriate advice with a view to seeking to redress the impact of this unprecedented action announced by the South Australian Government.

During the reporting period, Marathon representatives met twice with The Hon Tom Koutsantonis MP, the Minister for Mineral Resources Development. The meetings were held on 28th July and 16th August 2011. The purpose of these meetings was to reach a timely negotiated compensation settlement.

Marathon will advise shareholders of further developments as soon as it is able to.

Post-quarter events

A third meeting with the Minister for Mineral Resources Development was held on 17th October 2011 to further progress compensation settlement negotiations between Marathon and the South Australian Government. At the time of writing this quarterly report, Marathon had not received any compensation proposal from the Government.

The company is pleased to announce that the proceedings in the Supreme Court of South Australia in the action brought against the company by the former CEO, have been resolved satisfactorily from the company's perspective. The terms remain confidential with the end result being that the case has been dismissed with no order as to costs.

In respect of the good faith negotiations being conducted with the South Australian Government concerning the ban on mining in EL4355, the company advises that it has lodged a series of Freedom of Information requests with South Australian Ministers and Government Departments in relation to the concerns Marathon has about the way in which the Government reached its decision to ban mining at Arkaroola and the way in which the Government used the proclamation process.

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Appendix 5B

Mining exploration entity quarterly report

Introduced 01/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10., 17/12/10

Name of entity

Marathon Resources Limited

ABN

31 107 531 822

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) (1) exploration & evaluation	(449)	(449)
(2) camp infrastructure	(112)	(112)
(b) development	-	-
(c) production	-	-
(d) administration	(737)	(737)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	9	9
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (Mt Gee discontinuation costs)	(86)	(86)
Net Operating Cash Flows	(1,375)	(1,375)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(29)	(29)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
	(29)	(29)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(1,404)	(1,404)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,404)	(1,404)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Capital Raising Costs	-	-
Net financing cash flows		-	-
Net increase (decrease) in cash held		(1,404)	(1,404)
1.20	Cash at beginning of quarter/year to date	6,344	6,344
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	4,940	4,940

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	120
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

Nil

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

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	900
Total	900

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	55	50
5.2 Deposits at call	4,885	6,294
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,940	6,344

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	No Changes		
6.2	Interests in mining tenements acquired or increased	None acquired		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	92,207,789	92,207,789		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities <i>(description)</i>	N/A			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise Price</i>	<i>Expiry date</i>
	1,000,000	-	<i>On Issue</i> 0.80	<i>After Rights Issue</i> 0.777
	1,000,000	-	1.10	1.077
	490,000	-	0.34	0.317
	50,000	-	0.75	0.727
	500,000	-	0.876	0.853
	750,000	-	1.25	1.227
	750,000	-	1.75	1.727
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-		

+ See chapter 19 for defined terms.

7.11	Debentures <i>(totals only)</i>	-	
7.12	Unsecured notes <i>(totals only)</i>	-	

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~* *(delete one)* give a true and fair view of the matters disclosed.



Sign here

(Company secretary)

.....Date:31 October 2011

Print name: S M Appleyard

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.