

**MARATHON RESOURCES LIMITED**  
**CHAIRMAN'S ADDRESS**  
**8<sup>th</sup> ANNUAL GENERAL MEETING**

This is a report to Shareholders which is as disappointing to deliver to you as it is to record just how devastating unprecedented Government action can be. The actions set in place by the South Australian Government principally took place subsequent to year's end and I will outline them for you shortly and ensure you are well aware what responses your Company has made on your behalf.

I want to refer you to my address in the Annual Report for 2011 where I provided complete details of the unprecedented action taken by the South Australian Government on 22<sup>nd</sup> July 2011. You will recall that the former Premier Mike Rann announced on that day that mining at Arkaroola would be banned forever, and further that legislation protecting the area would be brought before Parliament, and subsequently the Government would support national and global heritage listing of the site. On the following day, the former Premier was also quoted in the weekend edition of the national newspaper, The Australian Financial Review, as stating that the Government would consider compensating Marathon Resources. This comment re compensation by Mr Rann was followed by statements by the State's Minister for Mineral Resources Development that the Government would enter into "good faith" negotiations with the Company and "*in the interests of fairness the Government would look at (their) costs incurred and consider that*".

My address in the Annual Report also dealt with:

1. The accounting issues resulting from the SA Government's announcements;
2. Matters relating to the company's "Seeking a Balance" submission;
3. Relevant information on the exploration program for 2011;
4. The Nuclear Industry and Fukushima; and
5. Native Title Owners' involvement.

It is on the last point that I wish to make some additional comments today as I pay tribute to the respectful way in which the Adnymathanha Traditional Lands Association (ATLA) elders and members have engaged with us during the year. It is regrettable that the majority of ATLA interests have been disregarded in the Arkaroola debate and consultation with them has been incomplete. Marathon Resources had secured agreement in principle for involvement by ATLA in our project and our proposals for legacy investment and long-term security were well advanced.

Marathon Resources nevertheless has developed a good relationship with ATLA and goodwill to last beyond any resolution of the Mt Gee challenges.

Let me now turn to events which occurred during the year and which highlight the frustrations we had to contend with at Marathon Resources on behalf of our shareholders. I have spoken of the unprecedented actions of the Government with the former Premier's statement of 22<sup>nd</sup> July 2011, but there are two other matters which critically affect the confidence and certainty necessary for investment in the mining industry, and which have been the subject of recent publicity by the investment community.

Those two examples highlight the political and regulatory delays which applied to our activities:

### **1. Licence Renewals**

- \* EL 4355 one year extension granted 22<sup>nd</sup> October 2009.
- \* Declaration of Environmental Factors (DEF) approved eight months later on 29<sup>th</sup> June 2010.
- \* September 2010 application for two year extension of EL 4355.
- \* February 2011 – five months later - extension granted for one year.
- \* DEF finalised and sent to Director for authorisation, a further five months later 19<sup>th</sup> July 2011

### **2. Mining Act Amendments**

- \* Marathon Resources was advised in 2008 that resumption of drilling activities on its licence area would not be permitted until Mining Act amendments passed.
- \* Mining Act amendments tabled in Parliament in December of the following year - 2009.
- \* Bill deferred, State election held in March 2010.
- \* Mining Act amendments passed November 2010 – but did not come into effect until July 2011.

Sadly, and not just for Marathon Resources and its shareholders, both of these examples reflect on the State's ability to attract risk investment in an industry prepared to invest in development, infrastructure, jobs and native title owner security.

### **Current Position**

The Directors of your Company released a statement to the Australian Securities Exchange on 11<sup>th</sup> November 2011 which outlined the nature of, and reasons for, the action taken by Marathon Resources in the Supreme Court of South Australia to seek to protect the interests of the Company and its shareholders. The statement confirmed that the Company had hoped to achieve a commercial resolution of the claims against the Government but, despite the offer of good faith negotiations, there have only been three meetings with the Minister for Mineral Resources Development since the former Premier's announcement on 22<sup>nd</sup> July 2011. They were:

- 28<sup>th</sup> July 2011 introductory meeting which was immediately followed by the Minister's widely reported media interview.
- 16<sup>th</sup> August 2011 where the Company submitted as requested, the complete summary of exploration expenses incurred or committed by Marathon Resources at Mt Gee.

- *17<sup>th</sup> October 2011* when we were advised that a sum for compensation had not been agreed but we were asked to consider the Minister's additional proposal of future exploration grants.

The Company did not receive any further details or offer from the Government and we commenced Court action on 11<sup>th</sup> November 2011. Shareholders will be kept informed on developments and I note that yesterday the Supreme Court set a timetable for the hearing of the court action against the State with a likely trial date of early February 2012.

### **Board and Staff of Marathon Resources**

This has been the most difficult time for my Board and staff and I pay tribute to them for their dedication and determination. Everyone has tried extremely hard to assist with the resolution of the challenges of the year. If we can apply that same standard of professional ethics to the opportunities which will be presented to us in the future I can look forward to reporting progress next year.

**Peter L Williams**

Chairman, Marathon Resources Ltd