

Tuesday, August 16, 2005

The Paralana Ore System – EL 3258

Implications for Uranium Exploration



Work to date

The Paralana Ore System in the Northern Flinders Ranges of South Australia is a world class uranium-rare earth-polymetallic ore system located within the EL 3258 tenement which is 100% owned by Marathon. This update focuses on the uranium resource, the most valuable component, and on Marathon's plans for exploration.

The deposit at Mt Gee, one of a number in the Paralana Ore System, contains nearly 57 million tonnes of uranium mineralisation. In total, this is classified as an inferred resource, and the breakdown of tonnage and grade (including some tonnage of material classified as indicated) is set out in the table below.

Project	JORC Classification	Cut-off Grade	Million Tonnes Mineralisation	U ₃ O ₈ Avg Grade	U ₃ O ₈ tonnes
Mt Gee	Indicated resource	500 ppm	4.0	.094%	3,800
Mt Gee	Inferred resource	500 ppm	30.0	.073%	21,000
Mt Gee	Inferred resource	300 ppm (<500 ppm)	22.7	.037%	8,400
Total	Indicated & inferred		56.7		33,200

Aside from the Mt Gee deposit, the whole Paralana Ore System has demonstrated strong uranium potential, particularly at the neighbouring Armchair and Streitberg and higher grade Hodgkinson (with high grade intersections, including 1.5m at 2.4% uranium), and a number of other, lesser developed deposits. The location of the Mt Gee and other deposits within the Paralana Ore System are shown in Figure 1.

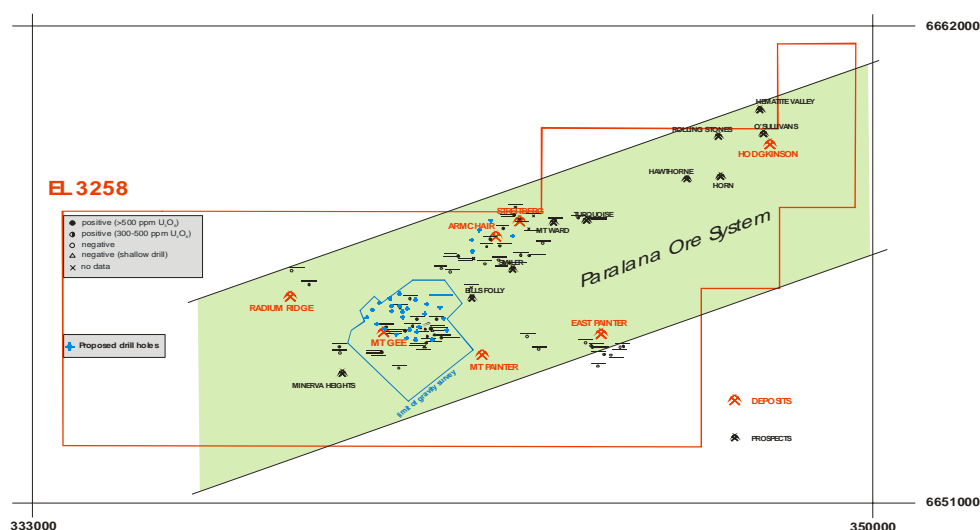


Figure 1: Location Plan EL 3258, Paralana Ore System

Marathon researched and employed the archival database (since 1960's) from earlier explorers, which included work carried out by Exoil, CRA Exploration and Goldstream Mining. Exoil drilled some 625 holes of total length approximately 53,000 metres, CRAE 68 holes of total length approximately 14,500 metres, and Goldstream 7 holes of total length some 1,500 metres. Finally, Marathon's subsidiary drilled a single diamond hole of 636 metres in 2002 (the deepest within the EL) confirming uranium mineralisation from the surface to end of the hole.

For Marathon it was obvious that assessment of the previously created drill hole database had to be the first step toward company exploration, before committing to drilling expenditure. Much of the data, though not all, was of sufficient quality for the development of the company exploration model. This led Marathon to assess the quality of the archival data which finally allowed the development of a model of the Mt Gee deposit, with an inferred resource of 33,200 tonnes U₃O₈.

Computer modelling was carried out in the context of Marathon's tectogenetic analysis of the Paralana Ore System. Tectogenetic analysis is a specific methodology developed by Dr Vic Bogacz and applied to the understanding and re-establishment of many ore systems and orebody discoveries in Australia and internationally (see Marathon's Prospectus).

Successes of tectogenetic analysis include the reassessment of the Telfer Au-Cu orebody and application of the predictive model to exploration, resulting to a new perception of the Telfer orebody and leading to the upgrade of Telfer reserves. Tectogenetic analysis was also applied to redirect the exploration effort of Uruguay Mineral Exploration in Uruguay (South America), which led directly to the discovery of the large Arenal gold deposit in Northern Uruguay.

Comparable Uranium Deposits

Marathon's indicated and inferred resources compare favourably with those of other companies exploring established deposits in Australia and overseas. The table below gives an indication of the size of Marathon's resource in comparison with that of Summit and Paladin, both of which have attracted considerable sharemarket interest over recent months.

Company	Project & Location	Equity	Mineral'n M tonnes	Avg Grade ppm	Cut-off Grade ppm	Tonnes U ₃ O ₈	Resource Status
Summit Resources	Valhalla	50%	11.5	1440	n/a	16,590	ind
	(Queensland)		n/a	n/a	n/a	>25,000?	inf
	Total		n/a			>41,590?	
Paladin Resources	Langer	100%	15.24	740	300	11,208	meas
	Heinrich		9.01	660	300	5,900	ind
	(Namibia)		22.02	710	300	15,703	inf
	Total		46.26			32,811	
Marathon Resources	Mt Gee	100%	4.01	940	500	3,800	ind
	(South Australia)		29.96	730	500	21,000	inf
			22.70	380	>300<500	8,400	inf
	Total		56.67			33,200	

Source: Quarterly Reports of Summit Resources and Paladin Resources for Quarter ending 30 June 2005 and from Marathon Resources ASX announcements of 2 and 12 August 2005.

As at close of business on Monday 15 August 2005, the market capitalisations of the above were:

Paladin Resources	PDN	\$622 million
Summit Resources	SMM	\$144 million
Marathon Resources	MTN	\$21 million

There are a number of listed companies with which comparison cannot be made in this way, as although they are exploring for uranium, they have as yet no established resource (eg Curnomona Energy, Hindmarsh Resources, Southern Gold).

The table above shows that the size of the Mt Gee deposit (33,200 tonnes U₃O₈) represents a significant resource compared to established deposits such as Paladin's flagship Langer Heinrich (32,800 tonnes U₃O₈) deposit in Namibia, which is nearing the mining stage.

In terms of grade, Olympic Dam mines ore with a content of 500 ppm U₃O₈, Rossing (Rio Tinto) in Namibia mines ore with an average grade of 400 ppm, Langer-Heinrich has an average grade of 600 ppm and Valhalla's average grade is not known. This compares with the overall average grade at Mt Gee of 600 ppm U₃O₈.

It is worth noting that Paladin's Langer-Heinrich deposit is the only new uranium mine development that can contribute, within the next 12-24 months, to the current global supply deficit, as all other uranium plays are either at the grass roots exploration stage, in the resource definition stage, or are operating in locations that do not currently permit the development of uranium mines (eg Queensland, WA and NSW).

Further Exploration Strategy

Marathon intends next to drill Mt Gee as well as the Hodgkinson and Armchair - Streitberg deposits. The rationale behind the program is:

- (a) to increase the tonnage (size) of and confidence in the Mt Gee inferred resource estimate towards an indicated resource
- (b) to establish a resource estimate for the Armchair and Streitberg deposits, and
- (c) to examine the mineralisation system at and establish a resource estimate for the Hodgkinson deposit; the same computer modelling technique as was applied at Mt Gee is almost finalised for this deposit and will be used to determine drilling sites.

A drill rig has been contracted to carry out a program of drilling in the tenement. The drill rig originally contracted to commence work at Marathon's tenements on 22 August had unfortunately been delayed and another rig will now commence work mid-late October. Once the rig arrives it will be committed to Marathon's work program.

A program of some 31 drill holes is proposed, of which 11 holes are the first phase of the program. The locations of these 11 holes are shown in Figure 1, six at Mt Gee and five at Armchair-Streitberg. Drilling will commence at Mt Gee and be followed by drilling at either Armchair-Streitberg or Hodgkinson, depending on assessment of the Hodgkinson model for required drilling.

At the completion of the drilling program, and prior the next phase of drilling, size, grade and tonnage of the Mt Gee deposit will be re-assessed. It is anticipated that the program will also yield sufficient drill hole/assay data for assessment of the resource at Armchair-Streitberg and at Hodgkinson.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Dr Vic W Bogacz, a full time Executive Director of Marathon Resources Ltd, who is a Member of the Australian Institute of Geoscientists. Dr Bogacz has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person for the purposes of the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Bogacz consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Contact Dr John Santich
Chief Executive Officer
T (08) 8366 2500
F (08) 8362 5955

Dr Vic W Bogacz
Executive Director
T (08) 8366 2500
F (08) 8362 5955

David Waterhouse
WaterhouseIR
T (03) 9639 9099
M 0407 880 937