

Marathon Resources Limited  
ACN 107 531 822

Interim Financial Report

31<sup>st</sup> December 2010



DIRECTORS' REPORT

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AUDITOR'S STATEMENT

**MARATHON RESOURCES LIMITED**  
**ACN 107 531 822**  
**AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**

The directors present their report on Marathon Resources Ltd for the half year ended 31<sup>st</sup> December 2010 and the state of the affairs of the Company at that date.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

**Directors**

Persons who have been Directors in the Company during or since the end of the half year are:

Peter Williams BEc FCA  
*Chairman*  
Appointed 21<sup>st</sup> May 2004

John G. (Shad) Linley BSc (Hons), F Aus IMM Doctorate of Philosophy (Adelaide University)  
*Director (Chief Executive Officer)*  
Appointed 30<sup>th</sup> June 2008

Chen Zeng BA (Economics), Masters Degree in International Finance  
Shanghai University of Finance & Economics  
*Director (Non-executive)*  
Appointed 27<sup>th</sup> December 2006

Christopher Schacht  
*Director (Non-executive)*  
Appointed 23<sup>rd</sup> January 2008

**Secretary**

Stuart Appleyard LLB  
Appointed 28<sup>th</sup> January 2004

**Review of Operations**

It has been well documented and shareholders are aware that the Mt Gee deposit is the fifth-largest, undeveloped uranium resource in Australia.

Mineralisation at the Mt Gee deposit is open in three directions, so the ultimate resource should be larger than the current estimate of 69,000,000 lbs of U<sub>3</sub>O<sub>8</sub>. High grade uranium has also been intersected by limited drilling to date at the neighbouring Armchair and Hodgkinson deposits. \*ASX Release 18 December 2009 – see below

On 3<sup>rd</sup> January 2011 the Company accepted the offer from the Minister for Resources Development to renew the exploration licence EL 4355 for the period up to 22<sup>nd</sup> February 2012. The renewal enables the Company to undertake approved exploration activities including drilling subject to new and acceptable operating conditions.

At this time Marathon Resources is preparing a Declaration of Environmental Factors (DEF) to submit to Primary Industries and Resources South Australia for approval to recommence exploration activities as soon as approval is received.

The purpose of the DEF is to enable the Company to conduct exploration to increase the knowledge of known deposits and to drill recently discovered high grade shear systems.

**EL 4052 Blanchetown**

Results from heli-mag, strandline surveying had produced inconclusive and it was considered that further exploration of the tenement would not yield any positive result. Accordingly arrangements were made to surrender the EL 4052 licence which was confirmed by PIRSA on 2<sup>nd</sup> February 2011.

**MARATHON RESOURCES LIMITED**  
**ACN 107 531 822**  
**AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**

\* Note – Review of Operations

Information in this Interim Financial Report relating to Exploration Results has been compiled by Mr Brenton Newell, a part-time employee of Marathon Resources Ltd and a Member of the Australian Institute of Geoscientists and 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 have 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.

Category	Tonnes (Mt)	Grade U3O8 (ppm)	TonnesU3O8 kt
Indicated	4	706	2.8
Inferred	47	607	28.5
Total	51	615	31.3
# at 300 ppm U3O8 cutoff			

**MATTERS SUBSEQUENT TO END OF THE HALF YEAR**

Since the 31<sup>st</sup> December 2010 the following events or transactions occurred:

- On the 2<sup>nd</sup> February 2011 renewal of the Mt Gee Exploration Licence EL 4355 was granted by PIRSA.
- Following the renewal of the EL 4355 licence share placements were made raising \$ 5,460,150.50 in new equity from the issue of 10,920,301 ordinary fully paid shares.
- Subsequent to the share placements a 1 for 10 non renounceable rights issue at 50 cents was announced on 16<sup>th</sup> February 2011. The rights issue could raise up to \$ 4,399,499 if fully subscribed.

**AUDITOR'S INDEPENDENCE**

The auditor's independence declaration is included on page 5 of this interim financial report.



*Peter Williams*  
Director



*Christopher Schacht*  
Director

*Dated in Adelaide, South Australia this 11<sup>th</sup> day of March 2011*

Level 1,  
67 Greenhill Rd  
Wayville SA 5034  
GPO Box 1270  
Adelaide SA 5001

T 61 8 8372 6666  
F 61 8 8372 6677  
E [info.sa@au.gt.com](mailto:info.sa@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

**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 lead auditor for the review of Marathon Resources Limited for the half-year ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

*Grant Thornton*

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP  
Chartered Accountants



J L Humphrey  
Partner

Adelaide, 11 March 2011

MARATHON RESOURCES LIMITED  
ACN 107 531 822  
AND CONTROLLED ENTITIES  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31<sup>ST</sup> DECEMBER 2010

		Consolidated Group	
	Notes	31 December 2010	31 December 2009
Revenue			
- Interest income		37,758	60,499
- Other miscellaneous income		-	1,186
Gain on sale of financial assets		-	256,027
Depreciation expense		(79,972)	(71,735)
Exploration Expenditure written off			
- Current period expenses		(11,384)	(40,732)
- Prior period expenditure		-	(650,658)
Employee benefit expenses		(466,711)	(805,958)
Occupancy expense		(84,070)	(81,368)
Share based payment expenses	2	(228,948)	(696,000)
Consulting expenses		(138,009)	(135,424)
Travel expenses		(18,782)	(27,964)
ASX listing and registry expenses		(56,568)	(90,441)
Corporate administration		(290,070)	(339,139)
Fair value gain/(loss) on held for trading financial assets		20,700	46,000
<b>(Loss) before income tax</b>		<b>(1,316,056)</b>	<b>(2,575,707)</b>
Income tax (expense)/benefit		221,076	-
<b>(Loss) for the period after tax expense</b>		<b>(1,094,980)</b>	<b>(2,575,707)</b>
<b>Other comprehensive income</b>			
Changes in fair value of available for sale financial assets		172,700	(86,250)
Reclassification of available for sale financial asset reserve to profit and loss upon disposal		-	556,455
		172,700	642,705
<b>Total comprehensive income for the period</b>		<b>(922,280)</b>	<b>(1,933,002)</b>
Earnings per share			
Basic (cents per share)		(1.4)	(3.3)
Diluted (cents per share)		(1.4)	(3.3)

The Accompanying notes form part of these financial statements

MARATHON RESOURCES LIMITED  
ACN 107 531 822  
AND CONTROLLED ENTITIES  
STATEMENT OF FINANCIAL POSITION  
AS AT 31<sup>ST</sup> DECEMBER 2010

		Consolidated Group	
	<i>Notes</i>	31 December 2010	30 June 2010
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		624,031	1,940,375
Trade and other receivables		67,095	61,830
Financial assets		354,000	160,800
<b>TOTAL ASSETS</b>		<b>1,045,126</b>	<b>2,163,005</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		458,094	351,454
Exploration and evaluation expenditure		15,784,612	15,482,222
<b>TOTAL NON-CURRENT ASSETS</b>		<b>16,242,706</b>	<b>15,833,676</b>
<b>TOTAL ASSETS</b>		<b>17,287,832</b>	<b>17,996,681</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		105,623	108,353
Short term provisions		856,005	868,793
<b>TOTAL CURRENT LIABILITIES</b>		<b>961,628</b>	<b>977,146</b>
<b>NET ASSETS</b>		<b>16,326,204</b>	<b>17,019,535</b>
<b>EQUITY</b>			
Issued capital		36,553,326	36,553,326
Reserves		2,563,250	2,161,602
Retained losses		(22,790,373)	(21,695,393)
<b>TOTAL EQUITY</b>		<b>16,326,204</b>	<b>17,019,535</b>

The accompanying notes form part of these financial statements

MARATHON RESOURCES LIMITED  
ACN 107 531 822  
AND CONTROLLED ENTITIES  
STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31<sup>ST</sup> DECEMBER 2010

	Issued Capital	Retained Losses	Share Option Reserve	Financial Asset Reserve	Total
Balance at 1 July 2010	36,553,326	(21,695,393)	2,276,930	(115,328)	17,019,535
Fair value of share options issued	-	-	228,948	-	228,948
Financial asset revaluation	-	-	-	172,700	172,700
Total comprehensive income for the period	-	(1,094,980)	-	-	(1,094,980)
Balance at 31 December 2010	36,553,326	(22,790,373)	2,505,878	57,372	16,326,204
Balance at 1 July 2009	36,542,424	(17,623,132)	1,594,227	(731,783)	19,781,736
Fair value of share options issued	-	-	696,000	-	696,000
Total comprehensive income for the period	-	(2,575,707)	-	642,705	(1,933,002)
Balance at 31 December 2009	36,542,424	(20,198,839)	2,290,227	(89,078)	18,544,734

The accompanying notes form part of these financial statements

MARATHON RESOURCES LIMITED  
ACN 107 531 822  
AND CONTROLLED ENTITIES  
STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31<sup>ST</sup> DECEMBER 2010

	Consolidated Group	
Notes	31 December 2010	31 December 2009
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(1,062,234)	(1,568,362)
Interest and sundry income received	37,758	61,685
Research and development tax concession received	221,076	302,898
<b>Net cash provided by / (used in) operating activities</b>	<b>(803,400)</b>	<b>(1,203,779)</b>
<b>Cash flow from investing activities</b>		
Proceeds on disposal Plant & Equipment	300	-
Proceeds on disposal of available for sale financial assets	-	1,232,007
Purchase of plant and equipment	(4,545)	(28,981)
Payment for operating leasehold improvements	(182,369)	-
Payment for exploration activities	(326,330)	(790,672)
<b>Net cash provided by / (used in) investing activities</b>	<b>(512,944)</b>	<b>412,354</b>
<b>Net cash provided by / (used in) financing activities</b>	<b>-</b>	<b>-</b>
Net (decrease) / increase in cash held	(1,316,344)	(791,425)
Cash at the beginning of the half year	1,940,375	3,839,113
<b>Cash at the end of the half year</b>	<b>624,031</b>	<b>3,047,688</b>

The accompanying notes form part of these financial statements

*MARATHON RESOURCES LIMITED  
ACN 107 531 822  
AND CONTROLLED ENTITIES  
NOTES TO THE INTERIM FINANCIAL REPORT*

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

**Reporting entity**

Marathon Resources Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the “consolidated entity” or “group”).

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2010 is available upon request from the Company’s registered office at 235 Port Road Hindmarsh SA, and can be viewed on the Company’s website [www.marathonresources.com.au](http://www.marathonresources.com.au)

**Statement of compliance**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report as at and for the year ended 30 June 2010.

**Accounting policies**

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30<sup>th</sup> June 2010.

The following notes cover only events or transactions that are material to an understanding of the current interim period.

**MARATHON RESOURCES LIMITED**  
**ACN 107 531 822**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE INTERIM FINANCIAL REPORT**

**NOTE 2 – SHARE BASED PAYMENTS**

The following options were granted during the period:-

	Share based payment expense \$
<ul style="list-style-type: none"> <li>• On the 30<sup>th</sup> September 2010 Directors made offers of a grant of 640,000 options to a number of staff and consultants of the Company to take up ordinary shares as follows. All offers were accepted by 21<sup>st</sup> October and all options are exercisable on or before 15<sup>th</sup> October 2013. At balance date no options had been exercised.</li> </ul>	209,968

The value of the options were calculated using the Black-Scholes option pricing model applying the following inputs:

- Exercise price	\$0.34	\$0.75
- Life of option	3 years	3 years
- Underlying share price	\$0.733	\$0.733
- Expected share price volatility	56.1	56.1
- Risk free rate	5.13%	5.13%
- Number of options granted	590,000	50,000
- Aggregate fair value of options granted	\$200,216	\$9,752

All options vested on issue

<ul style="list-style-type: none"> <li>• On 16<sup>th</sup> November 2010 2,000,000 options in three tranches were granted to the Chairman Peter Williams pursuant to shareholder approval at the AGM to take up ordinary shares as follows:</li> </ul>	18,980
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No of Options	Exercise Date	Expiry
500,000	1 November 2012	1 November 2013
750,000	1 November 2013	1 November 2014
750,000	1 November 2014	1 November 2015

At balance date no options had been exercised

The value of the options were calculated using the Black-Scholes option pricing model applying the following inputs:

	<b>Tranche</b>		
	<b>1</b>	<b>2</b>	<b>3</b>
- Exercise price	\$0.876	\$1.25	\$1.75
- Life of option	3 years	4 years	5 years
- Underlying share price	\$0.625	\$0.625	\$0.625
- Expected share price volatility	64.5%	64.5%	64.5%
- Risk free rate	5.13%	5.13%	5.23%
- Number of options granted	500,000	750,000	750,000
- Aggregate fair value of options granted	\$114,967	\$165,439	\$161,966

The total fair value of the fair value of the options issued to the Chairman was \$ 442,372 which will be recognised as an expense over the vesting period.

Total value of share based payments issued during the period

228,948

**MARATHON RESOURCES LIMITED**  
**ACN 107 531 822**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE INTERIM FINANCIAL REPORT**

NOTE 2(a)

The share option reserve of \$2,929,470 represents the following unexercised options at balance date:

No of Options	Exercise	Expiry date
3,000,000	\$ 1.037	30.06.2011
1,000,000	\$0.80	02.09.2012
1,000,000	\$1.10	28.12.2014
590,000	\$0.34	15.10.2013
50,000	\$0.75	15.10.2013
500,000	\$0.876	01.11.2013
750,000	\$1.25	01.11.2014
750,000	\$1.75	01.11.2015
<u>7,640,000</u>		

None of the options listed above are classified as granted under the Company Employee Share Option Plan (ESOP) due to ASX listing Rules 10.1 and ASIC class order requirements. The options whilst not being issued under the ESOP are governed by the Company's ESOP rules.

NOTE 3 – SEGMENT INFORMATION

**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 has 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 on the group 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.

ACN 107 531 822  
AND CONTROLLED ENTITIES  
NOTES TO THE INTERIM FINANCIAL REPORT

NOTE 3 – SEGMENT INFORMATION (con't)

Segment performance	TENEMENTS		INVESTMENT	UNALLOCATED	TOTAL
	JORC COMPLIANT RESOURCE	OTHER			
<b>Six months ended 31<sup>st</sup> December 2010</b>					
Income	-	-	-	37,758	37,758
Depreciation	(21,088)	-	-	(58,884)	(79,972)
Exploration expenditure	-	(11,384)	-	-	(11,384)
Overheads	-	(8,339)	-	(1,274,818)	(1,283,157)
Movement in fair value of financial assets	-	-	20,700	-	20,700
Net (loss) / profit before tax	(21,088)	(19,723)	20,700	(1,295,944)	(1,316,056)
<b>Six months ended 31<sup>st</sup> December 2009</b>					
Income	-	-	-	61,685	61,685
Depreciation	(19,782)	-	-	(51,953)	(71,735)
Exploration expenditure	-	(691,390)	-	-	(691,390)
Overheads	-	(57,873)	-	(2,118,421)	(2,176,294)
Net gain on sales of financial assets	-	-	256,027	-	256,027
Movement in fair value of financial assets	-	-	46,000	-	46,000
Net (loss) / profit before tax	(19,782)	(749,263)	302,027	(2,108,689)	(2,575,707)

**Segment assets and liabilities**

	TENEMENTS		INVESTMENTS	UNALLOCATED	TOTAL
	JORC COMPLIANT RESOURCE	OTHER			
<b>As at 31<sup>st</sup> December 2010</b>					
Total assets	16,164,256	-	354,000	769,576	17,287,832
Total liabilities	18,074	-	-	943,554	961,628
<b>As at 30 June 2010</b>					
Total assets	15,692,934	23,939	160,800	2,119,009	17,996,682
Total liabilities	42,660	-	-	933,486	977,146

*MARATHON RESOURCES LIMITED  
ACN 107 531 822  
AND CONTROLLED ENTITIES  
NOTES TO THE INTERIM FINANCIAL REPORT*

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

Provision of \$ 800,000 on 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 risk of an adverse outcome the Directors are of the view that a provision of 50% of the maximum exposure is still reasonable. The matter is expected to go trial and has been listed in the Supreme Court of South Australia commencing 17 October 2011.

There have been no developments that would cause earlier assessment to be revised.

NOTE 5 – CRITICAL ACCOUNTING JUDGEMENTS

No impairment of the Mt Gee exploration asset with a carrying value of \$15,784,612

During the half year the company continued to negotiate the renewal of its exploration licence EL 4355 “Mt Gee” which was ultimately achieved on 2<sup>nd</sup> February 2011 for a term of 16 months from its earlier expiry date of 10<sup>th</sup> October 2010.

The renewed licence is subject to additional terms and conditions imposed by Primary Industries and Resources of South Australia (PIRSA) but will nevertheless allow the company to resume drilling activities subject to approval by PIRSA of a Declaration of Environmental Factors (DEF) in due course.

Having regard for the licence renewal and the raising of additional equity funding, dealt with elsewhere in this report, the Directors are of the opinion that there is no impairment of the Mt Gee exploration asset which has a carrying value of \$15,784,612.

*MARATHON RESOURCES LIMITED  
ACN 107 531 822  
AND CONTROLLED ENTITIES  
NOTES TO THE INTERIM FINANCIAL REPORT*

NOTE 6 – ECONOMIC DEPENDENCY

**Going Concern**

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

As a junior explorer the Group generally has sufficient funds on hand to meet ongoing corporate and exploration commitments. The Directors periodically consider the following;

- identify sources of additional capital and/or
- reduce the rate of expenditure.

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

If additional funds are not raised as and when required, the going concern basis may not be appropriate with the result that the Company may have to realise the assets and extinguish its liabilities', other than in the ordinary course of business and in amounts different from those stated in the interim report.

Marathon Resources Limited  
ACN 107 531 822  
235 Port Road  
Hindmarsh SA 5007  
Telephone (08) 8348 3500  
Facsimile (08) 8346 8111  
[admin@marathonresources.com.au](mailto:admin@marathonresources.com.au)  
[www.marathonresources.com.au](http://www.marathonresources.com.au)

MARATHON RESOURCES LIMITED  
ACN 107 531 822  
AND CONTROLLING ENTITIES  
DIRECTORS' REPORT

The Directors declare that:

In the opinion of the directors of the company:

1. The financial statements and notes, as set out on pages 6 to 15, are in accordance with the Corporations Act 2001 including:
  - (a) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001; and
  - (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date.
2. 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.



*Peter Williams*  
Director



*Christopher Schacht*  
Director

*Dated in Adelaide, South Australia this 11<sup>th</sup> day of March 2011*

Level 1,  
67 Greenhill Rd  
Wayville SA 5034  
GPO Box 1270  
Adelaide SA 5001

T 61 8 8372 6666  
F 61 8 8372 6677  
E [info.sa@au.gt.com](mailto:info.sa@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MARATHON RESOURCES**

We have reviewed the accompanying half-year financial report of Marathon Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report 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 half-year financial report that is 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.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Marathon Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

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

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Marathon Resources Limited is not in accordance with the Corporations Act 2001, including:

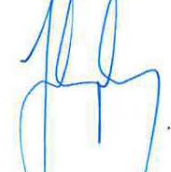
- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

**Significant uncertainty regarding:****Access to Mt Gee**

Without qualification to the conclusion expressed above, attention is drawn to Note 5 – Critical Accounting 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 \$15,784,612 capitalised as exploration expenditure. That impairment decision is based on the critical assumption that the Department of Primary Industries and Resources of South Australia (PIRSA) will approve the Declaration of Environmental Factors (DEF) and the Company will be permitted to resume comprehensive exploration activities on the Mt Gee lease.



GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP  
Chartered Accountants



J L Humphrey  
Partner

Adelaide, 11 March 2011