

20th October 2008

Manager Companies
Companies Announcements Office
Australian Stock Exchange Limited

By email: ASX On-Line

Dear Sir/Madam

ASX Code: MTN
Notice of Meeting/Proxy Notice

I enclose

- a copy of the Company's Notice of Annual General Meeting and Explanatory Memorandum; and
- a sample of the accompanying form of Proxy Notice,

being sent today to the Company shareholders.

Yours faithfully



Sam Appleyard
Company Secretary

Marathon Resources Limited
ABN 31 107 531 822

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Marathon Resources Limited will be held at the Mercure Grosvenor Hotel Adelaide, 125 North Terrace, Adelaide South Australia on Friday, 28 November 2008 at 9:30am (Adelaide time).

Business:

Accounts

To consider the financial report and the reports of the Directors and of the Auditors for the financial year ended 30 June 2008.

The annual report is available to view online at the following web site
www.ereports.net.au/mtn

Resolution 1 - Re-election of Mr Peter Williams as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Mr Peter Williams, having retired by rotation in accordance with the Company’s Constitution and having offered himself for re-election, is hereby re-elected as a Director of the Company with immediate effect.”

Information regarding the candidate for re-election can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

Resolution 2 - Election of Mr Christopher Schacht as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Mr Christopher Schacht, having retired in accordance with clause 44.3(a) of the Company’s Constitution and having offered himself for election, is hereby elected as a Director of the Company with immediate effect.”

Information regarding the candidate for re-election can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

Resolution 3 - Election of Dr John G (Shad) Linley as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Dr John G (Shad) Linley, having retired in accordance with clause 44.3(a) of the Company’s Constitution and having offered himself for election, is elected as a

Director of the Company with immediate effect.”

Information regarding the candidate for re-election can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

Resolution 4 - Adoption of the Remuneration Report for the year ended 30 June 2008

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of Section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report for the period ended 30 June 2008 as set out in the Directors’ Report section of the 2008 Annual Report.”

The vote on the resolution to adopt the Remuneration Report is advisory only and does not bind the Directors of the Company.

Special Business:

Resolution 5 – Approval of increase in aggregate fees payable to Non-Executive Directors

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of ASX Listing Rule 10.17 and in accordance with clause 50.2 of the Constitution, approval is hereby given for the maximum aggregate fees payable to Non-Executive Directors to be increased from \$300,000 to \$500,000 per annum.”

Information regarding Resolution 5 can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5 by a Non-Executive Director or any associate of a Non-Executive Director.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

Resolution 6 – Approval of issue of Options to Chairman, Mr Peter Williams

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, and subject to the passing of Resolution 1 and Resolution 5, the issue and allotment by the Company of 250,000 unlisted Options to Mr Peter Williams, or his permitted nominee, on the terms and conditions set out in Annexure A, is approved.”

Information regarding Resolution 6 can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 6 by Mr Peter Williams (or his nominee) and any associate of Mr Peter Williams, or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities. However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

Resolution 7 – Approval of issue of Options to Director, Mr Chen Zeng

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, and subject to the passing of Resolution 5, the issue and allotment by the Company of 250,000 unlisted Options to Mr Chen Zeng, or his permitted nominee, on the terms and conditions set out in Annexure A, is approved.”

Information regarding Resolution 7 can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 7 by Mr Chen Zeng (or his nominee) and any associate of Mr Chen Zeng, or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities. However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a

direction on the relevant proxy form to vote as the proxy decides.

Resolution 8 - Approval of issue of Options to Director, Mr Christopher Schacht

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, and subject to the passing of Resolution 2 and Resolution 5, the issue and allotment by the Company of 250,000 unlisted Options to Mr Christopher Schacht, or his permitted nominee, on the terms and conditions set out in Annexure A, is approved.”

Information regarding Resolution 8 can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 8 by Mr Christopher Schacht (or his nominee) and any associate of Mr Schacht, or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities. However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

Resolution 9 - Approval of issue of options to Director, Dr John G (Shad) Linley

“That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations

Act and for all other purposes, and subject to the passing of Resolution 3 and Resolution 5, the issue and allotment by the Company of 250,000 unlisted Options to Dr John G (Shad) Linley, or his permitted nominee, on the terms and conditions set out in Annexure A, is approved.”

Information regarding Resolution 9 can be found in the Explanatory Memorandum that accompanies this Notice of Annual General Meeting.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 9 by Dr John G (Shad) Linley (or his nominee) and any associate of Dr Linley, or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities. However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the relevant proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the relevant proxy form to vote as the proxy decides.

Information for Members

Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting and should be read in conjunction with this Notice.

Members are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used both in this Notice of Annual General Meeting and the Explanatory Memorandum.

“Snap-shot” Time

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that for the purposes of voting at the meeting, Shares will be taken to be held by those who hold them as at 5.00pm Adelaide time on Wednesday, 26 November 2008.

Proxies

A Shareholder entitled to attend and vote at the meeting may appoint a proxy. The person appointed as a proxy may be an individual or a body corporate and need not be a Shareholder. If a Shareholder is entitled to cast two or more votes, the Shareholder may appoint one or two proxies.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the proportion is not specified, each proxy may exercise half of the Shareholder's voting rights. Fractional votes will be disregarded.

You may direct the proxy to vote “for”, “against” or “abstain” from voting on each resolution or you may leave the decision to the appointed proxy after discussion at the meeting.

Please read carefully the instructions on the enclosed Proxy Form and consider how you wish to direct the proxy to vote on your behalf.

To record a valid vote members will need to take either of the following steps:

- (a) Cast your vote online by visiting www.investorvote.com.au and following the instructions and information provided on the enclosed proxy form or
- (b) Complete and lodge the Proxy Form (and the power of attorney or other authority (if any) under which it is signed, or a certified copy of it) at the share registry of the Company, Computershare Investor Services Pty Limited, located at GPO Box 242, Melbourne Vic 3001, or by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia),

no later than 48 hours before the time for the holding of the meeting.

Corporate Representative

A corporation that is a Shareholder or a proxy may elect to appoint a person to act as its corporate representative at the meeting, in which case the corporate Shareholder or proxy (as applicable) must provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that Shareholder's or proxy's (as applicable) corporate representative. The authority must be sent to the Company and/or the Company's Share Registry (detailed above) in advance of the meeting or handed in at the meeting when registering as a corporate representative.

By order of the Board



S M Appleyard
Company Secretary
Marathon Resources Limited
16 October 2008

Explanatory Memorandum

Introduction

This Memorandum has been prepared for the information of Shareholders of Marathon Resources Limited in connection with the business to be conducted at the Annual General Meeting of the Company to be held at Mercure Grosvenor Hotel Adelaide, 125 North Terrace, Adelaide, South Australia on Friday, 28 November 2008 at 9:30am (Adelaide time).

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting. Capitalised terms in this Explanatory Memorandum are either defined in the Glossary or elsewhere in this Explanatory Memorandum.

Resolution 1 - Re-election of Mr Peter Williams as a Director

In accordance with Listing Rule 14.4 and clause 46 of the Constitution, at every Annual General Meeting, one third of the Directors for the time being must retire from office and are eligible for re-election. The Directors to retire are to be those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement.

The Directors presently in office are Messrs Peter Williams, Chen Zeng and Chris Schacht and Dr John G (Shad) Linley. In accordance with clause 44.3(b) of the Constitution, Mr Chris Schacht and Dr John G (Shad) Linley will not be taken into account in determining the number of Directors that must retire by rotation.

Mr Williams is the Director who retires by rotation at the Annual General Meeting. He has offered himself for re-election.

Mr 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.

An assessment of the performance of Mr Williams has been conducted in the context of his skills, experience, knowledge and understanding of the Company's business. The Directors (other than Mr Williams) recommend Shareholders vote in favour of Resolution 1. The Chairman intends to vote undirected proxies in favour of this Resolution.

Resolution 2 - Election of Mr Christopher Schacht as a Director

Mr Christopher Schacht was appointed as a Director by the Board on 24 January 2008. Under clause 44.3(a) of the Constitution, the Board may appoint any person as a Director as an addition to the Board, provided that a Director appointed under this clause retires at the first annual general meeting following his or her appointment.

In accordance with the Constitution, Mr Schacht retires at the Annual General Meeting. He has offered himself for election.

Mr Schacht is a qualified teacher who entered political service in the 1970's as a ministerial advisor to both SA state government and 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.

An assessment of the performance of Mr Schacht has been conducted in the context of his skills, experience, knowledge and understanding of the Company's business. The Directors (other than Mr Schacht) recommend Shareholders vote in favour of Resolution 2. The Chairman intends to vote undirected proxies in favour of this Resolution.

Resolution 3 - Election of Dr John G (Shad) Linley as a Director

Dr John G (Shad) Linley was appointed as a Director by the Board on 30 June 2008. Under clause 44.3(a) of the Constitution, the Directors may appoint any person as a Director as an addition to the Board, provided that a Director appointed under this clause retires at the first annual general meeting following his or her appointment.

In accordance with the Constitution, Dr Linley retires at the Annual General Meeting. He has offered himself for election.

Dr Linley is a qualified geologist holding a PhD from the University of Adelaide. Most recently Dr Linley was Chief Executive Officer of Sun Metals, the world's most efficient and environmentally sensitive zinc refinery 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 TexasGulf 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.

An assessment of the performance of Dr Linley has been conducted in the context of his skills, experience, knowledge and understanding of the Company's business. The Directors (other than Dr Linley) recommend Shareholders vote in favour of Resolution 3. The Chairman intends to vote undirected proxies in favour of this Resolution.

Resolution 4 - Adoption of the Remuneration Report

In accordance with Section 250R(2) of the Corporations Act, Shareholders are required to vote on the Company's Remuneration Report for the year ended 30 June 2008.

The Remuneration Report is contained in the Directors' Report on page 16 of the 2008 Annual Report. The Report describes the underlying policies and structure of the remuneration arrangements of the Company and sets out the remuneration arrangements in place for Directors and senior executives.

The Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Members should note that the vote on Resolution 4 is not binding on the Company or the Directors.

The Directors recommend Shareholders vote in favour of Resolution 4. The Chairman intends to vote undirected proxies in favour of the Resolution.

Resolution 5 - Approval of increase in aggregate Non-Executive Directors' fees

ASX Listing Rule 10.17 and clause 50.2 of the Constitution provides that the Company must not increase the total fees payable by it to its Non-Executive Directors without first obtaining Shareholder approval to the increase.

The maximum aggregate for the Non-Executive Directors' fees was last increased at the Company's 2007 Annual General Meeting when it was increased from \$150,000 to \$300,000. The remuneration provided to each Non-Executive Director for the financial year ended 30 June 2008 is set out in the Directors' and Executives' Remuneration on page 16 of the 2008 Annual Report.

For the purposes of ASX Listing Rule 10.17 and clause 50.2 of the Constitution, Resolution 5 seeks Shareholder approval to increase the aggregate maximum fees that may be paid by the Company to its Non-Executive Directors from \$300,000 per annum to \$500,000 per annum (inclusive of superannuation payments).

The Board considers it necessary to increase the aggregate maximum fees payable to Non-Executive Directors to \$500,000 per annum to allow the Company to increase fees payable to existing Non-Executive Directors and/or appoint additional Non-Executive Directors in the future as and when required.

As the Non-Executive Directors have an interest in Resolution 5 they do not wish to make a recommendation as to how Shareholders ought to vote on Resolution 5. The Chairman intends to vote any undirected proxies in favour of Resolution 5.

Resolutions 6 to 9 - Approval of issue of Options to Messrs Peter Williams, Chen Zeng, Christopher Schacht and Dr John G (Shad) Linley

1. Background

Resolutions 6 to 9 seek approval of the issue of 250,000 Options to each of the Directors, Messrs Peter Williams, Chen Zeng, Christopher Schacht and Dr John G (Shad) Linley or their respective nominees, on the terms set out in Annexure A to this Explanatory Memorandum.

The grant of the Options is intended to act as an incentive for the Directors to align themselves with the Company's strategic plan focusing on optimising performance with the benefits flowing through to enhanced Shareholder returns. The Options, if approved for grant, will not form part of the Directors' respective remuneration packages but will be in addition to their remuneration as Non-Executive Directors.

The Board acknowledges the grant of options to non-executive directors is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of the Options to the Directors reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company and retain them, whilst maintaining the Company's cash reserves.

2. Key Details of Options

The key terms of the Options are as follows:

Number to be issued to each Director	Exercise Price	Vesting Date	Expiry Date
250,000	\$1.10	28 December 2008	28 December 2013

The full terms of the Options are set out in Annexure A. Each Option will be issued on the same terms, with no distinction between those granted to the Non-Executive Directors.

3. Chapter 2E Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a Related Party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each of the Directors is considered to be a Related Party of the Company because each is a director of the Company.

The proposed grant of Options by the Company to the Directors (or their respective nominees) constitutes the giving of a financial benefit to Related Parties of the Company and, therefore, requires prior Shareholder approval. In accordance with the requirements of Chapter 2E, and in particular with Section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed grant of Options by the Company to each of the Directors (or their respective nominees):

- (a) each of the Directors is a Related Party of the Company to whom proposed Resolutions 6 to 9 (inclusive) would permit the financial benefits to be given;
- (b) the nature of the financial benefit to be given to each of the Directors (or their respective nominees) is the grant of 250,000 Options to each of the Directors;

- (c) as at the ASIC Lodgement Date, the issued capital of the Company is 60,690,287 Shares and 4,680,700 Options. A comparison of the current issued capital of the Company and the issued capital of the Company should each Director exercise all of their 250,000 Options (assuming that Resolutions 6 to 9 (inclusive) are approved by Shareholders, no existing options are exercised and no other securities are issued by the Company in the meantime) is set out in the table below:

Current number of Shares on issue	Number of Shares on issue following Exercise of Options by the Directors
60,690,287	61,690,287

- (d) If Shareholders approve the grant of the 1,000,000 Options in total to the Directors, the exercise of the Options by the Directors may result in a dilution of all other Shareholders' holdings in the Company to a maximum of approximately 1.62% (based on the number of Shares on issue at the ASIC Lodgement Date and assuming that Resolutions 6 to 9 (inclusive) are approved by the Shareholders, the Options the subject of Resolutions 6 to 9 (inclusive) are subsequently granted and exercised, no existing options are exercised and no other securities are issued by the Company in the meantime);
- (e) If Resolutions 6 to 9 (inclusive) are approved by Shareholders, the Directors will be entitled to the following securities¹ in the Company:

Director	Number of Shares²	Number of Options
Peter Williams	680,000	250,000
Chen Zeng	Nil	250,000
Christopher Schacht	45,000	250,000
John G (Shad) Linley	Nil	250,000

- The securities are based on the relevant interests (as defined in the Corporations Act) of the Directors as at the ASIC Lodgement Date, assuming Resolutions 6 to 9 are approved. Subject to the Corporations Act, the Listing Rules and the Company's Constitution, any of the Directors may from time to time either dispose of some or all of their security holdings in the Company and/or increase their security holdings in the Company.
 - Shares include the Shares directly held by Directors and those indirectly held by, and in which, the Directors have a relevant interest.
- (f) the 1,000,000 Options will be granted by the Company to the Directors for no consideration and therefore no funds will be raised by the grant of the Options to Directors. Any funds raised from time to time due to the exercise of any

Options by a Director will be used as the Board elects for the benefit of the Company in the furtherance of its business activities;

- (g) see section 4 of this Explanatory Memorandum regarding an indicative valuation of the Options;
- (h) please refer to the following table for details of the Directors' remuneration for the financial year ending 30 June 2009 based on current terms of engagement or appointment:

Director	Director Fees	Other	Total
Peter Williams	\$60,000	\$5,400	\$65,400
Chen Zeng	\$40,000	\$3,600	\$43,600
Christopher Schacht	\$40,000	\$3,600	\$43,600
John G (Shad) Linley	\$40,000	\$3,600	\$43,600

- (i) if Resolutions 6 to 9 (inclusive) are approved by Shareholders, the Options will be granted no later than 1 month after the date of this Annual General Meeting and it is anticipated that the allotment will be on one date;
- (j) the proposed grant of the Options to Directors will be made pursuant to the terms and conditions set out in and Annexure A of this Explanatory Memorandum;
- (k) see section 8 of this Explanatory Memorandum in relation to each Director's interest in the outcome of Resolutions 6 to 9 (inclusive) and their recommendation in respect to those Resolutions; and
- (l) other than the information specified in this Explanatory Memorandum, the Company believes there is no other information that would be reasonably required by the Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 6 to 9 (inclusive).

4. Valuation of Options

The highest, lowest and last sale prices for the Shares on ASX during the 12 months immediately preceding the ASIC Lodgement Date and the respective dates of those sale prices were:

Highest: \$3.35 per Share on 3 October 2007
 Lowest: \$0.695 per Share on 13 August 2008
 Last: \$1.00 per Share on 2 October 2008 being the last day on which the Company's Shares were traded on ASX before the ASIC Lodgement Date.

Marathon has prepared a valuation, which the Board has adopted, in relation to the indicative value of the Options to be issued to the Directors. The valuation uses the Black-Scholes Option Pricing Model and the following assumptions:

- (a) The indicative valuation has assumed that the grant date of the Options is 28 December 2008, although the volume weighted average price of Marathon Shares used is to 2 October 2008. The valuation is not a representative valuation of the Options at the proposed date of issue. In order for this valuation to be provided, a new valuation model would need to be run with updated assumptions at the time of issue (i.e. immediately following the Annual General Meeting).
- (b) An exercise price of \$1.10 per Option.
- (c) The volume weighted average price of Marathon Shares over the 5 ASX trading days to 2 October 2008, the date of this indicative valuation, of \$0.964.
- (d) An estimated future volatility of the Company's Share price of 105% based on historical recorded volatility in the Company's Share price as well as those of comparable companies.
- (e) Risk-free interest rates for the Options of 5.56%.
- (f) In calculating the indicative value of the Options, it has been assumed that they are exercised on their expiry date which is, for each Option, 28 December 2013.
- (g) The indicative value for each Option is \$0.781.
- (h) The Options to be granted to the Directors, pursuant to Resolutions 6 to 9 (inclusive), will not be quoted on ASX. The total value of the 1,000,000 Options to be issued to the Directors, based on the indicative valuation, is \$781,000. This amount is the maximum value of the Options, it contains no reductions for early exercise or discount for limitations on the transferability of the Options.

5. Listing Rule 10.11

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a Related Party, or a person whose relationship with the entity or a Related Party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

The grant of the Options to the Directors requires the Company to obtain Shareholder approval because the Directors are Related Parties of the Company.

It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought under Listing Rule 10.11 for the grant of Options to the Directors.

6. Listing Rule 7.1

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Options to the Directors if approval is obtained under Listing Rule 10.11. Accordingly, the issue of Options to the Directors will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

7. Listing Rule Requirements

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolutions 6 to 9 (inclusive):

- (a) the maximum number of Options that may be granted by the Company to each of the Directors, Messrs Peter Williams, Chen Zeng and Christopher Schacht and Dr John F (Shad) Linley, (or their respective nominees) is 250,000 Options, being an aggregate total of 1,000,000 Options. If all the Options are exercised by the Directors (or their nominees), then each of the Directors (or their respective nominees) will be entitled to 250,000 Shares as a result of the exercise of those Options, being an aggregate total of 1,000,000 Shares;
- (b) if Resolutions 6 to 9 (inclusive) are approved by Shareholders, the Options will be granted by the Board no later than 1 month after the date of the Meeting and it is anticipated that the allotment will be on one date;
- (c) the Options will be granted for no consideration and therefore no funds will be raised by the grant of the Options to the Directors. Any funds raised from time to time due to the exercise of any Options by a Director will be used as the Board sees fit; and
- (d) the exercise price for each Option being granted to the Directors is \$1.10.

8. Recommendations of Directors

- (a) Mr Peter Williams declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of that Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6 on the basis that they consider the grant of Options is reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Williams) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.
- (b) Mr Chen Zeng declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the

outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7 on the basis that they consider the grant of Options is reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Zeng) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 7.

- (c) Mr Chris Schacht declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8 on the basis that they consider the grant of Options is reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Schacht) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 8.
- (d) Dr John F (Shad) Linley declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 9, recommend that Shareholders vote in favour of Resolution 9 on the basis that they consider the grant of Options is reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Dr Linley) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 9.

GLOSSARY

In this Explanatory Memorandum, the following terms have the following unless the context otherwise requires:

"\$" means Australian dollars;

"ASIC Lodgment Date" means 3 October 2008;

"ASX" means ASX Limited ACN 008 624 691;

"Board" means the Board of Directors from time to time;

"Company" or "Marathon" means Marathon Resources Limited ABN 31 107 531 822.

"Constitution" means the constitution of the Company from time to time;

"Corporations Act" means the *Corporations Act 2001* (Cth).

"Directors" means the directors of the Company from time to time and "Director" means any one of them;

"Explanatory Memorandum" means this explanatory memorandum;

"Listing Rules" means the listing rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX;

"Meeting" or "Annual General Meeting" means the annual general meeting of Shareholders of the Company or any adjournment thereof, convened by the Notice;

"Notice" or "Notice of Annual General Meeting" means the notice of general meeting which accompanies this Explanatory Memorandum;

"Option" means an option to subscribe for a Share, on the terms set out in Annexure A of this Explanatory Memorandum;

"Directors" means Messrs Peter Williams, Chen Zeng and Christopher Schacht and Dr John G (Shad) Linley and "Director" means any one of them;

"Related Party" has the meaning given to that term in Section 228 of the Corporations Act;

"Resolution" means a resolution referred to in the Notice;

"Share" means a fully paid ordinary share in the capital of the Company;

"Shareholder" means a holder of Shares in the Company.

ANNEXURE A

TERMS AND CONDITIONS


1. The Option holder is entitled on payment of \$1.10 per share (the Exercise Price) to be allotted one ordinary fully paid share for each Option exercised (subject to possible adjustments as referred to below).
2. Options held by the Option holder are exercisable up to and including 28 December 2013 (the Exercise Date). Reminder notices will be forwarded to the option holder prior to the Exercise Date. Options not exercised on or before the Exercise Date will lapse.
3. An Option is exercisable by notice in writing to the Company lodged at the office of the Company's share registry together with payment of the Exercise Price for each Option exercised. The minimum number of Options which may be exercised at any time is a marketable parcel except where less than that number is held in which case all Options held by one holder must be exercised.
4. The Company will not apply for official quotation of Options on the ASX. The Company will make application for official quotation on the ASX of new shares allotted on exercise of Options. Shares allotted on exercise of Options will participate equally in all respects with existing issued ordinary shares. In particular, shares allotted on exercise of Options will qualify for dividends declared after the date of allotment.
5. Options carry no right (without exercising the Options) to participate in rights issues which may be offered by the Company to its shareholders after the date of issue of the Options or in bonus issues or dividends. However the Company must give prior notice to Option holders of any new issue before the record date for determining entitlements to the issue in accordance with ASX Listing Rules and Option holders have the right to exercise the Options prior to the record date for determining entitlements.
6. If during the currency of Options the issue capital of the Company is reconstructed, the number or nominal value of Options to which the holder is entitled will be reconstructed in the same proportion as the issued capital of the Company is reconstructed (subject to the same provisions with respect to rounding of entitlements sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all respects the term for the exercise of the Options shall remain unchanged.
7. If the company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to this formula:

$$A = \frac{O - E[P - (S + D)]}{(N + 1)}$$

Where:

- A = the new exercise price of the Option;
- O = the old exercise price of the Option;
- E = the number of underlying ordinary shares into which one Option is exercisable
- P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days ending on the day before the ex rights date or ex entitlements date (excluding special crossings and overnight sales);
- S = the subscription price for an ordinary share under the pro rata issue;
- D = the dividend due but not yet paid on each ordinary share at the relevant time (except those to be issued under the pro rata issue); and
- N = the number of ordinary shares that must be held to entitle holders to receive a right to one new ordinary share in the pro rata issue.
8. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
 9. Subject to the ASX Listing Rules, Options may be transferred at any time prior to their expiry by completing a standard form of transfer.
 10. Optionholders appearing on the Company's Register of Optionholders at the relevant date will be entitled to receive and will be sent all reports and accounts required to be laid before shareholders in general meetings and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings.

Lodge your vote:

 **Online:**
 www.investorvote.com.au



 **By Mail:**
 Computershare Investor Services Pty Limited
 GPO Box 242 Melbourne
 Victoria 3001 Australia

Alternatively you can fax your form to
 (within Australia) 1800 783 447
 (outside Australia) +61 3 9473 2555

For all enquiries call:
 (within Australia) 1300 556 161
 (outside Australia) +61 3 9415 4000

000001 000 MTN
 MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Proxy Form

 Vote online or view the annual report, 24 hours a day, 7 days a week: www.investorvote.com.au	
<input checked="" type="checkbox"/> Cast your proxy vote <input checked="" type="checkbox"/> Access the annual report <input checked="" type="checkbox"/> Review and update your securityholding	Your secure access information is: Control Number: 999999 SRN/HIN: I9999999999 PIN: 99999  PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 9.30am (Adelaide time) Wednesday 26 November 2008**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
 or turn over to complete the form →**

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Marathon Resources Limited hereby appoint

the Chairman of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Marathon Resources Limited to be held at the Mercure Grosvenor Hotel Adelaide, 125 North Terrace, Adelaide South Australia on Friday, 28 November 2008 at 9.30am and at any adjournment of that meeting.

Important for Items 5 and 6: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 5 and 6 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 5 and 6 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 5 and 6 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Ordinary Business

	For	Against	Abstain
1 Re-election of Mr P Williams as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Mr C Schacht as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of Dr J G Linley as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Special Business

5 Approval of increase in aggregate fees payable to Non-Executive Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval of issue of Options to Chairman, Mr P Williams	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approval of issue of Options to Director, Mr C Zeng	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approval of issue of Options to Director, Mr C Schacht	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Approval of issue of Options to Director, Dr J G Linley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____/____/____