

## Snapshot MTN

### Marathon Resources

Marathon is a minerals exploration company focused on the development of Mt Gee, one of Australia's largest undeveloped uranium deposits. The Mt Gee project is located within the Paralana Mineral System of South Australia, a uranium-rich state which is home to the world's largest uranium deposit at Olympic Dam. Mt Gee has an indicated and inferred resource of 46.1 million tonnes averaging 651ppm  $U_3O_8$ , yielding 30,030 tonnes of contained  $U_3O_8$ . Marathon's portfolio also includes highly prospective copper-gold-uranium properties in the Gawler Craton of South Australia and first class copper-gold and base metal (silver-lead-zinc) projects in the Adelaide Geosyncline in South Australia and a prospective gold project in the Moyston Fault Zone in western Victoria. Marathon also has a joint venture over tenements in central South Australia with listed uranium explorer UraniumSA Ltd in which the company holds a 7% stake.

**Market Capitalisation**

**A\$24m**

<b>Marathon Resources</b> 05 Nov 08
MTN 

**Cashing up to fund 2009 work programme**

The company has taken the opportunity to reassure shareholders that despite the ongoing volatility in financial markets and the company's share price, things are much rosier than they might appear. The company is waiting for a start-up date to commence its clean-up activities at Mt Gee and has recently kicked off a gravity survey programme targeting potential extensions to the resource base. Furthermore, the company has announced a rights issue to existing shareholders that has the full support of Marathon's two biggest holders.

Fat Prophets initially recommended buying Marathon Resources at 72 cents in March 2006 (Fat Mining 16). Our last review of the stock was in September (Fat Mining 140).



From a charting perspective, there has been a further deterioration in Marathon over the past six months. As visible on the daily chart, underlying downward momentum defeated a modest rally to \$2.14 in April, with prices since declining to a low of 20.5 cents in October.

Given the extent of the decline from the 2007 high of \$6.68, we believe that investors seeking a restoration of value will need to exercise considerable patience. In our opinion, an extended period of consolidation and base building is required ahead of the emergence of a sustainable upward trend.

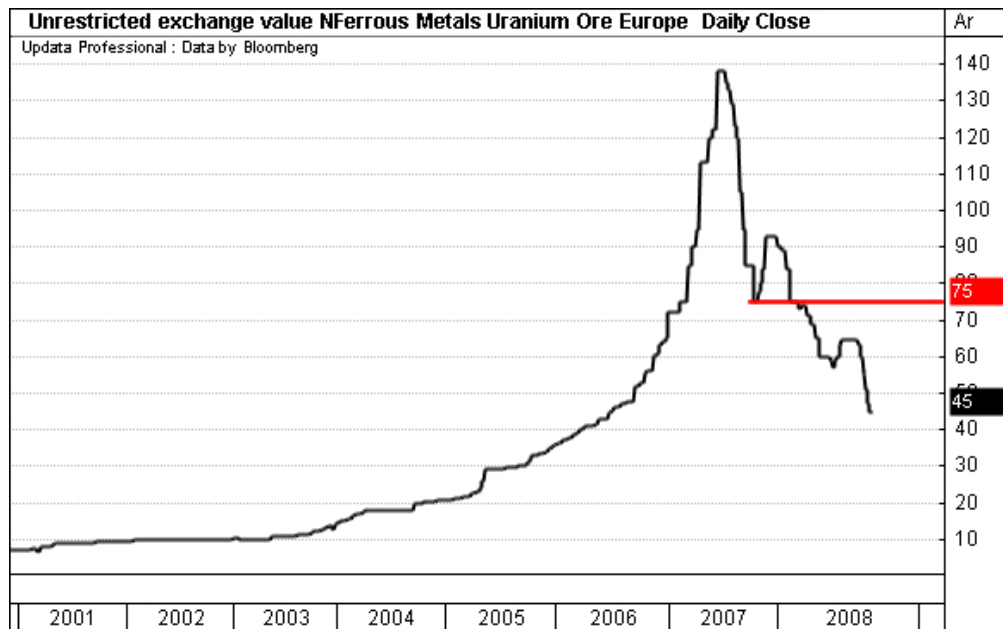


Marathon Resources Mt Gee' property in South Australia hosts one of Australia's largest undeveloped uranium deposits, with a resource of around 30,000 tonnes U3O8. Major resource players, Talbot Group Holdings and CITIC Australia, together own just under 20% of Marathon. All of these factors provide us with longer-term confidence despite the various hiccups that the company has endured over the past 12 months.

On the environmental front, Marathon has been working closely with the South Australian government's environmental authority to develop a suitable resolution for the retrieval and disposal of drilling residue previously buried at Mt Gee. The company has submitted a rectification plan and once approved, implementation will begin.

The company is also continuing its work, begun in December last year, on its Pre-feasibility Study and Environmental Impact Study, which is anticipated to take up to 18 months to complete. The company is also keen to expand its uranium resource base and to this end has commenced a gravity survey programme at Mt Gee that will target extensions to the mineralisation that will ultimately be followed up by drilling.

Despite the roller-coaster ride for shareholders, the company still boasts one of Australia's largest undeveloped uranium deposits, with further resource upside in the years ahead as drilling continues in the prospective areas of the project. We are also pleased to see the company dealing more proactively with its environmental issues and obligations, which is the first step on the long road to re-establishing market confidence.



In order to maintain its exploration activities during 2009, Marathon has embarked upon a rights issue to its existing shareholders, which has the potential to raise up to \$7.77 million if fully subscribed. The issue in our view is attractively priced at \$0.32 per share and will be undertaken on a 2-for-5 basis, with the issue being non-renounceable (i.e. shareholders cannot on-sell their rights entitlements).

The issue price represents a 30% discount to the closing price of Marathon's shares as at 31 October of \$0.46 and a 2% discount to the VWAP (volume weighted average price) of Marathon's shares during the five trading days up to 31 October.

Encouragingly, Marathon's two biggest shareholders, Talbot Group Holdings and CITIC Australia, which together hold 20.9% of the company, have collectively agreed to underwrite up to \$4 million of the rights issue. We spoke with the company on Wednesday and naturally Marathon is delighted that its key shareholders are supporting the company in this way. They underlined that both shareholders have a long-term ten-year view on the company.

This also underlines the fact that unlike the vast majority of the junior companies in the resource sector, virtually all of the companies in the Fat Prophets Mining & Resources Portfolio have access to funding that allows them to continue with their exploration and development activities.

Funds raised from the issue will be used to fund Marathon's general working capital requirements and continue with exploration and development activity on its Mt Gee project. This includes the next stage of work, which involves a new drilling programme (subject to government approvals) and commencement of an Environmental Impact Statement.

Shareholders registered as at 12 November will be entitled to participate in the rights issue, with documentation to be sent out to shareholders on 18 November. The offer will close on 2 December and the new shares will commence trading around 11 December.

Given the opportunity for shareholders to acquire stock at a steep discount to the prevailing market price, we would encourage Members holding MTN to take up their full rights entitlement.

Emerging resource producers like Marathon have been particularly hard hit by the credit crisis, as investors have focused very much on the short-term. We nevertheless highlight the fact that the medium to longer-term picture for commodities, as the world's population continues to grow, remains stronger than ever. This is particularly the case for all forms of energy, where demand in Asia will continue to escalate.

**Marathon Resources will therefore continue to remain held within the Fat Prophets Mining & Resources Portfolio.**

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