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MARATHON

Terms and Conditions of Options

The terms and conditions of Options issued by the Company, including rights, privileges and restriction, are set out below. The terms and conditions may be changed by the Company to the extent necessary to comply with the ASX Listing Rules, particularly as they may apply to a reconstruction or reorganisation of the capital of the company at the time of reorganisation or reconstruction.

Entitlement to ordinary shares

The Option holder is entitled on payment of 20 cents 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).

Exercise date

Options held by the Option holder are exercisable up to and including 30 June 2009 (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.

Method of exercise of Options

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.

Rights of shares allotted on exercise

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.

Participating rights and entitlements

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.

Reconstruction of capital

If during the currency of Options the issued 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.

Bonus Issue

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 an 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 issued before the record date for the bonus issue.

Rights Issue

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 stockmarket of ASX during the 5 trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises)
S= the subscription price for a security under the pro rata issue
D= the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue)
N=the number of securities with rights or entitlements that must be held to receive a right to one new security.

Transfer

Subject to the ASX Listing Rules, Options may be transferred at any time prior to their expiry by completing a standard form of transfer.

Meetings

Option holders appearing on the Company's Register of Option holders 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 meeting and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings.

Dr John Santich
Chief Executive Officer