Marathon Resources Ltd
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MARATHON

Tuesday, March 08, 2005

Australian Stock Exchange Limited
Level 19, 91 King William Street
Adelaide SA 5000
Dear Sir

Attention: Mr Matthew Fraser

Dear Matthew

International Financial Reporting Standards

We refer to your query on the financial effect on Marathon Resources of adopting International Reporting Financial Standards ("IRFS") or Australian equivalents. The potential impact of IRFS adoption on the Company's and on its full financial year ended 30 June 2006 has been considered by directors and is set out in the Company's prospectus dated 20 October 2004. The Company's auditors have also been consulted.

It is the Company's view that there will be no material financial affect on adopting IFRS.

The Australian Accounting Standards Board is adopting the International Accounting Standards for application to reporting periods on or after 1 January 2005. Issued Accounting Standard AASB1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards" prescribes transitional provisions for first time adopters. AASB1047 "Disclosing the Impact of Adopting Australian Equivalents to International Financial Reporting Standards" requires financial reports to disclose information about the impact of any changes in accounting policies in the transition period leading up to the adoption date.

The Company does not require any significant changes in its systems as a result of adopting IFRS.

A summary of any key difference in accounting policies that are expected to arise from the adoption of the Australian equivalent to IFRS are as follows:

Income Tax	The Company will adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than accounting for the effects of timing differences between taxable income and accounting profit. It is not expected that tax losses will be booked. Other temporary differences will also not be brought to account as it is not considered probable that they will be recovered in the foreseeable future.
Impairment of Assets-	The Company currently assess whether assets are impaired by determining the recoverable amount of the assets on the basis of undiscounted future cash flows. IFRS will determine the recoverable amount as the higher of the fair value less costs to sell and value in use. These assessments will be on the basis of discounted cash flows.
Exploration Expenditure	AASB6 "Exploration and Evaluation of Mineral Resources" determines that entities recognising exploration and evaluation assets must perform impairment testing on those assets when facts and circumstances suggest that the carrying amount has been impaired. AASB6 also confirms that it does not apply to expenditures incurred before the entity has obtained legal rights to explore a specific area (pre-exploration activities). As such pre-license expenditures may be required to be expensed as incurred. The International Accounting Standard therefore requires a more rigorous test to satisfy the carrying forward of exploration and evaluation expenditure.

Financial Instruments	Investments available for sale are to be measured at fair value with changes in fair value recognised in equity subject to impairment.
	Investments in marketable securities are to be measured at fair value with changes in fair value recognised in the statement of financial performance as an income or expense.
	Investments/financial assets or liability are carried at fair value through statement of financial performance.
Business Combinations	Annual impairment testing of goodwill will now be applied and amortisation of goodwill will no longer be permitted

We trust that this information clarifies the Company's position in respect of IFRS set out in its Prospectus.

Yours Sincerely

Dr John Santich
Chief Executive Officer