

31st January 2011

**COMPANY ANNOUNCEMENTS OFFICE
AUSTRALIAN SECURITIES EXCHANGE**

ASX CODE MTN

**QUARTERLY ACTIVITY REPORT
1st October – 31st December 2010**

Marathon Resources Limited (ASX: “MTN”) is pleased to present its Activity Report for the Quarter ending 31st December 2010. Highlights of the past Quarter include:

- Further investigation on REE potential for the Mt Gee region
- Preparation of a DEF for drilling proposal

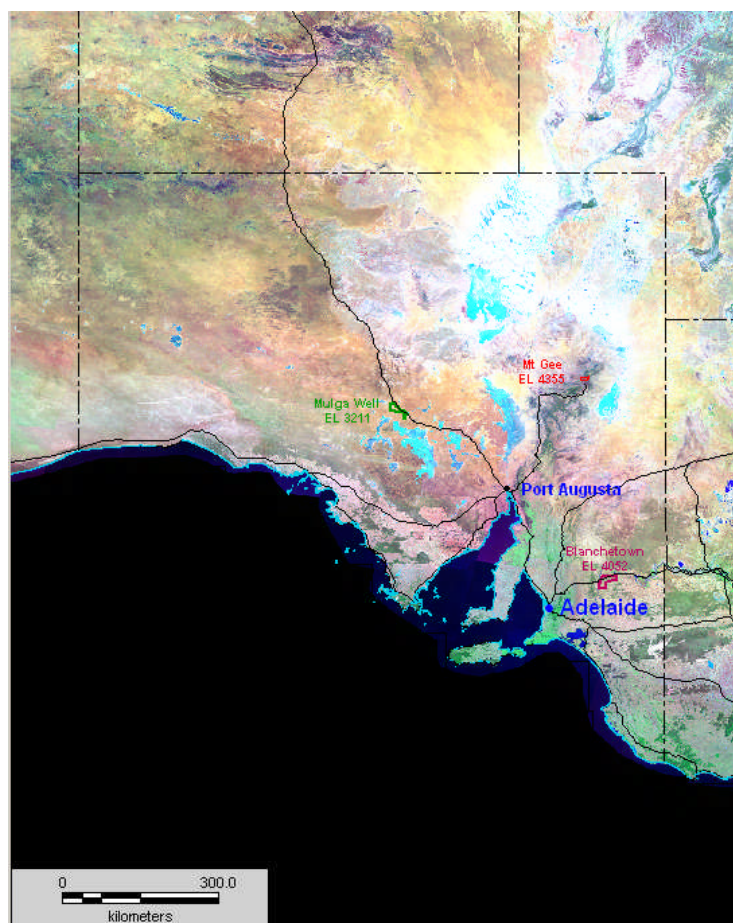


Figure 1: Marathon Resources- Map of Tenements

EL 4355 Mt Gee

South Australia

Licence Renewal

On 17th December 2010, Bonanza Gold Pty Ltd (a wholly owned subsidiary of Marathon Resources Limited) received a proposed renewal of EL 4355 from the South Australian government. Marathon Resources is consulting with the government on the terms and operating conditions of the renewed licence.

Investigation on Rare Earth Potential of the Mt Gee ore zones

All Marathon drill holes (75 RC and 45 diamond holes) were routinely assayed for REE elements (Lanthanum, Cerium and Yttrium). Several CRA drill holes were also assayed for Lanthanum, Cerium and occasionally Praseodymium.

Preliminary study in the Mt Gee ore zones shows a close relationship between REE and Uranium mineralisation. Within the ore blocks, the Lanthanum values are up to 5800ppm, Cerium values up to 9100ppm and Yttrium values up to 600ppm.

Further study is in progress to follow up previous Exoil work (1970) which reports zones of REE-bearing monazites.

Preparation of a DEF for drilling proposal

A DEF proposal is in progress. Marathon is proposing a drilling exploration program to:

- Demonstrate the NE, E and SE extensions of the Mt Gee deposit;
- Demonstrate the continuity of the Armchair and Hodgkinson deposits;
- Test recently discovered high grade shear zones.

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The information in this report that relates to Exploration Results has been compiled by Dr Phung Nguyen B.Sc (Hons, Uni. Adelaide), PhD (Uni.WA), a part-time employee of Marathon and a Member of the AusIMM. Dr Nguyen has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person for the purposes of the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Phung Nguyen consents to inclusion in the report of these matters based on their information in the form and context in which it appears.



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ABN 31 107 531 822

Notes to Editor

Marathon Resources is a minerals exploration company focused on the development of several prospects in the North Flinders Ranges.

These prospects (including Mt Gee, which is one of Australia's largest undeveloped uranium deposits), are located within the Paralana Mineral System of South Australia, a uranium-rich state that is home to the Olympic Dam deposit.

Marathon listed on the Australian Securities Exchange on 15 March 2005, under the stock code of MTN

www.marathonresources.com.au

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10, 17/12/10.

Name of entity

Marathon Resources Limited

ABN

31 107 531 822

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) (1) exploration & evaluation (2) camp infrastructure (b) development (c) production (d) administration	(123) (189) (472)	(311) (189) (1,020)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	6	67
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (R & D Concession)	221	221
Net Operating Cash Flows		(557)	(1,232)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
		-	-
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(557)	(1,232)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(557)	(1,232)
1.14	Cash flows related to financing activities Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	(557)	(1,232)
	Net increase (decrease) in cash held	(557)	1,232
1.20	Cash at beginning of quarter/year to date	1,151	1,826
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	594	594

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	45
1.24 Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	-
3.2 Credit standby arrangements	Nil	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	
4.3 Production	
4.4 Administration	400
Total	500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	53	37
5.2 Deposits at call	541	1,114
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	594	1,151

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL 3211 Mulga Well	Tenement lapsed on Anniversary Hard Rock Right Paleo J/V	100% 30%	0 0
6.2 Interests in mining tenements acquired or increased		None acquired		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	77,068,677	77,068,677		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	*Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	3,000,000 1,000,000 1,000,000 590,000 50,000 500,000 750,000 750,000	- - - - - - - -	Exercise price 1.037 0.80 1.10 0.34 0.75 0.876 1.28 1.75	Expiry date 30.06.2011 02.09.2012 28.12.2014 15.10.2013 15.10.2013 01.11.2013 01.11.2014 01.11.2015
7.8	Issued during quarter	2,640,000	-	0.34 -1.75 As Above	As above
7.9	Exercised during quarter	-			
7.10	Expired during quarter	-			
7.11	Debentures (totals only)	-			
7.12	Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~/does not~~* (delete one) give a true and fair view of the matters disclosed.



Sign here:Date: 31 January 2011
(~~Director~~/Company secretary)

Print name: Stuart Appleyard

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.