



Marathon Resources Ltd
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16 February 2011

Manager Companies
Companies Announcements Office
Australian Securities Exchange Ltd

E-Lodgement via ASX On-Line

Dear Sir/Madam

ASX Code: MTN
Letter to Option Holders

Enclosed, please find copy correspondence issued to option holders.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sam Appleyard', with a stylized flourish at the end.

Sam Appleyard
Company Secretary

14 February 2011

Dear Marathon Optionholder

We wish to advise that, on 16 February 2011, Marathon Resources Ltd (**Marathon**) will be announcing a one (1) for ten (10) non-renounceable pro rata rights issue to raise up to \$4.4 million (before expenses) (**Rights Issue**).

The Rights Issue will be offered at \$0.50 per share, which is at the same price as a recent placement to key institutions and existing major shareholders, Talbot Group Investments Pty Ltd and CITIC Australia Pty Ltd, which raised \$5.46 million (before expenses). The offer price also represents a 9% discount to the closing market price of Marathon's shares on 2 February 2011 (being the last trading day prior to the preliminary announcement of the Rights Issue on 7 February 2011) of \$0.55 per share.

The proceeds from the Rights Issue will be used to fund further exploration and development of Marathon's mining tenements. This includes approved exploration activities on the highly prospective EL 4355 (which has recently been renewed by the South Australian Government), which will focus on:

- increasing Marathon's knowledge of known deposits;
- testing the recently discovered high grade shear systems; and
- assessing rare earth element (REE) occurrences within the tenement.

The proceeds will also be applied towards Marathon's general working capital requirements.

Full details of the Rights Issue will be set out in the announcement of the Rights Issue, Offer Memorandum and Appendix 3B to be lodged with ASX on 16 February 2011.

Under the Rights Issue, every person who is registered as the holder of Marathon Shares at 5.00pm Adelaide time on 24 February 2011 (**Record Date**) will be entitled to participate in the Rights Issue in respect of the number of Marathon shares that person is then registered as the holder of. Shareholders with registered addresses in countries outside of Australia and New Zealand will not be eligible to participate in the Rights Issue.

Accordingly, to be eligible to participate in the Rights Issue in respect of the Marathon shares to be issued on exercise of the Marathon options you hold, you must exercise those Marathon options and be registered as the holder of the underlying Marathon Shares before the Record Date.

The purpose of this letter is to advise you of the impending Rights Issue and to give you adequate opportunity to exercise some or all of your Marathon options prior to the Record Date so that you may participate in the Rights Issue.

To exercise some or all of your Marathon options you will need to give notice in writing to Marathon in accordance with the terms and conditions of issue of those Marathon Options together with payment of the exercise price for each Marathon option exercised.

The anticipated timetable for the Rights Issue is as follows:

EVENT	DATE
Announcement of rights issue – Announcement of rights issue, Offer Memorandum and ASX Appendix 3B lodged with ASX	Wednesday 16 February 2011
Ex date – The date on which Shares commence trading without the entitlement to participate in the Rights Issue	Friday 18 February 2011

Record date – the date for determining entitlements of Shareholders to participate in the Rights Issue	Thursday 24 February 2011
Offer Memorandum sent to Shareholders – dispatch of Offer Memorandum and Entitlement and Acceptance Forms, and lodgement of cleansing notice – Rights Issue opens for acceptances	Tuesday 1 March 2011
Closing Date – The last day for receipt of acceptance forms (5.00pm Adelaide time)	Wednesday 16 March 2011
Shortfall notification date	No later than Monday 21 March 2011
Despatch date – Allotment of New Shares.	No later than noon (AEST) on Thursday 24 March 2011
Expected commencement of normal trading in New Shares on ASX	Friday 25 March 2011 (provided announcement on 24 March 2011 is made by noon (AEST)).
Despatch of holding statements to Shareholders who accepted the Offer	Tuesday 29 March 2011

Marathon reserves the right to amend this timetable subject to the Listing Rules.

You are encouraged to read the Rights Issue Offer Memorandum that will be lodged with ASX on 16 February 2011 fully before exercising any of your Marathon Options. If you have any queries in relation to the exercise of your Marathon Options and the Rights Issue, you should consult your stockbroker or other professional adviser.

Yours sincerely



Peter L Williams
Chairman