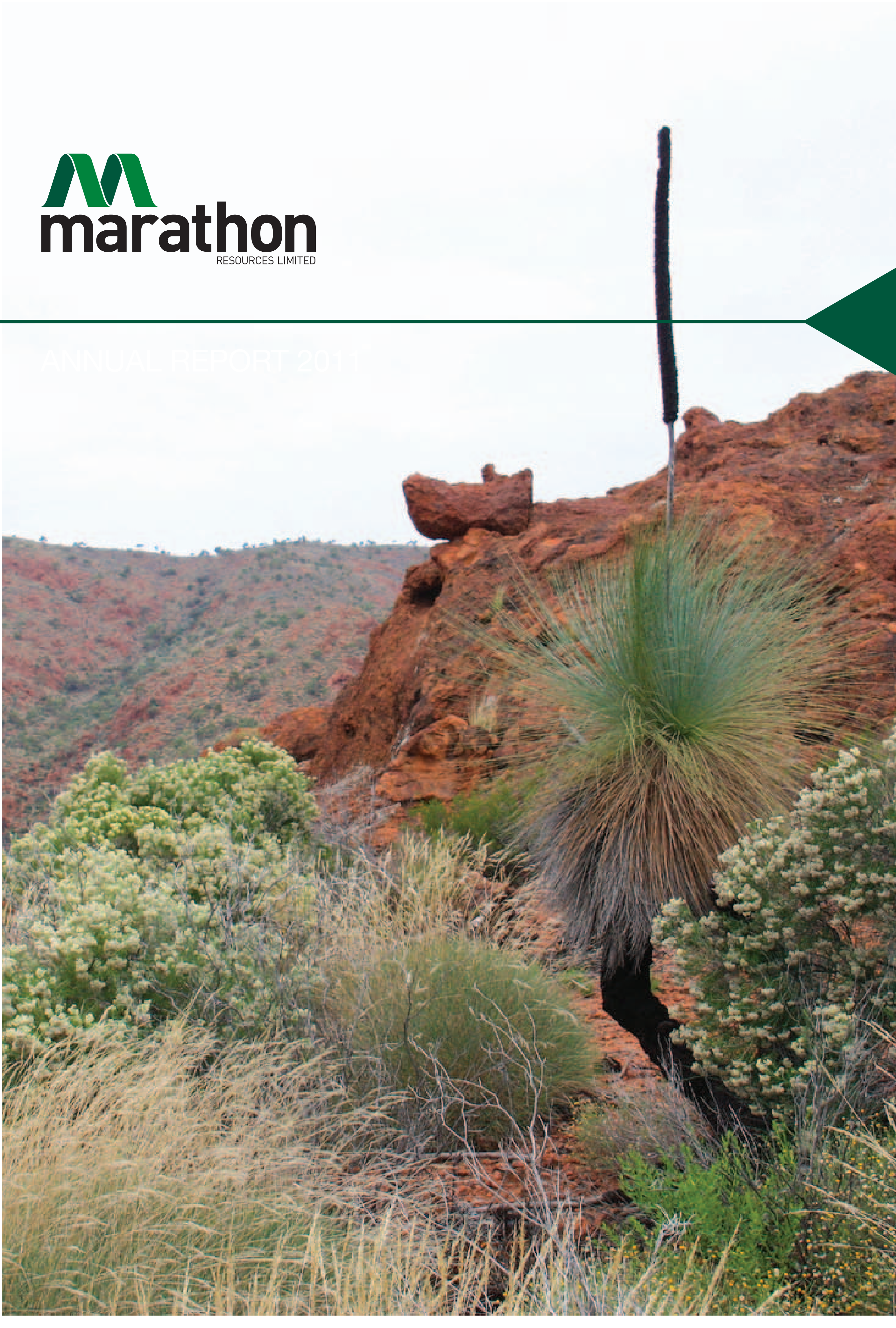
marathon
RESOURCES LIMITED

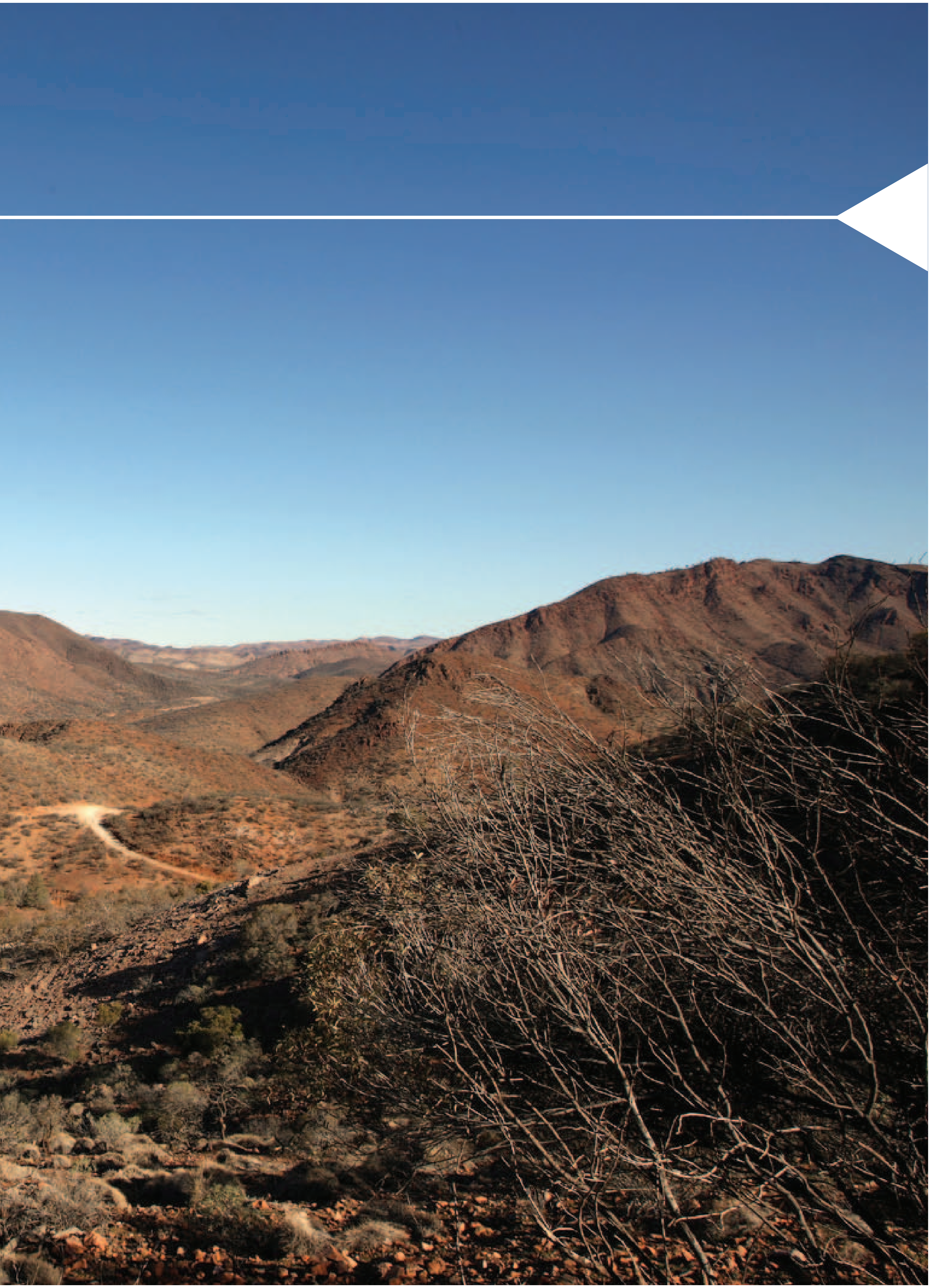
ANNUAL REPORT 2011



MARATHON RESOURCES LIMITED

Is a minerals exploration company focused on the development of Mt Gee, one of Australia's largest undeveloped uranium deposits.

With 40% of the world's known uranium reserves, Australia has huge potential to meet continued growth in uranium demand and Marathon's projects are set to supply some of this need.



CONTENTS

CHAIRMAN'S ADDRESS

This is the Eighth Annual Report to shareholders of Marathon Resources Limited ("Marathon") and on behalf to the Board of Directors I wish to place before you a record of the company's activities for the year ended 30th June 2011, and also the position the company faces dealing with the significant events which occurred after year end.

It was the unprecedented action of the South Australian Government ("SA Government") on 22nd July 2011 which has had a disastrous impact on the value of the company and the interests of the shareholders. That action which intends to preserve Arkaroola from mining forever has forced the company to seek expert advice and Marathon is proceeding vigorously with the recommendations of its advisors.

The details of the protection area and the proposals for special purpose legislation are discussed below together with a summary of the Seeking a Balance plan and the exploration program conducted in 2010/2011. The activities of the company have been frustrated by delays and consultations with Government and its regulators and the comments made relating to sovereign risk in the Seeking a Balance section should be noted by shareholders.

The recent unprecedented events subsequent to year end, materially affect both the value and the prospects of Marathon in the ensuing year. It was therefore encouraging that the Minister for Mineral Resources Development advised the media on 28th July 2011 that he had asked Marathon to prepare details of the costs incurred while exploring at Mt Gee. He indicated that the SA Government would enter "good faith" negotiations with Marathon to ensure the mining industry was not deterred from future exploration. The Minister indicated, in the interests of fairness, that the SA Government will be a good corporate citizen and will look at Marathon's costs incurred in exploration.

Marathon has not received any formal response from the SA Government on this subject, nor has it, at the time of preparation of this report, received any comment on the schedule of exploration costs submitted for consideration.

ARKAROOLA PROTECTION PROPOSALS

On 22nd February 2011 the Premier of South Australia announced that the Government had renewed Marathon's exploration licence for a period of one year and that it had advised the company that the Government was examining options for the future conservation management of the Arkaroola Sanctuary. Those options included the exclusion of future mining in the more environmentally sensitive areas of the Arkaroola Sanctuary. A further option was the designation of Arkaroola Sanctuary as a National Park. The Premier noted at the time that conferring National Park status would not necessarily preclude mining and could leave the way open for future governments to allow mining at Arkaroola.

The Premier considered it inappropriate for the Government to make a decision on all the options without consulting native title holders, pastoral lease holders and holders of exploration licences. The Minister for Environment and Conservation and the Minister for Mineral Resources Development were asked to lead the consultation process on the conservation management of Arkaroola and make recommendations for the future management of Arkaroola to Cabinet. Only brief, preliminary informal discussions occurred with the company.

On 22nd July 2011 the Premier announced his intention that Arkaroola be protected for all time. He advised that after comprehensive discussions his Government had decided to give the region unprecedented protection, initially under the Mining Act but going even further with legislation to specifically exclude mining, and giving clear and specific protection to the area in three stages:

- Firstly, on 29th July 2011, an area of the North Flinders including the whole of EL4355 was reserved from operation of the Mining Act by proclamation to prevent future exploration and mining in the area;
- Secondly, the Premier announced that special purpose legislation would be enacted to protect the natural, cultural and landscape values in perpetuity; and
- Thirdly, the SA Government would nominate the area for listing on the National Heritage List and seek to have it nominated for World Heritage Listing.

CHAIRMAN'S ADDRESS

Your Directors addressed this issue in the Financial Statements of Marathon for 2010/11 and in particular in the Statement of Financial Position as at 30th June 2011.

Shareholders are directed to Notes 7 & 20 accompanying the financial statements.

Note 7 shows the balance of exploration and evaluation expenditure carried forward as $15.9m which sum includes the accumulated capitalised costs of EL4355 as at 30th June 2011.

Note 20 Matters Subsequent to the End of the Year provides a summary, more fully described above, of events surrounding the SA Government's proposals to protect the Arkaroola area. .

On 30th June 2011 Marathon held a valid exploration licence and expected to commence operations following the advice from Primary Industries & Resources South Australia ("PIRSA") that the Declaration of Environmental Factors ("DEF") was being submitted for approval. The Directors have made full disclosure of events. However the outcome is unresolved and uncertain at this time. Negotiations entered into with the SA Government for recompense will determine the level of impairment, if any, which will be required to be made in the current 2011/12 financial year.

SEEKING A BALANCE

In the last Chairman's Address I referred to the company's response to the SA Government Northern Flinders Ranges Project document named Seeking a Balance and the acknowledgement Marathon had made relating to the significant cultural and biodiversity value of the area in which the company's principal exploration licence lies. Marathon also submitted that the area was rich in mineral prospectivity and that EL4355 was the 5th largest undeveloped uranium resource in Australia.

Marathon lodged its submission in January 2010 on the basis that it had received a written undertaking from PIRSA the details would remain confidential. The undertaking was sought by Marathon because of the company's continuous disclosure obligations to the ASX; the submission contained information which was incomplete, commercial-in-confidence and not sufficiently advanced so that it would comply with the JORC code required by the ASX. However the company subsequently confirmed or completed most of the confidential matters of January 2010 and released that information in quarterly reports and the 2010 Annual Report, as well as in ASX releases. Notwithstanding that, Marathon was required to release the submission with a number of redactions following a successful external review under the Freedom of Information Act. In May

2011 Marathon posted its submission on the company website for the benefit of shareholders. Redactions were inserted relating to Directors' estimates of future expenditure, development activities and possible resources estimated for areas of EL4355 being considered for future exploration.

Marathon argued strongly that the proposals in Seeking a Balance would increase sovereign risk for South Australia and cause withdrawal of investment support for the mining industry. Further the company argued that retrospective changes to legislation would discourage negotiations with and commitment by international investors.

By the beginning of the financial year and after the SA Government had decided that submissions would be made public, the proposals had not received support and indeed had been criticised widely by all stakeholders. PIRSA advised that the relevant Ministers would announce the plan would be shelved and that amendments to the Mining Act and associated regulations would provide additional protection and obviate the need for a further layer of regulation.

The amendments to the Mining Act were supported by Marathon and were finally passed in November 2010 and came into effect on 1 July 2011, more than 18 months after they were proposed.

EXPLORATION PROGRAM

Marathon continued with the low-impact program which had been approved by PIRSA under the licence conditions approved in 2009 which prevented drilling until Mining Act amendments were passed. Marathon had found exciting radiometric readings which required further exploration work at Sheardava and Shearadean on the eastern side of EL4355.

The company lodged a new Exploration Licence renewal application in September 2010 and after discussion with PIRSA and a number of amendments the licence was approved in February 2011 which licence was to expire in February 2012, effectively for a term of 1 year.

In order to carry out the work proposed under the licence containing prescribed and special conditions, a DEF was lodged in May 2011. Marathon made a joint presentation to PIRSA and the Department of Environment and Natural Resources in June 2011. The DEF contained details of a proposed drilling program with descriptions of the new "Universal Drilling Platform" technology which incorporated helicopter access to drilling platforms limiting substantially the environmental footprint and impact on the selected sites.

CHAIRMAN'S ADDRESS

The company received confirmation that the DEF was in final consideration by PIRSA in July 2011 and in September 2011 the Minister for Mineral Resource Development wrote to the company advising that the DEF had been fully assessed by PIRSA and would be formally approved if Marathon intended to proceed with the proposed activities.

Marathon responded to the Minister concerning its intentions and shareholders will be advised of the outcome. However the efflux of time from the renewal of the licence in February 2011 until September 2011 for DEF approval means that more than one half of the licence period has expired without the company being able to conduct activities for which the licence was granted. Government and regulatory authorities should be conscious of the sovereign risk issues caused by these delays and the impact made on the industry at large.

THE NUCLEAR INDUSTRY AND FUKUSHIMA

In March 2011 the world was shocked by the damage caused by the combined effects of earth quakes and tsunami in Japan. The loss of life from those events was tragic and the effects of evacuation from the area at Fukushima will require sensitivity, patience and understanding.

The damage to the nuclear power plants at Fukushima has been of great concern to the industry generally and caused some deferrals around the world in nuclear development. The Australian uranium industry has responded directly and appropriately in matters of stewardship and responsible strategies to learn from the accident and to implement lessons from it, have been promoted widely.

The demand for nuclear power generation globally continues to be strong despite Fukushima but it is likely only to be an export opportunity for Australian producers for the foreseeable future

NATIVE TITLE OWNERS INVOLVEMENT

Marathon has always included a respectful involvement with the Adnyamathanha Traditional Lands Association ("ATLA") in all its activities in the North Flinders Ranges. There has been regular and open discussion on all issues and generally Marathon has received majority support for the proposals made and the efforts put into assisting the cultural and economic interests of the Adnyamathanha people.

During the year Marathon supported a number of ATLA sponsored events and successfully negotiated a Land Title Clearance required for the DEF in June 2011.

Despite the unprecedented actions of the SA Government, Marathon has built up a measure of goodwill with ATLA and continued involvement will be pursued.

BOARD AND STAFF

The 2010/11 year has been particularly frustrating for the Board & Staff of the company. Fund raising was necessarily deferred while the exploration licence was finally determined and activities limited to low-impact work on the ground. Nevertheless I commend to you the employees who have made a concerted, diligent and determined effort and I thank them for that.

For the future, the prospects do depend on the response from Government and the good faith negotiations the Minister for Mineral Resource Development has committed to; equally the company has secured the strategic advice to pursue the best interests of shareholders.

Peter L Williams

DIRECTOR'S REVIEW OF OPERATIONS 2011

EL 4355

Mt. Gee Uranium Project

Figure 1 : Tenement Location

No ground disturbing activities were permitted on EL 4355 during the reporting period. Therefore, the resource estimate for the Mt. Gee uranium deposit remains at 31.3Kt* of contained U_30_8. This ranks the Mt. Gee project as the fifth largest undeveloped uranium deposit in Australia. Marathon believes potential exists for further mineralization at Mt. Gee, as the deposit is open to the northeast, east and southeast of the delineated mineralization.

Geological mapping focused on several steeply dipping shear systems associated with uranium mineralization. These shear systems may represent the elusive "feeder" systems from the underlying granites. Ground based spectrometer sampling was undertaken over anomalous areas identified by previous radiometric surveys. The results highlighted the strong correlation between the radiometric and geochemical profiles.

In October 2009, the South Australian government released a draft document entitled "Seeking a Balance" which delineated a number of zones of differing sensitivities over the North Flinders Ranges. In particular, the proposed zones would have significantly restricted Marathon's ability to explore within EL 4355. Marathon considered the logic behind the proposed zones to be flawed and prepared a comprehensive submission. In January 2011, the "Seeking a Balance" proposal was withdrawn by the government.

On February 2nd 2011, EL 4355 was renewed for a further 16 months, effective from October 22nd 2010. On February 22nd 2011, the Premier of South Australia, Mr. Mike Rann announced in parliament that his government was considering options for the future conservation management of the Arkaroola Sanctuary, which included the consideration of National Park status, National Heritage listing and/or World Heritage listing. The Minister for Environment and Conservation and the Minister for Mineral Resources Development are leading the consultation process with stakeholders. This consultation process is ongoing.

As part of the license conditions, Marathon submitted a new Declaration of Environmental Factors (DEF) to Primary Industries and Resources South Australia (PIRSA) for approval to conduct a drilling exploration program. The proposed drilling is designed to demonstrate the northeast, east and southeast extensions of the Mt. Gee deposit **(Figure 2)**. The submitted DEF addresses the conditions attached to the EL 4355 license renewal. Specific environmental related conditions prevent the use of conventional drilling methods, so Marathon has proposed several innovative techniques to satisfy the requirements of PIRSA. As of June 30th 2011, Marathon has not yet received DEF approval.

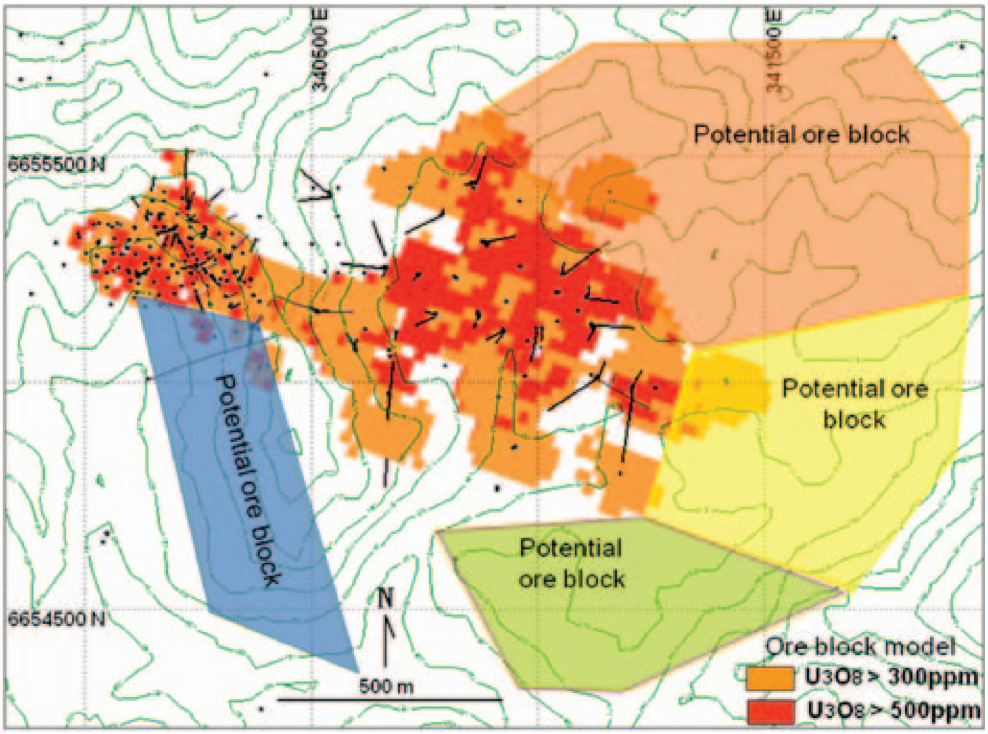


Figure 2 : Mt Gee

EL 4355
Other Projects

Additional mineralization is evident at the Armchair and Hodgkinson deposits. However, resource estimates will not be possible until additional infill drilling is completed. Likewise, high grade uranium that outcrops in steeply dipping shear zones such as the Sheardava occurrence **(Figure 3)**, are yet to be drilled.

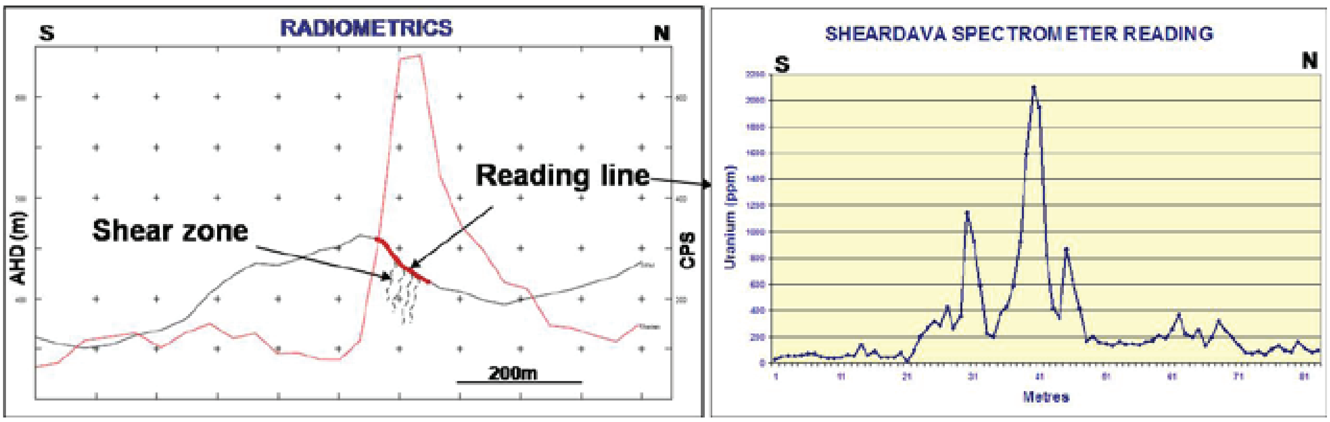


Figure 3 : Radiometrics

DIRECTOR'S REVIEW OF OPERATIONS 2011

EL 4355

Environmental Management System

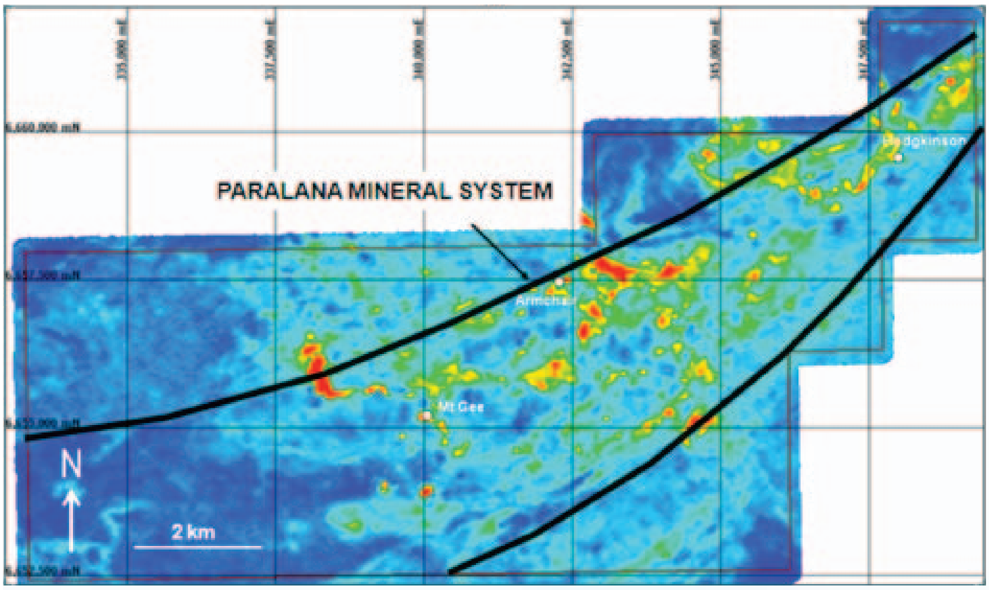
Implementation of the company's Environmental System is ongoing and is modeled on the ISO 14001 standard. An Environmental Management Plan (EMP) has been developed, specifically targeting risk associated with the upcoming drilling program to assist in the education and awareness training for our employees and contractors.

EL 4355

General

Despite the frustration of not being able to undertake drilling during the reporting period, Marathon will continue to pursue the right to explore EL 4355. Marathon considers that the large number of hard rock, outcropping uranium occurrences **(Figure 4)** delineated by detailed, low level radiometric surveying, highlights the potential for EL 4355 to contain a number of deposits.

Figure 4 : Paralana Mineral System



EL 4355

Indigenous relations

Marathon supports the economic independence for the local Indigenous community through contracting local Indigenous business enterprises to provide goods and services to Marathon.

As Marathon's projects proceed, there will be employment and training opportunities provided for the indigenous community which presently do not exist in the North Flinders region. Many of the economic and social benefits that will arise from the development of Marathon's projects are explicitly identified as targets in the South Australian Government's Strategic Plan.

The Adnyamathanha community continues to be supported by Marathon's sponsorship of public events and the company has participated in cultural events, festivals and radio programs.

EL 3211

Mulga well

Following assessment of geochemical and geophysical data, Marathon withdrew the application for the EL extension on August 6th 2010.

EL 4052

Blanchetown

Assessment of magnetic and radiometric data resulted in this tenement being relinquished on February 2nd 2011.

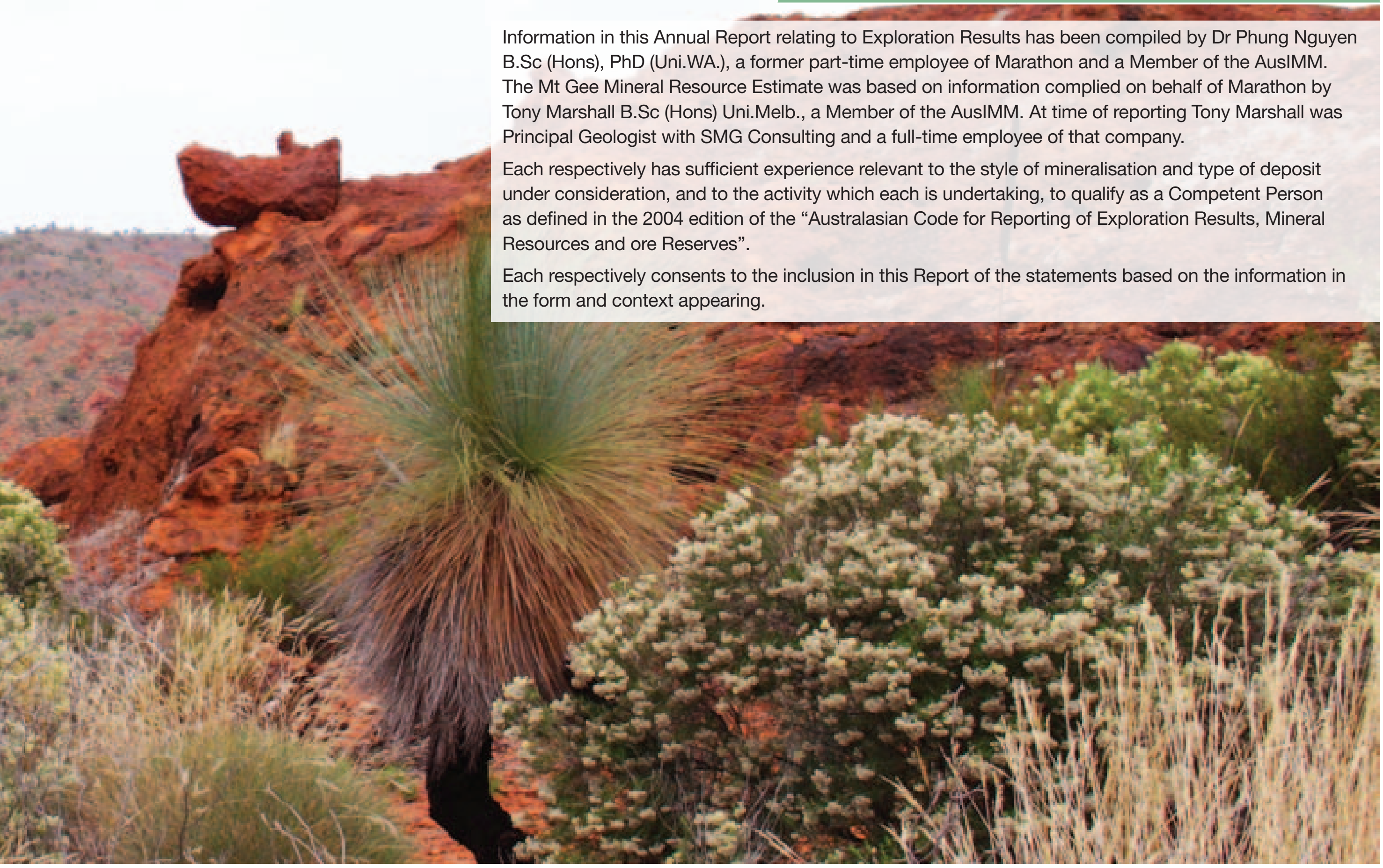
*

Category	Tonnes (Mt)	Grade U_3O_8 (ppm)	Tonnes U_3O_8 kt
Indicated	4	706	2.8
Inferred	47	607	28.5
Total	51	615	31.3
# at 300 ppm U_3O_8 cutoff			

Information in this Annual Report relating to Exploration Results has been compiled by Dr Phung Nguyen B.Sc (Hons), PhD (Uni.WA.), a former part-time employee of Marathon and a Member of the AusIMM. The Mt Gee Mineral Resource Estimate was based on information complied on behalf of Marathon by Tony Marshall B.Sc (Hons) Uni.Melb., a Member of the AusIMM. At time of reporting Tony Marshall was Principal Geologist with SMG Consulting and a full-time employee of that company.

Each respectively has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which each is undertaking, to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and ore Reserves".

Each respectively consents to the inclusion in this Report of the statements based on the information in the form and context appearing.



DIRECTOR'S REPORT

The directors present their report on Marathon Resources Limited entity ("Group") for the year ended 30 June 2011.

The names of the directors in office at any time during or since the end of the year are:

Peter Williams	**(appointed 21.05.2004)**
Chen Zeng	**(appointed 27.12.2006)**
Christopher Schacht	**(appointed 24.01.2008)**
John G. Linley	**(appointed 30.06.2008)**

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

INFORMATION ON DIRECTORS

Peter Williams – Chairman (non-executive)
BEc. FCA

Appointed 21st May 2004

Peter Williams is a Chartered Accountant with extensive professional and commercial experience. He has broad experience as managing director and chairman of public companies. He was a partner of Deloitte for 17 years and Managing Director of the Lloyd Helicopter group then Enterprise Solutions Asia Pacific Limited. Since then he has acted as a non-executive director of venture capital company Playford Capital Pty Ltd. He is a member of the Company's Audit Committee.

Chen Zeng – (non-executive)
BA (Economics) Masters Degree in International Finance
Shanghai University of Finance and Economics

Appointed 27th December 2006

Mr Chen Zeng is Executive Chairman of CITIC Australia Pty Ltd and CITIC Resources Australia Pty Ltd., the Australian arm of China's CITIC Group which has assets of over $ 400 billion. He is President & CEO of CITIC Resources Holdings Ltd (Hong Kong listed). He was appointed Director of CITIC Group in January 2010. Mr Zeng is also a Director of MacArthur Coal Ltd (ASX listed) and Dameng Holdings Ltd. He is a member of the Company's Audit Committee.

Christopher Schacht – (non-executive)

Appointed 24th January 2008

Christopher Schacht is a qualified teacher who entered political service in the 1970s as a ministerial advisor to both SA state government then Federal government. Mr Schacht served in the Senate of the Federal Parliament for 15 years until 2002. During his time as a minister from 1993 to 1996, he held the portfolios at various times of Science, Small Business, Customs and Construction. Currently, a self-employed consultant, advisor and investor, Mr Schacht is the President of the Australian Volleyball Federation and in October 2006 he was elected to the Legal Commission of the FIVB (Federation Internationale de Volleyball) for a four year term. He is the chairman of the Company's Audit Committee.

John G (Shad) Linley – Chief Executive Officer

Doctorate of Philosophy (Adelaide University), BSc (Hons), F AusIMM (CEO)

Appointed 30th June 2008 (Non-Executive)

Appointed 10th June 2009 (CEO)

Dr Linley is a qualified geologist holding a PhD from the University of Adelaide. Recently CEO of Sun Metals, the world's most efficient and environmentally sensitive zinc refinery was successfully built and operated under his stewardship on the edge of the Great Barrier Reef. Dr Linley's career has also included roles such as the Vice President of TexasGulf Australia, Director of the Centre for Strategic Industrial and Resource Development in Brisbane and positions with Fluor Engineers and Constructions where he was involved in the Olympic Dam project. Dr Linley is also a director of Kagara Ltd (ASX listed).

COMPANY SECRETARY

Stuart Appleyard LLB

Appointed 28th January 2004

Stuart Appleyard is a practising lawyer with extensive experience in corporate, commercial and property law. A consultant with Lynch Meyer, Lawyers, he has a particular focus on complex commercial agreements, joint ventures, property advising and development, and due diligence associated with those areas. He has advised on mining, resource and native title issues in both South Australia and the Northern Territory. He is secretary of the Company's Audit Committee.

DIRECTORS REPORT

CORPORATE GOVERNANCE

The Board of Marathon Resources Limited is committed to achieving and demonstrating the highest standards of corporate governance and has adopted practices and policies in accordance with the ASX Corporate Governance Recommendations, with any departures summarised at page 36. The Corporate Governance Statement forms a separate part of the Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Renewal of the Company's Mt Gee EL 4355 exploration licence for 16 months from 22nd October 2010 was finalised with PIRSA in February 2011. Following renewal a proposed drilling program was formulated by the Company and considerable work undertaken into new drilling techniques to comply with licence conditions.

Contemporaneously discussions continued with the representatives of the Adyamathanha people, native title holders over the tenement area.

By the 30th June 2011 a DEF (Declaration of Environmental Factors) had reached in principle agreement with PIRSA and awaited signing.

AFTER BALANCE DATE EVENTS

On Friday 22nd July 2011 the South Australian Government announced its intention to protect Arkaroola in the state's Northern Flinders Ranges by, among other things, reserving certain parts of the Arkaroola Pastoral Lease from the operation of the Mining Act and banning mining at Arkaroola by way of enacting special purpose legislation. The reservation came into effect by proclamation on 29th July 2011 and means that no future mining titles will be granted in the area. The Company's Arkaroola exploration tenement, EL 4355 (Mt Gee) is affected by this decision, as it means the Government intends this tenement will not be renewed when it expires on 22nd February 2012.

In the second half of the financial year ended 30th June 2011, the Company raised significant new capital to carry out a drilling program on EL 4355 and was in the process of having its DEF (Declaration of Environmental Factors) for that program approved by PIRSA when the Government made its announcement. Subsequent to the Government's announcement, the Company had the option of conducting the drilling program if it so wished but decided against doing so on the basis that the Government intends EL 4355 would not be renewed.

Over several years the Company has expended significant funds in defining a large JORC compliant uranium resource at Mt Gee within Arkaroola. The potential for it to be proven to be much larger has now been removed. In recognition of the costs incurred by the Company, some of which have been capitalised, the Government has indicated it would enter 'good faith' negotiations with the Company for payment to it of the costs incurred by the Company while exploring at Mt Gee.

At the date of this report discussions with the Government have commenced but the nature and quantum of the claim have not been settled.

Whilst this post balance date event is a material event (and of major significance to the Company), an estimate of its financial effect on the Company cannot be made at this stage, given the negotiations with the Government are ongoing.

These matters have been more fully covered in the Chairman's address on page 6 of this annual report and in Note 1(P) to the Accounts.

DIRECTORS REPORT

There is no other matter or circumstance that has arisen since 30th June 2011 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results in future financial years, or

(c) the consolidated entity's state of affairs in future financial years.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was mineral exploration. There were no significant changes in the nature of these activities during the year.

REVIEW OF OPERATIONS AND OPERATING RESULTS

The Company's Directors have set out a review of operations for the year in a separate report on pages 12 to 15.

The consolidated operating loss of the Group for the financial year to 30 June 2011 after applicable income taxes was $ 2,768,492 (2010 Loss of $ 4,085,557).

DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared since the end of the previous financial year.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group is a mineral explorer and, potentially, a miner of uranium, gold and other metals in future years. The outcomes of these operations cannot be predicted at this time. The Group may require further capital to sustain these activities.

ENVIRONMENTAL ISSUES

The Group's operations are subject to environmental regulation.

No notification of any breach of any environmental regulation has been received in respect of any of the Company's tenements during the year.

OPTIONS

At the date of this report, the unissued ordinary shares of Marathon Resources Limited under options are as follows:

Grant Date	Date of Expiry	Exercise Price		Number under Option
		At Grant	Post 2011 Rights	
02.09.2009	02.09.2012	$0.80	$0.777	1,000,000
15.12.2009	31.12.2014	$1.10	$1.077	1,000,000
21.10.2010	15.10.2013	$0.34	$0.317	490,000
21.10.2010	15.10.2013	$0.75	$0.727	50,000
16.11.2010	01.11.2013	$0.876	$0.853	500,000
16.11.2010	01.11.2014	$1.25	$1.227	750,000
16.11.2010	01.11.2015	$1.75	$1.727	750,000
				4,540,000

(1) Following a rights issue in February 2011 unexercised options at that date become subject to an exercise price reduction.

During the year ended 30 June 2011, and to the date of this report the following ordinary shares of Marathon Resources Limited were issued on the exercise of options. No amounts are unpaid on any of the shares.

Exercise Date	Exercise Price	Number of Shares to be Issued
14.02.2011	$0.34	100,000

None of the options entitles the holders to participate, by virtue of the options, in any dividend or share issue of any other corporation.

DIRECTORS REPORT

AUDITOR'S INDEPENDENCE

The auditor has not been engaged during the year for any non-audit services which may have impaired the auditor's independence. The auditor's independence declaration for the year ended 30 June 2011 has been received and is included in this report.

DIRECTORS' AND EXECUTIVES' REMUNERATION – AUDITED

Remuneration Policy

The remuneration policy is designed to align Key Management Personnel objectives with shareholder and business objectives by providing a fixed remuneration package to Non-executive Directors and time based remuneration to Executive Directors. The Board of Marathon believes the policy to be appropriate and effective in attracting and retaining the best Directors and Executives to manage and direct the Group, as well as create goal congruence between Directors, Executives and shareholders.

The Company's policy for determining the nature and amounts of emoluments of board members and other Key Management Personnel of the Company is as follows.

The Company's Constitution specifies that the total amount of remuneration of Non-executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of Non-executive Directors has been set at $500,000 per annum. Directors may apportion any amount up to this maximum amount amongst the Non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The remuneration of the Managing Director is determined by the Non-executive Directors and approved by the Board as part of the terms and conditions of his employment which are subject to review from time to time.

The remuneration of other executive officers and employees is determined by the Chief Executive Officer subject to the approval of the Board.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. Non-executive Directors do not participate in schemes designed for remuneration of executives but they may receive options or bonus payments subject to shareholder approval and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of Marathon given the nature of the Company's business as a mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success for the Company and to maximise the long term performance of the Company.

As the Company is a mineral exploration entity, in the opinion of the Board, the Company's earnings and the consequences of the Company's performance on shareholder wealth are not related to the Company's remuneration policy.

Directors' and Executives' Remuneration

Directors		**Directors Fees**	**Salary and wages**	**Superannuation contributions**	**Share-based Payments Options**	**Other (1)**	**Total**	**% of remuneration consisting of options**
P.L. Williams	2011	60,000	-	5,400	96,390	50,000	211,790	46%
	2010	60,000	-	5,400	59,500	-	124,900	48%
C Zeng	2011	40,000	-	3,600	-	-	43,600	-
	2010	40,000	-	3,600	59,500	-	103,100	58%
C. Schacht	2011	40,000	-	3,600	-	-	43,600	-
	2010	40,000	-	3,600	59,500	-	103,100	58%
J Linley	2011	40,000	62,499	9,225	-	-	111,724	-
	2010	40,000	73,904	10,251	517,500	-	641,655	81%
Executives								
S. Appleyard	2011	-	50,000	15,400	-	-	65,400	-
	2010	-	45,000	20,400	-	-	65,400	-
D Tyson	2011	-	187,000	16,830	84,837	-	288,667	29%
	2010	-	165,418	14,888	-	-	180,306	-
I. McRae	2011	-	-	-	-	-	-	-
	2010	-	105,860	31,250	-	-	137,110	-
Total	**2011**	**180,000**	**299,499**	**54,055**	**181,227**	**50,000**	**764,781**	**24%**
	2010	**180,000**	**390,182**	**89,389**	**696,000**	**-**	**1,355,571**	**59%**

Other (1) The amount of $50,000 represents consulting fees paid to Cluan Capital Management Pty Ltd, a company in which the Chairman Mr P L Williams has an interest.

Dr Daniel Tyson joined the Company on 1st December 2008 to direct the Company's HSEC development. Effective 5th May 2011 the board changed his role to executive responsible for strategic planning.

Options issued as part of remuneration for the year ended 30 June 2011

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the relevant directors and executives of Marathon Resources Limited and its subsidiary to increase goal congruence between executives, directors and shareholders.

DIRECTORS REPORT

Options Granted as Remuneration

Director / Executive	Granted No	Grant Date	Value per Option at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date
P L Williams	500,000	16th November 2010	0.229	0.853	01.11.2012	01.11.2013
P L Williams	750,000	16th November 2010	0.220	1.227	01.11.2013	01.11.2014
P L Williams	750,000	16th November 2010	0.215	1.727	01.11.2014	01.11.2015

Grant of options pursuant to shareholder approval at AGM on 16th November 2010.

D Tyson	250,000	1st October 2010	0.34	0.34	22.10.2010	15.10.2013

Grant of options pursuant to an offer by Directors to nominated staff and consultants on 30th September 2010

All options were granted for nil consideration and vested on issue.

Contracts of Service

Mr Ian McRae was appointed general manager on 19th February 2008 and was employed on a three year contract.

Mr McRae's primary responsibility was the supervision of the Mt Gee project. On the appointment of a CEO on 10th June 2009 Mr McRae's designation changed to Mt Gee Project Manager on that date. Mr McRae's employment effectively finished on 1st July 2010 following the completion of his contract.

Number of Options Held by Key Management Personnel

	Balance 01.07.2010	Granted as Compensation	Option Exercised	Net Change Other	Balance 30.06.2011	Exercisable	Not Yet Exercisable
Peter Williams	250,000	2,000,000	-	-	2,250,000	250,000	2,000,000
Chen Zeng	250,000	-	-	-	250,000	250,000	-
Chris Schacht	250,000	-	-	-	250,000	250,000	-
John Linley	1,250,000	-	-	-	1,250,000	1,250,000	-
Stuart Appleyard	-	-	-	-	-	-	-
Daniel Tyson	-	250,000	-	-	250,000	250,000	-
Total	**2,000,000**	**2,250,000**	**-**	**-**	**4,250,000**	**2,250,000**	**2,000,000**

* 'Net Change Other' refers to options forfeited or expired during the financial year.

Number of Shares Held by Key Management Personnel

	Balance 01.07.2010	Received as Compensation	Option Exercised	Net Change Other*	Employment Cessation	Balance 30.06.2011
Peter Williams	817,600	-	-	81,760	-	899,360
Chen Zeng	-	-	-	-	-	-
Chris Schacht	55,500	-	-	5,550	-	61,050
John Linley	375,000	-	-	-	-	375,000
Stuart Appleyard	1,590,048	-	-	159,005	-	1,749,053
Dan Tyson	-	-	-	-	-	-
Ian McRae	33,000	-	-	-	(33,000)	-
Total	**2,871,148**	**-**	**-**	**246,315**	**(33,000)**	**3,084,463**

* Net Change Other refers to shares purchased or sold during the financial year.

MEETINGS OF DIRECTORS

During the financial year, the number of meetings held at which a director was eligible to attend and the number actually attended by each director were:

Board Meetings	Appointed	Meeting Held	Meetings Attended
Peter Williams	21 May 2004	12	12
Chen Zeng	27 December 2006	12	11
Christopher Schacht	24 January 2008	12	12
John Linley	30 June 2008	12	12

Committee Meetings	Meetings Held	Meeting Attended
Audit Committee		
Peter Williams	3	3
Chen Zeng	3	2
Christopher Schacht (Chairman)	3	3

DIRECTORS REPORT

INSURANCE PREMIUMS

Since the end of the previous year the Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses' insurance contracts.

The terms of the policies prohibit disclosure of details of the amount of insurance cover, the nature thereof and the premium paid.

PROCEEDINGS

The Company is party to legal proceedings brought against it in the 2008 year by an ex-employee for alleged breach of contract. The Directors are defending the legal action but had nevertheless made a provision in the accounts for the year ended 30th June 2008. At the date of this report the matter is unresolved and a contingent liability may arise for an amount in addition to the provision. Directors are not aware of any other proceeding initiated during the year or contemplated against or on behalf of the Company.

Signed in accordance with a resolution of the Board.

Christopher Schacht
Director

Peter L Williams
Director

Dated at Adelaide, South Australia this 22nd day of September 2011.


marathon

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the Board) of Marathon Resources Limited (the Company) is committed to achieving and demonstrating the highest standard of Corporate Governance.

The Board guides the affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has responsibility for the overall Corporate Governance of the Company including its strategic direction, establishment of goals for its management and monitoring the achievement of these goals.

The individual Directors recognise that their primary responsibility is to the owners of the Company, its shareholders, while simultaneously having regard for the interests of all stakeholders and the broader community.

This statement outlines the Company's Corporate Governance Practices in place during the financial year. The Company's statement is made based on the ASX Corporate Governance Councils Corporate Governance Principles and Recommendations with 2010 Amendments.

Although the ASX Corporate Governance Council's Recommendations are not mandatory, under listing rule 4.10.3 companies are required to provide a statement in their annual report disclosing the extent to which they have followed the recommendations in the reporting period, identifying any principles which have not been followed with reasons for not having done so.

The revised principles and the Company's compliance with each principle is as follows:

1. Lay solid foundations for management and oversight

The role of the Board is covered by the Corporations Act 2001, ASX listing rules and the constitution of the Company. Its primary role is to represent shareholders and to promote and protect the interest of the Company with a view to creating long term shareholder wealth. In achieving these ends the Board overviews the development of strategies, the setting of objectives, the establishment of policies to be implemented by management and assumes responsibility for ensuring adequate systems of internal control, risk management and financial reporting. The Board also ensures the provision of resources to senior management to achieve the Company's objectives and undertakes subsequent monitoring of their performance.

The Board Charter is set out on the Company's website www.marathonresources.com.au

Pursuant to their appointment Non-Executive Directors usually have limited involvement in the day to day management of the Company unless the circumstances of the Company requires otherwise. The Board has appointed a Director as Chief Executive Officer, responsible for the operational and administrative performance of the Company and the provision of relevant information and input to the Board to enable it to discharge its responsibilities.

Senior management are subject to an Annual Performance Evaluation which is undertaken by the Board. The reviews are internal. The use of external facilitators is not warranted as the members of the Board have direct access to Management. The Chairman presides over the review process with input from other Directors. . Review of senior staff performance is ongoing.

CORPORATE GOVERNANCE STATEMENT cont.

2. Structure of the Board to add value

The majority of the Board consists of Non-Executive Directors. Those Directors holding shares in the Company either directly or indirectly, are not considered to be substantial shareholders. No Non-Executive Director of the Company has a material contractual relationship with the Company, other than as a Director. No Director is or has been employed in an executive capacity or acts or has acted as a material professional advisor, other than Dr Linley who was appointed to the role of CEO 10th June 2009.

Corporate Governance best practice recommends the majority of the Board comprise independent directors, with "independence" in ASX Recommendation 2.1 taken into account for this purpose. Of the Company's Non-Executive Directors, Mr Zeng is Managing Director of Citic Australia Pty Ltd a substantial shareholder of the Company and may be perceived as a Non-Independent Director. Messrs Williams and Schacht are considered independent Directors. Despite the fact that the Board does not consist of a majority of independent Directors, the Board considers it presently has an appropriate balance of skills, experience and independence to properly fulfil its role.

The role of the Chair is undertaken by a separate dedicated independent Director.

The Board is cognisant of the need to review the composition of the Board from time to time to ensure an appropriate balance of skills, diversity, independence and experience relevant to the nature and extent of company operations and its future direction at any given point of time.

The Board does not have a separate nomination committee to oversee the procedure for the selection and appointment of new Directors.

The scope and size of the Company dictates a small independent Board. When a need arises and where it is considered the Board would benefit from the appointment of a Director with specific skills and experience all members of the Board participate in seeking out appropriate potential candidates. In some instances assistance from external sources may be sought if necessary.

Directors (other than the CEO) are subject to retirement by rotation at each Annual General Meeting with no Director (other than the CEO) entitled to hold office without re-election past the third Annual General Meeting since their appointment or 3 years whichever is sooner. The Board has in the past and may regularly change members and therefore does not undertake a formal performance evaluation of either each of the Directors or the Board as a whole.

The statutory Directors' report contained in each Annual Report sets out relevant experience and expertise on each Director, their period in office and status.

More detailed particulars of each Director are set out in the company's web site at www.marathonresources.com.au

ACCESS TO INFORMATION

Any Director has the right to seek independent professional advice in connection with their duties and responsibilities at the Company's expense.

Each Director has access to the Company Secretary. The Secretary is accountable to the Board through the Chair on all governance matters. The appointment or removal of the Secretary is a matter of decision for the Board.

CORPORATE GOVERNANCE STATEMENT cont.

3. Promote Ethical and responsible decision-making

The Directors are aware of and subscribe to the Code of Conduct of the Australian Institute of Company Directors. Additionally the Company has a Code of Conduct built on highest standards of ethical behaviour. Directors and employees are expected to act with the utmost personal integrity, as required by the Company's Code of Conduct.
The Company's Code of Conduct is set out on the Company's website www.marathonresources.com.au

To meet these obligations Directors and Senior Management seek to:

- Comply with all legal obligations in a timely manner and promote active compliance within the Company.
- Adopt practices necessary to meet the reasonable expectations of all of the Company's stakeholders and the wider community.

Specifically Directors and senior management must:

- Use the Company's assets appropriately and efficiently for the Company's benefit.
- Ensure the securities market is fully informed of all matters requiring disclosure.
- Not misuse information or their position for their own personal gain.
- Avoid or fully disclose conflict of interest events or situations.

Further, Directors, management, employees, contractors and consultants must disclose to the Board immediately any situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company. The Board must consider and deal with the conflict in the appropriate manner.

If required by the Constitution or law, a Director who has a conflict of interest must leave a Board meeting but only for such a period as the Board meeting is addressing the specific matter in relation to which the Board member has a conflict of interest.

TRADING IN COMPANY SECURITIES

The Company's Share Trading policy sets out the circumstances in which the Company's officers, employees and contractors and consultants to the Company that are engaged in work for the Company (Representative) may trade or otherwise deal in the Company's securities.

The Share Trading Policy prohibits any trading by a Representative whilst in possession of inside information in strict compliance with the requirements of section 1043A of the Corporations Act 2001.

The Share Trading Policy also establishes trading windows for the Representative of the Company that have access to the Company's financial, technical or other price sensitive information and prescribed exceptions to trading in a precluded period.

Representatives must seek written consent from the Managing Director (or Charirman, in the case of the Managing Director) prior to trading in the Company's securities.

CORPORATE GOVERNANCE STATEMENT cont.

Any acquisition or disposal of securities by Directors is reported to the ASX in compliance with the Corporations Act and ASX listing rules.

The Company's Share Trading Policy is set out on the Company's website www.marathonresources.com.au

DIVERSITY

The Company does not have a policy concerning diversity. The Board and senior management recruit persons based on skills and experience appropriate for the role concerned and do not discriminate based on gender, age, ethnicity or cultural background.

The Board does not set objectives for achieving gender diversity.

4. Safeguard integrity in financial reporting

Directors have established an Audit and Risk committee comprising the Board's three Non-Executive Directors, Messrs Williams, Zeng and Schacht.

The committee is chaired by an independent Director who is not the Chair of the Board.

The members of the Audit and Risk committee are all financially literate with Mr Williams being a chartered accountant holding a Bachelor of Economics and Mr Zeng holding a Master's Degree in International finance.

The annual Statutory Directors Report details the number of meetings held and attendees.

The Audit and Risk committee charter is set out on the Company's website www.marathonresources.com.au

The committee's principal responsibilities are:

- review the integrity of the Company's financial reporting and oversee the independence of external auditors
- liaise with external auditors on matters arising from conduct of external audits
- review compliance with laws, regulations, rules and policies that apply to the Company
- review management reporting and financial controls
- oversee company policy and procedure development
- assess and manage the Company's risk profile

5. Make timely and balanced disclosure

The Board's policy is to ensure strict compliance with the continuous disclosure regime to ensure that its obligations to disclose relevant information under the ASX Listing Rules and the Corporations Act 2001 (Cth) are met.

CORPORATE GOVERNANCE STATEMENT cont.

Board processes are structured to ensure all information particularly any that may be considered price sensitive is released in a timely manner, is factual and does not omit material information.

Company announcements to the ASX are simultaneously posted on the Company's website.

The Company uses external geological services in developing the material for ASX JORC code reporting to ensure balance in reporting of resources.

An external Public Relations Consultant is used to disseminate information released to the market to ensure the widest possible circulation of material to external parties including Stockbrokers, Analysts, the media and most importantly the Company's shareholders.

The Company has not publicly disclosed a formal disclosure policy and therefore has not complied with ASX Recommendation 5.1. Given the size of the Company, the Board does nor consider disclosure to be appropriate. The Board takes ultimate responsibility for these matters.

6. Respect the rights of shareholders

The Board seeks to ensure that shareholders are informed of all major developments affecting the Company's state of affairs.

In addition to communication through its statutory reporting obligations via:

- The Annual Report
- The Interim Report
- Quarterly cash flow and activities reports
- ASX disclosures
- Explanatory memorandum for AGM resolutions

the Company uses its website and external public relations services to disseminate information as widely as possible.

A Communications Manager is employed by the company to, among other things, promote the interests of shareholders.

The Company periodically issues a newsletter and uses audio/visual presentations in some media releases.

The statutory annual report is available to shareholders electronically.

The Company requires the attendance of a representative of its external auditors at its annual general meeting and encourages shareholders to attend and raise questions with the auditor's representative or Directors.

7. Recognise and manage risk

The Board assumes ultimate responsibility for establishing the Company's risk profile focus and for ensuring management has developed and adequately reports against sound systems of risk control.

CORPORATE GOVERNANCE STATEMENT cont.

The Audit and Risk Committee is also responsible for risk management and must ensure that controls are in place to monitor all levels of management in the efficient and effective discharge of their responsibilities by the use of independent analysis, appraisals, advice and recommendations.

The size and nature of the Company's operations is such that risk is focused on a smaller than normal range of potential adverse events while not impacting potential opportunities.

The Company's Risk management policy is set out on the Company's website www.marathonresources.com.au

Key areas of risk which are regularly monitored are:

OPERATIONAL RISK

- acquisition of new exploration tenements and their subsequent status
- land access and native title considerations
- physical exploration activities

These matters are regularly reported on to the Board in Managements' Operation Reports.

INDIGENOUS PEOPLE

The Company acknowledges and accepts the bond and special interests that the indigenous people have over areas where the company carries out operations.

The Company proactively seeks to foster a respectful, cooperative and trusting relationship through honest and open communication with them and their advisors.

The Company recognises the legal, social, and economic obligations to develop and sustain relationships with Indigenous Traditional Owners at all sites. It recognises that during exploration and mining operational phases, it must comply with State and Commonwealth legal requirements relating to Native Title matters.

HSE&C

The Company operates under a health, safety and environment system developed by management. The Board periodically reviews the adequacy and effectiveness of the system.

A schematic overview has been posted on the Company's website.

The primary focus in this area is environmental management and compliance.

ENVIRONMENT

The Company has always recognised the importance of sound environmental practice and promoted environmental awareness by all of its employees and contractors. Major exploration operations by the Company are conducted in an area of the Flinders Ranges which is environmentally sensitive.

CORPORATE GOVERNANCE STATEMENT cont.

This necessitated a commitment to continuous improvement of practices. The Board following independent appraisal initiated the development of a full EMS system ultimately leading to 1SO 14001 standard.

Consultants were appointed to assist the Company in developing its EMS system, the system was finalised in the first half of 2009/2010 financial year.

FINANCIAL REPORTING

Management operate with Board defined limits of authority and a requirement to present monthly financial reports at a detailed level to Directors. These requirements assist in managing the risk of failure to achieve business objectives and protecting the Company's assets.

In accordance with the requirements of Sec 295A of the Corporations Act 2001 the Board confirms it has received assurance from the General Manager / CEO and Chief Financial Officer for the last financial year that:

- Financial records have been properly maintained in accordance with section 286 of the Corporations Act
- Financial statements and notes are in compliance with accounting standards as required by Sec 296 of the Corporations Act.
- Financial statements and notes give a true and fair view of the financial performance and position at balance date required by Sec 297 of the Corporations Act.
- Risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

Confirmation that the Board has received the assurance is set out in the Statutory Annual Directors' Declaration.

CORPORATE GOVERNANCE STATEMENT cont.

8. Remunerate fairly and responsibly

The performance in establishing the remuneration of Executive Management and Executive Directors, when such office is held, is reviewed by the Board with the exclusion of the Executive concerned.
The remuneration of Non-Executive Directors is set by reference to an aggregate cap approved by shareholders from time to time at the annual general meeting.

External advice is sought on remuneration matters when deemed necessary.

The company does not have a remuneration committee, as this role is undertaken by the Board.

The details of remuneration of Directors and Senior Management are set out in the Statutory Directors' Report. The contribution of each Non-Executive Director is taken into account in arriving at individual remuneration levels having regard for reasonable and competitive market rates.

In accordance with listing rule 4.10.3 the company summarises its departures from the ASX's principles of good corporate governance recommendations.

	Corporate Governance Recommendations	Notification of Departure	Explanation
2.1	Majority of Directors should be independent	Two of the four Directors are independent	The Board considers it presently has an appropriate balance of skills, experience and independence to properly fulfil its role
2.4	The Board should establish a nomination committee	The Company does not have a nomination committee	The Board is of the opinion that it is not of a sufficient size to warrant a nomination committee at this time
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors	The Company does not have a formal documented process	Changing composition of the Board is indicative of an ongoing process of evaluation
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy	The Company does not have a diversity policy	The Board and senior management recruit persons based on skills and experience appropriate for the role concerned and do not discriminate based on gender, age, ethnicity or cultural background

CORPORATE GOVERNANCE STATEMENT cont.

	Corporate Governance Recommendations	Notification of Departure	Explanation
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and the progress towards achieving them.	The Board does not set objectives for achieving gender diversity and does not have a diversity policy	As above
5.1	Companies should establish written policies designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has not publicly disclosed a formal disclosure policy	Given the size of the Company, the Board does not consider publication of a formal disclosure policy to be necessary. The Board takes ultimate responsibility for these matters.
8.1	The Board should establish a remuneration committee	The Company does not have a remuneration committee	The Board is of the opinion that it is not of a sufficient size to warrant a remuneration committee at this time
8.2	The remuneration committee should be structured so it consists of a majority of independent directors, is chaired by and independent chair and has at least 3 members	The Company does not have a remuneration committee	As above

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes set out on pages 44 to 79, are in accordance with the Corporations Act 2001 and:

    (a) complying with Accounting Standards and the Corporations Regulations 2001;

    (b) giving a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group: and

    (c) Complies with international financial reporting standards as disclosed in note 1.

2. The General Manager / CEO and Chief Finance Officer have each declared that:

    (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

    (b) the financial statements and notes for the financial year comply with Australian Standards; and

    (c) the financial statements and notes for the financial year give a true and fair view.

3. In the directors opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Christopher Schacht

Director

Peter L Williams

Director

Dated at Adelaide, South Australia this 22nd day of September 2011.

Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF MARATHON RESOURCES LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Marathon Resources Limited for the half-year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 22 September 2011

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MARATHON RESOURCES LIMITED

Report on the financial report

We have audited the accompanying financial report of Marathon Resources Limited (the "Entity"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

Grant Thornton

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Basis for adverse auditor's opinion
Included in the financial report at note 1(p) is a disclosure relating to the accounting treatment of exploration and evaluation assets at Mt Gee and certain leasehold improvements at Umberatana with a combined carrying value of $16,211,764.

On 22 February 2011, the Premier of South Australia announced that the government had renewed Marathon's exploration licence for a period of one year but advised the government was examining its options for the future conservation management of the Arkaroola Sanctuary. Those options included the exclusion entirely of future mining in the environmentally sensitive areas that were subject of the company's lease.

On 22 July 2011 (subsequent to reporting date) the South Australian government announced protection measures for Arkaroola in the States Northern Flinders Ranges including reservation of the Mt Gee area from the operation of the Mining Act. The government also announced a proposal to ban mining in Arkaroola by enacting special purpose legislation. The company's Mt Gee tenement is affected by this decision, as it means this tenement will not be renewed when it expires on 22 February 2012.

The directors have concluded that as the announcement of the mining ban occurred subsequent to reporting date that there is no requirement for the impairment of the exploration assets and associated leasehold improvements. This is a departure from Australian Accounting Standard AASB 6 Exploration and evaluation of Mineral Resources and AASB 136 Impairment of assets, which requires assets to be considered for impairment using all available information. Given the amount of public debate about the future of mining in the Arkaroola region, we believe the government's announcement also clarified an uncertainty that existed at reporting date. In accordance with AASB 110 – Events after the reporting period the impairment should be recognised. In our opinion, the impairment is fundamental to a proper appreciation of the consolidated entity's financial position, the results of its operations and its cash flows.

Had Marathon Resources Ltd impaired the exploration and evaluation asset as well as the associated leasehold improvements the financial report would disclose a net asset position of $5,788,993 and a loss for the year after tax of $18,980,256. There would be no impact on the cash flows of the group.

GrantThornton

Adverse Auditor's Opinion

In our opinion, because of the effects of the matter discussed in the Basis for Adverse Auditor's Opinion paragraphs, the financial report of Marathon Resources Ltd is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the remuneration report

We have audited the remuneration report included in pages 22 to 24 of the directors' report for the year ended 30 June 2011. The Directors of the Entity are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Marathon Resources Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 22 September 2011

FINANCIAL STATEMENTS

MARATHON RESOURCES LTD

ACN 107 531 822
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
	Notes	2011 $	2010 $
Revenue	2	187,401	125,057
Gain on sale of financial asset		-	257,250
Depreciation	5	(181,186)	(139,631)
Exploration expenditure written off			
- Current period expenditure		(472,202)	(105,823)
- Prior period expenditure		(342,616)	(843,540)
- Impairment provision on exploration assets	7	342,616	(342,616)
Financial assets fair value adjustment	6	2,300	(43,700)
Employee benefits expense		(1,074,597)	(1,314,563)
Share based payment expense		(306,358)	(696,000)
Occupancy expense		(187,740)	(195,528)
Consulting expense		(409,866)	(200,168)
Travel expense		(51,342)	(42,118)
ASX listing and registry expense		(87,423)	(103,018)
Corporate administration	2	(522,161)	(441,159)
Loss before income tax		**(3,103,174)**	**(4,085,557)**
Income tax benefit	3	**334,682**	**-**
Loss for the year after tax benefit		**(2,768,492)**	**(4,085,557)**
Other comprehensive income			
Changes in fair value of available for-sale financial assets		(37,500)	60,000
Reclassification of available for-sale financial asset upon disposal		-	556,455
Total other comprehensive (expense) / income		**(37,500)**	**616,455**
Total comprehensive (loss) for the year		**(2,805,992)**	**(3,469,102)**
Earnings per share			
Basic (cents per share)	21	(3.36)	(5.30)
Diluted (cents per share)		(3.36)	(5.30)

FINANCIAL STATEMENTS

MARATHON RESOURCES LTD

ACN 107 531 822
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Notes	Consolidated 2011 $	Consolidated 2010 $
CURRENT ASSETS			
Cash and Cash Equivalents	15(a)	6,344,151	1,940,375
Trade and Other Receivables	4	110,244	61,830
Financial Assets	6	125,600	160,800
Total Current Assets		**6,579,995**	**2,163,005**
NON-CURRENT ASSETS			
Property, Plant & Equipment	5	740,919	351,454
Exploration & Evaluation Expenditure	7	15,933,546	15,482,222
Total Non-Current Assets		**16,674,465**	**15,833,676**
TOTAL ASSETS		**23,254,460**	**17,996,681**
CURRENT LIABILITIES			
Trade and Other payables	8	324,631	108,353
Short Term Provisions	9	929,072	868,793
Total Current Liabilities		**1,253,703**	**977,146**
NET ASSETS		**22,000,757**	**17,019,535**
EQUITY			
Issued Capital	10	44,033,982	36,553,326
Reserves	11	815,795	2,161,602
Retained Losses		(22,849,020)	(21,695,393)
TOTAL EQUITY		**22,000,757**	**17,019,535**

FINANCIAL STATEMENTS

MARATHON RESOURCES LTD

ACN 107 531 822
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	SHARE CAPITAL $	RETAINED EARNINGS $	SHARE OPTION RESERVE $	FINANCIAL ASSET REVALUATION RESERVE $	TOTAL $
Consolidated					
BALANCE 1 July 2009	36,542,424	(17,623,132)	1,594,226	(731,783)	19,781,735
Share Issues (net of transaction costs)	10,902	-	-	-	10,902
Option Issues / exercised	-	13,296	682,704	-	696,000
Total comprehensive income	-	(4,085,557)	-	616,455	(3,469,102)
BALANCE AT 30 June 2010	**36,553,326**	**(21,695,393)**	**2,276,930**	**(115,328)**	**17,019,535**
Share Issues (net of transaction costs)	7,480,656	-	-	-	7,480,656
Option Issues / exercised / expired	-	1,614,865	(1,308,307)	-	306,558
Total comprehensive income	-	(2,768,492)	-	(37,500)	(2,805,992)
BALANCE AT 30 June 2011	**44,033,982**	**(22,849,020)**	**968,623**	**(152,828)**	**22,000,757**

FINANCIAL STATEMENTS

MARATHON RESOURCES LTD

ACN 107 531 822
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated 2011 $	Consolidated 2010 $
Cash flows from operating activities			
Interest and sundry income received		166,705	125,058
Research and Development tax concession received		363,014	302,898
Payments to suppliers and employees		(2,553,049)	(2,544,167)
Net cash provided by (used in) operating activities	15b	**(2,023,330)**	**(2,116,211)**
Cash flows from investing activities			
Proceeds on disposal of plant and equipment		27,021	-
Purchase of plant and equipment		(576,976)	(30,727)
Payment for exploration activities		(475,263)	(995,933)
Proceeds on disposal of available for sale financial asset		-	1,233,231
Net cash (used in) / provided by investing activities		**(1,025,218)**	**206,571**
Cash flows from financing activities			
Proceeds from issue of shares		7,546,766	10,902
Payment of expenses of the issue of shares		(94,442)	-
Net cash provided by financing activities		**7,452,324**	**10,902**
Net increase/(decrease) in cash held		**4,403,776**	**(1,898,738)**
Cash at 30 June 2010		1,940,375	3,839,113
Cash at 30 June 2011	15a	**6,344,151**	**1,940,375**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Marathon Resources Limited and its controlled entity as a consolidated entity ("Group"). Marathon Resources Limited is a listed public company, incorporated and domiciled in Australia.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Marathon Resources Limited and its controlled entity comply with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Third Statement of Financial Position

Two comparative periods are presented for the statement of financial position when the Group:

I. Applies an accounting policy retrospectively.

II. Makes a retrospective restatement of items in its financial statements.

III. Reclassifies items in the financial statements.

We have determined that only one comparative period for the statement of financial position was required for the current reporting period as the application of the new accounting standards have had no material impact on the primary financial statements that were presented in the prior year financial statements.

Adoption of new and revised accounting standards

In the current year the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

The adoption of these standards did not have any effect on the financial position or performance of the group.

AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual improvement project.
AASB 2009-8	Amendments to Australian Accounting Standards group cash settled share based payments.
AASB 2009-10	Amendments to Australian Accounting Standards classification of rights issues.
AASB 2009-13	Amendments to Australian Accounting Standards arising from interpretation 19
AASB 2010-3	Amendments to Australian Accounting Standards arising from the annual improvement project

Accounting policies

a) Principles of Consolidation

A controlled entity is any entity of which Marathon Resources Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

The controlled entities are disclosed in Note 16 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those policies applied by the parent entity.

b) Income Tax

Current tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly of comprehensive income against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the condition of deductibility imposed by the law.

Tax consolidation

Marathon Resources Limited and its wholly-owned Australian subsidiary are part of a tax-consolidated group under Australian taxation law. Each entity in the group recognises its own current and deferred liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the consolidated group.

c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Assets acquired are recorded at the cost of acquisition being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is calculated on a straight-line basis over the useful life of those assets to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of the lease term and the assets useful lives.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5-33%
Office equipment	10-20%
Motor vehicles	15%
Leasehold improvement	45%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

d) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Where a decision is made to proceed with development, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are expended over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs may ultimately include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with generally accepted clauses of the mining permit. Such costs will be determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any change in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs will be determined on the basis that the restoration will be completed within one year of abandoning the site.

e) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and subsequent measurement

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

f) Impairment of Assets

At each reporting date, the group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g) Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interest are shown at Note 13.

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interest in joint venture entities are brought to account using the cost method.

h) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

i) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position where applicable.

k) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets

l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financial activities, which are disclosed as operating cash flows.

m) Comparative Figures

Unless otherwise required by an accounting standard comparative information is disclosed in respect of the previous corresponding period, including for narrative and descriptive information. To the extent that items are amended or reclassified comparative amounts are also amended or reclassified. Prior period errors are retrospectively corrected in the next financial report following discovery.

n) Share Based Payments

The company issues shares and options from time to time for no consideration. Equity-settled share based payments are measured at fair value at the date of grant. Fair value is determined by the use of a Black-Scholes pricing model. The fair value is fully expensed on a straight line basis by the date of vesting.

o) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

p) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Exploration and evaluation

The group's policy for exploration and evaluation is discussed in note 1(d). The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the statement of comprehensive income.

Critical judgement – no impairment of Mt Gee exploration asset and certain leasehold improvements at Umberatana totaling $16,211,764.

As at the balance date of 30th June 2011, the Company held Exploration Licence EL 4355 (Mt Gee) and could validly exercise all rights under the Licence. It will continue to hold that Exploration Licence during the 2011/12 financial year until it expires on 22nd February 2012.

On 22nd July 2011 (post balance date) the South Australian Government announced certain protection measures for Arkaroola in the State's Northern Flinders Ranges, including the reservation of the area from the operation of the Mining Act. The reservation came into effect by proclamation on 29th July 2011 and consequently, no future mining titles will be granted in the area. As a result, the Government intends EL 4355 will not be renewed when it expires on 22nd February 2012 and at that time, the Mt Gee exploration asset will cease to exist. The Government also announced on 22nd July 2011, a proposal to ban mining in Arkaroola by way of enacting special purpose legislation.

Ordinarily a tenement holder with an established resource conducting ongoing exploration activities on a tenement would expect its licence to be continually renewed. The decision by the South Australian Government to reserve certain parts of the Arkaroola Pastoral Lease from the Mining Act and seek to enact special purpose legislation to ban mining at Arkaroola was unprecedented and was made without prior notice or consultation with the Company. Whilst the South Australian Government had indicated in February 2011 that it was considering all available options to preserve the Arkaroola Wilderness Sanctuary, a complete mining ban and non-renewal of the tenement announced on 22nd July 2011 was unexpected to the Company. Accordingly, the Directors have treated this post balance date event as a non adjusting event under Accounting Standard AASB110 and are of the opinion that there was no impairment of the Mt Gee exploration asset of $15,933,546 or associated leasehold improvements totaling $278,218 at 30th June 2011.

Since the Government announcement in July 2011 the Company has entered into 'good faith' negotiations with the Government for payment to it of costs incurred by the Company in connection with its exploration activities at Mt Gee.

The carrying value of the Mt Gee exploration asset and associated leasehold improvements will be written off to nil, on or before the expiry date of the Licence.

Whilst the Directors note that this post balance date event is a material event (and of major significance to the Company), an estimate of its financial effect on the Company cannot be made at this stage, given the negotiations with the Government are ongoing.

Critical estimate

- Provision of $ 800,000 on a legal action with claim of $ 1,600,000

Proceedings have been brought against the Company by an ex employee for alleged breach of contract. The Company denies the claim and is defending the proceedings. The nature of the action is based on an all or nothing claim with a maximum exposure to the Company of $1.6 million. Marathon has separately advanced a cross claim of approximately $0.847 million. The Directors believe that it is more likely than not to successfully defend the claim in its entirety. In view of the fact that the matter is complex and not without attendant risk of an adverse outcome Directors are of the view that a provision of 50% of the maximum exposure is reasonable.

The matter is expected to go to trial and has been listed in the Supreme Court of South Australia commencing 17th October 2011.

- Carbon Tax Impact

On 10 July 2011, the Commonwealth Government announced the "securing a Clean Energy Future – the Australian Government's Climate Change Plan". Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanisms on the Group as legislation must be voted on and passed by both houses of Parliament. In addition, as the Group will not fall within the "Top 500 Australian Polluters", the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. Directors expect that this will not have a significant impact upon the operation costs within the business, and therefore will not have an impact upon the valuation of assets and/or going concern of the business.

q) New Accounting Standards and Interpretations

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows.

a. Consolidated Financial Statements

IFRS 10: "Consolidated Financial Statements" was issued by the IASB in May 2011 and replaces both the existing IAS 27: "Consolidated and Separate Financial Statements" and SIC 12: "Consolidation – Special Purpose Entities". This new standard revises the definition of control and related application guidance so that a single control model can be applied to all entities. This standard will apply to Marathon Resources Ltd from 1 July 2013 and it is believed there will be insignificant impact for the Company.

b. Joint Arrangements

IFRS 11: "Joint Arrangements" was also issued by the IASB in May 2011 and provides for a more realistic reflection of joint arrangements by focussing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard is applicable from 1 July 2013, with early adoption permitted. Management is assessing the impact on Marathon Resources Ltd but at this stage it is believed there will be insignificant impact on the company.

c. Disclosure of Interests in Other Entities

IFRS 12: "Disclosure of Interests in other Entities" was issued by the IASB in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is applicable from 1 July 2013 and management is currently assessing the impacts of the standard, which will be limited to disclosure impacts only. There have also been consequential amendments to IAS 28: "Investment in Associates" as a result of the above new standard. These amendments are applicable from 1 July 2013 and at the stage it is believed there will be no impact on the company.

d. Fair Value Measurement

IFRS 13: "Fair Value Measurement" was issued by the IASB in May 2011 and provides a precise definition of a fair value, is a single source of fair value measurements and prescribes disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The standard will apply to Marathon Resources Ltd from 1 July 2013 and at this stage it is believed there will be no impact on the company.

e. Other

In addition to the above recently issued accounting standards that are applicable in future years, we note the following new accounting standards that are applicable in future years:

- AASB 124: "Related Party Disclosures" ;
- AASB 2009-12: "Amendments to Australian Accounting Standards" ;
- AASB 2010-4: "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project" ;
- AASB 2010-5: "Amendments to Australian Accounting Standards" ;
- AASB 2010-8: "Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets" ;and
- AASB 2011-4: "Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements".

We do not expect these accounting standards to materially impact our financial results upon adoption.

NOTE 2 – REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	Notes	Consolidated 2011 $	2010 $
a. Revenue			
Interest		166,705	123,493
Diesel fuel rebate		-	909
Sundry Income		-	655
Gain or disposal of fixed assets		20,696	-
		187,401	**125,057**
b. Expenses			
Corporate administration include:			
Administration accounting and auditing		42,809	65,242
Computer costs		31,418	9,953
Insurance		74,102	66,574
Communication costs		26,582	20,462
Printing, office supplies		14,348	20,982
Public relations		43,172	55,309
Legal fees		158,568	134,217
Other expenses		131,162	68,420
		522,161	**441,159**

FINANCIAL STATEMENTS

MARATHON RESOURCES LTD

ACN 107 531 822
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 3 – INCOME TAX

The components of tax expense comprise:

The prima facie income tax expense from ordinary activities before tax is reconciled to the income tax as follows:

Loss from continuing operations		**(3,103,174)**	**(4,085.557)**
Prima facie tax on loss from ordinary activities before income tax at 30% (2010:30%)(930,952)		(1,225,667)	
Non-assessable items		(6,209)	(80,063)
Non-deductable expenses		102,719	217,650
Non offset portion of capital gain		-	66,894
Assessable gain		8,106	-
Movement in recognised tax assets and liabilities		(433,264)	(103,989)
Current year tax loss not brought to account		**1,259,600**	**1,125,175**
Income tax from continuing operations		-	-
Tax losses cashed out from R & D concession			
2008-2009 Activity	$ 221,076		
2009-2010 Activity	$ 141,938		
	$ 363,014		
Tax losses written back		290,411	
Tax concession on R & D activity		**72,603**	**-**
Income tax benefit		363,014	-
Write off of deferred tax asset recognised on capital raising costs attributable to equity		(28,332)	-
Net Income tax benefit		**334,682**	**-**

Unrecognised deferred tax assets:

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated	
	2011	**2010**
	$	**$**
Tax value of carried forward tax losses		
- Capital	75,275	75,275
- Revenue	6,497,436	5,747,106
Temporary differences via equity not recognised	45,848	34,598
All revenue temporary differences are recognised		
	6,618,559	**5,856,979**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from them.

Changes to 2010 comparatives reflect income tax return adjustments.

NOTE 4 – TRADE AND OTHER RECEIVABLES

	Consolidated 2011 $	2010 $
GST recoverable	94,840	26,367
Other debtors	15,404	35,463
	110,244	**61,830**

No trade and other receivables are outside terms at balance date.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2011 $	2010 $
Plant and equipment	1,314,731	807,824
Less Accumulated Depreciation	(573,812)	(456,370)
Total Plant and Equipment	**740,919**	**351,454**
Movement in carrying amounts		
Balance at beginning of financial year	351,454	460,358
Additions	576,976	30,727
Disposals	(6,325)	-
Depreciation	(181,186)	(139,631)
Balance at end of financial year	**740,919**	**351,454**

NOTE 6 – FINANCIAL ASSETS

		Consolidated	
	Notes	2011 $	2010 $
Current			
Financial assets at fair value through profit / loss	6a	50,600	48,300
Available-for-sale financial assets	6b	75,000	112,500
Total Financial Assets		**125,600**	**160,800**

6a – Financial asset at fair value through profit/loss

	2011	2010
- Shares in Strzelecki Metals Ltd (Formerly Primary Resources Ltd)	50,600	48,300

Pursuant to a joint venture agreement with Primary Resources Limited, the company purchased 2,300,000 ordinary shares at an issue price of 20 cents each fully paid as follows:

Issue Date	No	$
2 May 2007	1,150,000	230,000
28 June 2007	1,150,000	230,000
		460,000

The market value of these shares at balance date was $0.022 ($0.021 in 2010). The increase in the fair value to balance date of $ 2,300 (Reduction $ 43,700 in 2010) has been recorded through the profit and loss in the financial assets fair value adjustment.

6b – Available-for-Sale financial assets

	2011	2010
Shares and options in Phoenix Copper Ltd		
- Shares in Phoenix Copper Ltd	75,000	112,500
- Options in Phoenix Copper Ltd	-	-

Pursuant to the disposal of a tenement interest to Phoenix Copper Ltd the Company was allotted 750,000 ordinary shares at an issue price of 20 cents each fully paid on the listing of Phoenix Copper Ltd on 30th January 2008 and in addition 750,000 options having an exercise price of 25 cents were granted to the Company on 25th January 2008 and are exercisable at any time up to expiry date 25th January 2013. The fair values on recognition were as follows:

Issues	No	$
Shares	750,000	150,000
Options	750,000	77,828
		227,828

The market value of these shares at balance date was $ 0.10 ($0.15 in 2010). The reduction in fair value to balance date of $37,500 (increase $60,000 in 2010) has been recognised directly in equity through the financial asset revaluation reserve.

NOTE 7 – EXPLORATION AND EVALUATION EXPENDITURE

	Notes	Consolidated 2011 $	2010 $
Exploration and Evaluation Costs		15,933,546	15,824,838
Less: Provision for Impairment		-	(342,616)
Total Exploration and Evaluation Expenditure		**15,933,546**	**15,482,222**
Movement			
Balance at beginning of financial year		15,482,222	15,672,445
Additions		451,324	995,933
Write-off of exploration permits		(342,616)	(843,540)
Impairment provision		342,616	(342,616)
Balance at end of financial year		15,933,546	15,482,222

The recoverability of the carrying value of exploration and expenditure assets is dependant upon the successful development and commercial exploitation or alternatively, sale of respective area of interest.

The Company's interests in tenements at the date of this report are as follows:

Project	Tenement	Commodity	Consolidated 2011 $	2010 $
100% Interest				
South Australia				
Blanchetown * *	EL 4052	Mineral sands	-	103,819
Mt Gee	EL 4355	Uranium, Rare earths	15,933,546	15,458,283
Mulga Well * * – Hard rock rights	EL 3211	Uranium, Copper, Gold	-	238,797
			15,933,546	**15,800,899**
Application Monies for Grants of New Tenements			-	-
Accrued commitments			-	**23,939**
Total exploration costs			**15,933,546**	**15,824,838**
Less provided for impairment			-	**(342,616)**
Carrying value of exploration costs			**15,933,546**	**15,482,222**

* * Impairment provisions had been made against these two tenements due to exploration activities not yielding any positive results. The Blanchetown tenement was allowed to lapse on the 02.02.11. The Mulga Well tenement was allowed to lapse on 19.08.10.

NOTE 8 – TRADE AND OTHER PAYABLES

	Consolidated 2011 $	Consolidated 2010 $
Trade payables	243,403	43,660
Other payables	81,228	38,514
Accrued expenses	-	26,179
	324,631	**108,353**

NOTE 9 – SHORT TERM PROVISIONS

		Consolidated 2011 $	Consolidated 2010 $
Employee benefits			
Balance at beginning of financial year		68,793	72,888
Additional provisions		119,567	13,889
Amounts paid out		(59,288)	(17,984)
Balance at end of financial year		**129,072**	**68,793**
Provision in respect of legal action by ex-employee for breach of contract	9a	800,000	800,000
		929,072	**868,793**

9a – Refer note 1 (p) for further detail

NOTE 10 – ISSUED CAPITAL

	Consolidated	
	2011	2010
	$	$
92,207,789 (2010: 77,068,677) fully paid ordinary shares	44,033,982	36,553,326

Movements in ordinary shares		**2011**		**2010**
	Number	**$**	**Number**	**$**
Balance at beginning of report period	77,068,677	36,553,326	77,008,677	36,542,424
Placement (10.02.11) at 50 cents	10,059,290	5,029,645	-	-
Exercise of employee options (14.02.11) at 34 cents	100,000	34,000	-	-
Rights issue 1 for 10 at 50 cents	4,950,924	2,475,463	-	-
Placement (13.05.11) at 26.5 cents	28,898	7,658	-	-
Issued at 5.67 cents (24.06.10) – Employee option exercised	-	-	30,000	1,701
Issued at 30.67 cents (24.06.10) – Employee options exercised	-	-	30,000	9,201
	92,207,789	**44,100,092**	**77,068,677**	**36,553,326**
Less share issue and capital raising expenses (net of tax)		**(66,110)**	**-**	**-**
At reporting date	**92,207,789**	**44,033,982**	**77,068,677**	**36,553,326**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTE 10 – ISSUED CAPITAL (con't)

	Consolidated			
	2011		2010	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	5,000,000	1.00	3,060,000	1.02
Granted	2,640,000	1.086	2,000,000	0.95
Forfeited	-	-		
Exercised	(100,000)	0.34	(60,000)	0.18
Expired	(3,000,000)	1.0367	-	
Outstanding at year end	**4,540,000**	**1.032**	**5,000,000**	**1.00**
Exercisable at year end	**2,540,000**	**0.805**	**5,000,000**	**1.00**

The options outstanding at 30 June 2011 had a weighted average exercise price of $ 1.032 and a weighted average remaining contractual life of 34 months. Exercise prices range from $0.317 to $ 1.727 in respect of options outstanding 30 June 2011.

The following share-based payment arrangements existed at 30 June 2011:

On 2nd September 2009, 1,000,000 share options were granted pursuant to listing rule 10.11 to a director and recorded under 'the plan' following shareholder approval at an EGM held on that date to take up ordinary shares at a current exercise price of $0.80 each. The options are exercisable on or before 2nd September 2012. At balance date no share options had been exercised.

On 15th December 2009, 1,000,000 share options were granted pursuant to listing rules 10.11 to directors and recorded under 'the plan following shareholder approval at the 2009 Annual General Meeting to take up ordinary shares at a current exercise price of $1.10 each. The options are exercisable on or before 31 December 2014. At balance date no share options had been exercised.

On the 30th September 2010 Directors made offers of a grant of 640,000 options to a number of staff and consultants of the Company to take up ordinary shares as follows. All offers were accepted by 21st October and all options are exercisable on or before 15th October 2013. At Balance date 100,000 options had been exercised.

The value of the options were calculated using the Black-Scholes option pricing model applying the following inputs:

- Exercise price	$0.34	$0.75
- Life of option	3 years	3 years
- Underlying share price	$0.58	$0.58
- Expectant share price volatility	56.1	56.1
- Risk free rate	5.05%	5.05%
- Number of options granted	590,000	50,000
- Aggregate fair value of options granted	$200,216	$9,752

All options vested on issue.

On 16th November 2010 2,000,000 options in three tranches were granted to the Chairman Peter Williams pursuant to shareholder approval at the AGM to take up ordinary shares as follows:

No. of Options	Exercise Date	Expiry
500,000	1 November 2012	1 November 2013
750,000	1 November 2013	1 November 2014
750,000	1 November 2014	1 November 2015

At balance date the first exercise date for all options had not been reached.

Movement in Options

The value of the options were calculated using the Black-Scholes option model applying the following inputs:

	Tranche		
	1	2	3
- Exercise price	$0.876	$1.25	$1.75
- Life of option	3 years	4 years	5 years
- Underlying share price	$0.625	$0.625	$0.625
- Expectant share price volatility	64.5%	64.5%	64.5%
- Risk free rate	5.13%	5.13%	5.23%
- Number of options granted	500,000	750,000	750,000
- Aggregate fair value of options granted	$114,967	$165,439	$161,966

All options vested on issue

The total fair value of the fair value of the options issued to the Chairman was $ 442,372 which will be recognised as an expense over the vesting period.

Included under share based payments expense in the statement of comprehensive income is $ 306,358 (2010 $ 696,000) which relates to that part of total equity settled share based payments transactions recognised as expense over the relevant vesting periods of all options issued in the year.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

Pursuant to a discounted share issue price arising under a rights issue in February 2011 unexercised options at that date became subject to an exercise price reduction as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	
		AT GRANT	POST 2011 RIGHTS
2nd September 2009	2nd September 2012	$0.80	$0.777
15th December 2009	31st December 2014	$1.10	$1.077
21st October 2010	15th October 2013	$0.34	$0.317
21st October 2010	15th October 2013	$0.75	$0.727
16th November 2010	1st November 2013	$0.876	$0.853
16th November 2010	15th November 2014	$1.25	$1.227
16th November 2010	15th November 2015	$1.75	$1.727

NOTE 10 – ISSUED CAPITAL (con't)

Employee Option Plan

The Company has established an Employee Share Option Plan ('the Plan') to assist in the attraction, retention and motivation of employees or officers of the Company. All employees (full and part-time) and consultants will be eligible to participate in the Plan after a qualifying period of 6 months' employment (or, in the case of a consultant, having provided consulting services on a continuous basis for at least 6 months). The allocation of options to each employee, officer or consultant is in the discretion of the Board. Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue. The total number of shares the subject of options issued under the plan, when aggregated with issues during the previous five years pursuant to the plan, must not exceed 10% of the Company's issued share capital.

None of the options listed above are classified as granted under the Company Employee Share Option Plan (ESOP) due to ASX listing Rules 10.1 and ASIC class order requirements. The options whilst not being issued under the ESOP are governed by the Company's ESOP rules.

Capital Management

The management's objectives when managing capital are to ensure that the group can fund its operations and continue as a going concern.

The management monitors capital on the basis of expenses cover times ratio. This ratio is calculated as cash and cash equivalent divided by loss before income tax, depreciation, impairment and fair value adjustment as shown on the statement of financial position and statement of comprehensive income respectively.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year, which is to maintain the expenses cover times at greater than 1. The ratios for 30 June 2011 and 30 June 2010 are as follows:

	Consolidated	
	2011	**2010**
	$	**$**
Cash and cash equivalent	**6,344,151**	**1,940,375**
Loss before income tax	3,103,174	4,085,557
Less items before income tax		
Depreciation	(181,186)	(139,631)
Impairment	342,616	(342,616)
Fair value adjustment	2,300	(43,700)
Loss before income tax, depreciation, impairment & fair value adjustments	3,266,904	3,559,610
Expenses cover times	1.94	0.55

NOTE 11 – RESERVES

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

Financial Assets Revaluation Reserve

The financial assets revaluation reserve records revaluations of available for sale financial assets.

NOTE 12 – COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

Exploration Expenditure Commitments

The Company has certain statutory obligations to perform exploration work and expend minimum amounts of money on its mineral exploration tenements.

The terms of current and future joint ventures, granting of new licences and changes to existing licences will impact on the Company's expenditure commitments.

Total annual expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	Consolidated	
	2011	**2010**
	$	**$**
Tenement maintenance commitment		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Operating lease commitment		
Not longer than 1 year	226,726	258,716
Longer than 1 year and not longer than 5 years	25,000	252,261
Aggregate commitment		
Not longer than 1 year	226,726	258,716
Longer than 1 year and not longer than 5 years	25,000	252,261

Contingent liability

The Company is defending a litigation claim by a former employee in relation to his dismissal. The Company has received legal advice that it has a strong defence and should be successful. However, if this is not the case then an additional cost may be incurred over that recognised as a provision in the financial statements.

	800,000	800,000

NOTE 13 – SEGMENT INFORMATION

The consolidated entity operates solely in the mining and exploration industry in Australia.

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in determining the allocation of resources.

The group is managed primarily on the basis of cost centres since each cost centre has different cash requirements. Operating segments are therefore determined on the same basis. The group's operating segments are dividend into JORC compliant resource tenements, other tenements, investments and corporate.

JORC compliant resource tenements

This relates to tenements in the group on which the group have ongoing exploration activities. Qualifying expenditure incurred on JORC compliant resource tenements are capitalised.

Other tenements

This relates to tenements other than JORC compliant resource tenements.

Investment

This segment monitors the performance of the group's quoted investments.

Unallocated

This relates to all other income and expenses of the group which are not directly attributed to any of the above segments.

NOTE 13 – SEGMENT INFORMATION (con't)

Segment performance	TENEMENTS		INVESTMENTS	UNALLOCATED	TOTAL
	JORC COMPLIANT RESOURCE	OTHER			
YEAR ENDED 30TH JUNE 2011					
Income	20,696	-	-	166,705	187,401
Depreciation	(121,342)	-	-	(59,844)	(181,186)
Exploration expenditure	(445,684)	(3,033)	-	(23,485)	(472,202)
Overheads	-	-	-	(2,639,487)	(2,639,487)
Movement in fair value of financial assets	-	-	2,300	-	2,300
Net (loss) before tax	**(546,330)**	**(3,033)**	**(2,300)**	**(2,556,111)**	**(3,103,174)**
YEAR ENDED 30TH JUNE 2010					
Income	-	-	-	125,057	125,057
Depreciation	(16,465)	-	-	(123,166)	(139,631)
Exploration expenditure	-	(1,205,494))	-	-	(1,205,494)
Overheads	-	(86,486)	-	(2,992,553)	(3,079,039)
Net gain on sales of financial assets	-	-	257,250	-	257,250
Movement in fair value of financial assets	-	-	(43,700)	-	(43,700)
Net (loss) before tax	**(16,465)**	**(1,291,980)**	**213,550**	**(2,990,662)**	**(4,085,557)**

Segment performance	TENEMENTS		INVESTMENTS	UNALLOCATED	TOTAL
	JORC COMPLIANT RESOURCE	OTHER			
AS AT 30TH JUNE 2011					
Total assets	16,593,900	-	125,600	6,534,960	23,254,460
Total liabilities	113,215	-	-	1,140,488	1,253,703
AS AT 30TH JUNE 2010					
Total assets	15,692,934	23,939	160,800	2,119,009	17,996,682
Total liabilities	43,660	-	-	933,486	977,146

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NOTE 14 – FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivables and payable which are summarised as follows:

	Weighted Average Effective Interest Rate		Fixed Interest Maturing Within 1 Year		Non-interest Bearing				Total	
					Within 1 year		> 1 year			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	%	%	$000	$000	$000	$000	$000	$000	$000	$000
Financial Assets										
Loans and receivables										
- Cash and cash equivalents	5.54	4.27	6,182	1.918	82	22	80	-	6,344	1,940
- Receivables	-	-	-	-	110	61	-	-	110	61
Available for sale										
Financial assets	-	-	-	-	75	113	-	-	75	113
Financial assets at fair value through profit & loss	-	-	-	-	51	48	-	-	51	48
Total Financial Assets	-	-	**6,182**	**1,918**	**318**	**244**	**80**	**-**	**6,580**	**2,162**
Financial Liabilities										
Trade and other payables	-	-	-	-	325	108	-	-	325	108
Total Financial Liabilities	-	-	**-**	**-**	**325**	**108**	**-**	**-**	**325**	**108**

The group does not hold any derivative instruments.

NOTE 14 – FINANCIAL INSTRUMENTS (con't)

i. Treasury Risk Management

A finance committee consisting of senior executives of the group meet on a regular basis to evaluate management strategies in the context of the most recent economic conditions and forecasts.

ii. Finance Risks

The Group's financial instruments are exposed to a variety of financial risks, being Market risk (Interest rate and Price risk), Credit risk and Liquidity risk. The group operate mainly in Australia and as such are not subject to foreign exchange risk.

Interest rate risk

The consolidated group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities summarised in the table above.

Sensitivity: At 30th June 2011, if interest rates had changed by -/+ 10 basis points from the year end rates with all other variables held constant post tax loss would have been $ 3,800 more/less as a result of lower/higher interest income from term deposits.

Price risk

Price risk relates to the risk that the fair value of a financial instrument will fluctuate because of changes in market prices largely due to market forces. The group's available-for-sale financial assets and fair value through profit and loss financial assets as disclosed in Note 6 are subject to price risk. Investments within these 2 categories of financial assets are publicly traded on the ASX.

Sensitivity of fair value through profit and loss financial assets

At 30th June 2011, if the market price of these financial assets had changed by +/- 10% from the year end market price with all other variables held constant, the post tax loss would have been $ 5,060 more/less, with corresponding increase/decrease in equity.

Sensitivity of available-for-sale financial assets.

At 30th June 2011, if the market price of these financial assets had changed by +/- 10% from the year end market price with all other variables held constant, the group equity would have been $ 7,500 more/less, with no effect to profit and loss.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligation that could lead to a financial loss to the Group.

The group's maximum exposure to credit risk are its cash and cash equivalents and receivables as noted in the table above. The group manages its credit risk by depositing with reputable licenced banks. Other receivables are mainly due from government as a result of the Workcover receivables, and therefore not exposed to credit risk.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate sources of funding are available.

Maturity of the group's financial liabilities are within 1 year.

NOTE 14 – FINANCIAL INSTRUMENTS (con't)

(b) Fair value

The fair value financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised below.

	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
		Year Ended 30 June 2010		
Financial Assets				
Available for sale investment	75,000	-	-	75,000
Financial assets at fair value through profit and loss	50,600	-	-	50,600
	125,600	**-**	**-**	**125,600**
Financial Liabilities	**-**	**-**	**-**	**-**

	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
		Year Ended 30 June 2010		
Financial Assets				
Available for sale investments	112,500	-	-	112,500
Financial assets at fair value through profit and loss	48,300	-	-	48,300
	160,800	**-**	**-**	**160,800**
Financial Liabilities	**-**	**-**	**-**	**-**

NOTE 15 – NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2011	**2010**
	$	**$**
Cash on hand	750	500
Cash at call	49,815	21,766
Short-term bank deposit	6,293,586	1,918,109
Cash and cash equivalents	**6,344,151**	**1,940,375**

The weighted average effective interest rate on short-term bank deposits is 5.54% (2010: 4.27%). All deposits are for less than 12 months.

(b) Reconciliation of Cash Flow from Operations with Loss after Tax

	Consolidated	
	2011	**2010**
	$	**$**
Loss after income tax	(2,768,492)	(4,085,557)
Cash flows excluded from loss attributable to operating activities:		
Gain on disposal of plant and equipment	(20,696)	-
Gain on disposal of financial assets	-	(257,250)
Non-cash flows in operating loss		
Depreciation	181,186	139,631
Share based payments	306,358	696,000
Fair value adjustment on financial assets	(2,300)	43,700
Exploration expenditure written off	342,616	843,540
Income tax attributable to share issue costs	28,332	-
Impairment provision	(342,616)	342,616
Change in assets and liabilities		
(Increase) Decrease in Exploration accruals	23,937	-
(Increase) Decrease in receivables / prepayments	(48,413)	339,631
Increase (Decrease) in payables	216,279	(174,427)
Increase (Decrease) in provisions	60,279	(4,095)
Net Cash provided by (used in) operating activities	**(2,023,330)**	**(2,116,211)**

NOTE 16 – INVESTMENT IN CONTROLLED ENTITY

Entity	Country of incorporation	Class of share	Interest held		Cost of investment	
Bonanza Gold Pty Ltd	Australia	Ordinary	100%	100%	230,000	230,000
			Provision for impairment		(230,000)	(230,000)
					-	-

NOTE 16 (a) - PARENT ENTITY INFORMATION

	2011 $	2010 $
Parent Entity		
Asset		
Current assets	6,519,995	2,103,005
Non-current assets	17,624,147	16,759,481
Total assets	**24,144,142**	**18,862,486**
Liabilities		
Current liabilities	1,253,703	953,207
Non-current liabilities	-	-
Total liabilities	**1,253,703**	**953,207**
Equity		
Issued capital	44,033,982	36,553,326
Reserves	815,795	2,161,602
Retained earnings	(21,959,338)	(20,805,712)
Shareholder equity	**22,890,439**	**17,909,216**
Financial performance		
Profit (loss) for the year	(2,768,492)	(3,560,773)
Other comprehensive income	(37,500)	616,455
Total comprehensive income	**(2,805,992)**	**(2,944,318)**

Exploration Expenditure Commitments

The Company has certain statutory obligations to perform exploration work and expend minimum amounts of money on its mineral exploration tenements.

The terms of current and future joint ventures, granting of new licences and changes to existing licences will impact on the Company's expenditure commitments.

Total annual expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	Consolidated	
	2011	**2010**
	$	**$**
Tenement maintenance commitment		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
Operating lease commitment		
Not longer than 1 year	226,726	258,716
Longer than 1 year and not longer than 5 years	25,000	252,261
Aggregate commitment		
Not longer than 1 year	226,726	258,716
Longer than 1 year and not longer than 5 years	25,000	252,261

Contingent liability

The Company is defending a litigation claim by a former employee in relation to his dismissal. The Company has received legal advice that it has a strong defence and should be successful. However, if this is not the case then an additional cost may be incurred over that recognised as a provision in the financial statements.

	2011	2010
	800,000	**800,000**

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NOTE 17 – KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions of key management personnel in office at any time during the financial year are:

Peter Williams	Chairman (non-executive)	Appointed 21/05/2004	
Chen Zeng	Non-Executive Director	Appointed 27/12/2006	
Chris Schacht	Non-Executive Director	Appointed 24/01/2008	
John Linley	Chief Executive Officer	Appointed 30/06/2008	
Stuart Appleyard	Secretary	Appointed 28/01/2004	
Dan Tyson	Strategic Development Executive	Effective 05/05/2011	
Ian McRae	Project Manager Mt Gee	Appointed 28/01/2008	Terminated 01/07/2010

Key Management Personnel Remuneration

		Directors Fees	Salary and wages	Superannuation contributions	Share-based Payments Options	Other (1)	Total	% of Remuneration consisting of options
P L Williams	2011	60,000	-	5,400	96,390	50,000	211,790	46%
	2010	60,000	-	5,400	59,500	-	124,900	48%
C Zeng	2011	40,000	-	3,600	-	-	43,600	-
	2010	40,000	-	3,600	59,500	-	103,100	58%
C Schacht	2011	40,000	-	3,600	-	-	43,600	-
	2010	40,000	-	3,600	59,500	-	103,100	58%
J Linley	2011	40,000	62,499	9,225	-	-	111,724	-
	2010	40,000	73,904	10,251	517,500	-	641,655	81%
S Appleyard	2011	-	50,000	15,400	-	-	65,400	-
	2010	-	45,000	20,400	-	-	65,400	-
D Tyson	2011	-	187,000	16,830	84,837	-	288,667	29%
	2010	-	165,418	14,888	-	-	180,306	-
I McRae	2011	-	-	-	-	-	-	-
	2010	-	105,860	31,250	-	-	137,110	-
Total	2011	**180,000**	**229,499**	**54,055**	**181,227**	**50,000**	**764,781**	**24%**
	2010	**180,000**	**390,182**	**89,389**	**696,000**	**-**	**1,355,571**	**59%**

Other (1) The amount of $ 50,000 represents consulting fees paid to Cluan Capital Management Pty Ltd, a company in which the Chairman Mr P L Williams has an interest.

Mr Daniel Tyson joined the Company on 1st December 2008 to direct the Company's HSEC development. Effective 5th May 2011 the board changed his role to executive responsible for strategic planning.

Options issued as part of remuneration for the year ended 30 June 2011

Options Granted Key Management Personnel	Granted No	Grant Date	Value per Option at Grant Date $	Exercise Price	First Exercise Date	Last Exercise Date
Peter Williams	500,000	16th Nov 2010	$0.229	$0.853	1st Nov 2012	1st Nov 2013
Peter Williams	750,000	16th Nov 2010	$0.220	$1.227	1st Nov 2013	1st Nov 2014
Peter Williams	750,000	16th Nov 2010	$0.215	$1.727	1st Nov 2014	1st Nov 2015

Grant of options pursuant to shareholder approval at an AGM on 16th November 2009.

Daniel Tyson	250,000	1st Oct 2010	$0.34	$0.34	22nd Oct 2010	15th Oct 2013

Grant of options pursuant to an offer by Directors to nominated staff and consultants on 30th September 2010

All options are granted for nil consideration.

Number of Options Held by Key Management Personnel

	Balance 01.07.2010	Granted as Compensation	Option Exercised	Net Change Other*	Balance 30.06.2011	Exercisable*	Not Yet Exercisable
Peter Williams	250,000	2,000,000	-	-	2,250,000	250,000	2,000,000
Chen Zeng	250,000	-	-	-	250,000	250,000	-
Chris Schacht	250,000	-	-	-	250,000	250,000	-
John Linley	1,250,000	-	-	-	1,250,000	1,250,000	-
Stuart Appleyard	-	-	-	-	-	-	-
Dan Tyson	-	250,000	-	-	250,000	250,000	-
Total	**2,000,000**	**2,250,000**	**-**	**-**	**4,250,000**	**2,250,000**	**2,000,000**

* 'Net Change Other' refers to options forfeited or expired during the financial year.

Number of Shares Held by Key Management Personnel

	Balance 01.07.2010	Received as Compensation	Option Exercise	Net Change Other*	Employment Cessation	Balance 30.06.2011
Peter Williams	817,600	-	-	81,760	-	899,360
Chen Zeng	-	-	-	-	-	-
Chris Schacht	55,500	-	-	5,550	-	61,050
John Linley	375,000	-	-	-	-	375,000
Stuart Appleyard	1,590,048	-	-	159,005	-	1,749,053
Dan Tyson	-	-	-	-	-	-
Ian McRae	33,000	-	-	-	(33,000)	-
Total	**2,871,148**	**-**	**-**	**246,315**	**(33,000)**	**3,084,463**

* Net Change Other refers to shares purchased or sold during the financial year.

NOTE 18 – RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those to other parties, unless otherwise stated.

Mr P Williams has an interest in Cluan Capital Management Pty Ltd. The Company paid consulting fees to Cluan Capital Management Pty Ltd during the year amounting to $ 50,000 (2010: $ Nil).

Mr S M Appleyard is a consultant with Lynch Meyer Lawyers. The Company's fees to Lynch Meyer during the year amounted to $ Nil (2010: $7,524)

Apart from the Cluan Capital Management Pty Ltd and Lynch Meyer transactions the Company has had no related party transactions with any of its key management personnel in either the current or prior financial year.

The Company has advanced funds to its subsidiary during the year amounting to $ 467,392 (2010: $792,823). The balance owing from the subsidiary at year end was $16,883,228 (2010: $16,413,336). These amounts have been eliminated in full on consolidation.

NOTE 19 – AUDITOR'S REMUNERATION

	Consolidated	
	2011	2010
	$	$
Amounts received or due & receivable by the Auditor of the company for:		
- auditing & review services	29,350	34,600
- other services	-	-

NOTE 20 – MATTERS SUBSEQUENT TO THE END OF THE YEAR

On Friday 22nd July 2011 the South Australian Government announced its intention to protect Arkaroola in the state's Northern Flinders Ranges by, among other things, reserving certain parts of the Arkaroola Pastoral Lease from the operation of the Mining Act and banning mining at Arkaroola by way of enacting special purpose legislation. The reservation came into effect by proclamation on 29th July 2011 and means that no future mining titles will be granted in the area. The Company's Arkaroola exploration tenement, EL 4355 (Mt Gee) is affected by this decision, as it means the Government intends this tenement will not be renewed when it expires on 22nd February 2012.

In the second half of the financial year ended 30th June 2011, the Company raised significant new capital to carry out a drilling program on EL 4355 and was in the process of having its DEF (Declaration of Environmental Factors) for that program approved by PIRSA when the Government made its announcement. Subsequent to the Government's announcement, the Company had the option of conducting the drilling program if it so wished but decided against doing so on the basis that the Government intends EL 4355 would not be renewed.

Over several years the Company has expended significant funds in defining a large JORC compliant uranium resource at Mt Gee within Arkaroola. The potential for it to be proven to be much larger has now been removed. In recognition of the costs incurred by the Company, some of which have been capitalised, the Government has indicated it would enter 'good faith' negotiations with the Company for payment to it of the costs incurred by the Company while exploring at Mt Gee.

At the date of this report discussions with the Government have commenced but the nature and quantum of the claim have not been settled.

Whilst this post balance date event is a material event (and of major significance to the Company), an estimate of its financial effect on the Company cannot be made at this stage, given the negotiations with the Government are ongoing. The potential range of impairment of the Mt Gee assets is $0 to $16,211,764

These matters have been more fully covered in the Chairman's address on page 6 of this annual report and in Note 1(P) to the Accounts.

There is no other matter or circumstance that has arisen since 30th June 2011 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results in future financial years, or

(c) the consolidated entity's state of affairs in future financial years .

NOTE 21 – EARNINGS PER SHARE

	Consolidated	
	2011	2010
	$	$
Basic earnings per share	(0.033)	(0.053)
Loss used to calculate basic EPS	(2,768,492)	(4,085,557)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	82,297,384	77,009,663

The weighted number of share options on issue during the year is not included in the calculation of diluted earnings per share because they are anti-dilutive for both reported years. These options could potentially dilute basic earnings per share in the future.

NOTE 22 – COMPANY DETAILS

The registered office and principal place of business is:

Marathon Resources Limited
235 Port Road
Hindmarsh South Australia 5007

SHAREHOLDER INFORMATION

At the date of this report all the issued securities of the Company comprised ordinary shares none of which were subject to any restrictions.

SUBSTANTIAL SHAREHOLDERS AT 8th September 2011

NAME	FULLY PAID SHARES	ORDINARY SHARES %
National Nominees Limited	19,223,947	20.85
CITIC Australia Pty Ltd	17,242,855	18.70
HSBC Custody Nominees (Australia) Ltd	7,819,988	8.48

DISTRIBUTION OF SHAREHOLDINGS AT 8th September 2011

All securities issued by the Company are fully paid ordinary shares entitling the holders to participate in dividends and proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of the shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share counts as one vote.

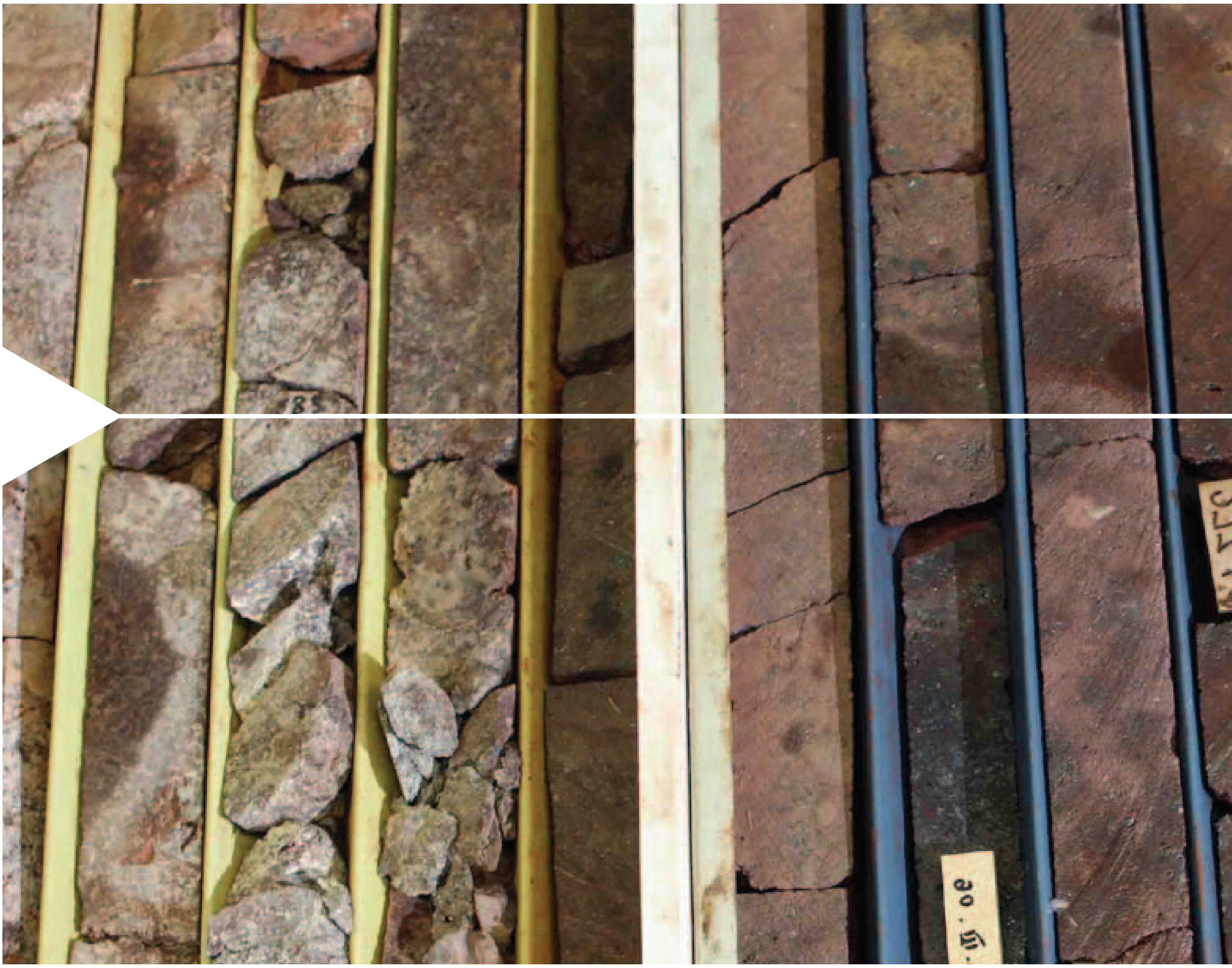
RANGE	TOTAL HOLDERS	NUMBER OF SHARES
1 – 1,000	545	308,569
1,001 – 5,000	832	2,179,875
5,001 – 10,000	414	3,336,202
10,001 – 100,000	517	16,092,435
100,001 – 1,000,000	60	15,145,306
1,000,001 – maximum	8	55,145,402
Total	**2,376**	**92,207,789**

At 8th September 2011 a marketable parcel constituted 5,000 shares.

The number of shareholders holding less than a marketable parcel was -	1,302	2,113,444

TWENTY LARGEST SHAREHOLDERS AT 8th September 2011

NAME	FULLY PAID ORDINARY SHARES	% OF ISSUED CAPITAL
National Nominees Limited	19,223,947	20.85
Citic Australia Pty Ltd	17,242,855	18.70
HSBC Custody Nominees (Australia) Limited	7,819,988	8.48
JP Morgan Nominees Australia Limited	3,802,101	4.12
BT Portfolio Services Limited (Warrell Holdings S/F A/C)	2,504,369	2.72
Citicorp Nominees Pty Ltd	2,226,758	2.41
FMS Pty Ltd (FMS S/F A/C)	1,199,614	1.30
HSBC Custody Nominees (Australia) Limited GSCO ECA	1,125,770	1.22
Archon Resource Technologies Pty Ltd (Bogacz A/C)	851,039	0.92
James ST Equities Pty Ltd	800,000	0.87
Wieslaw + Halina Bogacz (Archon Res Tec P/L Super A/C)	785,664	0.85
Cluan Capital Management Pty Ltd (PL Williams Family A/C)	770,000	0.84
FMS Pty Ltd (FMS Family A/C)	549,439	0.60
JP Morgan Nominees Australia Limited (Cash Income A/C)	473,125	0.51
WSL Nominees Pty Ltd	470,000	0.51
Mr Abel Tseng Hsieh Hsu	420,000	0.46
Mrs Georgia Georgaklis	415,500	0.45
Walter Carmody	400,366	0.43
Allua Holdings Pty Ltd (The DRG A/C)	400,000	0.43
Dr John Gordon Linley	375,000	0.41
Total Top 20 holders of ORDINARY SHARES	**61,855,535**	**67.08**



Corporate Directory

Directors
Peter Williams — CHAIRMAN (NON-EXECUTIVE)
Chen Zeng — NON-EXECUTIVE
John G (Shad) Linley — CHIEF EXECUTIVE OFFICER
Christopher Schacht — NON-EXECUTIVE

Company Secretary
Stuart Appleyard

Mt Gee Project Manager
Ian McRae

Registered & Principal Business Office
235 Port Road
Hindmarsh SA 5007

Bankers
National Australia Bank
22-28 King William Street
Adelaide SA 5000

Principal Lawyers
Watson Lawyers
Ground Floor
60 Hindmarsh Square
Adelaide SA 5000

Auditors
Grant Thornton
Chartered Accountants
67 Greenhill Road
Wayville SA 5066

Share Registrar
Computershare Registry Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide SA 5000
Investor enquiries: 1300 556 161
International: +61 3 9415 4000

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