marathon
RESOURCES LIMITED

2014

MARATHON RESOURCES

ANNUAL REPORT

1st July 2013 to 30th June 2014

Marathon Resources Limited

ACN 107 531 822

Annual Report

1st July 2013 to 30th June 2014

Corporate Directory

Directors

Peter Williams	CHAIRMAN
John G (Shad) Linley	CHIEF EXECUTIVE OFFICER
Christopher Schacht	NON-EXECUTIVE
Christopher Ryan	NON-EXECUTIVE

Company Secretary

Stuart Appleyard

Registered & Principal Business Office

Unit 8 53-57 Glen Osmond Road
Eastwood SA 5063

Bankers

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

Principal Lawyers

Watsons Lawyers
Ground Floor
60 Hindmarsh Square
Adelaide SA 5000

Auditors

Grant Thornton South Australian Partnership
Level 1 67 Greenhill Road
Wayville SA 5034

Share Registrar

Computershare Registry Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide SA 5000
Investor enquiries: 1300 556161
International: +61 3 9415 4000

Marathon Resources Limited

ABN 31 107 531 822
PO Box 181
Fullarton SA 5063
Telephone: 08 8348 3500
Facsimile: 08 7225 6990
enquiries@marathonresources.com.au

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Chairman's Address

On behalf of the Board of Directors, I present the Tenth Annual Report of Marathon Resources Limited ("Marathon") for the year ended 30 June 2014. I wish to report on the significant events that have occurred during the year which affect the direction of the Company.

As I advised last year the mining industry in SA is more likely to see investments from small to medium operators investing only limited sums of risk capital. The market conditions for raising capital are extremely difficult with falling pricing of new issues and the resultant dilution of capital bases, combining to have severe impact of market capitalisation. Further, the pressure on increased capital costs, declining commodity prices and much higher operating costs have increased pressure so that bankable feasibility status cannot be readily achieved.

2014 Activities

Your Board has continued to examine a number of exploration opportunities in South Australia, other Australian states and overseas, and expects to be able to advise shareholders shortly of the preferred alternative. There have been several parties prepared to offer farm-ins, mergers or offers for us to buy exploration leases but we have further work to do to identify an acceptable opportunity.

Many of the junior explorers have extremely limited cash reserves and are risking on-going business tests. Recent public warnings about on-going capacity of many small companies in our industry, are worrying. Marathon on the other hand, does have an ability to provide funds for initial investment and for adequate operating and corporate costs.

During the 2014 year your Board has continued to examine corporate overheads in order to control operating costs. Negotiations were successfully completed which have resulted in reductions of communications costs, share registry expense, personnel costs and the occupancy of premises has now been changed to monthly tenancy to avoid contingencies. However during the year Marathon had to meet legal, mediation and settlement costs of $160,770 in relation to a bio-mass opportunity the company had been investigating and had declined. Further the company incurred additional legal costs of $73,847 directly relating to the takeover bid made by Bentley Capital Limited in October 2013.

Marathon has no outstanding liabilities or claims against it, and corporate overheads are being monitored carefully.

The objective of the Board remains to be able to respond quickly and proceed to investment while preserving funds to the maximum extent possible.

Marathon had entered into two arrangements with private companies in which the company expended nominal amount to determine if further expenditure was warranted. In both cases the exploration work undertaken determined that mineral occurrences were not of economic significance or were prohibitively expensive to drill. Marathon terminated those arrangements, as agreed, without penalty.

Bentley Capital Limited Takeover

On 25 October 2013 an unconditional on-market bid was made by Bentley Capital Limited ("BEL") for all the ordinary shares in Marathon that BEL did not own at the time. This followed the BEL announcement that BEL had acquired 18,432,337 Marathon shares on market, being 19.98% of the Marathon shares on issue. These shares were acquired at a price of 2.5 cents/share.

BEL lodged the Bidder's Statement with ASIC on 25 October 2013 and despatched the Statement to Marathon security holders on 7 November 2013. Marathon advised its shareholders by letter on 31 October 2013 to reject the inadequate BEL offer.

Marathon completed its Target's Statement which was despatched to shareholders on 8 November 2013. Directors recommended that shareholders reject the inadequate offer made by BEL.

A Supplementary Target's Statement was issued on 3 December 2013 which provided additional information for shareholders and confirmed the Directors' recommendation that the BEL offer should be rejected. On 4 December 2013 BEL extended the period of the take-over offer by one week until 18 December 2013, unless extended, and on 9 December 2013 Marathon issued a Second Supplementary Target's Statement following requests by ASIC for further information concerning the proposal outlined in the Target's Statement.

Chairman's Address con't

On 12 December 2013 BEL advised that it would not extend the offer period beyond 18 December 2013 and on 13 December 2013 Marathon issued a Third Supplementary Target's Statement advising shareholders of its exploration activities, of BEL's decision not to extend the offer period, and to confirm the Directors' recommendation to reject the BEL offer.

BEL made a market announcement on 19 December that under the offer it had acquired a further 914,563 Marathon shares taking its shareholding to 19,346,900 shares or 20.98% of the total Marathon shares on issue.

Mr Chris Ryan was appointed to the Board of Marathon on 26 February 2014. Mr Ryan is the principal of established Sydney-based corporate advisory firm Westchester Corporate Finance and is a non-executive director of BEL.

Conclusion

Your Board is conscious of the time it has taken to review several hundreds of proposals and we are committed to securing a suitable venture shortly. In the meantime we are placed better in terms of cash reserves than most other junior explorers and we can proceed quickly.

I do want to thank all my Board members and staff for their tireless work during 2014 and we look forward to a better outcome in 2015.

Peter L Williams
Chairman

Directors' Report

The directors present their report on Marathon Resources Limited entity ("Group") for the year ended 30 June 2014.

DIRECTORS

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)	(Resigned 31.01.2014)
Christopher Schacht	(appointed 24.01.2008)	
John G. Linley	(appointed 30.06.2008)	(Appointed CEO 10 June 2009)
Christopher Ryan	(appointed 26.02.2014)	

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 BEc, FCA – Chairman

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.

Christopher Schacht – (non-executive)

Christopher Schacht is a qualified teacher who entered political service in the 1970's as a ministerial advisor to both SA State Government and to the 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 a board member of the Australian Volleyball Federation since 1996 and is a member of the University of Adelaide Council, from 2012 to 2014.
He is Chairman of the Australia China Development Company Pty Ltd, Chairman of Greenhouse Gas Monitor Australia Pty Ltd and Chairman of Soundstream Collective. He is the Chairman of the Company's Audit Committee.

John G (Shad) Linley BSc (Hons), Ph.D (Adelaide University), F AusIMM – Chief Executive Officer

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 was also Chairman of Kagara Ltd (in Liqn) (since delisted).

Christopher Ryan BEcon (UWA), MBA (UNSW) – (non-executive)

Mr Ryan is the Principal of Westchester Corporate Finance, a Sydney based corporate advisory firm specialising in advising listed companies on fund raising, mergers and acquisitions and associated transactions. Prior to forming Westchester in July 1996, Christopher was with Schroders Australia for 27 years. At Schroders, he served 3 years in the investment division, 2 years as an economist monitoring influences on interest and exchange rates and 22 years in the corporate finance division of which he was a director for 19 years specialising in advising on project financing and mergers and acquisitions mainly in the Australian minerals and oil and gas sectors. Mr Ryan is also a non-executive director of ASX-listed investment companies, Bentley Capital Limited - non-executive Director of Molopo Energy Limited (MPO) (since 8 April 2014), Chairman of Boulder Steel Limited (BGD) (since 20 June 2013, non-executive Director since 18 June 2013).

COMPANY SECRETARY

Stuart Appleyard LLB

Appointed 28 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.

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 18. The Corporate Governance Statement forms a separate part of the Annual Report.

AFTER REPORTING DATE EVENTS

There are no after reporting date events of consequence. The Board of Directors continues to review all opportunities presented and which it considers may enhance shareholder value. The Chairman's address details the Board's considerations.

PRINCIPAL ACTIVITIES

The principal activity of the Group is mineral exploration. The Board is conservatively utilising available funds in its continuing review of mining and energy industries which meet strategic objectives for consideration by the shareholders and ASX as soon as practicable. Because of the depressed nature of the resource industries, several other non-resources opportunities were presented and assessed by the Board.

Cost effective exploration activities continued as detailed in the Review of Operations and Operating Results.

REVIEW OF OPERATIONS AND OPERATING RESULTS

The Director's Review of Operations included in the Company's 2013 Annual Report indicated the ongoing assessment of prospects for investment in mineral exploration and other projects to determine suitable investment(s) for the Company. That assessment has continued in the following resource commodities and non-resource opportunities:-

Metallurgical Coal projects were presented and assessed that occur in the USA (Arkansas, Alabama and Alaska).

Thermal Coal projects were presented and assessed that occur in the USA (Kentucky), Sumatera and Mongolia.

Graphite projects were presented and assessed, both occurring in the Eyre Peninsula of South Australia.

Gold projects were presented and assessed that occur in Queensland, The Philippines, Laos and South Australia.

Uranium projects were presented and assessed that occur in the USA (Wyoming), Canada and Western Australia.

Tin projects were presented and assessed that occur in Queensland and Germany.

Phosphate occurrences were presented and assessed that occur in Namibia.

Mineral Sands exploration activities continued into the financial year. As previously reported, the Company's wholly owned subsidiary Bonanza Gold Pty Ltd had entered into a Heads of Agreement with entities associated with mining entrepreneur and geologist Mr David Clarke (Australian Desalinated Water Pty Ltd – ADW). Marathon had acquired exclusive rights to explore and evaluate ADW controlled tenements, with an option to acquire 78% of ADW, subject to certain conditions.
Results from a drill program undertaken in the previous financial year on the Alice Park prospect (South Australia) became available. Although most drill holes encountered ilmenite, rutile, leucoxene and zircon, none of the occurrences were considered to be of sufficient grade or continuity to be of economic significance.

An 18 hole drill program was undertaken on the Oakvale prospect (South Australia). Previous drilling had delineated a series of mineral sand bodies that contained zircon, rutile, leucoxene and ilmenite. The unusually coarse grained nature of the mineralisation was considered to be of commercial significance. Minerals sand occurrences were intersected but were not considered to be of sufficient grade or continuity to be of economic significance. Subsequently, Bonanza Gold Pty Ltd withdrew from the agreement with ADW.

Manganese occurrences were assessed in the previous financial year located at the Pernatty Lagoon prospect in South Australia. Analysis results from an 8 hole drill program have become available. Drilling intersected several high grade zones, but the thickness and continuity of the occurrences were not considered to be of economic significance.

Copper/Lead/Zinc projects were presented and assessed that occur in the Philippines, Queensland, Italy and Sumatra.

Bonanza Gold Pty Ltd entered into a Heads of Agreement with an entity associated with geologist Mr George Kwitko (SAEX Pty Ltd). Marathon acquired exclusive rights to explore and evaluate EL's 4520 and 5306 that are controlled by SAEX Pty Ltd with the option to acquire 75% of SAEX, subject to certain conditions.

The tenements are located within the Olary Domain of the Curnamona Province of South Australia. Exploration by previous explorers provided evidence of gold, copper, zinc, silver, lead and barite mineralisation.

A review of previous drilling, geochemical surveys, geophysical surveys and mapping programs highlighted two key areas:-

- Copper Ridge which contained "skarn" type mineralisation coincident with a strong circular aeromagnetic anomaly.
- Creagh Dhubh prospect which contains mainly geologic features similar to the Broken Hill deposit.

Subsequently, Marathon undertook an airborne electromagnetic survey over the most prospective portions of the tenements. Two weak electromagnetic anomalies were delineated on the margins of the Copper Ridge "skarn" occurrence. Detailed geological mapping, ground magnetic and ground geochemical surveys were undertaken but did not identify any obvious drill targets.

A significant electro-magnetic anomaly was located on the western margin of the Creagh Dhubh prospect. However, geological mapping was unable to establish any association with the surface geology and the isolated location of the electromagnetic anomaly. The projected depth to the top of the electromagnetic anomaly was estimated to be approximately 250 metres. The significant depth to this single anomaly, along with the associated costs of logistical and regulatory requirements was considered to be prohibitively expensive for any ongoing exploration. Subsequently, Bonanza Gold Pty Ltd withdrew from the agreement with SAEX Pty Ltd.

UCG (Underground Coal Gasification) opportunities in South Australia have been presented and continue to be assessed. Favourable regulatory requirements, existing infrastructure and energy demands in South Australia highlight the potential of this technology.

Other projects related to oil shale and coal technologies, plant biotechnologies, medical technologies, infrastructure projects and an investment portfolio were presented and assessed.

The consolidated operating loss of the Group for the financial year to 30 June 2014 after applicable income taxes was $1,562,678 (2013 Loss of $2,055,085). Operating costs and overheads have been curtailed to preserve the Company's resources.

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 continues to investigate new opportunities for approval by the Company's shareholders and the ASX if required. The outcomes of these investigations cannot be predicted at this time. The Group may require further capital to sustain its activities.

ENVIRONMENTAL ISSUES

The Group's operations are currently not subject to environmental regulation.

No notification of any breach of any environmental regulation has been received in respect of any of the Company's prior exploration activities 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 At Grant	Exercise Price (1) Post 2011 Rights	Number under Option
15.12.2009	31.12.2014	$1.10	$1.077	1,000,000
16.11.2010	01.11.2014	$1.25	$1.227	750,000
16.11.2010	01.11.2015	$1.75	$1.727	750,000
				2,500,000

(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 2014, and to the date of this report no ordinary shares of Marathon Resources Limited were issued on the exercise of options.

No new options were granted during the year or up to the date of this report.

490,000 options expiring on 15.10.2013 at an exercise price of $0.317 each were not exercised and lapsed on that date.
50,000 options expiring on 15.10.2013 at an exercise price of $0.727 each were not exercised and lapsed on that date.
500,000 options expiring on 01.11.2013 at an exercise price of $0.853 each were not exercised and lapsed on that date.

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

Directors' & 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 Chief Executive Officer 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.

Directors' & Executives' Remuneration - Audited (cont.)

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.

Set out below is a summary of key Management personnel remuneration:

Directors' and Executives' Remuneration

		Short term benefits			Post employment benefits		Share-based payments		
Directors		**Directors Fees**	**Salary and wages**	**Other (1)**	**Super contributions**	**Termination benefits**	**Options (4)**	**Total**	**% of remuneration consisting of options**
P L Williams	2014	59,167	-	80,000	5,473	-	59,909	204,549	29%
	2013	60,000	-	103,125	5,400	-	116,734	285,259	41%
C Zeng	2014	25,492	-	-	-	-	-	25,492	-
	2013	43,600	-	-	-	-	-	43,600	-
C Ryan **(2)**	2014	13,656	-	-	-	-	-	13,656	-
	2013	-	-	-	-	-	-	-	-
C Schacht	2014	39,167	-	-	3,653	-	-	42,820	-
	2013	40,000	-	-	3,600	-	-	43,600	-
J Linley	2014	39,167	60,000	-	9,173	-	-	108,340	
	2013	40,000	112,499	-	13,725	-	-	166,224	-
Executives									
S Appleyard	2014	-	60,092	-	4,548	-	-	64,640	-
	2013	-	47,200	-	17,800	-	-	65,000	-
D Tyson	2014	-	-	-	-	-	-	-	-
	2013	-	177,880	-	27,670	129,462 **(3)**	-	335,012	-
Total	2014	176,649	120,092	80,000	22,847	-	59,909	459,497	
	2013	183,600	337,579	103,125	68,195	129,462	116,734	938,695	

(1) Other
The amount of $80,000 (2013 $103,125) represents consulting fees paid to Cluan Capital Management Pty Ltd, a company in which the Chairman Mr PL Williams has an interest.

(2) Directors Fees
An amount of $13,656 covering the Directors fees of Mr C. Ryan was paid to Westchester Corporate Finance a business in which Mr Ryan has an interest.

(3) Termination benefits
The prior year amount of $129,462 represents redundancy payment made on 15 April 2013 to Mr Tyson based on the termination of his written contract of employment which was not due to expire until 31 December 2013.

(4) Share-based payments
This non-cash charge represents a proportion of the notional value of equity compensation recognised during the year and relates to options granted in November 2010 at exercise prices of $1.25 and $1.75 referred to earlier in this report under Options. The current share price is $0.025 / share.

Options issued

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.

There were no options issued during the year or up to the date of this report.

Included under share based payments expense in the statement of profit and loss and other comprehensive income is $ 59,909 (2013 $ 116,734) which relates to that part of total equity settled share based payments transactions issued in prior years but recognised as expense over the relevant vesting periods.

Contracts of Service

The employment conditions, tenure and emoluments of the Chief Executive Officer and executives are evidenced in writing.

Name	Position	Duration of Contract	Period of Termination Notice	Termination payment
Dr JG Linley	CEO	Ongoing[1]	3 month	none
S Appleyard	Company Secretary	Ongoing[2]	3 month	none

1. Commenced June 2009 & expired June 2010 and ongoing, on same terms, subject to termination notice
2. Commenced on listing and ongoing, subject to termination notice

Number of Options Held by Key Management Personnel

	Balance 01.07.2013	Granted as Compensation	Option Exercised	Net Change Other*	Balance 30.06.2014	Exercisable	Not Yet Exercisable
Peter Williams	2,250,000	-	-	(500,000)	1,750,000	1,000,000	750,000
Chen Zeng	250,000	-	-	-	250,000	250,000	-
Chris Ryan	-	-	-	-	-		
Chris Schacht	250,000	-	-	-	250,000	250,000	-
John Linley	250,000	-	-	-	250,000	250,000	-
Stuart Appleyard	-	-	-	-	-		
Total	3,000,000	-	-	(500,000)	2,500,000	1,750,000	750,000

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

Number of Shares Held by Key Management Personnel

	Balance 01.07.2013	Received as Compensation	Option Exercised	Net Change Other*	Balance 30.06.2014
Peter Williams	899,360	-	-	-	899,360
Chen Zeng	-	-	-	-	-
Chris Ryan	-	-	-	100,000	100,000
Chris Schacht	61,050	-	-	-	61,050
John Linley	375,000	-	-	-	375,000
Stuart Appleyard	1,749,053	-	-	-	1,749,053
Total	3,084,463	-	-	100,000	3,184,463

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

Voting at 2013 AGM

Of the total valid available votes lodged, Marathon received 91.2% of "yes" votes on its remuneration report for the 2013 financial year with the motion carried unanimously on a show of hands as an ordinary resolution. The Company did not receive any specific feedback at the AGM on its remuneration practices.

Use of remuneration consultants

The Company did not engage remuneration consultants during the 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	7	7
Christopher Schacht	24 January 2008	12	12
John Linley	30 June 2008	12	12
Christopher Ryan	26 February 2014	5	5

Audit Committee meetings	Meetings Held	Meetings Attended
Peter Williams	2	2
Chen Zeng	1	1
Christopher Schacht (Chairman)	2	2

Note:In the period under review given the nature of the Company's business as a mineral exploration entity and the current status of its activities in a challenging period for junior explorers matters dealt with by the Board dictated no efficiencies or other benefits would be gained by having separate audit committee meetings on all occasions. The issues relevant to the integrity of the Company's financial reporting ordinarily dealt with by an audit committee were dealt with by the full Board when expedient. The Company has standing agenda items at each Board meeting to deal with audit related matters normally carried out by the audit committee. In appropriate circumstances the Board sought independent legal and accounting advice on pertinent aspects. The Company conducted formal audit committee meetings in the reporting period.

*Resigned 30 January 2014

INSURANCE PREMIUMS AND INDEMNITY

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.

The Company has indemnified the directors and executives of the Company for the costs incurred in their capacity as a director or executive, except where there is a lack of good faith.

PROCEEDINGS

The Company is not currently a party to legal proceedings brought against it or initiated by it at the date of this report.

AUDITOR'S INDEPENDENCE

Grant Thornton South Australian Partnership continues in office in accordance with Section 327 of the Corporation Act.

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 2014 has been received and is included in this report.

Signed in accordance with a resolution of the Board.

Christopher Schacht
Director

Peter L Williams
Director

Dated at Adelaide, South Australia this 29th day of September 2014

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 (2nd Ed 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 are 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.

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 10 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 retired due to other business obligations on 30 January 2014. Mr Ryan was appointed as a non – executive Director 28 February 2014. Mr Ryan is also a non-executive Director of 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 may not be perceived to 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 an 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.

Corporate Governance Statement (con't)

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 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.

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 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 Chairman, in the case of the Managing Director) prior to trading in the Company's securities.

Corporate Governance Statement (con't)

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 Board acknowledges the benefits of diversity in the workplace, encompassing a range of matters including (without limiting) differences in gender, race, ethnicity, age, disability and cultural background. The Company does not have a formal policy concerning diversity and the Board and senior management recruit persons based on skills and experience appropriate for the role concerned and do not discriminate based on gender race, ethnicity, age, disability or cultural background.

The Board does not otherwise set objectives for achieving gender or other diversity. The Board and senior management currently has no female representation. Of the Company's seven permanent / part time employees, five are male and two are female. The issue will remain under Board oversight for review as the Company's circumstances evolve.

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 (retired 30 January 2014) 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 principle 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

The Company has appointed external auditors of acknowledged competencies and independence. The performance of the external auditors is reviewed annually taking into consideration assessment of performance, value and cost.

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.

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 not 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.

Corporate Governance Statement (con't)

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.

The Company continues to use those consultants 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.

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

The Company acknowledges and accepts the bond and special interests that the indigenous people have over areas where the company carried out operations in the past and might carry out exploration activities in the future.

The Company recognises the legal, social, and economic obligations to develop and sustain relationships with Indigenous Traditional Owners at all sites where they hold Native Title custody. It recognises that during exploration and mining operational phases, it must comply with State and Commonwealth legal requirements relating to Native Title matters. Apart from the exploration relationship the Company participates in programs for aboriginal cultural enhancement.

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 were conducted in an area of the Flinders Ranges which is environmentally sensitive.

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, and the system was finalised in the first half of 2009/2010 financial year.

FINANCIAL REPORTING

Management operates 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 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 reporting 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.

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.

Corporate Governance Statement (con't)

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	A change to composition of the Board is considered indicative of an ongoing process of evaluation of the performance of Directors.
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 formal 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
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 formal diversity policy	As above, and subject to review by the Board as Company circumstances evolve.
4.0	Companies should establish an audit committee to safeguard integrity in financial reporting	Audit committee members did not meet discreetly as an Audit Committee in this reporting period on all occasions	Matters the subject of an audit committee were dealt with in full Board Meeting as expedient. Formal Audit Committee meetings occurred in the reporting period under review. The Company otherwise complies with CGR Principle 4
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 an independent chair and has at least 3 members	The Company does not have a remuneration committee	As above

Director's Declaration

The Directors of the company declare that:

1. The financial statements and notes set out on pages 25 to 47 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 2014 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 Chief Executive Officer 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;

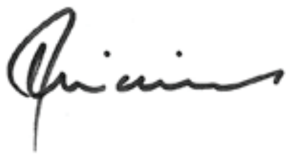
   (b) the financial statements and notes for the financial year comply with Australian Accounting Standards; and

   (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 29th day of September 2014

Grant Thornton

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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 audit of Marathon Resources Limited for the year ended 30 June 2014, 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 audit; and

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

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 29 September 2014

Grant Thornton South Australian Partnership ABN 27 244 906 724
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

	Notes	Consolidated 2014 $	2013 $
Revenue	2a	155,308	275,445
Exploration expenditure written off	2b	(132,692)	(79,876)
Share based payment expense	2c	(59,909)	(116,734)
Depreciation	5	(41,202)	(27,785)
Impairment of available for sale financial assets	6	(138,000)	-
Impairment of fixed assets	5	-	(48,129)
Loss on disposal fixed assets	5a	(1,443)	(66,160)
Financial assets fair value adjustment	6	(4,830)	(33,350)
Employee benefits expense		(431,816)	(900,319)
Occupancy expense		(124,409)	(128,854)
Consulting and legal expenses		(346,511)	(496,761)
Travel expense		(38,374)	(43,380)
ASX listing and registry expense		(40,775)	(52,797)
Corporate administration	2d	(269,808)	(258,557)
Takeover defence costs		(88,217)	-
Loss on disposal of financial asset		-	(77,828)
Loss before income tax		**(1,562,678)**	**(2,055,085)**
Income tax benefit	3	**-**	**-**
Loss for the year after income tax		**(1,562,678)**	**(2,055,085)**
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available for-sale financial assets		117,000	(34,500)
Reclassification of available for sale financial asset to profit and loss on disposal		-	77,828
Total other comprehensive (expense) / income		**(117,000)**	**43,328**
Total comprehensive (loss) for the year		**(1,445,678)**	**(2,011,757)**
Earnings per share			
Basic (cents per share)	21	(1.7)	(2.2)
Diluted (cents per share)		(1.7)	(2.2)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at June 2014

	Notes	Consolidated 2014 $	2013 $
CURRENT ASSETS			
Cash and Cash Equivalents	15(a)	3,581,916	4,921,765
Trade and Other Receivables	4	15,167	38,467
Financial Assets	6	19,820	45,650
Total Current Assets		**3,616,903**	**5,005,882**
NON-CURRENT ASSETS			
Property, Plant and Equipment	5	144,655	211,400
Total Non-Current Assets		**144,655**	**211,400**
TOTAL ASSETS		**3,761,558**	**5,217,282**
CURRENT LIABILITIES			
Trade and Other payables	8	23,006	82,006
Short Term Provisions	9	36,393	47,348
Total Current Liabilities		**59,399**	**129,354**
NET ASSETS		**3,702,159**	**5,087,928**
EQUITY			
Issued Capital	10	44,033,982	44,033,982
Reserves	11	551,727	665,601
Retained Losses		(40,838,550)	(39,611,655)
TOTAL EQUITY		**3,702,159**	**5,087,928**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2014

	SHARE CAPITAL $	RETAINED EARNINGS $	SHARE OPTION RESERVE $	FINANCIAL ASSET RESERVE $	TOTAL $
Consolidated					
BALANCE 1 July 2012	**44,033,982**	**(38,014,570)**	**1,123,867**	**(160,328)**	**6,982,951**
Share options expired during the year	-	458,000	(458,000)	-	-
Fair value of share based payments	-	-	116,734	-	116,734
Total profit or (loss)	-	(2,055,085)	-	-	(2,055,085)
Other comprehensive income	-	-	-	43,328	43,328
BALANCE AT 30 June 2013	**44,033,982**	**(39,611,655)**	**782,601**	**(117,000)**	**5,087,928**
Share options expired during the year	-	290,783	(290,783)	-	-
Fair value of share based payments	-	-	59,909	-	59,909
Total profit or (loss)		(1,562,578)	-	-	(1,562,578)
Other comprehensive income	-	-	-	117,000	117,000
BALANCE AT 30 June 2014	**44,033,982**	**(40,883,550)**	**551,727**	**-**	**3,702,159**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2014

	Notes	Consolidated 2014 $	2013 $
Cash flows from operating activities			
Interest and sundry income received	2a	155,308	275,445
Payments to suppliers and employees		(1,519,257)	(2,133,482)
Net cash (used in) operating activities	15b	**(1,363,949)**	**(1,858,037)**
Cash flows from investing activities			
Proceeds on disposal of plant and equipment		24,100	10,300
Purchase of plant and equipment		-	(2,792)
Net cash provided by investing activities		**24,100**	**7,508**
Net (decrease) in cash held		**(1,339,849)**	**(1,850,529)**
Cash at 30 June 2013		4,921,765	6,772,294
Cash at 30 June 2014	15a	**3,581,916**	**4,921,765**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2014

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. Marathon is a for profit entity for the purposes of preparing the financial statements. The financial report has been presented in Australian dollars.

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

Compliance with Australian Accounting Standards 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.

The financial report of Marathon Resources Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 29 September 2014.

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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Accounting policies

a) Principles of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subdivisions as of 30 June 2014. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a report date of 30 June.
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 reporting 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 profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly in 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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (con't)

c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost, 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 profit or loss and other 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 reporting 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 profit or loss and other comprehensive income.

d) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures not capitalised unless and until a JORC compliant resource is identified.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (con't)

e) Financial Instruments

Recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Classification and subsequent measurement

Financial assets at fair value through profit and loss (FVTPL)

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

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.

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.

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 statement of profit or loss and other comprehensive income.

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 statement of profit or loss and other comprehensive income. 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 / Joint Operations

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (con't)

h) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to reporting 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 over the vesting period.

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.

The 2014 financial report contains no critical estimates.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (con't)

q) New Accounting Standards and Interpretations

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013. Information on these new standards is presented below.

AASB 10 Consolidated Financial Statements
AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.
Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

AASB 11 Joint Arrangements
AASB 11 supersedes AASB 131 Interests in Joint Ventures (AAS 131) and AASB Interpretation 113 Jointly Controlled Entities-Non-Monetary-Contributions by Venturers. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates). The amendments have had no impact on the Group.

AASB 13 Fair Value Measurements
AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.
AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 Financial Instruments: Disclosures.
The Group has applied AASB 13 for the first time in the current year; see Notes 14 (b).

Amendments to AASB 119 Employee Benefits
The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- Eliminate the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- Change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability; and
- Enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 Presentation of Financial Statements.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (con't)

q) New Accounting Standards and Interpretations for future periods.

The Group notes the following Accounting Standards which have been issued but are not yet effective as at 30 June 2014. These standards have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments* (December 2010) [Also refer to AASB 2013-9 and AASB 2014-1 below] (effective 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.

(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and
- The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in the financial statements.

Consequential amendments arising from AASB 9 are contained in AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments and AASB 2014-1 Amendments to Australian Accounting Standards.

The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.

AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (con't)

q) New Accounting Standards and Interpretations for future periods (con't)

AASB 2014-1 *Amendments to Australian Accounting Standards* (Part E: Financial Instruments) (effective 1 January 2015)

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.

The entity has not yet assessed the full impact of these amendments.

NOTE 2 – REVENUE AND EXPENSES FROM OPERATIONS

	Note	Consolidated 2014 $	2013 $
a. Revenue			
Interest revenue		148,651	275,445
SA Government Concession		6,657	-
		155,308	275,445
b. Exploration expenditure			
Mt Gee tenement Arkaroola		(37,651)	20,241
Exploration and evaluation expenditure	7	170,343	59,635
		132,692	79,876
c. Share based payments			
Fair value recognised as an expense over the vesting period		59,909	116,734
		59,909	116,734
d. Corporate administration			
Corporate administration includes:			
Accounting and audit		62,632	50,590
Computer costs		14,762	21,310
Insurance		64,043	58,280
Communication costs		31,186	28,016
Printing, office supplies		11,226	12,870
Public relations		5,550	5,244
Other expenses		80,409	82,247
		269,808	258,557

NOTE 3 – INCOME TAX

	Consolidated 2014 $	Consolidated 2013 $
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	(1,562,678)	(2,055,085)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2013 30%)	(468,803)	(616,526)
Non-deductable expenses	22,532	32,339
Assessable gain	-	3,090
Movement in recognised tax assets and liabilities	91,506	65,767
Current year tax loss	354,765	515,330
Income tax from operations	-	-

Unrecognised deferred tax assets:

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

	Consolidated 2014 $	Consolidated 2013 $
Tax value of carried forward tax losses		
- Capital	11,454	11,454
- Revenue	11,674,766	11,320,001
Timing differences		
Revenue differences not recognised	320,475	193,869
Equity differences not recognised	-	35,100
	12,006,695	11,560,424

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.

Notes to the Financial Statements

for the year ended 30 June 2014

NOTE 4 – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014	**2013**
	$	**$**
GST recoverable	13,192	24,395
Other debtors	1,975	14,072
	15,167	38,467

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

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated	
		2014	**2013**
		$	**$**
Property, plant and equipment		814,096	929,293
Less accumulated depreciation		(518,797)	(493,519)
Impairment provision		(150,644)	(224,374)
Total plant and equipment		144,655	211,400
Movement in carrying amounts			
Balance at beginning of financial year		211,400	360,982
Additions		-	2,792
Disposals		(25,543)	(76,460)
Depreciation		(41,202)	(27,785)
Impairment		-	(48,129)
Balance at end of financial year		144,655	211,400

5a – DISPOSAL PROPERTY, PLANT AND EQUIPMENT

Disposal at written down value	25,543	(76,460)
Proceeds	24,100	10,300
(Loss) on disposal	(1,443)	(66,160)

NOTE 6 – FINANCIAL ASSETS

	Notes	Consolidated 2014 $	2013 $
Current			
Financial assets at fair value through profit / loss	6a	7,820	12,650
Available-for-sale financial assets	6b	12,000	33,000
Total Financial Assets		19,820	45,650

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

	2014 $	2013 $
- Shares in Wolf Petroleum Ltd (formerly Strzelecki Metals Ltd previously Primary Resources Ltd)	7,820	12,650

The market value of these shares at reporting date was $0.034 ($0.055 in 2013). The decrease in the fair value to reporting date of $ 4,830 (Decrease $ 33,350 in 2013) has been recorded through the statement of profit and loss and other comprehensive income in the financial assets fair value adjustment.

6b – Available-for-Sale financial assets

Shares and options in Phoenix Copper Ltd

	2014 $	2013 $
- Shares in Phoenix Copper Ltd	12,000	33,000

The market value of the shares at reporting date was $ 0.016 ($0.044 in 2013). The reduction in fair value to reporting date of $ 21,000 (Reduction $ 34,500 in 2013) has been recognised directly as an impairment expense in the current period through the statement of profit or loss and other comprehensive income. Prior years cumulative reductions of $117,000 have also been released as an impairment expense due to a significant and prolonged decline in market value.

Notes to the Financial Statements

for the year ended 30 June 2014

NOTE 7 – EXPLORATION AND EVALUATION EXPENDITURE

	Note	Consolidated 2014 $	Consolidated 2013 $
Joint operation expenses	2b	170,343	59,635

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

ADW tenements

The Company's wholly owned subsidiary Bonanza Gold Pty Ltd [which had entered Heads of Agreement with Australian Desalinated Water Pty Ltd & associated entities (collectively "ADW") in the prior year with exclusive rights to explore and evaluate ADW controlled tenements with an option to acquire 78% of ADW subject to certain conditions] continued exploration activity during the year. Subsequent execution and registration of a native title Mining Agreement for Exploration and approvals by DMITRE enabled Marathon to proceed with a targeted drilling program on three areas principally at Oakvale, Alice Park and Pernatty Lagoon.

Project	Tenement	Location	Commodity
Alice Park	EL 5203	South Australia	Mineral sands, Manganese & other
Oakvale	EL 5202	South Australia	
Kangaroo Flat	ML 5787	Victoria	
Pernatty Lagoon	ELA 270	South Australia	

SAEX tenements

Bonanza Gold executed a Letter of Intent 30 September 2013 with SAEX Pty Ltd under which Marathon conducted exploration within SAEX's Walparuta Project in the Curnamona Province of South Australia with a view to acquiring a 75% interest in the project. The Walparuta Project comprised Exploration Licences 4520 and 5306 located 140 kilometres west of Broken Hill. The company conducted an airborne electromagnetic survey over the most prospective portions of the leases and undertook detailed geological mapping, a ground magnetic survey and a ground geochemical survey.

Project	Tenement	Location	Commodity
Walparuta	EL 4520	South Australia	Base & Precious Metals
Walparuta	EL 5306	South Australia	

As advised in ASX market releases, after review of results (and prior to reporting date) the Company advised ADW & SAEX of termination of the arrangements, and exited without further financial obligation.

All exploration expenditure has been expensed.

NOTE 8 – TRADE AND OTHER PAYABLES

	Consolidated	
	2014	2013
	$	$
Trade payables	5,001	22,017
Other payables	18,005	18,324
Accrued expenses	-	41,665
	23,006	82,006

NOTE 9 – SHORT TERM PROVISIONS

	Consolidated	
	2014	2013
	$	$
Employee entitlements	36,393	47,348

NOTE 10 – ISSUED CAPITAL

	Consolidated	
	2014 $	2013 $
92,207,789 (2013: 92,207,789) fully paid ordinary shares	44,033,982	44,033,982

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)

Movement in Options

	Consolidated			
	2014		2013	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	3,540,000	1.104	4,540,000	1.032
Granted	-		-	-
Forfeited	-		-	-
Exercised	-		-	-
Expired	(1,040,000)	(0.626)	(1,000,000)	(0.777)
Outstanding at year end	2,500,000	1.326	3,540,000	1.104
Exercisable at year end	1,750,000	1.154	2,040,000	0.831

The options outstanding at 30 June 2014 had a weighted average exercise price of $ 1.326 and a weighted average remaining contractual life of 9.3 months. Exercise prices range from $ 1.077 to $ 1.727 in respect of options outstanding at 30 June 2014.

The following share-based payment arrangements existed at 30 June 2014:

On 15 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 reporting date no share options had been exercised.

On 16 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:

At reporting date the first expiry date for 500,000 options had been reached and were not exercised.

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

NOTE 10 – ISSUED CAPITAL (con't)

Valuation of Options

Included under share based payments expense in the statement of profit and loss and other comprehensive income is $ 59,909 (2013 $ 116,734) which relates to that part of total equity settled share based payments transactions issued in 2010 and recognised as expense over the relevant vesting periods.

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
15 December 2009	31 December 2014	$1.10	$1.077
16 November 2010	15 November 2014	$1.25	$1.227
16 November 2010	15 November 2015	$1.75	$1.727

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 2014 and 30 June 2013 are as follows:

	Consolidated Group	
	2014	**2013**
	$	**$**
Cash and cash equivalent	3,581,916	4,921,765
Loss before income tax	(1,562,678)	(2,055,085)
Less items before income tax		
Depreciation	41,202	27,785
Impairment	138,000	48,129
Fair value adjustment	4,830	33,350
Loss before income tax, depreciation, impairment & fair value adjustments	(1,378,646)	(1,945,821)
Expenses cover times	2.60	2.53

NOTE 11 – RESERVES

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

Financial Assets Reserve
The financial assets reserve records revaluations of available for sale financial assets.

NOTE 12 – COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

	Consolidated 2014 $	Consolidated 2013 $
Operating lease commitment		
Not longer than 1 year	-	92,652
Longer than 1 year and not longer than 5 years	-	270,235

The Company entered a five year lease for office premises commencing 1 May 2012 and expiring 1 May 2017 with an early termination clause (on certain terms) effective 1 May 2014. Marathon has given notice and is now on a monthly tenancy arrangement.

NOTE 13 – SEGMENT INFORMATION

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and has concluded at this time that there are no separately identifiable segments.

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 Within 1 year		Non-interest Bearing > 1 year		Total	
	2014 %	2013 %	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000
Financial Assets										
Loans and receivables										
- Cash and cash equivalents	3.52	4.70	3,540	4,896	42	26	-	-	3,582	4,922
- Receivables	-	-	-	-	15	38	-	-	15	38
Available for sale Financial assets	-	-	-	-	12	33	-	-	12	33
Financial assets at fair value through profit & loss	-	-	-	-	8	13	-	-	8	13
Total Financial Assets			3,540	4,896	77	110	-	-	3,617	5,006
Financial Liabilities										
Trade and other payables	-	-	-	-	23	82	-	-	23	82
Total Financial Liabilities			-	-	23	82	-	-	23	82

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 30 June 2014, if interest rates had changed by -/+ 10 basis points from the year end rates with all other variables held constant post tax loss and total equity would have been $ 4,041 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 30 June 2014, 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 $ 483 more/less, with corresponding increase/decrease in equity.

Sensitivity of available-for-sale financial assets.
At 30 June 2014, 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 $ 2,100 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.

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.

Consolidated Group	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 2014		
Financial Assets				
Available for sale investment	12,000	-	-	12,000
Financial assets at fair value through profit and loss	7,820	-	-	7,820
	19,820	-	-	19,820
Financial Liabilities	-	-	-	-
		Year Ended 30 June 2013		
Financial Assets				
Available for sale investments	33,000	-	-	33,000
Financial assets at fair value through profit and loss	12,650	-	-	12,650
	45,650	-	-	45,650
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	
	2014	**2013**
	$	**$**
Cash on hand	356	53
Cash at call	42,055	25,858
Short-term bank deposit	3,539,505	4,895,854
Cash and cash equivalents	3,581,916	4,921,765

The weighted average effective interest rate on short-term bank deposits is 3.52% (2013: 4.70%). All deposits are for less than 12 months.

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

	Consolidated	
	2014	**2013**
	$	**$**
Loss after income tax	(1,562,678)	(2,055,085)
Cash flows excluded from loss attributable to operating activities:		
Loss on disposal of plant and equipment	1,443	66,160
Loss on disposal of financial asset	-	77,828
Impairment of available for sale financial assets	138,000	-
Non-cash flows in operating loss		
Depreciation	41,202	27,785
Share based payments	59,909	116,734
Fair value adjustment on financial assets	4,830	33,350
Impairment provision	-	48,129
Change in assets and liabilities		
Decrease in receivables / prepayments	23,300	8,612
(Decrease) in payables	(59,000)	(83,212)
(Decrease) in provisions	(10,955)	(98,338)
Net Cash (used in) operating activities	(1,363,949)	(1,858,037)

NOTE 16 – INVESTMENT IN CONTROLLED ENTITY

Entity	Country of incorporation	Class of share	Interest Held		Cost of Investment	
			2014	2013	2014	2013
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

	2014 $	2013 $
Parent Entity		
Asset		
Current assets	3,616,903	5,005,882
Non-current assets	144,655	211,400
Total assets	3,761,558	5,217,282
Liabilities		
Current liabilities	59,399	129,354
Non-current liabilities	-	-
Total liabilities	59,399	129,354
Equity		
Issued capital	44,033,982	44,033,982
Financial asset reserve	-	(117,000)
Share option reserve	551,727	782,601
Retained earnings	(40,883,550)	(39,611,655)
Shareholder equity	3,702,159	5,087,928
Financial performance		
Profit (loss) for the year	(1,562,678)	(2,055,085)
Other comprehensive income	117,000	43,328
Total comprehensive income	(1,445,678)	(2,011,757)

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

	Consolidated	
	2014 $	2013 $
Operating lease commitment		
Not longer than 1 year	-	92,652
Longer than 1 year and not longer than 5 years	-	270,235

The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

NOTE 17 – KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to directors and other members of the key management personnel are set out below:

	2014	2013
	$	$
Total short term employee benefits	376,741	624,305
Total post-employment benefits	22,847	68,195
Termination benefits	-	129,462
Share based payments	59,909	116,734
Total Remuneration	**459,497**	**938,696**

Detailed disclosure is included in the remuneration report.

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 $ 80,000 (2013: $ 103,125).

An amount of $ 13,656 covering the Directors fees of Mr C. Ryan was paid to Westchester Corporate Finance a business in which Mr Ryan has an interest.

The Company has had no other related party transactions with any of its key management personnel in either the current or prior financial year.

NOTE 19 – AUDITOR'S REMUNERATION

	Consolidated	
	2014	**2013**
	$	**$**
Amounts paid or due & payable to the Auditor of the company for:		
- auditing & review services	29,850	25,700
- other services	-	-

NOTE 20 – MATTERS SUBSEQUENT TO THE END OF THE YEAR

There are no after reporting date events of consequence. The Board of Directors continues to review all opportunities presented and which it considers may enhance shareholder value. The Chairman's address details the Board's considerations.

There is no other matter or circumstance that has arisen since 30 June 2014 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	
	2014	2013
	$	$
Basic earnings per share – cents per share	(1.7)	(2.2)
Loss used to calculate basic EPS	(1,562,678)	(2,055,085)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	92,207,789	92,207,789

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
Unit 8
53-57 Glen Osmond Road
Eastwood South Australia 5063

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 24 September 2014

NAME	FULLY PAID SHARES	ORDINARY SHARES %
Bentley Capital Limited	19,346,900	20.98
CITIC Australia Pty Ltd	17,242,855	18.70

DISTRIBUTION OF SHAREHOLDINGS AT 24 September 2014

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	488	264,478
1,001 – 5,000	672	1,721,133
5,001 – 10,000	317	2,548,100
10,001 – 100,000	445	14,322,192
100,001 – maximum	102	73,351,886
Total	2,024	92,207,789

At 24 September 2014 a marketable parcel constituted 20,000 shares.

The number of shareholders holding less than a marketable parcel was -	1,650	7,011,934

TWENTY LARGEST SHAREHOLDERS AT 24 September 2014

NAME	FULLY PAID ORDINARY SHARES	% OF ISSUED CAPITAL
Bentley Capital Limited	19,346,900	20.98
Citic Australia Pty Ltd	17,242,855	18.70
HSBC Custody Nominees (Australia) Limited	1,865,076	2.02
FMS Pty Ltd	1,611,379	1.75
Citicorp Nominees Pty Ltd	1,477,283	1.60
ABN AMBRO Clearing Sydney Nominees Pty Ltd	1,189,359	1.29
Mr. Chor Leng Tan	1,169,615	1.27
L P Rayner Nominees Pty Ltd	1,100,000	1.19
Monex Boom Securities (HK) Ltd	1,060,166	1.15
OPEKA Dale Pty Ltd (OPEKA Dale P/L S/F No 2)	1,000,000	1.08
Colin Francis McGregor Post	1,000,000	1.08
Mr George Kwitko	900,000	0.98
Archon Resources Technologies Pty Ltd	851,039	0.92
James St Equities Pty Ltd	800,000	0.87
Archon Resources Superannuation Pty Ltd	785,664	0.85
S & H Selected Businesses Pty Ltd	782,916	0.85
Cluan Capital Management Pty Ltd	770,000	0.84
PASO Holdings Pty Ltd	760,000	0.82
Trayburn Pty Ltd	733,026	0.79
JP Morgan Nominees Australia Limited	720,792	0.78
Total Top 20 holders of ORDINARY SHARES	55,166,070	59.83

Grant Thornton

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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 "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other 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 Company 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is 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, the financial statements comply 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. Those standards 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.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company'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 audit opinion.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Marathon Resources Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The Directors of the Company 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.

Grant Thornton

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Marathon Resources Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton.

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 29 September 2014

marathon
RESOURCES LIMITED

2014