

TO: ASX COMPANY ANNOUNCEMENTS OFFICE

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MARATHON ANNOUNCES LEIGH CREEK ENERGY PROJECT ACQUISITION

Marathon Resources Limited (“**Marathon**”) is pleased to announce that it has today signed a Binding Term Sheet to acquire ARP TriEnergy Pty Ltd (“**TriE**”) which owns the Leigh Creek Energy Project (“**LCEP**”).

Background

Marathon previously announced (ASX release 1 December 2014) that it had signed a Non-Binding Term Sheet involving a due diligence period, a Farm-In, a Joint Venture and an Option to acquire TriE in a lengthy process which would have required two Extraordinary General Meetings seeking Marathon shareholder approval.

After considerable additional due diligence on the LCEP over the last month the Marathon Board has determined that a faster process is more appropriate for shareholders in light of rapid operational progress for the LCEP and gas demand on the East Coast of Australia.

Documentation is now underway, including independent experts’ reports, in preparation for an EGM at which Marathon shareholders will be asked to approve the acquisition of the issued capital of TriE in return for new Marathon shares as consideration.

As previously advised, and for some years, Marathon has been searching for an appropriate investment which had the possibility of adding value to shareholders in the context of an equity market environment where capital is constrained.

Your Board considers the LCEP a low risk opportunity and one which is fairly priced.

It is anticipated that documentation preparatory to calling an EGM will be finalised in February 2015, resulting in an EGM meeting date anticipated around early March 2015.

Binding Term Sheet Summary

A Binding Term Sheet has been signed between the parties.

Pursuant to the Binding Term Sheet, Marathon has agreed to acquire 100% of TriE in return for issuing 138,311,684 new ordinary shares in Marathon (being 60% of the total expanded capital base).

The proposed acquisition is subject to:

1. Regulatory approvals (ASX, ASIC and South Australian Government);
2. Marathon shareholder approval; and
3. ARP TriEnergy shareholder approval.

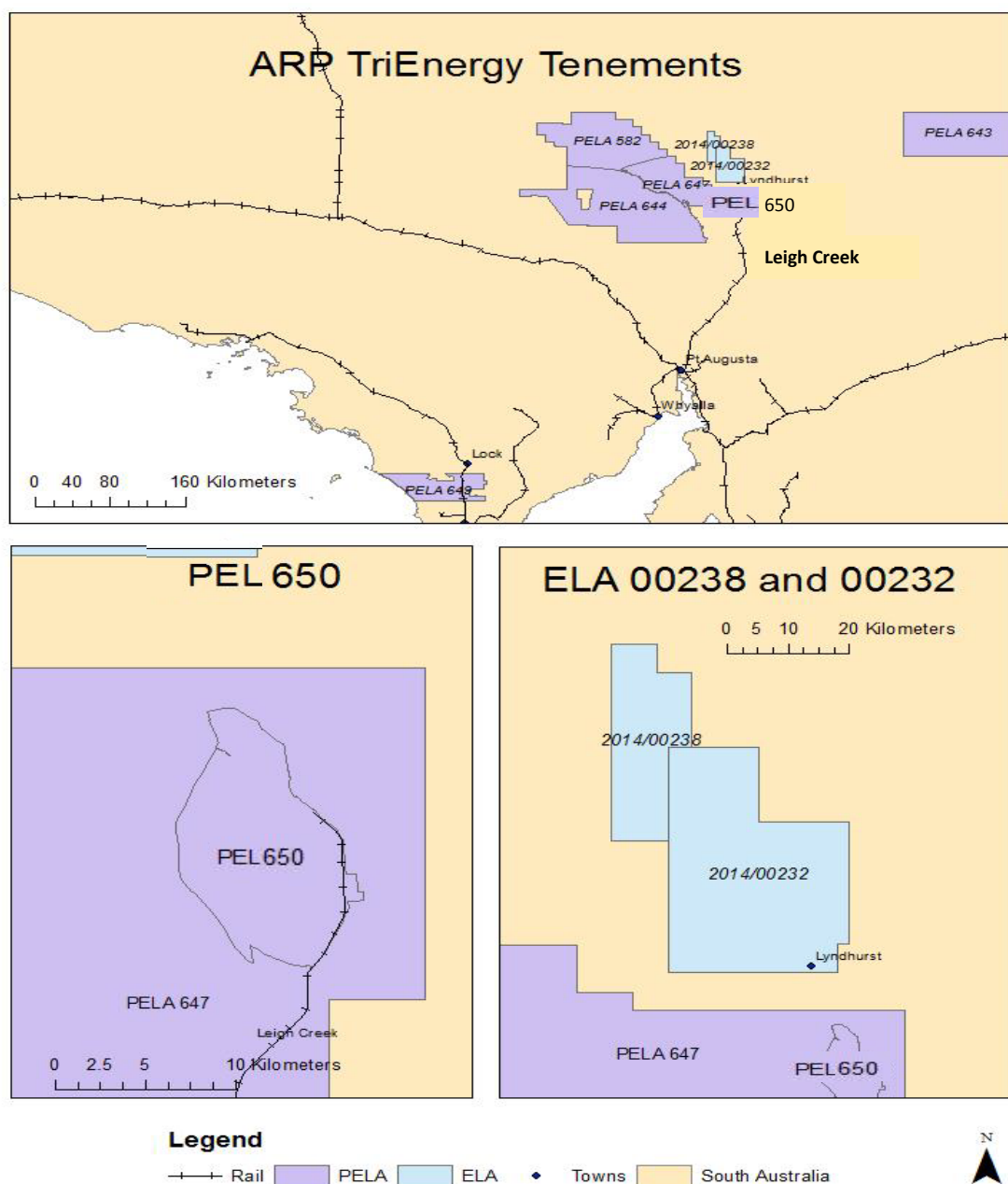
At present TriE owns 19.99% of the issued capital of Marathon.

Integration underway

Formal integration efforts have commenced, aimed at minimising costs across two presently separate companies and optimising operational outcomes, assuming the EGM vote supports the acquisition.

The Leigh Creek Energy Project

The LCEP is located at Leigh Creek in central South Australia approximately 550km north of Adelaide, over and around the existing coalfield, and is contained within the newly granted PEL 650, itself contained within PELA 647 - both assets of TriE.



The LCEP intends to develop an In-Situ Gasification (“ISG”) process at depth (400m-1500m) using standard oil industry techniques. ISG is a proven technology and has been in commercial operations in Russia for over 50 years and in China for gas and chemicals manufacture.

Leigh Creek has excellent existing infrastructure including a rail line, sealed main regional road access, high voltage power, water supply, airfield and other services associated with the adjoining townships of Leigh Creek and Copley.

The LCEP is outside the Great Artesian Basin. Future drilling will occur on a former coal mining site where water at depth is saline.

The LCEP is conveniently located to a range of markets for commodities as follows:

- Natural gas (methane) is in short supply and has driven an increase of gas prices in recent years. The LCEP is located approximately 125km from a major gas pipeline (the Moomba-Adelaide Pipeline System).
- Ammonium nitrate for fertiliser and explosives is 100% imported into South Australia.
- A number of remote mines require electricity and gas fired generation provides a lower cost alternative to diesel fuel power generation.

A significant amount of work has been completed to define the resource and secure PEL 650. The present Leigh Creek coal mine is owned and operated by Alinta Energy Limited and coal is transported by rail to the coal-fired power station at Port Augusta. In the 2014 South Australian Fuel and Technology Report produced by the Australian Energy Market Operator in January 2014, coal tonnage contained within PEL 650 included 150mt of measured and indicated coal and 350mt of inferred coal.¹

Marathon believes an appraisal (not exploration) drilling program will quantify considerable resources to required disclosure standards.

Gas markets on the East Coast of Australia

The market for gas in eastern Australia is prospective and demand is strong, despite the recent fall in oil prices.

Gas marketing planning has occurred and gas marketing will accelerate in January 2015, focussing on industrial users (gas options) and gas supplier contractual commitments.

Other assets of TriE

TriE has a number of other assets in South Australia as follows:

Petroleum Exploration License Applications:

- PELA 647 – located west and north west and surrounds PEL 650;
- PELA 582 – located northwest of PELA 647;
- PELA 643 – located in the southern Cooper Basin;
- PELA 644 – located south of PELA 582; and
- PELA 649 – located on the Eyre Peninsula, south of Lock.

Exploration License Applications:

- ELA 00232 – located north of the Leigh Creek Coal Field; and
- ELA 00238 – located northwest of ELA 00232.

¹ Table 2.1 South Australian Coal Resources- reference Department of Manufacturing, Innovation, Trade, Resources & Energy (DMITRE) Coal Resources in South Australia- in situ tonnage & quality

TriE is a major shareholder of Marathon

TriE became Marathon's major shareholder on 8th October 2014 with 19.99% of the issued capital and both companies have worked closely to develop a firm working relationship over the last three (3) months.

Shareholders in Marathon will be asked to approve the acquisition of TriE and the issue of shares to TriE shareholders at an Extraordinary General Meeting to be called around early March 2015.

TriE as a related party to this transaction will not be permitted to vote on shares it owns in Marathon, should it own shares in Marathon at the time of this vote.

Summary

The Board of Marathon has examined many projects throughout Australia and overseas and the LCEP offers an exciting prospect to develop a significant energy company in the future.

We look forward to announcing an EGM date and supplying shareholders with explanatory documentation for consideration prior to voting on the proposed acquisition of TriE and associated matters.

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