

Marathon Resources Limited
ACN 107 531 822

Interim Financial Report
31 December 2014



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MARATHON RESOURCES LIMITED
ACN 107 531 822
AND CONTROLLED ENTITY
DIRECTORS' REPORT

The directors present their report on Marathon Resources Ltd for the half year ended 31 December 2014 and the state of the affairs of the Company at that date.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

Persons who have been Directors in the Company during or since the end of the half year are:

Peter Williams BEc FCA
Chairman
Appointed 21 May 2004

John G. (Shad) Linley BSc (Hons), F Aus IMM Doctorate of Philosophy (Adelaide University)
Director (Chief Executive Officer)
Appointed 30 June 2008

Christopher Schacht
Director (Non-executive)
Appointed 23 January 2008

Christopher Ryan
Director (Non-executive)
Appointed 26 February 2014
Ceased 20 November 2014

Justyn Peters (BA, LLB)
Director (Non-executive)
Appointed 01 December 2014

Secretary

Stuart Appleyard LLB
Appointed 28 January 2004

Review of Operations

During the reporting period the Company continued to review projects for an appropriate investment with the potential to add significant value to its shareholders in the context of an equity markets environment where capital remained constrained for modest sized mining and energy companies

In October 2014 ARP TriEnergy Pty Ltd ("**TriE**"), a private Australian company, acquired the shareholding of Bentley Capital Ltd (ASX: BEL). Tri remains the largest shareholder in Marathon with 19.99% of Marathon's issued capital.

Mr Chris Ryan a nominee of BEL who was appointed to the Board of Marathon on 26 February 2014 was not re-elected at the company's AGM in November 2014.

On 1st December 2014 Marathon announced

- the appointment of Mr Justyn Peters as a Director of Marathon (Mr Peters is a director of TriE); and
- it had signed a Non-Binding Term Sheet to undertake due diligence investigations, and subject to all relevant approvals, to farm-in on the Leigh Creek Energy Project ("**LCEP**") owned by TriE.

The LCEP, located at Leigh Creek in South Australia is focused on generating significant new energy sources by producing gas supplies from the vast Leigh Creek coal reserves via In-Situ Gasification.

The Non-Binding Term Sheet also contemplated the grant to Marathon of an option to acquire all of the issued share capital of TriE from its existing shareholders in return for the issue of 138 million Marathon shares. The option was to be exercisable during the period of 18 months following its approval by Marathon shareholders.

MARATHON RESOURCES LIMITED
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AND CONTROLLED ENTITY
DIRECTORS' REPORT

Review of Operations (contd)

The Marathon Board had looked at many opportunities in Australia and overseas. The Board considered the LCEP met the chosen criteria of providing low risk and low cost appraisal drilling, a project managed by credible people and an entry point which is fairly priced.

MATTERS SUBSEQUENT TO END OF THE HALF YEAR

On 7 January 2015 Marathon announced it had signed a Binding Term Sheet to acquire TriE having previously announced (ASX release 1 December 2014) it had signed a Non-Binding Term Sheet for that acquisition.

This followed additional due diligence on the LCEP with the Marathon Board determining that a faster process was 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.

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.

There are no other known events subsequent to the reporting date that would have a material effect on the financial statements.

AUDITOR'S INDEPENDENCE

The auditor's independence declaration is included on page 5 of this interim financial report.



Peter Williams
Director



Christopher Schacht
Director

Dated in Adelaide, South Australia this 4th day of February 2015

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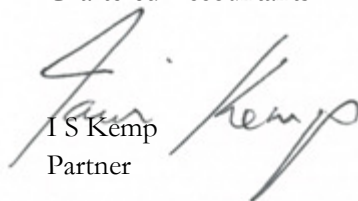
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MARATHON RESOURCES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Marathon Resources Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



I S Kemp
Partner

Adelaide, 4 February 2015

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MARATHON RESOURCES LIMITED
ACN 107 531 822
AND CONTROLLED ENTITY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

		Consolidated Group	
	Notes	31 December 2014	31 December 2013
Revenue			
- Interest income		64,764	87,800
- SA State Government concessions		-	6,658
Depreciation expense		(18,145)	(23,164)
(Loss) / Profit on disposal fixed assets		(14,016)	1,100
Exploration Expenditure written off	2	(138,960)	(59,461)
Employee benefit expenses		(198,114)	(210,641)
Occupancy expense		(61,979)	(61,679)
Share based payment expenses	3	(13,873)	(39,612)
Consulting and legal expenses		(85,027)	(152,034)
Travel expenses		(21,786)	(22,082)
ASX listing and registry expenses		(24,353)	(29,850)
Corporate administration		(169,796)	(181,395)
Fair value gain/(loss) on held for trading financial assets		13,030	3,450
Takeover defence costs		(14,924)	(152,270)
(Loss) before income tax		(683,179)	(833,180)
Income tax (expense)/benefit		-	-
(Loss) for the period after tax expense		(683,179)	(833,180)
Other comprehensive income			
Changes in fair value of available for sale financial assets		-	(3,000)
		-	(3,000)
Total comprehensive income for the period		(683,179)	(836,180)
Earnings per share			
Basic (cents per share)		(0.7)	(0.9)
Diluted (cents per share)		(0.7)	(0.9)

The Accompanying notes form part of these financial statements

MARATHON RESOURCES LIMITED
ACN 107 531 822
AND CONTROLLED ENTITY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Consolidated Group	
	<i>Notes</i>	
	31 December 2014	30 June 2014
CURRENT ASSETS		
Cash and cash equivalents	2,941,076	3,581,916
Trade and other receivables	32,036	15,167
Financial assets	32,850	19,820
TOTAL CURRENT ASSETS	3,005,962	3,616,903
NON-CURRENT ASSETS		
Property, plant and equipment	102,403	144,655
TOTAL NON-CURRENT ASSETS	102,403	144,655
TOTAL ASSETS	3,108,365	3,761,558
CURRENT LIABILITIES		
Trade and other payables	35,909	23,006
Short term provisions	39,603	36,393
TOTAL CURRENT LIABILITIES	75,512	59,399
NET ASSETS	3,032,853	3,702,159
EQUITY		
Issued capital	44,033,982	44,033,982
Reserves	162,150	551,727
Accumulated losses	(41,163,279)	(40,883,550)
TOTAL EQUITY	3,032,853	3,702,159

The accompanying notes form part of these financial statements

MARATHON RESOURCES LIMITED
ACN 107 531 822
AND CONTROLLED ENTITY
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Issued Capital	Accumulated Losses	Share Option Reserve	Financial Asset Reserve	Total
Balance at 1 July 2014	44,033,982	(40,883,550)	551,727	-	3,702,159
Share options expired during period	-	403,450	(403,450)	-	-
Fair value of share based payments	-	-	13,873	-	13,873
Total comprehensive income for the period	-	(683,179)	-	-	(683,179)
Balance at 31 December 2014	44,033,982	(41,163,279)	162,150	-	3,032,853
Balance at 1 July 2013	44,033,982	(39,611,655)	782,601	(117,000)	5,087,928
Share options expired during period	-	290,783	(290,783)	-	-
Fair value of share based payments	-	-	39,612	-	39,612
Total comprehensive income for the period	-	(833,180)	-	(3,000)	(836,180)
Balance at 31 December 2013	44,033,982	(40,154,052)	531,430	(120,000)	4,291,360

The accompanying notes form part of these financial statements

MARATHON RESOURCES LIMITED
ACN 107 531 822
AND CONTROLLED ENTITY
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

		Consolidated Group	
	Notes	31 December 2014	31 December 2013
Cash flows from operating activities			
Payments to suppliers and employees		(715,695)	(924,729)
Interest and sundry income received		64,764	94,458
Net cash provided by / (used in) operating activities		<u>(650,931)</u>	<u>(830,271)</u>
Cash flow from investing activities			
Proceeds on disposal of plant & equipment		10,091	1,100
Net cash provided by / (used in) investing activities		<u>10,091</u>	<u>1,100</u>
Net cash provided by / (used in) financing activities		<u>-</u>	<u>-</u>
Net (decrease) / increase in cash held		(640,840)	(829,171)
Cash at the beginning of the half year		3,581,916	4,921,765
Cash at the end of the half year		<u>2,941,076</u>	<u>4,092,594</u>

The accompanying notes form part of these financial statements

MARATHON RESOURCES LIMITED
ACN 107 531 822
AND CONTROLLED ENTITY
NOTES TO THE INTERIM FINANCIAL REPORT

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Reporting entity

Marathon Resources Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2014 comprises the Company and its subsidiary (together referred to as the "consolidated entity" or "group").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2014 is available upon request from the Company's registered office at Unit 8 53-57 Glen Osmond Road Eastwood SA, and can be viewed on the Company's website www.marathonresources.com.au

The Company is a for profit entity for the purposes of preparing its financial statements. The interim financial statements have been approved and authorised by the Board of Directors on 3 February 2015.

Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report as at and for the year ended 30 June 2014 and any public announcements made by the Group during the half year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange's Listing Rules and the Corporations Act 2001.

Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2014, except for the application of the following standards as of 1 July 2014:

AASB 1031: Materiality

AASB 2013-9, Conceptual Framework, Materiality and Financial Instruments

AASB 2014-2, Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements

AASB 2014-1, Amendments to Australian Accounting Standards Part A, B and C

These standards make changes to a number of existing Australian Accounting Standards and are not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports.

Management has reviewed the new requirements of the above standards and has concluded that there is no effect on the classification or presentation of balances.

Critical accounting estimates and judgements.

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statement for the year ended 30 June 2014.

MARATHON RESOURCES LIMITED
ACN 107 531 822
AND CONTROLLED ENTITY
NOTES TO THE INTERIM FINANCIAL REPORT

NOTE 2 – EXPLORATION EXPENDITURE WRITTEN OFF

	December 2014	December 2013
Expenditure on exploration, farm-in and due diligence	135,345	94,842
Exploration unallocated overheads	3,615	5,084
Prior year expense accruals reversed	-	(40,465)
	<u>138,960</u>	<u>59,461</u>

NOTE 3 – SHARE BASED PAYMENTS

The following options were granted in the 2011/2012 year:

- 2,000,000 options to Chairman of Directors in three tranches on 16 October 2010
500,000 options expired on 01 Nov 2013 and 750,000 expired 01 November 2014

Number	Exercise Date	Expiry Date	Value
750,000	1 Nov 2014	1 Nov 2015	162,150

Fair value recognised as an (income)/expense over the vesting period	13,873	39,612
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NOTE 4 – SEGMENT INFORMATION

The board is the chief operating decision maker, which based on its review of internal reports and pursuant to the requirements of AASB 8 operating segments has concluded that there are presently no separately identifiable segments.

MARATHON RESOURCES LIMITED
ACN 107 531 822
AND CONTROLLED ENTITY
NOTES TO THE INTERIM FINANCIAL REPORT

NOTE 5 – SUBSEQUENT EVENTS

Since the 31 December 2014 the following events or transactions occurred:

On 7 January 2015 Marathon announced it had signed a Binding Term Sheet to acquire TriE having previously announced (ASX release 1 December 2014) it had signed a Non-Binding Term Sheet for that acquisition.

This followed additional due diligence on the LCEP with the Marathon Board determining that a faster process was 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.

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.

There are no other known events subsequent to the reporting date that would have a material effect on the financial statements.

NOTE 6 – CONTINGENT LIABILITIES

There have been no contingent liabilities since last reporting date.

NOTE 7 – FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

All financial instruments were valued using level 1 valuation techniques. There were no changes in valuation techniques for financial instruments in the period.

The carrying value of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

MARATHON RESOURCES LIMITED
ACN 107 531 822
AND CONTROLLED ENTITY
DIRECTORS' DECLARATION

The Directors declare that:

In the opinion of the directors of the company:

1. The financial statements and notes, as set out on pages 6 to 12, are in accordance with the Corporations Act 2001 including:
 - (a) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001; and
 - (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date.
2. 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.



Peter Williams
Director



Christopher Schacht
Director

Dated in Adelaide, South Australia this 4th day of February 2015

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

We have reviewed the accompanying half-year financial report of Marathon Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Marathon Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Marathon Resources Limited consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Marathon Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

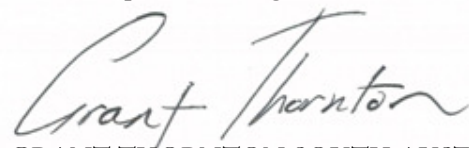
Independence

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

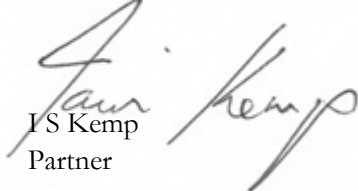
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Marathon Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



I S Kemp
Partner

Adelaide, 4 February 2015