

TO: ASX COMPANY ANNOUNCEMENTS OFFICE

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MARATHON ANNOUNCES THE SIGNING OF A SHARE SALE AGREEMENT TO ACQUIRE THE LEIGH CREEK ENERGY PROJECT

Marathon Resources Limited ("**Marathon**") is pleased to announce that it has today signed a Share Sale Agreement to acquire ARP TriEnergy Pty Ltd ("**TriE**") which owns the Leigh Creek Energy Project ("**LCEP**").

The signed agreement, which follows Marathon's announcement of 7th January 2015, is subject to regulatory approval and shareholder approval at an Extraordinary General Meeting ("**EGM**") to be called to consider the transaction.

After the completion of due diligence, the Board agreed to sign the Share Sale Agreement to acquire 100% of TriE. In assisting the Board to make this decision the Board has completed satisfactory due diligence investigations, including receipt of input from third party consultants in relation to the technical and economic viability of In Situ Coal Gasification ("**ISG**") technology.

Background

At the recent Marathon AGM held on the 20th November 2014 we outlined that a small number of investment opportunities were being assessed for possible involvement by Marathon. All opportunities, except the LCEP, have now been abandoned. Your Board considers the LCEP an outstanding low risk opportunity and one which is fairly priced.

Share Sale Agreement Summary

Under the Share Sale Agreement Marathon has agreed to acquire 100% of TriE from its current shareholders ("**Vendors**") in return for issuing 138,311,683 new ordinary shares in Marathon (being 60% of the total expanded capital base) to the Vendors.

The proposed acquisition is subject to:

1. regulatory approvals (including ASX approval in relation to Marathon's re-compliance with Chapters 1 and 2 of the ASX Listing Rules; relevant Ministerial approvals regarding any dealing with the LCEP tenements and FIRB approval); and
2. various Marathon shareholder approvals.

As shareholders are aware, TriE currently holds 19.99% of the issued capital of Marathon. Under the terms of the Share Sale Agreement, and in order to ensure that Marathon can comply with the restrictions in the Corporations Act in relation to self-acquisition, the parties have agreed that, within a 12 month period following completion, all Marathon shares held by TriE will be disposed of on its behalf by a custodian to be appointed.

The LCEP Project

The LCEP is located at Leigh Creek in central South Australia approximately 550km north of Adelaide, over and around the existing coalfield (which is owned and operated by Alinta Energy). The LCEP is contained within the recently granted PEL 650, itself contained within the area of PELA 647 (both held by TriE).

The LCEP proposes to develop an ISG process at depth (300m – 1,500m) using standard oil industry technologies, such as directional drilling. ISG facilities operate by drilling two opposite sides of an underground coal seam. One well injects air or oxygen into the coal seam to initiate the gasification reaction. The other well is used to return synthetic gas (“**syngas**”) to the surface where it is processed further and cleaned for power, gas, and chemical purposes.

The area of the LCEP has excellent existing infrastructure including a rail line, sealed main regional road access, high voltage power, water, airfield and other services associated with the township of Leigh Creek. Coal from the existing Leigh Creek coal mine is currently transported by rail to the coal-fired power station at Port Augusta.

The LCEP is outside the Great Artesian Basin, with drilling intended to occur in locations where water at depth is saline.

The LCEP is conveniently located to a range of markets desirous of commodities produced from syngas. Potential uses of syngas include:

- Natural gas (methane), currently in short supply which has driven a tripling of gas prices in recent years. The LCEP is located within 125km of a major gas pipeline (the Moomba-Adelaide Pipeline System).
- Ammonium nitrate for fertiliser and explosives, a product where nearly 100% of demand in South Australia is satisfied by imported products.
- A number of remote mines require electricity and gas provides a lower cost alternative to diesel fuel power generation.

Recent and pending milestones for the LCEP include:

- PEL 650 grant (November 2014).
- Application for drilling program approval submitted to the Department of State Development (February 2015).
- Preliminary gas marketing discussions underway.
- Geophysics and appraisal drilling (planned for June quarter 2015).
- Definition of JORC-compliant resource (intended June quarter 2015).

In Situ Gasification

ISG technology has been in commercial operation in Russia for over 50 years and is now being operated commercially in South Africa (for power generation by ESKOM) and in China for gas and chemicals manufacture.

Project Funding and risk

A significant amount of work has been undertaken historically for the purpose of defining a resource in the area of the LCEP and more specifically by TriE in securing PEL 650. For example, the Australian Energy Market Operator released the 2014 South Australian Fuel and Technology Report in January 2014, in which it reported that coal tonnage contained within the area covered by PEL 650 included 150mt of measured and indicated coal and 350mt of inferred coal.

Marathon believes the appraisal (not exploration) drilling program planned for 2015 (subject to receipt of relevant drilling approvals) can establish considerable resources to required JORC disclosure standards.

Marathon also believes the current shortage of gas resources on the eastern Australian mainland provides the opportunity for the LCEP to sell gas resources once JORC resources are defined. It is intended that sales of gas resources will provide funding for the full scale development of the LCEP.

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.

Planned exports of LNG will require additional gas sources for extension of the project life. The eastern Australian market is characterised by a lack of uncontracted supply. This situation has been exacerbated by doubts over supply of coal seam gas in New South Wales.

Such factors all combine to make the LCEP an attractive opportunity to supply gas to domestic markets and industrial consumers.

TriE has undertaken gas marketing planning and has commenced preliminary gas marketing activities which will accelerate, with an intention to focus on three (3) areas:

1. Sales of small quantities of gas to industrial users by way of sale of gas options.
2. Sales of gas volumes from early production aimed at supporting accurate design of the future plant and associated gas pipeline.
3. Possible sales of gas in the ground to support the long term demand required of the three key LNG facilities being completed at Gladstone in Queensland. This demand stems from gas required for the first 20 years of operation, gas to extend the life of the plant and possibly gas to expand the size of existing operations.

South Australian support for ISG

South Australia has a formal regulatory environment for ISG projects and investment in the sector is encouraged by the SA Government.

TriE has a policy of supporting gas sales, where commercial, to industrial users of gas in South Australia and in this way supporting ongoing manufacturing and job stability in South Australia.

Other TriE interests

TriE has a number of pending tenement applications, as follows:

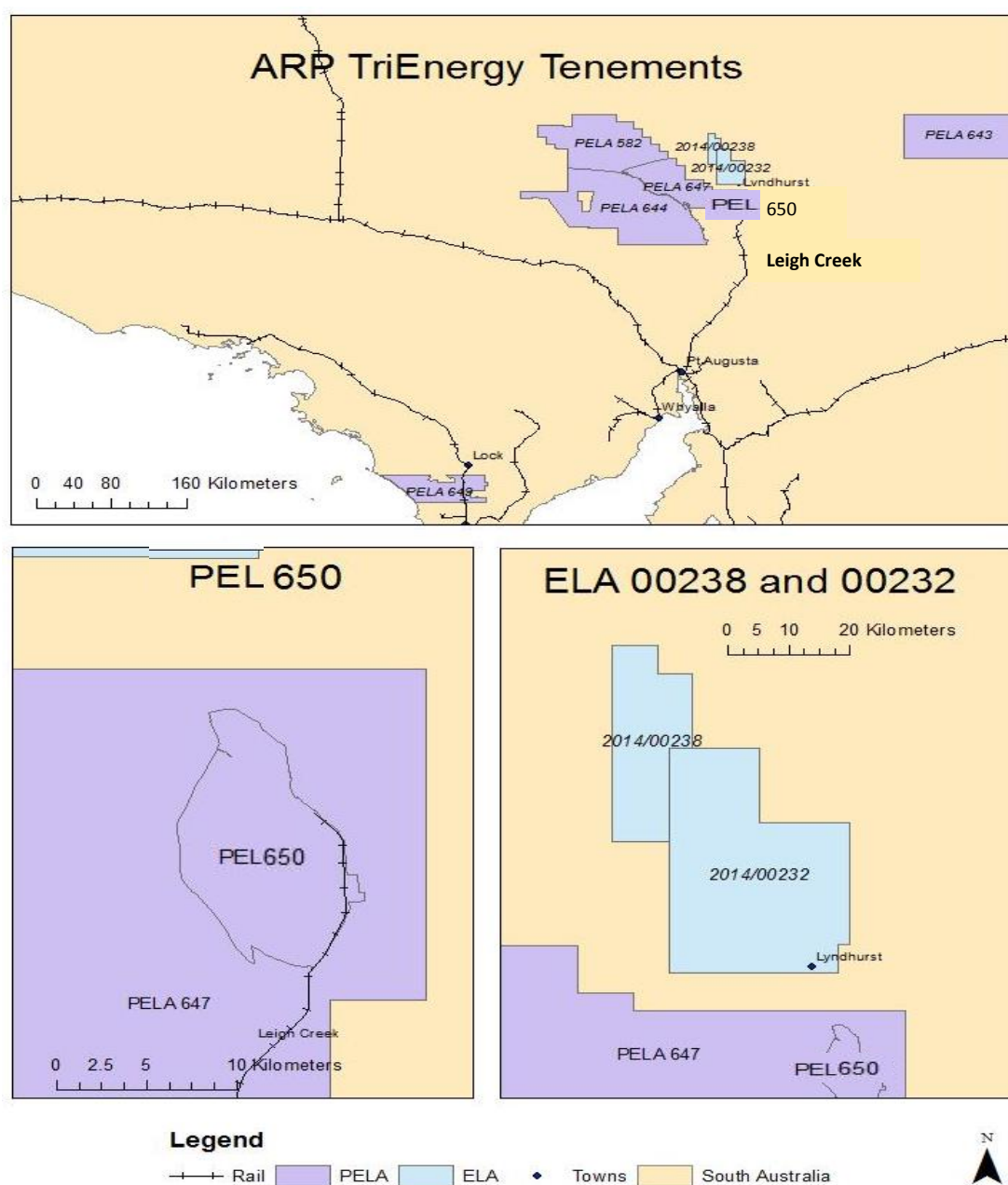
Petroleum Exploration Licence Applications

- 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 Licence Applications

- ELA 2014/00232 – located north of the Leigh Creek Coal Field, and
- ELA 2014/00238 – located north west of ELA 2014/00232.

All tenement application areas are located in South Australia.



Next steps

Shareholder Approval

Marathon shareholder approval of the transaction is required for a number of purposes under the Corporations Act and ASX Listing Rules. Following review of the notice of meeting and associated explanatory materials by ASIC and the ASX, Marathon will convene an EGM of its shareholders to consider and vote on the transaction as a whole.

It is currently anticipated that the EGM will be held during the last week of April or first week of May 2015. Marathon will keep shareholders informed regarding the likely timing of the EGM.

Regulatory Approval

A number of regulatory approvals are required before the transaction can complete. Relevantly, due to the significant change in the nature and scale of Marathon's activities that will result from completion of the transaction, Marathon will be required to re-comply with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules and will require ASX's confirmation of that re-compliance before the transaction can take effect. Shares in Marathon will be suspended from trading on the ASX from the date of the EGM until ASX confirmation is received. The re-compliance process is currently anticipated to take 4 to 8 weeks.

In addition, as a result of CITIC's status as a Chinese State Owned Enterprise and its current substantial shareholding in Marathon, Marathon will be required to obtain FIRB approval for its proposed acquisition of 100% of the issued capital of TriE.

Finally, Ministerial approval for the dealing in PEL 650 occasioned by the transaction will be required under the *Petroleum and Geothermal Energy Act 2000* (SA).

Conclusion

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 documentation ahead of voting regarding the acquisition of TriE and other related matters.

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