



MARATHON GOLD CORPORATION
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2016 AND 2015

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of unaudited interim financial statements by an entity's auditor.

Marathon Gold Corporation
Consolidated Balance Sheets
(Unaudited - Expressed in Canadian dollars)

	June 30 2016	December 31 2015
	\$	\$
Assets		
Current assets		
Cash	3,667,408	2,600,269
Amounts receivable	174,519	84,695
Prepays and deposits	58,221	51,205
	3,900,148	2,736,169
Non-current assets		
Mineral exploration and evaluation assets (notes 5 and 6)	45,092,532	44,099,790
Property, plant and equipment	41,426	41,579
	45,133,958	44,141,369
Total assets	49,034,106	46,877,538
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	130,393	123,182
Flow-through share tax liability (notes 9(b)(i), (ii) and (iii))	54,087	415,151
	184,480	538,333
Equity attributable to owners (notes 9, 10, and 11)	48,849,626	46,339,205
Total liabilities and shareholders' equity	49,034,106	46,877,538

Going concern (note 1)

On behalf of the Board,

"George D. Faught"
George D. Faught
Director

"Phillip C. Walford"
Phillip C. Walford
Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Marathon Gold Corporation
Consolidated Statements of Operations
For the three and six months ended June 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
	\$	\$	\$	\$
Expenses:				
Exploration expenses (note 12)	-	20,422	-	20,422
General and administrative expenses (note 13)	243,641	280,940	485,183	577,357
Other finance expense (note 9 (b) (iii))	6,741	4,849	6,741	4,849
Interest income	(1,529)	(4,086)	(3,073)	(11,114)
Loss on investments	-	-	-	9,575
Foreign exchange loss (gain)	1,374	(340)	24,824	(3,399)
Loss from continuing operations before tax	250,227	301,785	513,675	597,690
Income taxes	-	-	(415,151)	(90,578)
Loss from continuing operations for the period	250,227	301,785	98,524	507,112
Loss from discontinued operations, net of tax (notes 6 and 15)	-	1,073,833	-	1,073,833
Net loss for the period	250,227	1,375,618	98,524	1,580,945
Net loss attributable to non-controlling interest (note 6)	-	(513,077)	-	(513,077)
Loss attributable to Marathon Gold shareholders	250,227	862,541	98,524	1,067,868
Loss attributable to Marathon Gold shareholders:				
Basic and diluted loss per share – continuing operations	0.002	0.004	0.001	0.007
Basic and diluted loss per share – discontinued operations	-	0.014	-	0.014
Weighted average number of common shares outstanding	100,956,524	75,241,132	97,125,013	75,133,361

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Marathon Gold Corporation
Consolidated Statements of Comprehensive Loss
For the three and six months ended June 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
	\$	\$	\$	\$
Other comprehensive loss (income):				
Loss for the period	250,227	301,785	98,524	507,112
Items that may be reclassified subsequently to net loss (income):				
Currency translation adjustment – continuing operations	5,026	8,848	66,279	(59,358)
Currency translation adjustment – discontinued operations	-	(254,603)	-	(256,187)
Unrealized gain in fair value of investments classified as available for sale	-	-	-	(22,618)
Comprehensive loss	253,653	1,129,863	164,803	1,242,782
Comprehensive (loss) income attributable to non-controlling interest	-	(537,121)	-	(391,305)
Comprehensive loss attributable to Marathon Gold shareholders	253,653	592,742	164,803	851,477

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Marathon Gold Corporation
Consolidated Statements of Cash Flows
For the six months ended June 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	2016	2015
	\$	\$
Cash flows used in operating activities from continuing operations:		
Loss from continuing operations for the period	(98,524)	(507,112)
Add (deduct) items not involving cash		
Income taxes	(415,151)	(90,578)
Loss on investments	-	9,575
Depreciation	10,853	11,607
	(502,822)	(576,508)
Changes in non-cash working capital items		
(Increase) Decrease in amounts receivable	(73,661)	85,538
(Increase) Decrease in prepaid expenses	(7,016)	19,393
Decrease in accounts payable	(12,721)	(4,459)
Increase in Flow-through share tax liability	54,087	102,267
	(542,133)	(373,769)
Cash flows from financing activities from continuing operations:		
Proceeds from issuance of common shares (note 9)	2,953,093	2,490,983
Share issue costs paid in cash	(277,869)	(51,758)
Proceeds on sale of investments	-	190,743
	2,675,224	2,629,968
Cash flows used in investing activities from continuing operations:		
Expenditures on mineral exploration and evaluation assets	(1,203,949)	(1,643,165)
Government assistance	148,697	140,902
Purchase of capital assets	(10,700)	(3,220)
	(1,065,952)	(1,505,483)
Increase in cash from continuing operations	1,067,139	750,716
Decrease in cash from discontinued operations	-	(1,581)
Increase in cash in the period	1,067,139	749,135
Cash— beginning of period	2,600,269	2,706,129
Cash— end of period	3,667,408	3,455,264

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Marathon Gold Corporation
Consolidated Statement of Changes in Equity
For the six months ended June 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	Share Capital (note 9)	Warrants (note 10)	Contributed Surplus (note 11)	Deficit	Accumulated Other Comprehensive Income	Other reserve	Equity Attributable to Owners of Marathon Gold Corporation	Non- Controlling Interest (note 15)	Total Shareholders' Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance – January 1, 2015	46,796,662	635,307	9,823,147	(13,458,005)	859,173	85,023	44,741,307	1,588,367	46,329,674
Loss for the period	-	-	-	(1,067,868)	-	-	(1,067,868)	(513,077)	(1,580,945)
Cumulative unrealized gains on available for sale investments transferred to profit and loss upon sale	-	-	-	-	22,618	-	22,618	-	22,618
Flow through shares issued for cash pursuant to private placement	664,733	-	-	-	-	-	664,733	-	664,733
Units issued for cash pursuant to private placement	1,485,688	340,562	-	-	-	-	1,826,250	-	1,826,250
Share issue costs	(164,933)	-	-	-	-	-	(164,933)	-	(164,933)
Funding contributions by New Jersey Mining Company	-	-	-	-	-	-	-	3,624	3,624
Currency translation adjustment	-	-	-	-	193,773	-	193,773	121,772	315,545
Balance – June 30, 2015	48,782,150	975,869	9,823,147	(14,525,873)	1,075,564	85,023	46,215,880	1,200,686	47,416,566
Balance – January 1, 2016	50,092,448	1,092,235	10,229,589	(15,292,724)	217,657	-	46,339,205	-	46,339,205
Income (Loss) for the period	-	-	-	(98,524)	-	-	(98,524)	-	(98,524)
Units issued for cash pursuant to private placement	1,790,823	625,212	-	-	-	-	2,416,035	-	2,416,035
Flow-through shares issued for cash pursuant to private placement	530,058	-	-	-	-	-	530,058	-	530,058
Common shares issued upon exercise of stock options	9,538	-	(2,538)	-	-	-	7,000	-	7,000
Share issue costs	(367,200)	89,331	-	-	-	-	(277,869)	-	(277,869)
Warrants expired during the period	-	(315,492)	315,492	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	(66,279)	-	(66,279)	-	(66,279)
Balance – June 30, 2016	52,055,667	1,491,286	10,542,543	(15,391,248)	151,378	-	48,849,626	-	48,849,626

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the three and six months ended June 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

1) GOING CONCERN

The consolidated financial statements of Marathon Gold Corporation (“Marathon”, the “Company”, “we” or “us”) have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future.

Marathon has no sources of revenue, has incurred losses amounting to \$15.4 million since its inception, and is dependent on financings to fund its operations. In addition, as Marathon is in the development stage, it is subject to the risks, uncertainties and challenges similar to other companies in a comparable stage of development. These include, but are not limited to, the continuation of losses in future periods; the ability to raise sufficient funds, and on acceptable commercial terms, to continue its exploration programs; the ability to establish the economic viability of mineral deposits on any of its mining properties; the acquisition of required permits to mine; and the attainment of profitable operations. These material uncertainties lend significant doubt over the applicability of the going concern assumption and ultimately the use of accounting principles pertinent to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary if the going concern assumption were inappropriate. These adjustments could be material.

Marathon funded its operations in the period ended June 30, 2016 through the use of existing cash raised from two non-brokered private placements of flow-through shares and non flow-through units in 2015, which generated aggregate gross cash proceeds of \$4.5 million, and a bought deal private placement of flow-through shares and non flow-through units in May 2016 which generated aggregate gross proceeds of \$3.0 million.

Management will continue to seek additional financing opportunities in order to raise necessary funds for the advancement of its properties. However there can be no assurance that the Company will be successful in these efforts.

2) GENERAL INFORMATION

Marathon’s primary business focus is the acquisition, exploration and development of precious and base metal prospects.

Marathon was incorporated under the Canada Business Corporations Act on December 3, 2009. On December 3, 2010, Marathon’s common shares commenced trading on the Toronto Stock Exchange under the symbol “MOZ”.

Marathon is domiciled in Canada and its registered address is 10 King Street East, Suite 501, Toronto, Ontario M5C 1C3.

Marathon Gold Corporation
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Marathon's operations and level of spending on its mining properties are impacted by seasonality, which at times limits the ability of Marathon or its exploration partners to carry out drilling and other surface operations on its properties, and by the extent of Marathon's working capital.

3) BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS34, Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2015, which were prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on August 11, 2016.

4) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the previous financial year.

Future accounting pronouncements

The Company has not yet adopted the following new accounting pronouncements which are effective for fiscal periods of the Company beginning on or after January 1, 2016:

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB published the final version of IFRS 9 *Financial Instruments* ("IFRS 9"), which brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 replaces the multiple classifications for financial assets in IAS 39 with a single principle based approach for determining the classification of financial assets based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The final version of IFRS 9 is effective for periods beginning on or after January 1, 2018 and may be adopted early.

The Company has not evaluated the impact of adopting this standard.

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International Financial Reporting Standard 16, Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16 which replaces existing standards and interpretations under IAS 17, “Leases”. IFRS 16 requires all leases, including financing and operating leases, to be reported on the balance sheet with the intent of providing greater transparency on a company’s lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted.

The Company has not evaluated the impact of adopting this standard.

5) MINERAL EXPLORATION AND EVALUATION ASSETS

	Valentine Lake Gold Project, Newfoundland	Golden Chest Royalty Interest	Bonanza Mine Project, Oregon USA	Total
	\$		\$	\$
Balance – January 1, 2015	39,405,947	-	715,496	40,121,443
Property acquisition costs	6,450	-	-	6,450
Deferred exploration costs	3,695,405	-	-	3,695,405
Acquired pursuant to the sale of Golden Chest LLC (note 6)	-	133,490	-	133,490
Currency translation adjustment	-	4,910	138,092	143,002
Balance – December 31, 2015	43,107,802	138,400	853,588	44,099,790
Deferred exploration costs	1,058,899	-	-	1,058,899
Currency translation adjustment	-	(9,230)	(56,927)	(66,157)
Balance – June 30, 2016	44,166,701	129,170	796,661	45,092,532

a) Valentine Lake gold property, Newfoundland

The Valentine Lake property is subject to two overlapping agreements, which are described below.

- The Reid Newfoundland Company retains a 7.5% net profits interest (“NPI”) over two land packages which cover the current resource pits associated with the Leprechaun and Victory Deposits, but not the Sprite and Marathon Deposits.
- In addition, Glencore Canada Corporation retains a 2% net smelter return royalty (“NSR”) on base metals and a 3% NSR on precious metals, both of which cover a land package which includes all of the resources currently delineated on the Valentine Lake property. The NSR on gold production is reduced from 3% to 1.5% over the life of production until the earlier of the following:
 - Cumulative production exceeding 250,000 ounces of gold, or
 - An amount becoming payable under the terms of the Reid NPI.

Amounts payable in any period under the Glencore Canada NSR’s on precious and base metals are reduced by amounts payable in the same periods under the Reid NPI.

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b) Bonanza Mine gold property, Oregon

On December 16, 2011, Marathon purchased a 100% interest in the Bonanza Mine gold property, a past producing gold mine located in the Green Horn gold district of Oregon, USA. On closing, Marathon paid the vendor US \$126,711 and 300,000 common shares with a fair value of \$345,000. In connection with this acquisition, the vendor retained timber rights to the patented claims for a period of 20 years and a 2% NSR royalty. Marathon has the right to purchase 1% of the royalty by paying the vendor US \$1,000,000.

Concurrent with and subsequent to this property acquisition, Marathon staked additional unpatented claims around the Bonanza property. There are no royalties on the unpatented claims.

6) DISCONTINUED OPERATIONS

Marathon determined during the fourth quarter of 2014 that it would make no further expenditures on the Golden Chest property and began discussions oriented at the sale of its interest in Golden Chest LLC (“GCLLC”), the owner of the property. These actions, taken together with Marathon’s conclusion that it was highly likely that a sale of its interest in GCLLC could be concluded prior to December 31, 2015, resulted in Marathon reclassifying the assets and liabilities of GCLLC at December 31, 2014 and throughout 2015 as held for sale.

On December 2, 2015 Marathon entered into a definitive agreement pursuant to which it sold its 52.22% interest in GCLLC to New Jersey Mining Company (“NJMC”), the operator of the Golden Chest project, for total proceeds of US \$280,000, consisting of US \$180,000 in cash and a 2% NSR royalty on the Golden Chest property and an area of economic interest outside the current boundaries of the property, which was valued by Marathon at US \$100,000.

Throughout 2015, Marathon reassessed the carrying value of the net assets of GCLLC. During the period ended June 30, 2015 Marathon wrote the net assets of GCLLC down to their estimated realizable value, less costs to sell, and incurred an impairment loss amounting to \$1,073,833, of which \$513,077 was attributable to NJMC’s non-controlling interest in GCLLC.

7) FINANCIAL INSTRUMENTS

Marathon’s financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. Those categories are: fair value through profit or loss; loans and receivables; available for sale assets; and, for liabilities, amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories at June 30, 2016 and December 31, 2015.

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the three and six months ended June 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	June 30	December 31
	2016	2015
	\$	\$
Loans and receivables		
Cash	3,667,408	2,600,269
	3,667,408	2,600,269
Other financial liabilities		
Trade payables due within 12 months	(130,393)	(123,182)
	(130,393)	(123,182)

The carrying values of Marathon's cash, trade receivables, loans, and trade payables approximate fair value.

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the balance sheet at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

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

All of Marathon's financial instruments are classified as Level 1. There were no transfers between levels 1, 2 or 3 during the period.

8) CAPITAL MANAGEMENT

Marathon is not subject to externally imposed capital requirements.

Marathon manages its capital structure and makes adjustments to it based on the funds available to support the acquisition, exploration and development of our mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of management to sustain the future development of the business.

Marathon's properties are in the exploration and evaluation stages, and as such the Company depends on external financing to fund its activities. In order to carry out its exploration and development activities and to pay for administrative costs, Marathon spends existing working capital and raises additional amounts as needed. Management continues to assess new properties and seeks to acquire interests in additional properties if there is sufficient geologic or economic potential and if Marathon has adequate financial resources to do so.

Marathon Gold Corporation
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(Unaudited - Expressed in Canadian dollars)

9) SHARE CAPITAL

a) Authorized:

Unlimited common shares without par value
 Unlimited preference shares, issuable in series

b) Issued and outstanding:

	Number	Amount
		\$
Balance - January 1, 2015	75,024,392	46,796,662
Units issued pursuant to private placement ⁽ⁱ⁾	9,725,000	1,974,322
Flow through shares issued pursuant to private placements ^{(i),(ii)}	8,544,110	1,597,838
Share issue costs	-	(276,374)
Balance – December 31, 2015	93,293,502	50,092,448
Units issued pursuant to private placement ⁽ⁱⁱⁱ⁾	10,504,500	1,790,823
Flow through shares issued pursuant to private placement ⁽ⁱⁱⁱ⁾	2,163,500	530,058
Common shares issued pursuant to the exercise of stock options	35,000	9,538
Share issue costs	-	(367,200)
Balance – June 30, 2016	105,996,502	52,055,667

- i) In a non-brokered private placement which closed in two tranches on June 29 and July 7, 2015, Marathon issued a total of 9,725,000 units at a price of \$0.25 per unit and 3,175,000 flow-through shares at a price of \$0.30 per share, for total gross proceeds of \$3,383,750.

Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant exercisable at a price of \$0.34 per share and expiring two years after issue. The gross proceeds from the offering of units were allocated between Share capital and Warrants on the basis of relative fair value, which resulted in \$456,928 in proceeds being allocated to Warrants.

The gross proceeds from the offering of flow-through shares were allocated between Share capital and Flow-through share tax liability using the residual method, which resulted in \$133,183 of gross proceeds being allocated to the liability portion of this financing. Marathon incurred costs in connection with this offering of \$223,138, of which \$4,849 was attributed to the flow through share tax liability arising from the issuance of flow-through shares in the period ended June 30, 2015 and charged to operations.

- ii) On November 25, 2015, Marathon closed a non-brokered private placement of 5,369,110 flow-through shares at a price of \$0.20 per share, for total gross proceeds of \$1,073,822.

The gross proceeds from this financing were allocated between Share capital and Flow-through share tax liability using the residual method, which resulted in \$295,301 of gross proceeds being allocated to the liability portion of this financing. Marathon

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incurred costs in connection with this offering of \$85,543, of which \$23,524 was attributed to the flow through share tax liability and charged to operations.

- iii) On May 6, 2016, Marathon closed a bought deal private placement of 10,504,500 units at a price of \$0.23 per unit and 2,163,500 flow through shares at a price of \$0.27 per share for total gross proceeds of \$3,000,180.

Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant exercisable at a price of \$0.32 per share and expiring two years after issue. The gross proceeds from the offering of units were allocated between Share capital and Warrants on the basis of relative fair value, which resulted in \$625,212 in proceeds being allocated to Warrants.

The gross proceeds from the offering of flow-through shares were allocated between Share capital and Flow-through share tax liability using the residual method, which resulted in \$54,087 of gross proceeds being allocated to the liability portion of this financing. Marathon incurred costs in connection with this offering of \$373,941, of which \$6,741 was attributed to the flow through share tax liability and charged to operations.

10) WARRANTS

The movements in the number and estimated fair value of outstanding warrants are as follows:

	Number	Value
		\$
Balance – January 1, 2015	3,613,945	635,307
Issued pursuant to private placement ^(a)	4,862,500	456,928
Balance – December 31, 2015	8,476,445	1,092,235
Expired	(1,888,945)	(315,492)
Issued pursuant to private placement ^(b)	5,252,250	625,212
Broker compensation warrants issued ^(b)	697,950	89,331
Balance – June 30, 2016	12,537,700	1,491,286

The warrants outstanding at June 30, 2016 are set out below.

Exercise price	Number of warrants	Expiry date
\$0.75	1,725,000	August 21, 2016
\$0.34	3,652,500	June 29, 2017
\$0.34	1,210,000	July 7, 2017
\$0.32	5,252,250	May 6, 2018
\$0.23	697,950	May 6, 2018
\$0.38	12,537,700	

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For the three and six months ended June 30, 2016 and 2015
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- a) Pursuant to a private placement which closed in two tranches on June 29 and July 7, 2015 Marathon issued a total of 4,862,500 share purchase warrants exercisable at a price of \$0.34 per share and expiring two years from issue. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:
- risk free interest rate of 0.54%;
 - expected dividend yield of nil;
 - expected volatility of 100%; and
 - expected term of 2 years,

which yielded an estimated weighted average fair value of \$0.094 per warrant.

- b) Pursuant to a private placement which closed on May 6, 2016 Marathon issued a total of 5,252,250 share purchase warrants exercisable at a price of \$0.32 per share and expiring two years from issue. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:
- risk free interest rate of 0.55%;
 - expected dividend yield of nil;
 - expected volatility of 100%; and
 - expected term of 2 years,

which yielded an estimated weighted average fair value of \$0.119 per warrant.

In addition, Marathon issued a total of 697,950 broker compensation warrants exercisable at a price of \$0.23 per share and expiring on May 6, 2018. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

- risk free interest rate of 0.55%;
- expected dividend yield of nil;
- expected volatility of 100%; and
- expected term of 2 years,

which yielded an estimated fair value of \$0.128 per warrant.

11) STOCK BASED COMPENSATION

Marathon has a stock option plan (the "Plan") which was reconfirmed by the Company's shareholders at its annual meeting on June 24, 2014, under which Marathon may grant options to directors, officers, employees and consultants. The number of shares reserved for issue under the Plan may not exceed 10% of the number of issued and outstanding common shares at any time.

The purpose of the Plan is to attract, retain and motivate directors, officers, employees and external service providers by providing them with the opportunity to acquire a proprietary interest in Marathon and benefit from its growth. The options granted to date under the Plan are non-assignable, have a term of up to 5 years, and vest upon grant.

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For the three and six months ended June 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	Six months ended June 30, 2016		Six months ended June 30, 2015	
	Number	Weighted average exercise price per share	Number	Weighted average exercise price per share
		\$		\$
Balance - beginning of period	8,510,500	0.43	6,590,500	0.84
Exercised	(35,000)	0.20	-	-
Expired	(85,000)	0.23	(10,000)	0.72
Balance – end of period	8,390,500	0.43	6,580,500	0.84

Options to purchase common shares outstanding at June 30, 2016 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Options Outstanding and exercisable	Contract Life (years)
\$		
1.28	63,000	0.17
1.18	547,000	0.47
0.65	1,430,000	1.09
0.52	1,149,000	1.55
0.26	110,000	2.18
0.32	820,000	2.65
0.39	798,500	3.02
0.25	1,839,000	4.12
0.20	1,634,000	4.47
0.43	8,390,500	2.78

Marathon did not grant options in the periods ended June 30, 2016 or 2015 and recognized no stock based compensation costs in either period.

12) EXPLORATION EXPENSES

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Bonanza Property, Oregon				
Claim renewal costs	-	20,422	-	20,422
	-	20,422	-	20,422

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13) GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
	\$	\$	\$	\$
Wages, salaries and benefits (note 14)	131,751	144,218	245,969	284,181
Professional fees	7,250	35,999	12,482	37,986
Investor relations	17,142	35,056	55,405	80,564
Depreciation	5,868	2,338	10,853	11,607
Other expenses	81,630	63,329	160,474	163,019
	243,641	280,940	485,183	577,357

14) WAGES, SALARIES AND BENEFITS

	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
	\$	\$	\$	\$
Fees and salaries and wages paid to employees, officers and directors (note 17)	325,753	337,984	571,758	710,554
Social security benefits	30,177	27,684	56,729	61,939
	355,930	365,668	628,487	772,493
Charged to general and administrative expenses	131,751	144,218	245,969	284,181
Capitalized as a component of mineral exploration and evaluation assets	224,179	221,450	382,518	488,312
	355,930	365,668	628,487	772,493

15) NON-CONTROLLING INTEREST

The non-controlling interest relates to Marathon's interest in GCLLC and represents the 47.78% interest of NJMC in GCLLC. Marathon acquired control of GCLLC on May 22, 2013 and began at that time to consolidate the financial results of GCLLC based on its initial 50.50% interest, which increased subsequently to 52.22%. Marathon's voting interest at June 30, 2015 was 52.22%.

Marathon de-recognized the non-controlling interest on December 2, 2015 following the sale of its interest in GCLLC, as described in note 6. The movement in the non-controlling interest in the period from January 1, 2015 to June 30, 2015 is set out below.

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	\$
At January 1, 2015	1,588,367
NJMC's share of funding of GCLLC	3,624
NJMC's share of impairment write-down on the Golden Chest property	(513,077)
Currency translation adjustment	121,772
At June 30, 2015	1,200,686

The results of operations attributable to GCLLC in the three and six months ended June 30, 2015 are presented below.

	\$
Expenses	
Impairment charge	1,073,833
Loss before taxes	1,073,833
Income taxes	-
Loss for the period	1,073,833

The summarized cash flows of GCLLC for the period ended June 30, 2015, which form part of Marathon's consolidated balance sheet and statement of cash flows respectively, are summarized below.

Summarized cash flows:

	\$
Cash from financing activities:	
Capital contributions by Marathon and NJMC	6,141
	6,141
Cash used in investing activities:	
Cash expenditures on Golden Chest property	(5,205)
	(5,205)
Increase (Decrease) in cash	936
Cash – beginning of period	488
Cash – end of period	1,424

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16) COMMITMENTS

Operating leases

Marathon has the following commitments under operating leases.

Year ending December 31	\$
2016	72,042
2017	26,118
2018	2,314
Thereafter	-
	100,474

17) RELATED PARTY TRANSACTIONS

Key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include Marathon's executive officers, vice-presidents and members of its Board of Directors.

Marathon incurred the following compensation costs related to key management and directors in the normal course of business. At June 30, 2016 and December 31, 2015, no amounts were owed by Marathon in respect of the transactions described below.

	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
	\$	\$		\$
Salaries paid to key management	134,063	146,250	249,844	292,500
Director fees	25,323	31,625	46,042	59,250
Consulting fees paid to a business controlled by a director of the Company	-	10,000	-	10,000
	159,386	187,875	295,886	361,750