MARATHON GOLD

MARATHON GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2016 AND 2015

March 28, 2017

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Marathon Gold Corporation were prepared by management in accordance with International Financial Reporting Standards. Management is responsible for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 4 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, the Company's independent auditors, perform an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the consolidated financial statements. As well, they assess the accounting principles used and significant estimates made by management, and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are members of the Board of Directors and are not officers of the Company. The Audit Committee meets with management as well as with the independent auditor to review the internal controls over the financial reporting process, the consolidated financial statements and the auditor's report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

"Phillip C. Walford"
Phillip C. Walford
President and Chief Executive Officer

"James D. Kirke"
James D. Kirke
Vice-President and Chief Financial Officer

March 28, 2017

Independent Auditor's Report

To the Shareholders of
Marathon Gold Corporation

We have audited the accompanying consolidated financial statements of Marathon Gold Corporation and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2016 and 2015 and the consolidated statements of operations and comprehensive loss, cash flow and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

pwc

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Marathon Gold Corporation and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Marathon Gold Corporation's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Marathon Gold Corporation
Consolidated Balance Sheets
As at December 31 (Expressed in Canadian dollars)

	2016	2015
	$	$
Assets		
Current assets		
Cash	**8,458,077**	2,600,269
Amounts receivable	**304,182**	84,695
Prepaids and deposits	**44,144**	51,205
	8,806,403	2,736,169
Non-current assets		
Mineral exploration and evaluation assets (notes 6 and 7)	**48,795,366**	44,099,790
Property, plant and equipment	**53,840**	41,579
	48,849,206	44,141,369
Total assets	**57,655,609**	46,877,538
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**264,407**	123,182
Flow-through share tax liability (notes 10(b)(i),(ii), (iii), (iv))	**2,096,487**	415,151
	2,360,894	538,333
Equity attributable to owners (notes 10, 11, and 12)	**55,294,715**	46,339,205
Total liabilities and shareholders' equity	**57,655,609**	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 consolidated financial statements.

Marathon Gold Corporation
Consolidated Statements of Operations
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	2016	2015
	$	$
Expenses:		
Exploration expenses (note 13)	**22,527**	21,253
General and administrative expenses (note 14)	**1,564,313**	1,404,033
Other expense	**202,507**	32,307
Interest income	**(6,171)**	(14,299)
Loss on investments	**-**	9,575
Foreign exchange loss (gain)	**15,580**	(10,489)
Loss from continuing operations before tax	**1,798,756**	1,442,380
Income taxes (note 16)	**(252,784)**	(103,911)
Loss from continuing operations for the year	**1,545,972**	1,338,469
Loss from discontinued operations, net of tax (note 7)	**-**	1,977,523
Net loss for the year	**1,545,972**	3,315,992
Net loss attributable to non-controlling interest	**-**	(1,481,273)
Loss attributable to Marathon Gold shareholders	**1,545,972**	1,834,719
Loss attributable to Marathon Gold shareholders:		
Basic and diluted loss per share – continuing operations	**0.01**	0.02
Basic and diluted loss per share – discontinued operations	**-**	0.01
Weighted average number of common shares outstanding	**104,135,054**	82,025,711

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

Marathon Gold Corporation
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	2016	2015
	$	$
Other comprehensive loss (income):		
Loss for the year	**1,545,972**	3,315,992
Items that may be reclassified subsequently to net loss (income):		
Currency translation adjustment – continuing operations	**29,710**	(143,002)
Currency translation adjustment – discontinued operations	**-**	1,011,012
Unrealized loss in fair value of investments classified as available for sale	**-**	(22,618)
Comprehensive loss	**1,575,682**	4,161,384
Comprehensive loss attributable to non-controlling interest	**-**	(1,600,126)
Comprehensive loss attributable to Marathon Gold shareholders	**1,575,682**	2,561,258

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

Marathon Gold Corporation
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	2016	2015
	$	$
Cash flows from (used in) operating activities from continuing operations:		
Loss from continuing operations for the year	**(1,545,972)**	(1,338,469)
Add (deduct) items not involving cash		
Income taxes	**(252,784)**	(103,911)
Loss on investments	**-**	9,575
Depreciation	**26,439**	23,771
Stock-based compensation charged to operations (note 12)	**494,609**	249,099
	(1,277,708)	(1,159,935)
Changes in non-cash working capital items		
(Increase) Decrease in amounts receivable	**(193,796)**	91,135
Decrease in prepaid expenses	**7,061**	16,037
Increase in accounts payable	**640**	26,754
Increase in Flow-through share tax liability	**2,096,487**	428,484
	632,684	(597,525)
Cash flows from financing activities from continuing operations:		
Proceeds upon disposal of Golden Chest LLC	**-**	219,604
Proceeds from issuance of common shares (note 10)	**10,397,986**	4,029,088
Share issue costs paid in cash	**(848,513)**	(276,374)
Proceeds on sale of investments	**-**	190,743
	9,549,473	4,163,061
Cash flows used in investing activities from continuing operations:		
Purchase of capital assets	**(38,700)**	(34,494)
Expenditures on mineral exploration and evaluation assets	**(4,486,925)**	(3,768,083)
Government assistance	**201,276**	140,902
	(4,324,349)	(3,661,675)
Increase (Decrease) in cash from continuing operations	**5,857,808**	(96,139)
Decrease in cash from discontinued operations (note 7)	**-**	(9,721)
Increase (Decrease) in cash	**5,857,808**	(105,860)
Cash– beginning of year	**2,600,269**	2,706,129
Cash– end of year	**8,458,077**	2,600,269

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

Marathon Gold Corporation
Consolidated Statement of Changes in Equity
For the years ended December 31, 2015 and 2014
(Expressed in Canadian dollars)

	Share Capital (note 10)	Warrants (note 11)	Contributed Surplus (note 12)	Deficit	Accumulated Other Comprehensive Income	Other reserve	Equity Attributable to Owners of Marathon Gold Corporation	Non-Controlling Interest (note 17)	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 year	-	-	-	(1,834,719)	-	-	(1,834,719)	(1,481,273)	(3,315,992)
Stock based compensation	-	-	406,442	-	-	-	406,442	-	406,442
Flow through shares issued for cash pursuant to private placement	1,597,838	-	-	-	-	-	1,597,838	-	1,597,838
Units issued for cash pursuant to private placement	1,974,322	456,928	-	-	-	-	2,431,250	-	2,431,250
Share issue costs	(276,374)	-	-	-	-	-	(276,374)	-	(276,374)
Cumulative unrealized gains on available for sale investments transferred to profit and loss upon sale	-	-	-	-	22,618	-	22,618	-	22,618
Funding contributions by New Jersey Mining Company	-	-	-	-	-	-	-	11,759	11,759
Currency translation adjustment	-	-	-	-	373,511	-	373,511	204,233	577,744
Reserves transferred to profit and loss upon sale of Golden Chest LLC	-	-	-	-	(1,037,645)	(85,023)	(1,122, 668)	(323,086)	(1,445,754)
Balance – December 31, 2015	**50,092,448**	**1,092,235**	**10,229,589**	**(15,292,724)**	**217,657**	**-**	**46,339,205**	**-**	**46,339,205**
Loss for the year	-	-	-	(1,545,972)	-	-	(1,545,972)	-	(1,545,972)
Stock based compensation	-	-	819,352	-	-	-	819,352	-	819,352
Units issued for cash pursuant to private placement	1,965,296	450,739	-	-	-	-	2,416,035	-	2,416,035
Flow-through shares issued for cash pursuant to private placement	530,058	-	-	-	-	-	530,058	-	530,058
Flow-through shares issued for cash pursuant to prospectus offering	5,949,600	-	-	-	-	-	5,949,600	-	5,949,600
Common shares issued upon exercise of stock options	53,276	-	(17,136)	-	-	-	36,140	-	36,140
Common shares issued upon exercise of warrants	1,887,538	(421,385)	-	-	-	-	1,466,153	-	1,466,153
Share issue costs	(775,477)	89,331	-	-	-	-	(686,146)	-	(686,146)
Warrants expired during the period	-	(400,411)	400,411	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	(29,710)	-	(29,710)	-	(29,710)
Balance – December 31, 2016	**59,702,739**	**810,509**	**11,432,216**	**(16,838,696)**	**187,947**	**-**	**55,294,715**	**-**	**55,294,715**

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

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 $16.8 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 year ended December 31, 2016 through the use of existing cash; a private placement of non flow-through units and flow through shares completed in May 2016 which raised aggregate gross proceeds of $3.0 million; a bought deal prospectus offering of flow through shares which closed in October 2016 and generated gross proceeds of $8.0 million; and additional aggregate proceeds of $1.5 million obtained upon the exercise of outstanding warrants and stock options. In addition, management continues 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'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

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company has consistently applied the accounting policies used in preparation of these consolidated financial statements throughout all the periods presented. Critical accounting estimates and judgments used by management in the preparation of these consolidated financial statements are presented in note 5.

These consolidated financial statements were approved by the Board of Directors for issue on March 28, 2017.

4) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies Marathon applied in the preparation of these consolidated financial statements are described below.

a) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets to fair value, including warrants and available-for-sale investments.

b) Principles of consolidation

Marathon's financial statements consolidate the accounts of Marathon; its wholly owned subsidiaries, Marathon Gold USA Corporation and Mountain Lake Resources Inc.; and, for the period from January 1, 2015 to December 2, 2015, Golden Chest LLC, an entity domiciled and carrying on business in the United States in which Marathon held a 52.22% voting interest and which was formed to carry out exploration and evaluation activities on the Golden Chest mining property in Idaho, United States. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which Marathon controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Marathon controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Marathon and are de-consolidated from the date that control ceases.

c) Foreign currency translation

Items included in the financial statements of each consolidated entity in the Marathon group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Primary and secondary indicators are used to determine the functional currency, with primary indicators having priority over secondary indicators. The primary indicator which applies to Marathon is the currency that mainly influences labour, material and other costs. Secondary indicators include the currency in which funds from financing activities are generated, and the autonomy of foreign subsidiaries.

For Marathon and Mountain Lake Resources, the Canadian dollar has been determined to be the functional currency, while for Marathon Gold USA and Golden Chest LLC, the functional currency is the US dollar. These consolidated financial statements are presented in Canadian dollars.

Monetary assets and liabilities denominated in currencies other than the functional currency of an entity are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets, liabilities, and expenses are translated at the exchange rate in effect at the date of the transaction. Exchange gains and losses arising from translation are included in the determination of losses for the period.

The results and financial position of subsidiaries with functional currencies different from the group presentation currency are translated into Canadian dollars as follows:

- Assets and liabilities for each balance sheet presented are translated at the exchange rate in effect at the balance sheet date.
- Income and expenses are translated at the exchange rate in effect at the date of the transaction or at an average rate for the period.
- All resulting exchange differences are recognized in other comprehensive income as currency translation adjustments.

d) Cash

Cash includes cash on hand and deposits held with banks.

e) Mineral exploration and evaluation costs

Marathon capitalizes the following costs related to mineral exploration and evaluation:

- Land acquisition costs
- Exploration and development expenditures relating to properties which have existing mineral resources or reserves or are viewed by management as extensions of properties with existing mineral resources or reserves

Once the technical and economic viability of a project has been established by completion of a favorable feasibility study, the accumulated capitalized exploration costs are transferred to mineral properties and amortized over the estimated useful life of the related property on a unit-of-production basis against future production following commencement of commercial production, or written off if the properties are sold, allowed to lapse, or abandoned. Properties which do not have existing mineral resources are considered to be too early stage to justify the capitalization of costs, and consequently exploration and development expenditures relating to such properties are expensed as incurred.

Marathon assesses its mining property interests for impairment when facts and circumstances indicate that the carrying amount of a property may exceed its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is defined as the higher of the asset's fair value less costs to sell and value in use. Estimated future cash flows are calculated using estimated future commodity prices, mineral resources, operating and capital costs, using appropriate discount rates. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (each a 'cash–generating unit'), which for Marathon is individual projects.

f) Property, plant and equipment

Property, plant and equipment include office equipment and vehicles, which are carried at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, commencing the quarter they are available for use.

The major categories of property, plant and equipment are depreciated on a straight line basis as follows:

Office equipment	2-5 years
Vehicles	3-5 years

g) Discontinued operations

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale and: a) represents a separate line of business or geographical area of operations; b) is part of a single plan to dispose of a separate major line of business or geographical area of operations; or c) is a subsidiary acquired exclusively with a view to resale. Losses of discontinued operations are disclosed separately from continuing operations with comparatives being represented in the statements of operations and comprehensive loss.

h) Government assistance

Marathon applies from time to time for financial assistance from the Government of Newfoundland and Labrador with respect to certain exploration and development costs.

Government assistance is recognized when there is reasonable assurance that Marathon has complied with the conditions attaching to such assistance and that the assistance will be received. Government assistance is recorded using the cost-reduction method, whereby the amounts received or receivable each period are applied to reduce the cost of the exploration expenses or deferred exploration costs.

i) Stock-based compensation

Marathon has a stock option plan, which is described in note 12. The fair value of stock options awarded to employees, directors and non-employees is measured at the date the options are granted using the Black-Scholes option pricing model and charged to operations or mineral properties and deferred exploration costs as the options vest. Currently, Marathon grants options with immediate vesting and consequently does not consider forfeitures of options prior to their exercise in the determination of compensation expense for the year.

j) Financial instruments

Financial assets and financial liabilities are recognized when Marathon becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, Marathon classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term.

Marathon's financial assets at fair value through profit or loss consist of warrants held as investments. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations and comprehensive loss in the period in which they arise. Financial assets and financial liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Marathon's available-for-sale assets comprise investments in equity securities.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and are included in other gains and losses.

iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Marathon's loans and receivables comprise trade receivables and cash and are included in current assets due to their short-term nature.

Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost less a provision for impairment.

iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Impairment of Financial Assets

Marathon assesses at the end of each reporting period whether there is objective evidence that a financial asset has been impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its original cost would suggest that the asset has been impaired. If the results of such periodic assessments suggest that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset recognized previously in profit or loss – is removed from equity and charged to the consolidated statement of loss. Impairment losses on equity instruments are not reversed through the consolidated statement of operations.

k) Income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, plus any adjustment to taxes payable in respect of previous years. Deferred income taxes are recognized, using the liability method, on temporary differences between the financial reporting and tax basis of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Deferred income tax assets are recognized only to the extent that it is probable the assets can be recovered.

l) Flow-through common shares

Marathon's Canadian exploration activities have been financed in part through the issuance of flow-through common shares whereby the tax benefits of the eligible exploration expenditures incurred under this arrangement are renounced to the subscribers. The proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium, and is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded – with the difference between the liability and the value of the tax assets renounced being recorded as a deferred tax expense. The tax effect of the renunciation is recorded at the time the Company's relevant tax filings are completed, which may differ from the effective date of renunciation. If the flow-through shares are not issued at a premium, a liability is not established, and on renunciation the full value of the tax assets renounced is recorded as a deferred tax expense.

Costs issued in connection with the sale of flow through shares which can be attributed to the sale of tax benefits are expensed as incurred.

m) Loss per share

Basic loss per common share is calculated based on the weighted average number of common shares issued and outstanding during the year. Basic and diluted losses per share are the same, as the effect of potential issuances of shares from exercises of stock options would be anti-dilutive.

n) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

o) 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, 2017:

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.

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) CRITICAL ACCOUNTING ESTIMATES AND MEASUREMENT UNCERTAINTIES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and at the date of the financial statements and the reported amount of expenses and other income during the year. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience.

The following are the critical judgments that management has made in the course of applying Marathon's accounting policies and which have the most significant effect on the amounts recognized in these consolidated financial statements:

a) Mineral exploration and evaluation assets

Marathon capitalizes exploration and evaluation costs on mineral properties with an existing mineral resource and expenses exploration costs incurred with respect to properties without existing mineral resources.

The estimation of mineral resources and reserves is complex and requires significant subjective assumptions which are valid at the time of estimation. These assumptions may change significantly over time when new information becomes available and may cause the mineral resources and reserves estimates to change. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may have a significant impact on the economic assessment of the mineral resources and reserves and may result in their restatement.

b) Impairment of mineral exploration and evaluation assets

Determining whether facts and circumstances indicate that Marathon's mineral exploration and evaluation ("E&E") assets may be impaired and require the recognition of an impairment loss, or conversely whether a reversal of an impairment loss recognized in a prior period may be required, is a subjective process involving judgment and a number of estimates and interpretations.

Determining whether to test for impairment of E&E assets requires management's subjective assessment of a number of facts and circumstances concerning each subject property, including, among others:

- whether the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed;
- whether substantive expenditure on further E&E of mineral resources in a specific area is either budgeted or planned;
- Marathon's financial capacity to execute exploration activities on a given property;
- the extent to which exploration for and evaluation of mineral resources in a specific area have led to the discovery of commercially viable quantities of mineral resources and any resulting decisions by management to cease or significantly reduce further E&E activities in the area; and
- the existence of sufficient data to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use.

In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change as new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ from amounts recognized in Marathon's financial statements, and significant adjustments to the carrying values of Marathon's E&E assets and reported earnings may occur during subsequent accounting periods.

(Expressed in Canadian dollars)

d) Stock based compensation

The compensation cost associated with stock options granted under the terms of Marathon's stock option plan is measured at the grant date by using the Black-Scholes option pricing model to determine fair value. The Black-Scholes model requires the use of subjective estimates, in particular for the estimated life of options and the expected rate of volatility in Marathon's share price over the life of the options, which can materially affect the fair value estimate.

The key assumptions used to derive the fair value of options awarded in 2016 and 2015 are detailed in note 12 to the consolidated financial statements.

6) MINERAL EXPLORATION AND EVALUATION ASSETS

	Valentine Lake Gold Project, Newfoundland Total	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 7)	-	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**
Property acquisition costs	6,450	-	-	6,450
Deferred exploration costs	4,718,728	-	-	4,718,728
Currency translation adjustment	-	(4,130)	(25,472)	(29,602)
Balance – December 31, 2016	**47,832,980**	**134,270**	**828,116**	**48,795,366**

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 Gold 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.

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.

7) DISCONTINUED OPERATIONS

In the fourth quarter of 2014, Marathon determined that it would make no further expenditures with respect to its 52.22% interest in Golden Chest Golden Chest LLC ("GCLLC"), the owner of a 100% interest in the Golden Chest mining property in Idaho, USA, and began discussions oriented at selling its interest in GCLLC. Accordingly, and in light of the conclusion of Marathon's management that a sale of this interest prior to December 31, 2015 was highly likely, Marathon reclassified the assets and liabilities of GCLLC 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 NJMC 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. Consequently, Marathon wrote the net assets of GCLLC down to their estimated realizable value, less costs to sell, and incurred a cumulative impairment loss in the year ended December 31, 2015 amounting to $3,100,191, of which $1,481,273 was attributable to NJMC's non-controlling interest in GCLLC. Upon completion of the sale of GCLLC, Marathon de-consolidated the net assets of GCLLC and the associated non-controlling interest and subsequently recognized a gain on disposal amounting to $1,122,668, comprised as follows:

(Expressed in Canadian dollars)

	$
Net assets of GCLLC disposed:	
Cash	3,619
Capital assets	46,029
Mineral exploration and evaluation assets	678,619
	728,267
Accounts payable	(52,100)
Net assets de-consolidated	676,167
Cash proceeds, net of transaction costs	219,604
Estimated fair value of net smelter returns royalty	133,477
Non-controlling interest	323,086
Reserves released to profit and loss as a result of the sale of GCLLC	
Accumulated other comprehensive income	1,037,645
Other reserve	85,023
	1,798,835
Gain on disposal	1,122,668

Marathon has presented the results of GCLLC for the period from January 1, 2015 to December 2, 2015 as a single line item on the face of the Consolidated Statements of Operations and Comprehensive Loss; that is, the expenses of GCLLC, which include the impairment charge taken on the Golden Chest property discussed above and the gain resulting from the sale of GCLLC, are reported separately from the results of continuing operations.

	2015
	$
Expenses	
Impairment charge	3,100,191
Gain on disposal of GCLLC	(1,122,668)
Loss before tax	1,977,523
Income taxes	-
Loss for the year	1,977,523

(Expressed in Canadian dollars)

In addition, the net cash outflows of GCLLC have been presented as a decrease in cash from discontinued operations in the Consolidated Statement of Cash Flows.

	2015
	$
Cash used in operating activities:	
Loss for the year	(1,977,523)
Non-cash impairment charge	1,977,523
	-
Cash from financing activities:	
Cash contributions from New Jersey Mining Company	11,759
	11,759
Cash used in investing activities:	
Expenditures on mineral exploration and evaluation assets	(21,480)
	(21,480)
Decrease in cash	(9,721)

8) FINANCIAL INSTRUMENTS

Measurement categories

As explained in note 4, 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 December 31, 2016 and 2015.

	2016	2015
	$	$
Loans and receivables		
Cash	**8,458,077**	2,600,269
	8,458,077	2,600,269
Other financial liabilities		
Trade payables due within 12 months	**(264,407)**	(123,182)
	(264,407)	(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 year.

9) 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.

(Expressed in Canadian dollars)

10) 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	1,965,296
Flow through shares issued pursuant to private placement [(iii)]	2,163,500	530,058
Flow through shares issued pursuant to prospectus offering [(iv)]	8,880,000	5,949,600
Shares issued pursuant to the exercise of stock options	152,000	53,276
Shares issued pursuant to the exercise of warrants	3,015,450	1,887,538
Share issue costs	-	(775,477)
Balance – December 31, 2016	**118,008,952**	**59,702,739**

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 $8,783 was attributed to the flow through share tax liability 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 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 $374,307, of which $6,741 was attributed to the flow through share tax liability and charged to operations.

iv) On October 27, 2016, Marathon closed a prospectus financing of 8,880,000 flow through common shares at a price of $0.90 per flow through share, for gross proceeds of $7,992,000.

The gross proceeds from this financing were allocated between Share capital and Flow through share tax liability using the residual method, which resulted in $2,042,400 of gross proceeds being allocated to the liability portion of this financing.

Marathon incurred costs in connection with this financing amounting to $766,044, of which $195,766 was attributed to the Flow through share tax liability and charged to operations.

(Expressed in Canadian dollars)

11) 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**
Issued pursuant to private placement [b]	5,252,250	450,739
Broker compensation warrants issued [b]	697,950	89,331
Exercised during the year	(3,015,450)	(421,385)
Expired	(2,346,445)	(400,411)
Balance – December 31, 2016	**9,064,750**	**810,509**

The warrants outstanding at December 31, 2016 are set out below.

Exercise price	Number of warrants	Expiry date
$0.34	2,702,500	June 29, 2017
$0.34	1,210,000	July 7, 2017
$0.32	5,152,250	May 6, 2018
$0.33	**9,064,750**	

(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 on May 6, 2018. 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

(Expressed in Canadian dollars)

- expected term of 2 years,

which yielded an estimated weighted average fair value of $0.086 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.

12) 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, 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.

	Year ended December 31, 2016		Year ended December 31, 2015	
	Number	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
		$		$
Balance - beginning of year	**8,510,500**	**0.43**	6,590,500	0.84
Granted	2,460,000	0.68	3,618,000	0.23
Exercised	(152,000)	0.24	-	-
Expired	(695,000)	1.07	(1,698,000)	1.58
Balance – end of year	**10,123,500**	**0.45**	8,510,500	0.43

(Expressed in Canadian dollars)

Options to purchase common shares outstanding at December 31, 2016 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Options Outstanding and exercisable	Contract Life (years)
$		
0.65	1,430,000	0.59
0.52	1,149,000	1.05
0.26	110,000	1.68
0.32	793,000	2.15
0.39	798,500	2.52
0.25	1,789,000	3.61
0.20	1,594,000	3.97
0.68	2,460,000	4.92
0.45	**10,123,500**	**3.05**

The fair value of the options granted by Marathon was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016	2015
Risk free interest rate	**0.74%**	0.48%
Dividend rate	**Nil**	Nil
Volatility	**95%**	95%
Expected life	**3 years**	3 years
Weighted average fair value per option granted in the year	**$0.33**	$0.11

Marathon recognized total stock based compensation costs of $819,352 in the year ended December 31, 2016 (2015 - $406,442), of which $494,609 (2015 - $249,099) was charged to operations and $324,743 (2015 - $157,343) was capitalized as a component of Marathon's mineral exploration and evaluation assets.

13) EXPLORATION EXPENSES

	2016	2015
	$	$
Bonanza Property, Oregon		
Claim acquisition and renewal costs	**21,573**	20,422
Property taxes	**954**	831
	22,527	21,253

(Expressed in Canadian dollars)

14) GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
	$	$
Wages, salaries and benefits (note 15)	**546,497**	620,724
Professional fees	**76,000**	87,331
Investor relations	**106,528**	130,156
Depreciation	**26,439**	23,771
Other expenses	**314,240**	292,952
Stock based compensation charged to operations (note 12)	**494,609**	249,099
	1,564,313	1,404,033

15) WAGES, SALARIES AND BENEFITS

	2016	2015
	$	$
Fees, salaries and wages paid to employees, key management and directors (note 19)	**1,520,431**	1,684,630
Social security benefits	**133,570**	126,531
	1,654,001	1,811,161
Charged to general and administrative expenses	**546,497**	620,724
Capitalized as a component of exploration and evaluation assets	**1,107,504**	1,190,437
	1,654,001	1,811,161

16) INCOME TAXES

The tax on the Company's loss before taxes differs from the amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	2016	2015
	$	$
Loss before tax attributable to owners of Marathon Gold at statutory tax rate of 26.5% (2015 – 26.5%)	**(476,671)**	(906,274)
Difference in foreign tax rates	**(1,941)**	(169,920)
Change in losses not previously recognized	**39,949**	885,970
Permanent differences	**185,879**	86,313
Total tax expense (recovery)	**(252,784)**	(103,911)

(Expressed in Canadian dollars)

	2016	2015
	$	$
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	**2,551,356**	1,974,790
Deferred tax assets to be recovered within 12 months	**-**	-
	2,551,356	1,974,790
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	**(2,551,356)**	(1,974,790)
Deferred tax liabilities to be settled within 12 months	**-**	-
	(2,551,356)	**(1,974,790)**
Deferred tax assets – net	**-**	**-**

The movement in deferred income tax assets and liabilities during the year is as follows:

	Mineral properties
	$
Deferred tax liabilities:	
At January 1, 2015	**(1,060,390)**
Charged to the income statement	(914,400)
At December 31, 2015	**(1,974,790)**
Charged to the income statement	(576,566)
At December 31, 2016	**(2,551,356)**

	Losses
	$
Deferred tax assets:	
At January 1, 2015	**1,060,390**
Credited to the income statement	914,400
At December 31, 2015	**1,974,790**
Credited to the income statement	576,566
At December 31, 2016	**2,551,356**

Marathon offsets tax assets and liabilities only if it has a legally enforceable right to set off the current tax assets and current tax liabilities or deferred tax assets and liabilities and they relate to taxes levied by the same tax authority.

Deferred tax assets are recognized to the extent that realization of the related tax benefit through future taxable profits is probable.

(Expressed in Canadian dollars)

The tax benefit of the following unused tax losses and deductible temporary differences has not been recognized due to the unpredictability of future earnings.

	2016	2015
	$	$
Losses carried forward - Canada	**4,084,515**	4,314,748
Losses carried forward - US	**6,792,437**	7,134,851
Share issue costs	**1,359,801**	877,027
Investments	**257,996**	257,996
Property plant and equipment	**349,386**	247,027
	12,844,135	12,831,649

Tax losses carried forward expire between 2026 and 2036, and share issue costs will be deducted between 2017 and 2020. Other unrecognized deductible temporary differences do not expire.

17) NON-CONTROLLING INTEREST

The non-controlling interest relates to Marathon's interest in GCLLC prior to December 2, 2015 and represents the 47.78% interest of New Jersey Mining Company ("NJMC") in GCLLC.

As explained in note 7, Marathon sold its interest in GCLLC to NJMC on December 2, 2015. The movement in the non-controlling interest in the period from January 1, 2015 to December 2, 2015 is set out below.

	$
At January 1, 2015	**1,588,367**
NJMC's share of funding of GCLLC from January 1, 2014 to December 2, 2015	11,759
NJMC's share of impairment write-down on the Golden Chest property	(1,481,273)
Currency translation adjustment	204,233
At December 2, 2015	**323,086**

Other than the write-down of the Golden Chest property, as described in note 7, and the gain recognized subsequently from the sale of GCLLC, GCLLC had no profit or loss attributable to either Marathon or NJMC in the year ended December 31, 2015. The summarized cash flows of GCLLC for the period from January 1, 2015 to December 2, 2015, which form part of Marathon's consolidated statement of cash flows from discontinued operations for 2015, are summarized below.

(Expressed in Canadian dollars)

Summarized cash flows:	2015
	$
Cash from financing activities:	
Capital contributions by Marathon and NJMC	24,611
	24,611
Cash used in investing activities:	
Cash expenditures on Golden Chest property	(21,480)
	(21,480)
Increase (Decrease) in cash	3,131
Cash – beginning of period	488
Cash – end of period	3,619

18) COMMITMENTS

Operating leases

Marathon has the following commitments under operating leases.

Year ending December 31	$
2017	67,716
2018	67,986
2019	44,421
Thereafter	-
	180,123

19) 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.

(Expressed in Canadian dollars)

Marathon incurred the following compensation costs related to key management and directors in the normal course of business.

	2016	2015
	$	$
Salaries paid to officers	**542,344**	662,000
Fees paid to directors	**114,792**	119,000
Stock based compensation	**627,837**	315,090
Consulting fees paid to a business controlled by a director of the Company	**-**	10,000
	1,284,973	1,106,090

20) SUBSEQUENT EVENTS

On various dates in the period from January 1, 2017 to the date of these consolidated financial statements, Marathon issued a total of 329,500 shares for aggregate proceeds of $174,435 pursuant to the exercise of stock options.

On various dates in the period from January 1, 2017 to the date of these consolidated financial statements, Marathon issued a total of 686,500 common shares for aggregate proceeds of $229,397 pursuant to the exercise of share purchase warrants.