



## Management's Discussion and Analysis of Operations and Financial Condition

Marathon Gold Corporation ("we", "us", "the Company", or "Marathon") presents below management's review of the Company's results of operations and financial condition for the years ended December 31, 2016 and 2015.

The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the years ended December 31, 2016 and 2015, including the notes thereto. This MD&A is presented as of March 28, 2017. All figures presented in this MD&A are expressed in Canadian dollars, unless specified otherwise.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

*Certain statements in this MD&A other than statements of historical fact are forward-looking statements based on certain assumptions and reflect the current expectations of Marathon's management. These statements include without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for economic and capital markets conditions for the current and subsequent fiscal years.*

*Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "considers", "intends", "targets", or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". We provide forward-looking statements for the purpose of conveying information about our current expectations and plans relating to the future, and readers are cautioned that such statements may not be appropriate for other purposes.*

*By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.*

*Other than as specifically required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise.*

## **NOTE TO U.S. INVESTORS**

All references to mineral reserves and resources contained in this MD&A are determined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects (“NI 43-101”) of the Canadian Securities Administrators (“CSA”) and Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) standards. While the terms “mineral resource,” “measured mineral resource,” “indicated mineral resource,” and “inferred mineral resource” are recognized and required by Canadian regulations, they are not defined terms under the Securities and Exchange Commission (“SEC”) standards in the United States (“U.S.”). As such, information contained in this MD&A concerning descriptions of mineralization and resources under Canadian standards may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. “Indicated mineral resource” and “inferred mineral resource” have a significant amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an “indicated mineral resource” or “inferred mineral resource” will ever be upgraded to a higher category of resource. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves.

## 1) STRATEGY

Marathon's strategy is focused on the acquisition, exploration and development of mineral properties, particularly gold located in North America. At the date of this MD&A, Marathon owns 100% interests in the following resource properties:

### **Newfoundland**

- The Valentine Lake Gold Camp in central Newfoundland, Marathon's flagship property and currently the sole focus of its exploration efforts. The property includes four zones with existing mineral resources, the Leprechaun, Marathon, Sprite and Victory Deposits. The property also comprises mineralized areas which have not been advanced to the point of hosting mineral resources, including the J. Frank, Narrows, Rainbow and Scott zones, and numerous untested drilling targets.
- The Baie Verte gold property in western Newfoundland, an early-stage exploration property acquired by staking in 2008.

### **Oregon, United States**

- The Bonanza Mine, a historic former mine located in Baker County in northeastern Oregon.

### **British Columbia**

- The Gold Reef property, an exploration property consisting of approximately 12 hectares of claims located near Stewart, BC with existing underground workings and drill holes.

## 2) OVERVIEW

At December 31, 2016, Marathon's cash position was \$8.5 million compared to \$2.6 million at year-end 2015.

Marathon completed the following activities in the year ended December 31, 2016 and subsequently to the date of this MD&A:

- An updated mineral resource estimate and the supporting National Instrument 43-101 technical report for the Valentine Lake property, incorporating the results of drilling on the property since the completion of the previous resource estimate in 2015 through February 2017. With completion of the updated resource, the Valentine Lake property hosts a total measured and indicated resource of 1.4 million ounces of gold at a grade of 1.91 g/t and an additional inferred resources of 0.8 million ounces at a grade of 2.24 g/t. Compared to the previous global resource estimate, the global measured and indicated resource increased by 0.4 million ounces or 31%, while the global inferred resource increased by 0.6 million ounces or 284%.
- A bought deal prospectus financing of flow through shares which closed in October 2016 and generated gross proceeds of \$8.0 million. The proceeds from this financing are being used to fund ongoing mapping, prospecting and trenching programs and accelerated infill and extension drilling at the Marathon and Leprechaun Deposits.
- A successful, oversubscribed bought deal private placement of units and flow through shares which closed in May 2016 and raised gross proceeds of \$3.0 million, including the exercise of an over-allotment option by the underwriter.

- A two-phase metallurgical testing program, approximately 75% of the costs of which were funded by the Research and Development Corporation of Newfoundland and Labrador (“RDC”). This work was focused on material from the Leprechaun and Marathon Deposits, which together represent over 90% of the current measured and indicated resource associated with the Valentine Lake Gold Camp.

The first phase of the 2016 metallurgical testing program assessed the amenability of mineralized material from the Leprechaun and Marathon Deposits to low-cost heap leaching, which could provide options to reduce both capital and operating costs significantly in the event that a production decision is warranted. Bottle roll tests leaching material obtained from drill core from both deposits and crushed to minus 0.25 inches returned very favorable results, with 73.6% recovery of contained gold in samples from each deposit after 96 hours of leaching. Thibault & Associates Inc. (“Thibault”), the independent process engineering firm performing this test program, terminated the bottle roll tests after 96 hours to proceed with more definitive column tests on coarser material, crushed to minus 0.5” and minus 0.75”. The column tests were terminated after 130 days of leaching, with recoveries ranging from 53.9% to 66.0% for material from the Marathon Deposit and from 69.6% to 72.7% for material from the Leprechaun Deposit.

A second phase of metallurgical testing focused on determining the potential recoveries achievable by processing mineralized material from the Marathon Deposit using a conventional processing flowsheet consisting of flotation, gravity separation and cyanidation of concentrate. These bench-scale tests, which were carried out on a representative sample of material from the Marathon Deposit with a grade of 3.55g/t gold, indicated that 59.4% of the contained gold was recovered by gravity separation, with total recoveries ranging from 93.4% to 98.1%.

In addition, Marathon undertook bottle-roll testing of a further sample of mineralized material from the Leprechaun and Marathon Deposits grading 0.3 g/t to assess at a preliminary level the potential recoveries obtainable through heap leaching lower grade material. This work resulted in recoveries after 240 hours of leaching ranging from amounting to 61.6% to 71.5% for material obtained from the Leprechaun Deposit and from 69.1% to 79.3% for material from the Marathon Deposit.

- A short program of widely spaced exploration drill holes completed in the first quarter of 2016, covering a total of 13 holes over 2,062 meters, was focused on areas of the property to the southwest of the Marathon Deposit. This area is characterized by bogs and forests without outcrop and not amenable to drilling outside the winter months. This aggressive step-out drill program, which followed on from the results of the fall 2015 drilling program, extended the strike length of the Marathon Deposit trend by 800 meters to a total in excess of 1.6 kilometers.
- An expansion and upgrade drill program, which has run from June to December 2016 and from January 2017 to the date of this MD&A and continues to focus primarily on expanding the Marathon Deposit resource. To date, a total of 126 holes totaling 30,348 meters has served to expand the mineralization corridor associated with the Marathon area to more than 1.7 kilometers, both to the northwest and southwest of the Marathon Deposit resource boundary, and drilling completed late in 2016 and in the first six weeks of 2017 encountered wide intervals of high grade mineralization at depths exceeding 350 meters, with grades appearing to improve at depth. All of the 2015 and 2016 drilling and a portion of the drilling results obtained from holes

drilled in 2017 were incorporated into the recently completed mineral resource estimate for the Valentine Lake Gold Camp.

### 3) SUMMARY OF MINERAL RESOURCES

The tables below set out the combined current mineral resource estimates for the Leprechaun, Marathon, Sprite, and Victory Deposits at the Valentine Gold Camp, as excerpted from Marathon's press release dated February 28, 2017:

#### Combined Resources – Valentine Lake Gold Camp (Leprechaun, Marathon, Sprite and Victory Deposits)

	Open Pit			Underground			Total		
	(0.40 g Au/t cut-off 2017)			(1.60g Au/t cut-off Marathon Deposit, 2.00g Au/t cut-off Leprechaun)					
	Tonnes	Grade	Gold	Tonnes	Grade	Gold	Tonnes	Grade	Gold
	(kt)	(g/t)	(oz)	(kt)	(g/t)	(oz)	(kt)	(g/t)	(oz)
<b>Total Measured and Indicated</b>	21,800	1.84	1,292,800	770	3.85	95,400	<b>22,570</b>	<b>1.91</b>	<b>1,388,200</b>
<b>Total Inferred</b>	8,838	1.98	562,600	1,830	3.47	203,900	<b>10,668</b>	<b>2.24</b>	<b>766,500</b>

Detailed information concerning the tonnages, grades, resource classifications and underlying assumptions for each of these deposits is presented in Section 4 of this MD&A.

The current drilling program, focused primarily on expanding the resource associated with the Marathon Deposit, is underway and is expected to be completed in the third quarter of 2017. An updated resource estimate including the results of drilling from Marathon's 2017 drilling is expected to be completed once the drilling program has concluded.

### 4) EXPLORATION ACTIVITY IN THE PERIOD

#### a) Valentine Lake

##### Drilling Programs 2015 to present

During 2015 and 2016 and subsequently to the date of this MD&A, Marathon carried out a total of 41,953 meters of drilling in four programs focused on four discrete areas of the Valentine Lake Gold Camp. For clarity, this drilling is summarized below.

	<u>Leprechaun Deposit</u>		<u>Victory Deposit</u>		<u>Sprite Deposit</u>		<u>Marathon Area</u>	
	<u># of holes</u>	<u>Meters</u>	<u># of holes</u>	<u>Meters</u>	<u># of holes</u>	<u>Meters</u>	<u># of holes</u>	<u>Meters</u>
Winter 2015	-	-	-	-	-	-	23	4,312
Summer/Fall 2015	-	-	4	383	4	446	30	4,402
Winter 2016	-	-	-	-	-	-	13	2,062
Summer/Fall 2016	3	291	7	620	-	-	79	19,284
Winter 2017	7	2,560	-	-	16	2,174	14	5,419
	10	2,851	11	1,003	20	2,620	159	35,479

## 2016 EXPLORATION ACTIVITY

### 2016/2017 Drilling and Exploration Programs

Marathon resumed drilling in January 2016 in a program which consisted of 13 widely spaced step-out holes totaling 2,062 meters of drilling over a strike length of approximately 1.2 kilometers. This drilling focused on otherwise inaccessible areas to the southwest of the 2015 Marathon Deposit resource boundary in wetlands and boggy areas with little to no outcrop and from 1 to 9 meters of overburden.

This drilling program and an accompanying geophysical survey satisfied management's objective of confirming the mineralization trend southwest from the Marathon Deposit. The program utilized 200 meter step-out holes which expanded the strike length of the Marathon trend by another 800 meters from the boundaries of the fall 2015 drilling program. The winter drilling successfully intersected zones of variable quartz-tourmaline-pyrite veining and alteration typical of the gold mineralization throughout the property.

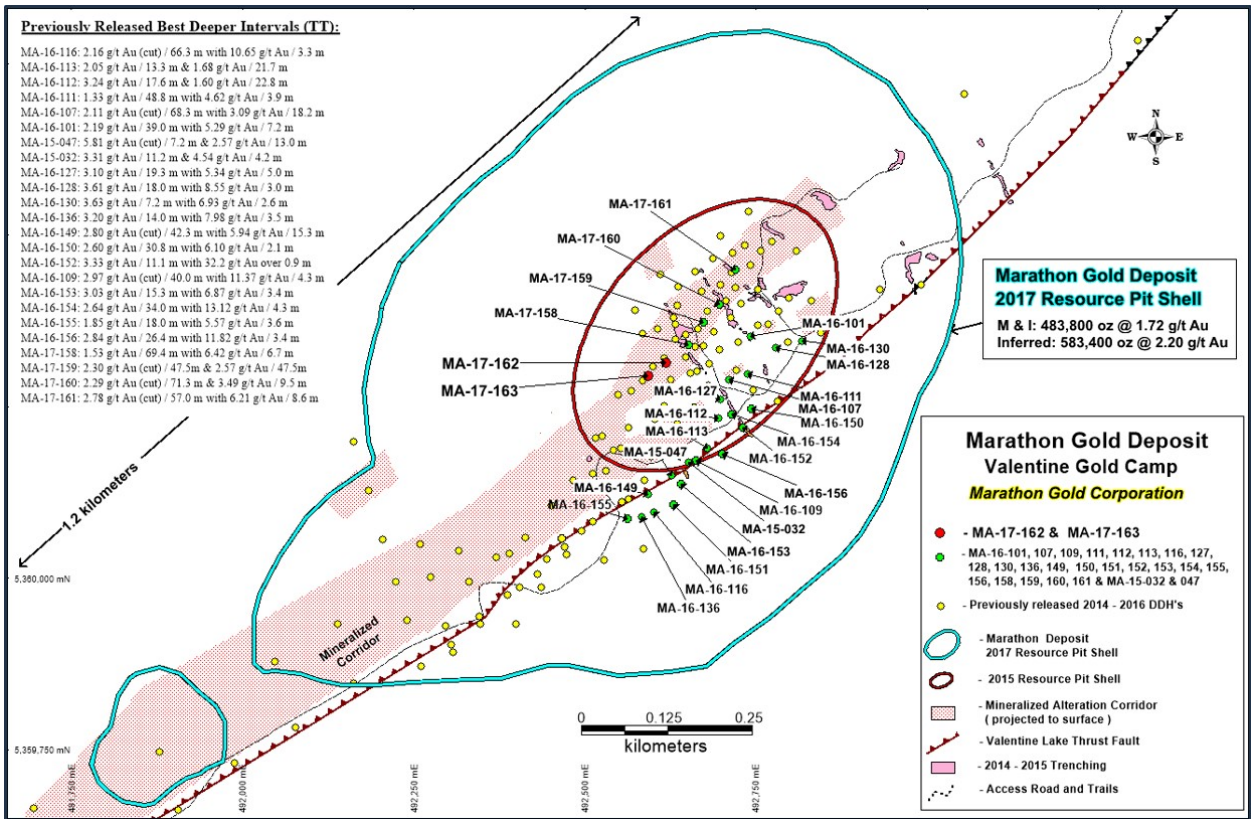
Marathon resumed drilling at Valentine Lake in early June 2016 following the closing of a private placement financing in May and the end of the spring break-up. With the exception of a break of approximately one month from mid-December 2016 to mid-January 2017, drilling has continued to the date of this MD&A, with a total of 126 holes representing 30,348 meters of drilling. The length of the current campaign and the extent of drilling completed in 2016 and subsequently to the date of this MD&A is a direct result of Marathon closing two successful financings in 2016 which raised a total of \$11 million in gross proceeds.

To date, the bulk of the drilling completed in this campaign to date has focused on the Marathon Deposit, which now represents the largest gold resource on the Valentine Lake property. Drilling since the commencement of the current drilling campaign in June 2016 has amounted to 93 new holes and additional deep extensions of holes drilled in 2015. Marathon has had numerous successes arising from the drilling to date, including:

- Intersecting high grade mineralization in wide intervals 80 to 100 meters down-dip of previous drilling, proving that the mineralized corridor associated with the Marathon area extends to more than 350 meters in depth.
- Intercepting significant mineralization in step-out holes drilled southwest of the 2015 resource boundary.
- Successful infill drilling along the southwest end of the 2015 resource boundary and into the hanging wall to the northwest of the 2015 resource boundary.

Incorporating the results obtained to date, the Marathon Deposit mineralized corridor is over 1.7 kilometers in length, between 50-100 meters wide, and extends at least 350 meters to depth.

The chart below illustrates the areas of focus in Marathon's program and the extent of the growth in the Marathon Deposit resource pit shell from 2015 to 2017.



## Metallurgical Testwork

During the third and fourth quarters of 2014 and the first quarter of 2015, metallurgical testwork was carried out on mineralized material from the Leprechaun Gold Deposit. This testwork, which was underwritten approximately 75% by RDC, concluded that direct sulphide-gold flotation followed by conventional cyanide leaching, carbon-in-pulp, and electrowinning would provide an overall recovery in the range of 92.8% to 95.6%.

In the first quarter of 2016, Marathon commenced work on an additional metallurgical testwork program, with the costs of this program being underwritten approximately 75% by RDC. This program had two objectives:

- To determine whether mineralized material from the Leprechaun and Marathon Deposits, which currently make up 92% of the measured and indicated contained gold resource at Valentine Lake and 82% of the corresponding inferred resource, was amenable to heap leaching. The ability to employ heap leaching, either as a processing solution for lower-grade open pit material or for the entire resource at Valentine Lake, would give Marathon development and processing options to reduce infrastructure and operating costs.
- To determine the potential recoveries that could be expected from processing mineralized material from the Marathon Deposit, which is hosted in rock that is more silicified than the

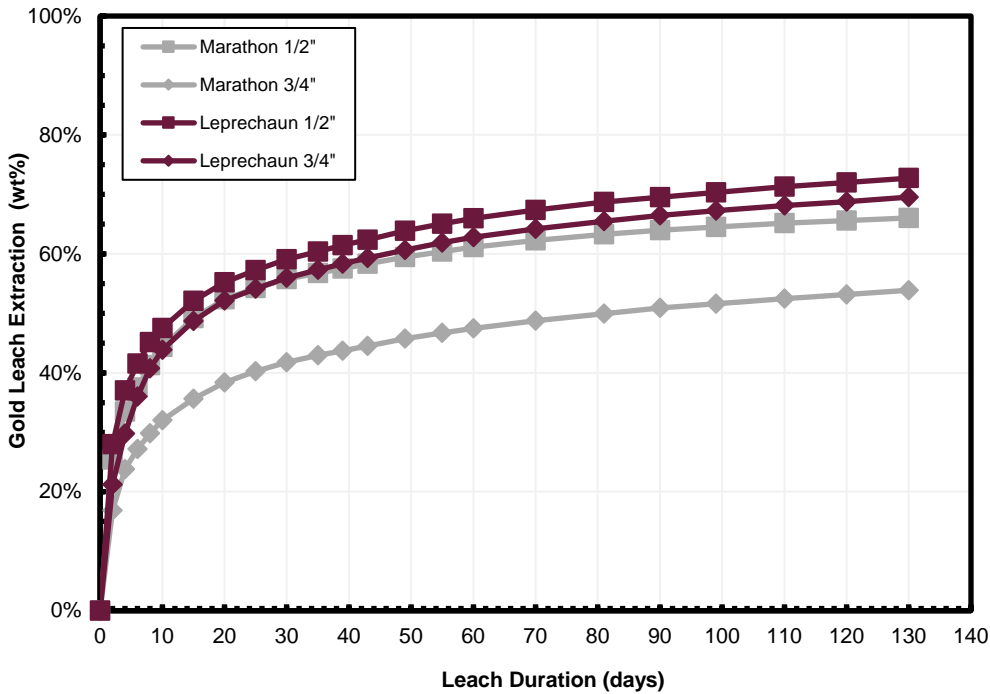
rock associated with the Leprechaun Deposit, using the conventional processing flowsheet developed in 2014 with respect to material from the Leprechaun Deposit.

The program commenced in March 2016. Preliminary bottle roll tests were highly favorable in that after 96 hours, cumulative gold recoveries amounted to 73.6%, which exceeded management’s threshold for moving to column tests. In addition, gold was continuing to leach, suggesting additional recoveries could be achieved by increasing the testing time, and the recoveries from samples from the two deposits were substantially the same.

Thibault terminated the bottle roll tests after 96 hours of testing as it had obtained sufficient information from the bottle roll test results to justify more definitive column testing of samples crushed more coarsely, to minus 0.5” and minus 0.75” respectively. These tests were discontinued after 130 days of leaching, and subsequent assaying confirmed the following recoveries:

Deposit	Sample grade	Crush size	Cumulative recovery after 130 days
Leprechaun	1.66 g/t	-0.50”	72.7%
	1.33 g/t	-0.75”	69.6%
Marathon	1.83 g/t	-0.50”	66.0%
	2.13 g/t	-0.75”	53.9%

The chart below illustrates the gold recovery over the course of the column test and demonstrates that incremental gold recoveries were continuing up to the point where the test was terminated.



In addition, Thibault carried out bench level tests to determine the maximum recovery of gold using flotation, gravity separation and cyanide leaching of gold concentrate and tailings on a representative



sample of higher-grade material from the Marathon Deposit grading 3.55 g/t gold. This work was completed in the third quarter, with 59.4% of the contained gold in the sample being recovered through gravity separation. The total recoveries varied according to the processing option and are summarized below, compared to the equivalent recoveries achieved from bench scale testing carried out in 2014 on material from the Leprechaun Deposit.

Flowsheet Option	Process Steps	Combined Gold Extraction	
		Marathon (2016)	Leprechaun (2014)
1	Flotation + CIL of flotation concentrate	93.4%	93.7%
2	Flotation + CIL of flotation concentrate + CIL of flotation tails	98.1%	97.3%
3	Gravity separation + CIL of gravity tailings	95.3%	89.0%

Finally, late in 2016 Marathon commissioned bottle roll testing on samples of lower grade mineralized material from the Leprechaun and Marathon Deposits with a designed head grade of 0.3 g/t gold and crushed to minus 0.25 inches. This work resulted in recoveries after 240 hours of leaching ranging from 61.6% to 71.5% for material obtained from the Leprechaun Deposit and from 69.1% to 79.3% for material from the Marathon Deposit.

### 2017 Resource Estimate

Management had planned to bring the 2016/2017 drilling program to a close before completing an update to the mineral resource estimates for the Leprechaun, Marathon, Sprite and Victory Deposits. These plans were altered as a result of drilling success and the results of a preliminary estimate carried out by an independent mining engineer which concluded that the resource associated with the Marathon Deposit had increased significantly, and Marathon engaged Micon to complete a property wide resource estimate incorporating the results of drilling on the property to the end of 2016 and several holes completed in 2017. The updated resource estimate is summarized below, as excerpted from Marathon's press release dated February 21, 2017. These results represent an increase in property-wide measured and indicated resources amounting to 328,100 ounces, or 31%, compared to the 2015 resource and an increase in inferred resources amounting to 566,700 ounces, or 284%.

Deposit / Category	Open Pit			Underground			Total		
	(0.40 g Au/t cut-off)			(1.60 g Au/t cut-off Marathon Deposit 2.00 g Au/t cut-off Leprechaun)					
	Tonnes	Grade	Gold	Tonnes	Grade	Gold	Tonnes	Grade	Gold
	(kt)	(g/t)	(oz)	(kt)	(g/t)	(oz)	(kt)	(g/t)	(oz)
<b>Marathon</b>									
Measured (M)	1,153	1.73	64,100	3	2.71	300	1,156	1.73	64,400
Indicated (I)	7,514	1.70	411,800	80	2.94	7,600	7,594	1.72	419,400
M+I	8,667	1.71	475,900	83	2.93	7,900	8,750	1.72	483,800
Inferred	6,842	1.99	437,500	1,428	3.18	145,900	8,270	2.20	583,400
<b>Leprechaun</b>									
Measured (M)	4,096	2.00	263,000	50	5.00	8,100	4,146	2.04	271,100
Indicated (I)	7,797	1.91	479,000	543	3.71	64,800	8,340	2.03	543,800
M+I	11,893	1.94	742,000	593	3.82	72,900	12,486	2.03	814,900
Inferred	1,758	1.89	106,700	291	4.32	40,400	2,049	2.24	147,100
<b>Sprite</b>									
Measured (M)	0	0	0	0	0	0	0	0	0
Indicated (I)	301	2.033	19,700	36	4.734	5,500	337	2.32	25,200
M+I	301	2.03	19,700	36	4.73	5,500	337	2.32	25,200
Inferred	158	2.72	13,800	49	5.277	8,300	207	3.33	22,100
<b>Victory</b>									
Measured (M)	0	0	0	0	0	0	0	0	0
Indicated (I)	939	1.829	55,200	58	4.889	9,100	997	2.01	64,300
M+I	939	1.83	55,200	58	4.89	9,100	997	2.01	64,300
Inferred	80	1.801	4,600	62	4.644	9,300	142	3.04	13,900
<b>Total</b>									
<b>Total Measured (M)</b>	<b>5,249</b>	<b>1.94</b>	<b>327,100</b>	<b>53</b>	<b>4.87</b>	<b>8,400</b>	<b>5,302</b>	<b>1.97</b>	<b>335,500</b>
<b>Total Indicated (I)</b>	<b>16,551</b>	<b>1.81</b>	<b>965,700</b>	<b>717</b>	<b>3.77</b>	<b>87,000</b>	<b>17,268</b>	<b>1.90</b>	<b>1,052,700</b>
<b>Total M+I</b>	<b>21,800</b>	<b>1.84</b>	<b>1,292,800</b>	<b>770</b>	<b>3.85</b>	<b>95,400</b>	<b>22,570</b>	<b>1.91</b>	<b>1,388,200</b>
<b>Total Inferred</b>	<b>8,838</b>	<b>1.98</b>	<b>562,600</b>	<b>1,830</b>	<b>3.47</b>	<b>203,900</b>	<b>10,668</b>	<b>2.24</b>	<b>766,500</b>

**Notes:**

1. CIM Definition Standards were followed for mineral resources.
2. The Qualified Person for the Leprechaun, Marathon, Sprite and Victory Mineral Resource estimate is Charley Murahwi, MSc., P. Geo, FAusIMM
3. In pit Mineral Resources for Leprechaun and Marathon are reported at a cut-off grade of 0.4 g/t Au. Pit optimizations were used to constrain the resources.
4. Underground Mineral Resources are estimated at a cut-off grade of 1.6 g/t Au, outside the open pit constraint for the Marathon Deposit and 2 g/t Au for the narrower Leprechaun Deposit.
5. Mineral resources are estimated using an average long-term forecast, gold price of US\$1,200 per ounce.
6. The Leprechaun Deposit was re-estimated using the same gold price, mining cost and recoveries as the Marathon Deposit.

7. Totals may not add correctly due to rounding.
8. Mineral resources are not mineral reserves and do not have demonstrated economic viability.
9. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
10. In order to meet the criteria for "reasonable prospects for economic extraction" as required by CIM, the Marathon Deposit block model was constrained by an optimized pit using a gold price of US\$1,200 per ounce and reasonable costs and metallurgical recovery and as well the material below the optimized pit was re-estimated using a cut-off grade of 1.6 g/t Au.

As expected given the volume of drilling carried out in the period since the completion of the 2015 resource estimate, the significant increase in resources was driven by the Marathon, which continues to present the highest potential to increase open-pit and underground resources going forward.

## 2015 EXPLORATION ACTIVITY

### Winter 2015 Drilling and exploration programs

Marathon resumed drilling at Valentine Lake in January 2015, focused exclusively on drilling in the Marathon Zone with the intention of extending the strike length of the main structure in anticipation of completing an initial mineral resource. The program concluded in late March 2015, with a total of 23 holes over 4,312 meters and with management's broad objectives having been met. Specifically, the Marathon Zone strike length was extended to 350 meters without any significant reduction in the continuity of mineralization; the maximum width of the zone was extended to 100 meters; the deep holes served to further confirm the continuity of mineralization to depth as drilling progressed along strike; and the main Marathon structure continued to be open along strike both to the northeast and southwest and to depth. In addition, a parallel structure located between the southern boundary of the principal mineralized portion of the zone and the Valentine Lake Thrust Fault was discovered.

Marathon also completed a test program of ground based magnetic surveying to improve the definition of magnetic lows around the Sprite area and the Marathon Deposit, as magnetic lows are associated with areas of alteration with the potential to host gold mineralization.

### 2015 Mineral Resource Estimate

Marathon engaged Micon International Limited ("Micon") to produce initial mineral resource estimates for the Marathon and Sprite Deposits and an update to the resource estimate completed in 2013 for the Victory Deposit. These estimates were completed in April 2015 and disclosed initially in a press release dated April 30, 2015 and are summarized in the table below.

#### Combined Resources – Valentine Gold Camp (Leprechaun, Marathon, Sprite and Victory Deposits)

Valentine Gold Camp	In Pit (0.50 g Au/t cut-off)			Underground (2.0 and 3.0 g Au/t cut-off)			Total		
	Tonnes (kt)	Grade (g/t)	Gold (oz)	Tonnes (kt)	Grade (g/t)	Gold (oz)	Tonnes (kt)	Grade (g/t)	Gold (oz)
Measured	3,523	2.18	247,000	108	4.83	17,000	3,631	2.26	264,000
Indicated	10,440	2.00	672,000	923	4.19	124,100	11,363	2.18	796,100
<b>Measured &amp; Indicated</b>	<b>13,963</b>	<b>2.05</b>	<b>919,000</b>	<b>1,031</b>	<b>4.26</b>	<b>141,100</b>	<b>14,994</b>	<b>2.20</b>	<b>1,060,100</b>
<b>Inferred</b>	<b>1,678</b>	<b>1.96</b>	<b>106,000</b>	<b>506</b>	<b>5.77</b>	<b>93,800</b>	<b>2,184</b>	<b>2.85</b>	<b>199,800</b>

The disclosure in this table is a composite of the 2013 mineral resource estimate for the Leprechaun Deposit prepared by Roscoe Postle Associates and disclosed initially in a press release dated August

1, 2013, and mineral resource estimates for the Marathon, Sprite and Victory Deposits prepared by Micon and disclosed initially in a press release dated April 30, 2015.

Management considered these results a significant success, particularly since they were achieved efficiently with a limited exploration budget. Management was encouraged by the following aspects of these additional resources and the exploration work that led to their completion.

- Similar to the resource for the Leprechaun Deposit, the open pit resources reported in 2015 were relatively insensitive to gold prices in the range of US \$1,100 to US \$1,350, as shown below:

**Victory, Sprite and Marathon Resources**  
**Whittle In-Pit Mineral Resources by Gold Price; Open Pit (0.50 g Au/t cut-off)**

Gold Price	Indicated			Inferred		
	Tonnes	Grade (g/t)	Contained Au (oz)	Tonnes	Grade (g/t)	Contained Au (oz)
\$1,100	4,068,000	1.93	252,100	428,000	2.38	32,700
\$1,150	4,160,000	1.92	256,700	448,000	2.34	33,700
\$1,200	4,248,000	1.91	261,000	472,000	2.31	35,000
\$1,250	4,371,000	1.90	267,500	498,000	2.30	36,800
\$1,300	4,441,000	1.90	270,500	518,000	2.32	38,600
\$1,350	4,520,000	1.89	274,200	541,000	2.30	40,100

- Development of resources at the Marathon Deposit was rapid, progressing from prospecting to a resource in seven months. The Company used its improved understanding of the underlying geology of the property to complete an initial resource with just 48 holes and 8,445 meters of drilling.
- The cost of developing new resources in each exploration area was low, amounting to approximately \$10 per resource ounce.
- The overall resource grades in all deposits were consistent, running at about 2 g/t gold.
- The Marathon, Sprite and Victory Deposits are all open along strike and to depth. While the underground portion of the Sprite and Victory Deposits are considered modest at present, they appear open at depth.

### Summer/Fall 2015 Drilling and exploration program

Marathon resumed drilling at the Valentine Gold Camp in late June 2015 once it became apparent that the Company's private placement of flow through shares had been well subscribed. In total, the drilling completed in the third quarter of 2015 comprised 35 new holes and 3 extensions of holes completed in earlier programs and totaled 5,231 meters of drilling in the Marathon, Sprite and Victory Areas, with the majority of the work concentrated on the Marathon Zone. Concurrent with and subsequent to the summer drilling program, Marathon undertook surface exploration programs including prospecting, trenching, geophysical surveying and detailed geological mapping around each of these areas.

The significant results from this work are summarized below.

- In the Marathon Area, 7 holes drilled earlier in the year that had ended in mineralization were extended. In addition, 23 widely spaced exploration drill holes covering 4,402 meters were drilled along the Valentine Lake Thrust Fault, with the result that the strike length of the Marathon Deposit was increased over 100% to more than 850 meters. In addition, drill results appeared to confirm the continuity of mineralization over the strike length of the area, which remains open to depth and along strike to both the southwest and northeast. Drilling farther away from the Marathon Deposit resource boundaries along the main trend of mineralization was made difficult by boggy ground conditions.
- In the Sprite Area, prospecting and trenching in an area 550 meters to the northeast of a high grade gold occurrence identified in 2014 resulted in the discovery of a new, high-grade gold zone. This increased the strike length of the Sprite Area to over 1.6 kilometers and identified a number of parallel mineralized corridors flanking magnetic high areas. A total of 3 short, near-surface holes were drilled in this newly identified gold zone and encountered good gold grades.
- In the Victory Area, a total of 4 drill holes totalling 383 meters were completed. Marathon also carried out extensive prospecting, trenching and geophysical surveying in the area which identified a prospective 3 kilometer long corridor of mineralization associated with Victory.

A number of drill targets on the property lying between the Sprite, Marathon and Victory Deposits were impracticable to drill because of boggy surface conditions.

## 5) OUTLOOK

### a) Valentine Lake Gold Camp

With successful completion of a prospectus offering of flow through shares in October 2016, Marathon's drilling program has accelerated to include a second drill on the property and is anticipated to run through the second quarter of 2017. This program, which is expected to comprise approximately 23,000 meters of additional drilling from the date of this MD&A, will include:

- infill drilling within the existing resource boundaries of the Leprechaun and Marathon Deposits;
- extension drilling intended to extend the strike length of the Marathon Deposit and to upgrade the existing high grade underground inferred resource at Leprechaun and expand the resource if possible; and
- exploration drilling of numerous showings in the gap between the Victory and Leprechaun Deposits which have had little to no drilling in the past to assess the potential of these showings to host near-surface resources.

In February 2017, Marathon commenced work on a geophysical surveying program led by Acoustic Zoom Inc. ("AZ") employing a proprietary surveying and data analysis methodology developed by AZ. The objective of this work is to identify swarms of gold veining in areas of the property covered by bog and overburden that make identification of targets using traditional prospecting methods impracticable. If this surveying proves successful, it could become a highly effective tool for identifying priority drill targets along the mineralization corridor.

Ground work related to this program is complete, and the analysis of surveying results by AZ has recently commenced and is not expected to be complete until the end of the second quarter of 2017. Marathon has obtained confirmation of funding from RDC to cover 50% of the costs of this program to a maximum of approximately \$750,000.

## b) Golden Chest

Management continues to monitor the activity of New Jersey Mining Company (“NJMC”) with respect to Marathon’s royalty interest in the Golden Chest property.

NJMC resumed mining operations at Golden Chest in October 2016. To the date of this MD&A, Marathon has received a royalty payment amounting to US \$6,916 in respect of provisional payments received by NJMC for the first shipment of concentrate by NJMC to its refiner. NJMC reports that it anticipates making two additional shipments, representing gold sales of approximately US \$650,000, by March 31, 2016, and consequently Marathon anticipates receipt of approximately US \$13,000 in the second quarter in respect of this activity.

## c) Other properties

Marathon will complete a modest program of drilling and prospecting at Baie Verte. This work, which is necessary to maintain control over the mining claims which comprise the property, is underway at the date of this MD&A and may qualify for funding under the Junior Exploration Assistance program of the Newfoundland government.

Marathon has no plans as at the date of this MD&A to carry out any exploration activities at the Bonanza property in Oregon or the Gold Reef property in British Columbia.

## 6) RESULTS OF OPERATIONS

The results of operations for the three and twelve month periods ended December 31, 2016 and 2015 are summarized below.

	Three months ended		Year ended	
	December 31		December 31	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Expenses:</b>				
Exploration expenses	954	831	22,527	21,253
General and administrative expenses	799,773	350,882	1,564,313	1,404,033
Other expense	195,766	23,595	202,507	32,307
Interest income	(1,566)	(1,553)	(6,171)	(14,299)
Loss on investments	-	-	-	9,575
Foreign exchange (gain) loss	(5,430)	(7,090)	15,580	(10,489)
Loss from continuing operations before tax	989,497	366,665	1,798,756	1,442,380
Income taxes	162,367	(13,333)	(252,784)	(103,911)
Loss from continuing operations for the period	1,151,864	353,332	1,545,972	1,338,469
(Income) Loss from discontinued operations, net of tax	-	(1,021,120)	-	1,977,523
Net loss(Net income) for the period	1,151,864	(667,788)	1,545,972	3,315,992
Net loss attributable to non-controlling interest	-	(48,518)	-	(1,481,273)
<b>Loss (Income) attributable to Marathon Gold shareholders</b>	<b>1,151,864</b>	<b>(716,306)</b>	<b>1,545,972</b>	<b>1,834,719</b>

### **Three months ended December 31, 2016:**

- As in 2015, Marathon's reported exploration expenses reflect the Company's decision to focus Marathon's resources exclusively on the Valentine Lake property and represent holding costs associated with the Bonanza property.
- General and administrative expenses increased from \$350,882 to \$799,773. The majority of this change was driven by an award of options in the fourth quarter of 2016, where 2,460,000 options (2015 – 1,709,000 options) were awarded at a fair value of \$0.33 per option (2015 - \$0.07), with the increased fair value per option being driven by the increase in the exercise price and Marathon's share price at the date of award.
- Amounts charged to Other expense represent a carve-out of a portion of share issue costs attributable to the premium to market achieved through the issuance of flow through shares, as described in note 10 to the consolidated financial statements and consequently reflect both the magnitude of flow through share financings completed in any period and the pricing premium obtained for such shares relative to the market price of Marathon's common shares at the date each financing closes. The amounts charged to operations in 2016 reflect both the magnitude of flow through share financings completed in the quarter compared to 2015 and the fact that the financing closed in October 2016 at a 34% premium to market, a much higher premium to market than in any other flow through financing completed in 2015 or 2016.

### **Year ended December 31, 2016:**

- As for the three month period ended December 31, 2016, exploration expenses incurred by Marathon in the current and prior year were limited to holding costs – property taxes and claim renewal fees related to unpatented mining claims – associated with the Bonanza property.
- General and administrative expenses increased from \$1,404,033 to \$1,564,313. The most significant elements of this change are related to compensation costs charged to operations:
- Stock based compensation charged to operations increased from \$249,099 to \$494,609 with the change being driven by the increased fair value of each option granted in the year (\$0.33 per option granted in 2016 compared to a weighted average fair value of \$0.11 in 2015).
- Salaries charged to operations decreased from \$620,724 to \$546,497, with the decrease driven by voluntary reduction of salaries and director fees by Marathon's management and directors in the first and second quarters of 2016.
- As explained above, amounts charged to Other expense reflect the carve-out of share issue costs attributable to flow through share tax premiums reflected in the offering price of these securities. The increase in the year is due largely to the fact that the October 2016 prospectus offering of flow through shares closed at a premium of 34% to the market price of Marathon's common shares, an unusually high premium.

## 7) QUARTERLY RESULTS

Selected quarterly information derived from Marathon's consolidated financial statements for each of the eight most recently completed financial periods is set out below. Any differences between the summarized financial information below and the cumulative results reported in Marathon's interim and year-end financial statements are due to rounding.

	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
<b>Statement of Operations: (all amounts in \$000's)</b>								
Exploration expenses	1	22	-	-	1	-	20	-
General and administrative expenses	799	279	244	242	351	476	281	295
Other (income) loss	190	(5)	6	21	13	2	1	1
Loss from continuing operations before tax	990	296	250	263	365	478	302	296
Income taxes	162	-	-	(415)	(13)	-	-	(91)
Loss (Income) from continuing operations attributable to Marathon shareholders	1,152	296	250	(152)	352	478	302	205
Loss (income) from discontinued operations, net of tax	-	-	-	-	(1,021)	1,925	1,074	-
Loss (income) from discontinued operations attributable to non-controlling interest	-	-	-	-	(49)	(920)	(513)	-
Loss for the period attributable to Marathon shareholders	1,152	296	250	(152)	(716)	1,483	863	205
<b>Loss (Income) per Share:</b>								
Loss (Income) from continuing operations attributable to Marathon shareholders – basic and fully diluted	\$0.013	\$0.003	\$0.002	(\$0.002)	\$0.004	\$0.005	\$0.004	\$0.003
Loss (Income) attributable to Marathon shareholders – basic and fully diluted	\$0.013	\$0.003	\$0.002	(\$0.002)	(\$0.008)	\$0.017	\$0.011	\$0.003
<b>Balance Sheet: (all amounts in \$000's)</b>								
Cash, cash equivalents and short term investments	8,458	3,014	3,667	1,772	2,600	2,351	3,455	1,609
Working capital	6,445	3,050	3,716	1,823	2,198	2,201	3,208	1,653
Mineral exploration and evaluation assets	48,795	46,613	45,093	44,570	44,100	43,199	41,653	41,201
Total assets	57,656	49,969	49,034	46,528	46,878	46,620	47,828	46,525



Marathon's reported exploration expenses reflect the timing of exploration activities at properties other than Valentine Lake and are not directly comparable from one accounting period to another.

Marathon's reported general and administrative expenses in the third and fourth quarters of 2015 and the fourth quarter of 2016 reflect the issuance of stock options in each period.

## **8) CAPITAL, LIQUIDITY AND GOING CONCERN**

Cash at December 31, 2016 amounted to \$8,458,077 compared with \$2,600,269 at year-end 2015. Marathon's working capital at December 31, 2016 was \$6,445,509 versus \$2,197,836 at year-end 2015.

Marathon's consolidated financial statements are prepared on a going concern basis. The appropriateness of this approach is discussed in detail in note 1 to the financial statements.

Marathon funded its operations in the year ended December 31, 2016 through the use of cash raised through a brokered bought deal private placement of units and flow through shares which closed in May 2016 and raised gross proceeds of \$3,000,180; a prospectus offering of flow through shares, which generated gross proceeds of \$7,992,000; and additional proceeds amounting to \$1,502,293 from the exercise of warrants and stock options.

These financings provide Marathon with sufficient resources to continue its aggressive drilling program at Valentine Lake. Marathon's ability to carry out exploration work at its mining properties, particularly resource expansion drilling, continues to depend on additional financing. While management has been successful in raising equity in current market conditions, there can be no assurance that Marathon will continue to be successful in its efforts to attract capital.

## **9) CAPITAL ACTIVITIES**

Marathon completed two financings in the year ended December 31, 2016, as described below.

On May 6, 2016 Marathon closed a private placement of 2,163,500 flow through shares at a price of \$0.27 per flow through share and 10,504,500 units at a price of \$0.23 per unit for aggregate gross proceeds of \$3,000,180. Each unit consisted of one common share and one-half of one warrant, with each whole warrant exercisable at a price of \$0.32 per share and expiring on May 6, 2018.

On October 27, 2016 Marathon closed a prospectus based bought deal offering of 8,880,000 flow through shares at a price of \$0.90 per share, for gross proceeds of \$7,992,000.

While management will continue to seek additional financing to advance the Valentine Lake Gold Camp and has been successful in doing so to date, there can be no assurance that financing on acceptable commercial terms will continue to be available to Marathon.

## **10) OPTIONS**

The terms of Marathon's option plan authorize the issue of share purchase options to employees, officers and directors, and third party service providers subject to a stipulation that total options issued at any point in time cannot exceed 10% of the number of common shares issued and outstanding at that time.

A total of 2,460,000 options were awarded in the year ended December 31, 2016 at an exercise price of \$0.68 per share. These options were awarded with immediate vesting.

A total of 152,000 options were exercised in the year ended December 31, 2016, generating proceeds of \$36,140.

## 11) RELATED PARTY TRANSACTIONS

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

	Three months ended		Year ended	
	December 31		December 31	
	2016	2015	2016	2015
	\$	\$		\$
Salaries paid to key management	146,250	146,250	542,344	662,000
Director fees	38,875	29,875	114,792	119,000
Stock based compensation	627,837	96,805	627,837	315,090
Consulting fees paid to a business controlled by a director of the Company	-	-	-	10,000
	812,962	272,930	1,284,973	1,106,090

## 12) FULLY DILUTED SHARE CAPITAL

	Number of shares
Common shares	119,024,952
Unexercised stock options	9,794,000
Unexercised share purchase warrants	8,378,250
<b>Fully diluted share capital – March 28, 2017</b>	<b>137,197,202</b>

## 13) OFF-BALANCE SHEET ARRANGEMENTS

Marathon had no off balance sheet arrangements as at December 31, 2016 or subsequently to the date of this MD&A.

## 14) RISK FACTORS AND UNCERTAINTIES

Marathon is subject to the usual risks associated with a junior mineral exploration company. The Company competes for access to financing, specialized third party service providers and human capital against other exploration companies, some of whom may be better capitalized. Prices for the commodities contained in Marathon's exploration properties have fluctuated significantly over the last few years and may continue to do so. Such volatility may affect the timing and magnitude of funds which

Marathon may seek to raise to support further exploration of its properties or may make it difficult to complete an offering of securities.

It may not be possible to raise additional funds to complete development and achieve profitable production or to obtain the permits required to enable Marathon to commence mining operations on its properties.

Marathon has participated in the past, and may participate in the future, in exploration joint ventures as a means of earning or acquiring interests in properties with existing mineral resources and subsequently increasing shareholder value through exploration and resource expansion. The ability of Marathon to influence the nature, extent, and timing of exploration and evaluation activities at properties where Marathon is not the 100% owner depends on a number of factors, including but not limited to decisions made by project operators, who typically have control over the scope of project budgeting and the pace of work against such budgets, and the financial health of Marathon's partners. The inability of a partner in any of Marathon's projects to continue to fund the ongoing exploration work or other obligations of the project could have a material impact on Marathon's finances and the reported values of its mineral exploration and evaluation assets.

While management has used its best efforts to ensure title to all its properties and secured access to surface rights, these titles or rights may be disputed.

For a more detailed discussion of risk factors, reference should be made to Marathon's Annual Information Form for the year ended December 31, 2016. This document may be obtained at [www.sedar.com](http://www.sedar.com).

## **15) 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 is in the process of evaluating 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 is in the process of evaluating the impact of adopting this standard.

## **16) INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for the design and operating effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed and were operating effectively as at December 31, 2016.

## **17) DISCLOSURE CONTROLS**

Management is also responsible for the design and operation of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the design and effectiveness of the Company's disclosure controls and procedures as of December 31, 2016 and have concluded that these controls and procedures are effective.

## **18) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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:

### **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.

### **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.

### **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.

## **19) ADDITIONAL INFORMATION**

Additional information relating to Marathon can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

(Signed) "Phillip C. Walford"  
Phillip C. Walford  
President and Chief Executive Officer

(Signed) "James Kirke"  
James Kirke  
Chief Financial Officer