MARATHON GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2014 AND 2013

March 27, 2015

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 27, 2015

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 sheet as at December 31, 2014 and 2013 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 (IFRS), 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 audits 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" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with IFRS.

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 uncertainly 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)

	2014	2013
	$	$
Assets		
Current assets		
Cash	**2,706,129**	1,185,351
Amounts receivable	**162,727**	108,808
Prepaids and deposits	**67,242**	56,227
	2,936,098	1,350,386
Assets held for sale (note 7)	**3,372,094**	-
Non-current assets		
Investments (note 8)	**177,700**	219,321
Property, plant and equipment	**30,856**	91,587
Mineral exploration and evaluation assets (note 6)	**40,121,443**	47,020,379
	40,329,999	47,331,287
Total assets	**46,638,191**	48,681,673
Liabilities		
Current liabilities		
Trade payables	**188,487**	175,937
Flow-through share tax liability (notes 11(b)(ii) and (iv))	**90,578**	-
	279,065	175,937
Liabilities associated with assets held for sale (note 7)	**29,452**	-
Total liabilities	**308,517**	175,937
Equity attributable to owners (notes 11, 12, and 13)	**44,741,307**	43,458,410
Non-controlling interest in subsidiary (note 18)	**1,588,367**	5,047,326
	46,329,674	48,505,736
Total liabilities and shareholders' equity	**46,638,191**	48,681,673

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, 2014 and 2013
(Expressed in Canadian dollars)

	2014	2013
	$	$
Expenses:		
Exploration expenses (note 14)	**24,010**	137,785
General and administrative expenses (note 15)	**1,213,509**	1,358,622
Other expense	**1,903**	-
Interest income	**(17,444)**	(29,050)
Loss on investments	**68,526**	3,208
Foreign exchange (gain) loss	**(139)**	568
Loss from continuing operations before tax	**1,290,365**	1,471,133
Income taxes (note 17)	**(146,853)**	102,635
Loss from continuing operations for the year	**1,143,512**	1,573,768
Loss from discontinued operations, net of tax (note 7)	**8,212,288**	-
Net loss for the year	**9,355,800**	1,573,768
Net loss attributable to non-controlling interest	**(3,923,832)**	-
Loss attributable to Marathon Gold shareholders	**5,431,968**	1,573,768
Loss attributable to Marathon Gold shareholders:		
Basic and diluted loss per share – continuing operations	**0.02**	0.03
Basic and diluted loss per share – discontinued operations	**0.06**	-
Weighted average number of common shares outstanding	**70,349,015**	60,007,098

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, 2014 and 2013
(Expressed in Canadian dollars)

	2014	2013
	$	$
Other comprehensive loss (income):		
Loss for the year	**9,355,800**	1,573,768
Items that may be reclassified subsequently to net loss (income):		
Currency translation adjustment – continuing operations	**(59,516)**	(42,371)
Currency translation adjustment – discontinued operations	**(966,597)**	(513,945)
Unrealized loss in fair value of investments classified as available for sale	**36,337**	54,659
Comprehensive loss	**8,366,024**	1,072,111
Comprehensive (loss) income attributable to non-controlling interest	**(3,465,485)**	163,529
Comprehensive loss attributable to Marathon Gold shareholders	**4,900,539**	1,235,640

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, 2014 and 2013
(Expressed in Canadian dollars)

	2014	2013
	$	$
Cash flows used in operating activities from continuing operations:		
Loss for the year from continuing operations	(1,143,512)	(1,573,768)
Add (deduct) items not involving cash		
Income taxes	(146,853)	102,635
Loss on investments	68,526	3,208
Depreciation	40,771	54,242
Stock-based compensation charged to operations (note 13)	198,274	157,868
	(982,794)	(1,255,815)
Changes in non-cash working capital items		
(Increase) decrease in amounts receivable	(40,816)	71,897
(Increase) decrease in prepaid expenses	(17,862)	191,179
Decrease in accounts payable	(13,615)	(430,646)
Increase in Flow-through share tax liability	90,578	-
	(964,509)	(1,423,385)
Cash flows from financing activities from continuing operations:		
Proceeds from issuance of common shares (note 11)	6,451,554	250,000
Share issue costs paid in cash	(501,018)	-
Proceeds on sale of investments	5,136	-
Option premiums received (note 6(b))	-	138,148
	5,955,672	388,148
Cash flows used in investing activities from continuing operations:		
Cash reclassified as held for sale	(488)	-
Purchase of capital assets	(17,140)	-
Expenditures on mineral exploration and evaluation assets	(3,576,320)	(2,873,357)
Government assistance	137,809	100,000
	(3,456,139)	(2,773,357)
Increase (decrease) in cash from continuing operations	1,535,024	(3,808,594)
Decrease in cash from discontinued operations (note 7)	(14,246)	(193,530)
Increase (Decrease) in cash	1,520,778	(4,002,124)
Cash– beginning of year	1,185,351	5,187,475
Cash– end of year	2,706,129	1,185,351

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, 2014 and 2013
(Expressed in Canadian dollars)

	Share Capital (note 11)	Warrants (note 12)	Contributed Surplus (note 13)	Deficit	Accumulated Other Comprehensive Income	Other reserve	Equity Attributable to Owners of Marathon Gold Corporation	Non-Controlling Interest (note 18)	Total Shareholders' Equity
	$	$	$	$	$	$	$	$	$
Balance – January 1, 2013	**41,051,338**	**1,999,401**	**7,469,352**	**(6,452,269)**	**(78,762)**	**-**	**43,989,060**	**-**	**43,989,060**
Loss for the year	-	-	-	(1,573,768)	-	-	(1,573,768)	-	(1,573,768)
Stock based compensation	-	-	208,591	-	-	-	208,591	-	208,591
Unrealized loss on available-for-sale investments	-	-	-	-	(54,659)	-	(54,659)	-	(54,659)
Warrants expired during the year	-	(261,078)	261,078	-	-	-	-	-	-
Acquisition of net assets of Golden Chest LLC	-	-	-	-	-	-	-	5,020,857	5,020,857
Dilution of non-controlling interest (note 6(b))	-	-	-	-	-	85,023	85,023	(87,509)	(2,486)
Funding contributions by New Jersey Mining Company	-	-	-	-	-	-	-	76,852	76,852
Option premium and advance royalty received in respect of lease of Golden Chest property	-	-	-	-	-	-	-	(126,403)	(126,403)
Currency translation adjustment	-	-	-	-	392,787	-	392,787	163,529	556,316
Common shares issued pursuant to private placement	250,000	-	-	-	-	-	250,000	-	250,000
Share issue costs	(18,719)	-	-	-	-	-	(18,719)	-	(18,719)
Deferred income taxes related to share issue costs	180,095	-	-	-	-	-	180,095	-	180,095
Balance – December 31, 2013	**41,462,714**	**1,738,323**	**7,939,021**	**(8,026,037)**	**259,366**	**85,023**	**43,458,410**	**5,047,326**	**48,505,736**
Loss for the year	-	-	-	(5,431,968)	-	-	(5,431,968)	(3,923,832)	(9,355,800)
Stock based compensation	-	-	292,656	-	-	-	292,656	-	292,656
Common shares issued for cash pursuant to private placement	625,000	-	-	-	-	-	625,000	-	625,000
Flow through shares issued for cash pursuant to private placement	3,102,654	-	-	-	-	-	3,102,654	-	3,102,654
Units issued for cash pursuant to private placement	2,252,714	471,186	-	-	-	-	2,723,900	-	2,723,900
Unrealized loss on available-for-sale investments	-	-	-	-	(36,337)	-	(36,337)	-	(36,337)
Warrants expired during the year	-	(1,738,323)	1,591,470	-	-	-	(146,853)	-	(146,853)
Cumulative unrealized gains on permanently impaired available for sale investments transferred to profit and loss	-	-	-	-	67,500	-	67,500	-	67,500
Cumulative unrealized gains on available for sale investments transferred to profit and loss upon sale	-	-	-	-	878	-	878	-	878
Funding contributions by New Jersey Mining Company	-	-	-	-	-	-	-	6,526	6,526
Currency translation adjustment	-	-	-	-	567,766	-	567,766	458,347	1,026,113
Share issue costs	(646,420)	164,121	-	-	-	-	(482,299)	-	(482,299)
Balance – December 31, 2014	**46,796,662**	**635,307**	**9,823,147**	**(13,458,005)**	**859,173**	**85,023**	**44,741,307**	**1,588,367**	**46,329,674**

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 $13.5 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, 2014 through the use of existing cash and from five private placements of equity securities in the form of common shares, flow-through shares, and units which generated aggregate gross cash proceeds of $6,542,132. In addition, management will continue to seek additional financing opportunities in order to raise necessary funds for the advancement of its properties. However there can be no assurance that the Company will be successful in these efforts.

2) GENERAL INFORMATION

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

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

Marathon is domiciled in Canada and its registered address is 357 Bay Street, Suite 800, Toronto, Ontario M5H 2T7.

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") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants Canada Handbook. 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 27, 2015.

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 Golden Chest LLC, an entity domiciled and carrying on business in the United States in which Marathon holds 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) Assets held for sale

Assets are classified as held for sale when the carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

i) 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.

j) Stock-based compensation

Marathon has a stock option plan which is described in note 13. 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.

k) 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, cash and loan receivable from New Jersey Mining Inc., 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.

l) 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.

m) 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.

n) 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.

o) Share capital

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

p) Accounting standards adopted in the year

The following standards have been adopted by Marathon for the first time for the financial year beginning on January 1, 2014 and have an impact on the Company:

In May 2013, the IASB issued IFRIC 21, *'Levies'*, which sets out the accounting for the obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to the recognition of a liability to pay a levy. The Company assessed the impact of IFRIC 21 and concluded that it had no impact on the Company's financial statements.
Amendments to IAS 36, *'Impairment of Assets'*, on the recoverable amount disclosures for non-financial assets. The amendment removed certain disclosures of the recoverable amount of CGUs

which had been included in IAS 36 by issue of IFRS 13. The amendment had no impact on the Company's financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2014 are not material to the Company.

q) Future accounting pronouncements

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except for the following set out below.

IFRS 9 Financial Instruments

IFRS 9, *'Financial instruments'*, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through Other comprehensive income "OCI"), and fair value through profit and loss ("P&L"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through P&L. IFRS 9 relaxes the requirements for hedge effectiveness by replacing "bright line" hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. Marathon is evaluating the effect of IFRS 9 on its financial statements.

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.

c) Assets held for sale

The determination to reclassify assets and associated liabilities as held for sale is based on the existence of a plan to sell the related assets and the assessment that it is highly likely that a sale can be concluded successfully within a year of such reclassification. In addition, the estimation of recoverable value less costs to sell is the result of a number of judgments by management based on information available to it at the time the estimate is made. Actual proceeds realized upon a successful sale of assets classified as held for sale could differ from the estimates reflected in these financial statements, and the difference could be material. In addition, there is no assurance that management will actually complete such a sale within a year.

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 2013 and 2014 are detailed in note 13 to the consolidated financial statements.

e) Warrant investments

Warrants held as investments are measured at fair value using the Black-Scholes option pricing model. The fair value estimates derived through the use of this model are subject to the use of subjective assumptions similar to those described for stock based compensation.

6) MINERAL EXPLORATION AND EVALUATION ASSETS

	Valentine Lake Gold Project, Newfoundland	Golden Chest Project, Idaho USA	Bonanza Mine Project, Oregon USA	
	Total			Total
	$	$	$	$
Balance – January 1, 2013	**33,100,219**	**4,797,905**	**613,609**	**38,511,733**
Property acquisition costs	-	205,196	-	205,196
Deferred exploration costs	2,705,762	250,610	-	2,956,372
Acquisition of net assets of Golden Chest LLC	-	5,056,632	-	5,056,632
Option payment received (note 6(b))	-	(52,650)	-	(52,650)
Advance royalty received (note 6(b))	-	(211,900)	-	(211,900)
Currency translation adjustment	-	512,625	42,371	554,996
Balance – December 31, 2013	**35,805,981**	**10,558,418**	**655,980**	**47,020,379**
Property acquisition costs	25,240	-	-	25,240
Deferred exploration costs	3,574,726	18,289	-	3,593,015
Currency translation adjustment	-	958,795	59,516	1,018,311
Reclassified to assets held for sale (note 7)	-	(11,535,502)	-	(11,535,502)
Balance – December 31, 2014	**39,405,947**	**-**	**715,496**	**40,121,443**

a) Valentine Lake gold property, Newfoundland

The Valentine Lake property is subject to two overlapping agreements, which cover the claims which comprise the Leprechaun Gold Deposit and the Victory Gold Deposit but not the entire Valentine Lake property.

The Reid Newfoundland Company retains a 7.5% net profits interest (“NPI”). In addition, Xstrata Canada Corporation retains a 2% net smelter return royalty (“NSR”) on base metals and a 3% NSR on precious metals, which 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, and
- An amount becoming payable under the terms of the Reid NPI.

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

b) Golden Chest gold property, Idaho

At all times in the period from January 1, 2013 through May 22, 2013 Marathon held an undivided 50% interest in Golden Chest LLC ("GCLLC"), a company formed to hold a 100% interest in the Golden Chest gold property located near Kellogg, Idaho. Exploration activity at the Golden Chest property is carried out by New Jersey Mining Company ("NJMC"), the manager of the project.

Prior to May 22, 2013, Marathon and NJMC had each contributed cash and other assets to GCLLC with fair values amounting to US $4,922,000. On May 22, 2013, Marathon provided funding amounting to US $50,000 to GCLLC pursuant to a cash call presented by NJMC, for which NJMC elected not to fund its proportionate share. The default by NJMC in funding the operations of GCLLC resulted in Marathon's interest in GCLLC increasing to 50.50%, resulting in Marathon acquiring effective control of the project. Accordingly, Marathon began to consolidate the operating results, financial position and cash flows of GCLLC with effect from May 22, 2013.

The acquisition of control was treated for accounting purposes as an asset purchase, with the fair values of the net assets acquired estimated by Marathon using a cost approach due to the nature of the net assets acquired.

On several dates in the period from June 13, 2013 to July 3, 2013, Marathon provided funding amounting to US $175,000 pursuant to cash calls issued by NJMC for which NJMC elected not to contribute its proportionate share. These defaults by NJMC resulted in Marathon's interest in GCLLC increasing to 52.22%. Marathon recognized a gain of $85,023 from the resulting reduction of NJMC's non-controlling interest, which was charged to Other reserve.

GCLLC is earning a 100% interest in certain patented mining claims which make up a portion of the Golden Chest property by making payments to the original vendor of the property against a non-interest bearing promissory note (the Beasley note). GCLLC's payment commitments with respect to this promissory note are outlined below.

Year ending December 31:	Amounts Due US $
2015	500,000
2016	500,000
2017	500,000
2018	125,000
	1,625,000

This note is without recourse to GCLLC, NJMC, and Marathon. In the event that GCLLC were unable to continue to make the vendor payments stipulated by the note, it would forfeit its interests in these claims.

On March 13, 2015 Juniper paid the installment of US $125,000 due on the Beasley Note.

On September 3, 2013, GCLLC entered into an option agreement with Juniper Resources, a private mining company based in Idaho, pursuant to which Juniper had the right to lease a section of the Golden Chest property to mine for its own account over a period of up to three years. Under the terms of the agreement, Juniper made an initial payment of US $50,000 to Marathon and NJMC in advance of conducting due diligence on the property and had the right to exercise its lease option on the property no later than November 30, 2013.

On November 26, 2013, Juniper exercised its option and paid Marathon and NJMC an advance royalty of US $200,000. Under the terms of the option agreement, the following monies became payable at various points over the life of the agreement, for so long as Juniper conducts mining operations on the property:

1) an immediate advance royalty to Marathon and NJMC of US $200,000, payable in proportion to the interest of each partner in GCLLC at the time the payment is made, which payment was made on November 27, 2013;
2) the payment of quarterly installments due on the promissory note referred to above, commencing December 15, 2013; and
3) the payment of a 2% NSR royalty.

In December 2014, Marathon reclassified the assets and liabilities of GCLLC as held for sale. The facts and circumstances which led Marathon to this action are described in note 7 to these financial statements.

c) 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% net smelter returns 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

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

At December 31, 2014, Marathon still had ownership of 52.22% of GCLLC and consider that the assets and liabilities related to GCLLC meet the criteria to be classified as a disposal group held for sale. Accordingly, Marathon has presented the results of GCLLC 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 further below, are reported separately from the results of continuing operations.

	2014	2013
	$	$
Expenses		
Impairment charge	**8,212,288**	-
Loss before tax	**8,212,288**	-
Income taxes	**-**	-
Loss for the year	**8,212,288**	-

At December 31, 2014, accumulated currency translation adjustments related to the assets and liabilities of GCLLC and disclosed within Other comprehensive income amounted to $761,953.

All related assets and liabilities have been presented as held for sale in the Consolidated Balance Sheet at December 31, 2014.

Assets and liabilities of the disposal group:

	2014	2013
	$	$
Assets:		
Current assets:		
Cash	488	-
Prepaids and deposits	8,391	-
	8,879	-
Mineral exploration and evaluation assets	3,323,214	-
Property, plant and equipment	40,001	-
Total assets	**3,372,094**	**-**
Liabilities:		
Current liabilities:		
Trade payables	29,452	-
Total liabilities	**29,452**	**-**

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.

	2014	2013
	$	$
Cash used in operating activities:		
Loss for the year	**(8,212,288)**	-
Non-cash impairment charge	**8,212,288**	-
	-	-
Cash from financing activities:		
Cash contributions from New Jersey Mining Company	**6,526**	76,852
Proceeds on disposal of property, plant and equipment	**-**	36,397
	6,526	113,249
Cash used in investing activities:		
Repayment of short term loan	**-**	62,427
Cash acquired upon acquisition of GCLLC	**-**	32,056
Expenditures on mineral exploration and evaluation assets	**(20,772)**	(401,262)
	(20,772)	(306,779)
Decrease in cash	**(14,246)**	(193,530)

As a result of Marathon’s decision to realize value through a sale transaction as opposed to further development of Golden Chest, Marathon conducted an analysis of the carrying value of the Golden Chest property and estimated the fair value less costs of disposal of the Golden Chest property at $3,323,214. This estimate was based on an analysis of the market values of a number of junior mining properties in a similar stage of exploration situated in North America, focused exclusively on gold and silver, and exhibiting gold grades and resource magnitudes comparable to Golden Chest. Consequently, Marathon recognized and charged to operations an impairment loss related to this discontinued operation amounting to $8,212,288, of which $3,923,832 was attributable to NJMC’s non-controlling interest in GCLLC.

At December 31, 2014, Marathon’s net economic interest in the net assets of GCLLC amounted to $1,754,275, comprised as follows:

	$
Assets	3,372,094
Trade payables	(29,452)
Non-controlling interest	(1,588,367)
Net	1,754,275

8) INVESTMENTS

Marathon's investments at December 31, 2014 are summarized below.

Description	Quantity	Fair Value December 31 2014	Fair Value December 31 2013
		$	$
Mountain Lake Minerals Inc.:			
• Common shares	1,500,000	**7,500**	30,000
New Jersey Mining Company:			
• Common shares	1,938,068	**170,200**	189,321
		177,700	**219,321**

Mountain Lake Minerals Inc.:

Marathon's investment in common shares of MLM was valued at the closing trading price of the shares on the Canadian National Stock Exchange on December 31, 2014.

New Jersey Mining Company:

Marathon's investment in common shares of NJMC was valued at the closing trading price of the shares on the OTC Bulletin Board on December 31, 2014.

At December 31, 2014, Marathon assessed the decline in the value of its available for sale investment in the common shares of Mountain Lake Minerals as being other than temporary and charged $67,500 in unrealized losses incurred in 2013 and 2014 to operations.

On January 21, 2015, Marathon disposed of its investment in New Jersey Mining Company for cash proceeds of $190,743.

9) 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, 2014 and 2013.

	December 31 2014	December 31 2013
	$	$
Loans and receivables		
Cash	**2,706,129**	1,185,351
	2,706,129	1,185,351
Available for sale		
Investment in equity securities	**177,700**	219,321
	177,700	219,321
Other financial liabilities		
Trade payables due within 12 months	**(188,487)**	(175,937)
	(188,487)	(175,937)

The carrying values of Marathon's cash, trade receivables, loans, and trade payables approximate fair value. The methods used to estimate the fair value of Marathon's investments in warrants and equity securities are detailed in note 8 to the financial statements.

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).

There were no transfers between levels 1, 2 or 3 during the year.

	2014	2013
	$	$
Level 1		
Investment in equity securities	**177,700**	219,321

10) 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.

11) 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, 2013	**59,939,411**	**41,051,338**
Issued pursuant to a private placement (i)	1,176,470	250,000
Share issue costs	-	(18,719)
Deferred income taxes related to share issue costs	-	180,095
Balance – December 31, 2013	**61,115,881**	**41,462,714**
Flow through shares issued pursuant to private placement (ii)	1,456,300	422,327
Common shares issued pursuant to private placement (i)	797,448	250,000
Units issued pursuant to private placement (iii)	2,561,283	847,529
Flow through shares issued pursuant to private placement (iii)	20,000	5,600
Common shares issued pursuant to private placement (i)	760,340	375,000
Flow through shares issued pursuant to private placement (iv)	4,863,140	2,674,727
Units issued pursuant to private placement (iv)	3,450,000	1,405,185
Share issue costs	-	(646,420)
Balance – December 31, 2014	**75,024,392**	**46,796,662**

i) On December 11, 2013, Marathon entered into a subscription agreement with Rambler Metals & Mining plc ("Rambler") (the "Rambler Subscription"). Under the terms of the Rambler Subscription, Rambler agreed irrevocably to subscribe for common shares of Marathon for gross proceeds of $500,000, as follows:

   a. 1,176,470 shares at a price of $0.2125 per share, for gross proceeds of $250,000 (the "First Tranche), which closed on December 11, 2013, and
   b. That number of common shares equal to $250,000 (the "Second Tranche") at a subscription price calculated as a 10% premium to the greater of the volume weighted average price ("VWAP") for Marathon's common shares for the 60 and 5 trading days ending on the date prior to Rambler giving notice of its intention

to subscribe under the Second Tranche, with the closing of the Second Tranche to occur no later than April 30, 2014.

In addition, Marathon granted Rambler an option, exercisable in its sole discretion, to subscribe for additional shares amounting to gross proceeds of $1,500,000 in four quarterly tranches, as follows:

c. $375,000 at any time in the period from May 1, 2014 to July 31, 2014;
d. $375,000 at any time in the period from August 1, 2014 to October 31, 2014;
e. $375,000 at any time in the period from November 1, 2014 to January 31, 2015; and
f. $375,000 at any time in the period from February 1, 2015 to April 30, 2014,

with the number of shares issuable upon the exercise of each individual quarterly option equal to $375,000 at a subscription price calculated as a 10% discount to the greater of the VWAP for Marathon's common shares for the 60 and 5 trading days ending on the date prior to Rambler giving notice of its intention to exercise its option. Marathon has not attributed a value to this option.

Finally, Marathon granted Rambler a pre-emptive right to participate in subsequent financings by Marathon in the period from May 1, 2014 to March 31, 2016, except if by exercising such right Rambler would increase its investment in the common shares of Marathon over 20%. Marathon has not attributed a value to this pre-emptive right.

On April 2, 2014, Marathon closed a private placement of 797,448 common shares at a price of $0.3135 per share, for total gross proceeds of $250,000 pursuant to the subscription of the Second Tranche by Rambler.

On August 5, 2014, Marathon closed a private placement of 760,340 common shares at a price of $0.4932 per share, for total gross proceeds of $375,000 pursuant to the exercise by Rambler of the first of the subscription rights described above.

ii) On February 7, 2014, Marathon closed a private placement of 1,456,300 flow-through common shares at a price of $0.35 per share, for total gross proceeds of $509,705.

The gross proceeds of the offering of flow-through shares were allocated between Share capital and Flow-through share tax liability using the residual method, which resulted in $87,378 of gross proceeds being allocated to the liability portion of this financing.

Marathon incurred costs in connection with this offering of $11,111, of which $1,903 was attributed to the flow-through tax liability on a pro rata basis and charged to operations.

iii) In May 2014, Marathon issued pursuant to a private placement a total of 2,561,283 units at a price of $0.39 per unit and 20,000 flow-through common shares at a price of $0.44 per share, for total gross proceeds of $1,007,700.

The gross proceeds of the offering of flow-through shares were allocated between Share capital and Flow-through share tax liability using the residual method, which resulted in $3,200 of gross proceeds being allocated to the liability portion of this financing.

Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant exercisable at a price of $0.50 per share and expiring two years after issue. The gross proceeds of the offering of units were allocated between Share capital and Warrants on the basis of relative fair value, which resulted in $151,371 in proceeds being allocated to Warrants.

Marathon incurred costs incurred in connection with this offering of $68,549, including $48,000 in finder's fees and $12,683 related to the fair value of broker compensation warrants.

iv) On August 21, 2014, Marathon closed a private placement of 4,863,140 flow through common shares at a price of $0.55 per flow through share and 3,450,000 units at a price of $0.50, for total aggregate gross proceeds of $4,399,727.

Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant exercisable at a price of $0.75 per share and expiring two years after issue. The gross proceeds of the offering of units were allocated between Share capital and Warrants on the basis of relative fair value, which resulted in $319,815 in proceeds being allocated to Warrants.

Marathon incurred costs incurred in connection with this offering of $568,662, including $263,984 in broker commissions and $151,438 related to the fair value of broker compensation warrants.

v) Rambler did not exercise the second of the four subscription rights, described in note 11(b)(i)(d), either during the year ended December 31, 2014 or subsequently to the date of these financial statements, and this right has expired.

vi) At December 31, 2014 and subsequently to the date of these financial statements, Rambler had not given notice of its intent to exercise the third of the four subscription rights granted under the Rambler Subscription, which expired on January 31, 2015. Rambler is entitled to

extend this subscription right with a revised and final expiry date of April 30, 2015, but the exercise of this extended right is subject to the consent of Marathon.

12) WARRANTS

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

	Number	Value
		$
Balance – January 1, 2013	**6,748,751**	**1,999,401**
Expired	(1,486,650)	(261,078)
Balance – December 31, 2013	**5,262,101**	**1,738,323**
Issued pursuant to private placement [a]	1,280,641	151,371
Broker compensation warrants issued [a]	123,076	12,683
Issued pursuant to private placement [b]	1,725,000	319,815
Broker compensation warrants issued [b]	485,228	151,438
Expired	(5,262,101)	(1,738,323)
Balance – December 31, 2014	**3,613,945**	**635,307**

The share purchase and broker compensation warrants outstanding at December 31, 2014 are set out below.

Exercise price	Number of warrants	Expiry date
$0.39	123,076	May 12, 2016
$0.50	1,090,641	May 12, 2016
$0.50	190,000	May 16, 2016
$0.75	1,725,000	August 21, 2016
$0.55	485,228	February 21, 2016
$0.62	**3,613,945**	

(a) Pursuant to a private placement which closed in two tranches on May 12 and May 16, 2014, Marathon issued a total of 1,280,641 share purchase warrants exercisable at a price of $0.50 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 assumptions:

- risk free interest rate of 1.05%;
- expected dividend yield of nil;
- expected volatility of 80%; and
- expected term of 2 years,

which yielded an estimated fair value of $0.118 per warrant.

In addition, Marathon issued a total of 123,076 broker compensation warrants exercisable at a price of $0.39 per share and expiring on May 12, 2016. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

- risk free interest rate of 1.05%;
- expected dividend yield of nil;
- expected volatility of 80%; and
- expected term of 2 years,

which yielded an estimated fair value of $0.103 per warrant.

(b) Pursuant to a private placement which closed on August 21, 2014 Marathon issued a total of 1,725,000 share purchase warrants exercisable at a price of $0.75 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 assumptions:

- risk free interest rate of 1.03%;
- expected dividend yield of nil;
- expected volatility of 100%; and
- expected term of 2 years,

which yielded an estimated fair value of $0.185 per warrant.

In addition, Marathon issued a total of 485,228 broker compensation warrants exercisable at a price of $0.55 per share and expiring on February 21, 2016. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

- risk free interest rate of 1.03%;
- expected dividend yield of nil;
- expected volatility of 100%; and
- expected term of 1.5 years,

which yielded an estimated fair value of $0.312 per warrant.

13) 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, 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, 2014		Year ended December 31, 2013	
	Number	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
		$		$
Balance - beginning of year	**5,368,000**	**0.99**	4,276,000	1.14
Granted in the period	1,668,500	0.35	1,354,000	0.50
Expired	(446,000)	0.82	(262,000)	0.97
Balance – end of year	**6,590,500**	**0.84**	5,368,000	0.99

Options to purchase common shares outstanding at December 31, 2014 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Options Outstanding and exercisable	Contract Life (years)
$		
1.61	1,655,000	0.96
1.28	65,000	1.67
1.18	547,000	1.97
0.65	1,438,000	2.59
0.52	1,157,000	3.05
0.26	110,000	3.68
0.32	820,000	4.15
0.39	798,500	4.52
0.84	**6,590,500**	**2.65**

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:

	2014	2013
Risk free interest rate	**1.10%**	1.12%
Dividend rate	**Nil**	Nil
Volatility	**90%**	80%
Expected life	**3 years**	1 year
Weighted average fair value per option granted in the year	**$0.18**	$0.15

Marathon recognized total stock based compensation costs of $292,656 in the year ended December 31, 2014 (2013 - $208,591), of which $198,274 was charged to operations (2013 - $157,868) and $94,382 (2013 - $50,723) was capitalized as a component of Marathon's mineral exploration and evaluation assets.

14) EXPLORATION EXPENSES

	2014	2013
	$	$
Baie Verte Property, Newfoundland		
Claim acquisition costs	**50**	3,185
Other	**-**	676
	50	3,861
Finger Pond Property, Newfoundland		
Claim acquisition costs	**-**	10,000
Forfeiture of security deposits	**5,186**	-
Prospecting	**-**	101,189
Assaying	**-**	5,226
	5,186	116,415
Bonanza Property, Oregon		
Claim acquisition and renewal costs	**18,098**	16,867
Property taxes	**676**	642
	18,774	17,509
	24,010	137,785

15) GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
	$	$
Wages, salaries and benefits (note 16)	**486,859**	618,145
Professional fees	**83,162**	113,158
Investor relations	**132,888**	109,761
Depreciation	**40,771**	54,242
Other expenses	**271,555**	305,448
Stock based compensation charged to operations (note 13)	**198,274**	157,868
	1,213,509	1,358,622

16) WAGES, SALARIES AND BENEFITS

	2014	2013
	$	$
Fees, salaries and wages paid to employees, key management and directors (note 20)	**1,410,820**	1,274,773
Social security benefits	**123,796**	103,038
	1,534,616	1,377,811
Charged to general and administrative expenses	486,859	618,145
Charged to exploration expenses	-	12,601
Capitalized as a component of exploration and evaluation assets	1,047,757	747,065
	1,534,616	1,377,811

17) 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:

	2014	2013
	$	$
Loss before tax attributable to owners of Marathon Gold at statutory tax rate of 26.5% (2013 – 26.5%)	**(2,518,202)**	(389,850)
Difference in foreign tax rates	**(699,642)**	-
Release of flow-through share tax liability	**-**	(77,460)
Change in losses not previously recognized	**2,860,733**	378,647
Permanent differences	**210,258**	191,298
Total tax expense (recovery)	**(146,853)**	102,635

	2014	2013
	$	$
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	**1,060,390**	1,083,994
Deferred tax assets to be recovered within 12 months	**-**	-
	1,060,390	1,083,994
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	**(1,060,390)**	(1,083,994)
Deferred tax liabilities to be settled within 12 months	**-**	-
	(1,060,390)	(1,083,994)
Deferred tax assets – net	**-**	-

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

	Mineral properties	**Warrant expiry**	**Total**
	$	$	$
Deferred tax liabilities:			
At January 1, 2013	**(726,597)**	**(66,830)**	**(793,427)**
(Charged) Credited to the income statement	(357,397)	66,830	(290,567)
At December 31, 2013	**(1,083,994)**	**-**	**(1,083,994)**
Charged to the income statement	23,604	-	23,604
At December 31, 2014	**(1,060,390)**	**-**	**(1,060,390)**

	Losses	**Total**
	$	$
Deferred tax assets:		
At January 1, 2013	**793,427**	**793,427**
Charged to the income statement	290,567	290,567
At December 31, 2013	**1,083,994**	**1,083,994**
Credited to the income statement	(23,604)	(23,604)
At December 31, 2014	**1,060,390**	**1,060,390**

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.

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

	2014	2013
	$	$
Losses carried forward - Canada	**5,488,602**	4,740,565
Losses carried forward - US	**2,565,416**	2,387,051
Exploration and development expenditures	**1,364,331**	1,445,025
Share issue costs	**1,341,104**	1,520,808
Investments	**511,512**	485,639
Property plant and equipment	**223,256**	182,486
	11,494,221	10,761,574

Tax losses carried forward expire between 2015 and 2035, and share issue costs will be deducted between 2015 and 2019. Other unrecognized deductible temporary differences do not expire.

18) NON-CONTROLLING INTEREST

The non-controlling interest relates to Marathon's interest in GCLLC and represents the 47.78% interest of NJMC in GCLLC. As explained in note 6(b), Marathon acquired control of GCLLC on May 22, 2013 and began at that time to consolidate the financial results of GCLLC based on its initial 50.50% interest, which increased subsequently to 52.22%. Marathon's voting interest at December 31, 2013 and 2014 was 52.22%.

The movement in the non-controlling interest in the years ended December 31, 2013 and 2014 is set out below.

	$
At January 1, 2013	-
Recognized upon acquisition of control (note 6(b))	5,020,857
Dilution of GCLLC's interest	(87,509)
NJMC's share of funding of GCLLC from May 22, 2013 to December 31, 2013	76,852
NJMC's share of option premium and advance royalty received in respect of the property lease agreement with Juniper Resources	(126,403)
Currency translation adjustment	163,529
At December 31, 2013	**5,047,326**
NJMC's share of funding of GCLLC from January 1, 2014 to December 31, 2014	6,526
NJMC's share of impairment write-down on the Golden Chest property	(3,923,832)
Currency translation adjustment	458,347
At December 31, 2014	**1,588,367**

Other than the write-down of the Golden Chest property (note 7), GCLLC had no profit or loss attributable to either Marathon or NJMC in the years ended December 31, 2014 and 2013. The net assets and summarized cash flows of GCLLC at and for the year ended December 31, 2014 and the period from May 23, 2013 to December 31, 2013, which form part of Marathon's consolidated balance sheet and statement of cash flows from discontinued operations for each period respectively, are summarized below.

Summarized balance sheet:	2014	2013
	$	$
Assets		
Cash	**488**	7,607
Prepaids and deposits	**8,391**	6,950
	8,879	14,457
Property, plant and equipment	**40,001**	37,100
Mineral exploration and evaluation assets	**3,323,214**	10,558,418
Total assets	**3,372,094**	10,609,975
Liabilities		
Trade payables	**(29,452)**	(29,599)
Total liabilities	**(29,452)**	(29,599)
Net assets	**3,342,642**	10,543,276

Summarized cash flows:	2014	2013
		$
Cash from financing activities:		
Proceeds on disposal of equipment	**-**	36,397
Capital contributions by Marathon and NJMC	**13,653**	340,416
	13,653	376,988
Cash used in investing activities:		
Cash expenditures on Golden Chest property	**(20,772)**	(401,262)
	(20,772)	(401,262)
Decrease in cash	**(7,119)**	(24,449)
Cash – beginning of period	**7,607**	32,056
Cash – end of period	**488**	7,607

19) COMMITMENTS

Operating leases

Marathon has the following commitments under operating leases.

Year ending December 31	$
2015	143,880
2016	144,084
2017	20,220
2018	2,314
Thereafter	-
	310,498

20) RELATED PARTY TRANSACTIONS

Key management

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

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

	2014	2013
	$	$
Salaries paid to officers	**482,333**	480,436
Fees paid to directors	**102,333**	124,245
Stock based compensation	**238,563**	176,846
	823,229	781,527