MARATHON GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2013 AND 2012

March 26, 2014

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 26, 2014

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 statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of operations and comprehensive loss, cash flow and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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"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, 2013 and 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describe matters and conditions that indicate the existence of a material 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
(Expressed in Canadian dollars)

	December 31 2013 $	December 31 2012 $
Assets		
Current assets		
Cash	**1,185,351**	5,187,475
Amounts receivable	**108,808**	180,705
Loan receivable	**-**	62,427
Prepaids and deposits	**56,227**	243,395
	1,350,386	5,674,002
Non-current assets		
Investments (note 7)	**219,321**	277,188
Property, plant and equipment	**91,587**	108,729
Mineral exploration and evaluation assets (note 6)	**47,020,379**	38,511,733
Total assets	**48,681,673**	44,571,652
Liabilities		
Current liabilities		
Trade payables	**175,937**	505,132
Flow-through share tax liability (notes 10(b)(i),(ii) and (v))	**-**	77,460
Total liabilities	**175,937**	582,592
Equity attributable to owners (notes 10, 11, and 12)	**43,458,410**	43,989,060
Non-controlling interest in subsidiary	**5,047,326**	-
	48,505,736	43,989,060
Total liabilities and shareholders' equity	**48,681,673**	44,571,652

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 and Comprehensive Loss
For the years ended December 31, 2013 and 2012
(Expressed in Canadian dollars)

	2013	2012
	$	$
Expenses:		
Exploration expenses (note 13)	**137,785**	427,599
General and administrative expenses (note 14)	**1,358,622**	1,812,862
Other expense	**-**	9,356
Interest income	**(29,050)**	(48,520)
Unrealized loss on investments	**3,208**	392,516
Foreign exchange loss	**568**	1,785
Loss before taxes	**1,471,133**	2,595,598
Income taxes (note 16)	**102,635**	(1,334,075)
Loss for the year	**1,573,768**	1,261,523
Other comprehensive loss (income):		
Items that may be reclassified subsequently to net loss (income):		
Currency translation adjustment	**(556,316)**	115,197
Unrealized loss in fair value of investments classified as available for sale	**54,659**	-
Cumulative unrealized gains on available for sale investments transferred to profit and loss	**-**	145,520
Comprehensive loss for the year	**1,072,111**	1,522,240
Attributable to:		
Owners of Marathon Gold Corporation	**1,235,640**	1,522,240
Non-controlling interest	**(163,529)**	-
	1,072,111	1,522,240
Basic and diluted loss per share	**0.03**	0.03
Weighted average number of common shares outstanding	**60,007,098**	40,177,936

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

Marathon Gold Corporation
Consolidated Statements of Cash Flow
For the years ended December 31, 2013 and 2012
(Expressed in Canadian dollars)

	2013	2012
	$	$
Cash flows used in operating activities		
Loss for the year	**(1,573,768)**	(1,261,523)
Add (deduct) items not involving cash		
Income taxes	**102,635**	(1,334,075)
Unrealized loss on investments	**3,208**	392,516
Depreciation	**54,242**	65,929
Stock-based compensation charged to operations (notes 12 and 14)	**157,868**	253,503
	(1,255,815)	(1,883,650)
Changes in non-cash working capital items		
Decrease in amounts receivable	**71,897**	127,116
Decrease in prepaid expenses	**191,179**	187,797
Decrease in accounts payable	**(430,646)**	(42,168)
Increase in Flow-through share tax liability	**-**	77,460
	(1,423,385)	(1,533,445)
Cash flows from financing activities		
Proceeds from issuance of common shares (note 10)	**250,000**	5,373,505
Share issue costs	**-**	(495,469)
Option premiums received (note 6(b))	**138,148**	-
Proceeds on disposal of fixed assets	**36,397**	-
	424,545	4,878,036
Cash flows used in investing activities		
Cash acquired upon acquisition of the net assets of Golden Chest LLC	**32,056**	-
Purchase of investment	**-**	(300,000)
Short term loan	**62,427**	(61,944)
Purchase of capital assets	**-**	(77,691)
Expenditures on exploration and evaluation assets	**(3,197,767)**	(7,362,727)
Government assistance	**100,000**	100,000
	(3,003,284)	(7,702,362)
Decrease in cash	**(4,002,124)**	(4,357,771)
Cash– beginning of year	**5,187,475**	9,545,246
Cash– end of year	**1,185,351**	5,187,475

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, 2013 and 2012
(Expressed in Canadian dollars)

	Share Capital (note 10)	Warrants (note 11)	Contributed Surplus (note 12)	Deficit	Accumulated Other Comprehensive Income	Other reserve	Equity attributable to owners of Marathon Gold Corporation	Non-Controlling Interest	Total Shareholders' Equity
	$	$	$	$	$	$	$	$	$
Balance – January 1, 2012	**20,255,563**	**1,256,644**	**7,123,852**	**(5,190,746)**	**181,955**	**-**	**23,627,268**	**-**	**23,627,268**
Loss for the year	-	-	-	(1,261,523)	-	-	**(1,261,523)**	-	**(1,261,523)**
Stock based compensation	-	-	345,500	-	-	-	**345,500**	-	**345,500**
Cumulative unrealized gains on permanently impaired available for sale investments transferred to profit and loss	-	-	-	-	(145,520)	-	**(145,520)**	-	**(145,520)**
Currency translation adjustment	-	-	-	-	(115,197)	-	**(115,197)**	-	**(115,197)**
Common shares issued pursuant to acquisition of net assets of Mountain Lake Resources Inc.	16,247,669	-	-	-	-	-	**16,247,669**	-	**16,247,669**
Warrant obligations assumed pursuant to acquisition of net assets of Mountain Lake Resources Inc.	-	112,827	-	-	-	-	**112,827**	-	**112,827**
Common shares issued in payment of advisory fees	300,000	-	-	-	-	-	**300,000**	-	**300,000**
Flow-through shares issued for cash pursuant to private placement, net of amounts transferred to Flow-through share tax liability	2,362,530	-	-	-	-	-	**2,362,530**	-	**2,362,530**
Common share units issued for cash pursuant to private placement	2,534,632	476,343	-	-	-	-	**3,010,975**	-	**3,010,975**
Broker warrants	-	153,587	-	-	-	-	**153,587**	-	**153,587**
Share issue costs	(649,056)	-	-	-	-	-	**(649,056)**	-	**(649,056)**
Balance – December 31, 2012	**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**

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 $8.0 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, 2013 through the use of existing cash and from a private placement of equity securities which generated gross cash proceeds of $250,000. 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, including the further development of the Valentine Lake Project in the Province of Newfoundland and Labrador in eastern Canada, the Golden Chest Project in Idaho, USA, and the Bonanza Project in Oregon, USA.

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 26, 2014.

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 warrant derivatives 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) 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.

h) Stock-based compensation

Marathon has a stock option plan which is described in note 12. The fair value of stock options awarded to employees, directors and non-employees is measured at the date the options are granted using the Black-Scholes option pricing model and charged to operations or mineral properties and deferred exploration costs as the options vest. Currently, Marathon grants options

with immediate vesting and consequently does not consider forfeitures of options prior to their exercise in the determination of compensation expense for the year.

i) 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.

i) 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.

j) 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 makes the renunciation – 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.

k) 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.

l) Share capital

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

m) Accounting standards adopted in the year

Marathon adopted the following new and revised accounting standards, with effect from January 1, 2013.

IFRS 10 - Consolidated Financial Statements

IFRS 10, *Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

Marathon assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11 - Joint Arrangements

IFRS 11, *Joint Arrangements*, supersedes IAS 31, *Interests in Joint Ventures,* and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, *Investments in Associates and Joint Ventures (amended in 2011).* The other amendments to IAS 28 did not affect the Company.

Marathon assessed the applicability of this standard to its accounting for its investment in Golden Chest LLC and concluded that no change was required with respect to IFRS 11.

IFRS 13 - Fair Value Measurement

IFRS 13, *Fair Value Measurement,* provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1 Amendment – Presentation of Items of Other Comprehensive Income

Marathon has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. Marathon has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

n) Future accounting pronouncements

IFRS 9 Financial Instruments

IFRS 9, *Financial Instruments*, was issued by the IASB and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such

instruments remain in accumulated comprehensive income (loss) indefinitely. Requirements for financial liabilities are included in IFRS 9 and they largely carry forward existing requirements from IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income (loss). IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impairment and classification and measurement requirements. The Company is currently evaluating the impact of IFRS 9 on its consolidated 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) 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 2012 and 2013 are detailed in note 12 to the consolidated financial statements.

c) 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.

The key assumptions used to estimate the fair value of this investment are detailed in note 7 to the consolidated financial statements.

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, 2012	**10,092,058**	**4,068,000**	**616,444**	**14,776,502**
Property acquisition costs	16,771,320	-	-	16,771,320
Deferred exploration costs	6,236,841	834,436	10,632	7,081,909
Currency translation adjustment	-	(104,531)	(13,467)	(117,998)
Balance – December 31, 2012	**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 (note 6 (b))	-	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**

a) Valentine Lake gold property, Newfoundland

At January 1, 2012 Marathon held an undivided 50% interest in the Valentine Lake project, with the remaining 50% held by Mountain Lake Resources Ltd. ("MOA").

On July 9, 2012, Marathon completed the purchase of the net assets of MOA pursuant to an arrangement agreement (the "Arrangement"), which resulted in Marathon increasing its ownership of the Valentine Lake project to 100%. A total of 20,309,586 common shares of Marathon were

exchanged for the common shares of MOA on the basis of 0.40 common shares of Marathon for each MOA share. The fair value of the net assets of MOA acquired is set out below.

	July 9 2012 $
Cash	45,261
Amounts receivable	50,734
Prepaid expenses	69,725
Mineral exploration and evaluation assets	16,769,870
Trade payables	(11,367)
Net assets acquired	16,924,223

The acquisition cost was comprised as follows:

	$
Common shares issued	16,247,669
Warrant obligations assumed	112,827
Professional fees and other transaction costs	563,727
	16,924,223

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, 2012 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 fair values of the net assets acquired were estimated by Marathon using a cost approach due to the nature of the net assets acquired. The estimated fair values of the assets and liabilities acquired are set out below.

	$
Cash	32,056
Prepaid expenses	4,203
Capital assets	67,771
Mineral exploration and evaluation assets	10,178,921
Trade payables	(139,804)
	10,143,147

The acquisition of the net assets of GCLLC was financed by:	
Marathon's investment in GCLLC prior to May 22, 2013	5,070,820
Marathon's investment in GCLLC May 22, 2013	51,470
Non-controlling interest	5,020,857
	10,143,147

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. GCLLC's payment commitments with respect to this promissory note are outlined below.

Year ending December 31:	Amounts Due
	US $
2014	500,000
2015	500,000
2016	500,000
2017	500,000
2018	125,000
	2,125,000

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 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.

The two payments, which totaled $264,550, have been accounted for as reductions in the carrying value of the Golden Chest property.

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. The Bonanza property at the time of this transaction consisted of 13 patented lode claims and one patented parcel covering a total of approximately 120 hectares.

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) INVESTMENTS

Marathon's investments at December 31, 2013 are summarized below.

		Fair Value	
Description	**Quantity**	**December 31 2013**	December 31 2012
		$	$
Mountain Lake Minerals Inc.:			
• Common shares	1,500,000	**30,000**	75,000
• Warrants exercisable at a price of $0.30 per share and expiring on July 9, 2014	750,000	**-**	3,208
New Jersey Mining Company:			
• Common shares	2,000,000	**189,321**	198,980
		219,321	277,188

Mountain Lake Minerals Inc.:

Under the terms of the Arrangement, Marathon subscribed for a total of 1,500,000 common share units issued by Mountain Lake Minerals Inc. ("MLM") at a price of $0.20 per unit for a total of $300,000, with each unit consisting of one common share and one-half of one warrant. Each whole warrant is exercisable at a price of $0.30 per share and expires on July 9, 2014.

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, 2013. The fair value of the warrants was estimated using the Black Scholes option pricing model with the following inputs:

	2013	2012
Risk free interest rate	**1.13%**	1.14%
Dividend rate	**Nil**	Nil
Volatility	**100%**	100%
Expected life	**6 months**	18 months
Estimated fair value per warrant	**-**	$0.004

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, 2013.

At December 31, 2012, Marathon assessed the declines in the value of its available for sale investments in each company as being other than temporary and charged $390,816 in unrealized losses incurred in the year ended December 31, 2012 and $145,520 of accumulated gains incurred in prior years to operations.

8) FINANCIAL INSTRUMENTS

Measurement categories

As explained in note 3, 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, 2013 and 2012.

	December 31 2013	December 31 2012
	$	$
Fair value through profit and loss		
Investment in warrants		
Expiring in 12 months or less	**-**	3,208
	-	3,208
Loans and receivables		
Cash	**1,185,351**	5,187,475
Trade receivables	**-**	18,423
Loan due from New Jersey Mining	**-**	62,427
	1,185,351	5,268,325

	December 31 2013	December 31 2012
Available for sale		
Investment in equity securities	**219,321**	273,980
	219,321	273,980
Other financial liabilities		
Trade payables due within 12 months	**175,937**	(505,132)
	175,937	(505,132)

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 7 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.

	2013	2012
	$	$
Level 1		
Investment in equity securities	**219,321**	273,980
Level 2		
Investment in warrants	**-**	3,208

9) CAPITAL MANAGEMENT

Marathon is not subject to externally imposed capital requirements.

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

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

10) SHARE CAPITAL

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

Issued and outstanding:

	Number of shares	Amount
		$
Balance – January 1, 2012	**29,871,928**	**20,255,563**
Issued pursuant to the acquisition of the net assets of Mountain Lake Resources Inc. [a]	20,309,586	16,247,669
Issued in payment of professional advisory services [b]	410,397	300,000
Issued for cash pursuant to private placement of flow-through common shares [c]	3,873,000	2,362,530
Issued for cash pursuant to private placement of non-flow through units, net of $476,343 allocated to Warrants [c]	5,474,500	2,534,632
Share issue costs	-	(649,056)
Balance – December 31, 2012	**59,939,411**	**41,051,338**
Issued pursuant to a private placement [d]	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**

a) On July 9, 2012, Marathon issued 20,309,586 common shares with a value of $0.80 per share to acquire the outstanding common shares of MOA.

b) On September 24, 2012, Marathon issued 410,397 common shares with a deemed value of $0.731 per share as payment for professional advisory services in connection with the acquisition of the net assets of MOA.

c) On December 12, 2012, Marathon closed a private placement of 3,873,000 flow-through common shares at a price of $0.63 per share and 5,474,500 common share units at a price of $0.55 per unit, for total gross proceeds of $5,450,965.

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 $77,460 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 $0.75 per share and expiring on December 12, 2014. 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 $476,343 in proceeds being allocated to Warrants.

Marathon incurred costs in connection with this offering of $658,412, of which $9,356 was attributed to the flow-through tax liability on a pro rata basis and charged to operations.

d) 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:

   i. 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
   ii. 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:

   i. $375,000 at any time in the period from May 1, 2014 to July 31, 2014;
   ii. $375,000 at any time in the period from August 1, 2014 to October 31, 2014;
   iii. $375,000 at any time in the period from November 1, 2014 to January 31, 2015; and
   iv. $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.

11) WARRANTS

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

	Number	Value
		$
Balance – January 1, 2012	**2,140,995**	**1,256,644**
Warrant obligations assumed pursuant to the acquisition of the net assets of MOA [(a)]	2,571,555	112,827
Issued pursuant to private placement of units [(b)]	2,737,250	476,343
Broker warrants [(b)]	560,851	153,587
Expired	(1,261,900)	-
Balance – December 31, 2012	**6,748,751**	**1,999,401**
Expired	(1,486,650)	(261,078)
Balance – December 31, 2013	**5,262,101**	**1,738,323**

a) On July 9, 2012, Marathon assumed obligations with respect to the potential issuance of 2,571,555 Marathon shares upon the exercise of warrants issued by MOA and outstanding at closing, as set out below.

Number of Marathon shares issuable	Exercise price	Estimated fair value per warrant	Expiry date
	$	$	
861,900	1.59	-	July 12, 2012
200,000	1.59	-	August 5, 2012
200,000	2.55	-	October 8, 2012
689,655	1.81	0.07	June 22, 2013
620,000	1.70	0.10	September 13, 2013

The fair value of these obligations was estimated at July 9, 2012 using the Black-Scholes option pricing model with the following weighted average assumptions:

- risk free interest rate of 0.92%;
- expected dividend yield of nil;
- expected volatility of 80%; and
- expected term of 0.57 years,

which yielded an estimated weighted average fair value of $0.04 per warrant.

b) Pursuant to a private placement which closed on December 12, 2012, Marathon issued 2,737,250 share purchase warrants exercisable at a price of $0.75 per share and expiring on December 12, 2014 and 560,851 broker compensation warrants exercisable at a price of $0.58 per share, with both warrants expiring on December 12, 2014. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

- risk free interest rate of 1.07%;
- expected dividend yield of nil;
- expected volatility of 80%; and
- expected term of 2 years,

which yielded an estimated fair value of $0.23 per share purchase warrant and $0.27 per broker compensation warrant.

The warrants outstanding at December 31, 2013 are set out below.

Exercise price	Number of warrants	Expiry date
$1.80	1,964,000	June 2, 2014
$0.75	2,737,250	December 12, 2014
$0.58	560,851	December 12, 2014
$1.26	**5,262,101**	

12) STOCK BASED COMPENSATION

Marathon has a stock option plan (the “Plan”) which was adopted on November 30, 2010 upon completion of the Arrangement, 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, 2013		Year ended December 31, 2012	
	Number	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
		$		$
Balance - beginning of year	4,276,000	1.14	2,689,000	1.47
Granted	1,354,000	0.50	1,690,000	0.65
Cancelled	(262,000)	0.97	(103,000)	1.53
Balance – end of year	**5,368,000**	**0.99**	4,276,000	1.14

Options to purchase common shares outstanding at December 31, 2013 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Options Outstanding and exercisable	Contractual Life (years)
$		
1.61	1,655,000	1.96
1.15	140,000	2.47
1.28	67,000	2.67
1.18	607,000	2.97
0.65	1,562,000	3.59
0.52	1,227,000	4.05
0.26	110,000	4.68
0.99	**5,368,000**	**3.10**

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:

	2013	2012
Risk free interest rate	**1.12%**	1.07%
Dividend rate	**Nil**	Nil
Volatility	**80%**	80%
Expected life	**1 year**	1 year
Weighted average fair value per option granted in the year	**$0.15**	$0.20

Marathon recognized total stock based compensation costs of $208,591 in the year ended December 31, 2013 (2012 - $345,500), of which $157,868 was charged to operations (2012 - $253,503) and $50,723 (2012 - $91,997) was capitalized as a component of Marathon’s mineral properties.

13) EXPLORATION EXPENSES

	2013	2012
	$	$
Baie Verte Property, Newfoundland		
Claim acquisition costs	**3,185**	-
Prospecting	**-**	1,050
Other	**676**	1,719
	3,861	2,769
Finger Pond Property, Newfoundland		
Claim acquisition costs	**10,000**	10,000
Geophysics	**-**	336,266
Prospecting	**101,189**	-
Assaying	**5,226**	-
	116,415	346,266
Bonanza Property, Oregon		
Claim acquisition and renewal costs	**16,867**	25,168
Technical reports	**-**	52,731
Property taxes	**642**	665
	17,509	78,564
	137,785	427,599

14) GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
	$	$
Wages, salaries and benefits (note 15)	**618,145**	827,990
Professional fees	**113,158**	149,402
Investor relations	**109,761**	178,524
Depreciation	**54,242**	65,929
Other expenses, net of operator fees earned in the year of $Nil (2012 - $77,988)	**305,448**	337,514
Stock based compensation charged to operations (note 12)	**157,868**	253,503
	1,358,622	1,812,862

15) WAGES, SALARIES AND BENEFITS

	2013	2012
	$	$
Fees, salaries and wages paid to employees, key management and directors (note 19)	**1,274,773**	2,355,057
Social security benefits	**103,038**	196,466
	1,377,811	2,551,523
Charged to general and administrative expenses	**618,145**	827,990
Charged to exploration expenses	**12,601**	5,781
Charged to GCLLC	**-**	4,140
Capitalized as a component of mineral exploration and evaluation assets	**747,065**	1,713,612
	1,377,811	2,551,523

16) INCOME TAXES

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

	2013	2012
	$	$
Loss before tax at statutory tax rate of 26.5% (2012 – 26.5%)	**(389,850)**	(687,833)
Decrease in future tax rates	**-**	27,205
Release of flow-through share tax liability	**(77,460)**	(1,334,075)
Change in losses not previously recognized	**378,647**	401,419
Permanent differences	**191,298**	259,209
Total tax expense (recovery)	**102,635**	(1,334,075)

	2013	2012
	$	$
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	**1,083,994**	726,597
Deferred tax assets to be recovered within 12 months	**-**	66,830
	1,083,994	793,427
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	**(1,083,994)**	(726,597)
Deferred tax liabilities to be settled within 12 months	**-**	(66,830)
	(1,083,994)	(793,427)
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, 2012	-	-	-
Charged to the income statement	(726,597)	(66,830)	(793,427)
At December 31, 2012	**(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)**

	Losses	Total
	$	$
Deferred tax assets:		
At January 1, 2012	-	-
Credited to the income statement	793,427	793,427
At December 31, 2012	**793,427**	**793,427**
Charged to the income statement	110,472	110,472
Charged to equity	180,095	180,095
At December 31, 2013	**1,083,994**	**1,083,994**

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.

	2013	2012
	$	$
Losses carried forward - Canada	**4,740,565**	4,132,137
Losses carried forward - US	**2,387,051**	2,215,509
Exploration and development expenditures	**1,445,025**	335,284
Share issue costs	**1,520,808**	1,847,548
Investments	**485,639**	427,696
Property plant and equipment	**182,486**	128,245
	10,761,574	9,086,419

Tax losses carried forward expire between 2015 and 2033, and share issue costs will be deducted between 2014 and 2016. Other unrecognized deductible temporary differences do not expire.

17) NON-CONTROLLING INTEREST

The non-controlling interest relates to Marathon's interest in GCLLC, which was accounted for as an undivided interest prior to May 22, 2013, 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 was 52.22%.

The movement in the non-controlling interest in the year ended December 31, 2013 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**

GCLLC had no profit or loss attributable to either Marathon or NJMC in the year ended December 31, 2013. The net assets and summarized cash flows of GCLLC at and for the period ended December 31, 2013, which form part of Marathon's consolidated balance sheet and statement of cash flows respectively, are summarized below.

Summarized balance sheet:	**December 31 2013**
	$
Assets	
Cash	7,607
Prepaids and deposits	6,950
	14,457
Mineral exploration and evaluation assets	10,558,418
Total assets	**10,572,875**
Liabilities	
Trade payables	(29,599)
Total liabilities	**(29,599)**
Net assets	**10,543,276**

Summarized cash flows:	**Period from May 23, 2013 to December 31, 2013**
	$
Cash from financing activities:	
Proceeds on disposal of equipment	36,397
Capital contributions by Marathon and NJMC	340,416
	376,988
Cash used in investing activities:	
Cash expenditures on Golden Chest property	(401,262)
	(401,262)
Decrease in cash	(24,449)
Cash – beginning of period	32,056
Cash – end of period	**7,607**

18) COMMITMENTS

Operating leases

Marathon has the following commitments under operating leases.

Year ending December 31	$
2014	142,044
2015	143,880
2016	144,084
2017	20,220
2018	2,314
Thereafter	-
	452,542

19) RELATED PARTY TRANSACTIONS

Key management

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

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

	2013	2012
	$	$
Salaries paid to officers	**480,436**	705,000
Fees paid to directors	**124,245**	131,292
Stock based compensation	**176,846**	294,391
	781,527	1,130,683

20) SUBSEQUENT EVENTS

a) Financing

On February 7, 2014, Marathon issued, pursuant to a private placement, 1,456,300 flow-through common shares at a price of $0.35 per share, representing gross proceeds of $509,705.

b) Options

On February 24, 2014, Marathon issued 870,000 options to officers, directors and employees exercisable at a price of $0.32 per share and expiring on February 24, 2019.

On March 1, 2014, 440,000 options with a weighted average exercise price of $0.82 expired.

c) Property payments

On March 14, 2014, Juniper Resources paid the instalment of US $125,000 due on the Beasley note.