



MARATHON GOLD CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

March 27, 2013

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, 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 auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' 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, 2013

Independent Auditor's Report

To the Shareholder of Marathon Gold Corporation

We have audited the accompanying consolidated financial statements of Marathon Gold Corporation, which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Marathon Gold Corporation as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with IFRS.

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Emphasis of matter

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

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

	December 31	December 31
	2012	2011
	\$	\$
Assets		
Current assets		
Cash	5,187,475	9,545,246
Amounts receivable	180,705	257,087
Loan receivable	62,427	-
Prepays and deposits	243,395	361,467
	5,674,002	10,163,800
Non-current assets		
Investments (note 7)	277,188	515,224
Property, plant and equipment	108,729	97,296
Mineral exploration and evaluation assets (note 6)	38,511,733	14,776,502
Total assets	44,571,652	25,552,822
Liabilities		
Current liabilities		
Trade payables	505,132	591,479
Flow-through share tax liability (notes 10(b)(i),(ii) and (v))	77,460	1,334,075
Total liabilities	582,592	1,925,554
Equity (notes 10, 11, and 12)	43,989,060	23,627,268
Total liabilities and shareholders' equity	44,571,652	25,552,822

Going concern (note 1)

These financial statements have been approved by the board of directors and authorized for issue on March 27, 2013 and have been signed on their behalf.

"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, 2012 and 2011
(Expressed in Canadian dollars)

	2012	2011
	\$	\$
Expenses:		
Exploration expenses (note 13)	427,599	237,405
General and administrative expenses (note 14)	1,812,862	1,898,261
Other expense	9,356	143,916
Interest income	(48,520)	(29,198)
Unrealized loss on investments	392,516	189,474
Foreign exchange loss	1,785	4,381
Loss before taxes	2,595,598	2,444,239
Income taxes (note 16)	(1,334,075)	-
Loss for the year	1,261,523	2,444,239
Other comprehensive income:		
Currency translation adjustment	115,197	(54,935)
Unrealized gain in fair value of investments classified as available for sale	-	(9,548)
Cumulative unrealized gains on available for sale investments transferred to profit and loss	145,520	-
Comprehensive loss for the year	1,522,240	2,379,756
Basic and diluted loss per share	0.03	0.11
Weighted average number of common shares outstanding	40,177,936	23,060,928

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, 2012 and 2011
(Expressed in Canadian dollars)

	2012	2011
	\$	\$
Cash flows used in operating activities		
Loss for the period	(1,261,523)	(2,444,239)
Add (deduct) items not involving cash		
Income taxes	(1,334,075)	-
Unrealized loss on investments	392,516	189,474
Depreciation	65,929	49,576
Stock-based compensation charged to operations (note 12)	253,503	346,576
	(1,883,650)	(1,858,613)
Changes in non-cash working capital items		
Decrease in amounts receivable	127,116	260,329
Decrease (Increase) in prepaid expenses	187,797	(249,977)
(Increase) Decrease in accounts payable	(42,168)	84,619
Increase in Flow-through share tax liability	77,460	1,334,075
	(1,533,445)	(429,567)
Cash flows from financing activities		
Proceeds from issuance of common shares (note 10)	5,373,505	13,217,625
Share issue costs	(495,469)	(1,321,796)
	4,878,036	11,895,829
Cash flows used in investing activities		
Purchase of investment	(300,000)	-
Short term loan	(61,944)	-
Purchase of capital assets	(77,691)	(74,090)
Expenditures on exploration and evaluation assets	(7,362,727)	(9,529,700)
Government assistance	100,000	100,000
	(7,702,362)	(9,503,790)
(Decrease) Increase in cash	(4,357,771)	1,962,472
Cash— beginning of year	9,545,246	7,582,774
Cash— end of year	5,187,475	9,545,246

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, 2012 and 2011
(Expressed in Canadian dollars)

	Share Capital (note 10)	Warrants (note 11)	Contributed Surplus (note 12)	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	\$	\$	\$	\$	\$	\$
Balance – January 1, 2011	9,241,007	-	6,679,383	(2,746,507)	117,472	13,291,355
Loss for the year	-	-	-	(2,444,239)	-	(2,444,239)
Stock based compensation	-	-	444,469	-	-	444,469
Unrealized gain on available-for-sale investment	-	-	-	-	9,548	9,548
Currency translation adjustment	-	-	-	-	54,935	54,935
Flow-through shares issued for cash pursuant to private placement, net of amounts transferred to liabilities	4,172,025	-	-	-	-	4,172,025
Common share units issued for cash pursuant to prospectus offering	4,390,878	1,108,322	-	-	-	5,499,200
Flow-through shares issued pursuant to prospectus offering, net of amounts transferred to Flow-through share tax liability	3,546,400	-	-	-	-	3,546,400
Shares issued pursuant to mining property acquisition	345,000	-	-	-	-	345,000
Broker compensation warrants	-	148,322	-	-	-	148,322
Share issue costs	(1,439,747)	-	-	-	-	(1,439,747)
Balance – December 31, 2011	20,255,563	1,256,644	7,123,852	(5,190,746)	181,955	23,627,268
Loss for the year	-	-	-	(1,261,523)	-	(1,261,523)
Stock based compensation	-	-	345,500	-	-	345,500
Cumulative unrealized gains on permanently impaired available for sale investments transferred to profit and loss	-	-	-	-	(145,520)	(145,520)
Currency translation adjustment	-	-	-	-	(115,197)	(115,197)
Common shares issued pursuant to acquisition of net assets of Mountain Lake Resources Inc.	16,247,669	-	-	-	-	16,247,669
Warrant obligations assumed pursuant to acquisition of net assets of Mountain Lake Resources Inc.	-	112,827	-	-	-	112,827
Common shares issued in payment of advisory fees	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
Common share units issued for cash pursuant to private placement	2,534,632	476,343	-	-	-	3,010,975
Broker warrants	-	153,587	-	-	-	153,587
Share issue costs	(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

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

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
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1) GOING CONCERN

The consolidated financial statements of Marathon Gold Corporation (Marathon”, the “Company”, “we” or “us”) has 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 \$6.5 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, 2012 through the use of existing cash and from one offering of equity securities which generated gross cash proceeds of \$5,450,965. 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’s registered address is 357 Bay Street, Suite 800, Toronto, Ontario M5H 2T7.

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

3) BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with IFRS.

These consolidated financial statements were approved by the Board of Directors for issue on March 27, 2013.

4) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies we applied in the preparation of these consolidated interim 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 and its wholly owned subsidiaries, Marathon Gold USA Corporation and Mountain Lake Resources Inc. 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.

Marathon has various interests in development and exploration projects which are held through option and joint agreements. These assets have been accounted for on an undivided interest basis.

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 (primary indicators have 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,

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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 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 entities 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 cumulative 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

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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 will comply 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

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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.

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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

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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) 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. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements was issued by the IASB to replace IAS 27, Consolidated and Separate Financial Statement and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.

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Adoption of this standard is not expected to have a significant impact on Marathon's financial statements.

IFRS 11 Joint Arrangements

IFRS 11, Joint Arrangements supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

Adoption of this standard is not expected to have a significant impact on Marathon's financial statements.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 Disclosures of Interests in Other Entities was issued by the IASB to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

Adoption of this standard is not expected to have a significant impact on Marathon's financial statements.

IFRS 13 Fair Value Measurement

IFRS 13, Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

Adoption of this standard is not expected to have a significant impact on Marathon's 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 2011 and 2012 are detailed in note 12 to the consolidated financial statements.

c) Warrant derivatives

Warrant derivatives 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.

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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		
	Property acquisition costs	Deferred exploration costs	Total					Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance – December 31, 2010	2,580	3,645,555	3,648,135	994,600	-			4,642,735
Additions	3,010,369	3,433,554	6,443,923	3,004,650	630,262			10,078,835
Currency translation adjustment	-	-	-	68,750	(13,818)			54,932
Balance – December 31, 2011	3,012,949	7,079,109	10,092,058	4,068,000	616,444			14,776,502
Additions	16,771,320	6,236,841	23,008,161	834,436	10,632			23,853,229
Currency translation adjustment	-	-	-	(104,531)	((13,467))			(117,998)
Balance – December 31, 2012	19,784,269	13,315,950	33,100,219	4,797,905	613,609			38,511,733

a) Valentine Lake gold property, Newfoundland

In December 2009, Marathon PGM Corporation (“MPGM”), the parent company of Marathon at the time, entered into an option agreement with Mountain Lake Resources Inc. (“MOA”) to earn an initial 50% interest in the Valentine Lake property. In November 2010, the option agreement and all of MPGM’s rights and interests thereunder were assigned to Marathon.

At December 31, 2010, MOA owned a 30% interest in Valentine Lake, with the remaining 70% held by Richmond Mines Inc. (“Richmont”). MOA had an option to purchase Richmont’s interest by making cash payments to Richmont totaling \$3,000,000 and incurring \$1,000,000 in exploration costs over a period of three years ending January 4, 2013. Under the terms of the option agreement, Marathon had the right to earn a 50% interest in the Valentine Lake project by incurring exploration costs totaling \$3,000,000 over three years, making a total of \$3,000,000 in cash payments over three years to Richmont on MOA’s behalf in satisfaction of the terms of MOA’s option. On January 24, 2011, Marathon fulfilled the last of its earn-in obligations under the option agreement, and at December 31, 2011 Marathon held an undivided 50% interest in the Valentine Lake project.

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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 is 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 royalties, which cover the Leprechaun 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.

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b) Golden Chest gold property, Idaho

On December 16, 2010, Marathon entered into a joint venture agreement with New Jersey Mining Company (“NJMC”) under which Marathon had the right to earn an interest of up to 60% in the Golden Chest gold property.

Under the terms of the agreement, a new company, Golden Chest LLC (“GCLLC”), was established to carry out the business of the joint venture, and NJMC, the operator, transferred its interests in the claims comprising the property to GCLLC in return for a 50% interest in GCLLC. Marathon was attributed a 50% interest in GCLLC and made a series of payments during 2010 and 2011 totaling US \$4 million to fund this interest.

At December 31, 2011 and 2012 Marathon held an undivided 50% interest in GCLLC.

GCLLC’s title to the claims which make up the project is secured against a non-interest bearing promissory note, which is repayable according to the following schedule:

Date	Amounts Due US\$
March 15, 2013	125,000
June 15, 2013	125,000
September 15, 2013	125,000
December 15, 2013	500,000
December 15, 2014	500,000
December 15, 2015	500,000
December 15, 2016	500,000
December 15, 2017	250,000
Total	2,625,000

GCLLC paid the \$125,000 installment due March 15, 2013 subsequent to year end.

Marathon is not directly liable for the repayment of this note. In the event that GCLLC were unable to repay the note, title to certain of the Golden Chest claims would revert to the note holder.

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

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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, 2012 are summarized below.

Description	Quantity	Fair Value	
		December 31 2012	December 31 2010
		\$	\$
Mountain Lake Minerals Inc.:			
• Common shares	1,500,000	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	198,980	406,800
• Warrants exercisable at a price of \$0.30 per share and expiring on January 31, 2013	2,000,000	-	108,424
		277,188	515,224

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 expiring 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, 2012. The fair value of the warrants was estimated using the Black Scholes option pricing model with the following inputs:

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	December 31 2012	December 31 2011
Risk free interest rate	1.14%	-
Dividend rate	Nil	-
Volatility	100%	-
Expected life	1 month	-
Estimated fair value per warrant	\$0.004	-

New Jersey Mining Company:

In December 2010, Marathon acquired 2,000,000 units issued by New Jersey Mining Company (“NJMC”) at a price of US \$0.20 per unit, with each unit consisting of one common share and one share purchase warrant exercisable at a price of US \$0.30 per share and expiring on January 31, 2013.

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, 2012. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following inputs:

	December 31 2012	December 31 2011
Risk free interest rate	1.00%	1.01%
Dividend rate	Nil	Nil
Volatility	100%	100%
Expected life	1 month	1 year
Estimated fair value per warrant	-	\$0.053

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.

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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, 2012 and 2011.

	December 31 2012	December 31 2011
	\$	\$
Fair value through profit and loss		
Investment in warrant derivatives		
Expiring in 12 months or less	3,208	-
Expiring in more than 12 months	-	108,424
	3,208	108,424
Loans and receivables		
Cash	5,187,475	9,545,246
Trade receivables	18,423	32,866
Loan due from New Jersey Mining	62,427	-
	5,268,325	9,578,112
Available for sale		
Investment in equity securities	273,980	406,800
	273,980	406,800
Other financial liabilities		
Trade payables due within 12 months	(505,132)	(591,479)
	(505,132)	(591,479)

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.

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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).

	December 31 2012	December 31 2011
	\$	\$
Level 1		
Investment in equity securities	273,980	406,800
Level 2		
Investment in warrants	3,208	108,424

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

a) Common shares issued and outstanding

Authorized:

Unlimited common shares without par value

Unlimited preference shares, issuable in series

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b) Issued and outstanding:

	Number of shares	Amount \$
Balance – January 1, 2011	20,387,428	9,241,007
Issued for cash pursuant to private placement of flow-through common shares ⁽ⁱ⁾	2,528,500	4,172,025
Issued for cash pursuant to prospectus offering of non-flow through units, net of \$1,108,322 allocated to Warrants ⁽ⁱⁱ⁾	3,928,000	4,390,878
Issued for cash pursuant to prospectus offering of Flow-Through shares ⁽ⁱⁱ⁾	2,728,000	3,546,400
Issued in connection with the acquisition of the Bonanza mining property	300,000	345,000
Share issue costs	-	(1,439,747)
Balance – December 31, 2011	29,871,928	20,255,563
Issued pursuant to the acquisition of the net assets of Mountain Lake Resources Inc. ⁽ⁱⁱⁱ⁾	20,309,586	16,247,669
Issued in payment of professional advisory services ^(iv)	410,397	300,000
Issued for cash pursuant to private placement of flow through common shares ^(v)	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 ^(v)	5,474,500	2,534,632
Share issue costs	-	(649,056)
Balance – December 31, 2012	59,939,411	41,051,338

- i. On March 1, 2011, Marathon closed a private placement of 2,528,500 flow-through common shares at a price of \$1.80 per share, generating gross proceeds of \$4,551,300. The gross proceeds of this financing were allocated between Share capital and Flow-through share tax liability using the residual method, which resulted in \$379,275 of gross proceeds being allocated to the liability portion of this financing.

In connection with this financing, the Company paid the underwriters a cash commission amounting to \$319,742 and a cash advisory fee amounting to \$58,344 and issued a total of 176,995 compensation warrants, with each warrant exercisable into one non flow-through common share at a price of \$1.80 per share and expiring on March 1, 2013.

Total share issue costs associated with this financing amounted to \$600,045, of which \$50,004 was attributed to the flow-through tax liability on a pro rata basis and charged to operations.

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- ii. On December 2, 2011, Marathon closed a prospectus offering of 2,728,000 flow-through common shares at a price of \$1.65 per share and 3,928,000 common share units at a price of \$1.40 per unit, for total gross proceeds of \$10,000,400.

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 \$954,800 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 \$1.80 per share and expiring on June 2, 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 \$1,108,322 in proceeds being allocated to Warrants.

Marathon incurred costs in connection with this offering amounting to \$983,618, of which \$93,912 was attributed to the flow-through tax liability on a pro rata basis and charged to operations.

- iii. 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.
- iv. 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.
- v. 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.

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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.

11) WARRANTS

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

	Number	Value
		\$
Balance – January 1, 2010 and December 31, 2010	-	-
Issued pursuant to private placement ^(a)	176,995	148,322
Issued pursuant to prospectus offering of units ^(b)	1,964,000	1,108,322
Balance – December 31, 2011	2,140,995	1,256,644
Warrant obligations assumed pursuant to the acquisition of the net assets of MOA ^(c)	2,571,555	112,827
Issued pursuant to private placement of units	2,737,250	476,343
Broker warrants	560,851	153,587
Expired	(1,261,900)	-
	6,748,751	1,999,401

(a) In connection with the private placement which closed on March 1, 2011 Marathon issued 176,995 broker warrants exercisable at a price of \$1.80 per share and expiring on March 1, 2013. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

- risk free interest rate of 1.69%;
- expected dividend yield of nil;
- expected volatility of 100%; and
- expected term of two years,

which yielded an estimated fair value of \$0.84 per warrant.

(b) Pursuant to a prospectus offering which closed on December 2, 2011, Marathon issued 1,964,000 share purchase warrants exercisable at a price of \$1.80 per share and expiring on June 2, 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 0.92%;
- expected dividend yield of nil;
- expected volatility of 100%; and
- expected term of 2.5 years,

which yielded an estimated fair value of \$0.56 per warrant.

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- c) 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.

- d) Pursuant to a prospectus offering 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.

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The warrants outstanding at December 31, 2012 are set out below.

Exercise price	Number of warrants	Expiry date
\$1.80	176,995	March 1, 2013
\$1.81	689,655	June 22, 2013
\$1.70	620,000	September 13, 2013
\$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	6,748,751	

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 under the Plan are non-assignable, have a term of up to 5 years, and vest upon grant.

	Year ended December 31, 2012		Year ended December 31, 2011	
	Number	Weighted average exercise price per share	Number	Weighted average exercise price per share
		\$		\$
Balance - beginning of year	2,689,000		1,770,000	1.61
Granted	1,690,000	0.65	953,000	1.21
Cancelled	(103,000)	1.53	(34,000)	1.57
Balance – end of year	4,276,000	1.14	2,689,000	1.47

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Options to purchase common shares outstanding at December 31, 2012 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Options Outstanding and exercisable	Contract Life (years)
\$		
1.61	1,705,000	2.96
1.15	140,000	3.47
1.28	86,000	3.67
1.18	657,000	3.97
0.65	1,688,000	4.59
1.14	4,276,000	3.79

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:

	2012	2011
Risk free interest rate	1.07%	1.07%
Dividend rate	Nil	Nil
Volatility	80%	100%
Expected life	1 year	1 year
Weighted average fair value per option granted in the year	\$0.20	\$0.47

The Company recognized total stock based compensation costs of \$345,500 in the year ended December 31, 2012 (2011 - \$\$444,469), of which \$253,503 was charged to operations (2011 - \$346,576) and \$91,997 (2011 - \$97,893) was capitalized as a component of Marathon's mineral properties.

13) EXPLORATION EXPENSES

	2012	2011
	\$	\$
Baie Verte Property, Newfoundland	2,769	8,127
Finger Pond Property, Newfoundland	346,266	180,432
Barachois Brook Property, Newfoundland	-	48,846
Bonanza Property, Oregon	78,564	-
	427,599	237,405

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14) GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
	\$	\$
Wages, salaries and benefits (note 15)	827,990	858,856
Professional fees	149,402	220,955
Investor relations	178,524	226,265
Depreciation	65,929	49,576
Other expenses	337,514	196,033
Stock based compensation charged to operations (note 12)	253,503	346,576
	1,812,862	1,898,261

15) WAGES, SALARIES AND BENEFITS

	2012	2011
	\$	\$
Fees, salaries and wages paid to employees, key management and directors (note 20)	2,355,057	2,039,235
Social security benefits	196,466	142,832
	2,551,523	2,182,067
Charged to general and administrative expenses	827,990	858,856
Charged to exploration expenses	5,781	77,672
Charged to GCLLC	4,140	21,806
Capitalized as a component of mineral exploration and evaluation assets	1,713,612	1,223,733
	2,551,523	2,182,067

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:

	2012	2011
	\$	\$
Loss before tax at statutory tax rate of 26.5% (2011 – 28.25%)	(687,833)	(643,120)
Decrease in future tax rates	27,205	86,091
Release of flow-through share tax liability	(1,334,075)	-
Losses not previously recognized	401,419	242,559
Permanent differences	259,209	314,470
Total tax recovery	(1,334,075)	-

The 2012 statutory tax rate of 26.5% differs from the 2011 tax rate of 28.25% because of reductions in federal and provincial substantively enacted tax rates.

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	2012	2011
	\$	\$
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	726,597	-
Deferred tax assets to be recovered within 12 months	66,830	-
	793,427	-
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(726,597)	-
Deferred tax liabilities to be recovered within 12 months	(66,830)	-
	(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	-	-	-
Credited to the income statement	(726,597)	(66,830)	(793,427)
At December 31, 2012	(726,597)	(66,830)	(793,427)
	Losses		Total
	\$		\$
Deferred tax assets:			
At January 1, 2012	-	-	-
Charged to the income statement	(793,427)	-	(793,427)
	(793,427)	-	(793,427)

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.

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	2012	2011
	\$	\$
Tax loss carry forwards	4,132,137	2,047,260
Exploration and development expenditures	335,284	9,130,745
Share issue costs	1,847,548	1,365,359
Investments	427,696	(110,264)
Property plant and equipment	128,245	61,985
	6,870,910	12,495,085

Tax losses carried forward expire between 2026 and 2032, and share issue costs expire between 2013 and 2016. Other unrecognized deductible temporary differences do not expire.

17) COMMITMENTS

a) Operating leases

Marathon has the following commitments under operating leases.

Year ending December 31	\$
2013	138,940
2014	140,932
2015	141,017
2016	141,222
2017	23,537
Thereafter	-
	585,648

b) Indemnities

In connection with the acquisition of the net assets of MOA, Marathon indemnified past officers and directors of MOA against liability arising from actions prior to the acquisition.

At December 31, 2012 two former directors of MOA were defendants in a securities action brought against them by the Nova Scotia Securities Commission ("NSSC"). To date, the costs of defending this action, both prior and subsequent to Marathon's acquisition, amount to approximately \$81,000 and have been borne by MOA's liability insurer on the basis of a waiver of its rights. If the directors were found liable upon the exhaustion of due process, Marathon could be liable to repay the legal costs incurred by the insurer, as well as civil penalties imposed by the NSSC.

18) RELATED PARTY TRANSACTIONS

a) Management fees

During the year ended December 31, 2012, Marathon paid fees totaling \$Nil (2011 - \$97,958) to a company controlled by Marathon's former chairman, James Frank, for management services. These transactions were charged to operations and were in the normal course of business. At December 31, 2012 and December 31, 2011 there were no amounts due in respect of these services.

Following the death of Mr. Frank during the fourth quarter of 2011, Marathon's board approved an ex gratia posthumous bonus amounting to US \$120,000 in recognition of Mr. Frank's services to the Company. This bonus was expensed in 2011 and paid in 2012.

b) 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.

	2012	2011
	\$	\$
Salaries and management fees paid to officers	705,000	802,958
Fees paid to directors	131,292	79,000
Stock based compensation	294,391	337,789
	1,130,683	1,219,747

19) SUBSEQUENT EVENTS

a) Options

On January 17, 2013, Marathon issued 1,244,000 options to officers, directors and employees exercisable at a price of \$0.52 per share and expiring on January 17, 2018.

b) Warrants

On March 1, 2013, 176,995 broker warrants expired.