MARATHON GOLD CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2012 AND 2011

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

	June 30 2012 $	December 31 2011 $
Assets		
Current assets		
Cash	**3,988,545**	9,545,246
Amounts receivable	**296,437**	257,087
Prepaids and deposits	**341,017**	361,467
	4,625,999	10,163,800
Non-current assets		
Mineral exploration and evaluation assets (note 4)	**19,285,478**	14,776,502
Investments (note 5)	**320,923**	515,224
Property, plant and equipment	**145,662**	97,296
Total assets	**24,378,062**	25,552,822
Liabilities		
Current liabilities		
Trade payables	**659,453**	591,479
	659,453	591,479
Non-current liabilities		
Other liabilities (notes 7(b)(i) and (ii)) and note 13)	**327,501**	1,334,075
Total liabilities	**986,954**	1,925,554
Equity	**23,391,108**	23,627,268
Total liabilities and shareholders' equity	**24,378,062**	25,552,822

Going concern (note 1)

These financial statements have been approved by the board of directors and authorized for issue on August 2, 2012 and have been signed on their behalf.

"George D. Faught"	"Phillip C. Walford"
George D. Faught	Phillip C. Walford
Director	Director

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

Marathon Gold Corporation
Consolidated Statements of Operations and Comprehensive Loss
For the three and six months ended June 30, 2012 and 2011
(Unaudited - Expressed in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
	$	$	**$**	$
Expenses:				
Exploration expenses (note 10)	**349,404**	33,215	**351,476**	39,402
General and administrative expenses (note 11)	**376,397**	425,326	**737,113**	860,748
Interest income	**(19,570)**	(13,306)	**(33,154)**	(13,383)
Unrealized loss on warrant derivative investments	**23,987**	123,784	**82,750**	109,002
Foreign exchange loss (gain)	**1,101**	(287)	**816**	(377)
Loss before taxes	**731,319**	568,732	**1,139,001**	995,392
Income taxes (note 13)	**(376,986)**	-	**(1,006,574)**	-
Loss for the period	**354,333**	568,732	**132,427**	995,392
Other comprehensive income:				
Currency translation adjustment	**(104,070)**	9,403	**(7,818)**	37,853
Unrealized loss in fair value of investments	**23,951**	60,506	**111,551**	23,533
Comprehensive loss for the period	**274,214**	638,641	**236,160**	1,056,778
Basic and diluted loss per share	**0.01**	0.02	**0.004**	0.04
Weighted average number of common shares outstanding – basic and diluted	**29,871,928**	22,915,928	**29,871,928**	22,082,357

Marathon Gold Corporation
Consolidated Statements of Cash Flow
For the six months ended June 30, 2012 and 2011
(Unaudited - Expressed in Canadian dollars)

	2012	2011
	$	$
Cash flows used in operating activities		
Loss for the period	**(132,427)**	(995,392)
Add (deduct) items not involving cash		
Income taxes	**(1,006,574)**	-
Unrealized loss on warrant derivatives	**82,750**	109,002
Depreciation	**28,996**	28,639
Stock-based compensation charged to operations (note 9)	**-**	93,043
	(1,027,255)	(764,708)
Changes in non-cash working capital items		
Increase in amounts receivable	**(39,350)**	(70,599)
Decrease (Increase) in prepaid expenses	**20,450**	(65,125)
Decrease in accounts payable	**(166,520)**	(64,716)
Increase in other liabilities	**-**	329,271
	(1,212,675)	(635,877)
Cash flows from financing activities		
Proceeds from issuance of common shares (note 7)	**-**	4,222,029
Share issue costs	**-**	(531,772)
	-	3,690,257
Cash flows used in investing activities		
Purchase of capital assets	**(77,691)**	(58,058)
Expenditures on exploration and evaluation assets	**(4,366,335)**	(4,589,908)
Government assistance received	**100,000**	100,000
	(4,344,026)	(4,547,966)
Decrease in cash	**(5,556,701)**	(1,493,586)
Cash– beginning of period	**9,545,246**	7,582,774
Cash– end of period	**3,988,545**	6,089,188

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

Marathon Gold Corporation
Consolidated Statement of Changes in Equity
For the six months ended June 30, 2012 and 2011
(Unaudited - Expressed in Canadian dollars)

	Share Capital (note 7)	Warrants (note 8)	Contributed Surplus (note 9)	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 period	-	-		(995,392)	-	(995,392)
Stock based compensation	-	-	93,043	-	-	93,043
Unrealized loss in fair value of investment	-	-	-	-	(23,533)	(23,533)
Currency translation adjustment	-	-	-	-	(37,853)	(37,853)
Flow-through common shares	3,621,984	148,322	-	-	-	3,770,306
Balance – June 30, 2011	**12,862,991**	**148,322**	**6,772,426**	**(3,741,899)**	**56,086**	**16,097,926**
Balance – January 1, 2012	**20,255,563**	**7,123,852**	**1,256,644**	**(5,190,746)**	**181,955**	**23,627,268**
Loss for the period	-	-	-	(132,427)	-	(132,427)
Unrealized loss in fair value of investment	-	-	-	-	(111,551)	(111,551)
Currency translation adjustment	-	-	-	-	7,818	7,818
Balance – June 30, 2012	**20,255,563**	**7,123,852**	**1,256,644**	**(5,323,173)**	**78,222**	**23,391,108**

The accompanying notes are an integral part of these condensed interim 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 $5.3 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 period ended June 30, 2012 through the use of its existing cash reserves. In addition, Marathon continues to seek additional financing opportunities in order to raise necessary funds for the advancement of its properties. However there can be no assurance that the Company will be successful in these efforts.

2) GENERAL INFORMATION

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

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

(Unaudited - Expressed in Canadian dollars)

3) BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2011, which were prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on August 2, 2012.

4) 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	Contributions by Mountain Lake Resources	Total			Total
	$	$	$	$	$	$	$
Balance – December 31, 2010	**2,580**	**4,111,275**	**(465,720)**	**3,648,135**	**994,600**	**-**	**4,642,735**
Additions	3,010,369	6,853,507	(3,419,953)	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**	**10,964,782**	**(3,885,673)**	**10,092,058**	**4,068,000**	**616,444**	**14,776,502**
Additions	188,156	4,927,547	(1,345,197)	3,770,506	710,931	10,632	4,492,069
Currency translation adjustment	-	-	-	-	16,320	587	16,907
Balance – June 30, 2012	**3,201,105**	**15,892,329**	**(5,230,870)**	**13,862,564**	**4,795,251**	**627,663**	**19,285,478**

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 Richmont 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, and June 30, 2012, Marathon held an undivided 50% interest in the Valentine Lake project.

The Valentine Lake property is subject to two overlapping royalties, which cover the Leprechaun Gold Deposit but not the entire Valentine Lake Property. Xstrata Canada Corporation retains a 2% net smelter return royalty on base metals and a 1.5% net smelter return royalty on the first 250,000 oz. of gold produced, increasing at that point to 3%. In addition, the Reid Newfoundland Company Ltd. ("Reid") retains a 7.5% net profits interest that accelerates the increase in Xstrata's net smelter return royalty on gold to 3% should a net profits interest royalty become payable prior to the first 250,000 oz. produced. Any amount payable to Reid for the net profits interest royalty reduces the net smelter royalty on gold payable to Xstrata.

On May 24, 2012, Marathon and MOA entered into an arrangement agreement (the "Arrangement") pursuant to which Marathon proposed to acquire the outstanding common shares of MOA. As described in note 16 to these financial statements, the Arrangement closed on July 9, 2012, and upon closing Marathon assumed 100% ownership of the Valentine Lake property.

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 totalling US $4 million to fund this interest.

At December 31, 2011 and June 30, 2012 Marathon held an undivided 50% interest in GCLLC. Marathon has the right but no obligation to increase its interest in GCLLC and therefore the Golden Chest gold property by making additional funding contributions to GCLLC in the amount of US $3,500,000 on or before November 30, 2012, exclusive of any funding which Marathon may contribute to maintain its 50% interest in the project.

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:

(Unaudited - Expressed in Canadian dollars)

Date	Amounts Due US$
December 15, 2012	500,000
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	**2,750,000**

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 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.

5) INVESTMENTS

Marathon's investments at June 30, 2012 and December 31, 2011 are summarized below.

		Fair Value	
Description	**Quantity**	**June 30 2012**	**December 31 2011**
		$	$
New Jersey Mining Company:			
• Common shares	2,000,000	**295,249**	406,800
• Warrants exercisable at a price of $0.30 per share and expiring on December 23, 2013	2,000,000	**25,674**	108,424
		320,923	515,224

(Unaudited - Expressed in Canadian dollars)

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 December 23, 2012.

Marathon's investment in common shares of NJMC was valued at the closing trading price of the shares on the OTC Bulletin Board on the last trading day prior to the period end date. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following inputs:

	June 30 2012	December 31 2011
Risk free interest rate	**1.06%**	1.01%
Dividend rate	**Nil**	Nil
Volatility	**100%**	100%
Expected life	**9 months**	1 year
Estimated fair value per warrant	**$0.025**	$0.053

6) 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 its 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.

(Unaudited - Expressed in Canadian dollars)

7) SHARE CAPITAL

a) Common shares issued and outstanding

Authorized:
Unlimited common shares without par value

Unlimited preference shares, issuable in series

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 and June 30, 2012	**29,871,928**	**20,255,563**

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 Other liabilities 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.

(Unaudited - Expressed in Canadian dollars)

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 Other liabilities 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.

8) WARRANTS

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

	Number	Value
		$
Balance – January 1, 2011	-	-
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 and June 30, 2012	**2,140,995**	**1,256,644**

a) In connection with the private placement which closed on March 1, 2011 Marathon issued 176,995 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.

(Unaudited - Expressed in Canadian dollars)

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.

9) STOCK BASED COMPENSATION

Marathon has a stock option plan (the "Plan") which was adopted on November 30, 2010, 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.

	Six months ended June 30, 2012		Six months ended June 30, 2011	
	Number	**Weighted average exercise price per share**	**Number**	**Weighted average exercise price per share**
		$		$
Balance - beginning of period	2,689,000	1.47	1,770,000	1.61
Issued	-	-	190,000	1.26
Expired	(54,000)	1.58	-	-
Balance – end of period	2,635,000	1.47	1,960,000	1.58

(Unaudited - Expressed in Canadian dollars)

Options to purchase common shares outstanding at June 30, 2012 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Options Outstanding and exercisable	Contract Life (years)
$		
1.61	1,740,000	3.47
1.15	140,000	3.98
1.28	98,000	4.18
1.18	657,000	4.48
1.47	**2,635,000**	**3.77**

No options were granted by the Company in the six months ended June 30, 2012. The fair value of the options granted by Marathon in 2011 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended June 30 2011	**Six months ended June 30 2011**
Risk free interest rate	1.55%	1.60%
Dividend rate	Nil	Nil
Volatility	100%	100%
Expected life	1 year	1 year
Weighted average fair value per option granted in the period	**$0.44**	**$0.49**

The Company recognized total stock based compensation costs of $Nil in the period ended June 30, 2012 (2011 - $93,043).

10) EXPLORATION EXPENSES

	Three months ended June 30		**Six months ended June 30**	
	2012	2011	**2012**	2011
	$	$	**$**	$
Finger Pond Property, Newfoundland	**342,714**	10,609	**343,532**	13,195
Baie Verte Property, Newfoundland	**737**	110	**1,991**	751
Barachois Brook Property, Newfoundland	**-**	22,496	**-**	25,456
Bonanza Property, Oregon	**5,953**	-	**5,953**	-
Total	**349,404**	33,215	**351,476**	39,402

(Unaudited - Expressed in Canadian dollars)

11) GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30		**Six months ended June 30**	
	2012	2011	**2012**	2011
	$	$	**$**	**$**
Wages, salaries and benefits (note 12)	**191,866**	188,535	**382,739**	365,878
Professional fees	**9,546**	23,283	**66,885**	78,383
Investor relations	**64,894**	61,860	**107,533**	120,274
Depreciation	**15,443**	14,562	**28,996**	28,639
Other expenses	**94,648**	74,693	**150,960**	174,531
Stock based compensation charged to operations (note 9)	**-**	62,393	**-**	93,043
	376,397	425,326	**737,113**	860,748

12) WAGES, SALARIES AND BENEFITS

	Three months ended June 30		**Six months ended June 30**	
	2012	2011	**2012**	2011
	$	$	**$**	$
Fees, salaries and wages paid to employees, key management and directors (note 15)	**658,490**	432,996	**1,162,184**	851,681
Social security benefits	**58,203**	34,384	**113,161**	71,123
	716,693	467,380	**1,275,345**	922,804
Charged to general and administrative expenses	**191,866**	188,535	**382,739**	365,878
Charged to exploration expenses	**1,488**	15,019	**2,269**	17,672
Charged to GCLLC	**315**	10,552	**3,923**	10,552
Capitalized as a component of mineral exploration and evaluation assets	**523,024**	253,274	**886,414**	528,702
	716,693	467,380	**1,275,345**	922,804

13) INCOME TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ended December 31, 2011 and the three and six months ended June 30, 2012 was 28.25%.

On February 25, 2012, the Company renounced the tax benefits associated with the issue in 2011 of 5,256,000 flow-through common shares to its investors. As a result, the Company released a portion of the liability set up in respect of these benefits to the 2012 tax recovery, based on Canadian exploration expenses incurred to June 30, 2012.

(Unaudited - Expressed in Canadian dollars)

14) COMMITMENTS

Marathon has the following commitments under operating leases.

Year ending June 30	$
2013	140,188
2014	141,420
2015	141,885
2016	142,470
2017	92,055
Thereafter	-
	658,018

15) RELATED PARTY TRANSACTIONS

a) Management fees

During the period ended June 30, 2012, Marathon paid fees totaling $Nil (2011 - $58,832) 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 June 30, 2012 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.

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.

	Three months ended June 30		**Six months ended June 30**	
	2012	2011	**2012**	2011
	$	$	**$**	$
Salaries and management fees paid to key management	**146,250**	175,208	**292,500**	351,332
Fees paid to directors	**34,000**	17,750	**69,000**	34,250
	180,250	192,958	**361,500**	385,582

16) SUBSEQUENT EVENT

On May 24, 2012, Marathon and MOA entered into an arrangement agreement (the “Arrangement”) pursuant to which:

- MOA agreed to transfer certain liabilities and its mining property interests other than its 50% interest in Valentine Lake into Mountain Lake Minerals Inc. (“MLM”), a new entity created for the purpose of the Arrangement, and subsequently transfer its shares in MLM to MOA’s shareholders; and
- Marathon agreed to acquire the common shares of MOA by means of a share exchange on the basis of 0.4 Marathon common shares for each MOA common share.

In addition, Marathon agreed to subscribe for a total of 1,500,000 common share units issued by MLM at a price of $0.20 per unit.

The Arrangement required the approval of the shareholders of both Marathon and MOA, which was obtained in special meetings held by each company on June 29, 2012, and approval by the Supreme Court of British Columbia, which was obtained on July 5, 2012. The Arrangement closed on July 9, 2012 with Marathon issuing a total of 20,309,586 common shares and assuming obligations with respect to 6,428,888 warrants issued by MOA and outstanding at July 9, 2012.

Following completion of the Arrangement, Marathon owns a 100% interest in the Valentine Lake project.