



**MARATHON GOLD CORP.**

**MARATHON GOLD CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**June 30, 2011 AND 2010**  
**(UNAUDITED)**

Marathon Gold Corporation  
 Consolidated Balance Sheets  
 (Unaudited – expressed in Canadian dollars)

	June 30 2011 \$	December 31 2010 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	6,089,188	7,582,774
Amounts receivable	588,015	517,416
Prepays and deposits	176,615	111,490
	<b>6,853,818</b>	<b>8,211,680</b>
<b>Non-current assets</b>		
Investments (note 6)	562,615	695,150
Property, plant and equipment	102,201	72,782
Mineral exploration and evaluation assets (note 5)	9,754,749	4,642,735
<b>Total assets</b>	<b>17,273,383</b>	<b>13,622,347</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables	846,186	330,992
	<b>846,186</b>	<b>330,992</b>
<b>Non-current liabilities</b>		
Other liabilities (note 9)	329,271	-
<b>Total liabilities</b>	<b>1,175,457</b>	<b>330,992</b>
<b>Equity</b>	<b>16,097,926</b>	<b>13,291,355</b>
<b>Total liabilities and shareholders' equity</b>	<b>17,273,383</b>	<b>13,622,347</b>

Going concern (note 1)

These condensed interim consolidated financial statements have been approved by the board of directors and authorized for issue on August 10, 2011 and have been signed on their behalf.



James Frank  
 Director



Phillip C. Walford  
 Director

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

Marathon Gold Corporation  
Consolidated Statements of Operations and Comprehensive Loss  
For the three and six months ended June 30, 2011 and 2010  
(Unaudited – expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Expenses:</b>				
Exploration expenses (note 12)	33,215	615	39,402	5,597
General and administrative expenses (note 13)	425,326	453,543	860,748	688,953
<b>Total expenses</b>	<b>458,541</b>	454,158	<b>900,150</b>	694,550
Interest income	(13,306)	(8,067)	(13,383)	(13,519)
Unrealized loss on warrant derivatives	123,784	-	109,002	-
Foreign exchange (gain) loss	(287)	431	(377)	431
Loss for the period	568,732	446,522	995,392	681,462
Other comprehensive income:				
Currency translation adjustment	9,403	-	37,853	-
Unrealized loss in fair value of investments classified as available for sale	60,506	-	23,533	-
<b>Comprehensive loss for the period</b>	<b>638,641</b>	446,522	<b>1,056,778</b>	681,462
<b>Basic and diluted loss per share</b>	<b>0.02</b>	446.52	<b>0.04</b>	681.46
<b>Weighted average number of common shares outstanding</b>	<b>22,915,928</b>	1,000	<b>22,082,357</b>	1,000

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

Marathon Gold Corporation  
Consolidated Statements of Cash Flow  
For the six months ended June 30, 2011 and 2010  
(Unaudited – expressed in Canadian dollars)

	2011	2010
	\$	\$
<b>Cash flows used in operating activities</b>		
Loss for the period	(995,392)	(681,462)
Add (deduct) items not involving cash		
Operating costs allocated by Marathon PGM Corporation	-	669,191
Interest income allocated by Marathon PGM Corporation	-	(13,519)
Unrealized loss on warrant derivatives	109,002	-
Depreciation	28,639	25,790
Stock-based compensation charged to operations (note 11)	93,043	-
	(764,708)	-
Changes in non-cash working capital items		
Decrease in amounts receivable	(70,599)	-
Increase in prepaid expenses	(65,125)	-
Increase in trade payables	(64,716)	-
	(965,148)	-
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common shares (note 9)	4,551,300	-
Share issue costs	(531,772)	-
	4,019,528	-
<b>Cash flows used in investing activities</b>		
Purchase of capital assets	(58,058)	-
Expenditures related to the Valentine Lake joint venture	(3,617,655)	-
Government assistance received	100,000	-
Expenditures related to the Golden Chest joint venture	(972,253)	-
	(4,547,966)	-
<b>(Decrease) Increase in cash</b>	<b>(1,493,586)</b>	<b>-</b>
<b>Cash– beginning of period</b>	<b>7,582,774</b>	<b>-</b>
<b>Cash– end of period</b>	<b>6,089,188</b>	<b>-</b>
<b>Supplemental cash flow information</b>		
Purchases of property, plant and equipment funded by Marathon PGM Corporation	-	19,910
Cash expenditures on mineral properties funded by Marathon PGM Corporation	-	1,680,762

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

**Marathon Gold Corporation**  
**Consolidated Statement of Changes in Equity**  
**For the six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

	Share Capital (note 9)	Contributed Surplus (note 11)	Warrants (note 10)	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	\$	\$	\$	\$	\$	\$
<b>Balance – January 1, 2010</b>	100	750,788	-	(671,255)	-	<b>79,633</b>
Operating expenses funded by Marathon PGM Corporation		443,951		(443,951)	-	-
Stock based compensation allocated to the Company by Marathon PGM Corporation	-	211,721	-	(211,721)	-	-
Depreciation	-	-	-	(25,790)	-	(25,790)
Other assets funded by Marathon PGM Corporation	-	25,700	-	-	-	25,700
Mining property expenditures funded by Marathon PGM Corporation	-	1,680,762	-	-	-	1,680,762
Property plant and equipment acquisitions funded by Marathon PGM Corporation	-	19,910	-	-	-	19,910
<b>Balance – June 30, 2010</b>	<b>100</b>	<b>3,132,832</b>	<b>-</b>	<b>(1,352,717)</b>	<b>-</b>	<b>1,780,215</b>
<b>Balance – January 1, 2011</b>	<b>9,241,007</b>	<b>6,679,383</b>	<b>-</b>	<b>(2,746,507)</b>	<b>117,472</b>	<b>13,291,355</b>
Loss for the period	-	-	-	(995,392)	-	(995,392)
Stock based compensation	-	93,043	-	-	-	93,043
Unrealized loss on available-for-sale investment	-	-	-	-	(23,533)	(23,533)
Currency translation adjustment	-	-	-	-	(37,853)	(37,853)
Flow-through common shares	3,621,984	-	148,322	-	-	3,770,306
<b>Balance – June 30, 2011</b>	<b>12,862,991</b>	<b>6,772,426</b>	<b>148,322</b>	<b>(3,741,899)</b>	<b>56,086</b>	<b>16,097,926</b>

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

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

## **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 \$3.7 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 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 condensed 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, 2011 through the use of existing cash and from a private placement financing which closed on March 1, 2011 and which generated net cash proceeds of \$4 million.

After taking its existing cash reserves and the financing completed in the quarter into account, Marathon anticipates that it has sufficient cash reserves to fund its planned exploration and investment activities and administrative costs for the coming twelve months. However, at present Marathon does not have adequate funding to meet the future capital requirements for the development of Valentine Lake and Golden Chest past June 2012. Marathon will continue to seek external financing to fund its ongoing and planned exploration and development activities, but 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 and the Golden Chest project in Idaho, 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 Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

Marathon's registered address is 330 Bay Street, Suite 1505, Toronto, Ontario M5H 2S8.

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

### **3) BASIS OF PRESENTATION AND ADOPTION OF IFRS**

Marathon prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, Marathon commenced reporting on this basis in its 2011 interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of International Financial Reporting Standards. The accounting policies followed in these interim financial statements are the same as those applied in Marathon's interim financial statements for the period ended March 31, 2011. Marathon has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 17 discloses the impact of the transition to IFRS on Marathon's reported equity as at June 30, 2010 and comprehensive income for the three and six months ended June 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the company's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of August 10, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in Marathon's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

These condensed interim consolidated financial statements should be read in conjunction with Marathon's Canadian GAAP annual financial statements for the year ended December 31, 2010, and Marathon's interim financial statements for the three months ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

#### **4) ASSET TRANSFER FROM MARATHON PGM CORPORATION AND CONTINUITY OF INTERESTS**

On September 7, 2010, Marathon PGM Corporation (“MPGM”), Marathon’s then-parent company, and Stillwater Mining Company (“Stillwater”) entered into an Arrangement Agreement (the “Arrangement”), which was subsequently amended on October 4, 2010. Under the terms of the Arrangement, MPGM proposed to:

- a) transfer certain capital assets, the rights and title to MPGM’s Valentine Lake, Baie Verte, Finger Pond, and Gold Reef properties, and up to \$6 million in cash (“the Transferred Assets”) to Marathon in exchange for common shares,
- b) reorganize the share capital of MPGM into two classes of shares, Class A and Class B,
- c) distribute the common shares of Marathon it acquired as a result of the asset transfers described above to redeem the Class A shares, and
- d) list Marathon’s common shares for trading on the Toronto Stock Exchange.

On November 30, 2010, the various transactions contemplated by the Arrangement were executed, and Marathon acquired the Transferred Assets by issuing a total of 17,816,428 common shares with a deemed value of \$9,853,564. The allocation of the deemed value of the common shares issued to MPGM was based on the historical carrying values of each asset in the underlying accounting records of MPGM and is summarized below:

	\$
Cash	6,000,000
Security deposits	58,697
Deferred property acquisition and exploration costs with respect to the Valentine Lake property, Newfoundland	3,709,677
Property, plant and equipment	85,190
	<hr/> 9,853,564

As the shareholders of MPGM ultimately continued to hold their respective interests in the Transferred Assets, there was no change of control. Consequently, the transfer was accounted for using continuity-of-interests accounting and no fair value adjustments were made for the assets acquired by Marathon.

The derivation of Marathon’s reported results of operations for the three and six month periods ended June 30, 2010 in conformity with continuity of interest accounting is set out below.



**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

**Three months ended June 30, 2010:**

	Costs incurred by MPGM			Marathon Gold share	Marathon Gold
	Three months ended June 30 2010	Costs directly attributable to MPGM	Shared costs		Three months ended June 30 2010
	\$	\$	\$		\$
General and administrative expenses (i), (ii), (iii), (iv)	1,010,560	(150,266)	860,294	(v)	453,543
Exploration expenses	615	-	615	100%	615
Operating costs	1,011,175	(150,266)	860,909		454,158
Interest earned	(15,514)	-	(15,514)	52%	(8,067)
Foreign exchange	829	-	829	52%	431
Loss before tax	996,490	(150,266)	846,224		446,522

The 2010 expenses attributable to the continuing development and management of the Transferred Assets include costs originally incurred by MPGM, reduced to eliminate costs attributable solely to MPGM. These include the following:

Note	Explanation
(i)	Office expenses were reduced by \$3,152, representing property taxes on real property not forming part of the Transferred Assets.
(ii)	Professional fees were reduced by \$81,434 in respect of legal and other professional fees incurred in connection with evaluating strategic alternatives for the Marathon PGM-Cu Project.
(iii)	Travel expenses were reduced by \$41,449 in respect of travel costs related to evaluation of strategic alternatives for the Marathon PGM-Cu project.
(iv)	Depreciation expense was reduced by \$24,231 to eliminate the depreciation charge on assets retained by MPGM.
(v)	After the adjustments referred to in notes (i) to (iv) had been taken into consideration, the resulting expenses were allocated between the continuing operations of Marathon and the surviving operations of MPGM on a pro rata basis, based on the exploration and development spending on the two groups of exploration properties during 2010, which resulted in 52% of the resulting general and administrative expenses being allocated to Marathon, with the exception of depreciation expense which was allocated 100% to Marathon.

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

**Six months ended June 30, 2010:**

	Costs incurred by MPGM			Marathon Gold share	Marathon Gold
	Six months ended June 30 2010	Costs directly attributable to MPGM	Shared costs		Six months ended June 30 2010
	\$	\$	\$		\$
General and administrative expenses (i), (ii), (iii), (iv)	1,485,124	(184,019)	1,301,105	(v)	688,953
Exploration expenses	6,216	(619)	5,597	100%	5,597
Operating costs	1,491,340	(184,638)	1,306,702		694,550
Interest earned	(25,998)	-	(25,998)	52%	(13,519)
Foreign exchange	829	-	829	52%	431
Loss before tax	1,466,171	(184,638)	1,281,533		681,462

The 2010 expenses attributable to the continuing development and management of the Transferred Assets include costs originally incurred by MPGM, reduced to eliminate costs attributable solely to MPGM. These include the following:

Note	Explanation
(i)	Office expenses were reduced by \$12,674, representing property taxes on real property not forming part of the Transferred Assets.
(ii)	Professional fees were reduced by \$81,434 in respect of legal and other professional fees incurred in connection with evaluating strategic alternatives for the Marathon PGM-Cu Project.
(iii)	Travel expenses were reduced by \$41,449 in respect of travel costs related to evaluation of strategic alternatives for the Marathon PGM-Cu project.
(iv)	Depreciation expense was reduced by \$48,462 to eliminate the depreciation charge on assets retained by MPGM.
(v)	After the adjustments referred to in notes (i) to (iv) had been taken into consideration, the resulting expenses were allocated between the continuing operations of Marathon and the surviving operations of MPGM on a pro rata basis, based on the exploration and development spending on the two groups of exploration properties during 2010, which resulted in 52% of the resulting general and administrative expenses being allocated to Marathon, with the exception of depreciation expense which was allocated 100% to Marathon.

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

## 5) MINERAL EXPLORATION AND EVALUATION ASSETS

	Valentine Lake Gold Project, Newfoundland				Golden Chest	
	Property acquisition costs	Deferred exploration costs	Contributions by Mountain Lake Resources	Total		Total
	\$	\$	\$	\$	\$	\$
<b>Balance – January 1, 2010</b>	-	-	-	-	-	-
Additions	2,580	4,111,275	(465,720)	<b>3,648,135</b>	1,013,100	4,661,235
Currency translation adjustment	-	-	-	-	(18,500)	(18,500)
<b>Balance – December 31, 2010</b>	<b>2,580</b>	<b>4,111,275</b>	<b>(465,720)</b>	<b>3,648,135</b>	<b>994,600</b>	<b>4,642,735</b>
Additions	3,009,026	2,884,372	(1,615,784)	4,277,614	972,253	5,249,867
Government assistance	-	(100,000)	-	(100,000)	-	(100,000)
Currency translation adjustment	-	-	-	-	(37,853)	(37,853)
<b>Balance – June 30, 2011</b>	<b>3,011,606</b>	<b>6,895,647</b>	<b>(2,081,504)</b>	<b>7,825,749</b>	<b>1,929,000</b>	<b>9,754,749</b>

### a) Valentine Lake gold property, Newfoundland

In December 2009, MPGM entered into an option agreement with Mountain Lake Resources Inc. (“Mountain”) to earn an initial 50% interest in the Valentine Lake property. As part of the transaction described in note 6(a), the option agreement and all of MPGM’s rights and interests thereunder was assigned to Marathon in November 2010.

At each of January 1, 2010, June 30, 2010 and December 31, 2010, Mountain owned a 30% interest in Valentine Lake, with the remaining 70% held by Richmond Mines Inc. (“Richmont”). Mountain 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, including an irrevocable commitment to incur \$500,000 in exploration costs by May 1, 2010.
- Making a total of \$3,000,000 in cash payments over three years to Richmont on Mountain’s behalf in satisfaction of the terms of Mountain’s option, including an irrevocable commitment to fund the first \$100,000 of such payments.

The Valentine Lake property is subject to two overlapping royalties. 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

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

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.

At December 31, 2010, Marathon had incurred a total of \$4,113,855 in qualifying expenditures with respect to the Valentine Lake property, and Mountain agreed to fund 50% of the Company's exploration costs on the project in excess of the \$3,000,000 commitment MPGM made upon entering into the option agreement.

On January 24, 2011, Marathon fulfilled the last of its earn-in obligations under the option agreement by paying Richmond \$3,000,000 and consequently owns an undivided 50% interest in the Valentine Lake project.

**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 may 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 the property. Marathon made an initial payment of US \$1 million upon executing the agreement to fund the first stage of exploration on the property and two subsequent payments totaling US \$2.0 million, with a non-binding agreement to contribute an additional US \$2.0 million according to the following schedule:

Contribution deadline	Contribution amount
	US \$
September 30, 2011	1,000,000
November 30, 2011	1,000,000
Total	2,000,000

Marathon is not obligated to make either of these payments. In the event that Marathon fails to make any or all of the payments, the Company's interest in GCLLC will be diluted.

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

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

Date	Amounts Due US\$
December 15, 2011	500,000
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
<b>Total</b>	<b>3,250,000</b>

## 6) INVESTMENTS

Our investments at June 30, 2011 are summarized below.

Description	Quantity	Fair Value		
		June 30 2011	December 31 2010	January 1 2010
		\$	\$	\$
<b>New Jersey Mining Company:</b>				
• Common shares, restricted as to salability until December 2011	2,000,000	373,719	397,252	-
• Warrants exercisable at a price of \$0.30 per share and expiring on December 23, 2013	2,000,000	188,896	297,898	-
		<b>562,615</b>	<b>695,150</b>	-

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 the following:

- One common share with restrictions until December 2011 on our ability to sell the shares, 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 June 30, 2011, adjusted by applying a 19.2% discount (December 31, 2010 – 38%) reflecting the restricted liquidity of this investment.

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

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

	<b>June 30 2011</b>	December 31 2010
Risk free interest rate	<b>1.55%</b>	1.66%
Dividend rate	<b>Nil</b>	Nil
Volatility	<b>100%</b>	80%
Expected life	<b>1.50 years</b>	2 years
Estimated fair value per warrant	<b>\$0.097</b>	\$0.15

## 7) FINANCIAL INSTRUMENTS

The carrying values of Marathon's financial instruments are classified into the following categories:

	<b>June 30 2011</b>	<b>December 31 2010</b>
Loans and receivables <sup>(a)</sup>	\$ 6,511,812	\$ 8,051,247
Held for trading <sup>(b)</sup>	188,896	297,898
Available for sale <sup>(c)</sup>	373,719	397,252
Other financial liabilities <sup>(d)</sup>	(846,186)	(330,992)

- (a) – includes cash and amounts receivable
- (b) – includes Marathon's investment in warrant derivatives issued by New Jersey Mining Company
- (c) – includes Marathon's investment in common shares of New Jersey Mining Company
- (d) – includes trade payables

The carrying value of Marathon's financial assets and liabilities other than investments approximates fair value as a result of the short lifespan of these instruments.

The following table presents the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2011:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Non- Observable Inputs (Level 3)	Total
Investments	\$ -	\$ -	\$ 562,615	<b>\$ 562,615</b>
	-	-	<b>562,615</b>	<b>562,615</b>

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

## **8) CAPITAL MANAGEMENT**

Marathon is not subject to externally imposed capital requirements.

We manage our capital structure and make adjustments to it based on the funds available to us 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.

The properties which we own or in which we are earning interests are in the exploration and evaluation stages, and as such we depend on external financing to fund our activities. In order to carry out our planned scope of exploration and development activities and to pay for administrative costs, we spend existing working capital and raise additional amounts as needed. We continue to assess new properties and seek to acquire interests in additional properties if we feel there is sufficient geologic or economic potential and if we have adequate financial resources to do so.

## **9) 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 \$
<b>Balance – January 1, 2010 and June 30, 2010</b>	<b>1,000</b>	<b>100</b>
Issued pursuant to the acquisition of the Transferred Assets (note 4) <sup>(i)</sup> , net of amounts allocated to Contributed surplus	17,816,428	6,000,000
Issued for cash pursuant to private placement <sup>(ii)</sup>	2,570,000	3,366,700
Share issue costs	-	(125,793)
<b>Balance – December 31, 2010</b>	<b>20,387,428</b>	<b>9,241,007</b>
Issued pursuant to private placement of flow-through common shares <sup>(iii)</sup>	2,528,500	4,172,025
Share issue costs	-	(550,041)
<b>Balance – June 30, 2011</b>	<b>22,915,928</b>	<b>12,862,991</b>

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

- i. On November 30, 2010, we issued a total of 17,816,428 common shares as consideration pursuant to the transfer of assets from MPGM, which at the time was Marathon’s parent company (note 6). The value attributed to share capital in connection with this transaction represents the cash consideration received from MPGM.
- ii. On December 30, 2010 we closed a private placement of 2,570,000 common shares at a price of \$1.31 per common share, generating gross proceeds of \$3,366,700. These shares were subscribed by a subsidiary of Stillwater.

In connection with this financing, Marathon granted to Stillwater an option to purchase up to 15% of each subsequent offering of securities on the terms applicable to each such offering, expiring on December 30, 2013. No value has been attributed to this option.

- iii. On March 1, 2011, we 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. We allocated the gross proceeds of this financing between share capital and the flow-through 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, we 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 allocated to the flow-through tax liability on a pro rata basis.

## **10) WARRANTS**

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

	Number	Value
		\$
<b>Balance – January 1, 2010, June 30, 2010, and December 31, 2010</b>	-	-
Issued pursuant to private placement	176,995	148,322
<b>Balance – June 30, 2011</b>	<b>176,995</b>	<b>148,322</b>



**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

In connection with the private placement which closed on March 1, 2011 we 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.

## 11) CONTRIBUTED SURPLUS

	\$
<b>Balance – January 1, 2010</b>	<b>750,788</b>
Additions to property plant and equipment funded by MPGM	19,910
Cash operating costs funded by MPGM	443,951
Additions to mining properties funded by MPGM	1,680,762
Additions to other assets funded by MPGM	25,700
Stock based compensation allocated to the Company by MPGM	211,721
<b>Balance – June 30, 2010</b>	<b>3,132,832</b>
Additions to property plant and equipment funded by MPGM	23,980
Cash operating costs funded by MPGM	487,917
Additions to mining properties funded by MPGM	2,028,915
Additions to other assets funded by MPGM	32,997
Stock based compensation pursuant to the grant of options by Marathon	972,742
<b>Balance – December 31, 2010</b>	<b>6,679,383</b>
Stock based compensation pursuant to the grant of options by Marathon	93,043
<b>Balance – June 30, 2011</b>	<b>6,772,426</b>

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

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 5 years and vest over upon grant.

	Six months ended June 30, 2011		Year ended December 31, 2010	
	Number	Weighted average exercise price per share	Number	Weighted average exercise price per share
		\$		\$
Balance - beginning of period	<b>1,770,000</b>	<b>1.61</b>	-	-
Granted	190,000	1.26	1,770,000	1.61
<b>Balance – end of period</b>	<b>1,960,000</b>	<b>1.58</b>	<b>1,770,000</b>	<b>1.61</b>

Options to purchase common shares outstanding at June 30, 2011 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Options Outstanding and exercisable	Contract Life (years)
\$		
1.61	1,770,000	4.47
1.58	50,000	1.54
1.15	140,000	4.98
<b>1.58</b>	<b>1,960,000</b>	<b>4.43</b>

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

The fair value of the options granted in 2011 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>Three months ended June 30 2011</b>	<b>Six months ended June 30 2011</b>
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

We recognized total stock based compensation costs of \$93,043 in the period ended June 30, 2011 (2010 - \$Nil), which was charged to operations.

## 12) EXPLORATION EXPENSES

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	\$	\$	\$	\$
<b>Baie Verte Property, Newfoundland</b>				
Property acquisition costs	<b>110</b>		<b>110</b>	
Exploration costs	-	600	<b>641</b>	3,022
	<b>110</b>	600	<b>751</b>	3,022
<b>Finger Pond Property, Newfoundland</b>				
Property acquisition costs	<b>10,000</b>	-	<b>10,120</b>	2,560
Exploration costs	<b>609</b>	-	<b>3,075</b>	-
	<b>10,609</b>	-	<b>13,195</b>	2,560
<b>Barachois Brook Property, Newfoundland</b>				
Property acquisition costs	<b>600</b>	-	<b>3,060</b>	-
Exploration costs	<b>21,896</b>	-	<b>22,396</b>	-
	<b>22,496</b>	-	<b>25,456</b>	-
Gold Reef Property, British Columbia				
Exploration costs	-	15	-	15
	-	15	-	15
<b>Total</b>	<b>33,215</b>	615	<b>39,402</b>	5,597

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

### 13) GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Wages, salaries and benefits (note 14)	<b>188,535</b>	131,076	<b>365,878</b>	233,570
Professional fees	<b>23,283</b>	34,523	<b>78,383</b>	59,078
Occupancy costs	<b>19,780</b>	10,376	<b>38,992</b>	20,325
Investor relations	<b>61,860</b>	34,421	<b>120,274</b>	66,002
Other expenses	<b>54,913</b>	18,531	<b>135,539</b>	72,467
Depreciation	<b>14,562</b>	12,895	<b>28,639</b>	25,790
Stock based compensation (note 11)	<b>62,393</b>	211,721	<b>93,043</b>	211,721
	<b>425,326</b>	453,543	<b>860,748</b>	688,953

### 14) WAGES, SALARIES AND BENEFITS

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Fees, wages and salaries paid to employees, key management and directors (note 16)	<b>432,996</b>	238,239	<b>851,681</b>	489,810
Social security benefits	<b>34,384</b>	21,785	<b>71,123</b>	48,562
	<b>467,380</b>	260,024	<b>922,804</b>	538,372
Charged to general and administrative expenses	<b>188,535</b>	131,076	<b>365,878</b>	233,570
Charged to exploration expenses	<b>15,019</b>	-	<b>17,672</b>	-
Charged to and recovered from GCLLC	<b>10,552</b>		<b>10,552</b>	-
Capitalized as a component of mining properties	<b>253,274</b>	128,948	<b>528,702</b>	304,802
	<b>467,380</b>	260,024	<b>922,804</b>	538,372

### 15) COMMITMENTS

Marathon has the following commitments under operating leases.

Year ending June 30	\$
2012	47,473
2013	2,645
2014	2,645
2015	441
Thereafter	-
	<b>53,204</b>

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

## **16) RELATED PARTY TRANSACTIONS**

### **a) Management fees**

During the six month period ended June 30, 2011, we paid fees totaling \$58,832 to a company controlled by Marathon’s chairman for management services. These transactions were charged to operations and were in the normal course of business.

During the six month period ended June 30, 2010, MPMG paid fees amounting to \$63,000 for the same services, of which \$32,760 were allocated to Marathon and charged to operations.

### **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.

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Salaries and management fees paid to key management	<b>175,208</b>	117,910	<b>351,332</b>	235,820
Fees paid to directors	<b>17,750</b>	8,190	<b>34,250</b>	19,110
	<b>192,958</b>	126,100	<b>385,582</b>	254,930

## **17) TRANSITION TO IFRS**

IFRS 1, “First Time Adoption of International Reporting Standards”, sets out guidance for the initial adoption of IFRS. Under IFRS 1 these standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to the deficit unless certain optional exemptions and mandatory exemptions are applied.

Marathon has applied mandatory exemptions from full retroactive application of IFRS as follows:

- Estimates cannot be created or revised using hindsight. The estimates previously made by the Company under Canadian GAAP (“CGAAP”) were not revised for the application of IFRS except where necessary to reflect any difference in accounting policies.

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

**a) Adoption of IFRS 6 for exploration and evaluation expenditures**

Marathon has elected to adopt the provisions of IFRS 6 which allow the Company to continue with its current accounting policies regarding the accounting for exploration and evaluation expenditures.

**b) Change in foreign exchange translation methodology**

Under CGAAP, the Company used the temporal method of foreign exchange translation for its integrated wholly owned subsidiary, Marathon USA. Under the temporal method, non-monetary assets were converted to the presentation currency using historical foreign exchange rates and the resulting difference between the translation of the balance sheet and income statement was recorded in the statement of operations.

Under IFRS, the temporal method is not recognized and the translation methodology used to translate the financial statements of entities with presentation currencies other than Canadian dollars is driven by the determination of the functional currency in each entity in the group.

Because the functional currency of Marathon USA has been determined to be the US dollar, we translated the assets and liabilities of Marathon USA at the exchange rate in effect at each balance sheet date. Because the formation of Marathon USA and the resulting investment in GCLLC did not take place until December 2010, there was no impact on Marathon's consolidated balance sheets or statements of operations for the three and six month period periods ended June 30, 2010.

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

**Reconciliation of Equity as reported under Canadian GAAP to IFRS**

	June 30, 2010		
	CGAAP	Effect of transition	IFRS
	\$	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash	-		
Amounts receivable	100	-	100
Other current assets	25,700	-	25,700
	25,800	-	25,800
<b>Non-current assets</b>			
Investments	-		-
Property, plant and equipment	73,653	-	73,653
Mineral exploration and evaluation assets	1,680,762	-	1,680,762
<b>Total assets</b>	<b>1,780,215</b>	-	<b>1,780,215</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	-	-	-
	-	-	-
<b>Non-current liabilities</b>			
Other liabilities	-	-	-
	-	-	-
<b>Total liabilities</b>	-	-	-
Equity	1,780,215	-	1,780,215
<b>Total liabilities and shareholders' equity</b>	<b>1,780,215</b>	-	<b>1,780,215</b>

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2011 and 2010**  
**(Unaudited – expressed in Canadian dollars)**

**Reconciliation of Comprehensive Loss as reported under Canadian GAAP to IFRS**

	Three months ended June 30 2010			Six months ended June 30, 2010		
	CGAAP \$	Effect of transition \$	IFRS \$	CGAAP \$	Effect of transition \$	IFRS \$
<b>Expenses:</b>						
Exploration expenses	615	-	615	5,597	-	5,597
General and administrative expenses	453,543	-	453,543	688,953	-	688,953
<b>Total expenses</b>	<b>454,158</b>	<b>-</b>	<b>454,158</b>	<b>694,550</b>	<b>-</b>	<b>694,550</b>
Interest income	(8,067)	-	(8,067)	(13,519)	-	(13,519)
Unrealized gain on warrant derivatives	-	-	-	-	-	-
Foreign exchange gain (loss)	431	-	431	431	-	431
<b>Loss for the period</b>	<b>446,522</b>	<b>-</b>	<b>446,522</b>	<b>681,462</b>	<b>-</b>	<b>681,462</b>
Other comprehensive income:						
Currency translation adjustment	-	-	-	-	-	-
Unrealized gain in fair value of investments classified as available for sale	-	-	-	-	-	-
<b>Comprehensive loss for the period</b>	<b>446,522</b>	<b>-</b>	<b>446,522</b>	<b>681,462</b>	<b>-</b>	<b>681,462</b>