



## Management's Discussion and Analysis of Operations and Financial Condition

Marathon Gold Corporation ("we", "us", "the Company", or "Marathon") presents below management's review of the Company's results of operations and financial condition for the three months ended March 31, 2017 and 2016.

The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017 and 2016, including the notes thereto. This MD&A is presented as of May 12, 2017. All figures presented in this MD&A are expressed in Canadian dollars, unless specified otherwise.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

*Certain statements in this MD&A other than statements of historical fact are forward-looking statements based on certain assumptions and reflect the current expectations of Marathon's management. These statements include without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for economic and capital markets conditions for the current and subsequent fiscal years.*

*Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "considers", "intends", "targets", or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". We provide forward-looking statements for the purpose of conveying information about our current expectations and plans relating to the future, and readers are cautioned that such statements may not be appropriate for other purposes.*

*By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.*

*Other than as specifically required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise.*

## **NOTE TO U.S. INVESTORS**

All references to mineral reserves and resources contained in this MD&A are determined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects (“NI 43-101”) of the Canadian Securities Administrators (“CSA”) and Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) standards. While the terms “mineral resource,” “measured mineral resource,” “indicated mineral resource,” and “inferred mineral resource” are recognized and required by Canadian regulations, they are not defined terms under the Securities and Exchange Commission (“SEC”) standards in the United States (“U.S.”). As such, information contained in this MD&A concerning descriptions of mineralization and resources under Canadian standards may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. “Indicated mineral resource” and “inferred mineral resource” have a significant amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an “indicated mineral resource” or “inferred mineral resource” will ever be upgraded to a higher category of resource. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves.

## 1) STRATEGY

Marathon's strategy is focused on the acquisition, exploration and development of mineral properties, particularly gold located in North America. At the date of this MD&A, Marathon owns 100% interests in the following resource properties:

### Newfoundland

- The Valentine Lake Gold Camp in central Newfoundland, Marathon's flagship property and currently the sole focus of its exploration efforts. The property includes four zones with existing mineral resources, the Leprechaun, Marathon, Sprite and Victory Deposits. The property also comprises mineralized areas which have not been advanced to the point of hosting mineral resources, including the J. Frank, Narrows, Rainbow and Scott zones, and numerous untested drilling targets.
- The Baie Verte gold property in western Newfoundland, an early-stage exploration property acquired by staking in 2008.

### Oregon, United States

- The Bonanza Mine, a historic former mine located in Baker County in northeastern Oregon.

### British Columbia

- The Gold Reef property, an exploration property consisting of approximately 12 hectares of claims located near Stewart, BC with existing underground workings and drill holes.

## 2) OVERVIEW

At March 31, 2017, Marathon's cash position was \$5.2 million compared to \$8.5 million at December 31, 2016.

Marathon completed the following activities in 2016 and the period ended March 31, 2017, and subsequently to the date of this MD&A:

- **Financing** – On May 3, 2017, Marathon entered into an agreement on the terms of a prospectus financing underwritten on a bought deal basis by a syndicate of underwriters led by RBC Capital Markets. Under the terms of the related underwriting agreement, Marathon will issue a total of 6,000,000 common shares at a price of \$1.03 per common share and 8,000,000 flow through shares at a price of \$1.25 per flow through share, for aggregate gross proceeds of \$16,180,000. In connection with this financing, Marathon has granted the underwriters an overallotment option to purchase an additional 2,100,000 shares in a combination of common and flow through shares for a period up to 30 days from the closing date of this financing.

These proceeds will fund an aggressive program of infill and extension drilling at the Marathon and Leprechaun Deposits; exploration drilling focused on showings between the Victory Northeast area and the Leprechaun Deposit and extensions of the Spite Deposit with favorable geophysical characteristics; a summer field exploration program including mapping, geochemical soil sampling and prospecting focused on the northeastern part of the Valentine Lake property where there are indications of gold mineralization but limited historical exploration activity; advanced environmental studies which will be used in economic studies on the project and for

permitting; and a preliminary economic assessment. This financing is expected to close in May 2017.

In addition to this financing, which has not closed at the date of this MD&A, Marathon closed a bought deal prospectus offering in October 2016 of 8,880,000 flow through shares at a price of \$0.90 per share for gross proceeds of \$7,992,000 and a private placement in May 2016 of 10,504,500 units at a price of \$0.23 per unit and 2,163,500 flow through shares at a price of \$0.27 per share for aggregate gross proceeds of \$3,000,180.

- **Mineral resource estimate** – In February 2017, Marathon released an updated mineral resource estimate and the supporting National Instrument 43-101 technical report for the Valentine Lake property, incorporating the results of drilling on the property since the completion of the previous resource estimate in 2015 through February 2017. With completion of the updated resource, the Valentine Lake property hosts a total measured and indicated resource of 1.4 million ounces of gold at a grade of 1.91 g/t and an additional inferred resource of 0.8 million ounces at a grade of 2.24 g/t. Compared to the previous global resource estimate, the global measured and indicated resource increased by 0.4 million ounces or 31%, while the global inferred resource increased by 0.6 million ounces or 284%.
- **Acoustic surveying** – Marathon commenced work in January 2017 on an innovative acoustic surveying program focused on identifying swarms of gold veining in areas of bog and heavy overburden to the southwest of the Marathon Deposit not readily amenable to traditional prospecting techniques. Approximately \$750,000 of the expected total cost of this program, which amounts to approximately \$1.8 million, is being underwritten by a grant from the Research and Development Corporation of Newfoundland and Labrador (“RDC”).

The field work portion of this program was completed in February 2017 and involved line cutting and other ground preparation activity and the gathering of acoustic data. The remainder of the program, which involves the analysis of the acoustic data by the surveyor using a proprietary methodology, is in progress and management expects to receive the results of this work in late June or July 2017.

- **Drilling** - An expansion and upgrade drill program, which ran from January to March and June to December 2016 and from January to March 2017, has focused primarily on expanding the Marathon Deposit resource. To date, a total of 133 holes totaling 34,869 meters has served to expand the mineralization corridor associated with the Marathon area to more than 1.7 kilometers, both to the northwest and southwest of the Marathon Deposit resource boundary. Drilling completed late in 2016 and in the first six weeks of 2017, the majority of which was incorporated into the 2017 mineral resource estimate, encountered wide intervals of high grade mineralization at depths exceeding 350 meters, with grades appearing to improve at depth.

Toward the end of the most recent drilling on the property, a total of three sub-vertical drill holes running between 800 and 1,000 meters were drilled through the mineralized corridor associated with the Marathon Deposit and intersected wide intervals of intermittent moderate to high grade gold in QTP veining typical of mineralized material throughout the Valentine lake property. These holes confirm the potential for definition of additional gold resources beneath the lower limit of the 2017 resource body.

- **Metallurgy** - A two-phase metallurgical testing program completed in the fourth quarter of 2016, approximately 75% of the costs of which were funded by a grant from RDC, focused on material from the Leprechaun and Marathon Deposits, which together represent over 90% of the current measured and indicated resource associated with the Valentine Lake Gold Camp.

The first phase of the program assessed the amenability of mineralized material from the Leprechaun and Marathon Deposits to low-cost heap leaching, which could provide options to reduce both capital and operating costs significantly in the event that a production decision is warranted. Marathon engaged Thibault & Associates Inc. to undertake column tests on material from the Leprechaun and Marathon Deposits, crushed to minus 0.5" and minus 0.75". The column tests were terminated after 130 days of leaching, with recoveries ranging from 53.9% to 66.0% for material from the Marathon Deposit and from 69.6% to 72.7% for material from the Leprechaun Deposit.

A second phase of testing focused on determining the potential recoveries achievable by processing mineralized material from the Marathon Deposit using a conventional processing flowsheet consisting of flotation, gravity separation and cyanidation of concentrate. These bench-scale tests, which were carried out on a representative sample of material from the Marathon Deposit with a grade of 3.55g/t gold, indicated that 59.4% of the contained gold was recovered by gravity separation, with total recoveries ranging from 93.4% to 98.1%.

Finally, Marathon undertook bottle-roll testing of a further sample of mineralized material from the Leprechaun and Marathon Deposits grading 0.3 g/t to assess at a preliminary level the potential recoveries obtainable through heap leaching lower grade material. This work resulted in recoveries after 240 hours of leaching ranging from amounting to 61.6% to 71.5% for material obtained from the Leprechaun Deposit and from 69.1% to 79.3% for material from the Marathon Deposit.

### 3) SUMMARY OF MINERAL RESOURCES

The tables below set out the combined current mineral resource estimates for the Leprechaun, Marathon, Sprite, and Victory Deposits at the Valentine Gold Camp, as excerpted from Marathon's press release dated February 28, 2017:

#### Combined Resources – Valentine Lake Gold Camp (Leprechaun, Marathon, Sprite and Victory Deposits)

	Open Pit			Underground			Total		
	(0.40 g Au/t cut-off 2017)			(1.60g Au/t cut-off Marathon Deposit, 2.00g Au/t cut-off Leprechaun)					
	Tonnes	Grade	Gold	Tonnes	Grade	Gold	Tonnes	Grade	Gold
	(kt)	(g/t)	(oz)	(kt)	(g/t)	(oz)	(kt)	(g/t)	(oz)
<b>Total Measured and Indicated</b>	21,800	1.84	1,292,800	770	3.85	95,400	<b>22,570</b>	<b>1.91</b>	<b>1,388,200</b>
<b>Total Inferred</b>	8,838	1.98	562,600	1,830	3.47	203,900	<b>10,668</b>	<b>2.24</b>	<b>766,500</b>

Detailed information concerning the tonnages, grades, resource classifications and underlying assumptions for each of these deposits is presented in Section 4 of this MD&A.

The current drilling program, focused primarily on expanding the resource associated with the Marathon Deposit, will resume at the end of the second week of May 2017. An updated resource estimate including the results of drilling from Marathon's 2017 drilling is expected to be completed once the drilling program has concluded.

### 4) EXPLORATION ACTIVITY IN THE PERIOD

#### a) Valentine Lake

##### Drilling Programs 2016 to present

During 2016 and 2017 to the date of this MD&A, Marathon carried out a total of 34,869 meters of drilling in four programs focused on four discrete areas of the Valentine Lake Gold Camp. For clarity, this drilling is summarized below.

	<u>Leprechaun Deposit</u>		<u>Victory Deposit</u>		<u>Sprite Deposit</u>		<u>Marathon Area</u>	
	# of holes	Meters	# of holes	Meters	# of holes	Meters	# of holes	Meters
2016	3	291	7	620	-	-	79	19,284
Winter 2017 to date	7	2,560	-	-	16	2,174	21	9,940
	10	2,851	7	620	16	2,174	100	29,224

##### 2016/2017 Drilling and Exploration Programs

Marathon began its 2016 drilling program in January 2016 with a 13 widely spaced step-out holes totaling 2,062 meters of drilling over a strike length of approximately 1.2 kilometers. This drilling

focused on otherwise inaccessible areas to the southwest of the 2015 Marathon Deposit resource boundary in wetlands and boggy areas with little to no outcrop and from 1 to 9 meters of overburden.

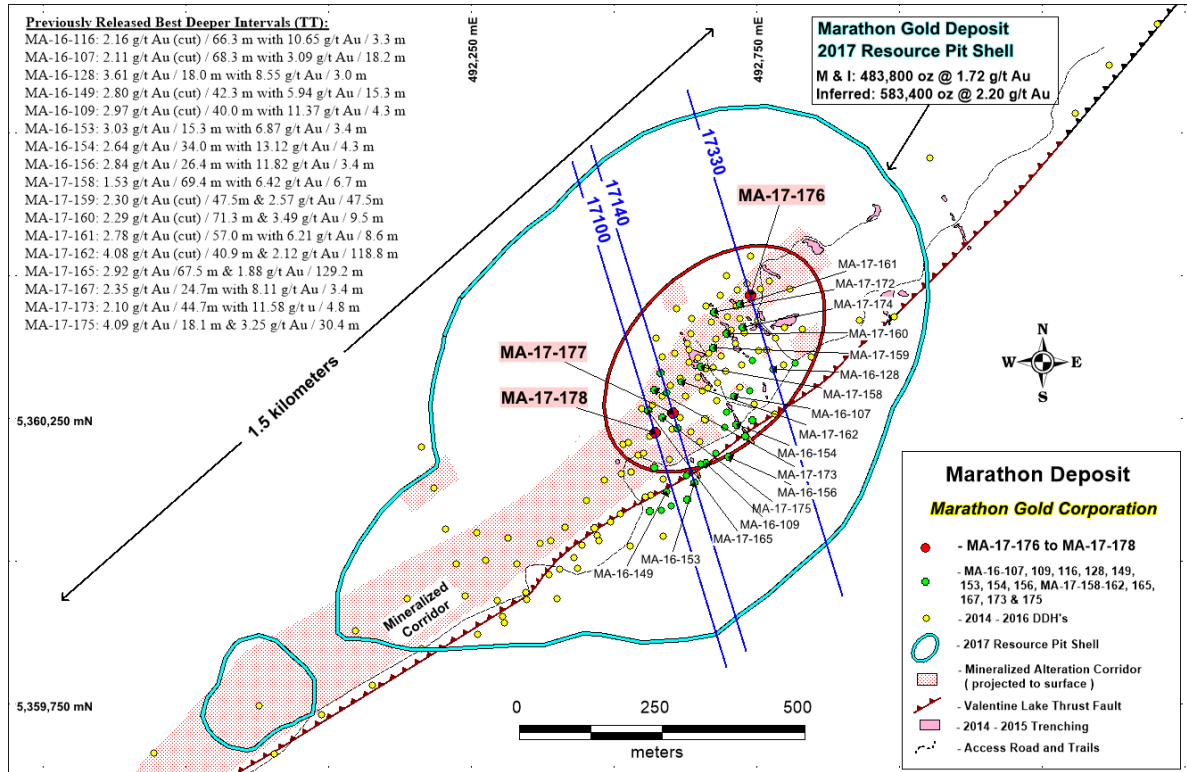
This drilling program and an accompanying geophysical survey completed in the first quarter of 2016 satisfied management's objective of confirming the mineralization trend southwest from the Marathon Deposit. The program utilized 200 meter step-out holes which expanded the strike length of the Marathon trend by another 800 meters from the boundaries of the fall 2015 drilling program. The winter drilling successfully intersected zones of variable quartz-tourmaline-pyrite veining and alteration typical of the gold mineralization throughout the property.

Marathon resumed drilling at Valentine Lake in early June 2016 following the closing of a private placement financing in May and the end of the spring break-up. Apart from a break of approximately one month from mid-December 2016 to mid-January 2017, drilling continued to the end of March 2017, when drilling was suspended because of the annual spring break-up in the area, with a total of 133 holes representing 34,869 meters of drilling. The length of the current campaign and the extent of drilling completed in 2016 and subsequently to the date of this MD&A is a direct result of Marathon closing two successful financings in 2016 which raised a total of \$11 million in gross proceeds.

To date, the bulk of the drilling completed in this campaign to date has focused on the Marathon Deposit, which now represents the largest gold resource on the Valentine Lake property. Marathon has had numerous successes arising from the drilling to date, including:

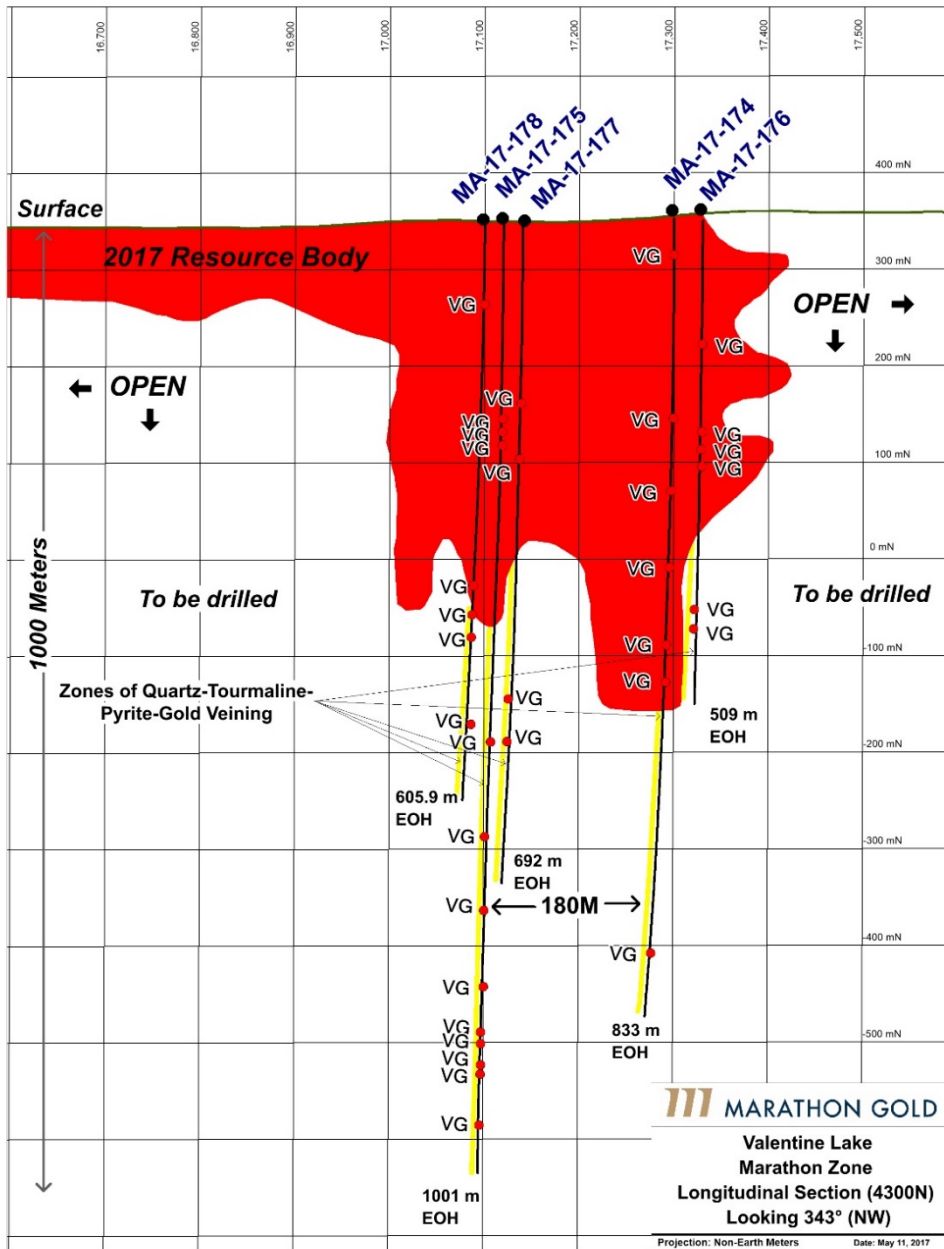
- The most recent drilling at the Marathon Deposit, completed toward the end of March 2017, included three sub-vertical holes drilled through the Marathon mineralized corridor and allowed to run until the holes ceased to intercept QTP veining. These holes, which were the deepest holes ever drilled by Marathon at Valentine Lake, intercepted abundant QTP veining, which was associated with wide intervals of intermittent moderate to high-grade gold to depths of 966 meters. These results illustrate clearly the potential of deep drilling to expand mineral resources beneath the lower limits of the existing Marathon resource boundary.
- Intersecting high grade mineralization in wide intervals 80 to 100 meters down-dip of previous drilling, proving that the mineralized corridor associated with the Marathon area extends to depth.
- Intercepting significant mineralization in step-out holes drilled southwest of the 2015 resource boundary.
- Successful infill drilling along the southwest end of the 2015 resource boundary and into the hanging wall to the northwest of the 2015 resource boundary.

The map below illustrates the areas of focus in Marathon's program and the extent of the growth in the Marathon Deposit resource pit shell from 2015 to 2017.





The longitudinal section below illustrates the results of the most recent drilling at the Marathon Deposit in comparison to the boundaries of the 2017 resource.



Incorporating the results obtained to date, the Marathon Deposit mineralized corridor is over 1.7 kilometers in length, between 50-100 meters wide, and extends at least 966 meters to depth.

## 2017 Resource Estimate

Management had planned to bring the 2016/2017 drilling program to a close in the third quarter of 2017 before completing an update to the mineral resource estimates for the Leprechaun, Marathon, Sprite and Victory Deposits. These plans were altered as a result of drilling success, as noted above, and the results of a preliminary estimate carried out by an independent mining engineer which concluded that the resource associated with the Marathon Deposit had increased significantly. Marathon engaged Micon to complete a property wide resource estimate incorporating the results of drilling on the property to the end of 2016 and several holes completed in 2017. The updated resource estimate is summarized below, as excerpted from Marathon's press release dated February 21, 2017. These results represent an increase in property-wide measured and indicated resources amounting to 328,100 ounces, or 31%, compared to the 2015 resource and an increase in inferred resources amounting to 566,700 ounces, or 284%.

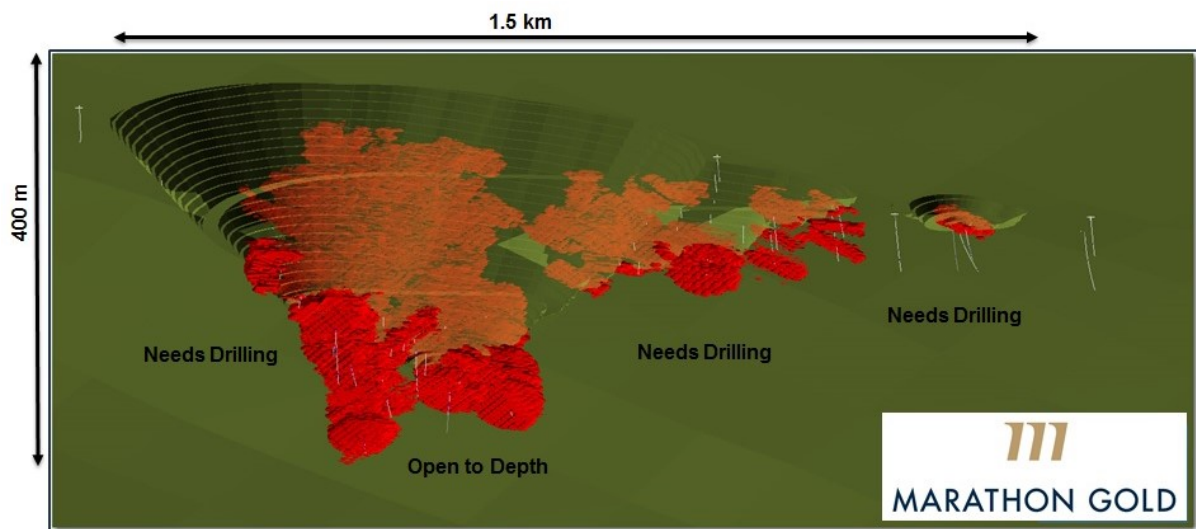
Deposit / Category	Open Pit			Underground			Total		
	(0.40 g Au/t cut-off)			(1.60 g Au/t cut-off Marathon Deposit 2.00 g Au/t cut-off Leprechaun)					
	Tonnes	Grade	Gold	Tonnes	Grade	Gold	Tonnes	Grade	Gold
	(kt)	(g/t)	(oz)	(kt)	(g/t)	(oz)	(kt)	(g/t)	(oz)
<b>Marathon</b>									
Measured (M)	1,153	1.73	64,100	3	2.71	300	1,156	1.73	64,400
Indicated (I)	7,514	1.70	411,800	80	2.94	7,600	7,594	1.72	419,400
M+I	8,667	1.71	475,900	83	2.93	7,900	8,750	1.72	483,800
Inferred	6,842	1.99	437,500	1,428	3.18	145,900	8,270	2.20	583,400
<b>Leprechaun</b>									
Measured (M)	4,096	2.00	263,000	50	5.00	8,100	4,146	2.04	271,100
Indicated (I)	7,797	1.91	479,000	543	3.71	64,800	8,340	2.03	543,800
M+I	11,893	1.94	742,000	593	3.82	72,900	12,486	2.03	814,900
Inferred	1,758	1.89	106,700	291	4.32	40,400	2,049	2.24	147,100
<b>Sprite</b>									
Measured (M)	0	0	0	0	0	0	0	0	0
Indicated (I)	301	2.033	19,700	36	4.734	5,500	337	2.32	25,200
M+I	301	2.03	19,700	36	4.73	5,500	337	2.32	25,200
Inferred	158	2.72	13,800	49	5.277	8,300	207	3.33	22,100
<b>Victory</b>									
Measured (M)	0	0	0	0	0	0	0	0	0
Indicated (I)	939	1.829	55,200	58	4.889	9,100	997	2.01	64,300
M+I	939	1.83	55,200	58	4.89	9,100	997	2.01	64,300
Inferred	80	1.801	4,600	62	4.644	9,300	142	3.04	13,900
<b>Total Measured (M)</b>	<b>5,249</b>	<b>1.94</b>	<b>327,100</b>	<b>53</b>	<b>4.87</b>	<b>8,400</b>	<b>5,302</b>	<b>1.97</b>	<b>335,500</b>
<b>Total Indicated (I)</b>	<b>16,551</b>	<b>1.81</b>	<b>965,700</b>	<b>717</b>	<b>3.77</b>	<b>87,000</b>	<b>17,268</b>	<b>1.90</b>	<b>1,052,700</b>
<b>Total M+I</b>	<b>21,800</b>	<b>1.84</b>	<b>1,292,800</b>	<b>770</b>	<b>3.85</b>	<b>95,400</b>	<b>22,570</b>	<b>1.91</b>	<b>1,388,200</b>
<b>Total Inferred</b>	<b>8,838</b>	<b>1.98</b>	<b>562,600</b>	<b>1,830</b>	<b>3.47</b>	<b>203,900</b>	<b>10,668</b>	<b>2.24</b>	<b>766,500</b>

## Notes:

1. CIM Definition Standards were followed for mineral resources.
2. The Qualified Person for the Leprechaun, Marathon, Sprite and Victory Mineral Resource estimate is Charley Murahwi, MSc., P. Geo, FAusIMM
3. In pit Mineral Resources for Leprechaun and Marathon are reported at a cut-off grade of 0.4 g/t Au. Pit optimizations were used to constrain the resources.
4. Underground Mineral Resources are estimated at a cut-off grade of 1.6 g/t Au, outside the open pit constraint for the Marathon Deposit and 2 g/t Au for the narrower Leprechaun Deposit.
5. Mineral resources are estimated using an average long-term forecast, gold price of US\$1,200 per ounce.
6. The Leprechaun Deposit was re-estimated using the same gold price, mining cost and recoveries as the Marathon Deposit.
7. Totals may not add correctly due to rounding.
8. Mineral resources are not mineral reserves and do not have demonstrated economic viability.
9. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
10. In order to meet the criteria for "reasonable prospects for economic extraction" as required by CIM, the Marathon Deposit block model was constrained by an optimized pit using a gold price of US\$1,200 per ounce and reasonable costs and metallurgical recovery and as well the material below the optimized pit was re-estimated using a cut-off grade of 1.6 g/t Au.

As expected given the volume of drilling carried out in the period since the completion of the 2015 resource estimate, the significant increase in resources was driven by the Marathon, which continues to present the highest potential to increase open-pit and underground resources going forward.

A three-dimensional model of the 2017 Marathon Deposit resource, viewed from the east and showing gaps in drilling that will be addressed in future drilling, is set out below.



## Acoustic Surveying

Marathon engaged Acoustic Zoom Inc. ("AZI") to conduct a program of acoustic surveying on boggy areas to the southwest of the 2017 Marathon Deposit resource boundary, a part of the property with little outcrop and boggy surface conditions which limit the effectiveness of conventional prospecting techniques. RDC has underwritten approximately 40% of the expected costs of this program to a maximum of \$754,000.

AZI completed its surveying fieldwork in January and February, and its work has moved on to the analysis of acoustic data gathered during fieldwork using a proprietary methodology with the objective of identifying swarms of gold-bearing vein swarms at depths well beneath the current lower limit of the 2017 Marathon Deposit resource boundary.

Management expects to receive detailed results of this work in late June or early July 2017.

### Metallurgical Testwork

In the first quarter of 2016, Marathon commenced work on a metallurgical testwork program following on from its 2014/15 testwork program, with the costs of this program being underwritten approximately 75% by RDC. This program had two objectives:

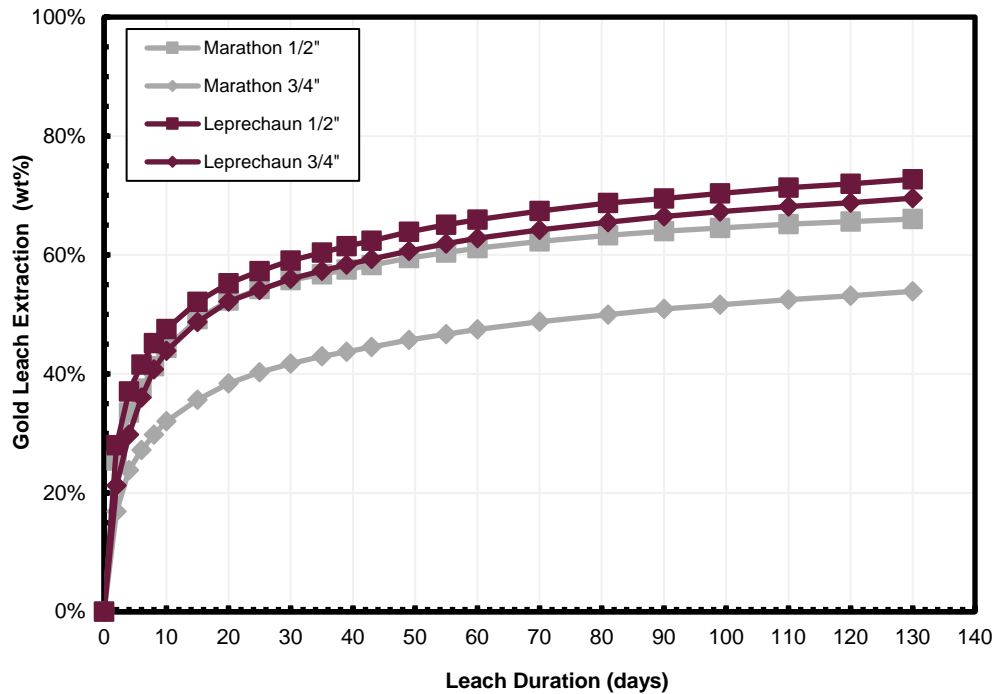
- To determine whether mineralized material from the Leprechaun and Marathon Deposits, which currently make up 92% of the measured and indicated contained gold resource at Valentine Lake and 82% of the corresponding inferred resource, was amenable to heap leaching. The ability to employ heap leaching, either as a processing solution for lower-grade open pit material or for the entire resource at Valentine Lake, would give Marathon development and processing options to reduce infrastructure and operating costs.
- To determine the potential recoveries that could be expected from processing mineralized material from the Marathon Deposit, which is hosted in rock that is more silicified than the rock associated with the Leprechaun Deposit, using the conventional processing flowsheet developed in 2014 with respect to material from the Leprechaun Deposit.

The program commenced in March 2016. Preliminary bottle roll tests were highly favorable in that after 96 hours, cumulative gold recoveries amounted to 73.6%, which exceeded management's threshold for moving to column tests. In addition, gold was continuing to leach, suggesting additional recoveries could be achieved by increasing the testing time, and the recoveries from samples from the two deposits were substantially the same.

Thibault terminated the bottle roll tests after 96 hours of testing as it had obtained sufficient information from the bottle roll test results to justify more definitive column testing of samples crushed more coarsely, to minus 0.5" and minus 0.75" respectively. These tests were discontinued after 130 days of leaching, and subsequent assaying confirmed the following recoveries:

Deposit	Sample grade	Crush size	Cumulative recovery after 130 days
Leprechaun	1.66 g/t	-0.50"	72.7%
	1.33 g/t	-0.75"	69.6%
Marathon	1.83 g/t	-0.50"	66.0%
	2.13 g/t	-0.75"	53.9%

The chart below illustrates the gold recovery over the course of the column test and demonstrates that incremental gold recoveries were continuing up to the point where the test was terminated.



In addition, Thibault carried out bench level tests to determine the maximum recovery of gold using flotation, gravity separation and cyanide leaching of gold concentrate and tailings on a representative sample of higher-grade material from the Marathon Deposit grading 3.55 g/t gold. This work was completed in the third quarter of 2017, with 59.4% of the contained gold in the sample being recovered through gravity separation. The total recoveries varied according to the processing option and are summarized below, compared to the equivalent recoveries achieved from bench scale testing carried out in 2014 on material from the Leprechaun Deposit.

Flowsheet Option	Process Steps	Combined Gold Extraction	
		Marathon (2016)	Leprechaun (2014)
1	Flotation + CIL of flotation concentrate	93.4%	93.7%
2	Flotation + CIL of flotation concentrate + CIL of flotation tails	98.1%	97.3%
3	Gravity separation + CIL of gravity tailings	95.3%	89.0%

Finally, late in 2016 Marathon commissioned bottle roll testing on samples of lower grade mineralized material from the Leprechaun and Marathon Deposits with a designed head grade of 0.3 g/t gold and crushed to minus 0.25 inches. This work resulted in recoveries after 240 hours of leaching ranging from 61.6% to 71.5% for material obtained from the Leprechaun Deposit and from 69.1% to 79.3% for material from the Marathon Deposit.

## **b) Baie Verte**

Marathon completed a short program at the Baie Verte property consisting of four drill holes intended to test targets identified in prior surface exploration programs. The assay results from this work are outstanding at the date of this MD&A.

## **5) OUTLOOK**

### **a) Valentine Lake Gold Camp**

Management expects that the financing underway at the date of this MD&A and described in sections 2 and 9 will close near the end of May 2017. Assuming the over-allotment option is not exercised by the underwriters, the financing is expected to generate gross proceeds of \$16,180,000, \$10,000,000 of which represents flow through financing.

The proceeds of this financing, taken together with Marathon's existing cash reserves, are more than adequate to fund a number of activities over the next 12 months related to the Valentine Lake Gold Camp, including:

- Infill drilling over a 1,200-meter strike length at the Marathon Deposit to increase the drill density of widely spaced drill holes which supported inferred resources in the 2017, with the objective of increasing resource ounces and upgrading inferred resources into the measured and indicated categories;
- A program of extension drilling to follow up from the deep drilling results in March 2017 at the Marathon Deposit, along strike and to depth, with the objective of increasing the resource beneath the existing resource boundary;
- A similar program of extension drilling at the Leprechaun Deposit intended to test high grade intercepts beneath the Leprechaun resource boundary;
- A spring/summer program of geological mapping, geochemical sampling of soils, prospecting and sampling with a focus on the north-eastern part of the Valentine Lake property, an area with indications of gold mineralization but limited prior exploration activity;
- Advanced environmental studies, the results of which will be incorporated into economic studies on the project and used in the course of permitting activity;
- An enhanced metallurgical testwork program to optimize recoveries from flotation processing and to complete more advanced testing of heap leaching amenability;
- Completion of an updated mineral resource estimate following completion of the 2017 drilling program;
- The completion of a preliminary economic assessment on the property; and
- The cost of running Marathon's 50-person camp at Valentine Lake.

The areas of focus of the various elements of the drilling program for the remainder of 2017 will be impacted by the deliverables arising from the acoustic surveying program, which are expected to be received either late in the second quarter of 2017 or early in the third quarter.

### **b) Golden Chest**

Management continues to monitor the activity of New Jersey Mining Company ("NJMC") with respect to Marathon's royalty interest in the Golden Chest property.

NJMC resumed mining operations at Golden Chest in October 2016. To the date of this MD&A, Marathon has received royalty payments amounting to US \$18,960 in respect of provisional payments received by NJMC for shipments of concentrate by NJMC to its refiner. These payments are treated for accounting purposes as reductions in the carrying value of Marathon's NSR royalty on production from Golden Chest.

### c) Other properties

The exploration program completed at Baie Verte in the first quarter of 2017 is sufficient to satisfy Marathon's work commitment with respect to the party. Management does not anticipate further expenditures with respect to this property other than assays for the remainder of 2017.

Marathon has no plans as at the date of this MD&A to carry out any exploration activities at the Bonanza property in Oregon or the Gold Reef property in British Columbia.

## 6) RESULTS OF OPERATIONS

The results of operations for the three-month periods ended March 31, 2017 and 2016 are summarized below.

	2017	2016
	\$	\$
<b>Expenses:</b>		
Exploration expenses	<b>81,479</b>	-
General and administrative expenses	<b>354,257</b>	241,542
Interest income	<b>(12,380)</b>	(1,544)
Foreign exchange loss	<b>1,938</b>	23,450
Loss before tax	<b>425,294</b>	263,448
Income tax recovery	<b>(1,174,289)</b>	(415,151)
Income for the period attributable to Marathon shareholders	<b>(748,995)</b>	(151,703)

### Notes:

- In 2017, Marathon carried out a limited program of drilling at Baie Verte to test targets identified in prospecting programs in 2011 and 2012, with the timing of these expenditures being driven by the need to incur qualifying expenditures in 2017 to maintain the mineral licenses that make up the Baie Verte property. There were no exploration activities at any property other than Valentine Lake in 2016.
- General and administrative expenses increased from \$241,542 to \$354,257. The majority of this change relates to the following:
  - Salaries, wages and director fees charged to operations increased from \$114,218 to \$168,036. All compensation costs in the first quarter of 2016 were impacted by voluntary 25% reductions of wages, salaries and director fees that were in place for the full three-month period. In addition, director and officer base compensation was adjusted effective January 1, 2017 following the completion of a peer-group benchmarking of Marathon's compensation practices.
  - Marathon increased the level of its investor relations activity in the quarter as a reflection of increased investor interest in the mining sector and increased investor interest in Marathon specifically.
  - Professional fees increased from \$5,232 to \$32,545, reflecting costs incurred in the first quarter in respect of the compensation benchmarking study referred to above and increased legal expenses.
  - Listing fees associated with annual participation fees for continued listing of Marathon's shares on the Toronto Stock Exchange and regulatory filing of its annual financial statements increased from

- \$30,043 to \$44,739, with the bulk of this increase driven by increases in the value of Marathon's common shares during 2016.
- Occupancy costs decreased from \$36,603 to \$16,418, reflecting a move to considerably smaller corporate offices in the third quarter of 2016.
  - The increase in Part XII.6 tax is driven by the extent of the unspent portion of the proceeds of the October 2016 flow through share offering through the quarter.
- The reported tax recoveries in each quarter were driven by the proportional release of amounts reflected on the consolidated balance sheet as Flow through tax premium liabilities, based on cumulative spending of the proceeds of the flow through financings which gave rise to these liabilities. The increase in recoveries in 2017 reflects the considerably higher level of proceeds derived in 2016 from the issue of flow through shares compared to 2015.



## 7) QUARTERLY RESULTS

Selected quarterly information derived from Marathon's consolidated financial statements for each of the eight most recently completed financial periods is set out below. Any differences between the summarized financial information below and the cumulative results reported in Marathon's interim and year-end financial statements are due to rounding.

	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
<b>Statement of Operations: (all amounts in \$000's)</b>								
Exploration expenses	81	1	22	-	-	1	-	20
General and administrative expenses	354	799	279	244	242	351	476	281
Other (income) loss	(10)	190	(5)	6	21	13	2	1
Loss from continuing operations before tax	425	990	296	250	263	365	478	302
Income taxes	(1,174)	162	-	-	(415)	(13)	-	-
(Income) Loss from continuing operations attributable to Marathon shareholders	(749)	1,152	296	250	(152)	352	478	302
Loss (Income) from discontinued operations, net of tax	-	-	-	-	-	(1,021)	1,925	1,074
Loss (Income) from discontinued operations attributable to non-controlling interest	-	-	-	-	-	(49)	(920)	(513)
(Income) Loss for the period attributable to Marathon shareholders	(749)	1,152	296	250	(152)	(716)	1,483	863
<b>Loss (Income) per Share:</b>								
Loss (Income) from continuing operations attributable to Marathon shareholders								
Basic	(\$0.006)	\$0.013	\$0.003	\$0.002	(\$0.002)	\$0.004	\$0.005	\$0.004
Diluted	(\$0.006)	\$0.013	\$0.003	\$0.002	(\$0.002)	\$0.004	\$0.005	\$0.004
Loss (Income) attributable to Marathon shareholders								
Basic	(\$0.006)	\$0.013	\$0.003	\$0.002	(\$0.002)	(\$0.008)	\$0.017	\$0.011
Diluted	(\$0.006)	\$0.013	\$0.003	\$0.002	(\$0.002)	(\$0.008)	\$0.017	\$0.011
<b>Balance Sheet: (all amounts in \$000's)</b>								
Cash, cash equivalents and short term investments	5,169	8,458	3,014	3,667	1,772	2,600	2,351	3,455
Working capital	4,799	6,445	3,050	3,716	1,823	2,198	2,201	3,208
Mineral exploration and evaluation assets	51,872	48,795	46,613	45,093	44,570	44,100	43,199	41,653
Total assets	58,432	57,656	49,969	49,034	46,528	46,878	46,620	47,828

Marathon's reported exploration expenses reflect the timing of exploration activities at properties other than Valentine Lake and are not directly comparable from one accounting period to another.

Marathon's reported general and administrative expenses in the third and fourth quarters of 2015 and the fourth quarter of 2016 reflect the issuance of stock options in each period.

## **8) CAPITAL, LIQUIDITY AND GOING CONCERN**

Cash at March 31, 2017 amounted to \$5,169,173 compared with \$8,458,077 at year-end 2016. Marathon's working capital at March 31, 2017 was \$4,799,176 versus \$6,445,509 at year-end 2016.

Marathon's consolidated financial statements are prepared on a going concern basis. The appropriateness of this approach is discussed in detail in note 1 to the financial statements.

Marathon funded its operations in the period ended March 31, 2017 through the use of cash raised through a bought deal prospectus financing of flow through shares which closed in October 2016 and raised gross proceeds of \$7,992,000, existing cash resources, and additional proceeds in the quarter amounting to \$621,533 from the exercise of warrants and stock options.

These issuances of equity have provided Marathon with sufficient resources to continue its aggressive drilling program at Valentine Lake, and the recently announced bought deal financing described in section 9 below will continue to do so. Marathon's ability to carry out exploration work at its mining properties, particularly resource expansion drilling, continues to depend on additional financing. While management has been successful in raising equity in current market conditions, there can be no assurance that Marathon will continue to be successful in its efforts to attract capital.

## **9) CAPITAL ACTIVITIES**

Marathon did not complete any financings in the period ended March 31, 2017. Subsequent to March 31 Marathon entered into an agreement with a syndicate of underwriters led by RBC Capital Markets pursuant to which the syndicate will purchase for resale a total of 6,000,000 common shares at a price of \$1.03 per common share and 8,000,000 flow through shares at a price of \$1.25 per flow through share, for aggregate gross proceeds of \$16,180,000. In connection with this financing, Marathon granted the underwriters an overallotment option to purchase a total of 2,100,000 additional shares in any combination of common shares and flow through shares, at the prices set out above, for a period of up to 30 days from the closing date of the financing.

This financing is underway at the date of this MD&A. Marathon filed a preliminary prospectus on May 9, 2017 and expects the financing to close in late May 2017.

## **10) OPTIONS**

The terms of Marathon's option plan authorize the issue of share purchase options to employees, officers and directors, and third party service providers subject to a stipulation that total options issued at any point in time cannot exceed 10% of the number of common shares issued and outstanding at that time.

A total of 100,000 options were awarded in the period ended March 31, 2017 at an exercise price of \$1.02 per share. These options were awarded with immediate vesting.

A total of 544,500 options were exercised in the period ended March 31, 2017, generating proceeds of \$389,153.

## 11) RELATED PARTY TRANSACTIONS

Marathon incurred the following compensation costs related to key management and directors in the normal course of business in the three-month periods ended March 31, 2017 and 2016. At March 31, 2017, no amounts were owed by Marathon in respect of the transactions described below.

	2017	2016
	\$	\$
Salaries paid to officers	155,000	115,781
Fees paid to directors	37,500	20,719
	<b>192,500</b>	<b>136,500</b>

## 12) FULLY DILUTED SHARE CAPITAL

	Number of shares
Common shares	120,812,352
Unexercised stock options	9,556,000
Unexercised share purchase warrants	6,805,850
<b>Fully diluted share capital – May 12, 2017</b>	<b>137,174,202</b>

## 13) OFF-BALANCE SHEET ARRANGEMENTS

Marathon had no off balance sheet arrangements as at March 31, 2017 or subsequently to the date of this MD&A.

## 14) RISK FACTORS AND UNCERTAINTIES

Marathon is subject to the usual risks associated with a junior mineral exploration company. The Company competes for access to financing, specialized third party service providers and human capital against other exploration companies, some of whom may be better capitalized. Prices for the commodities contained in Marathon's exploration properties have fluctuated significantly over the last few years and may continue to do so. Such volatility may affect the timing and magnitude of funds which Marathon may seek to raise to support further exploration of its properties or may make it difficult to complete an offering of securities.

It may not be possible to raise additional funds to complete development and achieve profitable production or to obtain the permits required to enable Marathon to commence mining operations on its properties.

Marathon has participated in the past, and may participate in the future, in exploration joint ventures as a means of earning or acquiring interests in properties with existing mineral resources and subsequently increasing shareholder value through exploration and resource expansion. The ability of Marathon to influence the nature, extent, and timing of exploration and evaluation activities at properties where Marathon is not the 100% owner depends on a number of factors, including but not limited to decisions made by project operators, who typically have control over the scope of project budgeting and the pace of work against such budgets, and the financial health of Marathon's partners. The inability of a partner in any of Marathon's projects to continue to fund the ongoing exploration work or other obligations of the project could have a material impact on Marathon's finances and the reported values of its mineral exploration and evaluation assets.

While management has used its best efforts to ensure title to all its properties and secured access to surface rights, these titles or rights may be disputed.

For a more detailed discussion of risk factors, reference should be made to Marathon's Annual Information Form for the year ended December 31, 2016. This document may be obtained at [www.sedar.com](http://www.sedar.com).

## **15) FUTURE ACCOUNTING PRONOUNCEMENTS**

The Company has not yet adopted the following new accounting pronouncements which are effective for fiscal periods of the Company beginning on or after January 1, 2017:

### *International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")*

In July 2014, the IASB published the final version of IFRS 9 *Financial Instruments* ("IFRS 9"), which brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 replaces the multiple classifications for financial assets in IAS 39 with a single principle based approach for determining the classification of financial assets based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The final version of IFRS 9 is effective for periods beginning on or after January 1, 2018 and may be adopted early.

The Company is in the process of evaluating the impact of adopting this standard.

### *International Financial Reporting Standard 16, Leases ("IFRS 16")*

In January 2016, the IASB issued IFRS 16 which replaces existing standards and interpretations under IAS 17, "*Leases*". IFRS 16 requires all leases, including financing and operating leases, to be reported on the balance sheet with the intent of providing greater transparency on a company's lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted.

The Company is in the process of evaluating the impact of adopting this standard.

## **16) INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for the design and operating effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed and were operating effectively as at March 31, 2017.

## **17) DISCLOSURE CONTROLS**

Management is also responsible for the design and operation of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the design and effectiveness of the Company's disclosure controls and procedures as of March 31, 2017 and have concluded that these controls and procedures are effective.

## **18) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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:

### **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.

### **Impairment of mineral exploration and evaluation assets**

Determining whether facts and circumstances indicate that Marathon's mineral exploration and evaluation ("E&E") assets may be impaired and require the recognition of an impairment loss, or conversely whether a reversal of an impairment loss recognized in a prior period may be required, is a subjective process involving judgment and a number of estimates and interpretations.

Determining whether to test for impairment of E&E assets requires management’s subjective assessment of a number of facts and circumstances concerning each subject property, including, among others:

- whether the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed;
- whether substantive expenditure on further E&E of mineral resources in a specific area is either budgeted or planned;
- Marathon’s financial capacity to execute exploration activities on a given property;
- the extent to which exploration for and evaluation of mineral resources in a specific area have led to the discovery of commercially viable quantities of mineral resources and any resulting decisions by management to cease or significantly reduce further E&E activities in the area; and
- the existence of sufficient data to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

### **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.

## **19) ADDITIONAL INFORMATION**

Additional information relating to Marathon can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

(Signed) “Phillip C. Walford”  
Phillip C. Walford  
President and Chief Executive Officer

(Signed) “James Kirke”  
James Kirke  
Chief Financial Officer