MARATHON GOLD CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2016 AND 2015

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of unaudited interim financial statements by an entity's auditor.

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

	September 30 2016	December 31 2015
	$	$
Assets		
Current assets		
Cash	**3,014,384**	2,600,269
Amounts receivable	**235,588**	84,695
Prepaids and deposits	**44,844**	51,205
	3,294,816	2,736,169
Non-current assets		
Mineral exploration and evaluation assets (notes 5 and 6)	**46,612,538**	44,099,790
Property, plant and equipment	**62,018**	41,579
	46,674,556	44,141,369
Total assets	**49,969,372**	46,877,538
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**191,030**	123,182
Flow-through share tax liability (notes 9(b)(i), (ii) and (iii)	**54,087**	415,151
	245,117	538,333
Equity attributable to owners (notes 9, 10, and 11)	**49,724,255**	46,339,205
Total liabilities and shareholders' equity	**49,969,372**	46,877,538

Going concern (note 1)
Subsequent events (note 18)

On behalf of the Board,

"George D. Faught"
George D. Faught
Director

"Phillip C. Walford"
Phillip C. Walford
Director

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

Marathon Gold Corporation
Consolidated Statements of Operations
For the three and nine months ended September 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Expenses:				
Exploration expenses (note 12)	**21,573**	-	**21,573**	20,422
General and administrative expenses (note 13)	**279,357**	475,794	**764,540**	1,053,151
Other finance expense (note 9 (b) (iii)	**-**	3,863	**6,741**	8,712
Interest income	**(1,532)**	(1,632)	**(4,605)**	(12,746)
Loss on investments	**-**	-	**-**	9,575
Foreign exchange (gain) loss	**(3,814)**	-	**21,010**	(3,399)
Loss from continuing operations before tax	**295,584**	478,025	**809,259**	1,075,715
Income taxes	**-**	-	**(415,151)**	(90,578)
Loss from continuing operations for the period	**295,584**	478,025	**394,108**	985,137
Loss from discontinued operations, net of tax (notes 6 and 15)	**-**	1,924,810	**-**	2,998,643
Net loss for the period	**295,584**	2,402,835	**394,108**	3,983,780
Net loss attributable to non-controlling interest (note 6)	**-**	(919,678)	**-**	(1,432,755)
Loss attributable to Marathon Gold shareholders	**295,584**	1,483,157	**394,108**	2,551,025
Loss attributable to Marathon Gold shareholders:				
Basic and diluted loss per share – continuing operations	**0.003**	0.021	**0.004**	0.038
Basic and diluted loss per share – discontinued operations	**-**	0.01	**-**	0.020
Weighted average number of common shares outstanding	**106,682,141**	87,757,451	**100,388,120**	79,377,115

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

Marathon Gold Corporation
Consolidated Statements of Comprehensive Loss
For the three and nine months ended September 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Other comprehensive loss (income):				
Loss for the period	**295,584**	2,402,835	**394,108**	3,983,780
Items that may be reclassified subsequently to net loss (income):				
Currency translation adjustment – continuing operations	**14,286**	(55,782)	**(51,993)**	(115,140)
Currency translation adjustment – discontinued operations	**-**	(173,350)	**-**	(429,537)
Unrealized gain in fair value of investments classified as available for sale	**-**	-	**-**	(22,618)
Comprehensive loss	**309,870**	2,173,703	**342,115**	3,416,485
Comprehensive (loss) income attributable to non-controlling interest	**-**	(837,328)	**-**	(1,228,633)
Comprehensive loss attributable to Marathon Gold shareholders	**309,870**	1,336,375	**342,115**	2,187,852

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

Marathon Gold Corporation
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	2016	2015
	$	$
Cash flows used in operating activities from continuing operations:		
Loss from continuing operations for the period	(394,108)	(985,137)
Add (deduct) items not involving cash		
Income taxes	(415,151)	(90,578)
Loss on investments	-	9,575
Depreciation	18,261	18,786
Stock-based compensation charged to operations	-	174,486
	(790,998)	(872,868)
Changes in non-cash working capital items		
(Increase) Decrease in amounts receivable	(122,184)	28,549
Decrease in prepaid expenses	6,361	20,543
Increase (Decrease) in accounts payable	421	(23,683)
Increase in Flow-through share tax liability	54,087	133,183
	(852,313)	(714,276)
Cash flows from financing activities from continuing operations:		
Proceeds from issuance of common shares (note 9) pursuant to private placement	2,946,093	3,250,567
Proceeds from issuance of common shares upon exercise of warrants	1,127,153	-
Proceeds from issuance of common shares upon exercise of options	36,140	-
Share issue costs paid in cash	(278,235)	(212,649)
Proceeds on sale of investments	-	190,743
	3,831,151	3,228,661
Cash flows used in investing activities from continuing operations:		
Expenditures on mineral exploration and evaluation assets	(2,727,539)	(2,966,371)
Government assistance	201,516	140,902
Purchase of capital assets	(38,700)	(34,494)
	(2,564,723)	(2,859,963)
Increase in cash from continuing operations	414,115	(345,578)
Decrease in cash from discontinued operations	-	(9,740)
Increase in cash in the period	414,115	(355,318)
Cash– beginning of period	2,600,269	2,706,129
Cash– end of period	3,014,384	2,350,811

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

Marathon Gold Corporation
Consolidated Statement of Changes in Equity
For the nine months ended September 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	Share Capital (note 9)	Warrants (note 10)	Contributed Surplus (note 11)	Deficit	Accumulated Other Comprehensive Income	Other reserve	Equity Attributable to Owners of Marathon Gold Corporation	Non-Controlling Interest (note 15)	Total Shareholders' Equity
	$	$	$	$	$	$	$	$	$
Balance – January 1, 2015	**46,796,662**	**635,307**	**9,823,147**	**(13,458,005)**	**859,173**	**85,023**	**44,741,307**	**1,588,367**	**46,329,674**
Loss for the period	-	-	-	(2,551,025)	-	-	(2,551,025)	(1,432,755)	(3,983,780)
Stock based compensation	-	-	282,522	-	-	-	282,522	-	282,522
Cumulative unrealized gains on available for sale investments transferred to profit and loss upon sale	-	-	-	-	22,618	-	22,618	-	22,618
Flow through shares issued for cash pursuant to private placement	819,317	-	-	-	-	-	819,317	-	819,317
Units issued for cash pursuant to private placement	1,974,322	456,928	-	-	-	-	2,431,250	-	2,431,250
Share issue costs	(212,649)	-	-	-	-	-	(212,649)	-	(212,649)
Funding contributions by New Jersey Mining Company	-	-	-	-	-	-	-	11,759	11,759
Currency translation adjustment	-	-	-	-	340,555	-	340,555	204,122	544,677
Balance – September 30, 2015	**49,377,652**	**1,092,235**	**10,105,669**	**(16,009,030)**	**1,222,346**	**85,023**	**45,873,895**	**371,493**	**46,245,388**
Balance – January 1, 2016	**50,092,448**	**1,092,235**	**10,229,589**	**(15,292,724)**	**217,657**	**-**	**46,339,205**	**-**	**46,339,205**
Income (Loss) for the period	-	-	-	(394,108)	-	-	(394,108)	-	(394,108)
Units issued for cash pursuant to private placement	1,790,823	625,212	-	-	-	-	2,416,035	-	2,416,035
Flow-through shares issued for cash pursuant to private placement	530,058	-	-	-	-	-	530,058	-	530,058
Common shares issued upon exercise of stock options	53,276	-	(17,136)	-	-	-	36,140	-	36,140
Common shares issued upon exercise of warrants	1,457,330	(330,177)	-	-	-	-	1,127,153	-	1,127,153
Share issue costs	(367,566)	89,331	-	-	-	-	(278,235)	-	(278,235)
Warrants expired during the period	-	(400,411)	400,411	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	(51,993)	-	(51,993)	-	(51,993)
Balance – September 30, 2016	**53,556,369**	**1,076,190**	**10,612,864**	**(15,686,832)**	**165,664**	**-**	**49,724,255**	**-**	**49,724,255**

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

1) GOING CONCERN

The condensed interim consolidated financial statements of Marathon Gold Corporation ("Marathon", the "Company", "we" or "us") have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future.

Marathon has no sources of revenue, has incurred losses amounting to $15.7 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 material uncertainties lend significant doubt over the applicability of the going concern assumption and ultimately the use of accounting principles pertinent to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary if the going concern assumption were inappropriate. These adjustments could be material.

Marathon funded its operations in the period ended September 30, 2016 through the use of existing cash raised from two non-brokered private placements of flow-through shares and non flow-through units in 2015, which generated aggregate gross cash proceeds of $4.5 million; a bought deal private placement of flow-through shares and non flow-through units in May 2016 which generated aggregate gross proceeds of $3.0 million; and the exercise of outstanding warrants and stock options, which generated aggregate proceeds of $1.2 million. In addition, on October 27, 2016 Marathon closed a bought deal prospectus offering of flow through shares which generated gross proceeds of $8.9 million.

Management will continue to seek additional financing opportunities in order to raise necessary funds for the advancement of its properties. However there can be no assurance that the Company will be successful in these efforts.

2) GENERAL INFORMATION

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

Marathon was incorporated under the Canada Business Corporations Act on December 3, 2009. On December 3, 2010, Marathon's common shares commenced trading on the Toronto Stock Exchange under the symbol "MOZ".

Marathon is domiciled in Canada and its registered address is 10 King Street East, Suite 501, Toronto, Ontario M5C 1C3.

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

3) BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS34, Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2015, which were prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on November 10, 2016.

4) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the previous financial year.

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, 2016:

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 has not evaluated the impact of adopting this standard.

(Unaudited - Expressed in Canadian dollars)

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 has not evaluated the impact of adopting this standard.

5) MINERAL EXPLORATION AND EVALUATION ASSETS

	Valentine Lake Gold Project, Newfoundland	Golden Chest Royalty Interest	Bonanza Mine Project, Oregon USA	Total
	$		$	$
Balance – January 1, 2015	**39,405,947**	**-**	**715,496**	**40,121,443**
Property acquisition costs	6,450	-	-	6,450
Deferred exploration costs	3,695,405	-	-	3,695,405
Acquired pursuant to the sale of Golden Chest LLC (note 6)	-	133,490	-	133,490
Currency translation adjustment		4,910	138,092	143,002
Balance – December 31, 2015	**43,107,802**	**138,400**	**853,588**	**44,099,790**
Deferred exploration costs	2,564,606	-	-	2,564,606
Currency translation adjustment	-	(7,235)	(44,623)	(51,858)
Balance – September 30, 2016	**45,672,408**	**131,165**	**808,965**	**46,612,538**

a) Valentine Lake gold property, Newfoundland

The Valentine Lake property is subject to two overlapping agreements, which are described below.

- The Reid Newfoundland Company retains a 7.5% net profits interest ("NPI") over two land packages which cover the current resource pits associated with the Leprechaun and Victory Deposits, but not the Sprite and Marathon Deposits.
- In addition, Glencore Canada Corporation retains a 2% net smelter return royalty ("NSR") on base metals and a 3% NSR on precious metals, both of which cover a land package which includes all of the resources currently delineated on the Valentine Lake property. The NSR on gold production is reduced from 3% to 1.5% over the life of production until the earlier of the following:
  - Cumulative production exceeding 250,000 ounces of gold, or
  - An amount becoming payable under the terms of the Reid NPI.

  Amounts payable in any period under the Glencore Canada NSR's on precious and base metals are reduced by amounts payable in the same periods under the Reid NPI.

b) Bonanza Mine gold property, Oregon

On December 16, 2011, Marathon purchased a 100% interest in the Bonanza Mine gold property, a past producing gold mine located in the Green Horn gold district of Oregon, USA. On closing, Marathon paid the vendor US $126,711 and 300,000 common shares with a fair value of $345,000. In connection with this acquisition, the vendor retained timber rights to the patented claims for a period of 20 years and a 2% NSR royalty. Marathon has the right to purchase 1% of the royalty by paying the vendor US $1,000,000.

Concurrent with and subsequent to this property acquisition, Marathon staked additional unpatented claims around the Bonanza property. There are no royalties on the unpatented claims.

6) DISCONTINUED OPERATIONS

Marathon determined during the fourth quarter of 2014 that it would make no further expenditures on the Golden Chest property and began discussions oriented at the sale of its interest in Golden Chest LLC (“GCLLC”), the owner of the property. These actions, taken together with Marathon’s conclusion that it was highly likely that a sale of its interest in GCLLC could be concluded prior to December 31, 2015, resulted in Marathon reclassifying the assets and liabilities of GCLLC at December 31, 2014 and throughout 2015 as held for sale.

On December 2, 2015 Marathon entered into a definitive agreement pursuant to which it sold its 52.22% interest in GCLLC to New Jersey Mining Company (“NJMC”), the operator of the Golden Chest project, for total proceeds of US $280,000, consisting of US $180,000 in cash and a 2% NSR royalty on the Golden Chest property and an area of economic interest outside the current boundaries of the property, which was valued by Marathon at US $100,000.

Throughout 2015, Marathon reassessed the carrying value of the net assets of GCLLC. During the nine-month period ended September 30, 2015 Marathon wrote the net assets of GCLLC down to their estimated realizable value, less costs to sell, and incurred an impairment loss amounting to $2,998,643, of which $1,432,755 was attributable to NJMC’s non-controlling interest in GCLLC.

7) FINANCIAL INSTRUMENTS

Marathon’s financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. Those categories are: fair value through profit or loss; loans and receivables; available for sale assets; and, for liabilities, amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories at September 30, 2016 and December 31, 2015.

(Unaudited - Expressed in Canadian dollars)

	September 30 2016	December 31 2015
	$	$
Loans and receivables		
Cash	**3,014,384**	2,600,269
	3,014,384	2,600,269
Other financial liabilities		
Trade payables due within 12 months	**(191,030)**	(123,182)
	(191,030)	(123,182)

The carrying values of Marathon's cash, trade receivables, loans, and trade payables approximate fair value.

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the balance sheet at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All of Marathon's financial instruments are classified as Level 1. There were no transfers between levels 1, 2 or 3 during the period.

8) CAPITAL MANAGEMENT

Marathon is not subject to externally imposed capital requirements.

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

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

(Unaudited - Expressed in Canadian dollars)

9) SHARE CAPITAL

a) Authorized:

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

b) Issued and outstanding:

	Number	Amount
		$
Balance - January 1, 2015	**75,024,392**	**46,796,662**
Units issued pursuant to private placement (i)	9,725,000	1,974,322
Flow through shares issued pursuant to private placements (i),(ii)	8,544,110	1,597,838
Share issue costs	-	(276,374)
Balance – December 31, 2015	**93,293,502**	**50,092,448**
Units issued pursuant to private placement (iii)	10,504,500	1,790,823
Flow through shares issued pursuant to private placement (iii)	2,163,500	530,058
Common shares issued pursuant to the exercise of stock options	152,000	53,276
Common shares issued pursuant to the exercise of warrants	2,015,450	1,457,330
Share issue costs	-	(367,566)
Balance – September 30, 2016	**108,128,952**	**53,556,369**

i) In a non-brokered private placement which closed in two tranches on June 29 and July 7, 2015, Marathon issued a total of 9,725,000 units at a price of $0.25 per unit and 3,175,000 flow-through shares at a price of $0.30 per share, for total gross proceeds of $3,383,750.

Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant exercisable at a price of $0.34 per share and expiring two years after issue. The gross proceeds from the offering of units were allocated between Share capital and Warrants on the basis of relative fair value, which resulted in $456,928 in proceeds being allocated to Warrants.

The gross proceeds from the offering of flow-through shares were allocated between Share capital and Flow-through share tax liability using the residual method, which resulted in $133,183 of gross proceeds being allocated to the liability portion of this financing. Marathon incurred costs in connection with this offering of $223,138, of which $8,783 was attributed to the flow through share tax liability arising from the issuance of flow-through shares and charged to operations.

ii) On November 25, 2015, Marathon closed a non-brokered private placement of 5,369,110 flow-through shares at a price of $0.20 per share, for total gross proceeds of $1,073,822.

The gross proceeds from this financing were allocated between Share capital and Flow-through share tax liability using the residual method, which resulted in $295,301 of gross proceeds being allocated to the liability portion of this financing. Marathon incurred costs in connection with this offering of $85,543, of which $23,524 was attributed to the flow through share tax liability and charged to operations.

(Unaudited - Expressed in Canadian dollars)

iii) On May 6, 2016, Marathon closed a bought deal private placement 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 total gross proceeds of $3,000,180.

Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant exercisable at a price of $0.32 per share and expiring two years after issue. The gross proceeds from the offering of units were allocated between Share capital and Warrants on the basis of relative fair value, which resulted in $625,212 in proceeds being allocated to Warrants.

The gross proceeds from the offering of flow-through shares were allocated between Share capital and Flow-through share tax liability using the residual method, which resulted in $54,087 of gross proceeds being allocated to the liability portion of this financing. Marathon incurred costs in connection with this offering of $373,941, of which $6,741 was attributed to the flow through share tax liability and charged to operations.

10) WARRANTS

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

	Number	**Value**
		$
Balance – January 1, 2015	**3,613,945**	**635,307**
Issued pursuant to private placement [(a)]	4,862,500	456,928
Balance – December 31, 2015	**8,476,445**	**1,092,235**
Issued pursuant to private placement [(b)]	5,252,250	625,212
Broker compensation warrants issued [(b)]	697,950	89,331
Transferred to Share capital upon exercise of warrants	(2,015,450)	(330,177)
Transferred to Contributed surplus upon expiry of warrants	(2,346,445)	(400,411)
Balance – September 30, 2016	**10,064,750**	**1,076,190**

The warrants outstanding at September 30, 2016 are set out below.

Exercise price	**Number of warrants**	**Expiry date**
$0.34	3,652,500	June 29, 2017
$0.34	1,210,000	July 7, 2017
$0.32	5,202,250	May 6, 2018
$0.38	**10,064,750**	

a) Pursuant to a private placement which closed in two tranches on June 29 and July 7, 2015 Marathon issued a total of 4,862,500 share purchase warrants exercisable at a price of $0.34 per share and expiring two years from issue. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:
   - risk free interest rate of 0.54%;
   - expected dividend yield of nil;
   - expected volatility of 100%; and
   - expected term of 2 years,

   which yielded an estimated weighted average fair value of $0.094 per warrant.

b) Pursuant to a private placement which closed on May 6, 2016 Marathon issued a total of 5,252,250 share purchase warrants exercisable at a price of $0.32 per share and expiring two years from issue. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:
   - risk free interest rate of 0.55%;
   - expected dividend yield of nil;
   - expected volatility of 100%; and
   - expected term of 2 years,

   which yielded an estimated weighted average fair value of $0.119 per warrant.

   In addition, Marathon issued a total of 697,950 broker compensation warrants exercisable at a price of $0.23 per share and expiring on May 6, 2018. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following assumptions:
   - risk free interest rate of 0.55%;
   - expected dividend yield of nil;
   - expected volatility of 100%; and
   - expected term of 2 years,

   which yielded an estimated fair value of $0.128 per warrant.

11) STOCK BASED COMPENSATION

Marathon has a stock option plan (the “Plan”) which was reconfirmed by the Company’s shareholders at its annual meeting on June 24, 2014, under which Marathon may grant options to directors, officers, employees 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, employees and external service providers by providing them with the opportunity to acquire a proprietary interest in Marathon and benefit from its growth. The options granted to date under the Plan are non-assignable, have a term of up to 5 years, and vest upon grant.

(Unaudited - Expressed in Canadian dollars)

	Nine months ended September 30, 2016		Nine months ended September 30, 2015	
	Number	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
		$		$
Balance - beginning of period	**8,510,500**	**0.43**	6,590,500	0.84
Granted in the period	-	-	1,909,000	0.25
Exercised	(152,000)	0.27	-	-
Expired	(148,000)	0.23	(18,000)	0.66
Balance – end of period	**8,210,500**	**0.43**	8,481,500	0.71

Options to purchase common shares outstanding at September 30, 2016 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Options Outstanding and exercisable	Contract Life (years)
$		
1.18	547,000	0.22
0.65	1,430,000	0.84
0.52	1,149,000	1.30
0.26	110,000	1.93
0.32	793,000	2.40
0.39	798,500	2.77
0.25	1,789,000	3.86
0.20	1,594,000	4.22
0.44	**8,210,500**	**2.53**

Marathon did not grant options in the period ended September 30, 2016.

The fair value of the options granted by Marathon in the three and nine month periods ended September 30, 2015 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	**0.43%**
Dividend rate	**Nil**
Volatility	**95%**
Expected life	**3 years**
Weighted average fair value per option granted in the period	**$0.15**

In the period ended September 30, 2015 Marathon granted a total of 1,909,000 options and incurred total stock - based compensation costs amounting to $282,522, of which $174,486 was charged to operations and $108,036 was capitalized as a component of Marathon’s Mineral exploration and evaluation assets.

(Unaudited - Expressed in Canadian dollars)

12) EXPLORATION EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Bonanza Property, Oregon				
Claim renewal costs	**21,573**	-	**21,573**	20,422
	21,573	-	**21,573**	20,422

13) GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Wages, salaries and benefits (note 14)	**143,146**	189,501	**389,115**	473,682
Professional fees	**20,695**	11,225	**33,177**	49,211
Investor relations	**36,163**	28,196	**91,568**	108,760
Depreciation	**7,408**	7,179	**18,261**	18,786
Other expenses	**71,945**	65,207	**232,419**	228,226
Stock based compensation charged to operations (note 11)	**-**	174,486	**-**	174,486
	279,357	475,794	**764,540**	1,053,151

14) WAGES, SALARIES AND BENEFITS

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Fees and salaries and wages paid to employees, officers and directors (note 17)	**507,853**	569,537	**1,079,611**	1,280,091
Social security benefits	**41,381**	36,464	**98,110**	98,403
	549,234	606,001	**1,177,721**	1,378,494
Charged to general and administrative expenses	**143,146**	189,501	**389,115**	473,682
Capitalized as a component of mineral exploration and evaluation assets	**406,088**	416,500	**788,606**	904,812
	549,234	606,001	**1,177,721**	1,378,494

(Unaudited - Expressed in Canadian dollars)

15) NON-CONTROLLING INTEREST

The non-controlling interest relates to Marathon's interest in GCLLC and represents the 47.78% interest of NJMC in GCLLC. Marathon acquired control of GCLLC on May 22, 2013 and began at that time to consolidate the financial results of GCLLC based on its initial 50.50% interest, which increased subsequently to 52.22%. Marathon's voting interest at September 30, 2015 was 52.22%.

Marathon de-recognized the non-controlling interest on December 2, 2015 following the sale of its interest in GCLLC, as described in note 6. The movement in the non-controlling interest in the period from January 1, 2015 to September 30, 2015 is set out below.

	$
At January 1, 2015	**1,588,367**
NJMC's share of funding of GCLLC	11,759
NJMC's share of impairment write-down on the Golden Chest property	(1,432,755)
Currency translation adjustment	204,122
At September 30, 2015	**371,493**

The results of operations attributable to GCLLC in the three and nine months ended September 30, 2015 are presented below.

	Three months ended September 30 2015	Nine months ended September 30 2015
		$
Expenses		
Impairment charge	1,924,810	2,998,643
Loss before taxes	1,924,810	2,998,643
Income taxes		-
Loss for the period	1,924,810	2,998,643

(Unaudited - Expressed in Canadian dollars)

The summarized cash flows of GCLLC for the nine months ended September 30, 2015, which form part of Marathon's consolidated balance sheet and statement of cash flows respectively, are summarized below.

Summarized cash flows:	
	$
Cash from financing activities:	
Capital contributions by Marathon and NJMC	24,610
	24,610
Cash used in investing activities:	
Cash expenditures on Golden Chest property	(21,499)
	(21,499)
Increase (Decrease) in cash	3,111
Cash – beginning of period	488
Cash – end of period	3,599

16) COMMITMENTS

Operating leases

Marathon has the following commitments under operating leases.

Year ending December 31	$
2016	16,929
2017	67,716
2018	67,986
2019	44,421
Thereafter	-
	197,052

17) RELATED PARTY TRANSACTIONS

Key management

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

(Unaudited - Expressed in Canadian dollars)

Marathon incurred the following compensation costs related to key management and directors in the normal course of business. At September 30, 2016 and December 31, 2015, no amounts were owed by Marathon in respect of the transactions described below.

	Three months ended September 30		**Nine months ended September 30**	
	2016	2015	**2016**	2015
	$	$		$
Salaries paid to key management	**146,250**	223,250	**396,094**	515,750
Director fees	**29,875**	29,875	**75,917**	89,125
Consulting fees paid to a business controlled by a director of the Company	**-**	-	**-**	10,000
	176,125	253,125	**472,011**	614,875

18) SUBSEQUENT EVENTS

a) Financing

On September 29, 2016, Marathon announced that it had entered into an agreement with a syndicate of underwriters led by Haywood Securities Inc. pursuant to the underwriters agreed to purchase in a bought deal a total of 8,880,000 flow through common shares at a price of $0.90 per flow through share, for gross proceeds of $7,992,000. In addition, Marathon granted the underwriters an over-allotment option exercisable at any time up to 30 days from the closing of this offering to purchase up to 1,332,000 additional flow through shares.

This financing closed on October 27, 2016, and the underwriters have not exercised the over-allotment option to the date of these financial statements. The gross proceeds from this financing will be used to advance Marathon's Newfoundland exploration properties.

b) Additional issuances of equity

Subsequent to September 30, 2016 to the date of these financial statements, Marathon issued a total of 1,000,000 common shares pursuant to the exercise of warrants at a weighted average exercise price of $0.34 per share for aggregate proceeds of $339,000.