



**MARATHON GOLD CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**JUNE 30, 2014 AND 2013**

**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)

	<b>June 30</b>	December 31
	<b>2014</b>	2013
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,151,687	1,185,351
Amounts receivable	82,840	108,808
Prepays and deposits	57,019	56,227
	<b>1,291,546</b>	1,350,386
<b>Non-current assets</b>		
Investments (note 6)	272,453	219,321
Property, plant and equipment	69,205	91,587
Mineral exploration and evaluation assets (note 5)	48,324,481	47,020,379
<b>Total assets</b>	<b>49,957,685</b>	48,681,673
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables	109,526	175,937
Flow-through share tax liability (notes 9(b)(ii) and 9 (b)(iv))	90,578	-
<b>Total liabilities</b>	<b>200,104</b>	175,937
<b>Equity</b>		
Equity attributable to owners (notes 9, 10, and 11)	44,694,121	43,458,410
Non-controlling interest in subsidiary (note 15)	5,063,460	5,047,326
	<b>49,757,581</b>	48,505,736
<b>Total liabilities and shareholders' equity</b>	<b>49,957,685</b>	48,681,673

Going concern (note 1)

On behalf of the Board,

(signed) "George D. Faught"  
George D. Faught  
Director

(signed) "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, Loss and Comprehensive Income**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Expenses:</b>				
Exploration expenses (note 12)	5,186	16,692	5,186	17,969
General and administrative expenses (note 13)	237,186	366,685	584,955	882,900
Interest income	(1,491)	(8,500)	(4,156)	(19,892)
Other finance expense (note 9(b)(ii))	-	-	1,903	-
Unrealized loss on warrants	-	519	-	3,208
Foreign exchange (gain) loss	(217)	515	(172)	568
Loss before taxes	240,664	345,911	587,716	884,753
Income taxes	-	(15,284)	-	(75,502)
Loss for the period	240,664	330,627	587,716	809,251
Other comprehensive loss (income):				
<b>Items that may be reclassified subsequently</b>				
<b>to net income:</b>				
Currency translation adjustment	409,680	(209,341)	(36,181)	(325,343)
Unrealized loss (gain) in fair value of investments classified as available for sale	5,028	45,664	(53,132)	159,836
<b>Comprehensive loss for the period</b>	<b>655,372</b>	<b>166,950</b>	<b>498,403</b>	<b>643,744</b>
<b>Attributable to:</b>				
Owners of Marathon Gold Corporation	472,669	62,682	514,537	539,476
Non-controlling interest	182,703	104,268	(16,134)	104,268
	655,372	166,950	498,403	643,744
<b>Basic and diluted loss per share</b>	<b>0.003</b>	0.006	<b>0.009</b>	0.013
<b>Weighted average number of common shares outstanding</b>	<b>64,762,450</b>	59,939,411	<b>63,375,669</b>	59,939,411

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

**Marathon Gold Corporation**  
**Consolidated Statements of Cash Flow**  
**For the six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

	2014	2013
	\$	\$
<b>Cash flows used in operating activities</b>		
Loss for the period	<b>(587,716)</b>	(809,251)
Add (deduct) items not involving cash		
Income taxes	-	(75,502)
Unrealized loss on warrants	-	3,208
Depreciation	<b>22,073</b>	28,264
Stock-based compensation charged to operations (note 11)	<b>90,738</b>	152,823
	<b>(474,905)</b>	(700,458)
Changes in non-cash working capital items		
Decrease in amounts receivable	<b>25,968</b>	114,995
(Increase) Decrease in prepaid expenses	<b>(6,336)</b>	119,773
Decrease in accounts payable	<b>(3,529)</b>	(434,658)
Increase in Flow-through share tax liability	<b>90,578</b>	-
	<b>(368,224)</b>	(900,348)
<b>Cash flows from financing activities</b>		
Common shares issued for cash	<b>1,676,827</b>	-
Share issue costs	<b>(83,793)</b>	-
	<b>1,593,034</b>	-
<b>Cash flows used in investing activities</b>		
Cash acquired upon acquisition of net assets of Golden Chest LLC	-	32,056
Repayment of loan	-	62,427
Expenditures on exploration and evaluation assets	<b>(1,358,474)</b>	(2,205,255)
Government assistance received	<b>100,000</b>	100,000
	<b>(1,258,474)</b>	(2,359,057)
<b>Decrease in cash</b>	<b>(33,664)</b>	(3,259,405)
<b>Cash– beginning of period</b>	<b>1,185,351</b>	5,187,475
<b>Cash– end of period</b>	<b>1,151,687</b>	1,928,070

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

**Marathon Gold Corporation**  
**Consolidated Statements of Changes in Equity**  
**For the six months ended June 30, 2014 and 2013**  
**(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
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance – January 1, 2013</b>	<b>41,051,338</b>	<b>1,999,401</b>	<b>7,469,352</b>	<b>(6,452,269)</b>	<b>(78,762)</b>	-	<b>43,989,060</b>	-	<b>43,989,060</b>
Loss for the period	-	-	-	(809,251)	-	-	(809,251)	-	(809,251)
Stock based compensation	-	-	203,546	-	-	-	203,546	-	203,546
Unrealized loss on available-for-sale investments	-	-	-	-	(159,836)	-	(159,836)	-	(159,836)
Warrants expired during the period	-	(196,576)	196,576	-	-	-	-	-	-
Acquisition of net assets of Golden Chest LLC	-	-	-	-	-	-	-	5,020,857	5,020,857
Dilution of non-controlling interest (note 5 (b))	-	-	-	-	-	141,399	141,399	(144,023)	(2,624)
Currency translation adjustment	-	-	-	-	325,343	-	325,343	104,268	429,611
<b>Balance – June 30, 2013</b>	<b>41,051,338</b>	<b>1,802,825</b>	<b>7,869,474</b>	<b>(7,261,520)</b>	<b>86,745</b>	<b>141,399</b>	<b>43,690,261</b>	<b>4,981,102</b>	<b>48,671,363</b>
<b>Balance – January 1, 2014</b>	<b>41,462,714</b>	<b>1,738,323</b>	<b>7,939,021</b>	<b>(8,026,037)</b>	<b>259,366</b>	<b>85,023</b>	<b>43,458,410</b>	<b>5,047,326</b>	<b>48,505,736</b>
Loss for the period	-	-	-	(587,716)	-	-	(587,716)	-	(587,716)
Stock based compensation	-	-	138,495	-	-	-	138,495	-	138,495
Unrealized gain on available-for-sale investments	-	-	-	-	53,132	-	53,132	-	53,132
Currency translation adjustment	-	-	-	-	20,047	-	20,047	16,134	36,181
Common shares issued for cash pursuant to private placement	250,000	-	-	-	-	-	250,000	-	250,000
Flow through shares issued for cash pursuant to private placement	427,927	-	-	-	-	-	427,927	-	427,927
Units issued for cash pursuant to private placement	847,529	151,371	-	-	-	-	998,900	-	998,900
Warrants expired in the period	-	(1,108,322)	1,108,322	-	-	-	-	-	-
Share issue costs	(77,757)	12,683	-	-	-	-	(65,074)	-	(65,074)
<b>Balance – June 30, 2014</b>	<b>42,910,413</b>	<b>794,055</b>	<b>9,185,838</b>	<b>(8,613,753)</b>	<b>332,545</b>	<b>85,023</b>	<b>44,694,121</b>	<b>5,063,460</b>	<b>49,757,581</b>

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

## **1) GOING CONCERN**

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

Marathon has no sources of revenue, has incurred losses amounting to \$8.6 million since its inception, and is dependent on financings to fund its operations. In addition, as Marathon is in the development stage, it is subject to the risks, uncertainties and challenges similar to other companies in a comparable stage of development. These include, but are not limited to, the continuation of losses in future periods; the ability to raise sufficient funds, and on acceptable commercial terms, to continue its exploration programs; the ability to establish the economic viability of mineral deposits on any of its mining properties; the acquisition of required permits to mine; and the attainment of profitable operations. These material uncertainties lend significant doubt over the applicability of the going concern assumption and ultimately the use of accounting principles pertinent to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary if the going concern assumption were inappropriate. These adjustments could be material.

Marathon funded its operations in the period ended June 30, 2014 through the use of its existing cash reserves obtained through an equity financing completed on December 12, 2013 and from three private placements which closed during the first and second quarters of 2014 and generated aggregate gross proceeds of \$1,767,405. In addition, subsequent to June 30, 2014 Marathon entered into two separate financing transactions, as described below:

- On July 31, 2014, Marathon announced that it had entered into a bought deal agreement with Canaccord Genuity Corp. pursuant to which a syndicate of underwriters led by Canaccord will purchase by way of a private placement a combination of flow-through shares at a price of \$0.55 per share and units at a price of \$0.50 per unit. This financing is expected to close on August 21, 2014, and Marathon expects to issue 3,450,000 units and 4,863,140 flow through shares for aggregate gross proceeds of approximately \$4.4 million.
- On August 5, 2014, Rambler Metals and Mining Canada Limited exercised the first of four subscription rights granted as part of a private placement completed on December 11, 2013. This resulted in the issue of 760,340 common shares for gross proceeds of \$375,000.

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

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

## **2) GENERAL INFORMATION**

Marathon's primary business focus is the acquisition, exploration and development of precious and base metal prospects, including the further development of the Valentine Lake Project in the Province of Newfoundland and Labrador in eastern Canada, the Golden Chest project in Idaho, USA, and the Bonanza project in Oregon, USA.

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

Marathon's registered address is 357 Bay Street, Suite 800, Toronto, Ontario M5H 2T7.

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

## **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, 2013, which were prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on August 12, 2014.

## **4) 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.

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

## 5) MINERAL EXPLORATION AND EVALUATION ASSETS

	Valentine Lake Gold Project, Newfoundland	Golden Chest Project, Idaho USA	Bonanza Mine Project, Oregon USA	
	Total			Total
	\$	\$	\$	\$
<b>Balance – January 1, 2013</b>	<b>33,100,219</b>	<b>4,797,905</b>	<b>613,609</b>	<b>38,511,733</b>
Property acquisition costs	-	205,196	-	205,196
Deferred exploration costs	2,705,762	250,610	-	2,956,372
Acquisition of net assets of Golden Chest LLC (note 5 (b))	-	5,056,632	-	5,056,632
Option payment received (note 5(b))	-	(52,650)	-	(52,650)
Advance royalty received (note 5(b))	-	(211,900)	-	(211,900)
Currency translation adjustment	-	512,625	42,371	554,996
<b>Balance – December 31, 2013</b>	<b>35,805,981</b>	<b>10,558,418</b>	<b>655,980</b>	<b>47,020,379</b>
Property acquisition costs	25,100	-	-	25,100
Deferred exploration costs	1,231,092	12,396	-	1,243,488
Currency translation adjustment	-	33,417	2,097	35,514
<b>Balance – June 30, 2014</b>	<b>37,062,173</b>	<b>10,604,231</b>	<b>658,077</b>	<b>48,324,481</b>

### a) Valentine Lake gold property, Newfoundland

The Valentine Lake property is subject to two overlapping agreements, which cover the claims which comprise the Leprechaun Gold Deposit and the Victory Gold Deposit but not the entire Valentine Lake property.

The Reid Newfoundland Company retains a 7.5% net profits interest (“NPI”). In addition, Xstrata Canada Corporation retains a 2% net smelter return royalty (“NSR”) on base metals and a 3% NSR on precious metals, which is reduced from 3% to 1.5% over the life of production until the earlier of the following:

- Cumulative production exceeding 250,000 ounces of gold, and
- An amount becoming payable under the terms of the Reid NPI.

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

### b) Golden Chest gold property, Idaho

At all times in the period from January 1, 2013 through May 22, 2013 Marathon held an undivided 50% interest in Golden Chest LLC (“GCLLC”), a company formed to hold a 100% interest in the Golden Chest gold property located near Kellogg, Idaho. Exploration activity at the Golden Chest property is carried out by New Jersey Mining Company (“NJMC”), the manager of the project.

Prior to May 22, 2013, Marathon and NJMC had each contributed to GCLLC, on a pro rata basis in line with their respective 50% interests, cash and other assets with fair values amounting to US



**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

\$4,922,000. On May 22, 2013, Marathon provided funding amounting to US \$50,000 to GCLLC pursuant to a cash call presented by NJMC, for which NJMC elected not to fund its proportionate share. The default by NJMC in funding the operations of GCLLC resulted in Marathon's interest in GCLLC increasing to 50.50%, resulting in Marathon acquiring effective equity control of the project. Accordingly, Marathon began to consolidate the operating results, financial position and cash flows of GCLLC with effect from May 22, 2013.

The fair values of the net assets acquired were estimated by Marathon using a cost approach due to the nature of the net assets acquired. The estimated fair values of the assets and liabilities acquired are set out below.

	\$
Cash	32,056
Prepaid expenses	4,203
Capital assets	67,771
Mineral exploration and evaluation assets	10,178,921
Trade payables	(139,804)
	<u>10,143,147</u>
The acquisition of the net assets of GCLLC was financed by:	
Marathon's investment in GCLLC prior to May 22, 2013	5,070,820
Marathon's investment in GCLLC May 22, 2013	51,470
Non-controlling interest	5,020,857
	<u>10,143,147</u>

On several dates in the period from June 13, 2013 to July 3, 2013, Marathon provided funding amounting to US \$175,000 pursuant to cash calls issued by NJMC for which NJMC elected not to contribute its proportionate share. These defaults by NJMC resulted in Marathon's interest in GCLLC increasing to 52.22%. Marathon recognized a gain of \$85,023 from the resulting reduction of NJMC's non-controlling interest, which was charged to equity.

GCLLC is earning a 100% interest in certain patented mining claims which make up a portion of the Golden Chest property by making payments to the original vendor of the property against a non-interest bearing promissory note (the "Beasley Note"). GCLLC's remaining payment commitments with respect to the Beasley Note are outlined below.

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

Year ending December 31:	Amounts Due US \$
2014	250,000
2015	500,000
2016	500,000
2017	500,000
2018	125,000
	1,875,000

The Beasley Note is without recourse to GCLLC, NJMC, and Marathon. In the event that GCLLC were unable to continue to make the vendor payments stipulated by the note, it would forfeit its interests in these claims.

On September 3, 2013, GCLLC entered into an option agreement with Juniper Resources, a private mining company based in Idaho, pursuant to which Juniper had the right to lease a section of the Golden Chest property to mine for its own account over a period of up to three years. Under the terms of the agreement, Juniper made an initial payment of US \$50,000 to Marathon and NJMC in advance of conducting due diligence on the property and had the right to exercise its lease option on the property no later than November 30, 2013.

On November 26, 2013, Juniper exercised its option and paid Marathon and NJMC an advance royalty of US \$200,000. Under the terms of the option agreement, the following monies became payable at various points over the life of the agreement, for so long as Juniper conducts mining operations on the property:

- 1) an immediate advance royalty to Marathon and NJMC of US \$200,000, payable in proportion to the interest of each partner in GCLLC at the time the payment is made, which payment was made on November 27, 2013;
- 2) the payment of quarterly installments due on the Beasley Note, commencing December 15, 2013; and
- 3) the payment of a 2% NSR royalty.

The two payments, which totaled \$264,550, were accounted for as reductions in the carrying value of the Golden Chest property.

During the period ended June 30, 2014 Juniper paid the installments due March 15, 2014 and June 15, 2014 on the Beasley Note.

**c) Bonanza Mine gold property, Oregon**

On December 16, 2011, Marathon purchased a 100% interest in the Bonanza Mine gold property, a past producing gold mine located in the Green Horn gold district of Oregon, USA. The Bonanza

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

property at the time of this transaction consisted of 13 patented lode claims and one patented parcel covering a total of approximately 120 hectares.

On closing, Marathon paid the vendor US\$126,711 and 300,000 common shares with a fair value of \$345,000. In connection with this acquisition, the vendor retained timber rights to the patented claims for a period of 20 years and a 2% net smelter returns royalty. Marathon has the right to purchase 1% of the royalty by paying the vendor US \$1,000,000.

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

## 6) INVESTMENTS

Marathon's investments at June 30, 2014 and December 31, 2013 are summarized below.

Description	Quantity	Fair Value	
		June 30 2014	December 31 2013
		\$	\$
<b>Mountain Lake Minerals Inc.:</b>			
• Common shares	1,500,000	<b>37,500</b>	30,000
• Warrants exercisable at a price of \$0.30 per share and expiring on July 9, 2014	750,000	-	-
<b>New Jersey Mining Company:</b>			
• Common shares	2,000,000	<b>234,953</b>	189,321
		<b>272,453</b>	219,321

### ***Mountain Lake Minerals Inc.:***

Under the terms of the Arrangement, Marathon subscribed for a total of 1,500,000 common share units issued by Mountain Lake Minerals Inc. ("MLM") at a price of \$0.20 per unit for a total of \$300,000, with each unit consisting of one common share and one-half of one warrant. Each whole warrant is exercisable at a price of \$0.30 per share and expires on July 9, 2014.

Marathon's investment in common shares of MLM was valued at the closing trading price of the shares on the Canadian National Stock Exchange on June 30, 2014. The fair value of the warrants was estimated using the Black Scholes option pricing model with the following inputs:

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

	<b>June 30</b>	December 31
	<b>2014</b>	2013
Risk free interest rate	<b>0.89%</b>	1.13%
Dividend rate	<b>Nil</b>	Nil
Volatility	<b>100%</b>	100%
Expected life	<b>9 days</b>	6 months
Estimated fair value per warrant	-	-

These warrants expired without exercise on July 9, 2014.

***New Jersey Mining Company:***

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, 2014, being US \$0.1101.

## **7) FINANCIAL INSTRUMENTS**

**Measurement categories**

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 June 30, 2014 and December 31, 2013.

	<b>June 30</b>	December 31
	<b>2014</b>	2013
	\$	\$
<b>Fair value through profit and loss</b>		
Investment in warrants		
Expiring in 12 months or less	-	-
	-	-
<b>Loans and receivables</b>		
Cash	<b>1,151,687</b>	1,185,351
	<b>1,151,687</b>	1,185,351
<b>Available for sale</b>		
Investment in equity securities	<b>272,453</b>	219,321
	<b>272,453</b>	219,321
<b>Other financial liabilities</b>		
Trade payables due within 12 months	<b>(65,808)</b>	(175,937)
	<b>(65,808)</b>	(175,937)

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

The carrying values of Marathon's cash, trade receivables, loans, and trade payables approximate fair value. The methods used to estimate the fair value of Marathon's investments in warrants and equity securities are detailed in note 6 to the financial statements.

**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).

There were no transfers between levels 1, 2 or 3 during the period.

	<b>June 30 2014</b>	December 31 2013
	\$	\$
<b>Level 1</b>		
Investment in equity securities	<b>272,453</b>	219,321
<b>Level 2</b>		
Investment in warrants	-	-

## **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 activities and 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.

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

## 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	Amount
		\$
<b>Balance – January 1, 2013</b>	<b>59,939,411</b>	<b>41,051,338</b>
Issued pursuant to a private placement <sup>(i)</sup>	1,176,470	250,000
Share issue costs	-	(18,719)
Deferred income taxes related to share issue costs	-	180,095
<b>Balance – December 31, 2013</b>	<b>61,115,881</b>	<b>41,462,714</b>
Flow through shares issued pursuant to private placement <sup>(ii)</sup>	1,456,300	422,327
Common shares issued pursuant to private placement <sup>(iii)</sup>	797,448	250,000
Units issued pursuant to private placement <sup>(iv)</sup>	2,561,283	847,529
Flow through shares issued pursuant to private placement <sup>(iv)</sup>	20,000	5,600
Share issue costs	-	(77,757)
<b>Balance – June 30, 2014</b>	<b>62,572,181</b>	<b>42,910,413</b>

- i. On December 11, 2013, Marathon entered into a subscription agreement with Rambler Metals & Mining plc (“Rambler”) (the “Rambler Subscription”). Under the terms of the Rambler Subscription, Rambler agreed irrevocably to subscribe for common shares of Marathon for gross proceeds of \$500,000, as follows:
  - a. 1,176,470 shares at a price of \$0.2125 per share, for gross proceeds of \$250,000 (the “First Tranche”), which closed on December 11, 2013, and
  - b. That number of common shares equal to \$250,000 (the “Second Tranche”) at a subscription price calculated as a 10% premium to the greater of the volume weighted average price (“VWAP”) for Marathon’s common shares for the 60 and 5 trading days ending on the date prior to Rambler giving notice of its intention to subscribe under the Second Tranche, with the closing of the Second Tranche to occur no later than April 30, 2014.

In addition, Marathon granted Rambler an option, exercisable in its sole discretion, to subscribe for additional shares amounting to gross proceeds of \$1,500,000 in four quarterly tranches, as follows:

- a. \$375,000 at any time in the period from May 1, 2014 to July 31, 2014;
- b. \$375,000 at any time in the period from August 1, 2014 to October 31, 2014;

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

- c. \$375,000 at any time in the period from November 1, 2014 to January 31, 2015; and
- d. \$375,000 at any time in the period from February 1, 2015 to April 30, 2014,

with the number of shares issuable upon the exercise of each individual quarterly option equal to \$375,000 at a subscription price calculated as a 10% discount to the greater of the VWAP for Marathon's common shares for the 60 and 5 trading days ending on the date prior to Rambler giving notice of its intention to exercise its option. Marathon has not attributed a value to this option.

Finally, Marathon granted Rambler a pre-emptive right to participate in subsequent financings by Marathon in the period from May 1, 2014 to March 31, 2016, except if by exercising such right Rambler would increase its investment in the common shares of Marathon over 20%. Marathon has not attributed a value to this pre-emptive right. Rambler has not exercised this right in any financing completed in the period ended June 30, 2014 or subsequent to the period end.

- ii. On February 7, 2014, Marathon closed a private placement of 1,456,300 flow-through common shares at a price of \$0.35 per share, for total gross proceeds of \$509,705.

The gross proceeds of the offering of flow-through shares were allocated between Share capital and Flow-through share tax liability using the residual method, which resulted in \$87,378 of gross proceeds being allocated to the liability portion of this financing.

Marathon incurred costs in connection with this offering of \$11,111, of which \$1,903 was attributed to the flow-through tax liability on a pro rata basis and charged to operations.

- iii. On April 2, 2014, Marathon closed a private placement of 797,448 common shares at a price of \$0.3135 per share, for total gross proceeds of \$250,000 pursuant to the subscription of the Second Tranche by Rambler.
- iv. In May 2014, Marathon issued a total of 2,561,283 units at a price of \$0.39 per unit and 20,000 flow-through common shares at a price of \$0.44 per share, for total gross proceeds of \$1,007,700.

The gross proceeds of the offering of flow-through shares were allocated between Share capital and Flow-through share tax liability using the residual method, which

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

resulted in \$3,200 of gross proceeds being allocated to the liability portion of this financing.

Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant exercisable at a price of \$0.50 per share and expiring two years after issue. The gross proceeds of the offering of units were allocated between Share capital and Warrants on the basis of relative fair value, which resulted in \$151,371 in proceeds being allocated to Warrants.

Marathon incurred costs incurred in connection with this offering of \$68,549, including \$48,000 in finder's fees and \$12,683 related to the fair value of broker compensation warrants.

## 10) WARRANTS

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

	Number	Value
		\$
<b>Balance – January 1, 2013</b>	<b>6,748,751</b>	<b>1,999,401</b>
Expired	(1,486,650)	(261,078)
<b>Balance – December 31, 2013</b>	<b>5,262,101</b>	<b>1,738,323</b>
Issued pursuant to private placement <sup>(a)</sup>	1,280,641	151,371
Broker compensation warrants issued <sup>(a)</sup>	123,076	12,683
Expired	(1,964,000)	(1,108,322)
<b>Balance – June 30, 2014</b>	<b>4,701,818</b>	<b>794,055</b>

The share purchase and broker compensation warrants outstanding at June 30, 2014 are set out below.

Exercise price	Number of warrants	Expiry date
\$0.75	2,737,250	December 12, 2014
\$0.58	560,851	December 12, 2014
\$0.39	123,076	May 12, 2016
\$0.50	1,090,641	May 12, 2016
\$0.50	190,000	May 16, 2016
	<b>4,701,818</b>	

- a) Pursuant to a private placement which closed on May 12 and May 16, 2014, Marathon issued a total of 1,280,641 share purchase warrants exercisable at a price of \$0.50 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 assumptions:



**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

- risk free interest rate of 1.05%;
- expected dividend yield of nil;
- expected volatility of 80%; and
- expected term of 2 years,

which yielded an estimated fair value of \$0.118 per warrant.

In addition, Marathon issued a total of 123,076 broker compensation warrants exercisable at a price of \$0.39 per share and expiring on May 12, 2016. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

- risk free interest rate of 1.05%;
- expected dividend yield of nil;
- expected volatility of 80%; and
- expected term of 2 years,

which yielded an estimated fair value of \$0.103 per warrant.

## **11) STOCK BASED COMPENSATION**

Marathon has a stock option plan (the "Plan") which was adopted on November 30, 2010, under which Marathon may grant options to directors, officers, and consultants. The number of shares reserved for issue under the Plan may not exceed 10% of the number of issued and outstanding common shares at any time.

The purpose of the Plan is to attract, retain and motivate directors, officers, and external service providers by providing them with the opportunity to acquire a proprietary interest in Marathon and benefit from its growth. The options granted under the Plan are non-assignable, have a term of up to 5 years and vest upon grant.

	<b>Six months ended June 30, 2014</b>		<b>Six months ended June 30, 2013</b>	
	<b>Number</b>	<b>Weighted average exercise price per share</b>	<b>Number</b>	<b>Weighted average exercise price per share</b>
		<b>\$</b>		<b>\$</b>
Balance - beginning of period	<b>5,368,000</b>	<b>0.99</b>	4,276,000	1.14
Granted in the period	870,000	0.32	1,244,000	0.52
Expired	(440,000)	0.82	(90,000)	1.29
<b>Balance – end of period</b>	<b>5,798,000</b>	<b>0.90</b>	<b>5,430,000</b>	<b>1.00</b>

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

Options to purchase common shares outstanding at June 30, 2014 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Options Outstanding and exercisable	Contract Life (years)
\$		
1.61	1,655,000	1.47
1.28	67,000	2.18
1.18	547,000	2.48
0.65	1,442,000	3.09
0.52	1,157,000	3.55
0.26	110,000	4.18
0.32	820,000	4.66
<b>0.90</b>	<b>5,798,000</b>	<b>1.45</b>

The fair value of the options granted by Marathon in the three and six month periods ended June 30, 2014 and 2013 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
Risk free interest rate	-	-	<b>1.04%</b>	1.11%
Dividend rate	-	-	<b>Nil</b>	Nil
Volatility	-	-	<b>85%</b>	80%
Expected life	-	-	<b>3 years</b>	1 year
Weighted average fair value per option granted in the period	-	-	<b>\$0.16</b>	\$0.16

The Company recognized total stock based compensation costs of \$138,495 (2013 - \$203,546) in the period ended June 30, 2014, of which \$90,738 (2013 - \$152,823) was charged to operations and \$47,757 (2013 - \$50,723) was capitalized as a component of Marathon's exploration and evaluation assets.

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

## 12) EXPLORATION EXPENSES

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Baie Verte Property, Newfoundland</b>				
Claim acquisition costs		3,185	-	3,185
Prospecting	-	635	-	676
	-	3,820	-	3,861
<b>Finger Pond Property, Newfoundland</b>				
Claim acquisition costs	-	10,000	-	10,000
Forfeiture of security deposits	5,186	-	5,186	-
Prospecting	-	2,872	-	2,911
	5,186	12,872	5,186	12,911
<b>Bonanza Property, Oregon</b>				
Claim acquisition and renewal costs	-	-	-	1,197
	-	-	-	1,197
	5,186	16,692	5,186	17,969

## 13) GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
Wages, salaries and benefits (note 14)	112,696	188,362	226,320	375,140
Professional fees	17,299	25,381	25,924	59,259
Investor relations	38,418	38,809	70,110	75,394
Depreciation	7,117	12,821	22,073	28,264
Other expenses	61,656	71,312	149,790	192,020
Stock based compensation charged to operations (note 11)	-	-	90,738	152,823
	237,186	366,685	584,955	882,900

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

## 14) WAGES, SALARIES AND BENEFITS

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
Fees, salaries and wages paid to employees, key management and directors (note 17)	<b>267,653</b>	356,519	<b>555,623</b>	791,019
Social security benefits	<b>26,995</b>	27,613	<b>60,637</b>	67,541
	<b>294,648</b>	384,132	<b>616,260</b>	858,560
Charged to general and administrative expenses	<b>112,696</b>	188,362	<b>226,320</b>	375,140
Charged to exploration expenses	-	2,968	-	3,048
Capitalized as a component of mineral exploration and evaluation assets	<b>181,952</b>	192,802	<b>389,940</b>	480,372
	<b>294,648</b>	384,132	<b>616,260</b>	858,560

## 15) NON-CONTROLLING INTEREST

The non-controlling interest relates to Marathon's interest in GCLLC, which was accounted for as an undivided interest prior to May 22, 2013, and represents the 47.78% interest of NJMC in GCLLC. As explained in note 5(b), 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 in GCLLC at December 31, 2013 and June 30, 2014 was 52.22%.

The movement in the non-controlling interest in the period ended March 31, 2014 is set out below.

	\$
<b>Balance - January 1, 2013</b>	-
Recognized upon acquisition of control (note 5(b))	5,020,857
Dilution of GCLLC's interest	(87,509)
NJMC's share of funding of GCLLC from May 22, 2013 to December 31, 2013	76,852
NJMC's share of option premium and advance royalty received in respect of the property lease agreement with Juniper Resources	126,403
Currency translation adjustment	163,529
<b>Balance - December 31, 2013</b>	<b>5,047,326</b>
Currency translation adjustment	16,134
<b>Balance - June 30, 2014</b>	<b>5,063,460</b>

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

GCLLC had no profit or loss attributable to either Marathon or NJMC in the three and six month periods ended June 30, 2014. The net assets of GCLLC at June 30, 2014 and December 31, 2013 and summarized cash flows of GCLLC for the six months ended June 30, 2014 and the period from May 22, 2013 to June 30, 2013, which form part of Marathon's consolidated balance sheet and statement of cash flows respectively, are summarized below.

<b>Summarized balance sheet:</b>	<b>June 30 2014</b>	<b>December 31 2013</b>
		\$
<b>Assets</b>		
Cash	778	7,607
Prepays and deposits	1,742	6,950
	<b>2,520</b>	14,457
Mineral exploration and evaluation assets	<b>10,604,231</b>	10,558,418
<b>Total assets</b>	<b>10,606,751</b>	10,572,875
<b>Liabilities</b>		
Trade payables	(29,243)	(29,599)
<b>Total liabilities</b>	<b>(29,243)</b>	(29,599)
<b>Net assets</b>	<b>10,577,508</b>	10,543,276

**Summarized cash flows:**

	<b>Six months ended June 30, 2014</b>	<b>Period from May 22, 2013 to June 30, 2013</b>
	\$	\$
<b>Cash from financing activities:</b>		
Member capital contributions	-	152,490
	-	152,490
<b>Cash used in investing activities:</b>		
Cash expenditures on Golden Chest property	(6,829)	(184,087)
	(6,829)	(184,087)
<b>Decrease in cash</b>	<b>(6,829)</b>	<b>(31,597)</b>
Cash – beginning of period	7,607	32,056
<b>Cash – end of period</b>	<b>778</b>	459

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

## 16) COMMITMENTS

Marathon has the following commitments under operating leases.

Year ending December 31	\$
2014	72,489
2015	143,880
2016	144,084
2017	20,220
2018	2,314
Thereafter	-
	<b>382,987</b>

## 17) RELATED PARTY TRANSACTIONS

### a) Key management

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

Marathon incurred the following compensation costs related to key management and directors in the normal course of business.

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
Salaries paid to key management	<b>107,750</b>	146,250	<b>215,500</b>	292,500
Director fees	<b>22,406</b>	35,505	<b>49,812</b>	73,880
	<b>130,156</b>	181,755	<b>265,312</b>	369,380

## 18) SUBSEQUENT EVENTS

- a) On July 7, 2014, Marathon issued a total of 798,500 stock options exercisable at a price of \$0.39 per share and expiring on July 7, 2019.
- b) On July 31, 2014, Marathon announced that it had entered into a bought deal agreement with Canaccord Genuity Corp. pursuant to which a syndicate of underwriters led by Canaccord will purchase by way of a private placement a combination of flow-through shares at a price of \$0.55 per share and units at a price of \$0.50 per unit. This financing is expected to close on

**Marathon Gold Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2014 and 2013**  
**(Unaudited - Expressed in Canadian dollars)**

August 21, 2014, and Marathon expects to issue 3,450,000 units and 4,863,140 flow through shares for aggregate gross proceeds of approximately \$4.4 million.

- c) On July 31, 2014, Rambler exercised the first of the four subscription rights described in note 9(b)(i) to the financial statements. This subscription closed on August 5, 2014, and Marathon issued a total of 760,340 shares at a price of \$0.4932 per share, for proceeds of \$375, 000.