



MARATHON GOLD CORPORATION
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2013 AND 2012

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	December 31
	2013	2012
	\$	\$
Assets		
Current assets		
Cash	1,403,895	5,187,475
Amounts receivable	74,136	180,705
Loan receivable	-	62,427
Prepays and deposits	98,523	243,395
	1,576,554	5,674,002
Non-current assets		
Investments (note 6)	184,545	277,188
Property, plant and equipment	104,654	108,729
Mineral exploration and evaluation assets (note 5)	46,466,375	38,511,733
Total assets	48,332,128	44,571,652
Liabilities		
Current liabilities		
Trade payables	131,751	505,132
Flow-through share tax liability (note 9(b)(iii))	-	77,460
Total liabilities	131,751	582,592
Equity		
Equity attributable to owners (notes 9, 10, and 11)	43,251,266	43,989,060
Non-controlling interest in subsidiary	4,949,111	-
Total equity	48,200,377	43,989,060
Total liabilities and shareholders' equity	48,332,128	44,571,652

Going concern (note 1)

These financial statements have been approved by the board of directors and authorized for issue on November 12, 2013 and have been signed on their behalf.

"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, Loss and Comprehensive Loss
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Expenses:				
Exploration expenses (note 12)	117,762	67,152	135,731	418,628
General and administrative expenses (note 13)	218,661	613,281	1,101,561	1,350,394
Interest income	(5,503)	(10,248)	(25,395)	(43,402)
Unrealized loss on warrant derivative investments	-	21,159	3,208	103,909
Foreign exchange loss	-	85	568	901
Loss before taxes	330,920	691,429	1,215,673	1,830,430
Income taxes	(1,958)	(182,051)	(77,460)	(1,188,625)
Loss for the period	328,962	509,378	1,138,213	641,805
Other comprehensive income:				
Items that may be reclassified subsequently to net income:				
Currency translation adjustment	129,103	187,636	(200,053)	179,818
Unrealized (gain) loss in fair value of investments classified as available for sale	(70,401)	29,982	89,435	141,533
Comprehensive loss for the period	387,664	726,996	1,027,595	963,156
Attributable to:				
Owners of Marathon Gold Corporation	495,745	726,996	1,031,408	963,156
Non-controlling interest	(108,081)	-	(3,813)	-
	387,664	726,996	1,027,595	963,156
Basic and diluted loss per share	0.005	0.01	0.019	0.02
Weighted average number of common shares outstanding	59,939,411	48,221,472	59,939,411	36,033,089

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 nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

	2013	2012
	\$	\$
Cash flows used in operating activities		
Loss for the period	(1,138,213)	(641,805)
Add (deduct) items not involving cash		
Income taxes	(77,460)	(1,188,625)
Unrealized loss on warrant derivatives	3,208	103,909
Depreciation	41,253	44,107
Stock-based compensation charged to operations (note 11)	157,868	253,503
	(1,013,344)	(1,428,911)
Changes in non-cash working capital items		
Decrease in amounts receivable	106,708	104,450
Decrease in prepaid expenses	149,111	108,858
Decrease in accounts payable	(507,485)	(95,455)
	(1,265,010)	(1,311,058)
Cash flows used in investing activities		
Property option premium received	27,494	-
Purchase of investments	-	(300,000)
Purchase of capital assets	-	(77,691)
Proceeds of disposal of capital assets	36,397	-
Cash acquired upon acquisition of net assets of Golden Chest LLC	32,056	-
Repayment of loan	62,427	-
Expenditures on exploration and evaluation assets	(2,776,944)	(5,919,820)
Government assistance received	100,000	100,000
	(2,488,537)	(6,197,511)
Decrease in cash	(3,783,580)	(7,508,569)
Cash— beginning of period	5,187,475	9,545,246
Cash— end of period	1,403,895	2,036,677

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, 2013 and 2012
(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	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance – January 1, 2012	20,255,563	1,256,644	7,123,852	(5,190,746)	181,955	-	23,627,268	-	23,627,268
Issuance of common shares	16,547,669	-	-	-	-	-	16,547,669	-	16,547,669
Assumption of warrant obligations	-	112,827	-	-	-	-	112,827	-	112,827
Loss for the period	-	-	-	(641,805)	-	-	(641,805)	-	(641,805)
Stock based compensation	-	-	345,500	-	-	-	345,500	-	345,500
Unrealized loss on available-for-sale investment	-	-	-	-	(141,533)	-	(141,533)	-	(141,533)
Currency translation adjustment	-	-	-	-	(179,818)	-	(179,818)	-	(179,818)
Balance – September 30, 2012	36,803,232	1,369,471	7,469,352	(5,832,551)	(139,396)	-	39,670,108	-	39,670,108
Balance – January 1, 2013	41,051,338	1,999,401	7,469,352	(6,452,269)	(78,762)	-	43,989,060	-	43,989,060
Loss for the period	-	-	-	(1,138,213)	-	-	(1,138,213)	-	(1,138,213)
Stock based compensation	-	-	208,591	-	-	-	208,591	-	208,591
Unrealized loss on available-for-sale investments	-	-	-	-	(89,435)	-	(89,435)	-	(89,435)
Expiration of warrants	-	(261,078)	261,078	-	-	-	-	-	-
Acquisition of net assets of Golden Chest LLC	-	-	-	-	-	-	-	5,020,857	5,020,857
Dilution of non-controlling interest (note 5)	-	-	-	-	-	85,023	85,023	(87,509)	(2,486)
Funding contributions by New Jersey Mining Company	-	-	-	-	-	-	-	37,106	37,106
Option premium in respect of lease of Golden Chest property	-	-	-	-	-	-	-	(25,156)	(25,156)
Currency translation adjustment	-	-	-	-	196,240	-	196,240	3,813	200,053
Balance – September 30, 2013	41,051,338	1,738,323	7,939,021	(7,590,482)	28,043	85,023	43,251,266	4,949,111	48,200,377

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

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(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 \$7.6 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 September 30, 2013 through the use of its existing cash reserves obtained through an equity financing completed on December 12, 2012. In addition, Marathon continues to seek additional financing opportunities in order to raise necessary funds for the advancement of its properties. However there can be no assurance that the Company will be successful in these efforts.

2) GENERAL INFORMATION

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

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

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

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

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, 2012, 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 12, 2013.

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, except as disclosed below.

Marathon has adopted the following new and revised accounting standards, with effect from January 1, 2013.

IFRS 10 - Consolidated Financial Statements

IFRS 10, *Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

Marathon assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11 - Joint Arrangements

IFRS 11, *Joint Arrangements*, supersedes IAS 31, *Interests in Joint Ventures*, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, *Investments*

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

in Associates and Joint Ventures (amended in 2011). The other amendments to IAS 28 did not affect the Company.

Marathon assessed the applicability of this standard to its accounting for its investment in Golden Chest LLC and concluded that no change was required with respect to IFRS 11.

IFRS 13 - Fair Value Measurement

IFRS 13, *Fair Value Measurement*, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1 Amendment – Presentation of Items of Other Comprehensive Income

Marathon has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. Marathon has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

5) MINERAL EXPLORATION AND EVALUATION ASSETS

	Valentine Lake Gold Project, Newfoundland	Golden Chest Project, Idaho USA	Bonanza Mine Project, Oregon USA	Total
	\$	\$	\$	\$
Balance – January 1, 2012	10,092,058	4,068,000	616,444	14,776,502
Property acquisition costs	16,771,320	-	-	16,771,320
Deferred exploration costs	6,236,841	834,436	10,632	7,081,909
Currency translation adjustment	-	(104,531)	(13,467)	(117,998)
Balance – December 31, 2012	33,100,219	4,797,905	613,609	38,511,733
Deferred exploration costs	2,390,173	360,992	-	2,751,165
Acquisition of net assets of				
Golden Chest LLC	-	5,056,632	-	5,056,632
Option payments received	-	(52,650)	-	(52,650)
Currency translation adjustment	-	177,662	21,833	199,495
Balance September 30, 2013	35,490,392	10,340,541	635,442	46,466,375

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

a) Valentine Lake gold property, Newfoundland

In December 2009, Marathon PGM Corporation (“MPGM”), the parent company of Marathon at the time, entered into an option agreement with Mountain Lake Resources Inc. (“MOA”) to earn an initial 50% interest in the Valentine Lake property. In November 2010, the option agreement and all of MPGM’s rights and interests thereunder were assigned to Marathon, and Marathon completed its earn-in on January 24, 2011.

On July 9, 2012, Marathon completed the purchase of the net assets of MOA pursuant to an arrangement agreement (the “Arrangement”), which resulted in Marathon increasing its ownership of the Valentine Lake project to 100%. A total of 20,309,586 common shares of Marathon were exchanged for the common shares of MOA on the basis of 0.40 common shares of Marathon for each MOA share.

The Valentine Lake property is subject to two overlapping royalties, which cover the Leprechaun 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 December 31, 2012 and at all times prior to 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 cash and other assets to GCLLC with fair values amounting to US \$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 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.

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

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)
	10,143,147

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
	10,143,147

On several dates in the period from June 13, 2013 to September 30, 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 diminution of NJMC's non-controlling interest, which was charged to Other reserve.

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. GCLLC's payment commitments with respect to this promissory note are outlined below.

Year ending December 31:	Amounts Due
2013	200,000
2014	500,000
2015	500,000
2016	500,000
2017	500,000
2018	125,000
	2,325,000

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

This 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 may 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 payments to Marathon and NJMC totaling US \$50,000 in advance of conducting due diligence on the property and its associated permits and has the right to exercise its lease option on the property no later than November 30, 2013. In the event that Juniper elects to exercise its option, the following monies become payable at various points over the life of the agreement, for so long as Juniper is conducting mining operations on the property:

- i. an immediate cash payment to Marathon and NJMC of US \$200,000, payable in proportion to the interest of each partner in the project at the time the payment is made;
- ii. the payment of quarterly instalments due on the promissory note referred to above, commencing December 15, 2013; and
- iii. the payment of a 2% NSR royalty.

c) Bonanza Mine gold property, Oregon

On December 16, 2011, Marathon purchased a 100% interest in the Bonanza Mine gold property, a past producing gold mine located in the Green Horn gold district of Oregon, USA. The Bonanza property at the time of this transaction consisted of 13 patented lode claims and one patented parcel covering a total of approximately 120 hectares.

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

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

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

6) INVESTMENTS

Marathon's investments at September 30, 2013 and December 31, 2012 are summarized below.

Description	Quantity	Fair Value	
		September 30 2013	December 31 2012
		\$	\$
Mountain Lake Minerals Inc.:			
• Common shares	1,500,000	30,000	75,000
• Warrants exercisable at a price of \$0.30 per share and expiring on July 9, 2014	750,000	-	3,208
New Jersey Mining Company:			
• Common shares	2,000,000	154,545	198,980
		184,545	277,188

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 expiring 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 September 30, 2013. The fair value of the warrants was estimated using the Black Scholes option pricing model with the following inputs:

	September 30 2013	December 31 2012
Risk free interest rate	1.13%	1.14%
Dividend rate	Nil	Nil
Volatility	100%	100%
Expected life	9 months	18 months
Estimated fair value per warrant	-	\$0.004

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 September 30, 2013, being US \$0.075.

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

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 September 30, 2013 and December 31, 2012.

	September 30	December 31
	2013	2012
	\$	\$
Fair value through profit and loss		
Investment in warrant derivatives		
Expiring in 12 months or less	-	3,208
	-	3,208
Loans and receivables		
Cash	1,403,895	5,187,475
Trade receivables	37,808	18,423
Loan receivable from NJMC	-	62,427
	1,441,703	5,268,325
Available for sale		
Investment in equity securities	184,545	273,980
	184,545	273,980
Other financial liabilities		
Trade payables due within 12 months	(131,751)	(505,132)
	(131,751)	(505,132)

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).

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

	September 30	December 31
	2013	2012
	\$	\$
Level 1		
Investment in equity securities	184,545	273,980
Level 2		
Investment in warrants	-	3,208

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.

9) SHARE CAPITAL

a) Common shares issued and outstanding

Authorized:

Unlimited common shares without par value

Unlimited preference shares, issuable in series

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

b) Issued and outstanding:

	Number of shares	Amount \$
Balance – January 1, 2012	29,871,928	20,255,563
Issued pursuant to the acquisition of the net assets of Mountain Lake Resources Inc. ⁽ⁱ⁾	20,309,586	16,247,669
Issued in payment of professional advisory services ⁽ⁱⁱ⁾	410,397	300,000
Issued for cash pursuant to private placement of flow through common shares ⁽ⁱⁱⁱ⁾	3,873,000	2,362,530
Issued for cash pursuant to private placement of non-flow through units, net of \$476,343 allocated to Warrants ⁽ⁱⁱⁱ⁾	5,474,500	2,534,632
Share issue costs	-	(649,056)
Balance – December 31, 2012 and September 30, 2013	59,939,411	41,051,338

- i. On July 9, 2012, Marathon issued 20,309,586 common shares with a value of \$0.80 per share to acquire the outstanding common shares of MOA.
- ii. On September 24, 2012, Marathon issued 410,397 common shares with a deemed value of \$0.731 per share as payment for professional advisory services in connection with the acquisition of the net assets of MOA.
- iii. On December 12, 2012, Marathon closed a private placement of 3,873,000 flow-through common shares at a price of \$0.63 per share and 5,474,500 common share units at a price of \$0.55 per unit, for total gross proceeds of \$5,450,965.

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 \$77,460 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 \$0.75 per share and expiring on December 12, 2014. The gross proceeds of the offering of units were allocated between Share capital and Warrants on the basis of relative fair value, which resulted in \$476,343 in proceeds being allocated to Warrants.

Marathon incurred costs in connection with this offering of \$658,412, of which \$9,356 was attributed to the flow-through tax liability on a pro rata basis and charged to operations.

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

10) WARRANTS

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

	Number	Value
		\$
Balance – January 1, 2012	2,140,995	1,256,644
Warrant obligations assumed pursuant to the acquisition of the net assets of MOA ^(a)	2,571,555	112,827
Issued pursuant to private placement of units ^(b)	2,737,250	476,343
Broker warrants ^(b)	560,851	153,587
Expired	(1,261,900)	-
Balance – December 31, 2012	6,748,751	1,999,401
Expired	(1,486,650)	(261,078)
Balance – September 30, 2013	5,262,101	1,738,323

- a) On July 9, 2012, Marathon assumed obligations with respect to the potential issuance of 2,571,555 Marathon shares upon the exercise of warrants issued by MOA and outstanding at closing, as set out below.

Number of Marathon shares issuable	Exercise price	Estimated fair value per warrant	Expiry date
	\$	\$	
861,900	1.59	-	July 12, 2012
200,000	1.59	-	August 5, 2012
200,000	2.55	-	October 8, 2012
689,655	1.81	0.07	June 22, 2013
620,000	1.70	0.10	September 13, 2013

The fair value of these obligations was estimated at July 9, 2012 using the Black-Scholes option pricing model with the following weighted average assumptions:

- risk free interest rate of 0.92%;
- expected dividend yield of nil;
- expected volatility of 80%; and
- expected term of 0.57 years,

which yielded an estimated weighted average fair value of \$0.04 per warrant.

- b) Pursuant to a private placement which closed on December 12, 2012, Marathon issued 2,737,250 share purchase warrants exercisable at a price of \$0.75 per share and expiring on December 12, 2014 and 560,851 broker compensation warrants exercisable at a price of \$0.58 per share, with both warrants expiring on December 12, 2014. 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 nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

- risk free interest rate of 1.07%;
- expected dividend yield of nil;
- expected volatility of 80%; and
- expected term of 2 years,

which yielded an estimated fair value of \$0.23 per share purchase warrant and \$0.27 per broker compensation warrant.

The warrants outstanding at September 30, 2013 are set out below.

Exercise price	Number of warrants	Expiry date
\$1.80	1,964,000	June 2, 2014
\$0.75	2,737,250	December 12, 2014
\$0.58	560,851	December 12, 2014
\$1.12	5,262,101	

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.

	Nine months ended September 30, 2013		Nine months ended September 30, 2012	
	Number	Weighted average exercise price per share	Number	Weighted average exercise price per share
		\$		\$
Balance - beginning of period	4,276,000	1.14	2,689,000	1.47
Granted in the period	1,354,000	0.50	1,690,000	0.65
Expired	(239,000)	1.00	(101,000)	1.54
Balance – end of period	5,391,000	0.99	4,278,000	1.14

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

Options to purchase common shares outstanding at September 30, 2013 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Options Outstanding and exercisable	Contract Life (years)
\$		
1.61	1,655,000	2.21
1.15	140,000	2.73
1.28	67,000	2.92
1.18	607,000	3.22
0.65	1,583,000	3.84
0.52	1,229,000	4.30
0.26	110,000	4.93
0.99	5,391,000	3.36

The fair value of the options granted by Marathon in the three and nine month periods ended September 30, 2013 and 2012 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Risk free interest rate	1.28%	1.07%	1.12%	1.07%
Dividend rate	Nil	Nil	Nil	Nil
Volatility	80%	80%	80%	80%
Expected life	1 year	1 year	1 year	1 year
Weighted average fair value per option granted in the period	0.05	0.20	\$0.16	0.20

The Company recognized total stock based compensation costs of \$208,591 in the period ended September 30, 2013 (2012 - \$345,500), of which \$157,868 (2012 - \$253,503) was charged to operations and \$50,723 (2012 - 91,997) 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 nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

12) EXPLORATION EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Finger Pond Property, Newfoundland	102,092	2,641	115,003	346,173
Baie Verte Property, Newfoundland	-	778	3,861	2,769
Bonanza Property, Oregon	15,670	63,733	16,867	69,686
Total	117,762	67,152	135,731	418,628

13) GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Wages, salaries and benefits (note 14)	132,621	186,391	507,761	569,130
Professional fees	210	25,522	59,469	92,407
Investor relations	14,076	33,879	89,470	141,412
Depreciation	12,989	15,111	41,253	44,107
Other expenses, net of operator fees earned in the period of \$Nil (2012 - \$77,988)	53,720	98,875	245,740	249,835
Stock based compensation charged to operations (note 11)	5,045	253,503	157,868	253,503
	218,661	613,281	1,101,561	1,350,394

14) WAGES, SALARIES AND BENEFITS

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Fees, salaries and wages paid to employees, key management and directors	228,628	556,990	1,019,647	1,719,174
Social security benefits	19,771	43,008	87,312	156,169
	248,399	599,998	1,106,959	1,875,343
Charged to general and administrative expenses	132,621	186,391	507,761	569,130
Charged to exploration expenses	40,786	2,472	43,834	4,741
Charged to GCLLC	-	124	-	4,047
Capitalized as a component of mineral exploration and evaluation assets	74,992	411,011	555,364	1,297,425
	248,399	599,998	1,106,959	1,875,343

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(Unaudited - Expressed in Canadian dollars)

15) COMMITMENTS

a) Operating leases

Marathon has the following commitments under operating leases.

Year ending September 30:	\$
2014	142,021
2015	141,855
2016	142,470
2017	53,426
Thereafter	-
	<hr/> 479,772

b) Indemnities

In connection with the acquisition of the net assets of MOA, Marathon indemnified past officers and directors of MOA against liability arising from actions prior to the acquisition.

At December 31, 2012 and March 31, 2013 two former directors of MOA were defendants in a securities action brought against them by the Nova Scotia Securities Commission ("NSSC"). At March 31, 2013, the costs of defending this action, both prior and subsequent to Marathon's acquisition, amounted to approximately \$81,000 and had been borne by MOA's liability insurer on the basis of a waiver of its rights. If the directors were found liable upon the exhaustion of due process, Marathon could be liable to repay the legal costs incurred by the insurer, as well as civil penalties imposed by the NSSC.

On May 7, 2013 the NSSC dismissed the allegations against the two former directors.

16) 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.

Marathon Gold Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(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, 2013, \$Nil was owing to these related parties for services received during the period.

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Salaries and management fees paid to key management	80,187	146,250	372,687	438,750
Fees paid to directors	19,469	27,000	93,349	96,000
Stock based compensation	5,045	283,147	176,846	283,147
	104,701	456,397	642,881	817,897