MARATHON GOLD CORP.

MARATHON GOLD CORPORATION

(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2010 AND 2009

March 28, 2011

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Marathon Gold Corporation were prepared by management in accordance with Canadian generally accepted accounting principles. Management is responsible for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 3 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

PricewaterhouseCoopers LLP, the Company's independent auditors, perform an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the consolidated financial statements. As well, they assess the accounting principles used and significant estimates made by management, and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are members of the Board of Directors and are not officers of the Company. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Phillip C. Walford
President and Chief Executive Officer

James D. Kirke
Vice-President and Chief Financial Officer

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March 28, 2011

Independent Auditor's Report

To the Shareholders of
Marathon Gold Corporation

We have audited the accompanying consolidated financial statements of Marathon Gold Corporation and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Marathon Gold Corporation and its subsidiaries as at December 31, 2010 and 2009 and the results of operations and cash flows for the years then ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Marathon Gold Corporation's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants' Licensed Public Accountants

MARATHON GOLD CORPORATION (A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
(As at December 31 - Expressed in Canadian dollars)

	2010	2009
		Amended – see note 2
	$	$
Assets		
Current assets		
Cash and cash equivalents	**7,582,774**	-
Amounts receivable	**517,416**	100
Prepaid expenses	**111,490**	-
	8,211,680	100
Investments (note 7)	**695,150**	-
Mineral properties and deferred exploration costs (note 5)	**4,661,235**	-
Property, plant and equipment (note 6)	**72,782**	79,533
	13,640,847	79,633
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**330,992**	-
	330,992	-
Shareholders' Equity		
Share capital (note 10)	**9,241,007**	100
Contributed surplus (note 11)	**6,679,383**	750,788
Accumulated other comprehensive income	**135,972**	-
Deficit	**(2,746,507)**	(671,255)
	13,309,855	79,633
	13,640,847	79,633

Going Concern (Note 1)

Approved by the Board of Directors:

James Frank
Director

Phillip C. Walford
Director

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

MARATHON GOLD CORPORATION (A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the years ended December 31, 2010 and 2009
(Expressed in Canadian dollars)

	2010	**2009**
		Amended - see note 2
	$	$
Expenses:		
Exploration expenses (note 5)	**21,105**	324,076
General and administrative expenses	**1,169,808**	103,135
Depreciation	**50,641**	42,860
Stock based compensation (note 11)	**1,014,096**	31,741
Total expenses	**2,255,650**	501,812
Operating loss	**(2,255,650)**	(501,812)
Interest income	**26,451**	6,225
Unrealized gain on derivative investment	**154,218**	-
Foreign exchange loss	**(271)**	(123)
Loss for the year	**(2,075,252)**	(495,710)
Deficit – beginning of year	**(671,255)**	(175,545)
Deficit – end of year	**(2,746,507)**	(671,255)
Basic and diluted loss per share	**(1.32)**	(495.71)
Weighted average number of common shares outstanding	**1,577,070**	1,000
Loss for the year	**(2,075,252)**	(495,710)
Other comprehensive income:		
Unrealized gain in fair value of investments classified as available for sale	**135,972**	-
Comprehensive loss for the year	**(1,939,280)**	**(495,710)**

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

MARATHON GOLD CORPORATION (A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2010 and 2009
(Expressed in Canadian dollars)

	2010	2009
		Amended – see note 2
	$	$
Cash flows used in operating activities		
Loss for the year	**(2,075,252)**	(495,710)
Add (deduct) items not involving cash		
Operating costs allocated by Marathon PGM Corporation	**931,868**	452,850
Unrealized gain on warrants	**(154,218)**	-
Depreciation	**50,641**	42,860
Stock-based compensation charged to operations (note 11)	**1,014,096**	-
	(232,865)	-
Changes in non-cash working capital items		
Increase in amounts receivable	**(51,696)**	-
Increase in prepaid expenses	**(52,793)**	-
Increase in accounts payable and accrued liabilities	**132,334**	-
	(205,020)	-
Cash flows from financing activities		
Proceeds from issuance of common shares (note 10)	**9,366,800**	-
Share issue costs	**(45,745)**	-
	9,321,055	-
Cash flows used in investing activities		
Purchase of investments	**(404,960)**	-
Expenditures on mineral properties and deferred exploration costs	**(1,128,301)**	-
	(1,533,261)	-
(Decrease) Increase in cash and cash equivalents	**7,582,774**	-
Cash and cash equivalents – beginning of year	**-**	-
Cash and cash equivalents – end of year	**7,582,774**	-
Cash and cash equivalents consist of:		
Cash	**7,582,774**	-
	7,582,774	-
Supplemental cash flow information		
Interest paid	**-**	-
Income tax paid	**-**	-
Purchases of property, plant and equipment funded by Marathon PGM Corporation	**43,890**	49,880
Cash expenditures on mineral properties funded by Marathon PGM Corporation	**3,539,310**	-

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

MARATHON GOLD CORPORATION (A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Amended – see note 2)
For the years ended December 31, 2010 and 2009
(Expressed in Canadian dollars)

	Share Capital		Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Number	**$**	**$**	**$**	**$**	**$**
Balance – December 31, 2008	**-**	**-**	**248,058**	**(175,545)**	**-**	**72,513**
Shares issued upon incorporation	1,000	100	-	-	-	**100**
Property plant and equipment funded by MPGM	-	-	49,880		-	**49,880**
Loss for the year			452,850	(495,710)		**(42,860)**
Balance – December 31, 2009	**1,000**	**100**	**750,788**	**(671,255)**	**-**	**79,633**
Shares issued pursuant to asset acquisition from Marathon PGM Corporation (note 4)	17,816,428	6,000,000		-	-	**6,000,000**
Deposits and mining properties funded by MPGM	-	-	3,768,374	-	-	**3,768,374**
Property plant and equipment funded by MPGM	-	-	43,890			**43,890**
Shares issued for cash pursuant to private placement	2,570,000	3,366,700	-	-	-	**3,366,700**
Share issue costs	-	(125,793)	-	-	-	**(125,793)**
Loss for the year	-	-	2,116,331	(2,075,252)	-	**41,079**
Unrealized gain on warrants	-	-		-	135,972	**135,972**
Balance – December 31, 2010	**20,387,428**	**9,241,007**	**6,679,383**	**(2,746,507)**	**135,972**	**13,309,855**

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

1. GOING CONCERN

The consolidated financial statements of Marathon Gold Corporation (Marathon", the "Company", "we" or "us") has been prepared in accordance with Canadian generally accepted accounting principles 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 $2.7 million since its inception, and is dependent on financings to fund its operations. In addition, as Marathon is in the development stage, it is subject to the risks, uncertainties and challenges similar to other companies in a comparable stage of development. These include, but are not limited to, the continuation of losses in future periods; the ability to raise sufficient funds, and on acceptable commercial terms, to continue its exploration programs; the ability to establish the economic viability of mineral deposits on any of its mining properties; the acquisition of required permits to mine; and the attainment of profitable operations. These uncertainties place 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 year ended December 31, 2010 through the financial support of Marathon PGM Corporation, its then-parent company, from January 1, 2010 to November 30, 2010; the use of existing cash reserves of $6,000,000 which were transferred to Marathon from Marathon PGM Corporation in November 2010 as described in note 4; and from a subsequent private placement completed prior to year end which generated cash proceeds of $3,366,700. Subsequent to year end, Marathon closed a private placement financing on March 1, 2011 which generated gross cash proceeds of $4,551,300.

After taking its existing cash reserves and the financing completed subsequent to year end into account, Marathon anticipates that it has sufficient cash reserves to fund its planned exploration and investment activities and administrative costs for the coming fiscal year. However, at present Marathon does not have adequate funding to meet the future capital requirements for the development of Valentine Lake and Golden Chest past 2011. While Marathon will continue to seek external financing to fund its ongoing and planned exploration and development activities, there can be no assurance that the Company will be successful in these efforts.

2. NATURE OF BUSINESS

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

As described in note 4, on November 30, 2010 Marathon acquired mining property interests, property, plant and equipment, and cash from Marathon PGM Corporation ("MPGM"), its parent company at the time. These consolidated financial statements have been prepared assuming a continuity of interests.

These consolidated financial statements include certain allocations of costs of MPGM as further described in note 4 which are not directly attributable to Marathon. Accordingly, the financial information included herein may not necessarily be indicative of Marathon's financial position, operating results or cash flows if Marathon had been a stand-alone entity during the fiscal years presented.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars.

These consolidated financial statements include the assets, liabilities and results of operations of Marathon and its wholly owned subsidiary, Marathon Gold USA Corporation. All intercompany balances and transactions have been eliminated on consolidation.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenditures during the reported period. Significant estimates include:

- Our assessment of whether amounts capitalized in respect of our mineral properties have been impaired and if so, the estimation of the extent of any such impairment and the corresponding charge to operations, and

- The selection and application of assumptions used to estimate the fair value of stock-based compensation and investments.

The estimation process is inherently uncertain, and actual results could differ from those reported in these consolidated financial statements, potentially having material impacts in future reporting periods on our financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid short-term investments with a maturity of three months or less from the original date of acquisition.

Mineral properties and deferred exploration costs

Acquisition, exploration and development expenditures relating to properties which have existing mineral resources or reserves or are viewed by management as extensions of properties with existing mineral resources or reserves are deferred. Any deferred costs will be amortized over the estimated useful life of the related property on a unit-of-production basis against future production following commencement of commercial production, or written off if the properties are sold, allowed to lapse, or abandoned. Properties which do not have existing mineral resources are considered to be too early stage to justify the capitalization of costs, and consequently all acquisition, exploration and development expenditures relating to such properties are expensed as incurred.

We review and evaluate the carrying value of our exploration properties for impairment when events or changes in circumstances indicate that the carrying amounts of related assets may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recorded for the amount by which the asset's carrying amount exceeds its recoverable amount, determined primarily by discounting estimated future cash flows.

Assumptions underlying future cash flow estimates are subject to risks and uncertainties. It is possible that changes in estimates could occur which may materially affect the expected recoverability of our mineral properties and deferred exploration costs.

The acquisition of title to mineral properties is a detailed and time-consuming process. We have taken steps, in accordance with industry standards, to verify title to mineral properties in which we have an interest. Although we have taken every precaution to ensure that legal title to its properties is properly recorded in Marathon's name, there can be no assurance that such title will ultimately be secured.

Government Assistance

We apply from time to time for financial assistance from the Government of Newfoundland and Labrador with respect to certain exploration and development costs.

Government assistance is recognized when it is more likely than not that it will be realized and is recorded using the cost-reduction method, whereby the amounts received or receivable each period are applied to reduce the cost of the exploration expenses or deferred exploration costs.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, commencing the quarter they are available for use.

Income taxes

We use the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income tax payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

Stock-based compensation

We have a stock option plan which is described in note 11. The fair value of stock options awarded to employees, directors and non-employees is measured at the date the options are granted using the Black-Scholes option pricing model and charged to operations or mineral properties and deferred exploration costs as the options vest.

Loss per share

Basic loss per common share is calculated based on the weighted average number of common shares issued and outstanding during the year. Basic and diluted losses per share are the same, as the effect of potential issuances of shares from exercises of stock options would be anti-dilutive.

Financial Instruments – Measurement and Recognition

Financial assets and liabilities are recognized when Marathon becomes party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value on initial recognition except for certain financial instruments that arise under related party transactions. Measurement in subsequent periods is dependent on the classification of the financial instrument.

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in the consolidated statement of operations. Instruments classified as available for sale are recorded at fair value with unrealized gains and losses recorded in other comprehensive income ("OCI"), except for impairments considered to be other than temporary, which are charged to operations. Realized gains and losses are recorded in earnings when investments mature or on sale, calculated using the average cost of securities sold.

Future Accounting Standards

With effect from January 1, 2011, Marathon will cease to prepare its consolidated financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook - Accounting ("Canadian GAAP") when it starts to apply International Financial Reporting Standards as published by the International Accounting Standards Board. Consequently, future accounting changes to Canadian GAAP are not discussed in these consolidated financial statements as they will never be applied by the Company.

4. ASSET PURCHASE FROM MARATHON PGM CORPORATION AND CONTINUITY OF INTERESTS

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

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

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

(Expressed in Canadian dollars)

	$
Cash	6,000,000
Prepaid expenses and security deposits	58,697
Deferred property acquisition and exploration costs with respect to the Valentine Lake property, Newfoundland	3,709,677
Property, plant and equipment	85,190
	9,853,564

As the shareholders of MPGM ultimately continued to hold their respective interests in the Transferred Assets, there was no resulting change of control. Consequently, the acquisition was accounted for using continuity-of-interests accounting under the Canadian Institute of Chartered Accountants' ("CICA") Emerging Issues Committee Abstract 89 "Exchanges of Ownership Interests between Enterprises Under Common Control – Wholly and Partially-Owned Subsidiaries" ("EIC-89"). Under EIC-89 no fair value adjustments were made for the assets acquired by Marathon.

The derivation of Marathon's reported results of operations for the years ended December 31, 2010 and 2009 in conformity with continuity of interest accounting principles is set out below.

(Expressed in Canadian dollars)

Year ended December 31, 2010:

	Costs incurred by MPGM						
	Period from January 1, 2010 to November 30 2010	Costs directly attributable to MPGM	Shared costs	Marathon Gold share (vii)	Marathon Gold share of MPGM costs for period ended November 30 2010	Marathon Gold costs for the period from December 1 2010 to December 31 2010	Marathon Gold Total costs for the period from January 1 2010 to December 31 2010
Operating expenses							
Salaries and management fees charged to operations (i)	3,171,316	(2,185,095)	986,221	52%	512,835	76,687	589,522
Professional fees (ii)	1,052,061	(912,702)	139,359	52%	72,467	95,521	167,988
Occupancy costs	71,106	-	71,106	52%	36,975	6,404	43,379
Office expenses (iii)	314,823	(21,210)	293,613	52%	152,679	23,055	175,734
Travel (iv)	89,374	(47,449)	41,925	52%	21,801	3,087	24,888
Regulatory fees	47,986	-	47,986	52%	24,953	59	25,012
Transfer agent fees	18,254	-	18,254	52%	9,492	4,757	14,249
Investor relations	202,593	-	202,593	52%	105,348	22,430	127,778
Other	2,418		2,418	52%	1,257	-	1,257
	4,969,931	(3,166,456)	1,803,475		937,807	232,000	1,169,807
Exploration expenses (v)	20,894	(619)	20,275	100%	20,275	830	21,105
Depreciation (vi)	110,210	(73,091)	37,119	100%	37,119	13,522	50,641
Stock based compensation charged to operations	407,156	-	407,156	52%	211,721	802,375	1,014,096
Operating costs	5,508,191	(3,240,166)	2,268,025		1,206,922	1,048,727	2,255,649
Interest earned	(50,867)	-	(50,867)	52%	(26,451)	-	(26,451)
Unrealized gain on revaluation of investment	-		-		-	(154,218)	(154,218)
Foreign exchange	455	-	455	52%	237	35	272
Loss before tax	**5,457,779**	**(3,240,166)**	**2,217,613**		**1,180,708**	**894,544**	**2,075,252**

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

Note reference	**Explanation**
(i)	Salaries and wages were reduced by $2,185,095, representing severance and change-of-control payments made to MPGM employees and consultants upon closing the Arrangement.
(ii)	Professional fees were reduced by $912,702, which represented fees paid to professional advisors involved in the Arrangement and an initiative in the second and third quarter of 2010 to identify a strategic investor for the Marathon PGM-Cu Project
(iii)	Office expenses were reduced by $21,210, representing property taxes on real property not forming part of the Transferred Assets.
(iv)	Travel costs were reduced by $47,449 to eliminate costs incurred directly in connection with negotiating the Arrangement.
(v)	Exploration expenses were reduced by $619 in respect of exploration expenses incurred on a property which was not a Transferred Asset.
(vi)	Depreciation expense was reduced by $73,091 to eliminate the depreciation charge on assets retained by MPGM.
(vii)	After the adjustments referred to in notes (i) to (vi) had been taken into consideration, the resulting expenses were allocated between the continuing operations of Marathon and the surviving operations of MPGM on a pro rata basis, based on the exploration and development spending on the two groups of exploration properties during 2010.

(Expressed in Canadian dollars)

Year ended December 31, 2009 (restated):

	Costs incurred by MPGM						
	Year ended December 31, 2009	Costs directly attributable to MPGM	Shared costs	Marathon Gold share	Marathon Gold share of MPGM costs for year ended December 31, 2009	Marathon Gold costs for the period from December 3, 2009 to December 31, 2009 (iv)	Marathon Gold Total costs for the period from January 1, 2009 to December 31, 2009 (as restated)
Operating expenses							
Salaries and management fees charged to operations	808,448		808,448	6%	48,507	-	48,507
Professional fees	256,031		256,031	6%	15,362	-	15,362
Occupancy costs	74,520	-	74,520	6%	4,471	-	4,471
Office expenses (i)	270,205	(19,939)	250,266	6%	15,016	-	15,016
Travel	23,865	-	23,865	6%	1,432	-	1,432
Regulatory fees	36,540	-	36,540	6%	2,192	-	2,192
Transfer agent fees	22,160	-	22,160	6%	1,330	-	1,330
Investor relations	164,441	-	164,441	6%	9,866	-	9,866
Part XII.6 tax	82,645	-	82,645	6%	4,959	-	4,959
	1,738,855	(19,939)	1,718,916		103,135	-	103,135
Exploration expenses (ii)	450,169	(126,093)	324,076	100%	324,076	-	324,076
Depreciation (iii)	129,114	(86,254)	42,860	100%	42,860	-	42,860
Stock based compensation charged to operations	529,019	-	529,019	6%	31,741	-	31,741
Operating costs	2,847,157	(232,286)	2,614,871		501,812	-	501,812
Interest earned	(103,742)	-	(103,742)	6%	(6,225)	-	(6,225)
Foreign exchange	2,043	-	2,043	6%	123	-	123
Loss before tax	**2,745,458**	**(232,286)**	**2,513,172**		**495,710**	**-**	**495,710**

The 2009 expenses attributable to the continuing development and management of the Transferred Assets include costs originally incurred by MPGM, reduced to eliminate costs attributable solely to MPGM. These include the following:

Note reference	Explanation
(i)	Office expenses were reduced by $19,939, representing property taxes on real property not forming part of the Transferred Assets.
(ii)	Exploration expenses were reduced by $126,093 in respect of exploration expenses incurred on properties which were not part of the Transferred Assets.
(iii)	Depreciation expense was reduced by $86,254 to eliminate the depreciation charge on assets retained by MPGM.
(iv)	After the adjustments referred to in notes (i) to (iii) had been taken into consideration, the resulting expenses were allocated between the continuing operations of Marathon and the surviving operations of MPGM on a pro rata basis, based on the exploration and development spending on the two groups of exploration properties during 2009.

The allocation of operating costs funded by MPGM has been accounted for in 2009 and 2010 as a contribution of capital and is disclosed as a component of Contributed surplus (note 11).

(Expressed in Canadian dollars)

5. Mineral Properties and Deferred Exploration Costs

The carrying values of Marathon's mineral properties are set out below.

Mineral development properties

	Balance December 31 2009	Additions	Balance December 31 2010
		$	$
Valentine Lake Property, Newfoundland			
Property acquisition costs (note 4)	-	2,580	**2,580**
Deferred exploration costs	-	4,111,275	**4,111,275**
Funding by Mountain Lake Resources	-	(465,720)	**(465,720)**
	-	3,648,135	**3,648,135**
Golden Chest Property, Idaho			
Property acquisition costs		1,013,100	**1,013,100**
		1,013,100	**1,013,100**
Total		**4,661,235**	**4,661,235**

Valentine Lake gold property, Newfoundland

In December 2009, MPGM entered into an option agreement with Mountain Lake Resources Inc. ("Mountain") to earn an initial 50% interest in the Valentine Lake property. As part of the transaction described in note 4, the option agreement and all of MPGM's rights and interests thereunder was assigned to Marathon in November 2010.

At December 31, 2010, Mountain owns a 30% interest in Valentine Lake, with the remaining 70% held by Richmont Mines Inc. ("Richmont"). Mountain has an option to purchase Richmont's interest by making cash payments to Richmont totaling $3,000,000 and incurring $1,000,000 in exploration costs over a period of three years ending January 4, 2013. Under the terms of the option agreement, Marathon has the right to earn a 50% interest in the Valentine Lake project by:

- Incurring exploration costs totaling $3,000,000 over three years, including an irrevocable commitment to incur $500,000 in exploration costs by May 1, 2010.
- Making a total of $3,000,000 in cash payments over three years to Richmont on Mountain's behalf in satisfaction of the terms of Mountain's option, including an irrevocable commitment to fund the first $100,000 of such payments.

(Expressed in Canadian dollars)

The Valentine Lake property is subject to two overlapping royalties. Xstrata Canada Corporation retains a 2% net smelter return royalty on base metals and a 1.5% net smelter return royalty on the first 250,000 oz. of gold produced, increasing at that point to 3%. In addition, the Reid Newfoundland Company Ltd. ("Reid") retains a 7.5% net profits interest that accelerates the increase in Xstrata's net smelter return royalty on gold to 3% should a net profits interest royalty become payable prior to the first 250,000 oz. produced. Any amount payable to Reid for the net profits interest royalty reduces the net smelter royalty on gold payable to Xstrata.

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

Golden Chest gold property, Idaho

On December 16, 2010, Marathon entered into a joint venture agreement with New Jersey Mining Company ("NJMC") under which Marathon may earn an interest of up to 60% in the Golden Chest gold property.

Under the terms of the agreement, a new company, Golden Chest LLC ("GCLLC"), was established to carry out the business of the joint venture, and NJMC, the operator, transferred its interests in the claims comprising the property to GCLLC in return for a 50% interest in GCLLC. Marathon was attributed a 50% interest in the property and made an initial payment of US $1 million to fund the first stage of exploration on the property, with a non-binding agreement to contribute an additional US $3 million according to the following schedule:

Contribution deadline	**Contribution amount**
	US $
March 31, 2011	500,000
June 30, 2011	500,000
September 30, 2011	1,000,000
November 30, 2011	1,000,000
Total	**3,000,000**

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

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

(Expressed in Canadian dollars)

Date	Amounts Due
	US$
December 15, 2011	500,000
December 15, 2012	500,000
December 15, 2013	500,000
December 15, 2014	500,000
December 15, 2015	500,000
December 15, 2016	500,000
December 15, 2017	250,000
Total	**3,250,000**

Exploration properties

	Cumulative expense December 31 2008	Expensed	Cumulative expense December 31 2009	Expensed	Cumulative expense December 31 2010
			$	$	**$**
Baie Verte Property, Newfoundland					
Property acquisition costs	740	490	1,230	80	**1,310**
Exploration costs	114,115	288,970	403,085	13,220	**416,305**
	114,855	**289,460**	**404,315**	**13,300**	**417,615**
Finger Pond Property, Newfoundland					
Property acquisition costs	-	-	-	50	**50**
Exploration costs	-	-	-	7,740	**7,740**
	-	**-**	**-**	**7,790**	**7,790**
Gold Reef Property, British Columbia					
Property acquisition costs	-	5,599	5,599	-	**5,599**
Exploration costs	-	29,017	29,017	15	**29,032**
	-	**34,616**	**34,616**	**15**	**34,631**
Total	**114,855**	**324,076**	**438,931**	**21,105**	**460,036**

Marathon acquired the Baie Verte, Finger Pond and Gold Reef properties from MPGM as part of the Transferred Assets, as described in note 4. Marathon holds a 100% interest in each property with no royalties.

(Expressed in Canadian dollars)

6. Property, Plant and Equipment

	December 31, 2010		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Equipment	134,117	105,540	28,577
Vehicles	92,856	48,651	44,205
	226,973	**154,191**	**72,782**

	December 31, 2009		
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Equipment	118,980	69,158	49,822
Vehicles	64,103	34,392	29,711
	183,083	**103,550**	**79,533**

7. Investments

Our investments at December 31, 2010 are summarized below.

Description	Quantity	Fair Value
		$
New Jersey Mining Company:		
• Common shares, restricted as to salability until December 2011	2,000,000	397,252
• Warrants exercisable at a price of $0.30 per share and expiring on December 23, 2013	2,000,000	297,898
		695,150

In December 2010, Marathon acquired 2,000,000 units issued by New Jersey Mining Company ("NJMC") at a price of US $0.20 per unit, with each unit consisting of the following:

- One common share with restrictions until December 2011 on our ability to sell the shares, and
- One share purchase warrant exercisable at a price of US $0.30 per share and expiring on December 23, 2012.

Marathon's investment in common shares of NJMC was valued at the closing trading price of the shares on the OTC Bulletin Board on December 31, 2010, adjusted by applying a 38% discount reflecting the restricted liquidity of this investment.

The fair value of the warrants was estimated at December 31, 2010 using the Black-Scholes option pricing model with the following inputs:

Risk free interest rate	1.66%
Dividend rate	Nil
Volatility	80%
Expected life	2 year
Estimated fair value per warrant	$0.15

8. Financial Instruments

Financial instruments:

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

	2010	2009
	$	$
Loans and receivables [(a)]	8,100,190	100
Held for trading [(b)]	297,898	-
Available for sale [(c)]	397,252	-
Other financial liabilities [(d)]	(330,992)	-

(a) – includes cash, cash equivalents and amounts receivable
(b) – includes Marathon's investment in warrants issued by New Jersey Mining Company
(c) – includes Marathon's investment in common shares of New Jersey Mining Company
(d) – includes accounts payable and accrued liabilities

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

Marathon's risk exposures and the impact on the Company's financial instruments are summarized below:

Foreign exchange risk:

We maintain the majority of our financial assets in Canadian dollars but we also maintain a cash position in US dollars, which is used to pay US dollar-denominated payables as they come due.

Our exposure to foreign currency fluctuations as at December 31, 2010 is summarized below.

	2010	2009
	$	$
Cash	**12,665**	-
Accounts payable and accrued liabilities	**(44,007)**	-

Based on our net foreign exchange exposure at December 31, 2010, a movement of 1% in the exchange rate between the Canadian and US dollars would impact our loss for the year by $313. We believe the foreign exchange risk derived from our exposure to monetary assets and liabilities denominated in US dollars is negligible, and we do not hedge foreign currency risk.

Credit risk:

At December 31, 2010 our maximum exposure to credit risk amounted to $8,100,190.

As a matter of practice, our cash consists of bank balances held on deposit at a Canadian chartered bank. We believe the risk of a credit-related loss arising from these balances to be remote.

Interest rate risk:

At December 31, 2010, Marathon has cash balances and no interest-bearing debt or investments.

Liquidity risk:

Our approach to managing liquidity risk is to ensure that we will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, we had consolidated cash amounting to $7,582,774 (2009 - $Nil) available to settle consolidated current liabilities of $330,992 (2009 - $Nil). All of Marathon's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The following table presents the classification of the Company's financial instruments within the fair value hierarchy established using Canadian GAAP as at December 31, 2010:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Non-Observable Inputs (Level 3)**	**Total**
	$	$	$	**$**
Investments	-	-	695,150	**695,150**
	-	**-**	**695,150**	**695,150**

(Expressed in Canadian dollars)

9. Capital Management

Marathon is not subject to externally imposed capital requirements.

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

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

We believe that this approach is reasonable, given the size of the Company.

10. Share Capital

a) Common shares issued and outstanding

Authorized:

Unlimited common shares without par value

b) Issued and outstanding:

	Number of shares	Amount
		$
Issued upon incorporation	1,000	100
Balance – December 31, 2009	**1,000**	**100**
Issued pursuant to the acquisition of the Transferred Assets (note 4) (i); net of amounts transferred to Contributed surplus	17,816,428	6,000,000
Issued for cash pursuant to private placement (ii)	2,570,000	3,366,700
Share issue costs	-	(125,793)
Balance – December 31, 2010	**20,387,428**	**9,241,007**

i. On November 30, 2010, we issued a total of 17,816,428 common shares as consideration pursuant to the purchase of the Transferred Assets from MPGM, which at the time of the purchase was Marathon's parent company (note 4).

(Expressed in Canadian dollars)

ii. On December 30, 2010 we closed a private placement of 2,570,000 common shares at a price of $1.31 per common share, generating gross proceeds of $3,366,700. These shares were subscribed by a subsidiary of Stillwater.

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

11. Contributed Surplus and Stock Based Compensation

The movements in the contributed surplus are as follows:

	$
Balance – December 31, 2008	**248,058**
Additions to property plant and equipment funded by MPGM	49,880
Cash operating costs financed by MPGM	421,109
Stock based compensation allocated to the Company by MPGM	31,741
Balance – December 31, 2009	**750,788**
Additions to property plant and equipment funded by MPGM	43,890
Cash operating costs funded by MPGM	931,868
Additions to mining properties funded by MPGM	3,709,677
Additions to other assets funded by MPGM	58,697
Stock based compensation allocated to the Company by MPGM	211,721
Stock based compensation pursuant to the grant of options by Marathon	972,742
Balance – December 31, 2010	**6,679,383**

(Expressed in Canadian dollars)

Under the terms of the Arrangement, all unexercised Marathon options were extinguished upon closing.

We have a stock option plan (the "Plan") which was adopted upon completion of the Arrangement, under which we may grant options to directors, officers, and consultants. The number of shares reserved for issue under the Plan may not exceed 10% of the number of issued and outstanding common shares at any time.

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

	Year ended December 31, 2010		**Year ended December 31, 2009**	
	Number	**Weighted average exercise price per share**	**Number**	**Weighted average exercise price per share**
		$		**$**
Balance - beginning of year	-	-	-	-
Granted	1,770,000	1.61	-	-
Balance – end of year	**1,770,000**	**1.61**	**-**	**-**

Options to purchase common shares outstanding at December 31, 2010 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Options Outstanding and exercisable	Contract Life (years)
$		
1.61	1,770,000	4.96
1.61	**1,770,000**	**4.96**

(Expressed in Canadian dollars)

The fair value of the options granted in 2010 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate	1.63%
Dividend rate	Nil
Volatility	100%
Expected life	1 year
Weighted average fair value per option granted in the year	$0.55

We recognized total stock based compensation costs of $972,742 in the year ended December 31, 2010 (2009 - $Nil), of which $802,375 (2009 - $Nil) was charged to operations and $170,367 (2009 - $Nil) was charged to deferred exploration costs associated with the Valentine Lake property.

12. Income Taxes

Marathon's income tax recovery has been calculated as follows:

	2010	2009
	$	$
Net loss before taxes	**(2,075,252)**	(495,710)
Income tax recovery at Canadian and provincial statutory rates	(643,120)	(153,621)
Decrease in future tax rates	86,091	27,792
Net increase in valuation allowance	242,559	115,992
Permanent differences	314,470	9,837
	-	-

The components of the recovery of income taxes comprise:

Current tax recovery	-	-
Future tax recovery	-	-
	-	-

(Expressed in Canadian dollars)

Our future tax assets are summarized as follows:

	2010	**2009**
	$	$
Property, plant and equipment	36,860	25,888
Exploration and development costs	2,318,291	110,378
Investments	(36,274)	-
Non-capital losses carried forward	316,292	24,258
Share issue costs	25,159	-
Net future income tax asset	2,660,328	160,524
Valuation allowance	(2,660,328)	(160,524)
Net future income tax asset	**-**	**-**

The tax asset arose as a result of electing a tax value for MPGM's interest in the Valentine Lake property at fair value, rather than historical cost. A full valuation allowance has been applied to reduce the future tax asset to Nil.

13. Commitments and Contingencies

Minimum payments due under operating leases are set out below.

Year ending December 31	$
2011	79,493
2012	9,049
2013	2,645
2014	1,763
	92,950

14. Related Party Transactions

On November 30, 2010, we acquired the Transferred Assets from MPGM, as described in note 4. At the time of this transaction MPGM was the parent company of Marathon.

During the year ended December 31, 2010, we paid fees totalling $10,150 (2009 - $Nil) to a company controlled by Marathon's chairman for management services. These transactions were charged to operations and were in the normal course of business and measured at the exchange amount, which is the consideration established and agreed to between the related parties.

15. Subsequent Events

Valentine Lake

On January 21, 2011, we paid a total of $3,000,000 to Richmont on behalf of Mountain, thereby satisfying the terms of both Richmont's option agreement with Mountain and Mountain's sub-agreement with Marathon and triggering the formation of the Valentine Lake joint venture. As a result of this transaction,

- Richmont transferred to Mountain the 70% interest in the mining claims covered by the Richmont option agreement;
- Mountain transferred to Marathon a 50% interest in these claims; and
- Marathon transferred to Mountain a 50% interest in several mining claims acquired by Marathon in the course of its exploration activity in 2010.

Financing

On March 1, 2011, we closed a private placement of 2,528,500 flow-through common shares at a price of $1.80 per share, generating gross proceeds of $4,551,300.

Of the total shares issued under this financing, 2,065,450 shares were purchased by a syndicate led by Stonecap Securities Inc. and Octagon Capital Corp under the terms of an underwriting agreement dated February 28, 2011. In accordance with the terms of this agreement, we paid the underwriters a cash selling fee amounting to $144,582 and issued 176,995 broker warrants, with each broker warrant exercisable into one Marathon common share at a price of $1.80 per share and expiring on March 1, 2013.

The remaining 463,050 shares were issued on a non-brokered basis. We paid an advisory fee in connection with the non-brokered portion of this financing to Stonecap Securities amounting to $58,344.