MARATHON GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2018 AND 2017

March 26, 2019

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Marathon Gold Corporation were prepared by management in accordance with International Financial Reporting Standards. 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 4 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, Chartered Professional Accountants, Licensed Public Accountants, 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 auditor to review the internal controls over the financial reporting process, the consolidated financial statements and the auditor's 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"
Phillip C. Walford
President and Chief Executive Officer

"James D. Kirke"
James D. Kirke
Vice-President and Chief Financial Officer

Independent auditor's report

To the Shareholders of Marathon Gold Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Marathon Gold Corporation and its subsidiaries, (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- The consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Marelize Barber.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 26, 2019

Marathon Gold Corporation
Consolidated Balance Sheets
As at December 31 (Expressed in Canadian dollars)

	2018	2017
	$	$
Assets		
Current assets		
Cash	**3,662,137**	7,172,355
Amounts receivable	**264,812**	442,719
Prepaids and deposits	**54,144**	49,144
	3,981,093	7,664,218
Non-current assets		
Mineral exploration and evaluation assets (note 5)	**85,778,373**	73,826,247
Property, plant and equipment	**43,992**	51,748
	85,822,365	73,877,995
Total assets	**89,803,458**	81,542,213
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**502,956**	651,117
Flow-through share tax liability (notes 7(b)(i), (ii), and (iii))	**493,000**	2,163,220
	995,956	2,814,337
Deferred income tax liabilities (note 13)	**4,357,880**	1,886,454
	5,353,836	4,700,791
Equity attributable to owners (notes 7, 8, and 9)	**84,449,622**	76,841,422
Total liabilities and shareholders' equity	**89,803,458**	81,542,213

Commitments (note 14)

On behalf of the Board,

"George D. Faught"
George D. Faught
Director

"Phillip C. Walford"
Phillip C. Walford
Director

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

Marathon Gold Corporation
Consolidated Statements of Operations
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
	$	$
Expenses:		
Exploration expenses (note 10)	**22,749**	109,650
General and administrative expenses (note 11)	**2,349,323**	2,516,676
Other finance expense (notes 7 b(i),(ii), and (iii))	**47,626**	162,240
Other income – royalty payments related to gold sales by the Golden Chest mine	**(59,114)**	-
Interest income	**-**	(79,369)
Foreign exchange gain	**(13,799)**	(2,656)
Loss before tax	**2,346,785**	2,706,541
Income taxes (note 13)	**500,197**	1,304,362
Net loss for the year	**2,846,982**	4,010,903
Loss attributable to Marathon Gold shareholders:		
Basic and diluted loss per share	**0.02**	0.03
Weighted average number of common shares outstanding	**153,186,240**	132,105,252

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

Marathon Gold Corporation
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
	$	$
Other comprehensive loss:		
Loss for the year	**2,846,982**	4,010,903
Items that may be reclassified subsequently to net loss:		
Currency translation adjustment	**(50,007)**	74,069
Comprehensive loss attributable to Marathon Gold shareholders	**2,796,975**	4,084,972

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

Marathon Gold Corporation
Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
	$	$
Cash flows from (used in) operating activities:		
Loss for the year	**(2,846,982)**	(4,010,903)
Add (deduct) items not involving cash		
Income taxes	**500,197**	1,304,362
Unrealized foreign exchange gain	**(21,275)**	(13,087)
Depreciation	**39,529**	34,504
Stock-based compensation charged to operations (note 9)	**766,556**	842,513
	(1,561,975)	(1,842,611)
Changes in non-cash working capital items		
Decrease (Increase) in amounts receivable	**132,657**	(183,787)
Increase in prepaid expenses	**(5,000)**	(5,000)
Increase in accounts payable	**5,202**	103,251
Increase in Flow-through share tax liability	**493,000**	2,163,220
	(936,116)	235,073
Cash flows from financing activities from continuing operations:		
Proceeds from issuance of common shares (note 7)	**9,576,272**	24,260,358
Share issue costs paid in cash (note 7)	**(724,495)**	(1,620,746)
	8,851,777	22,639,612
Cash flows used in investing activities from continuing operations:		
Royalty payments related to gold sales by the Golden Chest mine	**43,565**	83,334
Purchase of capital assets	**(31,773)**	(32,412)
Buy-back of the Glencore net smelter returns royalty (note 5(a))	**-**	(11,246,525)
Expenditures on mineral exploration and evaluation assets	**(11,582,052)**	(13,800,369)
Government assistance	**144,381**	835,565
	(11,425,879)	(24,160,407)
Decrease in cash in the year	**(3,510,218)**	(1,285,722)
Cash– beginning of year	**7,172,355**	8,458,077
Cash– end of year	**3,662,137**	7,172,355

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

Marathon Gold Corporation
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	Share Capital (note 7)	Warrants (note 8)	Contributed Surplus (note 9)	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	$	$	$	$	$	$
Balance – January 1, 2017	**59,702,739**	**810,509**	**11,432,216**	**(16,838,696)**	**187,947**	**55,294,715**
Loss for the year	-	-	-	(4,010,903)	-	(4,010,903)
Stock based compensation	-	-	1,477,672	-	-	1,477,672
Common shares issued pursuant to prospectus financing	7,107,000	-	-	-	-	7,107,000
Flow-through shares issued pursuant to prospectus offering	10,028,000	-	-	-	-	10,028,000
Flow-through shares issued pursuant to private placement	4,309,960	-	-	-	-	4,309,960
Common shares issued upon exercise of stock options	1,724,461	-	(448,561)	-	-	1,275,900
Common shares issued upon exercise of warrants	1,963,965	(424,467)	-	-	-	1,539,498
Share issue costs	(1,620,746)	-	-	-	-	(1,620,746)
Deferred income taxes related to share issue costs	1,514,395	-	-	-	-	1,514,395
Currency translation adjustment	-	-	-	-	(74,069)	(74,069)
Balance – December 31, 2017	**84,729,774**	**386,042**	**12,461,327**	**(20,849,599)**	**113,878**	**76,841,422**
Loss for the year	-	-	-	(2,846,982)	-	(2,846,982)
Stock based compensation	-	-	1,361,407	-	-	1,361,407
Common shares issued pursuant to prospectus financing	5,015,000	-	-	-	-	5,015,000
Flow-through shares issued pursuant to prospectus offering	2,552,000	-	-	-	-	2,552,000
Common shares issued upon exercise of stock options	756,732	-	(186,932)	-	-	569,800
Common shares issued upon exercise of warrants	1,825,514	(386,042)	-	-	-	1,439,472
Share issue costs	(724,495)	-	-	-	-	(724,495)
Deferred income taxes related to share issue costs	191,991	-	-	-	-	191,991
Currency translation adjustment	-	-	-	-	50,007	50,007
Balance – December 31, 2018	**94,346,516**	**-**	**13,635,802**	**(23,696,581)**	**163,885**	**84,449,622**

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

1) GENERAL INFORMATION

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

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

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

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

2) BASIS OF PRESENTATION

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies used in preparation of these consolidated financial statements throughout all the periods presented. Critical accounting estimates and judgments used by management in the preparation of these consolidated financial statements are presented in note 4.

These consolidated financial statements were approved by the Board of Directors for issue on March 26, 2019.

3) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies Marathon applied in the preparation of these consolidated financial statements are described below.

a) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets to fair value, including warrants and available-for-sale investments.

b) Principles of consolidation

Marathon's financial statements consolidate the accounts of Marathon and its wholly owned subsidiaries, Marathon Gold USA Corporation and Mountain Lake Resources Inc. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which Marathon controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Marathon controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Marathon and are de-consolidated from the date that control ceases.

c) Foreign currency translation

Items included in the financial statements of each consolidated entity in the Marathon group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Primary and secondary indicators are used to determine the functional currency, with primary indicators having priority over secondary indicators. The primary indicator which applies to Marathon is the currency that mainly influences labour, material and other costs. Secondary indicators include the currency in which funds from financing activities are generated, and the autonomy of foreign subsidiaries.

For Marathon and Mountain Lake Resources, the Canadian dollar has been determined to be the functional currency, while for Marathon Gold USA the functional currency is the US dollar. These consolidated financial statements are presented in Canadian dollars.

Monetary assets and liabilities denominated in currencies other than the functional currency of an entity are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets, liabilities, and expenses are translated at the exchange rate in effect at the date of the transaction. Exchange gains and losses arising from translation are included in the determination of losses for the period.

The results and financial position of subsidiaries with functional currencies different from the group presentation currency are translated into Canadian dollars as follows:

- Assets and liabilities for each balance sheet presented are translated at the exchange rate in effect at the balance sheet date.
- Income and expenses are translated at the exchange rate in effect at the date of the transaction or at an average rate for the period.
- All resulting exchange differences are recognized in other comprehensive income as currency translation adjustments.

d) Cash

Cash includes cash on hand and deposits held with banks.

e) Mineral exploration and evaluation costs

Marathon capitalizes the following costs related to mineral exploration and evaluation:

- Land acquisition costs
- 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

Once the technical and economic viability of a project has been established by completion of a favorable feasibility study, the accumulated capitalized exploration costs are transferred to mineral properties and 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 exploration and development expenditures relating to such properties are expensed as incurred.

Marathon assesses its mining property interests for impairment when facts and circumstances indicate that the carrying amount of a property may exceed its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is defined as the higher of the asset's fair value less costs to sell and value in use. Estimated future cash flows are calculated using estimated future commodity prices, mineral resources, operating and capital costs, using appropriate discount rates. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (each a 'cash–generating unit'), which for Marathon is individual projects.

f) Property, plant and equipment

Property, plant and equipment include office equipment and vehicles, which 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.

The major categories of property, plant and equipment are depreciated on a straight-line basis as follows:

Office equipment	2-5 years
Vehicles	3-5 years

g) Government assistance

Marathon applies 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 there is reasonable assurance that Marathon has complied with the conditions attaching to such assistance and that the assistance will be received.

Government assistance 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.

h) Stock-based compensation

Marathon has a stock option plan, which is described in note 9. 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 exploration and evaluation assets as the options vest.

i) Financial instruments

The Company has adopted IFRS 9, *Financial Instruments* ("IFRS 9") effective January 1, 2018 on a retrospective basis in accordance with the transitional provisions of IFRS 9. The adoption of IFRS 9 did not result in any change in the carrying values of any of the Group's financial assets on the transition date and accordingly, comparative figures have not been restated. Further, IFRS 9 introduces a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements and did not result in a transitional adjustment.

The Company has changed its accounting policy for financial instruments, which is outlined as follows:

Financial Instruments:

Financial assets and financial liabilities are recognized when Marathon becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

At initial recognition, Marathon measures a financial asset or financial liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of operations and comprehensive loss in the period in which they arise.

<u>Financial Assets:</u>

Subsequent measurement of the instruments depends on the classification of the financial assets determined at initial recognition. Classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) **Financial assets at fair value through profit or loss:** A financial asset is classified in this category if it does not meet the criteria for amortized cost of fair value through other comprehensive income, or is a derivative instrument not designated for hedging. Gains and losses arising from changes in fair value are presented in the statement of operations and comprehensive loss in the period in which they arise.

(ii) **Financial assets at fair value through other comprehensive income:** Financial assets at fair value through other comprehensive income ("OCI") are financial assets that are held in a business model with an objective that is achieved by both collecting contractual cash flows and selling financial assets, and where the assets' cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of operations and comprehensive loss.

(iii) **Financial assets at amortized cost:** Marathon's financial assets at amortized cost comprise trade receivables and cash and are included in current assets due to their short-term nature. Financial assets at amortized cost are financial assets with the objective to hold assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the statement of operations and comprehensive loss.

(iv) **Financial liabilities at amortized cost:** Financial liabilities at amortized cost include trade payables. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

At each balance sheet date, on a forward-looking basis, Marathon assesses the expected credit losses associated with its financial assets carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

k) Income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, plus any adjustment to taxes payable in respect of previous years. Deferred income taxes are recognized, using the liability method, on temporary differences between the financial reporting and tax basis of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized only to the extent that it is probable the assets can be recovered.

l) Flow-through common shares

Marathon's Canadian exploration activities have been financed in part through the issuance of flow-through common shares whereby the tax benefits of the eligible exploration expenditures incurred under this arrangement are renounced to the subscribers. The proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium, and is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded – with the difference between the liability and the value of the tax assets renounced being recorded as a deferred tax expense. The tax effect of the renunciation is recorded at the time the Company's relevant tax filings are completed, which may differ from the effective date of renunciation. If the flow-through shares are not issued at a premium, a liability is not established, and on renunciation the full value of the tax assets renounced is recorded as a deferred tax expense.

Costs incurred in connection with the sale of flow through shares which can be attributed to the sale of tax benefits are expensed as incurred.

m) 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 in-the-money stock options and warrants would be anti-dilutive.

n) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

o) Future accounting pronouncements

The Company has not yet adopted the following new accounting pronouncements which are effective for fiscal periods of the Company beginning on or after January 1, 2019:

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

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

Marathon has commenced the evaluation of the new standard and does not anticipate any material impact from the adoption of this standard.

4) CRITICAL ACCOUNTING ESTIMATES AND MEASUREMENT UNCERTAINTIES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and at the date of the financial statements and the reported amount of expenses and other income during the year. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience.

The following are the critical judgments that management has made in the course of applying Marathon's accounting policies and which have the most significant effect on the amounts recognized in these consolidated financial statements:

a) Mineral exploration and evaluation assets

Marathon capitalizes exploration and evaluation costs on mineral properties with an existing mineral resource and expenses exploration costs incurred with respect to properties without existing mineral resources.

The estimation of mineral resources and reserves is complex and requires significant subjective assumptions which are valid at the time of estimation. These assumptions may change significantly over time when new information becomes available and may cause the mineral resources and reserves estimates to change. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may have a significant impact on the economic assessment of the mineral resources and reserves and may result in their restatement.

b) Impairment of mineral exploration and evaluation assets

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

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

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

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use.

In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change as new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ from amounts recognized in Marathon's financial statements, and significant adjustments to the carrying values of Marathon's E&E assets and reported earnings may occur during subsequent accounting periods.

c) Stock based compensation

The compensation cost associated with stock options granted under the terms of Marathon's stock option plan is measured at the grant date by using the Black-Scholes option pricing model to determine fair value. The Black-Scholes model requires the use of subjective estimates, in particular for the estimated life of options and the expected rate of volatility in Marathon's share price over the life of the options, which can materially affect the fair value estimate.

(Expressed in Canadian dollars)

The key assumptions used to derive the fair value of options granted in 2018 and 2017 are detailed in note 9 to the consolidated financial statements.

5) MINERAL EXPLORATION AND EVALUATION ASSETS

	Valentine Lake Gold Project, Newfoundland	Golden Chest Royalty Interest	Bonanza Mine Project, Oregon USA	Total
	$	$	$	$
Balance – January 1, 2017	**47,832,980**	**134,270**	**828,116**	**48,795,366**
Property acquisition costs	11,246,525	-	-	11,246,525
Deferred exploration costs	13,929,237	-	-	13,929,237
Royalty payments related to gold sales by the Golden Chest mine	-	(83,334)	-	(83,334)
Currency translation adjustment	-	(7,149)	(54,398)	(61,547)
Balance – December 31, 2017	**73,008,742**	**43,787**	**773,718**	**73,826,247**
Deferred exploration costs	11,928,255	-	-	11,928,255
Royalty payments related to gold sales by the Golden Chest mine	-	(43,565)	-	(43,565)
Currency translation adjustment	-	(222)	67,658	67,436
Balance – December 31, 2018	**84,936,997**	**-**	**841,376**	**85,778,373**

a) Valentine Lake gold property, Newfoundland

During the year ended December 31, 2018, the Valentine Lake property was subject to a net profits interest having bought back a net smelter returns royalty in late 2017, as described below.

Net profits interest

The Reid Newfoundland Company retains a 7.5% net profits interest (the “Reid NPI”) over two land packages which cover the current resource pits associated with the Leprechaun and Victory Gold Deposits, but not the Sprite and Marathon Deposits.

Glencore Net smelter return royalty

At all times in the period from January 1, 2017 to November 13, 2017 Glencore Canada Corporation (“Glencore”) held a 3% net smelter return royalty on precious metals production and a 2% royalty on base metals (collectively, the “Glencore NSR”), both of which covered a land package which included all of the resources currently delineated on the Valentine Lake property. The Glencore NSR on gold production reduced from 3% to 1.5% over the life of production until the earlier of the following:

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

On November 14, 2017 Marathon bought back the Glencore NSR pursuant to a right of first offer for consideration equivalent to $11,246,525 inclusive of legal costs.

b) Bonanza Mine gold property, Oregon

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

(Expressed in Canadian dollars)

7) SHARE CAPITAL

a) Authorized:

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

b) Issued and outstanding:

	Number	Amount
		$
Balance – January 1, 2017	**118,008,952**	**59,702,739**
Common shares issued pursuant to prospectus offering (i)	6,900,000	7,107,000
Flow through shares issued pursuant to prospectus offering (i)	9,200,000	10,028,000
Flow through shares issued pursuant to private placement (ii)	4,066,000	4,309,960
Shares issued pursuant to the exercise of warrants	4,566,400	1,963,965
Shares issued pursuant to the exercise of stock options	2,367,000	1,724,461
Share issue costs	-	(1,620,746)
Deferred income taxes (note 13)	-	1,514,395
Balance – December 31, 2017	**145,108,352**	**84,729,774**
Shares issued pursuant to the exercise of stock options	1,170,000	756,732
Shares issued pursuant to the exercise of warrants	4,498,350	1,825,514
Common shares issued pursuant to prospectus offering (iii)	5,900,000	5,015,000
Flow through shares issued pursuant to prospectus offering (iii)	2,900,000	2,552,000
Share issue costs	-	(724,495)
Deferred income taxes (note 13)	-	191,991
Balance – December 31, 2018	**159,576,702**	**94,346,516**

i) On May 25, 2017, Marathon closed a prospectus financing of 6,900,000 common shares at a price of $1.03 per common share and 9,200,000 flow through shares at a price of $1.25 per flow through share, for aggregate gross proceeds of $18,607,000.

The gross proceeds from this financing were allocated between Share capital and Flow through share tax liability using the residual method, which resulted in $1,472,000 of gross proceeds being allocated to the liability portion of this financing.

Marathon incurred costs in connection with this financing amounting to $1,416,508, of which $111,589 was attributed to the Flow through share tax liability and charged to operations.

ii) On December 21, 2017, Marathon closed a private placement financing of 4,066,000 flow through shares at a price of $1.23 per flow through share, for total gross proceeds of $5,001,180.

The gross proceeds from this financing were allocated between Share capital and Flow through share tax liability using the residual method, which resulted in $691,220 of gross proceeds being allocated to the liability portion of this financing.

(Expressed in Canadian dollars)

Marathon incurred costs in connection with this financing amounting to $366,478, of which $50,651 was attributed to the Flow through share tax liability and charged to operations as Other finance expense.

iii) On July 19, 2018, Marathon closed a prospectus financing of 5,900,000 common shares at a price $0.85 per common share and 2,900,000 flow through shares at a price of $1.05 per flow through share, for aggregate gross proceeds of $8,060,000.

The gross proceeds from this financing were allocated between Share capital and Flow through share tax liability using the residual method, which resulted in $493,000 of gross proceeds being allocated to the liability portion of this financing.

Marathon incurred costs in connection with this financing amounting to $772,121, of which $47,626 was attributed to the Flow through share tax liability and charged to operations as Other finance expense.

8) WARRANTS

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

	Number	**Amount**
		$
Balance – January 1, 2017	**9,064,750**	**810,509**
Exercised during the year	(4,566,400)	(424,467)
Balance – December 31, 2017	**4,498,350**	**386,042**
Exercised during the period	(4,498,350)	(386,042)
Balance – December 31, 2018	**-**	**-**

(a) Pursuant to a private placement which closed on May 6, 2016, Marathon issued a total of 5,252,250 share purchase warrants exercisable at a price of $0.32 per share and expiring on May 6, 2018. The fair value of these warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

- risk free interest rate of 0.55%;
- expected dividend yield of nil;
- expected volatility of 100%; and
- expected term of 2 years,

which yielded an estimated weighted average fair value of $0.086 per warrant.

The warrants outstanding at December 31, 2017 were exercised on various dates during the year ended December 31, 2018 for aggregate cash proceeds of $1,439,472.

(Expressed in Canadian dollars)

9) STOCK BASED COMPENSATION

Marathon has a stock option plan (the "Plan") which was reconfirmed by the Company's shareholders at its annual meeting on June 7, 2017, 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, employees and external service providers by providing them with the opportunity to acquire a proprietary interest in Marathon and benefit from its growth. The options granted to date under the Plan are non-assignable and have a term of up to 5 years.

	Year ended December 31, 2018		Year ended December 31, 2017	
	Number	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
		$		$
Balance - beginning of year	**10,118,500**	**0.58**	10,123,500	0.45
Granted	2,774,000	0.92	2,535,000	1.07
Exercised	(1,170,000)	0.49	(2,367,000)	0.54
Expired	-	-	(173,000)	0.77
Balance – end of year	**11,722,500**	**0.67**	**10,118,500**	**0.58**

Options to purchase common shares outstanding at December 31, 2018 carry exercise prices and remaining terms to maturity as follows:

		Options Outstanding		
Exercise price	**Expiry date**	**Vested**	**Unvested**	**Contract Life (years)**
$				
0.32	February 24, 2019	670,000	-	0.15
0.39	July 7, 2019	672,500	-	0.52
0.25	August 10, 2020	1,514,000	-	1.61
0.20	December 18, 2020	1,409,000	-	1.97
0.68	December 1, 2021	2,198,000	-	2.92
1.02	March 28, 2022	50,000	-	3.24
1.08	June 7, 2022	1,475,000	-	3.44
1.08	June 21, 2022	610,000	-	3.47
1.02	September 19, 2022	150,000	-	3.72
1.07	October 2, 2022	200,000	-	3.76
1.00	February 27, 2023	440,000	-	4.16
0.91	July 30, 2023	2,134,000	-	4.58
0.86	August 2, 2023	200,000	-	4.59
0.67		**11,722,500**	**-**	**2.84**

(Expressed in Canadian dollars)

The fair value of the options granted by Marathon in 2018 and 2017 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018	2017
Risk free interest rate	**1.88%**	0.87%
Dividend rate	**Nil**	Nil
Volatility	**80%**	93%
Expected life	**3 years**	2.8 years
Expected forfeiture of options subject to vesting	**N/A**	Nil
Weighted average fair value per option granted in the year	**$0.48**	$0.59

Marathon recognized total stock-based compensation costs of $1,361,407 in the year ended December 31, 2018 (2017 - $1,477,672), including costs of $19,790 related to the partial recognition of costs in respect of options issued in October 2017 with performance vesting. Of this total, $766,556 (2017 - $842,513) was charged to operations and $594,851 (2017 - $635,159) was capitalized as a component of Marathon's mineral exploration and evaluation assets.

10) EXPLORATION EXPENSES

	2018	2017
	$	$
Baie Verte property, Newfoundland		
Drilling and associated labour costs	**-**	86,614
	-	86,614
Bonanza property, Oregon		
Claim renewal costs	**21,814**	22,075
Property taxes	**935**	961
	22,749	23,036
	22,749	109,650

(Expressed in Canadian dollars)

11) GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
	$	$
Wages, salaries and benefits (note 12)	**662,794**	815,715
Listing fees and related expenses	**104,883**	107,150
Investor relations	**274,410**	225,297
Professional fees	**167,363**	204,808
Occupancy costs	**67,159**	66,061
Part XII.6 tax	**61,567**	11,955
Depreciation	**39,529**	34,504
Stock based compensation charged to operations (note 9)	**766,556**	842,513
Other expenses	**205,062**	208,673
	2,349,323	2,516,676

12) WAGES, SALARIES AND BENEFITS

	2018	2017
	$	$
Fees, salaries and wages paid to employees, key management and directors (note 15)	**2,508,209**	2,866,456
Social security benefits	**218,616**	250,612
	2,726,825	3,117,068
Charged to General and administrative expenses	**662,794**	815,715
Charged to Exploration expense	**-**	4,949
Capitalized as a component of Exploration and evaluation assets	**2,064,031**	2,296,404
	2,726,825	3,117,068

13) INCOME TAXES

The tax on the Company's loss before taxes differs from the amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	2018	2017
	$	$
Loss before tax attributable to owners of Marathon Gold at statutory tax rate of 26.5% (2017 – 26.5%)	**(621,899)**	(717,233)
Difference in foreign tax rates	**(1,976)**	(1,997)
Change in losses not previously recognized	**909,901**	1,798,901
Permanent differences	**214,171**	224,691
Total tax expense	**500,197**	1,304,362

(Expressed in Canadian dollars)

	2018	2017
	$	$
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	**5,546,886**	4,857,324
Deferred tax assets to be recovered within 12 months	**-**	-
	5,546,886	4,857,324
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	**(9,904,766)**	(6,743,778)
Deferred tax liabilities to be settled within 12 months	**-**	-
	(9,904,766)	(6,743,778)
Deferred tax liabilities – net	**(4,357,880)**	(1,886,454)

The movement in deferred income tax assets and liabilities during the year is as follows:

	Mineral properties
	$
Deferred tax liabilities:	
At January 1, 2017	**(2,551,356)**
Charged to the income statement	(4,192,422)
At December 31, 2017	**(6,743,778)**
Charged to the income statement	(3,160,988)
At December 31, 2018	**(9,904,766)**

	Losses
	$
Deferred tax assets:	
At January 1, 2017	**2,551,356**
Credited to the income statement	791,573
Credited to equity	1,514,395
At December 31, 2017	**4,857,324**
Charged to the income statement	497,571
Credited to equity	191,991
At December 31, 2018	**5,546,886**

Marathon offsets tax assets and liabilities only if it has a legally enforceable right to set off the current tax assets and current tax liabilities or deferred tax assets and liabilities and they relate to taxes levied by the same tax authority.

(Expressed in Canadian dollars)

Deferred tax assets are recognized to the extent that realization of the related tax benefit through future taxable profits is probable.

The tax benefit of the following unused tax losses and deductible temporary differences has not been recognized due to the unpredictability of future earnings.

	2018	2017
	$	$
Losses carried forward - Canada	**1,712,534**	1,711,990
Losses carried forward - US	**6,977,756**	6,387,570
	8,690,290	8,099,560

Tax losses carried forward expire between 2026 and 2038 and share issue costs will be deducted between 2019 and 2023. Other unrecognized deductible temporary differences do not expire.

14) COMMITMENTS

Operating leases

Marathon has the following commitments under operating leases.

	Amount
	$
Year ending December 31:	
2019	48,783
Thereafter	-
	48,783

15) 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.

(Expressed in Canadian dollars)

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

	2018	2017
	$	$
Salaries and bonus paid to officers	**703,333**	895,000
Fees paid to directors	**190,000**	163,478
Stock based compensation	**1,014,346**	1,071,423
	1,907,679	2,129,901

16) SUBSEQUENT EVENTS

a) Sale of NSR

On February 21, 2019, Marathon sold a 2% net smelter returns royalty on the Valentine Lake property to Franco-Nevada Corp. (the FN NSR") for gross proceeds of $18,000,000. Marathon retains the right to buy back 25% of the FN NSR, representing 0.5%, until December 31, 2022 for US $7,000,000.

b) Exercises of options

On various dates in the period from January 1, 2019 to the date of these consolidated financial statements, Marathon issued a total of 1,570,000 shares for aggregate proceeds of $416,900 pursuant to the exercise of stock options.

c) Option grants

On January 7, 2019, Marathon awarded a total of 200,000 options with an exercise price of $0.80 per share and an expiry date of January 7, 2024 to an employee of the Company. Of this total, 100,000 options were awarded with immediate vesting, and the remaining 100,000 options vest upon completion of a project regulatory strategy document for the Valentine Lake project.

In addition, on January 7, 2019 Marathon awarded an additional 100,000 options with an exercise price of $0.80 per share and an expiry date of January 7, 2019 to an advisor and service provider. These options were awarded with immediate vesting.