



**MARATHON GOLD CORPORATION**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED**

**JUNE 30, 2019 AND 2018**

**Notice to Reader**

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

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

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

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

|  | June 30<br>2019   | December 31<br>2018 |
|--|-------------------|---------------------|
|  | \$                | \$                  |
| <b>Assets</b>                                      |                   |                     |
| <b>Current assets</b>                              |                   |                     |
| Cash   | 15,833,953        | 3,662,137           |
| Amounts receivable                                 | 471,616           | 264,812             |
| Prepays and deposits                               | 70,707            | 54,144              |
|  | <b>16,376,276</b> | <b>3,981,093</b>    |
| <b>Non-current assets</b>                          |                   |                     |
| Mineral exploration and evaluation assets (note 4) | 74,871,872        | 85,778,373          |
| Property, plant and equipment                      | 85,295            | 43,992              |
|  | <b>74,957,167</b> | <b>85,822,365</b>   |
| <b>Total assets</b>                                | <b>91,333,443</b> | <b>89,803,458</b>   |
| <b>Liabilities and shareholders' equity</b>        |                   |                     |
| <b>Current liabilities</b>                         |                   |                     |
| Trade payables                                     | 1,593,614         | 502,956             |
| Lease liability                                    | 27,355            | -                   |
| Flow-through share tax liability (note 6 (b)(i))   | -                 | 493,000             |
|  | <b>1,620,969</b>  | <b>995,956</b>      |
| Deferred income tax liabilities                    | 5,043,835         | 4,357,880           |
|  | <b>6,664,804</b>  | <b>5,353,836</b>    |
| Equity attributable to owners (notes 6, 7, and 8)  | 84,668,639        | 84,449,622          |
| <b>Total liabilities and shareholders' equity</b>  | <b>91,333,443</b> | <b>89,803,458</b>   |

On behalf of the Board,

"George D. Faught"  
George D. Faught  
Director

"Phillip C. Walford"  
Phillip C. Walford  
Director

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

**Marathon Gold Corporation**  
**Consolidated Statements of Operations**  
**For the three and six months ended June 30, 2019 and 2018**  
**(Unaudited - Expressed in Canadian dollars)**

|  | Three months ended<br>June 30 |             | Six months ended<br>June 30 |             |
|--|-------------------------------|-------------|-----------------------------|-------------|
|  | 2019                          | 2018        | 2019                        | 2018        |
|  | \$                            | \$          | \$                          | \$          |
| <b>Expenses:</b>   |                               |             |                             |             |
| General and administrative expenses (note 10)                              | <b>762,299</b>                | 378,315     | <b>1,345,478</b>            | 861,945     |
| Other income – royalties related to gold sales<br>by the Golden Chest mine | <b>(28,007)</b>               | (18,241)    | <b>(54,351)</b>             | (18,241)    |
| Interest income  | <b>(69,424)</b>               | -           | <b>(96,942)</b>             | -           |
| Interest expense   | <b>281</b>                    | -           | <b>497</b>                  | -           |
| Foreign exchange loss (gain)   | <b>88</b>                     | 10,132      | <b>(6,499)</b>              | 4,907       |
| Loss before tax  | <b>665,237</b>                | 370,206     | <b>1,188,183</b>            | 848,611     |
| Income tax expense (recovery)  | <b>88,171</b>                 | 175,403     | <b>192,955</b>              | (135,748)   |
| Loss for the period  | <b>753,408</b>                | 545,609     | <b>1,381,138</b>            | 712,863     |
| <b>Loss per share:</b>   |                               |             |                             |             |
| Basic  | <b>0.004</b>                  | 0.004       | <b>0.009</b>                | 0.005       |
| Diluted  | <b>0.004</b>                  | 0.004       | <b>0.009</b>                | 0.005       |
| <b>Weighted average number of common shares<br/>outstanding</b>            |                               |             |                             |             |
| Basic (note 9)   | <b>161,209,378</b>            | 149,221,143 | <b>160,783,086</b>          | 147,605,751 |
| Diluted (note 9)   | <b>161,209,378</b>            | 149,221,143 | <b>160,783,086</b>          | 147,605,751 |

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

**Marathon Gold Corporation**  
**Consolidated Statements of Comprehensive Loss**  
**For the three and six months ended June 30, 2019 and 2018**  
**(Unaudited - Expressed in Canadian dollars)**

|  | Three months ended<br>June 30 |          | Six months ended<br>June 30 |          |
|--|-------------------------------|----------|-----------------------------|----------|
|  | 2019                          | 2018     | 2019                        | 2018     |
|  | \$                            | \$       | \$                          | \$       |
| <b>Other comprehensive loss:</b>   |                               |          |                             |          |
| Loss for the period  | <b>753,408</b>                | 545,609  | <b>1,381,138</b>            | 712,863  |
| <b>Items that may be reclassified subsequently to net loss<br/>(income):</b> |                               |          |                             |          |
| Currency translation adjustment  | <b>17,433</b>                 | (18,345) | <b>42,009</b>               | (41,231) |
| <b>Comprehensive loss attributable to Marathon Gold<br/>shareholders</b>     | <b>770,841</b>                | 527,264  | <b>1,423,147</b>            | 671,632  |

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

**Marathon Gold Corporation**  
**Consolidated Statements of Cash Flows**  
**For the six months ended June 30, 2019 and 2018**  
**(Unaudited - Expressed in Canadian dollars)**

|   | 2019              | 2018               |
|---|-------------------|--------------------|
|   | \$                | \$                 |
| <b>Cash flows from (used in) operating activities:</b>          |                   |                    |
| <b>Cash flows used in operating activities:</b>                 |                   |                    |
| Loss for the period   | (1,381,138)       | (712,863)          |
| Add (deduct) items not involving cash                           |                   |                    |
| Income tax expense (recovery)                                   | 192,955           | (135,748)          |
| Unrealized foreign exchange gain                                | (7,041)           | -                  |
| Stock based compensation  | 275,708           | -                  |
| Depreciation  | 38,787            | 21,790             |
|   | (880,232)         | (826,821)          |
| Changes in non-cash working capital items                       |                   |                    |
| (Increase) Decrease in amounts receivable                       | (206,804)         | 154,405            |
| Increase in prepaid expenses                                    | (16,563)          | (5,000)            |
| Decrease in accounts payable                                    | (27,046)          | (42,765)           |
|   | (1,130,645)       | (720,181)          |
| <b>Cash flows from financing activities:</b>                    |                   |                    |
| Proceeds from issuance of common shares (note 6)                | 679,175           | 1,973,672          |
| Proceeds from sale of royalty to Franco-Nevada Corp. (note 4)   | 17,979,222        | -                  |
| Lease payments  | (16,932)          | -                  |
|   | 18,641,465        | 1,973,672          |
| <b>Cash flows used in investing activities:</b>                 |                   |                    |
| Royalty payments related to gold sales by the Golden Chest mine | -                 | 43,565             |
| Purchase of capital assets                                      | (36,300)          | (29,000)           |
| Government assistance   | 65,250            | 70,131             |
| Expenditures on mineral exploration and evaluation assets       | (5,367,954)       | (5,270,323)        |
|   | (5,339,004)       | (5,185,627)        |
| <b>Increase (Decrease) in cash</b>                              | <b>12,171,816</b> | <b>(3,932,136)</b> |
| Cash— beginning of period                                       | 3,662,137         | 7,172,355          |
| <b>Cash— end of period</b>                                      | <b>15,833,953</b> | <b>3,240,219</b>   |

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**Marathon Gold Corporation**  
**Consolidated Statement of Changes in Equity**  
**For the six months ended June 30, 2019 and 2018**  
**(Unaudited - Expressed in Canadian dollars)**

|   | Share<br>Capital<br>(note 6) | Warrants<br>(note 7) | Contributed<br>Surplus<br>(note 8) | Deficit             | Accumulated<br>Other<br>Comprehensive<br>Income | Equity Attributable<br>to Owners of<br>Marathon Gold<br>Corporation |
|---|------------------------------|----------------------|------------------------------------|---------------------|---|---|
|   | \$                           | \$                   | \$                                 | \$                  | \$  | \$  |
| <b>Balance – January 1, 2018</b>                    | <b>84,729,774</b>            | <b>386,042</b>       | <b>12,461,327</b>                  | <b>(20,849,599)</b> | <b>113,878</b>                                  | <b>76,841,422</b>   |
| Loss for the period                                 | -                            | -                    | -                                  | (712,863)           | -   | (712,863)   |
| Stock based compensation                            | -                            | -                    | 250,634                            | -                   | -   | 250,634   |
| Common shares issued upon exercise of stock options | 713,550                      | -                    | (179,350)                          | -                   | -   | 534,200   |
| Common shares issued upon exercise of warrants      | 1,825,514                    | (386,042)            | -                                  | -                   | -   | 1,439,472   |
| Currency translation adjustment                     | -                            | -                    | -                                  | -                   | 41,231  | 41,231  |
| <b>Balance – June 30, 2018</b>                      | <b>87,268,838</b>            | <b>-</b>             | <b>12,532,611</b>                  | <b>(21,562,462)</b> | <b>155,109</b>                                  | <b>78,394,096</b>   |
| <b>Balance – January 1, 2019</b>                    | <b>94,346,516</b>            | <b>-</b>             | <b>13,635,802</b>                  | <b>(23,696,581)</b> | <b>163,885</b>                                  | <b>84,449,622</b>   |
| Loss for the period                                 | -                            | -                    | -                                  | (1,381,138)         | -   | (1,381,138)   |
| Stock based compensation                            | -                            | -                    | 962,989                            | -                   | -   | 962,989   |
| Common shares issued upon exercise of stock options | 1,014,885                    | -                    | (335,710)                          | -                   | -   | 679,175   |
| Currency translation adjustment                     | -                            | -                    | -                                  | -                   | (42,009)  | (42,009)  |
| <b>Balance – June 30, 2019</b>                      | <b>95,361,401</b>            | <b>-</b>             | <b>14,263,081</b>                  | <b>(25,077,719)</b> | <b>121,876</b>                                  | <b>84,668,639</b>   |

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

**Marathon Gold Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2019 and 2018**  
**(Unaudited - Expressed in Canadian dollars)**

## **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**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS34, Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2018, which were prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on August 6, 2019.

## **3) SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the previous financial year, except for the adoption of *IFRS 16, Leases* ("IFRS 16"), which is discussed below.

### **Overview of IFRS 16, Leases**

Marathon adopted IFRS 16 as of January 1, 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from adoption of this standard are therefore reflected as of January 1, 2019.

Marathon leases real estate under a lease contract with a fixed term of three years at inception. The lease agreement does not impose any covenants on Marathon.

**Marathon Gold Corporation**  
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**(Unaudited - Expressed in Canadian dollars)**

On adoption of IFRS 16, Marathon recognized a lease liability in respect of a lease in respect of real estate property, which had been recognized previously as an operating lease under *IAS 17, Leases*. The liability was measured at the present value of the remaining lease payments to the end of the lease agreement assuming that Marathon would not renew the lease upon termination, discounted using an estimate of the implicit interest rate for the lease, as at January 1, 2019. Each lease payment is allocated between interest expense and repayment of the lease liability. The interest expense on the lease liability is charged to the Consolidated Statements of Operations using the effective interest method so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

The discount rate applied to the lease liability on adoption of IFRS 16 on January 1, 2019 was 5.6%.

The effect of adoption of IFRS 16 as reflected on January 1, 2019 was to recognize a right-of-use asset and a corresponding lease liability of \$22,224, which is classified as a current liability. At March 31, 2019 the lease liability amounted to \$13,974.

Upon adoption of this standard, the right-of-use asset is shown as part of Property, plant and equipment on the Consolidated Balance Sheets, and amortization costs are included within depreciation costs on the Consolidated Statements of Operations. The right-of-use asset is depreciated over the shorter of the asset's useful life and the remaining lease term on a straight-line basis. Depreciation of the right-of-use asset is included within depreciation in the Operating activities section of the Consolidated Statements of Cash Flows.

The change in accounting policy affected the following items in the Consolidated Balance Sheets on January 1, 2019.

|  | Amount   |
|--|----------|
|  | \$       |
| Property, plant and equipment – increased by | 22,224   |
| Lease liabilities – increased by             | (22,224) |
|  | -        |

Until the end of 2018, payments under operating leases were charged to the Consolidated Statements of Operations on a straight-line basis over the life of the lease and consequently were fully included in the calculation of loss per share. Subsequent to adoption of IFRS 16, only depreciation charged on in respect of right-of-use assets and interest expense on lease liabilities are now included in the Consolidated Statements of Operations and therefore included in the calculation of loss per share. Principal portions of lease payments are not included in the Consolidated Statements of Operations and are instead applied to reduce the lease liability in the Consolidated Balance Sheets. There was no material impact of these changes on the measurement of Marathon's loss per share for the three-month period ended March 31, 2019.



**Marathon Gold Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2019 and 2018**  
**(Unaudited - Expressed in Canadian dollars)**

Short-term lease payments are not included in the measurement of lease liabilities and are not shown in the Consolidated Balance Sheets in accordance with IFRS 16. These payments are included as part of Mineral exploration and evaluation assets in the Consolidated Balance Sheets. Similarly, variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and are reflected in the Consolidated Statements of Operations and the Operating Activities section of the Consolidated Statements of Cash Flows.

**Practical expedients applied**

In applying IFRS 16 for the first time, Marathon considered the following practical expedients permitted by the standard:

- The use of hindsight in determining the lease term where the lease agreement contained an option to renew the lease.

The significant judgments, estimates and assumptions made by management and applied in the preparation of these financial statements, specifically as they relate to the adoption of IFRS 16, included evaluating the appropriate discount rate used to discount the lease liability and determining the lease term.

**4) MINERAL EXPLORATION AND EVALUATION ASSETS**

|   | Valentine Lake<br>Gold Project,<br>Newfoundland | Golden Chest<br>Royalty<br>Interest | Bonanza<br>Mine Project,<br>Oregon USA | Total             |
|---|---|-------------------------------------|--|-------------------|
|   | \$  | \$                                  | \$                                     | \$                |
| <b>Balance – January 1, 2018</b>                                | <b>73,008,742</b>                               | <b>43,787</b>                       | <b>773,718</b>                         | <b>73,826,247</b> |
| 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            |
| <b>Balance – December 31, 2018</b>                              | <b>84,936,997</b>                               | <b>-</b>                            | <b>841,376</b>                         | <b>85,778,373</b> |
| Deferred exploration costs                                      | 7,106,951                                       | -                                   | -                                      | 7,106,951         |
| Sale of royalty to Franco-Nevada Corp.                          | (17,979,222)                                    | -                                   | -                                      | (17,979,222)      |
| Currency translation adjustment                                 | -   | -                                   | (34,230)                               | (34,230)          |
| <b>Balance – June 30, 2019</b>                                  | <b>74,064,726</b>                               | <b>-</b>                            | <b>807,146</b>                         | <b>74,871,872</b> |

**a) Valentine Lake gold property, Newfoundland**

At June 30, 2019, the Valentine Lake property was subject to two overlapping agreements, which are described below.

**Net profits interest**

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

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**Notes to the Consolidated Financial Statements**  
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**Net smelter return royalty**

On February 21, 2019, Marathon sold a 2% net smelter returns royalty on the Valentine Lake property to Franco-Nevada Corp. (the “FNV NSR”) for gross proceeds of \$18,000,000 and net proceeds of \$17,979,222. The FNV NSR applies to sales of precious and base metals and minerals from all of the claims which comprise the Valentine lake property.

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) Bonanza Mine gold property, Oregon**

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

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

**5) 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.

Marathon Gold Corporation  
Notes to the Consolidated Financial Statements  
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## 6) SHARE CAPITAL

- a) **Authorized:**  
Unlimited common shares without par value  
Unlimited preference shares, issuable in series
- b) **Issued and outstanding:**

|   | Number             | Amount            |
|---|--------------------|-------------------|
|   |                    | \$                |
| <b>Balance – January 1, 2018</b>  | <b>145,108,352</b> | <b>84,729,774</b> |
| 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 <sup>(i)</sup>       | 5,900,000          | 5,015,000         |
| Flow through shares issued pursuant to prospectus offering <sup>(i)</sup> | 2,900,000          | 2,552,000         |
| Share issue costs   | -                  | (724,495)         |
| Deferred income taxes   | -                  | 191,991           |
| <b>Balance – December 31, 2018</b>  | <b>159,576,702</b> | <b>94,346,516</b> |
| Shares issued pursuant to the exercise of stock options                   | 2,242,500          | 1,014,885         |
| <b>Balance – June 30, 2019</b>  | <b>161,819,202</b> | <b>95,361,401</b> |

- i) 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.

## 7) WARRANTS

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

|  | Number           | Amount         |
|--|------------------|----------------|
|  |                  | \$             |
| <b>Balance – January 1, 2018</b>                     | <b>4,498,350</b> | <b>386,042</b> |
| Exercised during the year                            | (4,498,350)      | (386,042)      |
| <b>Balance – December 31, 2018 and June 30, 2019</b> | <b>-</b>         | <b>-</b>       |

**Marathon Gold Corporation**  
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- (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 January 1, 2018 were exercised on various dates during the period ended December 31, 2018 for aggregate proceeds of \$1,439,472.

## **8) 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.

|                                      | <b>Six months ended<br/>June 30, 2019</b> |  | <b>Six months ended<br/>June 30, 2018</b> |  |
|--------------------------------------|---|--|---|--|
|                                      | <b>Number</b>                             | <b>Weighted<br/>average<br/>exercise price<br/>per share</b> | <b>Number</b>                             | <b>Weighted<br/>average<br/>exercise price<br/>per share</b> |
|                                      |   | <b>\$</b>  |   | <b>\$</b>  |
| <b>Balance - beginning of period</b> | <b>11,722,500</b>                         | <b>0.67</b>  | 10,118,500                                | 0.58   |
| Granted                              | 2,225,000                                 | 1.02   | 440,000                                   | 1.00   |
| Exercised                            | (2,242,500)                               | 0.31   | (1,025,000)                               | 0.52   |
| Expired                              | (18,000)                                  | 1.00   | -   | -  |
| <b>Balance – end of period</b>       | <b>11,687,000</b>                         | <b>0.81</b>  | 9,533,500                                 | 0.61   |

**Marathon Gold Corporation**  
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**(Unaudited - Expressed in Canadian dollars)**

Options to purchase common shares outstanding at June 30, 2019 carry exercise prices and remaining terms to maturity as follows:

| Exercise price | Expiry date        | Options Outstanding |          | Contract Life (years) |
|----------------|--------------------|---------------------|----------|-----------------------|
|                |                    | Vested              | Unvested |                       |
| \$             |                    |                     |          |                       |
| 0.25           | August 10, 2020    | 1,064,000           | -        | 1.12                  |
| 0.20           | December 18, 2020  | 959,000             | -        | 1.47                  |
| 0.68           | December 1, 2021   | 2,198,000           | -        | 2.42                  |
| 1.02           | March 28, 2022     | 50,000              | -        | 2.75                  |
| 1.08           | June 7, 2022       | 1,475,000           | -        | 2.94                  |
| 1.08           | June 21, 2022      | 610,000             | -        | 2.98                  |
| 1.02           | September 19, 2022 | 150,000             | -        | 3.22                  |
| 1.07           | October 2, 2022    | 200,000             | -        | 3.26                  |
| 1.00           | February 27, 2023  | 422,000             | -        | 3.67                  |
| 0.91           | July 30, 2023      | 2,134,000           | -        | 4.08                  |
| 0.86           | August 2, 2023     | 200,000             | -        | 4.09                  |
| 0.80           | January 7, 2024    | 300,000             | -        | 4.53                  |
| 1.06           | June 12, 2024      | 1,925,000           | -        | 4.96                  |
| <b>0.81</b>    |                    | <b>11,687,000</b>   | <b>-</b> | <b>3.19</b>           |

The fair value of the options granted by Marathon in in the periods ended June 30, 2019 and 2018 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

|   | Three months ended<br>June 30 |            | Six months ended<br>June 30 |                |
|---|-------------------------------|------------|-----------------------------|----------------|
|   | 2019                          | 2018       | 2019                        | 2018           |
| Risk free interest rate                     | <b>1.49%</b>                  | -          | <b>1.54%</b>                | <b>1.75%</b>   |
| Dividend rate                               | <b>Nil</b>                    | <b>Nil</b> | <b>Nil</b>                  | <b>Nil</b>     |
| Volatility                                  | <b>60%</b>                    | -          | <b>63%</b>                  | <b>80%</b>     |
| Expected life                               | <b>3 years</b>                | -          | <b>3 years</b>              | <b>3 years</b> |
| Fair value per option granted in the period | <b>\$0.43</b>                 | -          | <b>\$0.43</b>               | <b>\$0.52</b>  |

Marathon recognized total stock-based compensation costs of \$962,989 in the period ended June 30, 2019 (2018 - \$250,634). Of this total, \$275,708 (2018 – \$Nil) was charged to operations and \$687,281 (2018 - \$250,634) was capitalized as a component of Marathon’s mineral exploration and evaluation assets.

**Marathon Gold Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2019 and 2018**  
**(Unaudited - Expressed in Canadian dollars)**

## 9) BASIC AND DILUTED SHARES OUTSTANDING

Basic and diluted weighted average shares outstanding for the three- and six-month periods ended June 30, 2019 and 2018 are calculated as shown in the table below.

|   | Three months ended<br>June 30 |             | Six months ended<br>June 30 |             |
|---|-------------------------------|-------------|-----------------------------|-------------|
|   | 2019                          | 2018        | 2019                        | 2018        |
| Weighted average basic number of common shares outstanding          | <b>161,209,378</b>            | 149,221,143 | <b>160,783,086</b>          | 147,605,751 |
| Effect of dilutive securities:                                      |                               |             |                             |             |
| In the money shares - stock options                                 | -                             | -           | -                           | -           |
| In the money shares - warrants                                      | -                             | -           | -                           | -           |
| <b>Weighted average diluted number of common shares outstanding</b> | <b>161,209,378</b>            | 149,221,143 | <b>160,783,086</b>          | 147,605,751 |

## 10) GENERAL AND ADMINISTRATIVE EXPENSES

|  | Three months ended<br>June 30 |         | Six months ended<br>June 30 |         |
|--|-------------------------------|---------|-----------------------------|---------|
|  | 2019                          | 2018    | 2019                        | 2018    |
|  | \$                            | \$      | \$                          | \$      |
| Wages, salaries and benefits (note 11)         | <b>265,361</b>                | 165,147 | <b>480,039</b>              | 333,848 |
| Listing fees and related expenses              | -                             | 188     | <b>60,621</b>               | 64,009  |
| Investor relations                             | <b>17,328</b>                 | 64,243  | <b>106,989</b>              | 186,581 |
| Professional fees                              | <b>148,969</b>                | 31,986  | <b>242,860</b>              | 59,921  |
| Occupancy costs                                | <b>9,828</b>                  | 16,438  | <b>23,662</b>               | 32,876  |
| Part XII.6 tax                                 | -                             | 31,779  | <b>3,654</b>                | 53,592  |
| Depreciation                                   | <b>19,336</b>                 | 11,224  | <b>38,787</b>               | 21,790  |
| Stock based compensation charged to operations | <b>233,689</b>                | -       | <b>275,708</b>              | -       |
| Other expenses                                 | <b>67,788</b>                 | 57,310  | <b>113,158</b>              | 109,328 |
|  | <b>762,299</b>                | 378,315 | <b>1,345,478</b>            | 861,945 |

**Marathon Gold Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2019 and 2018**  
**(Unaudited - Expressed in Canadian dollars)**

## **11) WAGES, SALARIES AND BENEFITS**

|  | Three months ended<br>June 30 |         | Six months ended<br>June 30 |           |
|--|-------------------------------|---------|-----------------------------|-----------|
|  | 2019                          | 2018    | 2019                        | 2018      |
|  | \$                            | \$      | \$                          | \$        |
| Fees, salaries and wages paid to employees, key management and directors (note 12) | <b>709,036</b>                | 533,302 | <b>1,440,900</b>            | 1,198,372 |
| Performance bonus paid to employees and key management                             | <b>387,000</b>                | -       | <b>387,000</b>              | -         |
| Social security benefits   | <b>81,168</b>                 | 45,154  | <b>160,230</b>              | 112,142   |
|  | <b>1,177,204</b>              | 578,456 | <b>1,988,130</b>            | 1,310,514 |
| Charged to general and administrative expenses                                     | <b>265,361</b>                | 165,147 | <b>480,039</b>              | 333,848   |
| Capitalized as a component of exploration and evaluation assets                    | <b>911,843</b>                | 413,309 | <b>1,508,091</b>            | 976,666   |
|  | <b>1,177,204</b>              | 578,456 | <b>1,988,130</b>            | 1,310,514 |

## **12) RELATED PARTY TRANSACTIONS**

### **Key management**

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

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

|                                     | Three months ended<br>June 30 |         | Six months ended<br>June 30 |         |
|-------------------------------------|-------------------------------|---------|-----------------------------|---------|
|                                     | 2019                          | 2018    | 2019                        | 2018    |
|                                     | \$                            | \$      | \$                          | \$      |
| Salaries and bonus paid to officers | <b>450,000</b>                | 155,000 | <b>655,000</b>              | 310,000 |
| Director fees                       | <b>40,000</b>                 | 47,500  | <b>87,500</b>               | 95,000  |
| Stock based compensation            | <b>571,724</b>                | -       | <b>571,724</b>              | -       |
|                                     | <b>1,061,724</b>              | 202,500 | <b>1,314,224</b>            | 405,000 |