Consolidated Financial Statements

For the Years Ended December 31, 2019 and December 31, 2018

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Marathon Gold Corporation and all information in this financial report are the responsibility of the Board of Directors and Management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and, where appropriate, include management's best estimates and judgments.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Board of Directors carries out this responsibility principally through its Audit Committee. The Board of Directors appoints the Audit Committee, and all of its members are independent directors. The Audit Committee meets periodically with Management and the auditors to review internal controls, audit results, accounting principles and related matters. The Board of Directors approves the consolidated financial statements on recommendation from the Audit Committee.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders at the last annual general meeting to examine the consolidated financial statements and provide an independent professional opinion. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

/s/ Matthew L. Manson
Matthew L. Manson
President and Chief Executive Officer

/s/ Hannes P. Portmann
Hannes P. Portmann
Chief Financial Officer & Business Development

Toronto, Canada
March 26, 2020

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, 2019 and 2018, 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, 2019 and 2018;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the consolidated statements of changes in equity for the years then ended;
- 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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, 2020

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MARATHON GOLD CORPORATION

Consolidated Balance Sheets

(Stated in thousands of Canadian dollars)

	Notes	As at December 31, 2019	As at December 31, 2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 27,963	$ 3,662
Amounts receivable		565	265
Prepaids and deposits		385	54
Total Current Assets		**28,913**	**3,981**
MINERAL EXPLORATION AND EVALUATION ASSETS	5	84,734	85,778
PROPERTY, PLANT AND EQUIPMENT		113	44
Total Assets		**$ 113,760**	**$ 89,803**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payable and accrued liabilities		$ 1,838	$ 502
Lease liability	3	41	—
Flow-through share tax liability	7	2,873	493
Total Current Liabilities		**4,752**	**995**
DEFERRED SHARE UNIT LIABILITY	9	425	—
DEFERRED TAX LIABILITY	6	4,813	4,358
Total Liabilities		**9,990**	**5,353**
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	7	115,028	94,347
WARRANTS	8	2,317	—
CONTRIBUTED SURPLUS		14,722	13,636
DEFICIT		(28,390)	(23,697)
ACCUMULATED OTHER COMPREHENSIVE INCOME		93	164
Total Shareholders' Equity		**103,770**	**84,450**
Total Liabilities and Shareholders' Equity		**$ 113,760**	**$ 89,803**

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

Approved by the Board of Directors

/s/ George D. Faught
George D. Faught
Director

/s/ Matthew L. Manson
Matthew L. Manson
Director

MARATHON GOLD CORPORATION

Consolidated Statements of Operations and Comprehensive Loss

(Stated in thousands of Canadian dollars, except per share data)

	Notes	For the Years Ended December 31, 2019	2018
EXPENSES			
General and administrative expense	11	$ 3,845	$ 2,349
Exploration expense		24	23
Finance (income) / expense, net	13	(183)	34
Other expense / (income)	14	736	(59)
Loss before tax		**4,422**	**2,347**
Deferred income tax expense	6	271	500
Net Loss		**$ 4,693**	**$ 2,847**
Items that may be reclassified subsequently to net loss:			
Currency translation adjustment		71	(50)
Comprehensive Loss		**$ 4,764**	**$ 2,797**
Net loss per share			
Basic and diluted	10	$ 0.03	$ 0.02
Weighted average common shares outstanding – basic and diluted (000s)		165,721	153,186

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

MARATHON GOLD CORPORATION

Consolidated Statements of Cash Flows

(Stated in thousands of Canadian dollars)

	Notes	For the Years Ended December 31, 2019	2018
OPERATING ACTIVITIES			
Net loss		$ (4,693)	$ (2,847)
Reconciliation of net loss to net cash used in operating activities:			
Depreciation		87	40
Deferred income tax expense	6	271	500
Share-based compensation	9	1,202	767
Accretion expense		2	—
Unrealized foreign exchange gain		(31)	(22)
Changes in working capital	15	2,972	625
Net cash used in operating activities		(190)	(937)
INVESTING ACTIVITIES			
Additions to mineral exploration and evaluation assets		(15,650)	(11,582)
Additions to property, plant and equipment		(71)	(32)
Golden Chest NSR royalty		—	44
Government assistance		65	144
Net cash used in investing activities		(15,656)	(11,426)
FINANCING ACTIVITIES			
Lease payments		(45)	—
Proceeds from sale of Franco-Nevada NSR royalty	5	17,979	—
Shares issued, net	7	21,262	8,282
Exercise of stock options		951	571
Net cash provided by financing activities		40,147	8,853
Increase / (decrease) in cash and cash equivalents		24,301	(3,510)
Cash and cash equivalents, beginning of period		3,662	7,172
Cash and cash equivalents, end of period		**$ 27,963**	**$ 3,662**

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

MARATHON GOLD CORPORATION

Consolidated Statements of Changes in Equity

(Stated in thousands of Canadian dollars, except share data)

	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at January 1, 2018	**145,108,352**	**$ 84,730**	**$ 386**	**$ 12,461**	**$ (20,850)**	**$ 114**	**$ 76,841**
Net loss	—	—	—	—	(2,847)	—	(2,847)
Share-based compensation	—	—	—	1,361	—	—	1,361
Common shares issued pursuant to prospectus offering	5,900,000	5,015	—	—	—	—	5,015
Flow-through shares issued pursuant to prospectus offering	2,900,000	2,552	—	—	—	—	2,552
Common shares issued upon exercise of stock options	1,170,000	757	—	(186)	—	—	571
Common shares issued upon exercise of warrants	4,498,350	1,826	(386)	—	—	—	1,440
Share issue costs	—	(725)	—	—	—	—	(725)
Deferred income taxes related to share issue costs	—	192	—	—	—	—	192
Currency translation adjustment	—	—	—	—	—	50	50
Balance at December 31, 2018	**159,576,702**	**$ 94,347**	**$ —**	**$ 13,636**	**$ (23,697)**	**$ 164**	**$ 84,450**
Net loss	—	—	—	—	(4,693)	—	(4,693)
Share-based compensation	—	—	—	1,563	—	—	1,563
Common shares issued pursuant to private placement	11,570,000	13,694	—	—	—	—	13,694
Flow-through shares issued pursuant to private placement	5,420,000	6,415	—	—	—	—	6,415
Common shares issued upon exercise of stock options	2,529,500	1,428	—	(477)	—	—	951
Warrants issued pursuant to private placement	—	—	2,317	—	—	—	2,317
Share issue costs	—	(1,165)	—	—	—	—	(1,165)
Deferred income taxes related to share issue costs	—	309	—	—	—	—	309
Currency translation adjustment	—	—	—	—	—	(71)	(71)
Balance at December 31, 2019	**179,096,202**	**$ 115,028**	**$ 2,317**	**$ 14,722**	**$ (28,390)**	**$ 93**	**$ 103,770**

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

1. NATURE OF OPERATIONS

Marathon Gold Corporation ("Marathon" or "the Company" or "we" or "our") is a Canadian gold exploration and development company incorporated under the *Canadian Business Corporations Act* and headquartered in Toronto, Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol MOZ. The Company's registered office is located at 10 King Street East, Suite 501, Toronto, Ontario, M5C 1C3, Canada.

The Company's primary business focus is the acquisition, exploration and development of precious and base metal prospects. Its flagship asset, the wholly owned Valentine Gold Project, is located in Newfoundland and Labrador, Canada.

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 PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and with interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Directors of the Company on March 26, 2020.

Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Marathon Gold USA Corporation and Mountain Lake Resources Inc. The financial statements of the subsidiaries are prepared for the same period as the Company using consistent accounting policies for all periods presented. All inter-company balances and transactions have been eliminated. Subsidiaries are entities controlled by the Company.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of all liabilities in the normal course of business.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value through profit or loss, as disclosed in Note 3.

Functional and presentation currency

The financial statements are presented in thousands of Canadian dollars, which is the functional and presentation currency of the Company.

3. SUMMARY OF ACCOUNTING POLICIES

Consolidation

Subsidiaries are those entities which the Company controls by having the power to govern their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which the Company obtained control and are deconsolidated from the date on which the Company ceases to have control. These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and intercompany transactions are eliminated on consolidation.

Cash and cash equivalents

Cash primarily includes cash deposits held at a select Canadian chartered bank. Cash equivalents consist of money market funds and other highly liquid investments purchased with maturities of three months or less. Cash and cash equivalents are stated at amortized cost, which typically approximates market value.

Mineral exploration and evaluation assets

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

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.

Property, plant and equipment

Property, plant and equipment assets, which include furniture and fixtures and vehicles, are initially recorded at cost including acquisition and installation costs. Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation for these assets is calculated using the straight-line method at rates which depreciate the cost of the assets, less their anticipated residual values, if any, over their estimated useful lives. The net book value of property, plant and equipment assets is charged against income if the mine site is abandoned and it is determined that the assets cannot be economically transferred to another project or sold.

- Furniture and fixtures 2 to 5 years
- Vehicles 3 to 5 years
- Right-of-use asset term of the lease

The residual values, useful lives and method of depreciation of property, plant and equipment are reviewed at each reporting period end and adjusted prospectively if appropriate.

Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net in the consolidated statement of operations and comprehensive loss.

Impairment of long-lived assets

The Company assesses at each reporting period whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the asset and compares it against the asset's carrying amount. The recoverable amount is the higher of its fair value less cost of disposal ("FVLCD") and the asset's value in use ("VIU"). If the carrying amount exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of operations and comprehensive loss.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset not already reflected in the estimates of future cash flows. The cash flows are based on best estimates of expected future cash flows from the continued use of the asset and its eventual disposal.

Estimated future cash flows are based on estimated quantities of gold and other recoverable metals, expected price of gold (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineered life-of-mine plans. 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.

FVLCD is best evidenced if obtained from an active market or binding sale agreement. Where neither exists, the fair value is based on the best estimates available to reflect the amount that could be received from an arm's length transaction.

Numerous factors including, but not limited to, unexpected grade changes, gold recovery variances, shortages of equipment and consumables, and equipment failures could impact our ability to achieve forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically.

If an impairment loss reverses in a subsequent period, the carrying amount (post reversal) of the related asset is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset previously. Reversals of impairment losses are recognized in the statement of operations in the period the reversals occur.

Material changes to any of the factors or assumptions discussed above could result in future asset impairments.

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 attached 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.

Right of Use Asset and Lease Liabilities

Policy applicable before January 1, 2019

The Company classified any leases that transferred substantially all of the risks and rewards of ownership as finance leases. The Company classified assets held under other leases as operating leases and were not recognized in the Company's balance sheet. The Company recognized payments made under operating leases in the statement of operations on a straight-line basis over the term of the lease.

Policy applicable from January 1, 2019

The Company recognizes a right-of-use asset and corresponding lease liability for any leased assets not of low-value in nature with noncancelable lease terms greater than 12 months in duration. In determining the lease term, the Company assesses the economic benefits of exercising contractual options to extend the duration of the lease or terminate, when applicable.

Upon recognizing a right-of-use asset, the Company discounts the future lease payments, including any applicable residual value guarantees, purchase options, or termination penalties, using an interest rate within the following hierarchy: (i) borrowing rate implicit in the lease and (ii) the Company's incremental borrowing rate. The amount capitalized as a right-of-use asset is depreciated over the term of the lease and the corresponding lease liability is charged interest at the same rate used for discounting purposes.

Income taxes

Income taxes comprise the provision for (or recovery of) taxes actually paid or payable (current taxes) and for deferred taxes.

Current taxes are based on taxable earnings in the year. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date in the respective jurisdictions.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are computed using enacted or substantially enacted income tax rates in effect when the temporary differences are expected to reverse. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in the period of substantial enactment. The provision for or the recovery of deferred taxes is based on the changes in deferred tax assets and liabilities during the period.

The carrying amount of deferred income tax assets or liabilities are reviewed at the end of each reporting period and recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized.

Trade payables and accrued liabilities

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, these are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier as at the end of the reporting period.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Share capital

Common shares are classified as equity. Costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the gross proceeds.

Warrants

Common share purchase warrants are classified as equity. Incremental costs directly attributable to the issuance of common share purchase warrants are recognized as a deduction from warrants. The Company engages in equity financing transactions to obtain the funds necessary to invest in developmental work and for general working capital purposes. These equity financing transactions may involve issuance of common shares or units. A unit can comprise a certain number of common shares and a certain number of common share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the common share purchase warrants are exercisable into additional common shares prior to expiry at a price stipulated by the equity financing agreement. Common share purchase warrants that are part of units are measured at fair value on the date of issue using the Black-Scholes option pricing model and included in equity with the common shares that were concurrently issued.

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.

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.

Financial Assets

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 (“FVTPL”): 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 (“FVOCI”): 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.

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.

Financial Liabilities

The Company recognizes all financial liabilities initially at fair value and classifies them as either FVTPL or amortized cost, as appropriate.

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.

Financial liabilities at FVTPL include the deferred share unit liability, which are accounted for as cash settled share-based payments with a liability recognized for services acquired. Deferred share unit liability is initially recorded at the grant date fair value and remeasured at each reporting period, with the change in fair value recorded in the consolidated statement of operations and comprehensive loss.

Share-based compensation

The Company maintains a Stock Option Plan and a Deferred Share Unit (“DSU”) plan.

Stock Option Plan

Under the Company’s Stock Option Plan, common share options may be granted to senior officers, directors and key employees, as well as any other person or company engaged to provide ongoing management or consulting services to the Company. Compensation expense for such grants is recorded in the consolidated statements of operations and comprehensive loss, with a corresponding increase recorded in the contributed surplus account in the consolidated balance sheet. The expense is based on the fair value of the option at the time of grant, measured by reference to the fair value determined using the Black-Scholes valuation model, and is recognized over the vesting periods of the respective options on a graded basis. Consideration paid to the Company on exercise of options is credited to share capital.

Deferred Share Unit Plan

Under the Company’s DSU plan, DSUs may be granted to non-executive directors and must be retained until the director leaves the Board of Directors, at which time the cash value of the DSUs are paid out. Each DSU has the same value as one Marathon common share. The DSUs vest on December 31st of the year in which they are granted.

DSUs are measured on the grant date at fair value and recognized as an obligation. The obligation is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in the statement of operations and comprehensive loss.

Net income/(loss) per share

Basic income/(loss) per share of common stock is calculated by dividing income available to Marathon's common shareholders by the weighted average number of common shares issued and outstanding during the period. In periods with positive earnings, the calculation of diluted net income per common share uses the treasury stock method to compute the dilutive effects of stock options, warrants and other potentially dilutive instruments. In

periods of loss, diluted net loss per share is equal to basic loss per share, as the effect of potential issuances of shares from stock options or warrants would be anti-dilutive.

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 thousands of Canadian dollars.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at period end exchange rates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Canadian dollars at the exchange rate at the date the fair value was determined. Income and expense items are translated at the exchange rate in effect on the date of the transaction. Exchange gains and losses resulting from translation of these amounts are included in net loss for the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical costs are translated at the exchange rate in effect at the transaction date.

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.

Changes in accounting policies

The Company has adopted the following new and revised standards, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IFRS16

IFRS 16 - *Leases* specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

On January 1, 2019, the Company adopted the requirements of IFRS 16 - *Leases* ("IFRS 16"). As a result, the Company updated its accounting policy for leases to align with the requirements of IFRS 16. The Company elected to use the modified retrospective approach, as permitted under the specific transition provisions in the standard, to initially adopt IFRS 16.

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.

On adoption of IFRS 16, Marathon recognized a lease liability with respect to the above noted lease, 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 statement of operations and comprehensive loss 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, which is classified as a current liability. As at December 31, 2019 the lease liability was $41 (2018 - $nil), increasing due to the extension of the office lease during the year.

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 statement of operations and comprehensive loss. 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 statement of cash flows.

The change in accounting policy affected the following items in the consolidated balance sheet on January 1, 2019 as follows:

		Amount
Property, plant and equipment – increased by	$	22
Lease liabilities – increased by		(22)

Until the end of 2018, payments under operating leases were charged to the consolidated statement of operations and comprehensive loss 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 the adoption of IFRS 16, only depreciation charged in respect of right-of-use assets and accretion expense on lease liabilities have been included in the consolidated statement of operations and comprehensive loss and therefore included in the calculation of loss per share. Principal portions of lease payments are not included in the consolidated statement of operations and comprehensive loss and are instead applied to reduce the lease liability in the consolidated balance sheet. There was no material impact of these changes on the measurement of Marathon's loss per share for the year ended December 30, 2019.

Short-term lease payments are not included in the measurement of lease liabilities and are not shown in the consolidated balance sheet in accordance with IFRS 16. These payments are included as part of mineral exploration

and evaluation assets in the consolidated balance sheet. 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 statement of operations and comprehensive loss and the operating activities section of the consolidated statement of cash flows.

Practical expedients applied

Upon adoption of IFRS 16, Marathon considered the following practical expedients permitted by the standard:

- The use of the modified retrospective approach upon initial adoption where the cumulative effect of prior period amounts are recorded as an adjustment to the opening balance sheet through opening deficit on January 1, 2019, with no adjustment to the 2018 comparative period.
- 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.

IFRIC 23

IFRIC 23 - *Uncertainty over income tax treatments* clarifies how the recognition and measurement requirements of IAS 12 - *Income Taxes*, are applied where there is uncertainty over income tax treatments effective for years beginning on or after January 1, 2019. There was no accounting impact to the financial statements on adoption of this standard.

4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of our consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that can affect reported amounts of assets, liabilities, revenues and expenses and the accompanying disclosures. Estimates and assumptions are continuously evaluated and are based on management's historical experience and on other assumptions we believe to be reasonable under the circumstances. However, uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Mineral exploration and evaluation ("E&E") 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 reserves and resources is a complex process involving numerous variables and is based on a professional evaluation using accepted international standards for the assessment of mineral reserves. Estimation is a subjective process, and the accuracy of such estimates is a function of the quantity and quality of available data, the assumptions made, and judgments used in engineering and geological interpretation 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 forecasted price 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.

Impairment assessment and reverse impairment indicators

Determining whether facts and circumstances indicate that Marathon's 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. 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.

Carrying value of assets and impairment charges

The Company undertakes a review of its assets at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the asset or cash-generating unit ("CGU") is made, which is considered to be the higher of its Fair Value less Cost of Disposal ("FVLCD") and Value in Use ("VIU"). An impairment loss is recognized when the carrying value of the asset or CGU is higher than the recoverable amount. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, discount rates, future production and sale volumes, metal prices, reserves and resource quantities, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the asset or CGU. In determining a CGU, management has examined the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or group of assets.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the financial statements cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

When measuring the fair value of an asset or liability, the Company uses observable market data to the greatest extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Income taxes

The Company's management makes significant estimates and judgments in determining the Company's tax expense for the period and the deferred tax assets and liabilities. Management interprets tax legislation and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. In addition, management makes estimates

related to expectations of future taxable income based on cash flows from operations and the application of existing tax law. Assumptions used in the forecast of taxable profit are based on management's estimates of future production and sales volume, commodity prices, operating costs, capital expenditures, and decommissioning and reclamation expenditures. These estimates are subject to risk and uncertainty and could result in an adjustment to the deferred tax asset and a corresponding credit or charge to the consolidated statement of operations and comprehensive loss.

A deferred tax asset is recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized.

Share-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. The key assumptions used to derive the fair value of options granted in 2019 and 2018 are detailed in Note 9 to the consolidated financial statements.

5. MINERAL EXPLORATION AND EVALUATION ASSETS

The following table shows the breakdown of the Company's mineral exploration and evaluation assets:

	Valentine Gold Project, Newfoundland	Golden Chest Royalty Interest	Bonanza Mine Project, Oregon USA	Total
Balance at January 1, 2018	**$ 73,009**	**$ 44**	**$ 773**	**$ 73,826**
Deferred exploration costs	11,928	—	—	11,928
Golden Chest NSR royalty	—	(44)	—	(44)
Currency translation adjustment	—	—	68	68
Balance at December 31, 2018	**$ 84,937**	**$ —**	**$ 841**	**$ 85,778**
Deferred exploration costs	16,975	—	—	16,975
Sale of Franco-Nevada NSR royalty	(17,979)	—	—	(17,979)
Currency translation adjustment	—	—	(40)	(40)
Balance at December 31, 2019	**$ 83,933**	**$ —**	**$ 801**	**$ 84,734**

Included in the deferred exploration costs for the year ending December 31, 2019 is personnel cost amounting to $3,187 (2018 - $2,064) relating to work performed directly on the Valentine Gold Project (see Note 12).

Valentine Gold Project

Net smelter return royalty

On February 21, 2019, Marathon sold a 2% net smelter returns royalty on the Valentine Gold Project to Franco-Nevada Corp. (the "FNV NSR") for gross proceeds of $18,000 and net proceeds of $17,979. The FNV NSR applies to

sales of precious and base metals and minerals from all of the claims which comprise the Valentine Gold Project. Marathon has an option to buy back 0.5% of the FNV NSR for US$7.0 million until December 31, 2022. The above noted buyback option is treated as a financial instrument measured at fair value taking into account the likelihood of the Company exercising this buyback option. As of December 31, 2019, in the absence of environmental approvals and financing to build the mine and other uncertainties associated with the outcome of exploration and evaluation activities, it is unlikely management will exercise this buyback option, and as such, management has ascribed a $nil value to it.

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.

Bonanza Mine Project

On December 16, 2011, the Company 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$127 thousand and 300,000 common shares with a fair value of $345. 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$1.0 million.

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. INCOME TAXES

The Company recognizes deferred tax assets and liabilities based on the difference between the financial reporting and tax basis of assets and liabilities using the tax rates enacted or substantively enacted when the temporary differences are expected to reverse. Deferred tax assets are fully recognized when management concludes that sufficient positive evidence exists to demonstrate that it is probable that a deferred tax asset will be realized. These factors include, but are not limited to, (a) historic and expected future levels of taxable income; (b) tax plans that affect whether tax assets can be realized; and (c) the nature, amount and expected timing of reversal of taxable temporary differences. Levels of future income are affected by the market price of gold, forecasted future costs of production and quantities of proven and probable gold reserves. If these factors or other circumstances change, the Company records an adjustment to the recognition of deferred tax asset to reflect the Company's latest assessment of the amount of deferred tax asset that is probable to be realized.

A reconciliation of expected income tax on net loss at statutory rates with the actual income tax expense is as follows:

	For the years ended December 31, 2019	2018
Net loss before tax	$ (4,422)	$ (2,347)
Statutory tax rate	26.5 %	26.5%
Tax benefit at statutory rate	$ (1,172)	$ (622)
Foreign tax rates	(6)	(2)
Change in losses not previously recognized	1,210	910
Permanent differences	239	214
Deferred income tax expense	**$ 271**	**$ 500**

Our net deferred tax liabilities at December 31, 2019 and 2018 include the following components:

	As at December 31, 2019	As at December 31, 2018
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	$ 7,168	$ 5,547
Deferred tax assets to be recovered within 12 months	—	—
	7,168	5,547
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	(11,981)	(9,905)
Deferred tax liabilities to be settled within 12 months	—	—
Deferred tax liabilities - net	**$ (4,813)**	**$ (4,358)**

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.

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

Deferred tax assets:	
At January 1, 2018	**$ 4,857**
Credited to the statement of operations	498
Credited to equity	192
At December 31,2018	**5,547**
Credited to the statement of operations	1,312
Credited to equity	309
At December 31, 2019	**$ 7,168**

Deferred tax liabilities:		
At January 1, 2018	**$**	**(6,744)**
Charged to the statement of operations		(3,161)
At December 31,2018		**(9,905)**
Charged to the statement of operations		(2,076)
At December 31, 2019	**$**	**(11,981)**

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

	As at December 31, 2019	**As at December 31, 2018**
Losses carried forward – Canada	$ 1,715	$ 1,713
Losses carried forward - US	6,474	6,978
	$ 8,189	**$ 8,691**

Tax losses carried forward expire between 2026 and 2040 and share issue costs will be deducted between 2020 and 2024. Other unrecognized deductible temporary differences do not expire.

7. SHARE CAPITAL

The Company has the following authorized share capital:

- Unlimited common shares without par value
- Unlimited preferred shares, issuable in series

The following table shows the movement in issued and outstanding share capital:

	Note	Number of Common Shares		Share Capital
Balance at December 31, 2017		**145,108,352**	**$**	**84,730**
Shares issued pursuant to prospectus offering	a.	5,900,000		5,015
Flow-through shares issued pursuant to prospectus offering	a.	2,900,000		2,552
Shares issued pursuant to the exercise of stock options		1,170,000		757
Shares issued pursuant to exercise of warrants		4,498,350		1,826
Deferred income taxes (see Note 6)		—		192
Share issue costs		—		(725)
Balance at December 31, 2018		**159,576,702**	**$**	**94,347**
Shares issued pursuant to private placements	b.	11,570,000		13,694
Flow-through shares issued pursuant to private placement	b.	5,420,000		6,415
Shares issued pursuant to exercise of stock options		2,529,500		1,428
Deferred income taxes (see Note 6)		—		309
Share issue costs		—		(1,165)
Balance at December 31, 2019		**179,096,202**	**$**	**115,028**

a. On July 19, 2018, the Company closed a prospectus offering of 5.9 million common shares at a price of $0.85 per common share and 2.9 million flow-through shares at a price of $1.05 per flow-through share, for aggregate gross proceeds of $8,060.

   The gross proceeds were allocated between Share capital and Flow-through share tax liability using the residual method, resulting in $493 of gross proceeds allocated to the liability portion.

   The Company incurred transaction costs of $772, of which $47, were ascribed to the Flow-through share tax liability and included in other finance expense.

b. On September 30, 2019, the Company closed a bought deal private placement for aggregate gross proceeds of $25,299 and net proceeds of $21,262 consisting of the following securities:

   - 11,570,000 common share units at a price of $1.32 per unit consisting of one common share and one-half of one share purchase warrant, with each whole warrant exercisable at a price of $1.60 per share and expiring on September 30, 2021; and
   - 5,420,000 flow-through share units at a price of $1.85 per unit consisting of one flow-through share and one-half of one share purchase warrant, with each whole warrant exercisable at a price of $1.60 per share and expiring on September 30, 2021.

   The gross proceeds from the offering of flow-through units were allocated between Share capital and Flow-through share tax liability using the residual method, resulting in $2,873 of gross proceeds allocated to the liability portion. The remaining proceeds, attributable to the offering of common-share and flow-through share units, were allocated between Share capital and Warrants on the basis of relative fair value, resulting in $2,317 of proceeds allocated to Warrants.

   The Company incurred transaction costs related to this financing amounting to $1,315, of which $150 were attributed to the Flow-through share tax liability and included in Other finance expense.

8. WARRANTS

The following table shows the movement in warrants:

	Note	Number of Warrants		Warrants
Balance at January 1, 2018		**4,498,350**	**$**	**386**
Exercised	a	(4,498,350)		(386)
Balance at December 31, 2018		**—**	**$**	**—**
Issued pursuant to private placement of common share units	b	5,785,000		1,578
Issued pursuant to private placement of flow-through share units	b	2,710,000		739
Balance at December 31, 2019		**8,495,000**	**$**	**2,317**

a. The warrants outstanding on January 1, 2018 were issued pursuant to a private placement which closed on May 6, 2016 and had an expiry of May 6, 2018. These warrants were fully exercised throughout the first half of 2018 for aggregate proceeds of $1,439.

b. The warrants were issued in connection with the September 30, 2019 private placement as described in Note 7 (b) and expire on September 30, 2021. The warrants were valued using the Black-Scholes option pricing model with the following assumptions:

Number of warrants granted		8,495,000
Exercise price	$	1.60
Expected volatility		50%
Risk free interest rate		1.57%
Expected dividend yield		Nil
Expected life in years		2
Fair value per warrant	**$**	**0.27**

9. SHARE-BASED COMPENSATION

Share-based compensation expenses recognized in general and administrative expense in the statements of operations and comprehensive loss and in mineral exploration and evaluation assets in the balance sheet is as follows:

	For the Years Ended December 31,			
		2019		2018
Stock options	$	777	$	767
Deferred share units		425		—
General and administrative expenses	**$**	**1,202**	**$**	**767**
Stock options	$	786	$	595
Deferred share units		—		—
Mineral exploration and evaluation assets	**$**	**786**	**$**	**595**

Total	**$ 1,987**	**$ 1,362**

Stock Option Plan

On June 7, 2017, the Company's Stock Option Plan (the "Plan") was reconfirmed by the Company's shareholders at its annual general meeting. 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 are exercisable for a period of 5 years or such other period as stipulated in a stock option agreement between Marathon and the optionee.

Under the Plan, the number of shares reserved for issue may not exceed 10% of the number of issued and outstanding common shares at any time. The exercise price of each option is not less than the closing price of the Company's shares on the Toronto Stock Exchange on the day prior to the date of grant, and the vesting periods for individual awards of options are determined at the discretion of the Compensation Committee.

The fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing model. Fair values of options granted during the years ended December 31, 2019 and 2018 were based on the weighted average assumptions noted in the following table:

	For the Years Ended December 31,	
	2019	**2018**
Expected volatility	61.34%	80.00%
Risk-free interest rate	1.54%	1.88%
Expected dividend yield	Nil	Nil
Expected lives	3 years	3 years
Expected forfeiture rate	Nil	Nil

The weighted average fair value per option granted during the year ended December 31, 2019 was $0.52 (2018 - $0.48). As at December 31, 2019, there was $596 of share-based compensation expense (2018 - $Nil) relating to the Company's unvested stock options to be recorded in future periods.

A summary of option activity under the Company's Stock Option Plan during the years ended December 31, 2019 and 2018 is as follows:

	Options ('000)	Weighted–Average Exercise price
Outstanding – January 1, 2018	10,119	$ 0.58
Granted	2,774	0.92
Exercised	(1,170)	0.49
Outstanding – December 31, 2018	11,723	0.67
Granted	4,475	1.24
Exercised	(2,530)	0.38
Expired	(318)	1.60
Outstanding – December 31, 2019	**13,350**	**$ 0.90**
Exercisable as of December 31, 2018	11,723	$ 0.67
Exercisable as of December 31, 2019	12,000	$ 0.84

The number of options outstanding by strike price as of December 31, 2019 is shown in the following table:

	Options outstanding			Options exercisable	
Range of exercise price	Number outstanding at December 31, 2019 ('000)	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number outstanding at December 31, 2019 ('000)	Weighted-average exercise price
0.20 to 0.99	6,712	2.2	$ 0.62	6,712	$ 0.62
1.00 to 1.09	4,688	3.3	1.06	4,688	1.06
1.10 to 1.64	1,950	4.7	1.43	600	1.46
	13,350	**3.0**	**$ 0.90**	**12,000**	**$ 0.84**

The number of options outstanding by strike price as of December 31, 2018 is shown in the following table:

	Options outstanding			Options exercisable	
Range of exercise price	Number outstanding at December 31, 2018 ('000)	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number outstanding at December 31, 2018 ('000)	Weighted-average exercise price
0.20 to 0.99	8,798	2.6	$ 0.54	8,798	$ 0.54
1.00 to 1.09	2,925	3.6	1.06	2,925	1.06
	11,723	**2.8**	**$ 0.67**	**11,723**	**$ 0.67**

Deferred Share Unit Plan

The Company's Deferred Share Unit Plan (the "DSU Plan") was adopted on October 10, 2019. Pursuant to the DSU Plan, the number of DSUs to be issued is determined by dividing the amount of the award by the volume-weighted average trading price of a Common Share (as reported by the TSX) for the 5 trading days immediately preceding the date the DSUs are awarded. The vesting schedule of the DSUs is determined at the discretion of the Compensation

Committee, but generally the DSUs vest on December 31 of the year in which the DSU was granted. DSUs will be settled in cash and the value thereof payable upon the director's termination of service.

During the year ended December 31, 2019, the Company awarded a total of 250,000 DSUs with a grant date fair value of $400. These DSUs vested on December 31, 2019, and the Company's liability with respect to these instruments was revalued based on the fair value of the Company's common shares on December 31, 2019, such that the total compensation expense related to this award amounted to $425. At December 31, 2019, there was no unrecognized compensation expense related to DSUs granted under the Company's DSU Plan.

A summary of DSU activity during the years ended December 31, 2019 and 2018:

	For the Years Ended December 31,	
	2019	2018
Number of DSUs, beginning of year ('000)	—	—
Granted	250	—
Exercised	—	—
Number of DSUs, end of year ('000)	**250**	**—**

10. LOSS PER COMMON SHARE

The following table provides a reconciliation between basic and diluted loss per common share:

	As at December 31, 2019	As at December 31, 2018
Net loss	$ 4,693	$ 2,847
Weighted average number of basic shares (millions)	166	153
Loss per share:		
Basic	0.03	0.02
Diluted	0.03	0.02

The computation of diluted loss per share excluded the impact of 13,350 in the money stock options (2018 – 8,798) and 8,495 warrants (2018 - Nil) as their inclusion would have had an anti-dilutive effect on net loss.

11. GENERAL AND AMINISTRATIVE EXPENSE

	For the Years Ended December 31,	
	2019	2018
Salaries, wages and benefits (see Note 12)	$ 1,303	$ 663
Share-based compensation	1,202	767
Professional fees	566	167
Investor relations	283	274
Listing fees	89	105
Depreciation	87	40
Occupancy costs	42	67
Flow-through shares Part XII.6 tax	4	62
Other expenses	269	204
	$ 3,845	**$ 2,349**

12. SALARIES, WAGES AND BENEFITS

	For the Years Ended December 31,	
	2019	2018
Salaries, wages and benefits	$ 3,071	$ 2,318
Director fees	282	190
Bonus – 2017/2018	387	—
Bonus – 2019	418	—
Termination costs (See Note 14)	880	—
Social security benefits	332	219
	$ 5,370	**$ 2,727**
Charged to general and administrative expenses (see Note 11)	$ 1,303	$ 663
Charged to other expense / (income) (see Note 14)	880	—
Capitalized as a component of mineral exploration and evaluation assets (see Note 5)	3,187	2,064
	$ 5,370	**$ 2,727**

13. FINANCE (INCOME) / EXPENSE, NET

	For the Years Ended December 31,	
	2019	2018
Interest income	$ (304)	$ —
Other finance expense	150	47
Net foreign exchange gain	(31)	(13)
Accretion expense	2	—
	$ (183)	**$ 34**

14. OTHER EXPENSE / (INCOME)

	For the Years Ended December 31,	
	2019	2018
Golden Chest NSR royalty income	$ (144)	$ (59)
Termination costs (see Note 12)	880	—
	$ 736	**$ (59)**

15. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in working capital for the years ended December 31, 2019 and 2018 are as follows:

	For the Years Ended December 31,	
	2019	2018
(Increase)/decrease in accounts receivable	$ (300)	$ 133
Increase in prepaids and deposits	(237)	(5)
Increase in accounts payable	636	4
Increase in flow-through share tax liability (see Note 7)	2,873	493
	$ 2,972	**$ 625**

16. RELATED PARTY TRANSACTIONS

There were no material related party transactions for the years ended December 31, 2019 and 2018 other than the items disclosed below.

Key management personnel

Key management personnel are defined as members of the Board of Directors and certain senior officers. Compensation of key management personnel are as follows, with such compensation made on terms equivalent to those prevailing in an arm's length transaction:

	For the Years Ended December 31,	
	2019	2018
Salaries and wages paid to key management	$ 1,205	$ 703
Director fees	282	190
Bonus – 2017/2018	245	—
Bonus – 2019	305	—
Termination costs	840	—
Share-based compensation – DSUs	425	—
Share-based compensation – Stock options	1,724	1,014
	$ 5,026	**$ 1,907**

17. FAIR VALUE HIERARCHY

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at December 31, 2019 and December 31, 2018:

	Fair Value Hierarchy	As at December 31, 2019	As at December 31, 2018
Financial assets – Amortized cost			
Cash and cash equivalents	1	$ 27,963	$ 3,662
Amounts receivable	3	565	265
		$ 28,528	**$ 3,927**
Financial liabilities – Fair value through profit and loss			
Deferred share unit liability	2	$ 425	$ —
Other financial liabilities – Amortized cost			
Trade payables and accrued liabilities	3	$ 1,838	$ 502
		$ 2,263	**$ 502**

As at December 31, 2019 and 2018, the carrying values of the above noted financial instruments approximate their respective fair values.

18. FINANCIAL RISK MANAGEMENT

The Company's activities are subject to various risk factors that could impact the Company's financial assets, liabilities or future cash flows including, but not limited to, market risk, credit risk and liquidity risk.

Market Risk

Market risk occurs when a company is subject to adverse market conditions due to increased competition in the marketplace, adverse demand conditions within the market, or the inability to develop markets or position products to service targeted customers. Market risk can be further categorized into the following risks:

1. Currency Risk

Currency risk is the risk that the fair value of future cash flows will fluctuate because of changes in foreign currency exchange rates. In addition, the value of cash and cash equivalents and other financial assets and liabilities denominated in foreign currencies can fluctuate with changes in currency exchange rates.

The Company is exposed to currency risks stemming from the fact that one of the Company's subsidiary carries on business in the United States of America (USA). The appreciation of the US Dollar against the Canadian Dollar could adversely affect the Company's earnings and financial condition. However, given the insignificant nature of operations of this subsidiary in the USA, as of December 31, 2019 and 2018, the Company's exposure to the currency risk is not significant.

2. Commodity Price Risk

The commodity price risk arises as a result of adverse movement in the commodity prices. As at December 31, 2019 and 2018 the Company's mineral properties are under exploration and evaluation phases. Accordingly, the Company's is not exposed to commodity price risk at this stage.

3. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rate. As at December 31, 2019 and 2018, the Company does not have any borrowings and is therefore, not exposed to interest rate risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk is primarily associated with liquid financial assets. The Company limits its exposure to credit risk on liquid financial assets by holding its cash and cash equivalents at highly-rated financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities at maturity date. The Company limits its liquidity risk by ensuring that sufficient funds are available as and when needed. As of December 31, 2019, and 2018, the Company doesn't have any outstanding borrowings and all the financial liabilities of the company are due for repayment within twelve months from the balance sheet date, except for the DSU liability, which will be settled after 12 months from the balance sheet date.

19. CAPITAL RISK MANAGEMENT

The Company manages its capital in a manner that will allow it to continue as a going concern while maximizing the return to shareholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets to ensure that funds are available to support the acquisition, exploration and development of its mineral properties.

The Company's properties are in the exploration and evaluation stages, as such the Company depends on external financing to fund its activities. In order to carry out its exploration and development activities and to fund administrative costs, Marathon utilizes 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.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company is not subject to any externally imposed capital requirements.

20. SUBSEQUENT EVENTS

The Company entered into a lease agreement for corporate office space on December 11, 2019 with a commencement date of March 15, 2020, the date the space was made available for use by the lessor. The lease is for a 5 year-term starting August 1, 2020 and ending July 31, 2025. The Company recorded a right-of-use asset and lease liability of $569 related to the lease agreement in the first quarter of 2020.

While the Company continues to advance its Pre-Feasibility Study and work related to the Environmental Assessment, the timelines for future studies, permitting and exploration could be impacted depending on both the continued duration and severity of COVID-19. Beyond the potential impact to various schedules, the economic impact of COVID-19 could affect the company's ability to access capital markets and secure sufficient financing to move the project forward on previously planned timelines.