Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

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, of which all of its members are independent directors. The Audit Committee meets at least quarterly 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/ Julie L. Robertson
Julie L. Robertson
Chief Financial Officer

Toronto, Canada
March 23, 2023

TABLE OF CONTENTS

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION **9**

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS **10**

CONSOLIDATED STATEMENTS OF CASH FLOWS **11**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY **12**

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS **13**
2. BASIS OF PRESENTATION **13**
3. SUMMARY OF ACCOUNTING POLICIES **14**
4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS **23**
5. PREPAIDS AND DEPOSITS **26**
6. RESTRICTED CASH **26**
7. MINERAL PROPERTIES, PLANT AND EQUIPMENT **26**
8. LEASE OBLIGATION **28**
9. RECLAMATION PROVISION **29**
10. CREDIT FACILITY **29**
11. INCOME TAXES **30**
12. SHARE CAPITAL **33**
13. WARRANTS **35**
14. SHARE-BASED COMPENSATION........ **36**
15. NET LOSS PER COMMON SHARE **39**
16. FINANCE EXPENSE/(INCOME), NET **39**
17. OTHER INCOME, NET **40**
18. SUPPLEMENTAL CASH FLOW INFORMATION **40**
19. RELATED PARTY TRANSACTIONS **40**
20. COMIMTMENTS AND CONTINGENCIES **41**
21. FAIR VALUE HIERARCHY **41**
22. FINANCIAL RISK MANGAEMENT **41**
23. CAPITAL RISK MANAGEMENT **43**
24. SUBSEQUENT EVENTS **43**

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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of mineral exploration and evaluation assets of the Valentine Gold Project prior to reclassification to assets under construction within mineral properties, plant and equipment. *Refer to note 4 – Critical accounting judgments, estimates and assumptions and note 7 – Mineral properties, plant and equipment to the consolidated financial statements.* On October 6, 2022, the Company received an Early Works Certificate and Approval for Construction from the Newfoundland and Labrador Department of Environment and Climate Change, which supported management's determination that the technical feasibility and commercial viability of the Valentine Gold Project had been demonstrated. Effective October 6, 2022, the Company reclassified capitalized costs from mineral exploration and evaluation assets in the amount of $131.3 million of the Valentine Gold Project to assets under construction within mineral properties, plant and equipment. The carrying values of mineral exploration and evaluation assets are tested for impairment before they are reclassified to assets under construction within the mineral properties, plant and equipment. Management completed an impairment test of the mineral exploration and evaluation assets of the Valentine Gold Project which compared the carrying value to the recoverable amount. Management estimated the recoverable amount based on the fair value less cost of disposal approach using a discounted cash flow model. The significant assumptions in the	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the mineral exploration and evaluation assets of the Valentine Gold Project, which included the following: − Tested the mathematical accuracy of the discounted cash flow model. − Evaluated the reasonableness of future gold prices by comparing them with external market and industry data. − The work of management experts was used in performing the procedures to evaluate the reasonableness of (i) the estimated mineral reserves and resources and production (including estimated metal recovery values) and (ii) the forecasted initial and sustaining capital costs and forecasted operating costs assumptions. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.

Key audit matter	How our audit addressed the key audit matter
discounted cash flow model included (i) future gold prices; (ii) forecasted initial and sustaining capital costs and forecasted operating costs; (iii) estimated mineral reserves and resources and production; (iv) estimated metal recovery values; and (v) the discount rate. The estimated mineral reserves and resources and production (including estimated metal recovery values), forecasted initial and sustaining capital costs and forecasted operating costs are based on information compiled by qualified persons (management's experts). We considered this a key audit matter due to the (i) significance of the mineral exploration and evaluation assets of the Valentine Gold Project that were reclassified to assets under construction within the mineral properties, plant and equipment and (ii) the significant audit effort and subjectivity in performing procedures to test the significant assumptions used by management in determining the recoverable amount of the mineral exploration and evaluation assets of the Valentine Gold Project. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing the procedures.	− Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the appropriateness of the fair value less cost of disposal approach and discounted cash flow model, and the reasonableness of the discount rate used within the model. • Tested the disclosures, including the sensitivity analysis, made in the consolidated financial statements with regard to the impairment assessment.

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 23, 2023

MARATHON GOLD CORPORATION

Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)

	Notes	As at December 31, 2022	2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 132,876	$ 87,177
Amounts receivable		6,904	2,069
Prepaids and deposits	5	9,871	1,382
Other current assets	10	5,418	—
Total Current Assets		**155,069**	**90,628**
RESTRICTED CASH	6	4,569	—
MINERAL PROPERTIES, PLANT AND EQUIPMENT	7	281,577	150,145
Total Assets		**$ 441,215**	**$ 240,773**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 29,787	$ 3,544
Current portion of lease obligation	8	4,265	291
Flow-through share tax liability	12	—	3,178
Total Current Liabilities		**34,052**	**7,013**
LONG TERM PORTION OF LEASE OBLIGATION	8	23,902	927
SHARE-BASED COMPENSATION LIABILITY	14	1,624	3,094
RECLAMATION PROVISION	9	2,137	—
DEFERRED TAX OBLIGATION	11	5,553	4,676
Total Liabilities		**67,268**	**15,710**
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	12	387,290	251,936
WARRANTS	13	18,955	—
CONTRIBUTED SURPLUS		18,759	15,574
DEFICIT		(51,154)	(42,486)
ACCUMULATED OTHER COMPREHENSIVE INCOME		97	39
Total Shareholders’ Equity		**373,947**	**225,063**
Total Liabilities and Shareholders’ Equity		**$ 441,215**	**$ 240,773**

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, 2022	2021
EXPENSES			
General and administrative expense		$ 8,365	$ 9,703
Finance expense/(income), net	16	585	(250)
Other income, net	17	(177)	(177)
Loss before tax		**8,773**	**9,276**
Deferred income tax recovery	11	(104)	(2,210)
Net Loss		**$ 8,669**	**$ 7,066**
OTHER COMPREHENSIVE LOSS			
Currency translation adjustment		(58)	1
Total Comprehensive Loss		**$ 8,611**	**$ 7,067**
Net loss per common share			
Basic and diluted	15	$ 0.03	$ 0.03
Weighted average common shares outstanding – basic and diluted (000's)		294,649	234,199

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

Consolidated Statements of Cash Flows

(Stated in thousands of Canadian dollars)

	Notes	For the Years Ended December 31, 2022	2021
OPERATING ACTIVITIES			
Net loss		$ (8,669)	$ (7,066)
Reconciliation of net loss to net cash used in operating activities:			
Depreciation	7	445	305
Deferred income tax recovery	11	(104)	(2,210)
Share-based compensation	14	1,031	2,275
Accretion expense		92	46
Unrealized foreign exchange loss/(gain)		224	(47)
Upfront financing fees		2,054	—
Changes to non-current assets	6	(4,569)	—
Changes in working capital	18	(14,640)	1,053
Net cash used in operating activities		(24,136)	(5,644)
INVESTING ACTIVITIES			
Additions to mineral properties, plant and equipment		(74,592)	(41,408)
Government assistance		—	77
Net cash used in investing activities		(74,592)	(41,331)
FINANCING ACTIVITIES			
Lease payments	8	(528)	(238)
Proceeds from private placement financing, net	12	—	45,891
Proceeds from bought deal financing, net	12	145,146	—
Upfront financing fees		(2,054)	
Exercise of stock options		1,863	4,225
Exercise of warrants		—	32,621
Net cash provided by financing activities		144,427	82,499
Increase in cash and cash equivalents		45,699	35,524
Cash and cash equivalents, beginning of period		87,177	51,653
Cash and cash equivalents, end of period		**$ 132,876**	**$ 87,177**

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, 2021	**212,234,586**	**$ 162,451**	**$ 4,500**	**$ 14,955**	**$ (35,419)**	**$ 40**	**$ 146,527**
Net loss	—		—	—	(7,066)	—	(7,066)
Share-based compensation	—	—	—	2,460	—	—	2,460
Common shares issued upon exercise of stock options	3,894,000	6,089	—	(1,864)	—	—	4,225
Common shares issued upon exercise of warrants	18,508,549	37,099	(4,478)	—	—	—	32,621
Expiration of warrants (Note 13)	—	—	(22)	22	—	—	—
Common shares issued upon settlement of restricted share units	20,400	63	—	—	—	—	63
Common shares issued pursuant to private placement financing (Note 12)	14,373,101	35,214	—	—	—	—	35,214
Flow-through shares issued pursuant to private placement financing (Note 12)	4,888,629	11,977	—	—	—	—	11,977
Share issuance costs	—	(1,300)	—	—	—	—	(1,300)
Deferred income taxes related to share issuance costs	—	343	—	—	—	—	343
Currency translation adjustment	—	—	—	—	—	(1)	(1)
Balance at December 31, 2021	**253,919,265**	**$ 251,936**	**$ —**	**$ 15,573**	**$ (42,485)**	**$ 39**	**$ 225,063**
Balance at January 1, 2022	**253,919,265**	**$ 251,936**	**$ —**	**$ 15,573**	**$ (42,485)**	**$ 39**	**$ 225,063**
Net loss	—	—	—	—	(8,669)	—	(8,669)
Share-based compensation	—	—	—	4,134	—	—	4,134
Common shares issued upon exercise of stock options	1,637,340	2,811	—	(948)	—	—	1,863
Common shares issued upon settlement of restricted share units	69,966	156	—	—	—	—	156
Common shares issued upon purchase of NPI Royalty (Note 7)	1,341,607	4,000	—	—	—	—	4,000
Common shares issued pursuant to bought deal financing (Note 12)	136,364,000	131,884	18,116	—	—	—	150,000
Common shares issued pursuant to over-allotment option (Note 12)	2,454,600	2,599	839	—	—	—	3,438
Share issuance costs	—	(8,292)	—	—	—	—	(8,292)
Deferred income taxes related to share issuance costs	—	2,196			—	—	2,196
Currency translation adjustment	—	—	—	—	—	58	58
Balance at December 31, 2022	**395,786,778**	**$ 387,290**	**$ 18,955**	**$ 18,759**	**$ (51,154)**	**$ 97**	**$ 373,947**

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 36 Lombard Street, Suite 600, Toronto, Ontario, M5C 2X3, Canada.

The Company's primary business focus is the exploration and development of it's flagship asset, the wholly owned Valentine Gold Project, located in Newfoundland and Labrador, Canada.

2. BASIS OF PRESENTATION

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 23, 2023.

Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Marathon Gold USA Corporation and Marathon Gold NL Corp. 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.

Risk and uncertainty as a result of the global COVID-19 pandemic

Consistent with other businesses globally, the Company's operations could be significantly adversely affected by the effects of the widespread global outbreak of COVID-19. In the fourth quarter of 2022, the Company commenced early works development activities and continued to advance its work related to site-specific permitting and exploration activities through to the end of 2022. These activities could be impacted by COVID-19 through supply chain disruptions, impacted staff, or the Company's ability to safely access the project site. During the year ended December 31, 2022, the Valentine Gold Project camp and operations were not materially impacted by COVID-19.

3. SUMMARY OF ACCOUNTING POLICIES

Consolidation

Subsidiaries are those entities which the Company controls, as evidenced by the power and right to direct the relevant activities of the entity, exposure to variable returns from involvement with the entity and the ability to use its power over the entity to affect the amount of the Company's returns. 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 select Canadian chartered banks. 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 classified as financial assets at fair value through profit or loss and are measured at fair value.

Restricted Cash

Restricted cash and restricted short-term investments Cash and short-term investments which are subject to legal or contractual restrictions on their use are classified separately as restricted cash and restricted short-term investments. Restricted cash is classified as a financial asset at fair value through profit or loss and are measured at fair value.

Mineral properties, plant and equipment

I. Property, plant and equipment

Property, plant and equipment, which includes furniture and fixtures, vehicles, computer software, buildings and right-of-use assets, 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.

- Furniture and fixtures 2 to 5 years
- Vehicles 3 to 5 years
- Computer software 5 years
- Buildings 20 years
- Right-of-use assets Term of the lease

Depreciation commences when the property, plant and equipment assets are considered available for use. 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.

Where an item of building, plant and equipment comprises major components with different useful lives, the components are depreciated separately but are grouped for disclosure purposes as building, plant and equipment.

Major overhaul expenditures and the cost of replacement of a major component are depreciated over the average expected period between major overhauls.

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. 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.

II. 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.

Exploration and evaluation assets are not considered to be available for use and are therefore not subject to depreciation.

III. Assets under construction

Construction of mining and processing facilities on a mineral property of which technical feasibility and commercial viability has been proven, commences when a mine plan has been prepared, the Company has obtained all regulatory permissions to proceed, and a decision is made to commercially develop the property. During construction, equipment purchases and expenditures on construction of mining and processing facilities are capitalized and classified as assets under construction. These costs include: the purchase price, installation costs, site preparation costs, survey costs, freight charges, transportation insurance costs, duties, testing and preparation charges and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Borrowing costs are capitalized to qualifying assets and are included in construction-in-progress. Qualifying assets are assets that take a substantial period of time to prepare for the Company’s intended use, which includes projects that are in the exploration and evaluation, pre-development and development stages. Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

Assets under construction are not considered to be available for use and are therefore not subject to depreciation. When an asset becomes available for use, its costs are transferred from assets under construction into the appropriate asset classification such as mineral properties, or building, plant and equipment. Depreciation commences once the asset is complete and available for use.

IV. Mineral properties

Mineral properties, which include the costs of acquiring, exploring and developing mineral properties or property rights, and increasing future output by providing access to additional sources of reserves or resources, are capitalized up to the time the asset is ready for use.

Mineral properties are recorded at cost less accumulated depletion and impairment charges. When assets are ready for use as intended by management, mineral properties and mine development costs are amortized on a unit-of production basis over the estimated proven and probable reserves, resources or other relevant metrics to which they relate. Mine development costs associated with each distinct section of the mine are amortized over the reserves, resources or other relevant metric to which they relate. Upon sale or abandonment of mineral properties, the cost and related accumulated depletion are written off and any gains or losses thereon are included in the consolidated statements of operations and comprehensive loss.

Impairment of long-lived assets (including Mineral properties, plant and equipment)

The Company assesses at each reporting period whether there is an indication that an asset or group of assets may be impaired and the carrying amount may not be recoverable. 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), estimated 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.

Leases

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 substantively 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 substantive 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.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable and accrued liabilities 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.

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.

Reclamation Provision

Provisions for reclamation arise from the acquisition, development and construction of mining properties and plant and equipment that are subject to government controls and regulations that protect the environment on the closure and reclamation of mining properties. Provisions for reclamation are recognized at the time that an environmental disturbance occurs or a new legal or constructive obligation is determined. Reclamation provisions are based on the estimated future costs using information available at the date of the statement of financial position.

At the time of establishing the provision, a corresponding asset is capitalized, where it gives rise to a future benefit, and depreciated over future production from the operations to which it relates. For properties where mining activities have ceased or are in reclamation, changes to the reclamation provision are charged directly to the consolidated statements of operations and comprehensive loss. The provision is discounted using a current market-based, risk-free discount rate and the accretion of the discount is included in finance expenses.

The provision is reviewed at each reporting date for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

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.

<u>Financial Assets</u>

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

I. Financial assets at fair value through profit or loss ("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 and accrued liabilities and lease liabilities. Trade payables and accrued liabilities 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 and accrued liabilities are measured at amortized cost. Lease liabilities are initially recognized at the net present value of the minimum lease payments and subsequently 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 share-based compensation liability, which consists of the deferred share unit ("DSU") liability and restricted share unit ("RSU") liability. The DSU and RSU liability, are accounted for as cash settled share-based payments with a liability recognized for services acquired. The DSU and RSU liability are initially recorded at the grant date fair value and remeasured at each reporting period, with the change in fair value recorded to general and administrative expense within the consolidated statement of operations and comprehensive loss and mineral properties, plant and equipment within the consolidation statement of financial position, as applicable.

Share-based compensation

The Company maintains a Stock Option Plan, Deferred Share Unit ("DSU") plan and Share Unit 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 general & administrative expense in the

consolidated statements of operations and comprehensive loss and in mineral properties, plant and equipment in the consolidated statement of financial position, with a corresponding increase recorded in the contributed surplus account in the consolidated statement of financial position. 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 non-executive director DSUs are paid out. Each non-executive director DSU has the same value as one Marathon common share. The non-executive director DSUs vest on December 31st of the year in which they are granted.

Non-executive director 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.

Share Unit Plan

Under the Company's Share Unit Plan, share units ("SUs"), such as restricted share units ("RSUs"), performance share units ("PSUs") and employee DSUs, may be granted to executive officers, employees, including full-time and permanent part-time employees, and consultants, but not to non-executive directors. SUs will be subject to any combination of time-based vesting and performance-based vesting conditions as the Board of Directors shall determine from time to time. The Board of Directors will also be authorized to grant employee DSUs to non-executive Directors. DSUs may be subject to time-based vesting, as the Board of Directors shall determine from time to time. Employee DSUs will become payable at the time of an eligible participant's termination of office or employment with the Company. Unless otherwise set forth in the particular award agreement, the Board of Directors may elect one or any combination of the following settlement methods for the settlement of vested SUs: issuing shares to the participant from treasury; causing a broker to purchase shares on the Toronto Stock Exchange for the account of the participant; paying cash to the participant; or a combination of the foregoing.

SUs are measured on the grant date at fair value and recognized over the vesting period as an obligation if cash-settled or in equity within contributed surplus if equity-settled. If the SU is cash-settled and recorded 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 general & administrative expense in the statement of operations and comprehensive loss and mineral properties, plant and equipment in the statement of financial position.

Net income/(loss) per share

Basic net income/(loss) per share of common stock is calculated by dividing net 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 net 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 Marathon Gold NL Corp., 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 consolidated statement of financial position 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

There were no new accounting standards effective January 1, 2022, that were applicable to the Company, except for the following:

On January 1, 2022, the Company adopted amendments to IFRS 9, IAS 39, IFRS 7, IFRS 16 and Interest Rate Benchmark Reform – Phase 2 as issued in August 2020. For financial instruments measured using amortized cost, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform were reflected by adjusting their effective interest rate, where applicable. Accordingly, no immediate gain or loss was recognized.

The Company's exposure to the interest rate benchmark reform, includes all variable-rate financial instruments, such as interest payments related to the US$185 million term loan credit facility (Note 10). The Credit Facility Agreement contains a definition of Benchmark Replacement which specifies a rate adjustment once SOFR comes into effect. The rate adjustment to SOFR is +0.26161%, which brings the effective interest rate in line with LIBOR. The Company does not anticipate a material impact as a result of adoption of this accounting standard over the life of the credit facility.

New interpretations or amendments to existing standards

The following standards and interpretations have been issued but are not mandatory for annual reporting periods beginning on January 1, 2022:

- Deferred taxes related to assets and liabilities arising from a single transaction – *Effective for periods beginning on or after January 1, 2023*;
- Classification of Liabilities as Current or Non-current Amendments to IAS 1 - *Effective for periods beginning on or after January 1, 2024;* and
- Lease liability in a sale and leaseback – *Effective for periods beginning on or after January 1, 2024*.

Based on the assessment performed by management, none of the above noted amendments to the standards and interpretations are expected to have a material impact on the Company in the current or future reporting periods.

4. CRITICAL ACCOUNTING JUDGEMENTS, 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 reserves and 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.

Assessment of impairment indicators of mineral exploration and evaluation assets

At each reporting period, management assesses whether there is an indication that an asset or a group of assets, including mineral properties, plant and equipment may be impaired and that the carrying amount may not be recoverable. When impairment indicators exist, management estimates the recoverable amount of the mineral properties, plant and equipment and compares it against their carrying amount. Determining whether facts and circumstances indicate that the Company’s mineral properties, plant and equipment may be impaired and require the recognition of an impairment loss is a subjective process involving significant judgment and a number of interpretations.

Indicators of impairment considered by management include: (i) the period during which the Company has the right to explore in the area has expired during the year or will expire in the near future, (ii) substantive expenditure on further exploration for an evaluation of mineral reserves and resources in the area is neither budgeted nor planned,

(iii) based on the technical reports prepared by management's experts, whereby sufficient data exists to support that extracting the mineral reserves and resources will not be technically feasible or commercially viable and (iv) other facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Carrying value of mineral properties, plant and equipment 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.

Reclamation provision

Reclamation provision represents the present value of estimated future costs for the reclamation of the Company's mines and properties. These estimates include assumptions as to the future activities, cost of services, timing of the reclamation work to be performed, inflation rates, exchange rates and discount rates. The actual cost to reclaim a mine may vary from the estimated amounts because there are uncertainties in factors used to estimate the cost and potential changes in regulations or laws governing the reclamation of a mine. Management periodically reviews the reclamation requirements and adjusts the liability as new information becomes available and will assess the impact of new regulations and laws as they are enacted.

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 2022 and 2021, are detailed in Note 14 to the consolidated financial statements.

Transition of the Valentine Gold Project costs from Exploration and Evaluation to Assets Under Construction

The application of the Company's accounting policy for mineral property development costs required judgment to determine when the Valentine Gold Project's technical feasibility and commercial viability had been demonstrated. The Company considered various factors including obtaining regulatory approvals, the formal approval of the Board of Directors to proceed with the project along with the completion of the updated feasibility study and concluded that the technical feasibility and commercial viability for the Valentine Gold Project had been achieved. Accordingly, on October 6, 2022, the Company received an Early Works Certificate and Approval for Construction from the Newfoundland and Labrador Department of Environment and Climate Change, which supported management's determination that the technical feasibility and commercial viability of the Valentine Gold Project had been demonstrated. Effective October 6, 2022, the Company transferred capitalized costs from mineral exploration and evaluation assets in the amount of $131.3 million related to the Valentine Gold Project to assets under construction (Note 7). The carrying value of mineral exploration and evaluation assets are tested for impairment before they are transferred to assets under construction within the mineral properties, plant and equipment.

Management completed an impairment test of the Valentine Gold Project which compared the carrying value to the recoverable amount. Management estimated the recoverable amount based on the fair value less cost of disposal approach using a discounted cash flow model.

The significant assumptions in the discounted cash flow model included:

i. future gold prices,
ii. forecasted initial capital costs, forecasted sustaining capital costs and forecasted operating costs;

iii. estimated mineral reserves and resources and production;
iv. estimated metal recovery values; and
v. the discount rate.

The estimated mineral reserves and resources and production (including estimated metal recovery values) and forecasted initial and sustaining capital costs and forecasted operating costs are based on information compiled by qualified persons (management's experts).

The Company performed a sensitivity analysis of plus or minus 5% on each of the above inputs, holding all other inputs equal and noted that there was no impact on the result of the impairment test.

5. PREPAIDS AND DEPOSITS

The prepaids and deposits balance consists primarily of $9,645 in mobile equipment security deposits made to Caterpillar Financial Services Limited related to the US$81 million Master Lease Agreement ("MLA") entered into in the third quarter of 2022. Under the MLA, the Company is required to provide security deposits in an amount of thirty-five percent (35%) of the acquisition cost of any Tranche 1 mobile equipment contracts entered into and shall be held until the earlier of the achievement of full cost to complete funding of the Project or default under the MLA.

6. RESTRICTED CASH

The Company has reclamation deposits representing funds that have been placed in trust as security with various departments of the province of Newfoundland & Labrador relating to site closure obligations of the Valentine Gold Project. These deposits will be released when the government approves successful site restoration or surety bonding is no longer required.

At December 31, 2022, the reclamation deposits are carried at fair value of $4,569 (2021 - $nil) and consist of cash.

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

The following table shows the components of the Company's mineral properties, plant and equipment assets:

	Mineral Exploration and Evaluation Assets (4)(6)	Assets Under Construction (1)(4)(7)	Mineral Properties (5)	Property, Plant and Equipment (1)	Total (2)
Cost					
Balance at January 1, 2022	$ 117,961	$ —	$ 30,134	$ 2,996	$ 151,091
Additions	14,156	70,541	20,293	27,384	132,374
Transfers (3)	(131,335)	131,335	—	—	—
Adjustments on currency translation	53	—	—	—	53
Balance at December 31, 2022	835	201,876	50,427	30,380	283,518
Accumulated depreciation					
Balance at January 1, 2022	—	—	—	946	946
Additions	—	—	—	995	995
Balance at December 31, 2022	—	—	—	1,941	1,941
Net Book Value at December 31, 2022	**$ 835**	**$ 201,876**	**$ 50,427**	**$ 28,439**	**$ 281,577**
Cost					
Balance at January 1, 2021	$ 86,757	$ —	$ 17,889	$ 1,542	$ 106,188
Additions	31,207	—	12,245	1,573	45,025
Disposals	—	—	—	(119)	(119)
Adjustments on currency translation	(3)	—	—	—	(3)
Balance at December 31, 2021	117,961	—	30,134	2,996	151,091
Accumulated depreciation					
Balance at January 1, 2021	—	—	—	687	687
Additions	—	—	—	306	306
Disposals	—	—	—	(47)	(47)
Balance at December 31, 2021	—	—	—	946	946
Net Book Value at December 31, 2021	**$ 117,961**	**$ —**	**$ 30,134**	**$ 2,050**	**$ 150,145**

1) During 2022, the Company recorded right-of-use asset lease additions of $27,384 within property, plant and equipment (2021 - $793). For the year ended December 31, 2022, total depreciation on right-of-use-assets within property, plant and equipment was $864 (2021 - $212). Of this total depreciation, $550 was capitalized to assets under construction for the right-of-use assets related specifically to the Valentine Gold Project (2021 - $nil).
2) Certain assets under construction, mineral properties and property, plant and equipment are held as security on the Company's credit facility (Note 10).
3) In September 2022, the Company announced it had received Board approval for construction of the 100% owned Valentine Gold Project, with early works beginning on October 1, 2022. As a result, the Company reclassified $131,335 from exploration and evaluation assets to assets under construction.

4) Included in exploration and evaluation assets and assets under construction for the year ending December 31, 2022, is personnel cost amounting to $13,262 (2021 - $7,586) relating to work performed directly on the Valentine Gold Project.
5) On March 14, 2022, the Company purchased for cancellation the historical 7.5% net profit interest royalty (the "NPI Royalty") that covered certain mineral resource areas at the Company's Valentine Gold Project in central Newfoundland. These properties were initially granted to the Reid Newfoundland Company Limited ("Reid") in the early part of the last century in connection with the development of the Newfoundland railway. The NPI Royalty, which was initially reserved in 1905 and amended in 1948 to provide for a 7.5% net profits interest royalty on all minerals, continues to apply today in the areas of the Leprechaun and Sprite Deposits and part of the Berry Deposit. As consideration for the NPI Royalty, Marathon paid $500 in cash and issued 1,341,607 common shares (having a value of $4,000 based on the 5-day VWAP) at closing to Reid, the private third-party vendor. In addition, Marathon paid additional cash consideration of $3,000 to Reid upon the formal release of the Project from the provincial and federal environmental assessment processes. Marathon recorded $7,500 to mineral properties within mineral properties, plant and equipment to reflect the purchase of the NPI Royalty.
6) 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. The current net book value of $835 is recorded in mineral properties within mineral properties, plant and equipment.
7) On December 31, 2022, the Company recognized a reclamation provision of $2,137 and capitalized a corresponding amount to assets under construction within mineral properties, plant and equipment (Note 9).

8. LEASE OBLIGATION

The Company has entered into various land, office, warehouse, office equipment, vehicle, drilling and mobile equipment leases in Ontario and Newfoundland & Labrador. Leases of low value assets, short-term leases and leases with variable payments proportional to the rate of use of the underlying asset do not give rise to a lease obligation and a right-of-use asset, and expenses are included in operating costs in the consolidated statement of operations and comprehensive loss. During the fourth quarter of 2022, the Company entered into a series of mobile equipment contracts under the US $81 million Master Lease Agreement with Caterpillar Financial Services Limited. The leases are for a 6-year term, with quarterly lease payments beginning in the first quarter of 2023. The Company recorded a right-of-use asset and corresponding lease liability of $25,433 in the fourth quarter of 2022. During the fourth quarter of 2022 the Company also entered into a 5-year lease with Epiroc Canada Inc. for a surface drill rig under its Master Lease Agreement and recorded a right-of-use asset and corresponding liability of $1,218. Additional individually insignificant land and vehicle leases were also entered into during the year ended December 31, 2022. The changes in the carrying amount of the total lease liability is as follows:

	As at December 31,	
	2022	**2021**
Beginning balance	**$ 1,218**	**$ 693**
Additions	27,385	792
Disposals	—	(75)
Payments	(528)	(238)
Accretion	92	46
Balance at the end of the period	**$ 28,167**	**$ 1,218**
Current portion	$ 4,265	$ 291
Long term portion	23,902	927
Total	**$ 28,167**	**$ 1,218**

9. RECLAMATION PROVISION

The Company's reclamation provision relates to the restoration and closure of the Valentine Gold Project, which began early works activities in the fourth quarter of 2022. The total provision for reclamation at December 31, 2022 is $2,137 (2021 - $nil). The undiscounted value of this obligation is $3,814 (December 31, 2021 - $nil), calculated using a risk-free rate of 3.28% (2021 – nil). Accretion expense to reflect an increase in the carrying amount of the reclamation provision is charged to the consolidated statements of operations and comprehensive loss. Accretion expense of $nil has been charged to the consolidated statements of operations and comprehensive loss for 2022 (2021 - $nil), as the reclamation provision was established on December 31, 2022.

	As at December 31,	
	2022	**2021**
Beginning balance	**$ —**	**$ —**
Assumption of Valentine Gold Project provision	2,137	—
Accretion expense	—	—
Reclamation incurred	—	—
Accretion	—	—
Balance at the end of the period	**$ 2,137**	**$ —**
Current portion	$ —	$ —
Long term portion	2,137	—
Total	**$ 2,137**	**$ —**

10. CREDIT FACILITY

On March 31, 2022, the Company closed a US$185 million term loan credit facility (the "Facility") with Sprott Resource Corporation ("Sprott") for the construction, development and working capital requirements of the Valentine Gold Project. The 6.5-year senior secured term loan matures on June 30, 2028, with a 6-month extension option available.

The Facility will be funded into a debt proceeds account (the "DPA") in two tranches, being US$125 million which was deposited into the DPA on March 31, 2022 (the "Initial Advance") and US$60 million on December 31, 2022 (the "Second Advance"). Subject to conditions, the Facility is available to the Company up to the end of March 31, 2025 (the "Availability Period") on a prescribed schedule. The first release from the DPA of US$50 million was available on or after September 1, 2022, and the second release from the DPA of US$50 million was available on December 31, 2022. Conditions to the releases included the Project's release from federal environmental assessment, the perfection of security, a construction decision by the Company's Board of Directors and certain other customary covenants and terms. Releases of the final US$85 million from the DPA will be made as needed during the balance of the availability period in amounts up to $25 million per month. Releases of the final US$85 million will be subject to customary conditions, as required.

A fee of US$4 million (the "Initial Advance Fee") is a current contractual obligation under the agreement. On March 31, 2022, the Company classified the Initial Advance Fee as a deferred financing fee and recorded $4,998 to other current assets and a corresponding amount to accounts payable and accrued liabilities. At December 31, 2022, the Initial Advance Fee was revalued to $5,418 based on the foreign exchange rate at period-end. If on the Determination Date, being the earlier of the date of the first release and December 30, 2022, the Company has not elected to voluntarily prepay the Facility and all obligations have not accelerated or otherwise become due and payable in full, the Initial Advance Fee shall be capitalized and added to the outstanding principal amount of the loan.

Upon first release, the outstanding amount of the Facility will bear an interest of 7.75% plus the greater of (i) 3-month LIBOR, and (ii) 0.50% per annum, payable quarterly. In addition, 75% of the interest accruing to the end of the availability period shall be capitalized.

An Additional Interest Payment of US$15/ounce will be payable on the first 1 million ounces of payable gold produced by the Project. There are no other commitment or arrangement fees.

The Facility is to be repaid in ten quarterly principal repayments equal to 5.0% of the outstanding loan balance commencing on December 31, 2025, with the remaining 50% due at the maturity date.

The Company may terminate the Facility for any reason prior to December 30, 2022 upon payment of US$8 million, repayment of the first advance and payment of any accrued and unearned interest. If on December 30, 2022 the Company had failed to meet the conditions precedent to the second advance, the Facility will automatically terminate and the foregoing amounts will be payable. In addition, Sprott may terminate the Facility for any reason within 30 days of receiving the Company's updated feasibility study and financial model which was required to be delivered by November 30, 2022, in which case the Company would be obligated to repay the first advance, accrued and unpaid interest if any, and US$4 million in initial interest.

Subsequent to year end, the Company entered into an amended and restated term loan facility with Sprott (Note 24). In advance of this, certain waivers were granted by Sprott regarding the above credit facility terms at December 31, 2022.

11. 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:

	As at December 31,	
	2022	**2021**
Net loss before tax	$ (8,773)	$ (9,276)
Statutory tax rate	26.5%	26.5%
Tax benefit at statutory rate	$ (2,325)	$ (2,458)
Foreign tax rates	(10)	(6)
Release of flow-through share tax liability	(3,178)	(243)
Impact of changes in temporary differences	5,178	(109)
Permanent Differences	231	606
Deferred income tax recovery	**$ (104)**	**$ (2,210)**

The net deferred tax liability at December 31, 2022 and 2021, included the following components:

	As at December 31,	
	2022	**2021**
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	$ 23,246	$ 12,155
	23,246	12,155
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	(28,799)	(16,831)
	(28,799)	(16,831)
Deferred tax liability	**$ (5,553)**	**$ (4,676)**

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.

	As at December 31, 2022	As at December 31, 2021
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Long term investments	$ 34	$ 34
Property, plant and equipment	—	135
Lease liabilities	7,464	323
Financial liability at fair value through profit or loss	431	820
Reclamation provision	566	—
Mineral exploration and evaluation assets	497	497
Share issuance costs	2,712	945
Tax losses	11,542	9,401
Total deferred tax assets	**$ 23,246**	**$ 12,155**
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Mineral exploration and evaluation assets	$ (21,984)	$ (16,831)
Property, plant and equipment	(6,815)	—
Total deferred tax liabilities	**$ (28,799)**	**$ (16,831)**

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

Deferred tax assets:	
At January 1, 2021	**$ 9,535**
Credited to the statement of operations	2,277
Credited to equity	343
At December 31,2021	**12,155**
Credited to the statement of operations	8,894
Credited to equity	2,197
At December 31, 2022	**$ 23,246**

Deferred tax liabilities:	
At January 1, 2021	**$ (16,521)**
Charged to the statement of operations	(310)
At December 31,2021	**(16,831)**
Charged to the statement of operations	(11,968)
At December 31, 2022	**$ (28,799)**

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,	
	2022	**2021**
Losses carried forward – Canada	$ 1,721	$ 1,721
Losses carried forward - US	2,354	6,236
	$ 4,075	**$ 7,957**

Tax losses carried forward expire between 2025 and 2042 and share issuance costs will be deducted between 2023 and 2028. Other unrecognized deductible temporary differences do not expire.

12. 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 January 1, 2021		**212,234,586**	**$ 162,451**
Common shares issued pursuant to private placement financing	a.	14,373,101	35,214
Flow-through shares issued pursuant to private placement	a.	4,888,629	11,977
Common shares issued pursuant to exercise of stock options		3,894,000	6,089
Common shares issued pursuant to exercise of warrants		18,508,549	37,099
Common shares issued pursuant to settlement of restricted share units		20,400	63
Share issuance costs		—	(1,300)
Deferred income taxes related to share issuance costs		—	343
Balance at December 31, 2021		**253,919,265**	**$ 251,936**
Common Shares issued pursuant to bought deal financing	b.	136,364,000	131,884
Common Shares issued pursuant to over-allotment option	c.	2,454,600	2,599
Common shares issued pursuant to exercise of stock options		1,637,340	2,811
Common shares issued pursuant to settlement of restricted share units		69,966	156
Common shares issued pursuant to the purchase of the NPI Royalty (Note 7)		1,341,607	4,000
Share issuance costs		—	(8,292)
Deferred income taxes related to share issuance costs		—	2,196
Balance at December 31, 2022		**395,786,778**	**$ 387,290**

a. On May 26, 2021, the Company closed a private placement financing for aggregate gross proceeds of $50,369 and net proceeds of $48,981 consisting of the following securities:
   - 14,373,101 common shares at a price of $2.45 per common share; and

- 4,888,629 flow-through share common shares at a price of $3.10 per flow-through common share

The gross proceeds from the offering of flow-through common shares were allocated between Share capital and Flow-through share tax liability using the residual method, resulting in $3,178 of gross proceeds allocated to the liability portion.

The company incurred transaction costs related to this financing amounting to $1,388, of which $88 were attributed to the Flow-through share tax liability and included in other finance expense.

b. On September 20, 2022, the Company closed a bought deal financing for aggregate gross proceeds of $150,000 and net proceeds of $141,880 consisting of the following securities:
   - 136,364,000 common share units at a price of $1.10 per unit consisting of one common share; and
   - One-half of one share purchase warrant, with each whole warrant exercisable at a price of $1.35 per share and expiring on September 20, 2024 (the “Closing Date”), subject to the Acceleration Right. If, at any time following the Closing Date, the daily volume weighted average trading price of the common shares of the Company on the Toronto Stock Exchange is greater than $1.75 per common share for the preceding 10 consecutive trading days, the Company shall have the right (the “Acceleration Right”) to accelerate the expiry date of the Warrants to the date (the “New Expiry Date”) that is 30 days following the date of the acceleration notice to the holders of the Warrants and the warrant agent, provided that the New Expiry Date is not later than June 30, 2023.

   The gross proceeds from the offering were allocated between Share Capital and Warrants on the basis of relative fair value, resulting in $18,116 of proceeds allocated to Warrants.

   The Company incurred transaction costs related to the financing amounting to $8,120.

c. On October 7, 2022, the Company announced that further to its $150,000 bought deal financing (the “Offering”) that closed on September 20, 2022, the syndicate of underwriters had partially exercised its over-allotment option to acquire 2,454,600 additional common shares of the Company and 10,227,300 additional common share purchase warrants of the Company (each, a "Warrant") for aggregate gross proceeds of $3,438 and net proceeds of $3,266.

   Each Warrant entitles the holder thereof to acquire one common share of the Company at a price of $1.35 for a period of 24 months following the closing date of the Offering (the "Closing Date"), subject to the Acceleration Right. If, at any time following the Closing Date, the daily volume weighted average trading price of the common shares of the Company on the Toronto Stock Exchange is greater than $1.75 per common share for the preceding 10 consecutive trading days, the Company shall have the right (the “Acceleration Right”) to accelerate the expiry date of the Warrants to the date (the “New Expiry Date”) that is 30 days following the date of the acceleration notice to the holders of the Warrants and the warrant agent, provided that the New Expiry Date is not later than June 30, 2023.

   The gross proceeds from the offering were allocated between Share Capital and Warrants on the basis of relative fair value, resulting in $839 of proceeds allocated to Warrants.

   The Company incurred transaction costs related to the over-allotment option amounting to $172.

13. WARRANTS

The following table shows the movement in warrants:

	Note	Number of Warrants		Warrants
Balance at January 1, 2021	a.	**18,607,700**	**$**	**4,500**
Exercised		(18,508,549)		(4,478)
Expired		(99,151)		(22)
Balance at December 31, 2021		**—**	**$**	**—**
Issued pursuant to bought deal financing of common share units	b.	68,182,000		18,116
Issued pursuant to over allotment option	c.	10,227,300		839
Balance at December 31, 2022		**78,409,300**	**$**	**18,955**

a. The warrants were issued in connection with the September 30, 2019 bought deal private placement, with each whole warrant exercisable at a price of $1.60 per share and expiring on September 30, 2021 and in connection with the May 26, 2021 bought deal financing, with each whole warrant exercisable at a price of $1.90 per share and expiring on May 26, 2021.

b. The warrants issued in connection with the September 20, 2022 bought deal financing are described in Note 12 (b) and expire on September 20, 2024, subject to the Acceleration Right. The warrants were valued using the Black-Scholes option pricing model with the following assumptions:

Number of warrants granted	68,182,000
Exercise price	$ 1.35
Expected volatility	61%
Risk free interest rate	3.77%
Expected dividend yield	Nil
Expected life in years	2
Fair value per warrant	**$ 0.29**

c. The warrants issued in connection with the October 7, 2022 over-allotment option are described in Note 12 (c) and expire on September 20, 2024, subject to the Acceleration Right. The warrants were valued using the Black-Scholes option pricing model with the following assumptions:

Number of warrants granted	10,227,300
Exercise price	$ 1.35
Expected volatility	35%
Risk free interest rate	4.09%
Expected dividend yield	Nil
Expected life in years	2
Fair value per warrant	**$ 0.08**

14. SHARE-BASED COMPENSATION

Share-based compensation expenses recognized in general and administrative expense in the statements of operations and comprehensive loss and in mineral properties, plant and equipment in the statements of financial position are as follows:

	For the Years Ended December 31,	
	2022	**2021**
Stock options	$ 2,191	$ 1,311
Restricted share units	59	259
Deferred share units	(1,219)	705
General and administrative expenses	**$ 1,031**	**$ 2,275**
Stock options	$ 1,944	$ 1,149
Restricted share units	34	524
Mineral properties, plant and equipment	**$ 1,978**	**$ 1,673**
Total	**$ 3,009**	**$ 3,948**

Stock Option Plan

The fair value of stock option grants is estimated at the date of grant using the Black-Scholes option-pricing model. Fair values of options granted during the years ended December 31, 2022 and 2021, were based on the weighted average assumptions noted in the following table:

	For the Years Ended December 31,	
	2022	**2021**
Expected volatility	59.34%	55.71%
Risk-free interest rate	2.93%	0.33%
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, 2022 was $0.69 (2021 - $1.16). As at December 31, 2022, there was $2,872 of share-based compensation expense relating to the Company's unvested stock options to be recorded in future periods (2021 - $878).

A summary of option activity under the Company's Stock Option Plan during the years ended December 31, 2022 and 2021 is as follows:

	For the Year Ended December 31,			
	2022		2021	
	Options ('000)	Weighted-average exercise price	Options ('000)	Weighted-average exercise price
Balance – beginning of period	**10,302**	**$ 1.68**	**12,136**	**$ 1.24**
Granted	8,937	1.71	2,060	3.11
Exercised	(1,637)	1.14	(3,894)	1.09
Expired	(578)	1.90	—	—
Balance – end of period	**17,024**	**$ 1.74**	**10,302**	**$ 1.68**

The number of options outstanding by exercise price as of December 31, 2022 is shown in the following table:

	Options Outstanding			Options Exercisable	
Range of exercise price	Options ('000)	Weighted-average remaining contractual life (Years)	Weighted-average exercise price	Options ('000)	Weighted-average exercise price
0.20 to 0.99	1,574	0.9	$ 0.88	1,574	$ 0.88
1.00 to 1.09	976	1.4	1.05	943	1.05
1.10 to 1.64	8,262	4.0	1.16	3,399	1.24
1.65 to 3.64	6,212	3.5	2.83	3,799	2.71
	17,024	**3.4**	**$ 1.74**	**9,715**	**$ 1.74**

The number of options outstanding by exercise price as of December 31, 2021, is shown in the following table:

	Options Outstanding			Options Exercisable	
Range of exercise price	Options ('000)	Weighted-average remaining contractual life (Years)	Weighted-average exercise price	Options ('000)	Weighted-average exercise price
0.20 to 0.99	1,474	1.7	$ 0.80	1,474	$ 0.89
1.00 to 1.09	2,203	1.2	1.06	2,203	1.06
1.10 to 1.64	3,065	3.2	1.30	2,327	1.31
1.65 to 3.64	3,560	4.1	2.72	1,687	2.73
	10,302	**2.9**	**$ 1.67**	**7,691**	**$ 1.47**

Non-Executive Director Deferred Share Unit Plan

At December 31, 2022, the non-executive director DSU liability was revalued to $527 and an expense for the fourth quarter of 2022 of $nil was recorded to the consolidated statement of operations and comprehensive loss (2021 - $121). For the year ended December 31, 2022, a total recovery of $1,424 was recorded to the consolidated statement

of operations and comprehensive loss (2021 - $344 expense). At December 31, 2022, there was $nil unrecognized compensation expense related to DSUs granted under the Company's non-executive director DSU Plan (2021 - $nil).

A summary of non-executive director DSU activity during the year ended December 31, 2022 and 2021 is as follows:

	For the Year Ended December 31,	
	2022	2021
Number of DSUs, beginning of period ('000)	**602**	**580**
Granted	—	22
Settled	(105)	—
Number of DSUs, end of period ('000)	**497**	**602**

Employee Share Unit Plan

During the year ended December 31, 2022, the Company awarded a total of 455,292 RSUs to certain employees with a grant date fair value of $1,360 that vest over a three-year period. At December 31, 2022, the RSU liability was revalued to $462 and a recovery of $15 and $1 were recorded to mineral properties, plant and equipment (2021 – expense of $137) and to the consolidated statement of operations and comprehensive loss (2021 – expense of $80), respectively. For the year ended December 31, 2022 a total expense of $34 was recorded to mineral properties, plant and equipment (2021 - $524) and an expense of $59 was recorded to the consolidated statement of operations and comprehensive loss (2021 - $259). At December 31, 2022, there was $258 of unrecognized compensation expense related to RSUs granted under the Company's Share Unit Plan (2021 - $633).

A summary of RSU activity during the year ended December 31, 2022 and 2021 is as follows:

	For the Year Ended December 31,	
	2022	2021
Number of RSUs, beginning of period ('000)	**415**	**153**
Granted	455	313
Settled	(155)	(51)
Cancelled	(35)	—
Number of RSUs, end of period ('000)	**680**	**415**

During the year ended December 31, 2022, the Company awarded at total of485,603 DSUs under the SU Plan with a grant date fair value of $563 that vest immediately. On December 31, 2022, the DSU liability for DSUs granted under the SU Plan was revalued to $635 and an expense of $431 for the fourth quarter of 2022 was recorded to the consolidated statement of operations and comprehensive loss (2021 - $295). For the year ended December 31, 2022, a total expense of $205 was recorded to the consolidated statement of operations and comprehensive loss (2021 - $136 expense). At December 31, 2022, there was $nil unrecognized compensation expense related to DSUs granted under the Company's SU Plan (2021 - $nil).

A summary of employee DSU activity under the SU Plan during the year ended December 31, 2022 and 2021 is as follows:

	For the Year Ended December 31,	
	2022	2021
Number of DSUs, beginning of period ('000)	133	—
Granted	486	133
Settled	(19)	—
Number of DSUs, end of period ('000)	**600**	**133**

15. NET LOSS PER COMMON SHARE

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

	For the Years Ended December 31,	
	2022	2021
Net loss	$ 8,669	$ 7,067
Weighted average common shares outstanding (‘000)	294,649	234,199
Net Loss per common share:		
Basic	$ 0.03	$ 0.03
Diluted	$ 0.03	$ 0.03

The computation of diluted net loss per common share excluded the impact of 2,417,667 in the money and vested stock options (2021 – 7,456,858) as their inclusion would have had an anti-dilutive effect on net loss.

16. FINANCE EXPENSE/(INCOME), NET

Finance expense/(income), net, includes the following components:

	For the Years Ended December 31,	
	2022	2021
Interest income	$ (2,053)	$ (336)
Upfront financing and standby fees	2,322	—
Other finance expense	—	88
Net foreign exchange loss/(gain)	224	(48)
Accretion expense	92	46
	$ 585	**$ (250)**

On July 29, 2022, the Company entered into a Master Lease Agreement (“MLA”) for US$81 million in equipment lease financing with Caterpillar Financial Services Limited. An upfront fee of 1.80% on the maximum purchase price of the equipment to be leased (US$90 million) totalling US$1,620 was fully and unconditionally earned once the MLA was executed and was paid during the fourth quarter of 2022. In addition, quarterly standby fees of 1% of the unutilized MLA amount totalling US$198 were accrued at the end of the fourth quarter of 2022.

17. OTHER INCOME, NET

Other income, net, includes the following components:

	For the Years Ended December 31,	
	2022	**2021**
Golden Chest NSR royalty income	$ (201)	$ (184)
Sale of marketable securities	—	(17)
Exploration expense	24	24
	$ (177)	**$ (177)**

The Company retains a 2% net smelter returns ("NSR") royalty on sales of precious and base metals by the Golden Chest mine Idaho, USA.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in working capital for the years ended December 31, 2022 and 2021 are as follows:

	For the Years Ended December 31,	
	2022	**2021**
Increase in amounts receivable	$ (4,835)	$ (1,226)
Increase in prepaids and deposits	(9,626)	(1,007)
(Decrease)/increase in accounts payable	(179)	108
Increase in flow-through share tax liability (see Note 12)	—	3,178
	$ (14,640)	**$ 1,053**

19. RELATED PARTY TRANSACTIONS

There were no related party transactions for the years ended December 31, 2022 and 2021 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,	
	2022	**2021**
Salaries and wages paid to key management	$ 1,622	$ 1,568
Director fees	429	387
Bonuses	1,095	1,060
Share-based compensation	1,807	2,602
	$ 4,953	**$ 5,617**

20. COMMITMENTS AND CONTINGENCIES

At December 31, 2022, the Company has the following commitments:

	2023	2024	2025	2026	2027	Thereafter	Total
Accounts payable and accrued liabilities	$ 29,787	$ —	$ —	$ —	$ —	$ —	$ 29,787
Lease obligations	4,265	4,744	4,744	5,241	5,104	4,069	28,167
Share-based compensation liability	—	1,624	—	—	—	—	1,624
Purchase obligations	35,300	—	—	—	—	—	35,300
Reclamation provision	—	—	—	—	—	3,814	3,814
	$ $69,352	$6,368	$4,744	$5,241	$5,104	$ 7,883	$ 98,692

21. FAIR VALUE HIERARCHY

	Fair Value Hierarchy	For the Years Ended December 31, 2022	2021
Financial assets – Amortized cost			
Cash and cash equivalents		$ 132,876	$ 87,177
Amounts receivable		6,904	2,069
Financial assets – Fair value through profit and loss			
Restricted cash		$ 4,569	—
		$ 144,349	$ 89,246
Financial liabilities – Amortized cost			
Trade payables and accrued liabilities		$ 29,787	$ 3,544
Lease liabilities		28,167	1,218
Financial liabilities – Fair value through profit and loss			
Share-based compensation liability	2	$ 1,624	$ 3,094
		$ 59,578	$ 7,856

As at December 31, 2022 and 2021, the carrying values of the above noted financial instruments approximate their respective fair values.

22. 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 its term loan credit facility is denominated in US Dollars and the majority of its expenditures are in Canadian Dollars. As a result, depreciation of the US Dollar against the Canadian Dollar could adversely affect the Company's financial condition. In addition, one of the Company's subsidiaries carries on business in the United States of America (USA). However, given the insignificant nature of operations of this subsidiary in the USA, as of December 31, 2022 and 2021, the Company's exposure to currency risk related to this subsidiary is not significant.

2. Commodity Price Risk

Commodity price risk arises as a result of adverse movement in the commodity prices, mainly gold. As at December 31, 2022, and 2021, the Company's mineral properties were under the construction and development phase, and the exploration and evaluation phases, respectively. Accordingly, the Company 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 instrument will fluctuate because of changes in market interest rate. As at December 31, 2022, and 2021, the Company did not have any borrowings under its term loan credit facility, and therefore, was 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, 2022 and 2021, the Company does not 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 long term lease liability, share-based compensation liability and long term reclamation provision, which will be settled after 12 months from the balance sheet date.

As at December 31, 2022, the Company has available total liquidity of $132.9 million (December 31, 2021 - $87.2 million), in the form of cash and cash equivalents. The Company believes its cash on hand, the availability of its credit

facility and access to equity and credit markets, will be sufficient to fund its development expenditures through at least the end of 2023.

23. 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 primary business focus is the exploration and development of it's flagship asset, the wholly owned Valentine Gold Project, 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, including drawing on its term loan credit facility, 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.

24. SUBSEQUENT EVENTS

Upsized, Amended and Restated Credit Facility and First Release

On January 24, 2023, the Company entered into an amended and restated term loan facility (the "Amended and Restated Facility" or "Facility") with Sprott. The key terms of the Amended and Restated Facility were as follows:

- Senior secured term loan facility of US$225 million maturing on December 31, 2027, with a 6-month extension option available at the Company's discretion.
- US$125 million of the Facility was funded to a debt proceeds account (the "DPA") on March 31, 2022. On January 24, 2023, the Company requested and received the second and final advance of US$100 million to complete the DPA funding.
- The Facility is available to the Company up to the end of March 31, 2025 (the "Release Period"). The first US$50 million in the DPA is available to the Company immediately, with subsequent releases available on satisfaction of a cost-to-complete covenant and certain other customary terms and conditions.
- The Facility will bear interest of 7.0% plus the greater of (i) 3-month LIBOR, and (ii) 2.50% per annum, payable quarterly. An initial interest amount of US$4.45 million (the "Initial Interest Amount") representing interest on the funds advanced to the DPA since March 31, 2022, as well as 75% of the interest accruing to June 30, 2025, shall be capitalized.
- US$17/ounce will be payable on 1.6 million ounces of payable gold produced by the Project starting on July 31, 2025.

- In connection with entering into the increased Facility, the Company issued to Sprott 10 million warrants with a strike price of C$1.35 and a term of 5 years.
- There are no other commitment or arrangement fees applicable.
- 50% of the Facility is to be repaid in nine unequal quarterly installments commencing on September 30, 2025, with the remaining 50% due on the Maturity Date.

On February 21, 2023, the Company drew down the first US$50 million available under its amended and restated facility with Sprott.

Exercise of Buy Back Option on Royalty

On February 22, 2023, the Company exercised its buy back option to acquire 0.5% of the 2.0% net smelter returns royalty on the Project held by Franco-Nevada Corporation for US$7 million.