



**MARATHON GOLD CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**JUNE 30, 2018 AND 2017**

**Notice to Reader**

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

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

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

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

	June 30 2018	December 31 2017
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	3,240,219	7,172,355
Amounts receivable	288,314	442,719
Prepays and deposits	54,144	49,144
	<b>3,582,677</b>	<b>7,664,218</b>
<b>Non-current assets</b>		
Mineral exploration and evaluation assets (note 5)	79,489,806	73,826,247
Property, plant and equipment	58,958	51,748
	<b>79,548,764</b>	<b>73,877,995</b>
<b>Total assets</b>	<b>83,131,441</b>	<b>81,542,213</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Trade payables	823,419	651,117
Flow-through share tax liability (notes 7 (b)(i), (ii))	758,448	2,163,220
	<b>1,581,867</b>	<b>2,814,337</b>
Deferred income tax liabilities	3,155,478	1,886,454
	<b>4,737,345</b>	<b>4,700,791</b>
Equity attributable to owners (notes 7, 8, and 9)	78,394,096	76,841,422
<b>Total liabilities and shareholders' equity</b>	<b>83,131,441</b>	<b>81,542,213</b>

Going concern (note 1)

Commitments (note 14)

On behalf of the Board,

"George D. Faught"  
George D. Faught  
Director

"Phillip C. Walford"  
Phillip C. Walford  
Director

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

**Marathon Gold Corporation**  
**Consolidated Statements of Operations**  
**For the three and six months ended June 30, 2018 and 2017**  
**(Unaudited - Expressed in Canadian dollars)**

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Expenses:</b>				
Exploration expenses (note 11)	-	5,135	-	86,614
General and administrative expenses (note 12)	<b>378,315</b>	1,229,011	<b>861,945</b>	1,583,268
Other finance expense	-	111,589	-	111,589
Other income – royalties related to gold sales by the Golden Chest mine	<b>(18,241)</b>	-	<b>(18,241)</b>	-
Interest income	-	(12,674)	-	(25,054)
Foreign exchange loss	<b>10,132</b>	3,287	<b>4,907</b>	5,225
Loss before tax	<b>370,206</b>	1,336,348	<b>848,611</b>	1,761,642
Income tax expense (recovery)	<b>175,403</b>	(699,851)	<b>(135,748)</b>	(1,874,140)
Loss (Income) for the period	<b>545,609</b>	636,497	<b>712,863</b>	(112,498)
<b>Loss (Income) per share:</b>				
Basic	<b>0.004</b>	0.005	<b>0.005</b>	(0.001)
Diluted	<b>0.004</b>	0.005	<b>0.005</b>	(0.001)
<b>Weighted average number of common shares outstanding</b>				
Basic (note 10)	<b>149,221,143</b>	127,470,137	<b>147,605,751</b>	123,003,307
Diluted (note 10)	<b>149,221,143</b>	127,470,137	<b>147,605,751</b>	131,235,164

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**Marathon Gold Corporation**  
**Consolidated Statements of Comprehensive Loss**  
**For the three and six months ended June 30, 2018 and 2017**  
**(Unaudited - Expressed in Canadian dollars)**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
		\$		\$
<b>Other comprehensive loss (income):</b>				
Loss (Income) for the period	<b>549,350</b>	636,497	<b>712,863</b>	(112,498)
<b>Items that may be reclassified subsequently to net loss</b>				
<b>(income):</b>				
Currency translation adjustment	<b>(18,345)</b>	23,901	<b>(41,231)</b>	32,297
<b>Comprehensive loss (income) attributable to Marathon</b>				
<b>Gold shareholders</b>	<b>531,005</b>	660,398	<b>671,632</b>	(80,201)

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**Marathon Gold Corporation**  
**Consolidated Statements of Cash Flows**  
**For the six months ended June 30, 2018 and 2017**  
**(Unaudited - Expressed in Canadian dollars)**

	2018	2017
	\$	\$
<b>Cash flows from (used in) operating activities:</b>		
<b>Cash flows used in operating activities:</b>		
(Loss) Income for the period	(712,863)	112,498
Add (deduct) items not involving cash		
Income taxes	(135,748)	(1,874,140)
Stock based compensation	-	673,923
Depreciation	21,790	16,885
	(826,821)	(1,070,834)
Changes in non-cash working capital items		
Decrease (Increase) in amounts receivable	154,405	(295,986)
Increase in prepaid expenses	(5,000)	(20,041)
(Decrease) Increase in accounts payable	(42,765)	48,128
Increase in flow through share tax liability	-	1,472,000
	(720,181)	133,267
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common shares (note 7)	1,973,672	19,205,368
Share issue costs paid in cash	-	(1,289,646)
	1,973,672	17,915,722
<b>Cash flows used in investing activities:</b>		
Royalty payments related to gold sales by the Golden Chest mine	43,565	25,292
Purchase of capital assets	(29,000)	(26,412)
Government assistance	70,131	742,625
Expenditures on mineral exploration and evaluation assets	(5,270,323)	(6,121,468)
	(5,185,627)	(5,379,963)
<b>(Decrease) Increase in cash</b>	<b>(3,932,136)</b>	<b>12,669,026</b>
Cash— beginning of period	7,172,355	8,458,077
<b>Cash— end of period</b>	<b>3,240,219</b>	<b>21,127,103</b>

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

**Marathon Gold Corporation**  
**Consolidated Statement of Changes in Equity**  
**For the six months ended June 30, 2018 and 2017**  
**(Unaudited - Expressed in Canadian dollars)**

	Share Capital (note 7)	Warrants (note 8)	Contributed Surplus (note 9)	Deficit	Accumulated Other Comprehensive Income	Equity Attributable to Owners of Marathon Gold Corporation
	\$	\$	\$	\$	\$	\$
<b>Balance – January 1, 2017</b>	<b>59,702,739</b>	<b>810,509</b>	<b>11,432,216</b>	<b>(16,838,696)</b>	<b>187,947</b>	<b>55,294,715</b>
Income for the period	-	-	-	112,498	-	112,498
Stock based compensation	-	-	1,204,334	-	-	1,204,334
Common shares issued pursuant to prospectus offering	7,107,000	-	-	-	-	7,107,000
Flow through shares issued pursuant to prospectus offering	10,028,000	-	-	-	-	10,028,000
Common shares issued upon exercise of stock options	923,120	-	(248,250)	-	-	674,870
Common shares issued upon exercise of warrants	1,779,352	(383,854)	-	-	-	1,395,498
Share issue costs	(1,298,966)	-	-	-	-	(1,298,966)
Currency translation adjustment	-	-	-	-	(32,297)	(32,297)
<b>Balance – June 30, 2017</b>	<b>78,241,245</b>	<b>426,655</b>	<b>12,388,300</b>	<b>(16,726,198)</b>	<b>155,650</b>	<b>74,485,652</b>
<b>Balance – January 1, 2018</b>	<b>84,729,774</b>	<b>386,042</b>	<b>12,461,327</b>	<b>(20,849,599)</b>	<b>113,878</b>	<b>76,841,422</b>
Income for the period	-	-	-	(712,863)	-	(712,863)
Stock based compensation	-	-	250,634	-	-	250,634
Common shares issued upon exercise of stock options	713,550	-	(179,350)	-	-	534,200
Common shares issued upon exercise of warrants	1,825,514	(386,042)	-	-	-	1,439,472
Currency translation adjustment	-	-	-	-	41,231	41,231
<b>Balance – June 30, 2018</b>	<b>87,268,838</b>	<b>-</b>	<b>12,532,611</b>	<b>(21,562,462)</b>	<b>155,109</b>	<b>78,394,096</b>

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

**Marathon Gold Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2018 and 2017**  
**(Unaudited - Expressed in Canadian dollars)**

## **1) GOING CONCERN**

The consolidated financial statements of Marathon Gold Corporation (“Marathon”, the “Company”, “we” or “us”) have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future.

Marathon has no sources of revenue, has incurred losses amounting to \$21.6 million since its inception, and is dependent on financings to fund its operations. In addition, as Marathon is in the development stage, it is subject to the risks, uncertainties and challenges similar to other companies in a comparable stage of development. These include, but are not limited to, the continuation of losses in future periods; the volatility of mineral prices; the ability to raise sufficient funds, and on acceptable commercial terms, to continue its exploration programs; the ability to establish the economic viability of mineral deposits on any of its mining properties; the ability to attract and retain key management and personnel; the acquisition of required permits to mine; and the attainment of profitable operations. These material uncertainties lend significant doubt over the applicability of the going concern assumption and ultimately the use of accounting principles pertinent to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary if the going concern assumption were inappropriate. These adjustments could be material.

Marathon funded its operations in the period ended June 30, 2018 through the use of its existing cash reserves derived from two financings completed in 2017, which raised a total of \$23.6 million, and additional aggregate proceeds of \$2.8 million obtained in 2017 upon the exercise of outstanding warrants and stock options. In addition, Marathon obtained cash proceeds in the period ended June 30, 2018 of \$0.5 million through the exercise of outstanding stock options and \$1.4 million from the exercise of warrants, and subsequent to June 30, 2018 entered into a bought deal prospectus financing of common shares and flow through shares which closed on July 19, 2018 and raised aggregate gross proceeds of \$8.1 million.

Marathon has a well-established track record of success in raising financing when needed to advance its mineral properties. In addition, management continues to seek and assess financing opportunities to raise necessary funds for the advancement of its properties. Management is confident that Marathon will continue to be successful in this regard, however there can be no assurance that the Company will be successful in these efforts.

## **2) GENERAL INFORMATION**

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

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

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

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

### **3) BASIS OF PRESENTATION**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS34, Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on August 9, 2018.

### **4) SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the previous financial year, except for the adoption of *IFRS 9, Financial Instruments ("IFRS 9")* which is discussed below.

#### **Adoption of new accounting standards**

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

The company has changed its accounting policy for financial instruments, which has been outlined as follows:



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

**Financial Assets:**

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

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

**Marathon Gold Corporation**  
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- (iii) **Financial assets at amortized cost:** Marathon's financial assets at amortized cost comprise trade receivables and cash and are included in current assets due to their short-term nature. Financial assets at amortized cost are financial assets with the objective to hold assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the statement of operations and comprehensive loss.
- (iv) **Financial liabilities at amortized cost:** Financial liabilities at amortized cost include trade payables. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

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

## **Future accounting pronouncements**

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

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

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

Marathon has commenced the evaluation of the new standard and does not anticipate any material impact from the adoption of this standard. Management will continue to monitor the potential impact of adoption as the adoption period approaches.

**Marathon Gold Corporation**  
**Notes to the Consolidated Financial Statements**  
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## 5) MINERAL EXPLORATION AND EVALUATION ASSETS

	<u>Valentine Lake Gold Project, Newfoundland</u>	<u>Golden Chest Royalty Interest</u>	<u>Bonanza Mine Project, Oregon USA</u>	
	Total			Total
	\$		\$	\$
<b>Balance – January 1, 2017</b>	<b>47,832,980</b>	<b>134,270</b>	<b>828,116</b>	<b>48,795,366</b>
Property acquisition costs	11,246,525	-	-	11,246,525
Deferred exploration costs	13,929,237	-	-	13,929,237
Royalty payments related to gold sales by the Golden Chest mine	-	(83,334)	-	(83,334)
Currency translation adjustment	-	(7,149)	(54,398)	(61,547)
<b>Balance – December 31, 2017</b>	<b>73,008,742</b>	<b>43,787</b>	<b>773,718</b>	<b>73,826,247</b>
Deferred exploration costs	5,668,922	-	-	5,668,922
Royalty payments related to gold sales by the Golden Chest mine	-	(43,565)	-	(43,565)
Currency translation adjustment	-	(222)	38,424	38,202
<b>Balance – June 30, 2018</b>	<b>78,677,664</b>	<b>-</b>	<b>812,142</b>	<b>79,489,806</b>

### a) Valentine Lake gold property, Newfoundland

During the period ended June 30, 2018, the Valentine Lake property was subject to a net profits interest having bought back a net smelter returns royalty in late 2017, as described below.

#### Net smelter return royalty

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

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

On November 14, 2017 Marathon bought back the NSR from Glencore pursuant to a right of first offer for consideration of US \$8,700,000, or \$11,246,525 inclusive of legal costs associated with this purchase transaction.

#### Net profits interest

The Reid Newfoundland Company retains a 7.5% net profits interest (“NPI”) over two land packages which cover the current resource pits associated with the Leprechaun and Sprite Gold Deposits, but not the Victory and Marathon Deposits. This agreement remains in force at the date of these financial statements.

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

**b) Bonanza Mine gold property, Oregon**

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

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

**6) CAPITAL MANAGEMENT**

Marathon is not subject to externally imposed capital requirements.

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

Marathon's properties are in the exploration and evaluation stages, and as such the Company depends on external financing to fund its activities. In order to carry out its exploration and development activities and to pay for administrative costs, Marathon spends existing working capital and raises additional amounts as needed. Management continues to assess new properties and seeks to acquire interests in additional properties if there is sufficient geologic or economic potential and if Marathon has adequate financial resources to do so.

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

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

	Number	Amount \$
<b>Balance – January 1, 2017</b>	<b>118,008,952</b>	<b>59,702,739</b>
Common shares issued pursuant to prospectus offering <sup>(i)</sup>	6,900,000	7,107,000
Flow through shares issued pursuant to prospectus offering <sup>(i)</sup>	9,200,000	10,028,000
Flow through shares issued pursuant to private placement <sup>(ii)</sup>	4,066,000	4,309,960
Shares issued pursuant to the exercise of warrants	4,566,400	1,963,965
Shares issued pursuant to the exercise of stock options	2,367,000	1,724,461
Share issue costs	-	(1,620,746)
Deferred income taxes (note 14)	-	1,514,395
<b>Balance – December 31, 2017</b>	<b>145,108,352</b>	<b>84,729,774</b>
Shares issued pursuant to the exercise of stock options	1,025,000	713,550
Shares issued pursuant to the exercise of warrants	4,498,350	1,825,514
<b>Balance – June 30, 2018</b>	<b>150,631,702</b>	<b>87,268,838</b>

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

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

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

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

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

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

**Marathon Gold Corporation**  
**Notes to the Consolidated Financial Statements**  
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**(Unaudited - Expressed in Canadian dollars)**

## 8) WARRANTS

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

	Number	Value
		\$
<b>Balance – January 1, 2017</b>	<b>9,064,750</b>	<b>810,509</b>
Exercised during the year	(4,566,400)	(424,467)
<b>Balance – December 31, 2017</b>	<b>4,498,350</b>	<b>386,042</b>
Exercised during the period	(4,498,350)	(386,042)
<b>Balance – June 30, 2018</b>	<b>-</b>	<b>-</b>

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

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

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

The warrants outstanding at December 31, 2017 were exercised on various dates during the period ended June 30, 2018 for aggregate proceeds of \$1,439,472.

## 9) STOCK BASED COMPENSATION

Marathon has a stock option plan (the “Plan”) which was reconfirmed by the Company’s shareholders at its annual meeting on June 7, 2017, under which Marathon may grant options to directors, officers, and consultants. The number of shares reserved for issue under the Plan may not exceed 10% of the number of issued and outstanding common shares at any time.

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

**Marathon Gold Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended June 30, 2018 and 2017**  
**(Unaudited - Expressed in Canadian dollars)**

	Six months ended June 30, 2018		Six months ended June 30, 2017	
	Number	Weighted average exercise price per share	Number	Weighted average exercise price per share
		\$		\$
<b>Balance - beginning of period</b>	<b>10,118,500</b>	<b>0.58</b>	10,123,500	0.45
Granted	440,000	1.00	100,000	1.02
Exercised	(1,025,000)	0.52	(544,500)	0.44
<b>Balance – end of period</b>	<b>9,533,500</b>	<b>0.61</b>	9,679,000	0.45

Options to purchase common shares outstanding at June 30, 2018 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Expiry date	Options Outstanding		Contract Life (years)
		Vested	Unvested	
\$				
0.26	September 4, 2018	110,000	-	0.18
0.32	February 24, 2019	670,000	-	0.65
0.39	July 7, 2019	672,500	-	1.02
0.25	August 10, 2020	1,514,000	-	2.12
0.20	December 18, 2020	1,444,000	-	2.47
0.68	December 1, 2021	2,198,000	-	3.42
1.02	March 28, 2022	50,000	-	3.75
1.08	June 7, 2022	1,475,000	-	3.94
1.08	June 21, 2022	610,000	-	3.98
1.02	September 19, 2022	150,000	-	4.22
1.07	October 2, 2022	200,000	-	4.26
1.00	February 27, 2023	440,000	-	4.67
<b>0.61</b>		<b>9,533,500</b>	-	<b>2.87</b>

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The fair value of the options granted by Marathon in in the periods ended June 30, 2018 and 2017 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Risk free interest rate	-	0.77%	<b>1.75%</b>	0.77%
Dividend rate	-	Nil	<b>Nil</b>	Nil
Volatility	-	95%	<b>80%</b>	95%
Expected life	-	3 years	<b>3 years</b>	3 years
Fair value per option granted in the period	-	\$0.65	<b>\$0.52</b>	\$0.62

Marathon recognized total stock-based compensation costs of \$250,634 in the period ended June 30, 2018 (2017 - \$1,204,334), including costs of \$19,790 related to the partial recognition of costs in respect of options issued in October 2017 with performance vesting. Of this total, \$Nil (2017 – \$673,923) was charged to operations and \$250,634 (2017 - \$530,411) was capitalized as a component of Marathon's mineral exploration and evaluation assets.

## **10) BASIC AND DILUTED SHARES OUTSTANDING**

Basic and diluted weighted average shares outstanding for the three- and six-month periods ended June 30, 2018 and 2017 are calculated as shown in the table below.

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Weighted average basic number of common shares outstanding	<b>149,221,143</b>	127,470,137	<b>147,605,751</b>	123,003,307
Effect of dilutive securities:				
In the money shares - stock options	-	-	-	4,878,112
In the money shares - warrants	-	-	-	3,353,745
<b>Weighted average diluted number of common shares outstanding</b>	<b>149,221,143</b>	127,470,137	<b>147,605,751</b>	131,235,164



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## 11) EXPLORATION EXPENSES

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Baie Verte property, Newfoundland</b>				
Drilling and associated labour costs	-	5,135	-	86,614
	-	5,135	-	86,614

## 12) GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Wages, salaries and benefits (note 13)	165,147	305,504	333,848	473,540
Listing fees and related expenses	188	15,157	64,009	59,896
Investor relations	64,243	29,828	186,581	71,023
Professional fees	31,986	104,976	59,921	137,521
Occupancy costs	16,438	17,333	32,876	33,751
Part XII.6 tax	31,779	5,171	53,592	11,962
Depreciation	11,224	9,644	21,790	16,885
Stock based compensation charged to operations	-	673,923	-	673,923
Other expenses	57,310	67,475	109,328	104,767
	378,315	1,229,011	861,945	1,583,268

## 13) WAGES, SALARIES AND BENEFITS

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Fees, salaries and wages paid to employees, key management and directors (note 15)	533,302	554,386	1,198,372	1,101,796
Performance bonus paid to employees and key management	-	388,000	-	388,000
Social security benefits	45,154	71,400	112,142	125,730
	578,456	1,013,786	1,310,514	1,615,526
Charged to general and administrative expenses	165,147	305,504	333,848	473,540
Charged to exploration expenses	-	-	-	4,053
Capitalized as a component of exploration and evaluation assets	413,309	708,282	976,666	1,137,933
	578,456	1,013,786	1,310,514	1,615,526

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## 14) COMMITMENTS

### Operating leases

Marathon has the following commitments under operating leases.

Year ending December 31	\$
2018	33,955
2019	44,191
Thereafter	-
	<b>78,146</b>

## 15) RELATED PARTY TRANSACTIONS

### Key management

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

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

	Three months ended		Six months ended	
	June 30		June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Salaries and bonus paid to officers	<b>155,000</b>	430,000	<b>310,000</b>	585,000
Director fees	<b>47,500</b>	37,500	<b>95,000</b>	75,000
Stock based compensation	-	952,722	-	952,722
	<b>202,500</b>	1,420,222	<b>405,000</b>	1,612,722

## 16) SUBSEQUENT EVENTS

### Financing

On June 28, 2018 Marathon announced that it had entered into a bought deal financing with a syndicate of underwriters led by RBC Capital Markets and Haywood Securities Inc. (the "Underwriters") pursuant to which the Underwriters committed to purchase in a bought deal a total of 2,900,000 flow through shares at a price of \$1.05 per flow thorough share and 5,900,000 common shares at a price of \$0.85 per common share, for aggregate gross proceeds of \$8,060,000. This financing closed on July 19, 2018.

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**Options**

Subsequent to June 30, 2018 Marathon issued a total of 2,334,000 stock options with a weighted average exercise price of \$0.91 per share to management, directors, and service providers. These options expire 5 years after issue and were granted with immediate vesting.