



MARATHON GOLD CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

March 27, 2018

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Marathon Gold Corporation were prepared by management in accordance with International Financial Reporting Standards. Management is responsible for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 4 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, the Company's independent auditors, perform an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the consolidated financial statements. As well, they assess the accounting principles used and significant estimates made by management, and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are members of the Board of Directors and are not officers of the Company. The Audit Committee meets with management as well as with the independent auditor to review the internal controls over the financial reporting process, the consolidated financial statements and the auditor's report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

"Phillip C. Walford"

Phillip C. Walford

President and Chief Executive Officer

"James D. Kirke"

James D. Kirke

Vice-President and Chief Financial Officer



March 27, 2018

Independent Auditor's Report

To the Shareholders of Marathon Gold Corporation

We have audited the accompanying consolidated financial statements of Marathon Gold Corporation and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations and comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Marathon Gold Corporation and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Marathon Gold Corporation's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licenses Public Accountants

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

	2017	2016
	\$	\$
Assets		
Current assets		
Cash	7,172,355	8,458,077
Amounts receivable	442,719	304,182
Prepays and deposits	49,144	44,144
	7,664,218	8,806,403
Non-current assets		
Mineral exploration and evaluation assets (note 6)	73,826,247	48,795,366
Property, plant and equipment	51,748	53,840
	73,877,995	48,849,206
Total assets	81,542,213	57,655,609
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	651,117	264,407
Flow-through share tax liability (notes 8 (b)(i), (ii), (iii), (iv))	2,163,220	2,096,487
	2,814,337	2,360,894
Deferred income tax liabilities (note 14)	1,886,454	-
	4,700,791	2,360,894
Equity attributable to owners (notes 8, 9, and 10)	76,841,422	55,294,715
Total liabilities and shareholders' equity	81,542,213	57,655,609

Going concern (note 1)

Commitments (note 15)

On behalf of the Board,

"George D. Faight"
George D. Faight
Director

"Phillip C. Walford"
Phillip C. Walford
Director

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

Marathon Gold Corporation
Consolidated Statements of Operations
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
	\$	\$
Expenses:		
Exploration expenses (note 11)	109,650	22,527
General and administrative expenses (note 12)	2,516,676	1,564,313
Other finance expense (notes 8 b(i),(ii),(iii) and (iv))	162,240	202,507
Interest income	(79,369)	(6,171)
Foreign exchange loss (gain)	(2,656)	15,580
Loss before tax	2,706,541	1,798,756
Income taxes (note 14)	1,304,362	(252,784)
Net loss for the year	4,010,903	1,545,972
Loss attributable to Marathon Gold shareholders:		
Basic and diluted loss per share	0.03	0.01
Weighted average number of common shares outstanding	132,105,252	104,135,054

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

Marathon Gold Corporation
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
	\$	\$
Other comprehensive loss:		
Loss for the year	4,010,903	1,545,972
Items that may be reclassified subsequently to net loss:		
Currency translation adjustment	74,069	29,710
Comprehensive loss attributable to Marathon Gold shareholders	4,084,972	1,575,682

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

Marathon Gold Corporation
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
	\$	\$
Cash flows from operating activities from continuing operations:		
Loss for the year	(4,010,903)	(1,545,972)
Add (deduct) items not involving cash		
Income taxes	1,304,362	(252,784)
Unrealized foreign exchange gain	(13,087)	-
Depreciation	34,504	26,439
Stock-based compensation charged to operations (note 10)	842,513	494,609
	(1,842,611)	(1,277,708)
Changes in non-cash working capital items		
Increase in amounts receivable	(183,787)	(193,796)
(Increase) Decrease in prepaid expenses	(5,000)	7,061
Increase in accounts payable	103,251	640
Increase in Flow-through share tax liability	2,163,220	2,096,487
	235,073	632,684
Cash flows from financing activities from continuing operations:		
Proceeds from issuance of common shares (note 8)	24,260,358	10,397,986
Share issue costs paid in cash (note 8)	(1,620,746)	(848,513)
	22,639,612	9,549,473
Cash flows used in investing activities from continuing operations:		
Royalty payments related to gold sales by the Golden Chest mine	83,334	-
Purchase of capital assets	(32,412)	(38,700)
Buy-back of the Glencore net smelter returns royalty (note 6(a))	(11,246,525)	-
Expenditures on mineral exploration and evaluation assets	(13,800,369)	(4,486,925)
Government assistance	835,565	201,276
	(24,160,407)	(4,324,349)
(Decrease) Increase in cash in the year	(1,285,722)	5,857,808
Cash— beginning of year	8,458,077	2,600,269
Cash— end of year	7,172,355	8,458,077

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

Marathon Gold Corporation
Consolidated Statement of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

	Share Capital (note 8) \$	Warrants (note 9) \$	Contributed Surplus (note 10) \$	Deficit \$	Accumulated Other Comprehensive Income \$	Total Shareholders' Equity \$
Balance – January 1, 2016	50,092,448	1,092,235	10,229,589	(15,292,724)	217,657	46,339,205
Loss for the year	-	-	-	(1,545,972)	-	(1,545,972)
Stock based compensation	-	-	819,352	-	-	819,352
Units issued for cash pursuant to private placement	1,965,296	450,739	-	-	-	2,416,035
Flow-through shares issued for cash pursuant to private placement	530,058	-	-	-	-	530,058
Flow-through shares issued for cash pursuant to prospectus offering	5,949,600	-	-	-	-	5,949,600
Common shares issued upon exercise of stock options	53,276	-	(17,136)	-	-	36,140
Common shares issued upon exercise of warrants	1,887,538	(421,385)	-	-	-	1,466,153
Share issue costs	(775,477)	89,331	-	-	-	(686,146)
Warrants expired during the period	-	(400,411)	400,411	-	-	-
Currency translation adjustment	-	-	-	-	(29,710)	(29,710)
Balance – December 31, 2016	59,702,739	810,509	11,432,216	(16,838,696)	187,947	55,294,715
Loss for the year	-	-	-	(4,010,903)	-	(4,010,903)
Stock based compensation	-	-	1,477,672	-	-	1,477,672
Common shares issued pursuant to prospectus financing	7,107,000	-	-	-	-	7,107,000
Flow-through shares issued pursuant to prospectus offering	10,028,000	-	-	-	-	10,028,000
Flow-through shares issued pursuant to private placement	4,309,960	-	-	-	-	4,309,960
Common shares issued upon exercise of stock options	1,724,461	-	(448,561)	-	-	1,275,900
Common shares issued upon exercise of warrants	1,963,965	(424,467)	-	-	-	1,539,498
Share issue costs	(1,620,746)	-	-	-	-	(1,620,746)
Deferred income taxes related to share issue costs	1,514,395	-	-	-	-	1,514,395
Currency translation adjustment	-	-	-	-	(74,069)	(74,069)
Balance – December 31, 2017	84,729,774	386,042	12,461,327	(20,849,599)	113,878	76,841,422

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

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(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 \$20.8 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 year ended December 31, 2017 through the use of existing cash; a bought deal prospectus offering of flow through shares which closed in May 2017 and generated gross proceeds of \$18.6 million; a private placement of flow through shares completed in December 2017 which raised aggregate gross proceeds of \$5.0 million; and additional aggregate proceeds of \$2.8 million obtained upon the exercise of outstanding warrants and stock options.

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 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 Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

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

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company has consistently applied the accounting policies used in preparation of these consolidated financial statements throughout all the periods presented. Critical accounting estimates and judgments used by management in the preparation of these consolidated financial statements are presented in note 5.

These consolidated financial statements were approved by the Board of Directors for issue on March 27, 2018.

4) SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of measurement

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

b) Principles of consolidation

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

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

c) Foreign currency translation

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

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

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

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

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

d) Cash

Cash includes cash on hand and deposits held with banks.

e) Mineral exploration and evaluation costs

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

- Land acquisition costs
- Exploration and development expenditures relating to properties which have existing mineral resources or reserves or are viewed by management as extensions of properties with existing mineral resources or reserves

Once the technical and economic viability of a project has been established by completion of a favorable feasibility study, the accumulated capitalized exploration costs are transferred to mineral properties and amortized over the estimated useful life of the related property on a unit-of-

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

production basis against future production following commencement of commercial production, or written off if the properties are sold, allowed to lapse, or abandoned. Properties which do not have existing mineral resources are considered to be too early stage to justify the capitalization of costs, and consequently exploration and development expenditures relating to such properties are expensed as incurred.

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

f) Property, plant and equipment

Property, plant and equipment include office equipment and vehicles, which are carried at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, commencing the quarter they are available for use.

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

Office equipment	2-5 years
Vehicles	3-5 years

g) Government assistance

Marathon applies from time to time for financial assistance from the Government of Newfoundland and Labrador with respect to certain exploration and development costs.

Government assistance is recognized when there is reasonable assurance that Marathon has complied with the conditions attaching to such assistance and that the assistance will be received. Government assistance is recorded using the cost-reduction method, whereby the amounts received or receivable each period are applied to reduce the cost of the exploration expenses or deferred exploration costs.

h) Stock-based compensation

Marathon has a stock option plan, which is described in note 12. The fair value of stock options awarded to employees, directors and non-employees is measured at the date the options are granted using the Black-Scholes option pricing model and charged to operations or Mineral exploration and evaluation assets as the options vest.

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

i) 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 realize the asset and settle the liability simultaneously.

At initial recognition, Marathon classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- (i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. 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. Financial assets and financial liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

- (ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Marathon's available-for-sale assets comprise investments in equity securities.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and are included in other gains and losses.

- iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Marathon's loans and receivables comprise trade receivables and cash and are included in current assets due to their short-term nature.

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost less a provision for impairment.

- 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.

The carrying values of Marathon's cash, receivables, loans, and trade payables approximate fair value.

Impairment of Financial Assets

Marathon assesses at the end of each reporting period whether there is objective evidence that a financial asset has been impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its original cost would suggest that the asset has been impaired. If the results of such periodic assessments suggest that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset recognized previously in profit or loss – is removed from equity and charged to the consolidated statement of loss. Impairment losses on equity instruments are not reversed through the consolidated statement of operations.

k) Income taxes

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

l) Flow-through common shares

Marathon's Canadian exploration activities have been financed in part through the issuance of flow-through common shares whereby the tax benefits of the eligible exploration expenditures incurred under this arrangement are renounced to the subscribers. The proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium,

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

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

m) Loss per share

Basic loss per common share is calculated based on the weighted average number of common shares issued and outstanding during the year. Basic and diluted losses per share are the same, as the effect of potential issuances of shares from exercises of stock options would be anti-dilutive.

n) Share capital

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

o) Future accounting pronouncements

The Company has not yet adopted the following new accounting pronouncements which are effective for fiscal periods of the Company beginning on or after January 1, 2018:

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.

5) CRITICAL ACCOUNTING ESTIMATES AND MEASUREMENT UNCERTAINTIES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and at the date of the financial

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

statements and the reported amount of expenses and other income during the year. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience.

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

a) Mineral exploration and evaluation assets

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

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

b) Impairment of mineral exploration and evaluation assets

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

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

- whether the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed;
- whether substantive expenditure on further E&E of mineral resources in a specific area is either budgeted or planned;
- Marathon's financial capacity to execute exploration activities on a given property;
- the extent to which exploration for and evaluation of mineral resources in a specific area have led to the discovery of commercially viable quantities of mineral resources and any resulting decisions by management to cease or significantly reduce further E&E activities in the area; and

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

- the existence of sufficient data to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

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

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

c) Stock based compensation

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

The key assumptions used to derive the fair value of options granted in 2017 and 2016 are detailed in note 10 to the consolidated financial statements.

6) MINERAL EXPLORATION AND EVALUATION ASSETS

	Valentine Lake Gold Project, Newfoundland	Golden Chest Royalty Interest	Bonanza Mine Project, Oregon USA	
	Total			Total
	\$		\$	\$
Balance – January 1, 2016	43,107,802	138,400	853,588	44,099,790
Property acquisition costs	6,450	-	-	6,450
Deferred exploration costs	4,718,728	-	-	4,718,728
Currency translation adjustment	-	(4,130)	(25,472)	(29,602)
Balance – December 31, 2016	47,832,980	134,270	828,116	48,795,366
Property acquisition costs	11,246,525	-	-	11,246,525
Deferred exploration costs	13,929,237	-	-	13,929,237
Royalty payments related to gold sales by the Golden Chest mine	-	(83,334)	-	(83,334)
Currency translation adjustment	-	(7,149)	(54,398)	(61,547)
Balance – December 31, 2017	73,008,742	43,787	773,718	73,826,247

a) Valentine Lake gold property, Newfoundland

During the year ended December 31, 2017, the Valentine Lake property was subject to two overlapping agreements, which are described below.

Net profits interest

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

Net smelter return royalty

- At all times in the period from January 1, 2016 to November 12, 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.

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.

7) CAPITAL MANAGEMENT

Marathon is not subject to externally imposed capital requirements.

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

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.

8) SHARE CAPITAL

a) Authorized:

Unlimited common shares without par value

Unlimited preference shares, issuable in series

b) Issued and outstanding:

	Number	Amount \$
Balance – January 1, 2016	93,293,502	50,092,448
Units issued pursuant to private placement ⁽ⁱ⁾	10,504,500	1,965,296
Flow through shares issued pursuant to private placement ⁽ⁱ⁾	2,163,500	530,058
Flow through shares issued pursuant to prospectus offering ⁽ⁱⁱⁱ⁾	8,880,000	5,949,600
Shares issued pursuant to the exercise of stock options	152,000	53,276
Shares issued pursuant to the exercise of warrants	3,015,450	1,887,538
Share issue costs	-	(775,477)
Balance – December 31, 2016	118,008,952	59,702,739
Common shares issued pursuant to prospectus offering ⁽ⁱⁱⁱ⁾	6,900,000	7,107,000
Flow through shares issued pursuant to prospectus offering ⁽ⁱⁱⁱ⁾	9,200,000	10,028,000
Flow through shares issued pursuant to private placement ^(iv)	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
Balance – December 31, 2017	145,108,352	84,729,774

- i) On May 6, 2016, Marathon closed a bought deal private placement of 10,504,500 units at a price of \$0.23 per unit and 2,163,500 flow through common shares at a price of \$0.27 per share, for total gross proceeds of \$3,000,180.

Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant exercisable at a price of \$0.32 per share and expiring two years after issue. The gross proceeds from the offering of units were

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

allocated between Share capital and Warrants on the basis of relative fair value, which resulted in \$625,212 in proceeds being allocated to Warrants.

The gross proceeds from the offering of flow-through shares were allocated between Share capital and Flow-through share tax liability using the residual method, which resulted in \$54,087 of gross proceeds being allocated to the liability portion of this financing.

Marathon incurred costs in connection with this offering of \$374,307, of which \$6,741 was attributed to the flow through share tax liability and charged to operations.

- ii) On October 27, 2016, Marathon closed a prospectus financing of 8,880,000 flow through common shares at a price of \$0.90 per flow through share, for gross proceeds of \$7,992,000.

The gross proceeds from this financing were allocated between Share capital and Flow through share tax liability using the residual method, which resulted in \$2,042,400 of gross proceeds being allocated to the liability portion of this financing.

Marathon incurred costs in connection with this financing amounting to \$766,044, of which \$195,766 was attributed to the Flow through share tax liability and charged to operations.

- iii) 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.

- iv) 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
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

9) WARRANTS

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

	Number	Value \$
Balance – December 31, 2016	8,476,445	1,092,235
Issued pursuant to private placement ^(a)	5,252,250	450,739
Broker compensation warrants issued ^(a)	697,950	89,331
Exercised during the year	(3,015,450)	(421,385)
Expired	(2,346,445)	(400,411)
Balance – December 31, 2016	9,064,750	810,509
Exercised during the year	(4,566,400)	(424,467)
Balance – December 31, 2017	4,498,350	386,042

The warrants outstanding at December 31, 2017 are set out below.

Exercise price	Number of warrants	Expiry date
\$0.32	4,498,350	May 6, 2018
\$0.32	4,498,350	

- (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.

In addition, Marathon issued a total of 697,950 broker compensation warrants exercisable at a price of \$0.23 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 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 fair value of \$0.128 per warrant. These broker compensation warrants were exercised on September 26, 2016.

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

10) STOCK BASED COMPENSATION

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

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

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number	Weighted average exercise price per share	Number	Weighted average exercise price per share
		\$		\$
Balance - beginning of year	10,123,500	0.45	8,510,500	0.43
Granted	2,535,000	1.07	2,460,000	0.68
Exercised	(2,367,000)	0.54	(152,000)	0.24
Expired	(173,000)	0.77	(695,000)	1.07
Balance – end of year	10,118,500	0.58	10,123,500	0.45

Options to purchase common shares outstanding at December 31, 2017 carry exercise prices and remaining terms to maturity as follows:

Exercise price	Expiry date	Options Outstanding		Contract Life (years)
		Vested	Unvested	
\$				
0.52	January 17, 2018	905,000	-	0.05
0.26	September 4, 2018	110,000	-	0.68
0.32	February 24, 2019	720,000	-	1.15
0.39	July 7, 2019	672,500	-	1.52
0.25	August 10, 2020	1,514,000	-	2.61
0.20	December 18, 2020	1,444,000	-	2.97
0.68	December 1, 2021	2,268,000	-	3.92
1.02	March 28, 2022	50,000	-	4.24
1.08	June 7, 2022	1,475,000	-	4.44
1.08	June 21, 2022	610,000	-	4.47
1.02	September 19, 2022	150,000	-	4.72
1.07	October 2, 2022	100,000	100,000	4.76
0.58		10,018,500	100,000	2.99

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

The fair value of the options granted by Marathon in 2017 and 2016 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Risk free interest rate	0.87%	0.74%
Dividend rate	Nil	Nil
Volatility	93%	95%
Expected life	2.8 years	3 years
Expected forfeiture of options subject to vesting	Nil	-
Weighted average fair value per option granted in the year	\$0.59	\$0.33

Of the 2,535,000 options granted in the year ended December 31, 2017 (2016 – 2,460,000 options), 2,435,000 options were granted with immediate vesting (2016 – 2,460,000 options) and 100,000 options (2016 – Nil) were granted with vesting triggered by completion of a preliminary economic assessment on Marathon’s Valentine Lake mining property. The compensation costs associated with these unvested options are being recognized over a period of nine months from the date of grant.

Marathon recognized total stock-based compensation costs of \$1,477,672 in the year ended December 31, 2017 (2016 - \$819,352), of which \$842,513 (2016 - \$494,609) was charged to operations and \$635,159 (2016 - \$324,743) was capitalized as a component of Marathon’s mineral exploration and evaluation assets.

11) EXPLORATION EXPENSES

	2017	2016
	\$	\$
Baie Verte property, Newfoundland		
Drilling and associated labour costs	86,614	-
	86,614	-
Bonanza property, Oregon		
Claim renewal costs	22,075	21,573
Property taxes	961	954
	23,036	22,527
	109,650	22,527

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

12) GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
	\$	\$
Wages, salaries and benefits (note 13)	815,715	546,497
Listing fees and related expenses	107,150	39,694
Investor relations	225,297	106,528
Professional fees	204,808	76,000
Occupancy costs	66,061	118,868
Part XII.6 tax	11,955	10,965
Depreciation	34,504	26,439
Stock based compensation charged to operations (note 10)	842,513	494,609
Other expenses	208,673	144,713
	2,516,676	1,564,313

13) WAGES, SALARIES AND BENEFITS

	2017	2016
	\$	\$
Fees, salaries and wages paid to employees, key management and directors (note 16)	2,866,456	1,520,431
Social security benefits	250,612	133,570
	3,117,068	1,654,001
Charged to General and administrative expenses	815,715	546,497
Charged to Exploration expense	4,949	-
Capitalized as a component of Exploration and evaluation assets	2,296,404	1,107,504
	3,117,068	1,654,001

14) INCOME TAXES

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

	2017	2016
	\$	\$
Loss before tax attributable to owners of Marathon Gold at statutory tax rate of 26.5% (2016 – 26.5%)	(717,233)	(476,671)
Difference in foreign tax rates	(1,997)	(1,941)
Change in losses not previously recognized	1,798,901	39,949
Permanent differences	224,691	185,879
Total tax expense (recovery)	1,304,362	(252,784)

2017 **2016**

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

	\$	\$
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	4,857,324	2,551,356
Deferred tax assets to be recovered within 12 months	-	-
	4,857,324	2,551,356
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	(6,743,778)	(2,551,356)
Deferred tax liabilities to be settled within 12 months	-	-
	(6,743,778)	(2,551,356)
Deferred tax liabilities – net	(1,886,454)	-

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

	Mineral properties
	\$
Deferred tax liabilities:	
At January 1, 2016	(1,974,790)
Charged to the income statement	(576,566)
At December 31, 2016	(2,551,356)
Charged to the income statement	(4,192,422)
At December 31, 2017	(6,743,778)

	Losses
	\$
Deferred tax assets:	
At January 1, 2016	1,974,790
Credited to the income statement	576,566
At December 31, 2016	2,551,356
Credited to the income statement	791,573
Credited to equity	1,514,395
At December 31, 2017	4,857,324

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.

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

Marathon Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

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

	2017	2016
	\$	\$
Losses carried forward - Canada	1,711,990	2,169,205
Losses carried forward - US	6,387,570	6,792,437
Share issue costs	-	1,359,801
Investments	-	257,996
Property plant and equipment	-	349,386
	8,099,560	10,928,825

Tax losses carried forward expire between 2026 and 2036, and share issue costs will be deducted between 2018 and 2021. Other unrecognized deductible temporary differences do not expire.

15) COMMITMENTS

Operating leases

Marathon has the following commitments under operating leases.

Year ending December 31	\$
2018	66,233
2019	44,796
Thereafter	-
	110,029

16) 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 Gold Corporation
Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

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

	2017	2016
	\$	\$
Salaries and bonus paid to officers	895,000	542,344
Fees paid to directors	163,478	114,792
Stock based compensation	1,071,423	627,837
	2,129,901	1,284,973

17) SUBSEQUENT EVENTS

a) Exercises of options

On various dates in the period from January 1, 2018 to the date of these consolidated financial statements, Marathon issued a total of 990,000 shares for aggregate proceeds of \$510,400 pursuant to the exercise of stock options.

b) Option grants

On February 27, 2018, Marathon granted a total of 440,000 options at an exercise price of \$1.00 per share to employees of Marathon other than officers or directors of the Company. These options expire on February 27, 2023 and were vested upon grant.