Condensed Interim Consolidated Financials Statements of

LEAGOLD MINING CORPORATION

Three and six months ended June 30, 2017 and 2016

(Expressed in Thousands of United States Dollars)

(Unaudited)

Leagold Mining Corporation
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Thousands of United States Dollars) - Unaudited

	As at June 30, 2017	As at December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	**$ 65,364**	$ 24,650
Restricted cash (Note 5)	**29,028**	-
Trade and other receivables (Note 6)	**21,247**	47
Inventories (Note 7)	**42,200**	-
Prepaid expenses and other	**10,644**	135
	168,483	24,832
Mining interests (Note 8)	**283,749**	-
Long-term inventories (Note 7)	**3,492**	-
Deferred income tax assets (Note 5)	**80,672**	-
Total assets	**$ 536,396**	$ 24,832
Liabilities		
Current liabilities		
Trade and other payables (Note 9)	**37,899**	633
Promissory note (Note 5)	**29,000**	-
Reclamation and closure costs (Note 10)	**4,925**	-
Other current payables	**2,630**	-
	74,454	633
Reclamation and closure costs (Note 10)	**50,455**	-
Loan facility (Note 11)	**142,959**	-
Other long-term liabilities (Note 12b)	**1,969**	50
Total liabilities	**269,837**	683
Equity		
Share capital (Note 12)	**240,266**	26,119
Subscription receipts (Notes 5, 12)	**29,000**	-
Reserves	**11,112**	2,235
Deficit	**(13,819)**	(4,205)
Total equity	**266,559**	24,149
Total liabilities and equity	**$ 536,396**	$ 24,832

Nature and continuance of operations (Note 1)
Subsequent events (Notes 1, 5)
Commitments and contingencies (Note 18)

Approved by the Board of Directors and authorized for issue on 10 August 2017:

_________”Neil Woodyer”______________ Director

________”Miguel Rodriguez”____________ Director

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

Leagold Mining Corporation

Condensed Interim Consolidated Statements of Net Earnings/(Loss) and Comprehensive Income/(Loss)
(Expressed in Thousands of United States Dollars, Except Per Share and Share Information) – Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Revenues (Note 13)	**$ 67,482**	**-**	**$ 67,482**	**-**
Cost of sales				
Production costs (Note 14)	**55,395**	-	**55,395**	-
Depreciation and depletion (Note 8)	**3,321**	-	**3,321**	-
Royalties	**307**	-	**307**	-
	59,023	-	**59,023**	-
Earnings from mine operations	**8,459**	-	**8,459**	-
Exploration costs	**29**	**-**	**29**	-
Share-based payments (Note 12b)	**9,392**	**-**	**9,471**	-
Transaction costs (Note 5)	**4,544**	**-**	**7,512**	-
General and administration costs	**1,560**	(134)	**2,284**	(128)
Earnings/(loss) from operations	**(7,066)**	134	**(10,837)**	128
Foreign exchange loss/(gain)	**1,605**	-	**(117)**	-
Finance and accretion expense	**3,686**	-	**3,628**	-
Other expenses	**94**	-	**94**	-
Earnings/(loss) before taxes	**(12,451)**	134	**(14,442)**	128
Deferred income tax recovery	**(4,828)**	**-**	**(4,828)**	-
Net (loss)/earnings and comprehensive (loss)/income for the period	**(7,623)**	134	**(9,614)**	128
Basic and diluted earnings/(loss) per share for the period	**(0.06)**	0.02	**(0.13)**	0.02
Weighted average number of common shares outstanding	**128,687,650**	7,087,094	**76,674,154**	7,087,094

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

Leagold Mining Corporation
Condensed Interim Consolidated Statement of Cash Flows
(Expressed in Thousands of United States Dollars) - Unaudited

	Three months ended June 30,		Six months ended June 30	
	2017	2016	**2017**	2016
Operating activities				
Net (loss)/income for the period	**$ (7,623)**	$ 134	**$ (9,614)**	$ 128
Adjust for:				
Depreciation and depletion	**3,321**	-	**3,321**	-
Finance expense	**3,902**	-	**3,844**	-
Share-based payments (Note 12b)	**9,392**	-	**9,471**	-
Change in fair value of warrant derivative (Note 12b)	**(795)**	-	**(795)**	-
Accretion expense (Note 10)	**579**	-	**579**	-
Deferred income tax recovery	**(4,828)**	-	**(4,828)**	-
Unrealized foreign exchange loss/(gain)	**1,645**	-	**(57)**	-
Income taxes paid	**(381)**	-	**(381)**	-
Other	**-**	(141)	**-**	(141)
Operating cash flow before non-cash working capital	**$ 5,212**	$ (7)	**$ 1,540**	$ 13
Changes in non-cash working capital items:				
Trade and other receivables	**(16,739)**	-	**(17,327)**	-
Inventories	**4,893**	-	**4,893**	-
Prepaid expenses and other	**4,405**	-	**4,430**	-
Trade and other payables	**(6,459)**	(37)	**(665)**	(36)
Cash used in operating activities	**$ (8,688)**	$ (44)	**$ (7,129)**	$ (49)
Investing activities				
Expenditures on mining interests (Note 8)	**(6,333)**	-	**(6,333)**	-
Cash acquired through Acquisition (Note 5)	**20,547**	-	**20,547**	-
Cash paid to Goldcorp for Los Filos Mine (Note 5)	**(250,000)**	-	**(250,000)**	-
Interest received	**156**	-	**213**	-
Other	**(547)**	44	**(547)**	49
Cash provided by (used in) investing activities	**$ (236,177)**	$ 44	**$ (236,120)**	$ 49
Financing activities				
Private placement proceeds, net of issue costs (Note 12)	**23,690**	-	**145,289**	-
Loan facility proceeds, net of issue costs (Note 11)	**142,288**	-	**142,288**	-
Subscription receipts proceeds (Note 12)	**29,000**	-	**29,000**	-
Proceeds from exercise of incentive stock options (Note 12b)	**11**	-	**11**	-
Interest paid on loan facility and promissory note (Notes 5, 11)	**(3,385)**	-	**(3,385)**	-
Cash provided by financing activities	**$ 191,604**	$ -	**$ 313,203**	$ -
Foreign exchange gain on cash and cash equivalents	**(1,915)**	-	**(212)**	-
Increase/(decrease) in cash and cash equivalents	**(55,176)**	-	**69,742**	-
Cash and cash equivalents, beginning of period	**149,568**	-	**24,650**	-
Cash and cash equivalents, end of period	**$ 94,392**	$ -	**$ 94,392**	$ -
Cash and cash equivalents is comprised of:				
Cash	**$ 65,364**	-	**$ 65,364**	-
Restricted cash	**$ 29,028**	-	**$ 29,028**	-
	$ 94,392	$ -	**$ 94,392**	$ -

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

Leagold Mining Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Thousands of United States Dollars, Except Share Information) - Unaudited

	Common Shares		Subscription Receipts		Preferred Shares				
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**	**Reserve**	**Deficit**	**Total**
Balance at December 31, 2015	7,087,158	$ 10,469	-	$ -	5,600	$ 99	$ (149)	$ (10,643)	$ (224)
Net loss and comprehensive loss	-	-	-	-	-	-	-	128	128
Balance at June 30, 2016	7,087,158	$ 10,469	-	$ -	5,600	$ 99	$ (149)	$ (10,515)	$ 96
Conversion of preferred shares (Note 12)	5,600	99	-	-	(5,600)	(99)	-	-	-
Reduction in capital (Note 12)	-	(10,568)	-	-	-	-	-	10,568	-
Shares issued on pursuant to private placement (Note 12)	20,000,000	26,877	-	-	-	-	-	-	26,877
Shares issued as finder’s fees (Note 12)	38,200	51	-	-	-	-	-	-	51
Share issue costs (Note 12)	-	(809)	-	-	-	-	-	-	(809)
Stock-options granted	-	-	-	-	-	-	2,579	-	2.579
Translation adjustment	-	-	-	-	-	-	(195)	-	(195)
Net loss and comprehensive loss	-	-	-	-	-	-	-	(4,258)	(4,258)
Balance at December 31, 2016	27,130,958	$ 26,119	-	$ -	-	$ -	$ 2,235	$ (4,205)	$ 24,149
Shares issued pursuant to the private placement (Note 12)	75,384,182	152,309	-	-	-	-	-	-	152,309
Share issue costs (Note 12)	-	(9,174)	-	-	-	-	-	-	(9,174)
Shares issued during Acquisition (Note 12)	34,635,091	71,000	-	-	-	-	-	-	71,000
Subscription receipts issued to Orion (Note 5)	-	-	14,146,728	29,000	-	-	-	-	29,000
Stock-options granted (Note 12b)	-	-	-	-	-	-	8,878	-	8,878
Stock-options exercised (Note 12b)	20,000	12	-	-	-	-	(1)	-	11
Net loss and comprehensive loss	-	-	-	-	-	-	-	(9,614)	(9,614)
Balance at June 30, 2017	**137,170,231**	**$ 240,266**	**14,146,728**	**$ 29,000**	**-**	**$ -**	**$ 11,112**	**$ (13,819)**	**$ 266,559**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Leagold Mining Corporation ("Leagold" or the "Company") was incorporated under the *Canada Business Corporations Act* on July 7, 1981 and was continued into British Columbia on August 31, 2016. As of July 20, 2017, the Company's common shares graduated to the Toronto Stock Exchange ("TSX") and were delisted from the TSX Venture Exchange. The address of the Company's registered and records office is 2900 – 550 Burrard Street, Vancouver, British Columbia, V6C 0A3 and its executive office is 3043 - 595 Burrard Street, Vancouver, British Columbia, V7X 1J1.

On April 7, 2017, the Company completed the acquisition of the Los Filos Mine in Guerrero State, Mexico from Goldcorp Inc ("Goldcorp") (Note 5). Leagold is focused on effectively managing and operating its newly acquired Los Filos Mine, as well as pursuing growth through acquisitions of gold mining operations and advanced-stage development projects with a focus on opportunities in Latin America.

In 2016, the Company changed its year end from September 30 to December 31 to prepare for improved comparability with its gold sector peers.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). Certain disclosures required by IFRS have been condensed or omitted in the following note disclosures or are disclosed or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the 15-month period ended December 31, 2016, which have been prepared in according with IFRS.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the annual audited financial statements for the 15-month period ended December 31, 2016, other than as noted in Note 2(d) – 2(m) below which include accounting policies that are now applicable with the acquisition of the Los Filos Mine (Note 5).

(b) Basis of consolidation

The accounts of the subsidiaries controlled by the Company are included in the condensed interim consolidated financial statements from the date that control commenced until the date that control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The principal subsidiaries of the Company and their geographic locations at June 30, 2017 are as follows:

Direct parent company	Location	Ownership
Leagold Acquisition Corp.	Canada	100%
Leagold (BC) Holding Corp.	Canada	100%
Leagold Switzerland SA	Switzerland	100%
Leagold Mexico S.A.P.I. de C.V.	Mexico	100%
Mina Leagold Los Filos, S.A.P.I. de C.V.	Mexico	100%
Administración Los Filos, S.A.P.I. de C.V.	Mexico	100%
Desarrollos Mineros San Luis S.A. de C.V.	Mexico	100%
Exploradora de Yacimientos Los Filos S.A. de C.V.	Mexico	100%
Minera Thesalia, S.A. de C.V.	Mexico	100%
MXN Silver Corp.	Barbados	100%

Intercompany balances, transactions, income and expenses arising from intercompany transactions are eliminated in full on consolidation.

(c) Recent accounting standards not yet effective

The Company has not early adopted the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

IFRS 9, Financial Instruments: IFRS 9 introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value, and all financial liabilities classified as subsequently measured at amortized cost except for financial liabilities measured at fair value through profit or loss. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 is annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect IFRS 9 to have a material impact on the consolidated financial statements but will finalize the assessment for the year ended December 31, 2017.

IFRS 16, Leases: IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact IFRS 16 will have on the consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers: IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company does not expect IFRS 15 to have a material impact on the consolidated financial statements but will finalize the assessment for the year ended December 31, 2017.

(d) Business combinations

A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to the Company and its shareholders in the form of dividends, lower costs or other economic benefits. A business consists of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs, have the ability to create outputs that provide a return to the Company and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs, but can be integrated with the inputs and processes of the Company to create outputs. When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs, the Company considers other factors to determine whether the set of activities or assets is a business.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, the liabilities, including contingent consideration, incurred and payable by the Company to former owners of the acquiree and the equity interests issued by the Company. The measurement date for equity interests issued by the Company is the acquisition date. The acquisition date is the date the Company obtains control over the acquiree, which is generally the date that consideration is transferred and the Company acquires the assets and assumes the liabilities of the acquiree. The Company considers all relevant facts and circumstances in determining the acquisition date.

Acquisition-related costs, other than costs to issue debt or equity securities of the Company, are expensed as incurred. The costs to issue equity securities of the Company as consideration for the acquisition are reduced from share capital as share issue costs. The costs to issue debt to finance the acquisition are reduced from the value of the debt as debt issue costs.

It generally requires time to obtain the information necessary to complete the purchase price accounting following an acquisition. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts in its financial statements for the items for which the accounting is incomplete. During the measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date.

(e) Restricted cash

Cash and cash equivalents unavailable for use by the Company or its subsidiaries due to certain restrictions that may be in place are classified as restricted cash.

(f) Inventories

Finished goods, work-in-process, and stockpiled ore are valued at the lower of average production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion of mining interests. Net realizable value is calculated as the estimated price at the time of sale based on prevailing metal prices less estimated future production costs to convert the inventories into saleable form.

Ore extracted from the mines is placed on the heap leach pads and subsequently processed into finished goods in the form of doré bars. Production costs are capitalized and included in work-in-process inventory based on the current mining costs incurred up to the point prior to the refining process, including applicable overhead, depreciation and depletion relating to mining interests, and removed at the average production cost per recoverable ounce of gold. Production costs associated with heap leach inventory which is being reprocessed are recognized in the period in which they are incurred as the costs relate directly to the current production. The average production costs of finished goods represent the average costs of work-in-process inventories and production costs of reprocessed heap leach incurred prior to the refining process, plus applicable refining costs and associated royalties. Ore on the heap leach pads is segregated between current and non-current inventories in the consolidated statement of financial position based on the period of planned usage.

Supplies are valued at the lower of average cost and net realizable value.

(g) Mining interests

Mineral interests include interests in mining properties and related plant and equipment and are carried at cost less depreciation and depletion and any accumulated impairment.

Mineral deposits in the reserve category are classified as depletable mining properties when operating levels intended by management have been reached and are being mined. Prior to this, they are classified as non-depletable mining properties.

Resources not categorized as reserves and exploration potential are classified as non-depletable mining properties. The value associated with resources and exploration potential is often referred to as value beyond proven and probable reserves, which includes amounts assigned from costs of property acquisitions. At the end of each reporting period or when otherwise appropriate and subsequent to a review and evaluation for impairment, carrying amounts of non-depletable mining properties are reclassified to depletable mining properties as a result of the conversion into reserves that have reached operating levels intended by management.

a. Recognition

Capitalized costs associated with mining properties include the following:

i. Costs of direct acquisitions of production, development and exploration stage properties;
ii. Costs attributed to mining properties acquired in connection with business combinations;
iii. Expenditures related to the development of mining properties;
iv. Expenditures related to economically recoverable exploration;
v. Estimates of reclamation and closure costs.

Capitalization ceases when an asset is capable of operating in the manner intended by management.

b. Acquisitions

The cost of a property acquired as an individual asset purchase or as part of a business combination represents the property's fair value at the date of acquisition. This cost is capitalized until the viability of the mining property is determined. When it is determined that a property is not economically viable, the amount capitalized is written off, which may include expenditures which were capitalized to the carrying amount of the property subsequent to its acquisition.

c. Development expenditures

Drilling and related costs incurred to define and delineate a mineral deposit that has not been classified as proven and probable reserves at a development stage or production stage mine are capitalized as part of the carrying amount of the related property in the period incurred, when management determines that there is sufficient evidence that the expenditure will result in a future economic benefit to the Company.

Drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are exploration expenditures and are expensed as incurred to the date of establishing that costs incurred are economically recoverable. Further exploration expenditures, subsequent to the establishment of economic recoverability, are capitalized and included in the carrying amount of the related property.

Management uses the following criteria in its assessments of economic recoverability and probability of future economic benefit:

- Geology: there is sufficient geologic and economic certainty of converting a residual mineral deposit into a proven and probable reserve at a development stage or production stage mine, based on the known geology and metallurgy. There is history of conversion of resources to reserves at operating mines to support the likelihood of conversion.
- Scoping: there is a scoping study or preliminary feasibility study that demonstrates the additional resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recoup the incremental costs of extraction and production.
- Accessible facilities: the mining property can be processed economically at accessible mining and processing facilities where applicable.

- Life of mine plans: an overall life of mine plan and economic model to support the mine and the economic extraction of resources/reserves exists. A long-term life of mine plan, and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body.
- Authorizations: operating permits and feasible environmental programs exist or are obtainable.

d. Costs incurred during production

Mine development costs incurred to maintain current production are included in the consolidated statement of net loss and comprehensive loss. The distinction between mining expenditures incurred to develop new ore bodies and to develop mine areas in advance of current production is mainly the production timeframe of the mining area. For those areas being developed, which will be mined in future periods, the costs incurred are capitalized and depleted when the related mining area is mined, compared to current production areas where development costs are considered as costs of sales, given that the short-term nature of these expenditures matches the economic benefit of the ore being mined.

Capitalization of costs incurred ceases when an asset is capable of operating in the manner intended by management. Production costs incurred and revenue earned subsequent to this point are recognized in profit or loss.

e. Capitalization of waste in open pit operations

Capitalization of waste stripping requires the Company to make judgments and estimates in determining the amounts to be capitalized. In open pit mining operations, it is necessary to incur costs to remove overburden and other mine waste materials in order to access the ore body ("stripping costs"). During the development of a mine, stripping costs are capitalized and included in the carrying amount of the related mining property and subsequently depleted over the productive life of the mine using the unit-of-production method. During the production phase of a mine, stripping costs incurred to provide access to sources of reserves that will be produced in future periods that would not have otherwise been accessible are capitalized and included in the carrying amount of the related component of the mining property. Stripping costs incurred and capitalized during the production phase are depleted using the unit-of-production method over the reserves and a portion of resources that directly benefit from the specific stripping activity. Costs incurred for regular waste removal that do not give rise to future economic benefits are considered as costs of sales in the period incurred.

f. Depletion

The carrying amounts of mining properties are depleted using the unit-of-production method over the estimated recoverable ounces, when operating levels intended by management for the mining properties have been reached. Under this method, depletable costs are multiplied by the number of ounces extracted divided by the estimated total ounces to be extracted in current and future periods based on proven and probable reserves.

Management reviews the estimated total recoverable ounces contained in depletable reserves and resources each financial year and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable ounces contained in depletable reserves and resources are accounted for prospectively.

g. Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Plant and equipment are depreciated using the units of production method based on ounces produced, or the straight-line method over the estimated useful lives of the related assets as follows:

Plant	Units of production
Mobile equipment	4 – 10 years
Computer equipment	3 years
Furniture and equipment	10 years

Where parts (components) of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. Each asset's estimated useful life is determined considering its physical life limitations. This physical life of each asset cannot exceed the life of the mine at which the asset is utilized. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Amounts expended on assets under construction are capitalized until the asset becomes available for its intended use, at which time depreciation commences on the assets over its useful life. Repairs and maintenance of plant and equipment are expensed as incurred. Costs incurred to enhance the service potential of plant and equipment are capitalized and depreciated over the remaining useful life of the improved asset.

h. Derecognition

Upon disposal or abandonment, the carrying amounts of mining properties and plant and equipment and accumulated depreciation and depletion are removed from the accounts and any associated gains or losses are recorded in profit or loss.

(h) Impairment of mining interests

At each reporting date, the Company gives consideration whether any indicators of impairment exist. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing its recoverable amount, 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 for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or a cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Impairment losses reverse in some circumstances. When an impairment loss subsequently reverses, it is recognized immediately in profit or loss. The carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

(i) Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

All other leases are classified as operating leases. Operating lease payments are recognized as an operating cost in profit or loss on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which benefits from the leased asset are consumed.

(j) Income and deferred taxes

The Company uses the liability method of accounting for income and mining taxes. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for unused tax losses and other income tax deductions. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply if the related assets are realized or the liabilities are settled. To the extent that it is probable that taxable profit will not be available against which deductible temporary differences can be utilized a deferred tax asset may not be recognized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the change is substantively enacted. Deferred tax assets and liabilities are considered monetary assets. Deferred tax balances denominated in other than US dollars are translated into US dollars using current exchange rates at the reporting date.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(k) Environmental rehabilitation provisions

The Company records a liability for the estimated future rehabilitation costs and decommissioning of its operating mines and development projects at the time the environmental disturbance occurs or a constructive obligation is determined. Environmental rehabilitation provisions are measured at the net present value of expected future cash flows. The unwinding of the obligation, referred to as accretion expense, is included in finance costs with a corresponding increase in the amount of the provision.

When provisions for closure and environmental rehabilitation are initially recognized, the corresponding cost is capitalized as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of closure and environmental rehabilitation activities is recognized in mining interests and depreciated over the expected useful life of the operation to which it relates.

Environmental rehabilitation provisions are updated annually for changes in legal or regulatory requirements, changes to the expected cash flows, and for the effect on changes in the discount rate, and the change in estimate is added or deducted from the related asset and depreciated over the expected useful life of the operation to which it relates.

Increases or decreases to the provision also arise due to changes in legal or regulatory requirements, the extent of environmental remediation required and cost estimates. The net present value of the estimated costs of these changes is recorded in the period which the change is identified and quantifiable.

(l) Revenue recognition

Revenue from the sale of gold in doré bar form is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be

measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the sale can be measured reliably. The Company receives sales proceeds from a combination of its refiners, gold traders, and off-take partners. Revenue is gross of royalties paid to third parties.

(m) Warrant derivative

The Company uses a Black-Scholes model for valuation of the warrant derivative. The pricing models require the input of subjective assumptions including expected share price volatility, interest rate and forfeiture rate. Changes in the input assumptions can affect the fair value estimate and the Company's net loss and warrant liability.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (Note 4), that have the most significant effect on the amounts recognized in the Company's condensed interim consolidated financial statements are as follows:

(a) Determination of economic viability

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

(b) Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each entity is the US dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

(c) Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgements, taking into account all facts and circumstances.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the amounts reported in the condensed interim consolidated financial statements and related notes to the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

(a) Impairment of mining interests

The Company considers both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its

control and affect the recoverable amount of mining interests. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets

In determining the recoverable amounts of the Company's mining interests, the Company's management makes estimates of the discounted future cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about gold's selling price, future capital expenditures, changes in the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates. Reductions in gold price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining interests.

(b) Estimated recoverable ounces

The carrying amounts of the Company's mining interests are depleted based on recoverable ounces. Changes to estimates of recoverable ounces and depletable costs including changes from revisions to the Company's mine plans and changes in gold price forecasts can results in a change to future depletion rates.

(c) Mineral reserves

Mineral reserves and mineral resources are determined in accordance with Canadian Securities Administrator's National Instrument 43-101 Standards of Disclosure for Mineral Projects. Mineral reserve and resource estimates include numerous estimates. Such estimation is a subjective process, and the accuracy of any mineral reserve or resource estimate is dependent on the quantity and quality of available data and on the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as gold prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

(d) Environmental rehabilitation costs

The provisions for rehabilitation are based on the expected costs of environmental rehabilitation and inputs used to determine the present value of such provisions and the related accretion expense using the information available at the reporting date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the profit or loss and future cash flows may be impacted.

(e) Deferred income tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, available tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized and recognized income tax assets.

(f) Share-based payments

Numerous assumptions are made when accounting for share-based payments. Changes to these assumptions may alter the resulting accounting and ultimately the amount charged to profit or loss.

(g) Contingencies

Due to the nature and complexity of the Company's operations, various legal and tax matters are ongoing at any given time and require estimation of amount and probability of outcome. In the event that the circumstances surrounding these matters change or the Company's outlook for the outcomes of these matters changes, the effects will be recognized in the consolidated financial statements.

5. ACQUISITION OF THE LOS FILOS MINE

On April 7, 2017 (the "Closing Date"), the Company completed the acquisition of the Los Filos Mine in Guerrero State, Mexico from Goldcorp for total consideration of $350 million (the "Acquisition"). The Acquisition was completed through the purchase of Goldcorp's indirect subsidiaries: Desarollos Mineros San Luis S.A. de C.V. ("DMSL"), Exploradora de Yacimientos Los Filos S.A. de C.V. ("Exploradora") and Minera Thesalia, S.A. de C.V. ("Minera") (collectively, "Los Filos"). The purchase price consisted of $279 million in cash and $71 million in common shares of the Company. Leagold has also agreed to distribute to Goldcorp the VAT receivable amount in DMSL outstanding as of the Closing Date, as and when these amounts are received from the Mexican tax authorities. At closing of the Acquisition, Leagold issued 34,635,091 common shares to Goldcorp, representing $71 million at C$2.75 per share. As part of the agreement for the Acquisition, Goldcorp has appointed a director to the Leagold Board of Directors.

Concurrent with the closing of the Acquisition, Leagold closed a financing with a fund managed by Orion Resource Partners ("Orion") consisting of a $150 million senior secured 5-year loan facility (the "Facility"), and an equity investment of $50 million.

The Mexican anti-trust commission ("COFECE") had approved the completion of the Acquisition, but required a second COFECE application with respect to $29 million of Orion's $50 million equity investment. To accommodate this, the $50 million was split into a $21 million private placement that was completed on the Closing Date whereby 10,244,182 common shares were issued to Orion at C$2.75 per share, and a $29 million subscription receipt financing whereby 14,146,728 subscription receipts were issued to Orion at C$2.75 per subscription receipt, with each subscription receipt converting into one common share upon receipt of the second COFECE approval. To accommodate the cash funding postponement, Goldcorp agreed to defer $29 million of the $279 million cash portion of the Acquisition by accepting a short-term promissory note from Leagold. As of June 30, 2016, $499 of interest had been paid relating to the promissory note.

On July 12, 2017, the Company received the second COFECE approval with respect to the $29 million subscription receipt financing provided by Orion and the $29 million in subscription receipts were converted to 14,146,728 common shares and the $29 million proceeds were paid to Goldcorp in satisfaction of the promissory note.

The transaction costs related to the Acquisition incurred as at June 30, 2017, totaling $7,512 have been expensed in the statement of net loss and comprehensive loss. The Company has capitalized $7,712 relating to transaction costs associated with the Facility. Subsequent to the Acquisition, the Company has incurred expenses of $1,833 relating to certain transitional services provided by Goldcorp which have been included in accrued liabilities as of June 30, 2017.

As of the date of these condensed interim consolidated financial statements, the determination of fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized. The actual fair values of the assets and liabilities may differ from the amounts disclosed in the preliminary fair value below and are subject to change.

The following table shows the consideration and preliminary allocation of the purchase price to the identifiable assets and liabilities based on their estimated fair values at the date of acquisition:

Purchase Price:		
Cash settlement	$	250,000
Common shares issued		71,000
Short term promissory note		29,000
	$	**350,000**

Net assets/(liabilities) acquired:		
Cash	$	20,547
Mining interests and plant and equipment		270,801
Deferred income and mining tax assets		75,844
Net working capital acquired (excluding cash)		24,169
Long-term inventories		3,801
Provision for reclamation		(42,428)
Other non-current payables		(2,734)
	$	**350,000**

Since acquisition date of April 7, 2017, the revenues and net loss included in the condensed interim consolidated financial statements are $67,482 and $9,614, respectively. Had the acquisition happened on January 1, 2017, the pro forma consolidated revenues and net losses of the Company for the six months ended June 30, 2017 would have been $119 million and $4 million, respectively.

6. TRADE AND OTHER RECEIVABLES

		June 30, 2017		December 31, 2016
Trade receivables	**$**	**9,145**	$	-
VAT receivable		**8,598**		
Other receivables		**3,504**		47
	$	**21,247**	$	47

Per the terms of the Acquisition (Note 5), the VAT recoverable balance of $99,757 relating to the period prior to the Acquisition is to be distributed to Goldcorp as and when those amounts are received from the Mexican tax authorities. This VAT receivable balance has been shown net of the equivalent payable to Goldcorp. The VAT receivable balance of $8,598 represents the VAT receivable accumulated from the Closing Date to June 30, 2017.

7. INVENTORIES

	June 30, 2017	December 31, 2016
Supplies	$ 14,178	$ -
Finished goods	328	-
Work in progress	3,041	-
Heap leach ore	26,745	-
Stockpiled ore	1,400	-
	$ 45,692	$ -
Less: non-current heap leach ore	3,492	-
Current portion	$ 42,200	$ -

(a) The costs of inventories recognized as expense for the three and six months ended June 30, 2017 was $49 million.

8. MINING INTERESTS

	Mining Properties			
	Depletable	Non-depletable	Plant and equipment	Total
Cost				
Balance at December 31, 2016	$ -	$ -	$ -	$ -
Acquisition of Los Filos Mine (Note 5)	47,847	73,879	149,075	270,801
Additions/expenditures	2,671	2,763	899	6,333
Change in reclamation liability (Note 10)	12,742	-	-	12,742
Balance as at June 30, 2017	**$ 63,260**	**$ 76,642**	**$ 149,974**	**$ 289,876**
Accumulated depreciation				
Balance at December 31, 2016	$ -	$ -	$ -	$ -
Depreciation/depletion	1,046	-	2,275	3,321
Depreciation included in inventory	833	-	1,923	2,806
Balance as at June 30, 2017	**$ 1,929**	**$ -**	**$ 4,198**	**$ 6,127**
Carrying amounts				
At December 31, 2016	**-**	**-**	**-**	**-**
At June 30, 2017	**$ 61,331**	**$ 76,642**	**$ 145,776**	**$ 283,749**

9. TRADE AND OTHER PAYABLES

	June 30, 2017	December 31, 2016
Trade and other payables	$ 19,751	$ 452
Accrued liabilities	18,148	181
	$ 37,899	$ 633

10. RECLAMATION AND CLOSURE OBLIGATIONS

		June 30, 2017		December 31, 2016
Beginning balance	**$**	**-**	$	-
Assumed on acquisition of the Los Filos Mine (Note 5)		**42,428**		-
Revision of estimate		**12,742**		-
Accretion expense		**579**		-
Expenses incurred		**(369)**		-
	$	**55,380**	$	-
Less: non-current portion		**50,455**		**-**
Current portion	**$**	**4,925**	$	-

The Company's environmental permits require that it reclaim any land it disturbs during mine development, construction and operations. The majority of these reclamation costs are expected to be incurred subsequent to the end of the expected useful life of the operation to which they relate. The Company measures the provision at the expected value of future cash flows including US based nominal inflation of 2%, discounted to the present value using a current US dollar risk free discount rate of 2.21%. The undiscounted value of the provision as of June 30, 2016 was $55.4 million.

The revision of estimates of $12,742 related to the change in valuation from the business combination (Note 5) and the subsequent valuation under IAS 37.

11. LOAN FACILITY

		June 30, 2017		December 31, 2016
Loan facility	**$**	**150,000**	$	-
Deferred financing costs		**(7,712)**		-
Accretion expense		**3,557**		-
Interest paid		**(2,886)**		-
Ending balance	**$**	**142,959**	$	-

As part of Acquisition (Note 5), the Company arranged the Facility with Orion which bears interest at a rate equal to the greater of 3-month Libor or 1.00%, plus 700 basis points, payable quarterly, and will mature on March 31, 2022. Principal repayments commence with the first repayment due on March 31, 2019 and with equal quarterly installments thereafter, until fully repaid in March 31, 2022. The Facility includes a standard debt service cover ratio that ranges from 1.75 at all times up to and including December 31, 2018, and gradually declines to 1.25 by October 1, 2019 until maturity.

12. SHARE CAPITAL

On March 8, 2017, the outstanding common shares of the Company were consolidated on the basis of one post-consolidation common share for every 5 pre-consolidation common shares. All share information in these condensed interim consolidated financial statements have been adjusted retrospectively to reflect the share consolidation.

On March 8, 2017, the Company completed an offering of 63,640,000 subscription receipts ("Subscription Receipt Offering") at an issue price of C$2.75 per subscription receipt for gross proceeds of $130,390 (C$175,010) million. Each subscription receipt entitled the holder thereof to receive one common share of the Company for no additional consideration, upon closing of the Acquisition (Note 5). The share issue costs relating to the Subscription Receipt Offering totalled $8,100 and have been deducted from share capital.

At closing of the Acquisition on April 7, 2017, the 63,640,000 subscription receipts issued were converted into common shares, without payment of additional consideration or further action. The Company issued 10,244,182 common shares to Orion, for gross proceeds of $21,000 at C$2.75 per share. An over-allotment option for 1,500,000 common shares was exercised at a price of C$2.75 per share for gross proceeds of $3,073. In addition, the Company issued 34,635,091 common shares to Goldcorp, representing $71,000 at C$2.75 per share (Note 5).

On April 7, 2017, a further 14,146,728 subscription receipts were issued at a price of C$2.75 per subscription receipt for gross proceeds of $29,000. Each subscription receipt entitled the holder thereof to receive one common share of the Company for no additional consideration, upon receipt of the second COFECE approval (see Note 5).

In relation to the equity investment received from Orion, the Company issued Orion 2,000,000 share purchase warrants that are exercisable in whole or in part for a term of five years at an exercise price of C$3.575 per share. The fair value of these warrants at the time of grant of $2,154, calculated using a Black-Scholes valuation model, was recognized as a reduction in the value of the Company's common shares issued to Orion.

The additional share issue costs incurred during the three months ended June 30, 2017 relating to the share issuances totaled $1,074.

The net proceeds from the various financings were used for the Acquisition (Note 5) and for general working capital purposes.

On August 31, 2016, the outstanding preferred shares were converted on a 1:1 basis to common shares. In addition, on the same date, the Company completed a reduction of capital reducing the common shares account by $10,568 with a corresponding reduction in the accumulated deficit.

On August 29, 2016, the Company closed a non-brokered private placement of 20,000,000 shares at a price of C$1.75 per share for gross proceeds of $26,877. The Company paid cash share issue costs totaling $809 and issued 38,200 common shares with a deemed value of $51 as finder's fees in relation to this non-brokered private placement.

(a) Authorized capital

Unlimited common shares without par value.
Unlimited Preferred Shares without par value.
Unlimited Series 1 Convertible Preferred Shares with special rights and restrictions attached.

(b) Share-based payments

The following table summarizes the share-based payments:

	Three months ended June 30,		**Six months ended June 30,**	
	2017	2016	**2017**	2016
Short-term benefits from option grants	**$ 8,878**	$ -	**$ 8,878**	$ -
Expense recognized on grant and change in fair value of DSUs	**514**	-	**593**	-
Total share-based payments	**$ 9,392**	$ -	**$ 9,471**	$ -

i. Stock options

The Company has adopted a rolling stock option plan (the "Plan") whereby the option to acquire up to 10% of the issued share capital may be granted to eligible optionees from time to time. The Plan permits options granted to have a maximum term of ten years, a vesting period determined by the directors, and the exercise price may not be less than the market price, as prescribed by regulatory requirements.

A summary of the changes in the share options is presented below:

		Options outstanding		Weighted average exercise price ($CAD)
At December 31, 2016	$	2,500,000	$	2.23
Granted		9,000,000	$	2.85
Exercised		(20,000)	$	0.63
At June 30, 2017	**$**	**11,480,000**	**$**	**2.72**

On April 28, 2017, the Company granted 9,000,000 incentive stock options at a price of C$2.85 per share, exercisable until April 28, 2022 which vested immediately. Share-based payments expense of $8,878 using a Black-Scholes valuation model was recorded during the period.

There were no incentive stock options outstanding during the six months ended June 30, 2016.

During the three months ended June 30, 2017, 20,000 incentive stock options with an exercise price of C$0.625 were exercised.

The following table summarizes information about the exercisable share options outstanding as June 30, 2017:

	Exercise Prices ($CAD)	Number of Stock Options Outstanding	Number of Stock Options Exercisable		Weighted average exercise price ($CAD)	Weighted average remaining contractual life
$	0.63	680,000	680,000	$	0.63	9.0 years
$	2.85	1,800,000	1,800,000	$	2.85	4.4 years
$	2.85	9,000,000	9,000,000	$	2.85	4.8 years
		11,480,000	**11,480,000**	**$**	**2.72**	**5.0 years**

The following weighted average assumptions were used for a Black-Scholes valuation of the stock options granted during the three and six months ended June 30, 2017.

	2017
Risk-free interest rate	1.37%
Expected life	5 years
Annualized volatility	56.63%
Dividend rate	0.00%
Forfeiture rate	0.00%

ii. Deferred share units

The Company established a deferred share unit plan ("DSU") for the purposes of strengthening the alignment of interests between non-executive directors of the Company and shareholders by linking a portion of the annual director compensation to the future value of the Company's common shares. Upon establishing the DSU plan for non-executive directors in November 2016, the Company adopted a policy to no longer grant stock options to non-executive directors. The DSU plan allows each non-executive director to receive, in the form of DSUs, 50% of the director's fees which would otherwise be payable in cash. The plan also provides for discretionary grants of additional DSUs by the Board. Each DSU fully vests upon award, but is distributed only when the director has ceased to be a member of the Board. Vested units are settled in cash based on the common share price at the date of settlement.

A summary of the changes in the DSUs is presented below:

	DSUs outstanding	Weighted average grant price ($CAD)
At December 31, 2016	26,640	$ 3.15
Granted	332,765	$ 2.54
Exercised	(7,143)	$ 3.13
At June 30, 2017	**352,262**	**$ 2.57**

During the six months ended June 30, 2017, the Company granted 332,765 DSU's with a resulting fair value of $593 which was recognized as share-based payments expense during the period. The total fair value of DSUs at June 30, 2017 was $641 (June 30, 2016 - $Nil), of which $610 was recorded as other long-term liabilities and $31 was included as current payables. The current portion of the DSUs related to a director of the Company who resigned during the three months ended June 30, 2017.

During the six months ended June 30, 2017, 7,143 DSUs were redeemed at a weighted average redemption price of C$3.13.

There were no DSUs outstanding during the six months ended June 30, 2016.

iii. Warrant derivative

In relation to the Acquisition financing, the Company has granted Orion 2,000,000 share purchase warrants that are exercisable in whole or in part for a term of five years at an exercise price of C$3.575 per share.

The exercise price of these warrants is denominated in Canadian dollars; however, the functional currency of the Company is the US dollar. As a result of this difference in currencies, the proceeds that will be received by the Company are not fixed and will vary based on foreign exchange rates resulting in the warrants being classified as derivatives and recognized and measured at fair value at each reporting period. Any changes in fair value from period to period are recorded as a non-cash finance costs in the consolidated statement of net loss and comprehensive loss. Upon exercise, the holders will pay the Company the respective exercise price for each warrant exercised in exchange for one common share of the Company. The fair value at the date of exercise and the associated non-cash liability will be reclassified to share capital. The non-cash liability associated with any warrants that expire unexercised will be recorded as a gain in the consolidated statement of net loss and comprehensive loss. There are no circumstances in which the Company would be required to pay any cash upon exercise or expiry of the warrants.

A reconciliation of the change in the fair values of the warranty derivative is presented below:

		Fair value of warrant derivative
At December 31, 2016	$	-
Warrants issued		2,154
Change in fair value of warrant derivative		(795)
At June 30, 2017	**$**	**1,359**

There were no warrants outstanding during the six months ended June 30, 2016.

The following weighted average assumptions were used for a Black-Scholes valuation of the warrants granted during the three and six months ended June 30, 2017.

	2017
Risk-free interest rate	1.49%
Expected life	5 years
Annualized volatility	56.63%
Dividend rate	0.00%
Forfeiture rate	0.00%

13. REVENUE

Revenue is comprised of the following sales:

	Three months ended June 30,				**Six months ended June 30,**			
		2017		2016		**2017**		2016
Gold (a)	**$**	**67,199**	$	-	**$**	**67,199**	$	-
Silver (b)		**283**		-		**283**		-
	$	**67,482**	$	-	**$**	**67,482**	$	-

(a) Gold Offtake Arrangement

As part of the Acquisition financing, the Company entered into an offtake agreement with Orion (the “Gold Offtake Agreement”) which provides for a gold offtake of 50% of the gold production from the Los Filos Mine at market prices, until a cumulative delivery of 1.1 million ounces to Orion. As of June 30, 2017, 23,436 payable gold ounces had been sold to Orion under the terms of the Gold Offtake Agreement.

(b) Silver Streaming Arrangement

During the three and six months ended June 30, 2017, silver revenue equalled less than 0.5% of the Company’s total revenue. The Company’s silver production from the Los Filos mine and Bermejal property is subject to the terms of an agreement (the “Silver Purchase Agreement”) with Wheaton Precious Metals Corp. (“WPM”) under which the Company must sell a minimum of 5 million payable silver ounces produced by the Los Filos mine operations from August 5, 2010 to the earlier of the termination of the agreement or October 15, 2029 to WPM at the lesser of $3.90 per ounce (the “Fixed Price”) or the prevailing market price, subject to an inflationary adjustment. The contract price is revised on the anniversary date of the contract which was $4.29 per ounce at December 31, 2016. As of June 30, 2017, 1.457 million payable silver ounces had been sold to WPM under the terms of the agreement.

(c) Royalties

The Company is subject to a royalty arrangement of 0.5% of gross income on gold and silver revenues. In addition, the concession named Xochipala is subject to a royalty arrangement of 3% of gross income on gold and silver revenues.

14. PRODUCTION COSTS

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Raw materials and consumables	**$ 30,311**	$ -	**$ 30,311**	$ -
Contractors	**13,337**	-	**13,337**	-
Salaries and employee benefits	**8,752**	-	**8,752**	-
Other	**2,995**	-	**2,995**	-
	$ 55,395	$ -	**$ 55,395**	$ -

15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel and directors

The remuneration of key management which includes directors and management personnel responsible for planning, directing and controlling the activities of the Company during the period were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Short-term benefits	**$ 330**	$ -	**$ 651**	$ -
DSUs granted	**514**	-	**593**	-
Stock-options granted	**7,373**	-	**7,374**	-
	$ 8,217	$ -	**$ 8,618**	$ -

16. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the entity's ability to support then Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties, support any expansionary plants, maintain sufficient capital for potential investment opportunities and to pursue generative acquisition opportunities. Leagold intends to finance potential acquisitions with a prudent combination of equity, debt and other forms of finance.

In the management of capital, the Company includes the components of equity, short-term borrowings and long-term debt, net of cash and cash equivalents and restricted cash.

The Company manages its capital structure and makes adjustments to it in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, promissory note, other long-term liabilities and the Facility.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – inputs that are not based on observable market data.

The fair values of the Company's cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables and promissory note approximate their carrying values due to their short-term nature.

Other long-term liabilities are measured at their fair value at the end of each reporting period. The Facility is measured at amortized cost.

Financial Risk

The Company is exposed to varying degrees of a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

The Company's primary exposure to credit risk is on its cash and cash equivalents, restricted cash, and trade and other receivables.

The Company closely monitors its financial assets and does not have any significant concentration of credit risk other than receivable balances owed from the Mexican government. The Company sells its gold to large international organizations with strong credit ratings but the historical level of customer defaults is minimal and, as a result, the credit risk associated with gold trade receivables at June 30, 2017 is considered to be negligible.

In determining the recoverability of a receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Excess cash deposits are restricted to guaranteed investment certificates of major banks or instruments of equivalent or better quality. No investments in asset-backed commercial paper is permitted.

The Company's maximum exposure to credit risk is as follows:

	June 30, 2017	December 31, 2016
Cash and cash equivalents	**$ 65,364**	$ 24,650
Restricted cash	**29,028**	-
Trade and other receivables	**21,247**	-
	$ 115,639	$ 24,650

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's significant undiscounted commitments at June 30, 2017 are as follows:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
Trade and other payables	$ 37,899	$ -	$ -	$ -	$ 37,899
Other current payables	2,630	-	-	-	2,630
Promissory note[1]	29,000	-	-	-	29,000
Other long-term liabilities	-	-	-	1,969	1,969
Loan facility – principal	-	69,231	80,769	-	150,000
Loan facility – interest	12,395	21,245	6,687	-	40,327
	$ 81,924	**$ 90,476**	**$ 87,456**	**$ 1,969**	**$ 261,825**

[1] On July 12, 2017, the Company paid $29 million to Goldcorp in satisfaction of the promissory note.

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Company incurs in its operations. There has been no change in the Company's objectives and policies for managing this risk during the quarter ended June 30, 2017.

The Company's reporting currency is the US dollar and major purchases are transacted in US dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the US dollar. A portion of the Company's exploration, development and operating costs and administrative costs are incurred mainly in Mexican pesos and Canadian dollars. The fluctuation of the Mexican peso and Canadian dollar in relation to the US dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholder's equity.

The table below highlights the net assets held in Canadian dollars and Mexican pesos (in US dollar equivalents):

	June 30, 2017	December 31, 2016
Canadian dollars	**$ 10**	$ (210)
Mexican pesos	**(3,199)**	-
	$ (3,189)	$ (210)

The effect on earnings and other comprehensive earnings before tax as at June 30, 2017, of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Company is estimated to be $290 (December 31, 2016 - $21), assuming that all other variables remained constant.

Commodity Price risk

Gold prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the political and economic conditions of major gold producing countries. The profitability of the Company is directly related to the market price of gold. A decline in the market prices for this precious metal could negatively impact the Company's future operations. The Company has not hedged any of its gold or silver sales.

Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents, restricted cash, promissory note and the Facility. At June 30, 2017, the Company has determined the interest rate risk to be low and that a 10% increase or decrease in market interest rates would result in a nominal increase or decrease to the Company's earnings.

18. COMMITMENTS AND CONTINGENCIES

As at June 30, 2017, the Company has no material commitments and contingencies other than disclosed in Note 13.