LEAGOLD MINING CORPORATION

Management's Discussion and Analysis

For the three and six months ended June 30, 2018 and 2017

(expressed in thousands of United States dollars)

This Management's Discussion and Analysis is prepared as of August 14, 2018 and provides an analysis of the unaudited interim financial and operating results of Leagold Mining Corporation ("Leagold" or the "Company") for the three and six months ended June 30, 2018. Additional information regarding Leagold, including its Annual Information Form for the year ended December 31, 2017, as well as other information filed with the Canadian securities regulatory authorities is available under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The following discussion and analysis of the financial condition and results of operations of Leagold should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months and six months ended June 30, 2018 and June 30, 2017, as well as the consolidated financial statements for the year ended December 31, 2017 and December 31, 2016, and the related notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts are in United States dollars unless otherwise specified.

BUSINESS OVERVIEW

Leagold is a Canadian based gold producer with four operating mines: the Los Filos mine in Mexico, acquired in April 2017, and the Riacho dos Machados mine ("RDM"), the Fazenda Brasileiro mine ("Fazenda"), and the Pilar de Goias ("Pilar") mine in Brazil, which were acquired in May 2018. The Company also has a significant mine expansion project at the Los Filos mine and the opportunity to restart the previously operating Santa Luz mine in Brazil, which was also acquired in May 2018. The acquisition of Brio provides a platform of further expansion in Mexico and Brazil, with the diversification benefit of multiple operations in two jurisdictions.

Leagold's common shares are listed on the Toronto Stock Exchange (the "TSX") (symbol: LMC) and quoted in the United States on the OTCQX International (symbol: LMCNF).

Leagold's corporate strategy is to identify and acquire operating gold mines and projects nearing construction within Latin America which can be consolidated regionally and where the acquired assets complement each other; this involves targeting non-core gold assets owned by senior producers and the acquisition of publicly listed junior producers and unlocking value from implementing operational efficiencies, de-risking projects and investing in exploration. Leagold's experienced management team has a history of creating shareholder value and operational success which provides the foundation for executing on its strategy.

In April 2017, Leagold acquired the Los Filos mine from Goldcorp Inc. following which Leagold continued looking for additional acquisition opportunities. On February 15, 2018, Leagold entered into a definitive agreement with Brio Gold Inc. ("Brio") to acquire, by way of a statutory plan of arrangement, all the issued and outstanding shares of Brio (the "Arrangement"). The Brio acquisition closed on May 24, 2018 and transformed Leagold into a diversified, multi-mine gold producer with four mines and a strong platform for further growth in Mexico, Brazil, and other regions of Latin America. The following figures show the location of Leagold's operations in Mexico and Brazil:

Q2 2018 HIGHLIGHTS

- On May 24, 2018, Leagold completed the acquisition of Brio, expanding its gold operations to include the RDM, Fazenda, and Pilar mines and the Santa Luz project in Brazil.

- The acquisition of Brio provides diversification with four operations and two well-established mining jurisdictions and a strong platform for further growth.

- Leagold expects to produce gold at an annualized rate of approximately 450,000 oz per year in H2 2018 (see Table A in *Outlook* section), with significant growth potential from the Los Filos mine and the restart of the Santa Luz mine.

  - Full year 2018 gold production guidance is between 325,000 to 350,000 ounces as the Brazilian mines are now included for the post-acquisition period of May 24, 2018 to December 31, 2018.
  - In H2/2018, Leagold expects to produce between 210,000 and 235,000 ounces of gold at AISC in the range of $920 to $970 per ounce, bringing full year 2018 guidance to 325,000 to 350,000 ounces of gold at AISC in the range of $940 to $975 per ounce.
  - During H1 2018, the agglomerator was commissioned and the segregated processing of the high-grade material at Los Filos was implemented and optimized. The Los Filos processing plan can now schedule a significant increase in the ore to be placed in the heap leach pads, uncrushed and without agglomeration, to improve gold production and cash flow in H2 2018.
  - The newly acquired Santa Luz project in Brazil is a key growth opportunity for Leagold. However, the first priority is assuming control of and optimizing the operations at the three newly acquired operating mines in Brazil. As a result, Leagold is not expecting to re-start construction of the Santa Luz project until later this year or early next year.

- Leagold's approach to the management of RDM, Fazenda and Pilar mines includes:

  - Reorienting each mine into an individual profit centre, with the mine General Managers ("GMs") responsible for both operating and financial performance. The mine GMs report directly to Leagold's newly appointed Senior Vice President Operations – Brazil, who is a full-time resident in Brazil. This is a significant shift in the organizational structure, compared to Brio's structure, and is expected to lead to faster decision-making, reduced costs, and improved operational controls.
  - Using Leagold's operations expertise to identify improved practices and other operating optimizations and establish optimal long-term plans for each mine.
  - Restructuring the Belo Horizonte office to reduce and limit its role to shared services and group purchasing.
  - Adding a greater emphasis on financial controls with a sharp focus on the capital expenditure approval process.
  - Creating a new executive role of Director, Safety, Health and Environment and Institutional Relations to strengthen relationships with government, community and other stakeholders.

- Concurrent with the acquisition of Brio, Leagold also completed a $100 million debt financing and a $45 million equity financing. These funds supported the repayment of Brio's $75 million senior secured debt and strengthened Leagold's ability to fund optimization and growth projects.

- Brio's results for the 38-day period from May 24, 2018 to June 30, 2018 (inclusive) are included in Leagold's Q2 2018 results.

- For the three months ended June 30, 2018, Leagold reported:

  - Gold production of 64,517 ounces;
  - Sales of 66,982 gold ounces;
  - Revenue of $86.9 million;
  - Earnings from mine operations of $10.1 million;

  - All-in sustaining cost ("AISC")(1) of $950 per ounce; and
  - AISC margin(1) of $23.1 million.

- Leagold closed Brio's North American offices in both Denver (on May 24, 2018) and Toronto (on July 31, 2018) which were budgeted to cost $6.8 million in 2018. Additional cost savings are expected to be realized at the Belo Horizonte office as a result of the new organizational structure.

- During Q2 2018 Leagold continued to advance the Bermejal Underground project at the Los Filos mine in Mexico, in the context of developing a long-term and site-wide mine production and processing plan.

  - mine design and engineering, based on the updated mineral resource estimate, which is expected to be complete later this year;
  - development of the exploration portal and ramp construction continues on schedule, with over 960 metres of the planned 1,300 metres of advance completed in the main ramp;
  - completion of surface facilities at the underground portal and the first raise bore for ventilation.

ACQUISITION OF BRIO GOLD INC.

The Company completed the acquisition of Brio (the "Acquisition") on May 24, 2018 (the "Closing Date"), whereby Leagold acquired all the issued and outstanding common shares of Brio (each, a "Brio Share"). Under the terms of the Arrangement, Brio shareholders received for each Brio Share held, 0.922 of a common share of Leagold and 0.4 of a Leagold share purchase warrant (each whole warrant, a "Leagold Warrant"). Each Leagold Warrant entitles the holder to purchase one Leagold common share at a price of C$3.70 until May 24, 2020.

Based on the opening price of Leagold shares of C$3.07 on May 24, 2018, the 108,422,620 Leagold common shares issued in exchange for the outstanding Brio Shares had an aggregate value of $258.2 million. In addition, 2,453,546 Leagold common shares were issued in exchange for certain of Brio's restricted share units ("RSUs") and deferred share units ("DSUs") and in satisfaction of a partial severance payment, which increases the value of the total common share consideration to $264.1 million. The Company issued 46,716,645 Leagold Warrants having a consideration value of $19.7 million, calculated using a Black-Scholes valuation method. Also under the Arrangement, certain Brio stock options were exchanged for 1,026,267 Leagold options to acquire common shares of Leagold, which option have a consideration value of $0.9 million. The Company also provided a $13.1 million bridge loan to Brio prior to the closing of the Acquisition, the proceeds of which were used to settle certain of Brio's liabilities. The total transaction price of $297.8 million reflects the consideration value of the newly issued common shares, warrants, and stock options, and the principal value of the bridge loan.

As part of the financing plan to complete the Acquisition, the Company's existing $150 million senior secured five-year loan facility with Societe Generale, Investec Bank plc and Orion Mine Finance ("Orion"), was amended to provide an additional $100 million tranche of funding, net of $2.5 million of debt issuance costs. A portion of the proceeds of the new tranche was used to fully repay Brio's $75 million senior debt credit facility on closing of the Acquisition.

On the Closing Date, the Company also issued 21,317,098 common shares to a fund managed by Orion pursuant to a private placement at a price of C$2.71 for proceeds of $45 million and issued 2,000,000 warrants to acquire common shares of Leagold having an exercise price of C$3.53 (the "Orion Warrants"). The fair value of the Orion Warrants at the time of grant of $1.2 million, calculated using a Black-Scholes valuation model, was recognized as a reduction in the value of the Company's common shares issued to Orion.

As shown in the table below, total transaction costs of $22.1 million include $16.8 million incurred by Brio and assumed by Leagold on Acquisition.

[1] Non-IFRS measure, see *Non-IFRS Financial Performance Measures* section for reconciliation. AISC includes mine cash costs, land access payments, royalties and sustaining capital expenditures.

As of the date of this report, 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	**$000s**
Fair value estimate of Leagold share consideration	264,052
Fair value estimate of Leagold Warrants issued	19,703
Fair value estimate of share options issued	930
Bridge loan issued	13,069
	297,754
Net assets/(liabilities) acquired	
Cash	5,423
Mining interests and plant and equipment	446,987
Deferred income tax assets	11,053
Other non-current assets	4,171
Net working capital acquired (excluding cash)	(43,855)
Hedging instruments	(4,525)
Senior debt credit facility	(75,000)
Provision for reclamation	(30,246)
Other non-current payables	(16,254)
	297,754

Transaction Costs Associated with the Acquisition of Brio

$000s	**Incurred by Brio**	**Incurred by Leagold**	**Total Costs**
Professional fees			
Investment banking	5,668	2,506	**8,173**
Legal	1,198	1,705	**2,903**
Audit/tax advisory	-	296	**296**
Financial and IT integration consulting		317	**317**
Other	-	501	**501**
Total professional fees	6,866	5,325	**12,190**
Payments to Brio employees			
Change of control severance payments	7,810	-	**7,810**
Historic executive bonuses (2016, 2017)[1]	2,100	-	**2,100**
Total transaction costs	**16,776**[2]	**5,325**[3]	**22,100**

[1] Brio declared but did not pay executive bonuses for 2016 and 2017 of US$2.1 million. These amounts were paid on termination of employment.
[2] During the three months ended June 30, 2018, the Company paid $14.9 million of the $16.8 million as included in the condensed interim consolidated statements of cash flows in the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018.
[3] During the three and six months ended June 30, 2018, the Company incurred $3.5 million and $5.2 million, respectively, of the $5.3 million relating to the transaction costs incurred by Leagold. These costs have been expensed in the condensed interim consolidated statements of net income/(loss) and comprehensive income/(loss).

OPERATIONS REVIEW

Producing Mines – Q2 2018 Summary

The following table provides a summary of the gold production, total cash costs, and all in sustaining costs for the individual mines during the three-month period April 1, 2018 through June 30, 2018.

Mining Physicals:	**Unit**	**Los Filos**	**RDM**	**Fazenda**	**Pilar**	**Total**
Gold ounces produced	oz	43,541	7,889	7,460	5,627	64,517
Gold ounces sold	oz	43,411	6,859	9,691	7,021	66,982
Cash Cost Details:						
Gold revenue	**$000s**	**56,715**	**8,677**	**12,357**	**8,980**	**86,729**
Mining costs – open pit		10,391	3,626	454	-	14,471
Mining costs – underground		11,731	-	2,713	3,508	17,952
Processing costs		17,473	2,831	1,432	1,367	23,103
Site general and administration costs		6,106	471	492	449	7,518
Change in inventory		(11,197)	(1,777)	2,684	1,513	(8,777)
Other		403	129	153	214	899
Total cash costs[1]		**34,907**	**5,280**	**7,928**	**7,051**	**55,166**
Land access payments		3,905	-	2	-	3,907
Royalties		350	218	143	109	820
Sustaining capital[1]		2,817	114	561	280	3,772
AISC[1]		**41,979**	**5,612**	**8,634**	**7,440**	**63,665**
AISC margin[1]		**14,736**	**3,065**	**3,723**	**1,540**	**23,064**
Cash costs per gold ounce sold[1]	**$/oz**	**804**	**770**	**818**	**1,004**	**824**
AISC per gold ounce sold[1]	**$/oz**	**967**	**818**	**891**	**1,060**	**950**

[1] Cash costs, sustaining capital, AISC, and all-in sustaining margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to the section *Non-IFRS Measures*.

The following table provides a summary of the gold production, total cash costs, and all in sustaining costs for the individual mines during the six-month period January 1, 2018 through June 30, 2018. The group table is followed by a detailed operational review on a mine by mine basis.

Mining Physicals:	**Unit**	**Los Filos**	**RDM**	**Fazenda**	**Pilar**	**Total**
Gold ounces produced	oz	94,544	7,889	7,460	5,627	115,520
Gold ounces sold	oz	94,745	6,859	9,691	7,021	118,316
Cash Cost Details:						
Gold revenue	**$000s**	**124,544**	**8,677**	**12,357**	**8,980**	**154,558**
Mining costs – open pit		18,578	3,626	454	-	22,658
Mining costs – underground		21,637	-	2,713	3,508	27,858
Processing costs		36,389	2,831	1,432	1,367	42,019
Site general and administration costs		12,094	471	492	449	13,506
Change in inventory		(9,007)	(1,777)	2,684	1,513	(6,587)
Other		415	129	153	214	911
Total cash costs[1]		**80,106**	**5,280**	**7,928**	**7,051**	**100,365**
Land access payments		7,394	-	2	-	7,396
Royalties		895	218	143	109	1,365
Sustaining capital[1]		6,932	114	561	280	7,887
AISC[1]		**95,327**	**5,612**	**8,634**	**7,440**	**117,013**
AISC margin[1]		**29,217**	**3,065**	**3,723**	**1,540**	**37,545**
Cash costs per gold ounce sold[1]	**$/oz**	**845**	**770**	**818**	**1,004**	**848**
AISC per gold ounce sold[1]	**$/oz**	**1,006**	**818**	**891**	**1,060**	**989**

[1] Cash costs, sustaining capital, AISC, and all-in sustaining margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to the section *Non-IFRS Measures*.

Los Filos Mine

Leagold acquired the Los Filos mine on April 7, 2017. The Los Filos mine currently consists of two open pit mines, Los Filos and Bermejal, and an underground mine at Los Filos. The Los Filos mine is located 230 km south of Mexico City and is accessible by paved roads and a private airstrip. Grid power is supplied to a 20 MVA substation at site. During 2017, the Los Filos mine commenced development on the Bermejal Underground project which has the potential to increase production, reduce AISC, increase cash flow, and extend mine life. See "*Development Projects – Bermejal Underground Project*"section.

The following table summarizes the operating and financial results for the Los Filos mine for the three and six months ended June 30, 2018, three months ended March 31, 2018 and the prior year post acquisition period of April 8, 2017 through June 30, 2017.

Mining Physicals:	**Unit**	**3 months ended June 30, 2018**	**3 months ended March 31, 2018**	**Apr 8, 2017- June 30, 2017**	**6 months ended June 30, 2018**
Tonnes mined – open pit	000s	8,181	7,699	6,696	15,880
Tonnes of ore mined – open pit	000s	1,459	1,061	1,956	2,520
Tonnes of low-grade ore mined – open pit	000s	732	940	-	1,672
Average gold grade mined – open pit	g/t	0.55	0.57	0.57	0.56
Tonnes of ore mined – underground	000s	145	101	89	246
Average gold grade mined – underground	g/t	5.50	5.47	6.33	5.49
Tonnes of ore processed	000s	1,901	1,597	1,986	3,498
Avg. gold grade processed	g/t	0.97	0.97	0.81	0.97
Contained gold placed on pad	oz	58,982	50,029	51,637	109,011
Recovery rate in period[1]	%	74%	102%	75%	87%
Gold ounces produced	oz	43,541	51,003	43,980	94,544
Gold ounces sold	oz	43,411	51,334	54,010	94,745
Unit Cost Analysis:					
Realized gold sales price	$/oz	1,306	1,321	1,244	1,315
Mining cost – open pit[2]	$/t mined	1.27	1.29	1.45	1.28
Mining cost – underground	$/t ore	81	98	100	88
Processing costs	$/t placed	4.3	9.2	5.1	10.4
Cash Cost Details:					
Gold revenue	**$000s**	**56,715**	**67,829**	**67,199**	**124,544**
Mining costs – open pit		10,391	8,187	9,681	18,578
Mining costs – underground		11,731	9,906	8,889	21,637
Processing costs		17,473	18,916	21,697	36,389
Site general and administration costs		6,106	5,988	4,212	12,094
Change in inventory		(11,197)	2,190	2,580	(9,007)
Other		403	12	(nil)	415
Total cash costs[3]		**34,907**	**45,199**	**47,059**	**80,106**
Land access payments		3,905	3,489	3,393	7,394
Royalties		350	545	307	895
Sustaining capital[3]		2,817	4,115	2,680	6,932
AISC[3]		**41,979**	**53,348**	**53,439**	**95,327**
AISC margin[3]		**14,736**	**14,481**	**13,760**	**29,217**
Cash costs per gold ounce sold[3]	**$/oz**	**804**	**880**	**871**	**845**
AISC per gold ounce sold[3]	**$/oz**	**967**	**1,039**	**989**	**1,006**

[1] Based on total gold ounces placed on the heap leach pads divided by gold ounces produced in the period, including reprocessed ounces. The recovery rate in Q1 2018 includes the lag effect inherent in heap leach pad processing and the significant volume of contained gold ounces placed on the pads in late 2017.

[2] Includes capitalized stripping cost of $1,752 for the three months ended March 31, 2018 Q1 2018.

[3] Cash costs, sustaining capital, AISC, and all-in sustaining margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to the section *Non-IFRS Measures*.

Q2 2018 Analysis

Mining rates in Q2 2018 compared to Q1 2018 improved in both the open pit (+9%) and underground (+44%) operations. The gold production of 43,541 ounces was below Q1 2018 primarily due to lower volumes of contained gold ounces placed on the heap leach pads in Q1 2018 and leaching recovery time lag. In addition, average mined grades at the Los Filos Underground have been 2.0-2.5 g/t lower than the production plan. A review of the production information indicates the Los Filos Underground grade discrepancy is due to local high-grade mineralization (i.e. "nuggety gold") having a disproportionate impact on the mine plan, and a more conservative cap on the high grade is being implemented and incorporated into the forward-looking production plan.

During Q2 2018, the crushing and agglomeration circuits were commissioned, and throughput rates were optimized. The crusher/agglomeration circuit now ensures the optimal processing of the high-grade material. As a result of the segregated processing of the high-grade material, the processing plan can now schedule a significant increase in the ore to be placed in the heap leach pads, uncrushed and without agglomeration, to improve gold production and cash flow in H2 2018.

Compared to 2017, the 2018 processing plan incorporates two key elements: i) the high-grade material is crushed, agglomerated and segregated to ensure optimal gold recovery, and ii) a higher cut-off grade (2017: 0.2 g/t; 2018: 0.3 g/t) is being applied to the uncrushed and unagglomerated material placed on the heap leach pads to improve overall financial performance.

The Los Filos mine produced 43,541 ounces of gold in the three months ended June 30, 2018 at an AISC of $967 per ounce sold, compared to 51,003 ounces at an AISC of $1,039 per ounce sold in the prior quarter.

At the Los Filos mine, $5.9 million in capital expenditures were made during Q2 2018 which included $2.8 million of sustaining underground development. In addition, Leagold spent $0.8 million completing the overland conveyor project and $1.5 million for exploration drilling.

Drilling Program

The objective of the Los Filos Underground mine drilling program is to identify additional resources to replace reserves and extend the overall mine life. The program is on track with over 15,000 metres of step-out drilling completed to date. Drilling of a total of 62,000 metres is planned and is focused on several deposits along the contact of the intrusive bodies. All the drill holes that have been completed to date in this program intersected oxide skarn mineralization at the contact of the intrusive.

Riacho dos Machados Mine

The RDM mine is located in the Minas Gerais State in Brazil, about 560 kilometres (km) north of the state capital city of Belo Horizonte. The mine area covers approximately 22,600 hectares and is accessible by air and road. The RDM mine was acquired by Brio in April 2016 before being acquired by Leagold in May 2018. The operation is a conventional open pit mine with a 7,000-tonne per day ("tpd") carbon-in-leach ("CIL") plant. The RDM mine commenced production in early 2014.

The following table summarizes the operating and financial results for the RDM mine for the 38-day period from May 24, 2018 through June 30, 2018.

Mining Physicals:	**Unit**	**May 24, 2018 – June 30, 2018**
Tonnes mined – open pit	000s	1,727
Tonnes of ore mined – open pit	000s	227
Average gold grade mined – open pit	g/t	1.27
Tonnes of ore processed	000s	181
Avg. gold grade processed	g/t	1.37
Recovery rate in period	%	82%
Gold ounces produced	oz	7,889
Gold ounces sold	oz	6,859
Unit Cost Analysis:		
Realized gold sales price	$/oz	1,265
Mining cost – open pit	$/t mined	2.10
Processing costs	$/t processed	16
Cash Cost Details:		
Gold revenue	**$000s**	**8,677**
Mining costs – open pit		3,626
Processing costs		2,831
Site general and administration costs		471
Change in inventory		(1,777)
Other		129
Total cash costs[1]		**5,280**
Royalties		218
Sustaining capital[1]		114
AISC[1]		**5,612**
AISC margin[1]		**3,065**
Cash cost per gold ounce sold[1]	**$/oz**	**770**
AISC per gold ounce sold[1]	**$/oz**	**818**

[1] Cash costs, sustaining capital, AISC, and all-in sustaining margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to the section *Non-IFRS Measures*.

May 24, 2018 – June 30, 2018 Analysis

Production was negatively impacted as a result of the national truck drivers strike in Brazil that commenced on May 21, 2018 and ended in early June, which resulted in mining operations at RDM being halted for eight days. The RDM mine produced 7,889 ounces of gold during the post-acquisition period. Gold sales were 6,859 ounces with associated revenues of $8.7 million at an AISC per ounce of $818 per ounce sold.

The tailings dam at RDM is designed to be raised on a bi-annual basis. Immediately after completion of the Acquisition, Leagold prioritized selecting a contractor and construction on the $5.3 million capital project commenced in July. Completion of the grid power line is also a priority and is expected to commence in Q3 2018 and will have an estimated remaining $2.5 million capital cost. The Company is targeting to commission the new grid connected power line in Q4 2018. The power line will replace the current diesel power generators, and is expected to reduce costs, improve grind size and gold recovery and mill throughput. The processing plant was designed to process 7,000 tonnes per day with the potential to expand to 9,000 tonnes per day with some modifications, including the increased power availability.

To ensure these two priority projects and regular operations are professionally and cost-effectively managed, Leagold is strengthening the RDM site management team.

Fazenda Mine

The Fazenda Brasileiro mine is located within the Maria Preta mining district in Bahia State, Brazil, about 180 km northwest of the state capital of Salvador. The mine covers approximately 63,400 hectares and is accessible by air and road. The Fazenda mine has been in operation for more than 30 years and is primarily an underground operation with ore being processed in a carbon-in-pulp ("CIP") milling facility.

The following table summarizes the operating and financial results for the Fazenda mine for the 38-day period from May 24, 2018 through June 30, 2018.

Mining Physicals:	**Unit**	**May 24, 2018 – June 30, 2018**
Tonnes mined – open pit	000s	215
Tonnes of ore mined – open pit	000s	7
Average gold grade mined – open pit	g/t	1.68
Tonnes of ore mined – underground	000s	134
Average gold grade mined – underground	g/t	1.89
Tonnes of ore processed	000s	138
Avg. gold grade processed	g/t	1.93
Recovery rate in period	%	92%
Gold ounces produced	oz	7,460
Gold ounces sold	oz	9,691
Unit Cost Analysis:		
Realized gold sales price	$/oz	1,275
Mining cost – open pit	$/t mined	2.11
Mining cost – underground	$/t ore	20.30
Processing costs	$/t processed	10
Cash Cost Details:		
Gold revenue	**$000s**	**12,357**
Mining costs – open pit		454
Mining costs – underground		2,713
Processing costs		1,432
Site general and administration costs		492
Change in inventory		2,684
Other		153
Total cash costs[1]		**7,928**
Land access payments		2
Royalties		143
Sustaining capital[1]		561
AISC[1]		**8,634**
AISC margin[1]		**3,723**
Cash costs per gold ounce sold[1]	**$/oz**	**818**
AISC per gold ounce sold[1]	**$/oz**	**891**

[1] Cash costs, sustaining capital, AISC, and all-in sustaining margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to the section *Non-IFRS Measures*.

May 24, 2018 – June 30, 2018 Analysis

The Fazenda mine produced 7,460 ounces of gold following Leagold's acquisition on May 24, 2018. Gold sales were 9,691 ounces with associated revenues of $12.4 million at an AISC per ounce of $891 per ounce sold for the period from May 24, 2018 to June 30, 2018.

Total tonnes mined for the period from the open pit were 215,000 tonnes at an average grade of 1.68 grams per tonne. Ore mined from underground was 134,000 tonnes at an average grade of 1.89 grams per tonne. Efficiencies are expected to improve with new underground mining equipment purchased in H1 2018 being delivered in H2 2018.

Pilar Mine

The Pilar mine is a set of underground mines located in Goiás State in central Brazil, approximately 320 km from the federal capital of Brasilia. The total land package consists of approximately 17,800 hectares and the project area is readily accessible by road and air.

Pilar began commercial production in October 2014. The primary mining methods are modified room and pillar and long hole open stoping. The processing plant is a conventional milling, gravity, and CIP circuit.

The following table summarizes the operating and financial results for the Pilar mine for the 38-day period from May 24, 2018 through June 30, 2018.

Mining Physicals:	**Unit**	**May 24, 2018 – June 30, 2018**
Tonnes of ore mined – underground	000s	145
Average gold grade mined – underground	g/t	1.32
Tonnes of ore processed	000s	148
Avg. gold grade processed	g/t	1.33
Recovery rate in period	%	94%
Gold ounces produced	oz	5,627
Gold ounces sold	oz	7,021
Unit Cost Analysis:		
Realised gold sales price	$/oz	1,279
Mining cost – underground	$/t ore	24
Processing costs	$/t processed	9
Cash Cost Details:		
Gold revenue	**$000s**	**8,980**
Mining costs – underground		3,508
Processing costs		1,367
Site general and administration costs		449
Change in inventory		1,513
Other		214
Total cash costs[1]		**7,051**
Royalties		109
Sustaining capital[1]		280
AISC[1]		**7,440**
AISC margin[1]		**1,540**
Cash costs per gold ounce sold[1]	**$/oz**	**1,004**
AISC per gold ounce sold[1]	**$/oz**	**1,060**

[1] Cash costs, sustaining capital, AISC, and all-in sustaining margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to the section *Non-IFRS Measures*.

May 24, 2018 – June 30, 2018 Analysis

The Pilar mine produced 5,627 ounces of gold following Leagold's acquisition on May 24. Gold sales were 7,021 ounces with associated revenues of $9.0 million at an AISC per ounce of $1,060 per ounce sold for the period from May 24, 2018 to June 30, 2018.

Ore mined from underground was 145,000 tonnes at an average grade of 1.32 grams per tonne. Production was impacted by lower than expected grade. The mining sequence has since been adjusted to prioritize areas with higher grades.

(Expressed in Thousands of United States Dollars, Except as Otherwise Stated)

OPERATIONS OUTLOOK

As a result of the Brio acquisition Leagold expects to be producing at an annualized rate of approximately 450,000 ounces in H2 2018, as detailed in Table A below.

Table A – Gold production for Q1 and Q2 2018 and Full Year 2018 Guidance (ounces)

Mine	Q1 2018 Actual	Q2 2018 Actual	H1 2018 Actual	H2 2018 Forecast	Revised Full-year 2018 Production Guidance
Los Filos	51,003	43,541	94,544	115,000 to 130,000	210,000 to 225,000
RDM	-	7,889	7,889	38,000 to 42,000	45,000 to 50,000
Fazenda	-	7,460	7,460	33,000 to 36,000	40,000 to 43,000
Pilar	-	5,627	5,627	24,000 to 27,000	30,000 to 32,000
Total	51,003	64,517	115,520	210,000 to 235,000	325,000 to 350,000

Table B – AISC[2] for Q1 and Q2 2018 and Full Year 2018 Guidance ($/oz)

Mine	Q1 2018 Actual	Q2 2018 Actual	H1 2018 Actual	H2 2018 Forecast	Revised Full-year 2018 AISC Guidance
Los Filos	1,039	967	1,006	950 to 1,000	975 to 1,000
RDM	-	818	818	800 to 850	800 to 850
Fazenda	-	891	891	875 to 925	875 to 925
Pilar	-	1,060	1,060	1,000 to 1,050	1,000 to 1,050
Total	1,039	950	989	920 to 970	940 to 975

[1] For Q2 2018, the results for RDM, Fazenda and Pilar are included in Leagold's results for the 38-day post-Acquisition period from May 24, 2018 to June 30, 2018 (inclusive).
[2] AISC is a non-IFRS financial performance measure with no standard meaning under IFRS. Refer to the section *Non-IFRS Measures*.

In H2 2018, Leagold expects to produce an aggregate of between 210,000 and 235,000 ounces of gold at AISC in the range of between $920 to $970 per ounce, bringing full year 2018 guidance to between 325,000 and 350,000 ounces of gold at AISC in the range of $940 to $975 per ounce.

The current Los Filos 2018 outlook benefits from the operational improvements implemented since acquisition in April 2017 and several future optimizations being implemented throughout 2018. As a result, gold production and AISC are expected to improve during H2 2018, in line with the steady improvements achieved in 2017 as outlined below:

- At the start of 2018, an operations decision was made to reduce the processing of low grade run-of-mine (ROM) material to reduce the total volume of material being leached allowing for increased operating flexibility and the implementation of improved heap leach pad management practices that are focused on the segregated processing of the higher-grade material.
- In H2 2017, Leagold commenced refurbishing and installing an agglomeration drum to improve the agglomeration quality of the crushed ore that is placed on the heap leach pads. Gold recoveries from the heap leach pads are expected to increase due to the improved agglomeration by increasing the percolation of the leachate solution through the ore.
- During Q2 2018, the agglomeration circuit was commissioned, and ore processing rates and agglomeration parameters were optimized.

(Expressed in Thousands of United States Dollars, Except as Otherwise Stated)

- Los Filos is now achieving significantly improved recovery rates, estimated at consistently achieving 80% over 120 to 180 days, for the higher-grade underground material. Operations are now focused on optimizing the recovery of the uncrushed and without agglomeration material.
- A review of the production information indicates the Los Filos Underground grade discrepancy is due to local high-grade mineralization (i.e. "nuggety gold") having a disproportionate impact on the mine plan, and a more conservative cap on the high grade is being implemented and incorporated into the forward-looking production plan.
- In June 2018, Los Filos updated the site-wide processing strategy based on the agglomerating circuit optimizations and detailed break-even analysis of crushing/agglomerating costs. A key finding was to prioritize the throughput rate of the agglomerator to optimize the gold recovery of the highest-grade material, which has the effect that a greater proportion of material is being placed on the heap leach pads uncrushed and unagglomerated. Compared to 2017, the 2018 processing plan incorporates two key elements: i) the high-grade material is crushed, agglomerated and segregated to ensure optimal gold recovery, and ii) a higher cut-off grade (2017: 0.2 g/t; 2018: 0.3 g/t) is being applied to the uncrushed and unagglomerated material placed on the heap leach pads to improve overall financial performance. This processing strategy is expected to contribute to the improved production rate and cash flow in H2 2018.
- To reduce the cost of transportation and eliminate re-handling of crushed ore onto the heap leach pads, a series of new overland conveyors were installed in the first two quarters of 2018, to more efficiently convey the ore. The first sections of the new overland conveyors became fully operational in Q1 2018. The remaining sections were commissioned and became fully operational in early July 2018. These new conveyors are replacing the mine trucks and shovels/excavators that were previously being used to haul and place ore on the pad.
- Leagold reiterates that Los Filos is expected to show significant production growth (i.e. 22% to 38% increase) in the second half of the year due to the scheduled open pit mining plan and sustaining the increased daily underground mining rates that will improve both the tonnes and average gold grade of tonnes placed on the heap leach pads. However, as a result of i) the revised processing strategy that results in a greater proportion of material being placed on the heap leach pads uncrushed and unagglomerated and ii) a more conservative cap being implemented into the Los Filo Underground production plan – with both changes impacting total production guidance in 2018, the AISC guidance range at Los Filos has been increased to between $975 to $1,000 per ounce. This change in the AISC guidance range represents an expected increase in full year AISC of approximately 5% from $205 million to $215 million, as some cost savings related to site G&A have not yet been realized.

Los Filos – 2018 Guidance Update Reconciliation

		Original Guidance (January 2018)		**Revised Guidance (August 2018)**	
		Range	Mid-point	Range	Mid-point
Production	oz	215,000-240,000	227,500	210,000-225,000	217,500
AISC	$millions	-	205	-	215
AISC/oz	$/oz	875-925	900	975-1,000	988

The Brazilian mines are undergoing a period of significant restructuring and reorientation with the implementation of Leagold's management structure after the acquisition of Brio. Leagold has also started implementing cost reduction programs, many of which will take some time to both implement and show meaningful results. Leagold continues to evaluate medium and long-term optimization opportunities. Progress in the first few months of ownership has been encouraging and management will continue to pursue further improvements.

(Expressed in Thousands of United States Dollars, Except as Otherwise Stated)

Development Projects

Bermejal Underground Project

The Company continues to advance the Bermejal Underground project. The portal and surface facilities are complete, and over 960 metres of the planned 1,300 metres of ramp development has been built towards the high-grade central section of the Bermejal Underground deposit. An economic analysis and optimization studies continue.

Los Filos Long-term Processing Studies

Concurrent with the Bermejal Underground project, metallurgical test work, process design and associated studies are underway for a potential CIL processing plant at Los Filos. A CIL plant could enable higher recoveries for a wider range of ore types.

Santa Luz – Process Plant Re-development and Re-start

Santa Luz was built and placed in to operation in mid-2013; however production was suspended in September 2014 after 14 months of operation due to process difficulties, poor recoveries, and mechanical problems. In 2017, Brio commenced the construction of a new ore-processing facility that incorporated the crushing, crushed-ore storage, and semi-autogenous (SAG) mill of the original plant. The rest of the plant, with the exception of the refinery, will be new and based on resin-in-leach processing. In 2018 and prior to the Acquisition, the ball mill, process tanks and agitators were delivered, and the tailings pond was relined. At the time of the Acquisition in May 2018, the principal activity at site was limited to the completion of the construction for the nearby re-settlement village of Nova Esperança, expected to be completed by October 2018.

The newly acquired Santa Luz project in Brazil is a key growth opportunity for Leagold. However, the first priority is assuming control of and optimizing the three newly acquired operating mines in Brazil. As a result, Leagold is not expecting to re-start construction of the Santa Luz project until later this year or early next year.

SAFETY, HEALTH & ENVIRONMENT

Leagold places the safety and health of its people as the highest priority and is committed to sustainable development in a safe and responsible manner. Leagold recognizes that the long-term sustainability of its business is dependent upon good stewardship in both the protection of the environment and the efficient management of the exploration, development, and extraction of mineral resources.

During the month of March, an accident occurred at the Los Filos Underground North mine that resulted in a fatality. The accident involved a shotcrete contractor operating an Alpha machine. The Company immediately dispatched first responders and emergency services personnel. Local authorities and the contractor company were alerted, and the Los Filos Underground North mine was halted for five days to allow for investigation into the incident, after which operations were resumed.

Leagold is committed to the safety and security of its people with the goal to protect employees, assets, and Leagold's reputation. The Company has a Zero Harm policy which is applied at all the mines and development projects, and continuous efforts are made to reduce the lost time injury frequency rate ("LTIFR"). The following table shows the safety statistics for the six months ended June 30, 2018 for Los Filos and the period May 24 – June 30, 2018 for the RDM mine, the Fazenda mine, and the Pilar mine.

Incident Category	Los Filos	RDM	Fazenda	Pilar	Total
Fatality	1	-	-	-	1
Lost Time Injury (LTI)	7	-	-	-	7
Total work hours	2,608,541	165,880	104,666	117,557	2,996,643
LTIFR[1]	0.6	nil	nil	nil	0.5

[1] Lost time injury frequency rate - number of LTIs in the period x 200,000/(total work hours worked for the period)

FINANCIAL RESULTS FOR THE PERIOD

Financial Results

The following table summarizes the financial results of the Company for the three-month period June 30, 2018 and the comparative three-month period ending June 30, 2017:

$000s	June 30, 2018	June 30, 2017
Revenues	86,929	67,482
Operating expenses	65,140	55,395
Depreciation and depletion	10,869	3,321
Royalties	820	307
Earnings from mine operations	**10,100**	**8,459**
Exploration costs	178	29
Share-based payments	101	9,392
Transaction costs	3,450	4,544
General and administration costs	3,114	1,560
Foreign exchange (gain)/loss	(1,556)	1,605
Finance and accretion expense/(income)	(3,809)	3,686
Other (income)/expenses	1,210	94
Earnings/(loss) before taxes	**7,412**	**(12,451)**
Current income tax (recovery)	(808)	-
Deferred income tax (recovery)	(1,559)	(4,828)
Net earnings/(loss) and comprehensive earnings/(loss) for the period	**9,779**	**(7,623)**
Basic and diluted net earnings/(loss) per share	0.05	(0.06)
Basic and diluted earnings/(loss) before taxes per share	0.04	(0.10)

During the three months ended June 30, 2018, Leagold recorded net earnings of $9.8 million or $0.05 per share (June 30, 2017 – net loss of $7.6 million or $0.06 net loss per share). During the three months ended June 30, 2018, the Company recorded earnings before taxes of $7.4 million or $0.04 earnings before taxes per share (June 30, 2017 – net loss of $12.5 million or $0.10 loss before taxes per share).

- Revenues for the three months ended June 30, 2018 were $86.9 million (June 30, 2017 - $67.5 million), primarily relating to the sale of 66,982 gold ounces from the four mines at an average realized gold price of $1,295 per ounce (June 30, 2017 – 54,010 gold ounces at a realized gold price of $1,244 per ounce).
- Operating expenses for the three months ended June 30, 2018 were $65.1 million (June 30, 2017 - $55.4 million). Operating expenses related to the four operations were comprised of consumables used in mining and processing of $30.6 million (June 30, 2017 - $30.3 million), contractors of $13.8 million (June 30, 2017 - $13.3 million), salaries and wages of $14.1 million (June 30, 2017 - $8.8 million) and other production costs of $6.7 million (June 30, 2017 – $3.0 million). The increase in operating expenses was primarily related to the acquisition of Brio and the 38 days of operations.
- Depreciation and depletion for the three months ended June 30, 2018 was $10.9 million, related to the depletion of mineral reserves and the depreciation of plant and equipment with useful lives ranging from 3 to 10 years (April 8- June 30, 2017 - $3.3 million). The prior year comparative was significantly lower due to the impact of the purchase price allocation related to the acquisition of Los Filos. This has normalized in the current period.
- Transaction costs for the three months ended June 30, 2018 were $3.5 million attributable to the Acquisition, for which due diligence, legal, and advisory services were rendered. Prior year transaction costs of $4.5 million related to the acquisition of the Los Filos mine.

- General and administrative ("G&A") costs for the three months ended June 30, 2018 were $3.1 million which were higher than the comparative period of June 30, 2017 ($1.6 million) as the Company had acquired the Brazil mines which includes the cost of $0.7 million relating to the Belo office.
- Finance and accretion income in the three-month period ending June 30, 2018 was related to the decrease in the fair value of derivative warrant liability of $9.7 million offset by a $5.4 million interest expense on the loan facility. In the comparative period there was $3.7 million in finance and accretion expense recognized primarily in relation to the interest expense on the loan facility.

The following table summarizes Leagold's financial results for the six-month period ending June 30, 2018 and the comparative period ending June 30, 2017:

Six-month period ending June 30, 2018 financial results

$000s	June 30, 2018	June 30, 2017
Revenues	155,002	67,482
Operating expenses	114,339	55,395
Depreciation and depletion	18,705	3,321
Royalties	1,365	307
Earnings from mine operations	**20,593**	**8,459**
Exploration costs	234	29
Share-based payments	159	9,471
Transaction costs	5,241	7,512
General and administration costs	4,787	2,284
Foreign exchange (gain)	(2,380)	(117)
Finance and accretion (income)/expense	(221)	3,628
Other expenses	494	94
Earnings/(loss) before taxes	**12,279**	**(14,442)**
Current income tax expense	4,303	-
Deferred income tax expense/(recovery)	8,947	(4,828)
Net (loss) and comprehensive (loss) for the period	**(971)**	**(9,614)**
Basic and diluted net (loss) per share	(0.01)	(0.13)
Basic and diluted (loss) before taxes per share	0.07	(0.19)

During the six months ended June 30, 2018, Leagold recorded a net loss of $1.0 million or $0.01 loss per share (June 30, 2017 – net loss of $9.6 million or $0.13 net loss per share). During the six months ended June 30, 2018, the Company recorded earnings before taxes of $12.3 million or $0.07 earnings before taxes per share (June 30, 2017 – net loss of $14.4 million or $0.19 loss before taxes per share). Overall, the increase in the current period compared to the six months ended June 30, 2017 was due to the fact that the prior period only consisted of operations from April 8, 2017 to June 30, 2017 due to the Acquisition of Los Filos.

- Revenues for the six months ended June 30, 2018 were $155.0 million (June 30, 2017 - $67.2 million), relating to the sale of 118,316 gold ounces from the mines at a realized gold price of $1,306 per ounce (June 30, 2017 – 54,010 gold ounces at a realized gold price of $1,244 per ounce).
- Operating expenses for the six months ended June 30, 2018 were $114.3 million (June 30, 2017 - $55.4 million). Operating expenses related to the operations were comprised of consumables used in mining and processing of $55.6 million (June 30, 2017 - $30.3 million), contractors of $19.9 million (June 30, 2017 - $13.3 million), salaries and wages of $24.1 million (June 30, 2017 - $8.8 million) and other production costs of $14.8 million (June 30, 2017 – $3.0 million). Increased operating costs in the current period were due to incurring operating expenses in Los Filos for the full six-month period and the Brazil operations for the 38 day period, compared to the prior year where operating expenses were only for the period of April 8 to June 30 2017 at Los Filos.
- Depreciation and depletion for the six months ended June 30, 2018 was $18.7 million related to the depletion of mineral reserves and the depreciation of plant and equipment with useful lives ranging from 3 to 10 years (June 30, 2017 - $3.3 million). The prior year comparative was significantly lower

due to the impact of the purchase price allocation related to the acquisition of Los Filos. This has normalized in the current period.

- Transaction costs for the six months ended June 30, 2018 were $5.2 million related to the Arrangement, for which due diligence, legal, and advisory services were rendered. Transaction costs of $7.5 million incurred in the prior period related to the acquisition of the Los Filos mine.
- G&A costs for the six months ended June 30, 2018 were $4.8 million which were higher than the prior period as the six months ended June 30, 2017 did not include any G&A costs for the Brazilian operations and only had a single quarter of G&A costs relating to the Los Filos mine. The current period includes the cost of $0.5 million relating to the Belo office.
- Finance and accretion income in the six-month period ending June 30, 2018 of $0.2 million was primarily related to the change in the fair value of warrant derivative of $10.1 million, offset by a $9.1 million interest expense on the loan facility and $0.8 million in accretion expense. In the six-month period ending June 30, 2017 the finance and accretion expense of $3.6 million was made up primarily of the interest expense on the loan facility.

Financial Condition Summary

The following table summarizes balance sheet items as at June 30, 2018:

$000s	June 30, 2018	December 31, 2017
Current assets		
Cash and cash equivalents	69,449	54,039
Trade and other receivables	38,162	29,517
Inventories	81,377	55,566
Prepaid expenses and other	23,257	9,795
	212,245	148,917
Non-current assets		
Mining interests	745,677	288,857
Long-term inventories	1,958	2,410
Deferred income tax assets	83,247	80,916
Other long-term assets	3,945	-
Total assets	**1,047,072**	**521,100**
Current liabilities		
Trade and other payables	97,386	51,760
Reclamation and closure costs	2,956	1,523
Current portion of long-term debt	35,980	-
Loan facility	4,073	-
	140,395	53,283
Non-current liabilities		
Reclamation and closure costs	82,468	51,070
Long term debt	219,649	143,933
Other long-term liabilities	16,018	-
Other long-term financial liabilities	19,719	4,455
Total liabilities	**478,249**	**252,741**
Total shareholders' equity	**568,823**	**268,359**

Liquidity and Capital Resources

Leagold had a working capital balance of $71.9 million at June 30, 2018 (December 31, 2017 - $95.6 million). The Company currently has sufficient cash and cash equivalents to fund its current operating and administration costs.

The decrease in working capital was primarily related to the fact that $23.1 million of the loan facility is now classified as a current liability (principal portion due on March 31, 2019) and because of the acquisition of short-term loans of $12.9 million relating to the Brio acquisition. Accounts payable increased by $45.6 million, offset by an increase in inventories of $25.8 million, an increase of cash by $15.4 million, and an increase in prepaid expenses all of which relate to the Acquisition.

At June 30, 2018, Leagold had cash and cash equivalents of $69.5 million (December 31, 2017 - $54.0 million).

The net change in cash position at June 30, 2018 compared to March 31, 2018, was an increase of $16.5 million, attributable to the following components of the statement of cash flows:

- Leagold's operating inflow before working capital adjustments was $10.5 million for the three months ended June 30, 2018 (June 30, 2017 – inflow of $4.8 million). Operating activities cost $30.8 million for the three months ended June 30, 2018 (June 30, 2017 – outflow of $9.1 million) resulting from an outflow of $41.3 million in working capital movements (June 30, 2017 – outflow of $13.9 million), of which $14.9 million related to transaction costs assumed from Brio on Acquisition.
- Investing activities used $18.3 million, associated primarily with the development of the mines and the bridge loan provided to Brio for settlement of hedge contracts on completion of the Brio acquisition (June 30, 2017 – outflow of $235.8 million).
- Financing activities resulted in an inflow of $66.0 million, relating primarily to private placement of $44.5 million, net of costs and the increase of the loan facility by $97.5 million, net of costs that was offset by the repayment of the Brio long term debt upon completion of the acquisition (June 30, 2017 - $191.6 million).

Net change in cash position at June 30, 2018 compared to December 31, 2017, was an increase of $15.4 million, attributable to the following components of the statement of cash flows:

- Leagold's operating inflow before working capital adjustments was $27.4 million for the six months ended June 30, 2018 (June 30, 2017 – inflow of $1.2 million). Operating activities cost $16.0 million for the six months ended June 30, 2018 (June 30, 2017 – outflow of $7.5 million) resulting from an outflow of $43.4 million in working capital movements (June 30, 2017 – outflow of $8.7 million), of which $14.9 million related to transaction costs assumed from Brio on Acquisition.
- Investing activities used $30.8 million, associated primarily with the development of the mines and the repayment of the bridge loan provided to Brio for settlement of hedge contracts on completion of the Acquisition (June 30, 2017 – outflow of $235.8 million).
- Financing activities resulted in an inflow of $63.0 million, relating primarily to the private placement of $44.5 million, net of costs and the increase of the loan facility by $97.5 million, net of costs, offset by the repayment of the Brio long-term debt on completion of the acquisition of $75.0 million and an interest payment of $3.2 million. In the period ended June 30, 2017, $313.2 million of funds were raised from investing activities including $145.3 million from a private placement, $142.3 million from loan facility proceeds, and $29.0 million from subscription receipts.

For additional information on capital resources, refer to the *Capital Management* section below.

Quarterly Change in Cash Flow

The following table shows the cash movement for the three-month period of June 30, 2018 in millions of United States dollars.

Gold revenue	**86.7**
Total cash costs	(55.2)
Land payments	(3.9)
Royalties	(0.8)
Sustaining capital	(3.8)
AISC	**(63.7)**
All-in sustaining margin	**23.1**
Santa Luz development	(0.8)
Bermejal underground development	(4.1)
CIL plant study	(0.5)
Other non-sustaining investments	(5.3)
Free cash flow (before working capital, interest and tax)	**12.4**
Increase in VAT receivable	(6.0)
Increase in inventories	(7.2)
Reduction of supplier payables and other working capital changes	(13.2)
Payment of Leagold's transaction costs[1]	(3.5)
Payment of Brio's Acquisition transaction costs[1]	(14.9)
Cash acquired from Brio on Acquisition[1]	5.4
Realization of Brio foreign exchange hedging losses[1]	(13.1)
Repayment of Brio's short-term loans[1]	(1.5)
Repayment of Brio's loan facility assumed on Acquisition [1]	(75.0)
Proceeds from private placement, net of share issuance costs [1]	44.5
Proceeds from long-term debt, net of debt issuance costs[1]	97.5
Reclamation costs[1]	(0.8)
Taxes paid[1]	(3.7)
General and administrative costs[1]	(3.1)
Other expenses	(1.3)
Net increase in cash for Q2 2018	**16.4**
March 31, 2018, cash balance	53.0
June 30, 2018, cash balance	**69.4**

[1] The amounts agree to the interim consolidated statements of Net Income / (Loss) and Comprehensive Income /(Loss) and Statement of Cash Flows

Summary of Quarterly Results

	For the three months ended			
($000s except per share and ounce amounts)	**June 30, 2018[2]**	**Mar 31, 2018**	**Dec 31, 2017**	**Sept 30, 2017**
Revenues	86,929	68,073	65,265	60,947
Gold ounces sold	66,982	51,334	51,138	47,263
Earnings from mine operations	10,100	10,493	10,193	8,859
Net earnings/(loss)	9,779	(10,754)	1,773	317
Basic earnings/(loss) per share	0.05	(0.07)	0.01	0.00
Diluted earnings/(loss) per share	0.04	(0.07)	0.01	0.00

	For the three months ended			
($000s except per share and ounce amounts)	**June 30, 2017[1]**	**Mar 31, 2017**	**Dec 31, 2016**	**Sept 30, 2016**
Revenues	67,482	-	-	-
Gold ounces sold	54,010	-	-	-
Earnings from mine operations	8,459	-	-	-
Net earnings/(loss)	(7,623)	(1,992)	(3,538)	(715)
Basic earnings/(loss) per share	(0.06)	(0.07)	(0.02)	(0.05)
Diluted earnings/(loss) per share	(0.10)	(0.07)	(0.02)	(0.05)

[1] In April 2017, the Company completed the acquisition of the Los Filos mine and commenced operations and generating revenue and earnings from mine operations.
[2] In May 2018, the Company completed the Acquisition of Brio and increased revenue and production capacity.

Contractual Obligations and Commitments

The following table summarizes the Company's significant undiscounted commitments as at June 30, 2018:
$000s

	Less than 1 year	**1 to 3 years**	**4 to 5 years**	**Over 5 years**	**Total**
Trade and other payables	97,386	-	-	-	97,386
Other long-term liabilities	-	-	-	16,018	16,018
Other financial liabilities	4,073	15,946	902	2,871	23,792
Reclamation and closure costs	3,197	9,706	11,837	95,241	119,981
Short-term loans	12,903	-	-	-	12,903
Loan facility – principal	23,077	192,308	34,615	-	250,000
Loan facility – interest	21,614	19,519	1,645	-	42,778
	162,250	**237,479**	**48,999**	**114,130**	**562,858**

Gold Offtake Arrangement

As part of the Los Filos Acquisition financing, the Company entered into an offtake agreement with Orion (the "Los Filos 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 part of the Brio Acquisition financing, the Company amended and restated the Los Filos Gold Offtake Agreement and entered into another offtake agreement with Orion (the "Brazilian Gold Offtake Agreement"). The Brazilian Gold Offtake Agreement provides for a gold offtake of 25% of the gold production from the Brazilian mines at market prices, until a cumulative delivery of 0.7 million ounces to Orion. As of June 30, 2018, 11,803 payable gold ounces had been sold to Orion under the terms of the offtake agreements.

Silver Streaming Arrangement

The Company's silver production from the Los Filos mine is subject to the terms of an agreement (the "Silver Purchase Agreement") with Wheaton Precious Metals Corp. ("WPM"). Under this agreement, the Company must sell to WPM a minimum of 5.0 million payable silver ounces produced by the Los Filos mine from August 5, 2010 to the earlier of the termination of the agreement or October 15, 2029 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 each year on the anniversary date of the contract and will be $4.34 per ounce until October 14, 2018. During the three months ended June 30, 2018, silver revenue equalled less than 0.5% of the Company's total revenue. As of June 30, 2018, 1.6 million payable silver ounces had been sold to WPM under the terms of the agreement.

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,	
$000s	**2018**	2017	**2018**	2017
Short-term benefits	**513**	330	**981**	651
DSUs granted	**102**	514	**215**	593
Stock-options granted	**-**	7,373	**-**	7,374
	615	8,217	**1,196**	8,618

Outstanding Share Data

As at August 14, 2018, the date of this MD&A, the Company had the following outstanding equity components outstanding:

	Units
Common shares	284,501,673
Share options	11,740,067
Warrants	50,716,395
	346,958,135

Capital Management

Leagold's objectives when managing capital are to safeguard the entity's ability to support the 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 components of equity, and long-term debt, net of cash and cash equivalents.

Capital, as defined above, is summarized in the following table:

$000s	**June 30, 2018**	December 31, 2017
Equity	**568,821**	268,359
Loan facility	**255,629**	143,933
	824,450	412,292
Less:		
Cash and cash equivalents	**(69,449)**	(54,039)
	755,003	358,253

Leagold manages its capital structure and makes adjustments taking into consideration changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the Company'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.

The impact of inflation on Leagold's financial position, operational performance, or cash flows over the next 12 months cannot be determined with any degree of certainty.

Non-IFRS Financial Performance Measures

The Company has presented certain non-IFRS measures in this document. The Company believes that these measures, while not a substitute for measures of performance prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

All-in Sustaining Margin and Adjusted EBITDA

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use the all-in sustaining margin and adjusted earnings before interest, tax, depreciation, and amortization ("Adjusted EBITDA") to evaluate the Company's performance and ability to generate cash flows and service debt. Accordingly, these do not have a standard meaning and are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

During Q2 2018, total sustaining capital included $2.8 million at Los Filos, $0.1 million at RDM, $0.6 million at Fazenda and $0.3 million at Pilar. This amount excludes $0.4 million Brio's deferred capital expenditures. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, and amortization, adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as: the impact of foreign exchange gains and losses, finance and accretion expense, and share-based payments and other non-recurring items, such as, transaction costs and transition costs related to the acquisition.

The following tables provide the illustration of the calculation of this margin and adjusted EBITDA, as adjusted and calculated by the Company for the three and six months ended June 30, 2018, three months ended March 31, 2018 and the prior year post acquisition period of April 8, 2017 through June 30, 2017.

$000s	Three months ended June 30, 2018	Three months ended March 31, 2018	April 8, 2017 to June 30, 2017	Six months ended June 30, 2018
Gold revenues	86,729	67,829	67,199	154,558
Less: Cash costs of ounces sold	(55,166)	(45,199)	(47,059)	(100,365)
Subtotal	31,563	22,630	20,140	54,193
Less: Land access payments	(3,907)	(3,489)	(3,393)	(7,396)
Less: Royalties	(820)	(545)	(307)	(1,365)
Less: Sustaining capital[2]	(3,772)	(4,115)	(2,680)	(7,887)
All-in sustaining cost margin	**23,064**	**14,481**	**13,760**	**37,163**

$000s	Three months ended June 30, 2018	Three months ended March 31, 2018	April 8, 2017 to June 30, 2017	Six months ended June 30, 2018
Earnings/(loss) before tax[1]	7,412	4,864	(12,450)	12,279
Add back: Share-based payments[1]	101	59	9,392	159
Add back: Transaction costs[1]	3,450	1,792	4,544	5,241
Add back: Non-recurring costs[2]	-	-	4,122	-
Add back: Depreciation and depletion[1]	10,869	7,836	3,321	18,705
Add back: Foreign exchange (gain)/loss[1]	(1,556)	(824)	1,605	(2,380)
Add back: Finance and accretion costs[1]	(3,809)	3,588	3,686	(221)
Adjusted EBITDA	**16,467**	**17,315**	**14,220**	**33,782**

[1] As presented on the condensed interim consolidated statement of Net Income/(Loss) and Comprehensive Income/(Loss) for the respective periods.
[2] Q2 2017 cash costs of ounces sold has been adjusted for non-recurring and other adjustments is comprised of $2.1 million in non-recurring transition costs and $2 million in certain inventory adjustments.

Total Cash Costs

Total cash costs are a common financial performance measure in the gold mining industry however it has no standard meaning under IFRS. The Company reports total cash costs on a per ounce sold basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS such as costs of sales, certain investors use this information to evaluate the Company's performance and ability to generate operating income and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating costs. Adoption of the standard is voluntary and other companies may quantify this measure differently because of different underlying principles and policies applied.

($000s except ounces amount)		Three months ended June 30, 2018	Three months ended March 31, 2018	April 8, 2017 to June 30, 2017	Six months ended June 30, 2018
Total ounces of gold sold	oz	66,982	51,334	54,010	118,316
Production costs from mine operations[1]	$	65,140	48,955	55,395	114,339
Less: Non-recurring and other adjustments[2]	$	(9,974)	(4,000)	(8,336)	(13,974)
Total cash costs	**$**	**55,166**	**45,199**	**47,059**	**100,365**
Total cash costs per ounce of gold sold	**$/oz**	**824**	**880**	**871**	**848**

[1] As presented on the condensed interim consolidated statement of Net Income/(Loss) and Comprehensive Income/(Loss) for the respective periods.
[2] Q2 2018 non-recurring and other adjustments primarily relate the NRV adjustment of $6 million and land payments of $3.8 million. Q1 2018 non-recurring and other adjustments primarily related to land payments of $3.6 million and silver sales and other adjustments of $0.4 million. Q2 2017 non-recurring and other adjustments is comprised of $2.1 million in non-recurring transition costs and $4 million in land payments.

All-in Sustaining Costs

Leagold is reporting all-in sustaining costs (AISC) per ounce of gold sold. The methodology for calculating AISC was developed internally and is calculated below, and readers should be aware that this measure does not have a standardized meaning. This non-IFRS measure provides investors with transparency to the total period-attributable cash cost of producing an ounce of gold and may aid in the comparison with other gold mining peers. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

($000s except ounces amount)		Three months ended June 30, 2018	Three months ended March 31, 2018	April 8, 2017 to June 30, 2017	Six months ended June 30, 2018
Total ounces of gold sold	Oz	66,982	51,334	54,010	118,316
Total cash costs	$	55,166	45,199	47,059	100,365
Land access payments	$	3,907	3,489	3,393	7,396
Royalties	$	820	545	307	1,365
Sustaining capital expenditures	$	3,772	4,115	2,680	7,887
Total AISC	**$**	**63,665**	**53,348**	**53,439**	**117,013**
Total AISC per ounce sold	**$/oz**	**950**	**1,039**	**989**	**989**

Adjusted Net Earnings and Adjusted Net Earnings per Share

Adjusted net earnings and adjusted net earnings per share (basic and diluted) are used by management and investors to measure the underlying operating performance of the Company. Presenting these measures from period to period helps management and investors evaluate earnings trends more readily in comparison with results from prior periods.

Adjusted net earnings is defined as net income adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as: the impact of foreign exchange gains and losses, foreign exchange gains and losses on deferred and current income taxes, and other non-recurring items, such as, transaction costs, share-based payments, change in fair value of warrant derivatives and one-time fair value adjustments from the acquisition.

Adjusted net earnings per share amounts are calculated using the weighted average number of shares outstanding on a basic and diluted basis as determined under IFRS.

($000s except shares amount)		Three months ended June 30, 2018	Three months ended March 31, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018
Basic weighted average shares outstanding	Shares	205,629,792	151,524,292	128,687,650	178,276,505
Diluted weighted average shares outstanding	Shares	205,883,682	151,995,781	129,367,650	178,276,505
Earnings/(loss) before tax[1]	$	7,412	4,864	(12,451)	12,279
Adjustments:					
Transaction costs[1]	$	3,450	1,792	4,544	5,241
Non-recurring costs[2]	$	-	-	4,122	-
Share based payments[1]	$	101	59	9,392	159
Foreign exchange (gain)/loss[1]	$	(1,556)	(824)	1,605	(2,380)
Change in fair value of warrants derivative	$	(9,718)	(421)	(795)	(10,139)
Adjusted net earnings	**$**	**(311)**	**5,470**	**6,417**	**5,160**
Per share – basic	**$/share**	**(0.00)**	**0.04**	**0.06**	**0.03**
Per share – diluted	**$/share**	**(0.00)**	**0.04**	**0.06**	**0.03**

[1] As presented on the condensed interim consolidated statement of Net Income/(Loss) and Comprehensive Income/(Loss) for the respective periods.
[2] Q1 2017 includes $2.1 million in non-recurring transition costs and $2 million in certain inventory valuation adjustments.

OFF-BALANCE SHEET ARRANGEMENTS

Leagold has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

ACCOUNTING POLICY OVERVIEW

Accounting policies adopted in current quarter

(a) Derivative instruments and hedging

On initial designation of a derivative as a cash flow hedge, the Company documents the relationship between the hedging instrument and hedged item and assesses the effectiveness of the hedging instrument in offsetting the changes in the cash flows attributable to the hedged risk and whether the forecast transaction is highly probable. Subsequent assessment will be performed on an ongoing basis to determine that the hedging instruments have been highly effective throughout the reporting periods for which they were designated. The changes in the fair value of derivatives that are designated and determined to be effective in offsetting forecasted cash flows is recognized in other comprehensive income (loss) ("OCI"). The gain or loss relating to the ineffective portion is recognized immediately as a gain or loss on derivatives, net, in the consolidated statements of net income/(loss) and comprehensive income/(loss).

(b) Operating segments

The Company's senior management team performs planning, reviews operating results, assesses performance and makes resource allocation decisions based on the segment structure described in Note 18 at an operational level on a number of measures, which include mine operating earnings, production levels and unit production costs. Segment results that are reported to the Company's senior management team include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Application of new accounting standards effective January 1, 2018

Leagold has adopted the following new IFRS standards for the annual period beginning on January 1, 2018.

a. *Impact of IFRS 15 Revenue from Contracts with Customers ("IFRS 15")*

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of goods to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. Specifically, IFRS 15 introduces a five-step approach to revenue recognition. Under IFRS 15, an entity recognizes revenues when a performance obligation is satisfied, which is when "control" of the goods have transferred to the customer.

Revenue from the sale of gold in doré bar form is recognized and revenue is recorded at market prices following the transfer of control to the customer. The performance obligations are completed, and control is transferred to the customer, when the Company has a present right to payment, has transferred legal title to the asset, has transferred physical possession of the asset to the customer, the customer has accepted the significant risks and rewards of ownership, and the customer has accepted the asset. The Company receives sales proceeds from a combination of refiners, gold traders and off-take partners. Revenue is gross of royalties paid to third parties.

Leagold adopted IFRS 15 using the modified retrospective method and has determined that there is no impact of the change in the accounting for revenue at the transition date.

b. Impact of IFRS 9 Financial Instruments ("IFRS 9")

The key requirements of IFRS 9 as they relate to the Company include the following:

- Subsequent to initial measurement at fair value, all recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost in subsequent periods. For those financial assets that have a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at fair value through profit and loss ("FVTPL") in subsequent accounting periods. In addition, on initial recognition, an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's FVTOCI, with only dividend income generally recognized in profit or loss. Transaction costs for financial assets held at FVTPL are expensed, for all other financial assets, they are recognized at fair value at initial measurement less any directly attributable transaction costs.

- Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded.

- For the impairment of financial assets, IFRS 9 requires an 'expected credit loss' model applies which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Leagold has adopted IFRS 9 on a retrospective basis without the restatement of the comparative period and none of the Company's classification of its financial instruments have changed significantly as a result of the adoption of IFRS 9. The Company has assessed the impairment of its receivables using the expected credit loss model, however, there is no material difference as a result, and no impairment has been recognized upon transition and at June 30, 2018. There are no transitional impacts regarding financial liabilities with regard to classification and measurement. Trade and other payables and the loan facility are classified as other financial liabilities and carried on the balance sheet at amortized cost and the warrant derivative is a liability at fair value through profit or loss.

(b) Future accounting standards and interpretations

The Company has not early adopted IFRS 16, Leases, which has been issued and will be effective January 1, 2019. IFRS 16, Leases 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 leases. The Company is currently assessing the impact IFRS 16 will have on the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements include, determination of economic recoverability, functional currency, business combinations and capitalization of waste stripping.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the amounts reported in the 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 include impairment of mining interests, estimated recoverable ounces, mineral reserves, environmental rehabilitation, deferred income taxes, share-based payments and contingencies

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and other long-term liabilities and the loan 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, trade and other receivables, and trade and other payables approximate their carrying values due to their short-term nature.

Other long-term liabilities include the warrant derivative, which is measured at their fair value at the end of each reporting period. The loan facility is measured at amortized cost and the carrying value approximates the fair value as the contractual interest rates are comparable to current market interest rates.

At each of June 30, 2018 and December 31, 2017, the levels in the fair value hierarchy into which the Company's financial assets and liabilities measured and recognized in the statements of financial position at fair value are categorized are as follows:

	June 30, 2018		December 31, 2017	
$000s	**Level 1**	**Level 2**	Level 1	Level 2
Cash and cash equivalents	**69,449**	**-**	54,039	-
Other long-term liabilities	**-**	**(21,913)**	-	(2,576)
	69,449	**(21,913)**	54,039	(2,576)

Risk Factors

Readers of this Management's Discussion and Analysis should give careful consideration to the information included or incorporated by reference in this document and the Company's unaudited consolidated financial statements and related notes for the three and six months ended June 30, 2018 and June 30, 2017. For further details of risk factors, please refer to Leagold's Annual Information Form, for the year ended December 31, 2017 filed on SEDAR at http://www.sedar.com/, the 2017 year-end audited consolidated financial statements, and the below discussions.

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

Leagold's primary exposure to credit risk is on its cash and cash equivalents 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. During the six months ended June 30, 2018, $3.9 million of value-added tax ("VAT") refunds have been received relating to the Company's accumulated VAT receivable balance. Subsequent to June 30, 2018, $5.3 million of VAT refunds have been received relating to the Company's accumulated VAT receivable balance. There is no indication that the Company will not receive any VAT receivables from the Mexican government.

Leagold has $6.2 million of current and long-term input tax credits receivable from the Brazilian Government. The Company actively monitors the Brazilian tax legislation changes and believes that the balance is recoverable, either in the form of a refund from the respective jurisdictions in which the Company operates, or through offsetting against other taxes payable and VAT.

Leagold sells its gold to large international organizations with strong credit ratings, the historical level of customer defaults is minimal and, as a result, the credit risk associated with gold trade receivables at June 30, 2018 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.

Leagold's maximum exposure to credit risk is as follows:

$000s	**June 30, 2018**	December 31, 2017
Cash and cash equivalents	**69,449**	54,039
Trade and other receivables	**38,162**	29,517
	107,611	83,556

Liquidity risk

Liquidity risk is the risk that Leagold will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Refer to the Contractual Obligations and Commitments section for details on the Company's significant undiscounted commitments at June 30, 2018. The Company believes it has sufficient cash resources to pay its obligations associated with its financial liabilities as at June 30, 2018.

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of Leagold'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 period ended June 30, 2018.

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. The Company's exploration, development and operating costs and administrative costs are incurred mainly in Mexican pesos, Brazilian reais, and Canadian dollars. The fluctuation of the Mexican peso, Brazilian real, 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, Mexican pesos, and Brazilian reais (in US dollar equivalents):

$000s	**June 30, 2018**	June 30, 2017
Canadian dollars	**(2,776)**	145
Brazilian reais	**(29,199)**	-
Mexican pesos	**(605)**	301
	(32,580)	446

The effect on earnings and other comprehensive earnings before tax as at June 30, 2018, 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 $3.0 million (December 31, 2017 - $0.04 million), assuming that all other variables remained constant.

Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents and the loan facility. At June 30, 2018, 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 $0.2 million (December 31, 2017 - $0.1 million) increase or decrease to the Company's earnings.

Other Risks

Acquisition of the Brio Mines

Like all acquisition transactions, the acquisition of Brio involves inherent risks, including but not limited to: accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; ability to achieve identified and anticipated operating and financial synergies; unanticipated costs; diversion of management attention from existing business; potential loss of our key employees or key employees of any business acquired; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and decline in the value of acquired properties, companies or securities. Any one or more of these factors or other risks could cause us not to realize the anticipated benefits of the Acquisition and could have a material adverse effect on our financial condition.

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.

Estimates of Future Production

The Company prepares estimates and projections of its future production. Any such information is forward-looking, and no assurance can be given that such estimates will be achieved. These estimates are based on existing mine plans and other assumptions that change from time to time, including the availability, accessibility, sufficiency and quality of ore, the Company's costs of production, its ability to sustain and increase production levels, the sufficiency of its infrastructure, the performance of its workforce and equipment, the ability to maintain and obtain mining interests and permits and the Company's compliance with existing and future laws and regulations. The Company's actual production may vary from estimates for a variety of reasons, including: actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the Mineral Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; revisions to mine plans; unusual or unexpected ore body formations; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods, and earthquakes; and unexpected labour shortages, strikes, local community opposition or blockades. Failure to achieve the estimated forecasts could have an adverse impact on the Company's future cash flows, business, results of operations and financial condition.

For further information on Risk Factors, refer to those set forth in the Company's Annual Information Form dated March 29, 2018, filed under the Company's profile on SEDAR at www.sedar.com.

Disclosure controls and procedures and internal controls over financial reporting

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate and recorded, processed, summarized and reported to allow timely decisions with respect to required disclosure, including in its annual filings, interim filings or other reports filed or submitted by it under securities legislation. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the Company's disclosure controls and procedures, that as of June 30, 2018, the Company's disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, are responsible for establishing adequate internal control over financial reporting. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation, that the internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the three months ended June 30, 2018, there were no changes in the Company's internal control over financial reporting that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

The Company assessed the Brio mines' disclosure controls and procedures and internal control over financial reporting; however, in accordance with *National Instrument 52- 109 - Certification of Disclosure in Issuer's Annual and Interim Filings*, because the Brio mines were acquired not more than 365 days before the end of June 30, 2018, the Company has limited the scope of the Company's design of disclosure controls and procedures and internal controls over financial reporting to exclude the controls, policies and procedures of the Brio mines which the Company has elected to do.

OTHER INFORMATION

Cash costs and AISC are non-GAAP financial performance measures with no standard meaning under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Technical Disclosure

The scientific disclosure and technical information included in this MD&A is based upon information included in the NI 43-101 compliant technical report entitled "Technical Report for the Los Filos Gold Mine, Guerrero State, Mexico" dated March 7, 2018 and having an effective date of December 31, 2017 (the "Los Filos Technical Report"). The Los Filos Technical Report was prepared for Leagold by Doug Reddy, P.Geo. (Leagold, SVP Technical Services), Rodolfo Balderrama, Member of SME (Administración Los Filos, S.A.P.I de C.V., a wholly-owned subsidiary of the Company, Mine Operations Manager), Paul Sterling, P.Eng. (Consultant to Leagold) and Dr. Gilles Arseneau, P.Geo. (Associate Consultant with SRK Consulting (Canada) Inc. and independent of the Company), each of whom is a Qualified Person as that term is defined in *NI 43-101 – Standards of Disclosure for Mineral Projects*.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this MD&A and certain information incorporated herein by reference constitute "forward looking information" or "forward looking statements" within the meaning of applicable securities legislation. Forward-looking information and forward looking statements include, but are not limited to, statements with respect to the Company's outlook, guidance, plans or future financial or operating performance, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, conclusions of economic assessments of projects, the timing and amount of estimated future production, costs of future production, future capital expenditures, costs and timing of the development of new deposits, anticipated production, expected AISC, potential for further growth and expansion beyond Brazil and Mexico. Generally, these forward looking information and forward looking statements can be identified by the use of forward looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "will continue" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Statements concerning mineral resource estimates may also be deemed to constitute forward looking information to the extent that they involve estimates of the mineralization that will be encountered. The material factors or assumptions used to develop forward looking information or statements are disclosed throughout this document.

Forward looking information and forward looking statements, while based on management's best estimates and assumptions, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Leagold to be materially different from those expressed or implied by such forward-looking information or forward looking statements, including but not limited to: risks related to the successful integration of acquisitions; risks related to international operations; risks related to successful integration of the acquired Brio mines, risks related to general economic conditions and credit availability, actual results of current exploration activities, unanticipated reclamation expenses; changes in project parameters as plans continue to be refined; fluctuations in prices of metals including gold; fluctuations in foreign currency exchange rates, increases in market prices of mining consumables, possible variations in mineral reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes, title disputes, claims and limitations on insurance coverage and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, changes in national and local government regulation of mining operations, tax rules and regulations, and political and economic developments in countries in which the Company operates, actual resolutions of legal and tax matters, as well as those factors discussed in the section entitled "Description of the Business – Risk Factors" in Leagold's most recent AIF available on SEDAR at www.sedar.com.

Although Leagold has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information and forward looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information or statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information or statements. The Company has and continues to disclose in its Management's Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking information and forward looking statements and to the validity of the information, in the period the changes occur. The forward looking statements and forward looking information are made as of the date hereof and Leagold disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward looking statements or forward looking information contained herein to reflect future results. Accordingly, readers should not place undue reliance on forward-looking statements and information.