LEAGOLD MINING

Management's Discussion and Analysis

For the three and six months ended June 30, 2019 and 2018

(expressed in thousands of United States dollars, except as noted)

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This Management's Discussion and Analysis (MD&A) was prepared as of August 1, 2019 and provides an analysis of the financial and operating results of Leagold Mining Corporation (Leagold or the Company) for the three and six months ended June 30, 2019. Additional information regarding Leagold, including its Annual Information Form for the year ended December 31, 2018, 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. All monetary amounts are in United States dollars unless otherwise specified.

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 and six months ended June 30, 2019 and June 30, 2018, as well as the audited consolidated financial statements for the year ended December 31, 2018 and December 31, 2017, and the related notes, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

As the Brazil operations were acquired on May 24, 2018, the results for the second quarter of 2019 were not comparable to the second quarter of 2018. As such, the analysis for the Brazil operations has been compared to the first quarter of 2019.

The terms cash costs, all-in sustaining costs (AISC), AISC margin, earnings before interest, taxes and depreciation (EBITDA), adjusted EBITDA, sustaining and non-sustaining capital and free cash flow used throughout this MD&A are non-GAAP financial performance measures with no standard meaning under IFRS. Refer to the section *Non-GAAP Measures* for a reconciliation of such measures to GAAP financial performance measures.

BUSINESS OVERVIEW

Leagold is a Canadian corporation and its common shares are listed on the Toronto Stock Exchange (symbol: LMC) and quoted in the United States on the OTCQX International (symbol: LMCNF).

In a period of less than three years, Leagold has grown into a mid-tier gold producer with four operating mines. In April 2017, Leagold acquired the Los Filos mine complex from Goldcorp Inc. (now Newmont Goldcorp Inc.) and in May 2018, Leagold acquired Brio Gold Inc. (Brio and the Brio Acquisition), adding three producing gold mines – RDM, Fazenda and Pilar – along with a development project, Santa Luz. These acquisitions transformed Leagold into a diversified, multi-mine gold producer with a strong platform for further growth in Mexico, Brazil, and other regions of Latin America. Leagold invests significant time and effort in its newly acquired assets through implementing cost reduction and overall business improvement programs.

Leagold is currently producing gold at an annualized rate of approximately 400,000 ounces (oz) per year and has established Proven and Probable mineral reserves of 7.1 million oz (Moz) (see Table 29 for more detailed technical disclosure).

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Leagold expects to produce 380,000 to 420,000 oz in 2019. The expansion of Los Filos and the restart of Santa Luz have the potential to increase production to 600,000 to 700,000 oz per year, with a corresponding increase in EBITDA to over $300 million per year. On June 25, 2019, Leagold completed a debt refinancing with a syndicate of lenders that includes a $200 million term loan (the Term Loan) and a $200 million revolving credit facility (the RCF, and collectively with the Term Loan, the New Loan Facilities). These loans were used to replace $238.5 million of existing debt and provide new financing for the Company's growth through the phased expansion of the Los Filos mine complex and construction of the Santa Luz project.

Leagold's long-term growth strategy is to acquire operating gold mines and projects nearing construction where the acquired assets complement existing operations and provide further operational diversification. Leagold's experienced management team has a history of operational success which provides the foundation for executing on this strategy.

Q2 AND H1 2019 HIGHLIGHTS

In Q2 2019, Leagold achieved consolidated gold production of 91,285 oz, bringing year to date 2019 (H1 2019) production to 197,234 oz and sales to 201,724 oz, in line with full-year guidance of 380,000 to 420,000 oz. AISC in H1 2019 was $951 per oz sold, within the full-year AISC guidance range of $920 to $970 per oz sold. Total revenue of $258.3 million in H1 2019 generated earnings from mine operations of $44.2 million and EBITDA of $64.0 million as shown in Table 1 below.

Table 1: Highlights for Q2 2019, Compared to Q1 2019

Mining Physicals	Unit	Three months ended Jun 30, 2019	Three months ended Mar 31, 2019	Six months ended Jun 30, 2019
Gold production	oz	91,285	105,949	197,234
Gold sales	oz	94,178	107,546	201,724
Average realized gold price	$/oz sold	$1,272	$1,280	$1,276
Revenue	$millions ($m)	$120.2	$138.1	$258.3
Earnings from mine operations	$m	$18.6	$25.6	$44.2
EBITDA	$m	$28.9	$38.4	$67.3
Adjusted EBITDA	$m	$32.8	$41.5	$74.3
Net income before taxes	$m	$1.3	$11.8	$13.1
Net loss after tax[1]	$m	$(70.2)	$3.1	$(67.1)
All-in sustaining costs (AISC)	$/oz sold	$978	$927	$951
AISC margin	$m	$27.9	$38.0	$65.9
Cash balance, end of period	$m	$52.8	$65.2	$52.8

1. Refer to the *Financial Results* (page 19) for discussion of a $63.5 million provision related to deferred income taxes.

Gold sales in Q2 2019 were 94,178 oz with associated revenue of $120.2 million. In Q2 2019, Leagold generated earnings from mine operations of $18.6 million and EBITDA of $25.6 million.

At the Los Filos mine complex in Mexico, production for H1 2019 was 108,924 oz at AISC of $845 per oz sold, which is in line with full year guidance of 200,000 to 220,000 oz at AISC of $925 to $975 per oz sold.

Fazenda remained strong through H1 2019 with production of 36,367 oz at AISC of $871 per oz sold. Fazenda has benefited from consistent feed grades to the plant, and Leagold has focused on optimizing throughput capacity of the plant in H1 2019. AISC increased in Q2 2019 against Q1 2019 primarily due to the commencement of a tailings dam raise, increasing the sustaining capital spend.

RDM showed improvements in Q2 2019 as the operations began to see the benefits of the completed powerline project through improved recoveries and higher throughput. Production increased by 24% over Q1 2019 to 17,217 at AISC of $1,111 per oz, 22% lower than $1,419 per oz in Q1 2019. Further improvements are expected in H2 2019 as management continues to focus on increasing mining rates and ore availability in the open pit.

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Pilar demonstrated improvements over Q1 2019 as mining grades increased from the underground mine. Q2 2019 production was 11,189 oz at AISC of $1,103 per oz, a 19% and 20% improvement respectively against Q1 2019. The new mining contractor contributed to increased equipment availability, and mining unit costs decreased by 10% in Q2 2019 against Q1 2019. Additional maintenance work was completed on the Pilar owned equipment in Q2 2019 establishing an improved base for H2 2019 performance.

Refinancing

On June 25, 2019 Leagold completed the debt refinancing with a syndicate of lenders for a $200 million Term Loan and a $200 million RCF. These loans were used to repay existing debt and provide additional financing to support the Company's growth through the phased expansion of the Los Filos mine complex and the construction of the Santa Luz project.

Table 2: Key Terms of the New Loan Facilities

	Term Loan	Revolving Credit Facility (RCF)
Amount	$200 million	$200 million, which includes $50 million available in 2021
Type	Senior, secured, fully drawn at closing	Senior, secured, and revolving
Purpose	Refinanced existing loan facilities	General corporate, working capital and capital expenditures
Repayments	Scheduled amortization from September 30, 2021 until December 31, 2024	Outstanding amounts due on December 31, 2024
Interest	LIBOR plus a margin of 3.75% to 4.45% depending on the Company's net debt / EBITDA leverage ratio. During the first 2 years of the loan period, the interest rate margin is fixed at 4.15%	

The technical aspects of Leagold's growth projects were defined in recent independent feasibility studies; however, Leagold's development plan now sequences the timing of these projects to maximize the use of internal cash flows and mitigate construction risk. Leagold has taken the decision to proceed with the Los Filos expansion, and to commence construction of the Santa Luz project in early 2021.

As the Los Filos expansion is scheduled to extend over approximately 2.5 years, Leagold determined it was financially prudent to secure a portion of its revenue from gold sales over this period. Together with the completion of the New Loan Facilities, Leagold has implemented a gold revenue protection program of 25,000 oz per quarter over a three-year period from October 2019 through to September 2022, which represents approximately 20% of forecast group gold production over this period. This program includes i) 135,000 oz in a collar structure, protecting a floor price of $1,325/oz with full price participation up to an average ceiling price of $1,430/oz, and ii) 165,000 oz in a flat-forward structure at an average gold price of $1,350/oz. These revenue protection structures mature evenly on a monthly basis from October 2019 to September 2022.

OPERATIONS REVIEW

Leagold has evolved from a single mine operator into a diversified group with four mines in two countries. The Company's H1 2019 results demonstrate the benefits of this diversification strategy with improving costs and increasing profitability, primarily driven by the Los Filos and Fazenda mines. Leagold seeks to optimize operations and focus on opportunities to achieve sustainable, long-term cash flow generation.

Table 3: Production and Costs for Q2 2019, Compared to Q1 2019 and H1 2019, Compared to H1 2018

		Three months ended		Six months ended	
	Unit	**Jun 30, 2019**	**Mar 31, 2019**	**Jun 30, 2019**	**Jun 30, 2018[1]**
Gold produced					
Los Filos	oz	44,896	64,028	108,924	94,544
RDM	oz	17,217	13,835	31,052	7,889
Fazenda	oz	17,692	18,675	36,367	7,460
Pilar	oz	11,189	9,411	20,600	5,627
Santa Luz[2]	oz	291	-	291	-
Total gold produced	oz	91,285	105,949	197,234	115,520
Total gold sold	oz	94,178	107,546	201,724	118,316
Financial Results					
Gold revenue	**$000s**	**119,761**	**137,695**	**257,456**	**154,558**
Cash Costs					
Mining costs – open pit		19,812	16,864	36,676	22,658
Mining costs – underground		25,952	26,289	52,241	27,858
Processing costs		33,167	35,453	68,620	42,019
Site general and administration costs		11,264	11,038	22,302	13,506
Change in inventory		(11,167)	(2,722)	(13,889)	(6,587)
Other		1,095	1,452	2,547	911
Total cash costs	**$000s**	**80,123**	**88,374**	**168,497**	**100,365**
Land access payments		4,269	4,024	8,293	7,396
Royalties		1,425	1,546	2,971	1,365
Sustaining capital		6,022	3,955	9,977	6,135
Sustaining capital – stripping costs		-	1,809	1,809	1,752
Total AISC	**$000s**	**91,839**	**99,708**	**191,547**	**117,013**
AISC margin	**$000s**	**27,922**	**37,987**	**65,909**	**37,544**
Cash costs	**$/oz sold**	**853**	**822**	**836**	**848**
AISC	**$/oz sold**	**978**	**927**	**951**	**989**

1. Results for H1, 2018 at the RDM, Fazenda and Pilar mines are limited to the period of ownership from May 24 to June 30, 2018.
2. Santa Luz gold ounces sold have been excluded for the purposes of calculating cash costs and AISC.

Los Filos Mine Complex

The Los Filos mine complex is located 230 kilometres (km) by road southwest of Mexico City and is accessible by paved roads and a private airstrip. The Los Filos mine complex currently consists of two open pit mines, Los Filos and Bermejal, and an underground mine at Los Filos. Grid power is supplied to a 20 MVA substation at site. The Los Filos mine complex began commercial production in 2008 and was acquired by Leagold in 2017.

Table 4: Operating and Financial Results for the Los Filos Mine Complex

		Three months ended			Six months ended	
Mining Physicals	**Unit**	**Jun 30, 2019**	**Mar 31, 2019**	**Jun 30, 2018**	**Jun 30, 2019**	**Jun 30, 2018**
Tonnes mined – open pit	000s	5,647	5,663	8,181	11,310	15,880
Tonnes of ore mined – open pit	000s	1,977	1,919	2,191	3,896	4,192
Avg. gold grade mined – open pit	g/t	0.50	0.63	0.55	0.56	0.56
Tonnes of ore mined – underground	000s	178	175	145	353	246
Avg. gold grade mined – underground	g/t	5.43	5.37	5.50	5.40	5.49
Tonnes of ore placed on pad	000s	2,403	2,041	1,901	4,444	3,498
Avg. gold grade placed on pad	g/t	0.83	1.04	0.97	0.92	0.97
Contained gold placed on pad	oz	63,894	68,183	58,892	132,077	109,011
Recovery rate in period[1]	%	70%	94%	74%	82%	87%
Gold produced	oz	44,896	64,028	43,541	108,924	94,544
Gold sold	oz	47,047	65,861	43,411	112,908	94,745
Unit Cost Analysis						
Realized gold sales price	$/oz	1,272	1,278	1,306	1,276	1,315
Mining costs – open pit	$/t mined	1.71	1.74	1.27	1.73	1.28
Mining costs – underground	$/t ore	73.05	78.66	80.90	75.84	88.00
Processing costs	$/t placed	7.59	9.25	9.19	8.35	10.40
Financial Results						
Gold revenue	**$000s**	**59,865**	**84,194**	**56,715**	**144,059**	**124,544**
Cash Costs						
Mining costs – open pit		9,647	8,059	10,391	17,706	18,578
Mining costs – underground		12,957	13,800	11,731	26,757	21,637
Processing costs		18,247	18,867	17,473	37,114	36,389
Site general and administration costs		5,473	5,661	6,106	11,134	12,094
Change in inventory		(11,537)	(2,699)	(11,197)	(14,236)	(9,007)
Other		217	138	404	355	415
Total cash costs	**$000s**	**35,004**	**43,826**	**34,907**	**78,830**	**80,106**
Land access payments		4,253	3,931	3,905	8,184	7,394
Royalties		308	564	350	872	895
Sustaining capital		3,520	2,360	2,817	5,880	5,180
Sustaining capital – stripping costs		-	1,809	-	1,809	1,752
Total AISC	**$000s**	**43,085**	**52,490**	**41,979**	**95,575**	**95,327**
AISC margin	**$000s**	**16,870**	**31,704**	**14,736**	**48,484**	**29,217**
Cash costs	**$/oz sold**	**744**	**665**	**804**	**698**	**845**
AISC	**$/oz sold**	**916**	**797**	**967**	**846**	**1,006**

1 Based on gold oz produced in the period, including reprocessed oz, divided by total gold oz placed on the heap leach pads. The recovery rate is not adjusted for the lag effect inherent in heap leach pad processing to account for the timing of when contained gold oz are placed on the pads.

Q2 2019 Analysis – Los Filos

Gold sales at the Los Filos mine complex were 47,047 oz in Q2 2019, with associated revenue of $59.9 million and AISC of $916 per oz sold. The Los Filos mine complex produced 44,896 oz in Q2 2019, a 30% decrease over Q1 2019 and consistent with Q2 2018. The decrease compared to Q1 2019 was in line with management expectations with the lower grade ore encountered in the mine sequence during this period. AISC of $916 per oz sold was 15% higher than Q1 2019, primarily driven by the reduced sales. AISC reduced by 5% over Q2 2018 due to improvements in cost management.

The Los Filos underground mine continued its strong performance with production over 1,950 tonnes per day (tpd) and costs down to $73 per tonne of ore mined, an improvement over both Q1 2019 and Q2 2018. Processing costs were also lower due to improved pad management, while placement of more tonnes on the pads also improved compared to both Q1 2019 and Q2 2018. The increase in tonnes placed is expected to contribute to improved H2 2019 production.

H1 2019 Analysis – Los Filos

Gold sales at the Los Filos mine complex were 112,908 oz in H1 2019, with associated revenue of $144.1 million and AISC of $846 per oz sold. The Los Filos mine complex produced 108,924 oz, representing a 15% increase over H1 2018. The Los Filos underground mine is now producing over 1,950 tpd with costs below $76 per tonne of ore mined in H1 2019, compared to 1,350 tpd at $88 per tonne for H1 2018.

The total cash cost and total AISC in H1 2019 were reduced 17% and 16% respectively compared to H1 2018. Improvements are largely through increased ore tonnages placed on the pads and by improved heap leach pad management which enabled an increase in the gold produced and sold resulting in improved AISC per oz sold of 16%.

Management continues to focus on heap leach pad improvements. The ongoing program of lime addition and solution control has successfully maintained the pH of the leach solution and resulted in a reduction of cyanide consumption and a subsequent improvement in gold recovery. High-grade underground ore continues to be stacked separately and placed on a geomembrane liner on pad 2 to maximize gold extraction and enable a reduced lag time for high-grade solution to report to the pregnant solution pond. These changes allow gold to report directly to the carbon adsorption circuit and is available to be poured within the month it is stacked. Initiation of a compaction program on previously leached open pit ore prior to stacking new ore has created an inter-lift liner in some areas of pad 2 that has improved solution flows and enabled a reduction in lag time by redirecting solution to the pregnant solution pond rather than passing through the entire heap.

Total tonnes mined and unit mining costs from the open pits in Q2 2019 were in line with Q1 2019.

Fazenda Mine

The Fazenda mine is located within the Maria Preta mining district in Bahia State, Brazil, about 180 km northwest of the state capital city of Salvador. The mine property 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 was acquired by Leagold in May 2018. Fazenda is primarily an underground operation with ore being processed in a CIL milling facility.

Table 5: Operating and Financial Results for the Fazenda Mine

		Three months ended		Six months ended
Mining Physicals	**Unit**	**Jun 30, 2019**	**Mar 31, 2019**	**Jun 30, 2019**
Tonnes mined – open pit	000s	112	165	277
Tonnes of ore mined – open pit	000s	22	13	35
Avg. gold grade mined – open pit	g/t	1.84	4.58	2.85
Tonnes of ore mined – underground	000s	307	308	615
Avg. gold grade mined – underground	g/t	1.87	1.95	1.91
Tonnes of ore processed	000s	335	327	662
Avg. gold grade processed	g/t	1.92	1.95	1.93
Recovery rate in period	%	89%	92%	90%
Gold produced	oz	17,692	18,675	36,367
Gold sold	oz	18,268	18,927	37,195
Unit Cost Analysis				
Realized gold sales price	$/oz	1,274	1,284	1,279
Mining costs – open pit	$/t mined	2.99	3.08	3.04
Mining costs – underground	$/t ore	24.46	21.47	22,96
Processing costs	$/t processed	12.93	12.55	12.74
Financial Results				
Gold revenue	**$000s**	**23,279**	**24,310**	**47,589**
Cash Costs				
Mining costs – open pit		334	889	1,223
Mining costs – underground		7,608	6,695	14,303
Processing costs		4,333	4,098	8,431
Site general and administration costs		1,976	1,871	3,847
Change in inventory		379	-	379
Other		277	199	476
Total cash costs	**$000s**	**14,907**	**13,752**	**28,659**
Royalties		351	363	714
Sustaining capital		1,841	1,173	3,014
Total AISC	**$000s**	**17,099**	**15,288**	**32,387**
AISC margin	**$000s**	**6,180**	**9,022**	**15,202**
Cash costs	**$/oz sold**	**816**	**727**	**771**
AISC	**$/oz sold**	**936**	**808**	**871**

Q2 2019 Analysis – Fazenda

The Fazenda mine produced 17,692 oz during Q2 2019, 5% lower than Q1 2019 due to a decrease in grade and recovery, partially offset by an increase in throughput. Gold sales at Fazenda were 18,268 oz in Q2 2019, with associated revenue of $23.3 million and AISC of $936 per oz sold. The increase in AISC compared to Q1 2019 was attributable to the increased sustaining capital in Q2 2019 with the commencement of the construction of the tailings dam raise. Underground mining costs also increased in Q2 2019 due to the hire of additional equipment to support further underground development.

Leagold focused on optimizing the throughput capacity of the plant in Q2 2019; however, some carbonaceous ore was processed during Q2 2019 resulting in a decrease in plant recoveries. A grade control program and plant trials were completed at the end of June which will allow improved treatment of this ore and improved recoveries in H2 2019 via a combination of kerosene for organic carbon and oxygenation and lead nitrate for sulphidic ores.

H1 2019 Analysis – Fazenda

The Fazenda mine produced 36,367 oz of gold during the first six months of 2019. Gold sales were 37,195 oz with associated revenue of $47.6 million at AISC of $871 per oz sold. The results for H1 2019 cannot be compared to H1 2018 as Leagold did not own the Fazenda mine for the full period.

In February 2019 an underground blasting accident occurred at the Fazenda mine involving five employees, two of whom suffered fatal injuries.

Monitoring of the various tailings embankments is performed on a regular basis via monthly surveys of the 34 movement monuments located on the embankment crests and downstream slopes and weekly measurements of the water levels with the 34 piezometers located within the embankments and foundations and 18 located within the tailings deposits. This monitoring includes independent reviews and independent reporting to local authorities.

RDM Mine

The RDM mine is located in Minas Gerais State in Brazil, about 560 km north of the state capital city of Belo Horizonte. The mine property covers approximately 22,600 hectares and is accessible by air and road. The operation is a conventional open pit mine with a 7,000 tpd CIL plant. The RDM mine commenced commercial production in early 2014 and was acquired by Leagold in May 2018. RDM switched from diesel generators to grid power on March 30, 2019.

Table 6: Operating and Financial Results for the RDM Mine

		Three months ended		Six months ended
Mining Physicals	**Unit**	**Jun 30, 2019**	**Mar 31, 2019**	**Jun 30, 2019**
Tonnes mined – open pit	000s	5,296	5,221	10,517
Tonnes of ore mined – open pit	000s	517	440	957
Avg. gold grade mined – open pit	g/t	1.01	0.99	1.00
Tonnes of ore processed	000s	756	652	1,408
Avg. gold grade processed	g/t	0.86	0.82	0.84
Recovery rate in period	%	83%	80%	82%
Gold produced	oz	17,217	13,835	31,052
Gold sold	oz	17,087	13,450	30,539
Unit Cost Analysis				
Realized gold sales price	$/oz	1,279	1,282	1,280
Mining costs – open pit[1]	$/t mined	2.31	2.13	2.56
Processing costs	$/t processed	8.67	13.10	10.72
Financial Results				
Gold revenue	**$000s**	**21,846**	**17,246**	**39,092**
Cash Costs				
Mining costs – open pit		9,831	7,916	17,747
Processing costs		6,560	8,539	15,099
Site general and administration costs		2,220	1,696	3,916
Change in inventory		(792)	15	(777)
Other		365	499	864
Total cash costs	**$000s**	**18,184**	**18,665**	**36,849**
Royalties		543	425	968
Sustaining capital		261	1	262
Total AISC	**$000s**	**18,988**	**19,091**	**38,079**
AISC margin	**$000s**	**2,858**	**(1,845)**	**1,013**
Cash costs	**$/oz sold**	**1,064**	**1,388**	**1,207**
AISC	**$/oz sold**	**1,111**	**1,419**	**1,247**

1 Open pit mining cost per tonne mined for Q2 2019 and Q1 2019 includes $2.4 million and $3.7 million of non-sustaining capitalized stripping respectively.

Q2 2019 Analysis – RDM

Gold sales at the RDM mine were 17,087 oz in Q2 2019, up 27% over Q1 2019, at AISC of $1,111 per oz sold, 22% lower than Q1 2019. Production in Q2 2019 totalled 17,217 oz, an increase of 24% over Q1 2019. Mining rates in Q2 2019 were consistent with Q1 2019; however mining unit costs increased due to completion of an RC grade control drilling program, which will in turn assist in improving delineation of ore and waste. Mill throughput increased and the feed was supplemented by additional ore from low-grade stockpiles. Processing costs decreased from $13.10 per tonne processed in Q1 2019 to $8.67 in Q2 2019 following the switch from costly diesel generator power to grid power. The implementation of grid power, in combination with treating soluble sulphides with lead nitrate after the pre-aeration step, resulted in an improvement of recovery rates from 80% in Q1 2019 to 83% in Q2 2019.

Following the grid powerline connection on March 30, 2019, AISC has improved through both the reduction of operating costs and improved throughput and recoveries leading to increased production in Q2 2019 against Q1 2019. Further improvements are expected in H2 2019 as management focuses on increasing mining rates from both the RDM fleet and the contractor fleet.

H1 2019 Analysis – RDM

The RDM mine produced 31,052 oz of gold during the first six months of 2019. Gold sales were 30,539 oz with associated revenue of $39.1 million at AISC of $1,247 per oz sold. The results for H1 2019 cannot be compared to H1 2018 as Leagold did not own RDM mine for the full period.

On March 30, 2019 power at RDM was switched over from diesel generators to grid power. This will reduce annual power costs and improve mill availability and performance, which includes achieving a finer grind size and higher throughput. Both production and costs improved since completion of this project and management is now looking for further improvements through increased mining rates and ore availability in H2 2019.

A three-metre downstream raise of the tailings embankment and an extension of the geomembrane liner were completed in Q2 2019. Monitoring of the tailings embankment is performed on a regular basis by bi-weekly surveying of the six movement monuments located on the embankment crest and downstream slope as well as weekly measurements of the water levels with the 22 piezometers located within the embankment and foundation. This monitoring includes independent reviews and independent reporting to local authorities.

Pilar Mine

The Pilar mine is located in Goiás State in central Brazil, approximately 320 km from the federal capital of Brasilia. Pilar consists of two underground mines feeding a CIP plant. The total land package consists of approximately 17,800 hectares and the project area is readily accessible by road and air. The primary underground mining methods are modified room and pillar and long hole open stoping. Pilar began commercial production in October 2014 and was acquired by Leagold in May 2018.

Table 7: Operating and Financial Results for the Pilar Mine

		Three months ended		Six months ended
Mining Physicals	**Unit**	**Jun 30, 2019**	**Mar 31, 2019**	**Jun 30, 2019**
Tonnes of ore mined – underground	000s	158	151	309
Avg. gold grade mined – underground	g/t	1.82	1.39	1.61
Tonnes of ore processed	000s	345	354	699
Avg. gold grade processed	g/t	1.11	0.91	1.01
Recovery rate in period	%	90%	90%	90%
Gold oz produced	oz	11,189	9,411	20,600
Gold oz sold	oz	11,485	9,307	20,792
Unit Cost Analysis				
Realized gold sales price	$/oz	1,286	1,283	1,285
Mining costs – underground	$/t ore	34.05	38.42	36.18
Processing costs	$/t processed	11.69	11.14	11.41
Financial Results				
Gold revenue	**$000s**	**14,771**	**11,945**	**26,716**
Cash Costs				
Mining costs – underground		5,387	5,794	11,181
Processing costs		4,027	3,949	7,976
Site general and administration costs		1,595	1,810	3,405
Change in inventory		783	(38)	745
Other		236	616	852
Total cash costs	**$000s**	**12,028**	**12,131**	**24,159**
Land access payments		17	93	109
Royalties		223	194	417
Sustaining capital		400	421	821
Total AISC	**$000s**	**12,668**	**12,839**	**25,506**
AISC margin	**$000s**	**2,103**	**(894)**	**1,210**
Cash costs	**$/oz sold**	**1,047**	**1,303**	**1,162**
AISC	**$/oz sold**	**1,103**	**1,379**	**1,227**

Q2 2019 Analysis – Pilar

The Pilar mine demonstrated a strong improvement during Q2 2019 and produced 11,189 oz of gold, representing a 19% improvement over Q1 2019. Gold sales at Pilar were 11,485 oz in Q2 2019 compared to 9,307 oz in Q1 2019. The associated revenue of $14.8 million at AISC of $1,103 per oz sold represented a 20% improvement against Q1 2019.

In Q2 2019, mining rates at Pilar improved due to higher equipment availability with the new haulage contractor, with improved maintenance practices resulting in a 10% decrease in mining unit costs compared to Q1 2019. Under a new mine leadership team, the mining production and processing have both shown improvement. Processing costs were marginally higher in Q2 2019 compared to Q1 2019 due to additional maintenance work completed in the quarter.

H1 2019 Analysis – Pilar

The Pilar mine produced 20,600 oz of gold during the first six months of 2019. Gold sales were 20,792 oz with associated revenue of $26.7 million at AISC of $1,210 per oz sold. The results for H1 2019 cannot be compared to H1 2018 as Leagold did not own the Pilar mine for the full period.

Monitoring of the tailings embankment is performed on a regular basis via monthly surveys of the eight movement monuments located on the embankment crest and downstream slope and weekly measurements of the water levels with the 10 piezometers located within the embankment and foundation. This monitoring includes independent reviews and independent reporting to local authorities.

Management's Discussion and Analysis for the three and six months ended June 30, 2019 and 2018 (expressed in thousands of United States dollars, except as noted)

Development Projects

Phased Development Plan

Following completion of the Los Filos Expansion Feasibility Study in March 2019, Leagold has continued with construction planning and optimizing the sequencing of the major expansion projects. Leagold has now taken the decision to proceed with the Los Filos phased expansion plan, and to commence construction of the Santa Luz project in early 2021, with the timeline as detailed in Figure 1.

Development of the Bermejal underground is scheduled to resume in Q3 2019, and the start of mining of the Guadalupe section of the Bermejal open pit has been accelerated to Q4 2019. Construction of the CIL plant is scheduled to begin in Q3 2020. With this updated schedule, the capital cost to develop the Bermejal underground and construct a new 4,000 tonne per day CIL plant with related infrastructure remains unchanged at $180 million; no material changes in operating costs or AISC are expected. The net cash investment requirement is now mostly self-financed from operations at current gold prices. However, as a greater proportion of ore being heap leached due to deferral of the CIL plant, the estimated life of mine gold production is approximately 1.5% lower than the 3.2 Moz estimated in the March 2019 Feasibility Study. In creating the phased development plan, consideration was given to construction and implementation risks, which are being actively managed. Specific elements of the plan that address implementation risk include:

Phased implementation: The expansion of the Los Filos mine complex has been organized into three distinct projects with staggered start dates. The CIL plant construction is now scheduled to begin in mid-2020, after significant progress with accessing ore at both Bermejal underground and Guadalupe open pit is achieved. The development of Santa Luz is scheduled for 2021, following substantial completion of all elements of the Los Filos expansion.

The phased development plan results in a smoothed capital expenditure profile that benefits from increased internal financing.

Figure 1: Development Timeline

	Capital Cost Estimate (US$M)	2019				2020				2021			
Phased Development Plan		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Los Filos Mine Complex													
Bermejal underground development	$65.4												
Guadalupe open pit, initial cut-back	$33.0												
CIL plant construction[1]	$114.7												
Santa Luz project construction	$82.0												

1. Includes CIL plant, tailings filter system, and other site infrastructure

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

Santa Luz was built and placed in operation in mid-2013; however, production was suspended in September 2014 after 14 months of operation due to process difficulties and poor recoveries. 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 (RIL) processing.

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Following the Brio Acquisition, Leagold's first priority was assuming control of and optimizing the three operating mines, and construction of the Santa Luz project was placed on hold. Leagold initiated an independent and updated feasibility study on the Santa Luz project that was completed in October 2018. As Santa Luz was a previously operating mine, all major infrastructure is in place and the new construction is mostly limited to retrofitting the plant for gold recovery using resin versus carbon. The updated feasibility study confirmed the planned use of RIL processing.

The updated plan for Santa Luz includes a phased open pit mining schedule with an optimized strip ratio pit design included within the full mine reserve plan. This phased approach generates a substantial increase in net cash flow generated by Santa Luz during the first seven years of operations, while also retaining the upside of the full LOM plan and further upside potential from underground mining opportunities. Highlights from the updated feasibility study for Phase 1 and the LOM Total are in Table 8.

Table 8: Santa Luz Summary Cash Flow at $1,200/oz gold[1,3]

	Units	Phase 1 of LOM	LOM Total
Gold production	oz	697,199	1,059,787
Mine life	years	7	11
Net cash flow (LOM)	$M	290.5	301.6
Net cash flow (years 1–5 only)	$M	233.1	137.2
AISC LOM average[2]	$/oz	$788	$856
Upfront capex	$M	$82.0	$82.0
Upfront capex payback period	years	< 2	< 2
IRR (after-tax)	%	63%	47%
Project $NPV_{5\%}$ (after-tax) - $1,200	$M	$165	$149

1 Costs in Brazilian reais converted to US dollars with an exchange rate of 3.7 BRL-USD.
2 AISC includes mine cash costs, royalties, sustaining capital expenditures, and operational waste stripping costs.
3 Please see Santa Luz Technical Report for further information.

Operations Outlook

In January 2019, Leagold announced 2019 production guidance of 380,000 to 420,000 oz at AISC of $920 to $970 per oz, as outlined in Table 9.

Table 9: 2019 Gold Production and Cost Guidance

	Full Year Guidance		H1 2019 Actuals	
Mine	Production (oz gold)	AISC ($/oz sold)	Production (oz gold)	AISC ($/oz sold)
Los Filos	200,000 to 220,000	$925 to $975	108,924	$846
RDM	72,000 to 80,000	$900 to $950	31,052	$1,247
Fazenda	63,000 to 70,000	$900 to $950	36,367	$871
Pilar	45,000 to 50,000	$950 to $1,000	20,600	$1,227
Total	**380,000 to 420,000**	**$920 to $970**	**197,234 [1]**	**$951**

1. Santa Luz production of 291 oz has been included in the total production for H1 2019.

Production of 197,234 oz in H1 2019 provides Leagold with a strong start toward meeting full-year 2019 production guidance. H1 2019 AISC of $951 per oz sold is in the middle of the full-year AISC guidance range.

Health, Safety and 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 careful management of the exploration, development, and extraction of mineral resources.

Management's Discussion and Analysis for the three and six months ended June 30, 2019 and 2018 (expressed in thousands of United States dollars, except as noted)

Management is focused on maintaining a culture of safety, which includes equipping our people with the tools, training, and mindset to result in constant safety awareness. Leagold strives for an incident-free workplace, while also recognizing the need for emergency preparedness. Every mine has an emergency response plan and conducts periodic exercises followed by critical analysis that evaluates the response and recommends improvements.

Despite a commitment to mitigate risks as much as possible, in February 2019, an underground blasting accident occurred at the Fazenda mine involving five employees, two of whom suffered fatal injuries. The remaining three employees incurred injuries and were released from hospital. This event underscores the importance and necessity of continuous efforts to maintain a culture of safety through active management of occupational health, accident prevention programs, and preparedness for emergencies.

Table 10: Safety Statistics for the Six Months Ended June 30, 2019

Incident Category	Los Filos	RDM	Fazenda	Pilar	Total
Fatality	-	-	2	-	2
Lost time injury (LTI)[1]	1	2	2	-	5
Total work hours	2,265,545	918,035	865,011	714,348	4,762,939
LTIFR	**0.1**	**0.4**	**0.9**	**-**	**0.3**

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

Mining has inherent risks to both people and property, and managing these risks is at the core of Leagold's business. Leagold takes a long-term approach to risk management, an approach that supports investment in the practices needed to be successful and meet commitments.

With respect to the environment, Leagold's approach is to minimize its impact and continually monitor operating performance. Essential to the gold mining industry, cyanide is a chemical product used in many of the world's gold mines. Leagold uses cyanide at its operations and focuses on its responsible production, transportation, handling and storage and use in operations. The Los Filos mine complex has been certified as complying with the International Cyanide Management Code (ICMC).

Leagold has tailings storage facilities at its mines in Brazil (Los Filos in Mexico is a heap leach operation, and therefore does not have such facilities). All tailings storage facilities are managed with the assistance of external specialists and are regularly monitored by mine site staff to ensure the safe operation of these structures. To ensure the integrity of its tailings dams, Leagold monitors the water levels in the tailings reservoirs, the water levels in the piezometers located within the dams and their foundations, and the movement monuments along the dam crests and slopes on a frequent basis. A monitoring database for each tailings facility is maintained, updated and submitted to the federal regulator, the National Mining Agency (ANM) (formerly the National Department of Mineral Production or DNPM). In addition, routine inspections (typically weekly) are performed by the mine site staff along the tailings distribution and reclaim water pipelines and their respective pumps in the surrounding areas along the edge of the reservoirs and along the crests, slopes and abutments of the dams on a regular basis. Independent third-party inspections are also conducted semi-annually, and their reports are submitted directly to the national regulator.

Leagold's tailings facilities have been appropriately designed in accordance with regulations and include the periodic raising of the dams using a downstream construction methodology that expands the base width and height of the dam each time it is raised. In addition, all of the tailings storage facilities are covered by a geosynthetic (plastic) liner to reduce seepage from and maintain water within the facility.

FINANCIAL RESULTS FOR THE PERIOD

Financial Results

Table 11: Financial Results for the Three Months Ended June 30, 2019 and 2018

$000s	Three months ended Jun 30, 2019	Three months ended Jun 30, 2018
Revenue	120,181	86,929
Operating expenses	84,282	65,140
Depreciation and depletion	15,880	10,869
Royalties	1,425	820
Earnings from mine operations	**18,594**	**10,100**
Share-based payments	534	101
Acquisition and restructuring costs	-	3,450
General and administration costs	2,812	3,114
Other expenses	478	1,388
Foreign exchange loss/(gain)	1,730	(1,556)
Interest expense on loan facilities	5,393	4,301
Finance and accretion expense/(income)	6,352	(8,110)
Earnings before taxes	**1,295**	**7,412**
Current income tax expense/(recovery)	2,871	(808)
Deferred income tax expense/(recovery)	68,672	(1,559)
Net (loss)/earnings	**(70,248)**	**9,779**
Basic and diluted (loss)/earnings per share	(0.25)	0.05
Basic and diluted earnings before taxes per share	0.00	0.04

During the three months ended June 30, 2019, Leagold recorded net losses of $70.2 million or $0.25 per share (June 30, 2018 – net earnings of $9.8 million or $0.05 per share). The Company recorded earnings before taxes of $1.3 million or $0.00 per share (June 30, 2018 – earnings before taxes of $7.4 million or $0.04 earnings per share).

- Revenue for the three months ended June 30, 2019 was $120.2 million (June 30, 2018 – $86.9 million), primarily related to the sale of 94,178 gold oz from the four operating mines at an average realized gold price of $1,272 per oz (June 30, 2018 – 66,981 gold oz at a realized gold price of $1,295 per oz).
- Operating expenses for the three months ended June 30, 2019 were $84.3 million (June 30, 2018 – $65.1 million). Operating expenses related to the four operations were comprised of consumables used in mining and processing of $45.2 million (June 30, 2018 – $30.6 million), salaries and wages of $24.6 million (June 30, 2018 – $14.1 million), contractors of $21.7 million (June 30, 2018 – $13.8 million), offset by other production costs and changes in inventory of $7.2 million (June 30, 2018 – $6.7 million). The increase in Q2 2019 compared to Q2 2018 was primarily due to the Brio Acquisition which added $44.9 million in operating expenses for the three months ended June 30, 2019 compared to $20.9 million for the three months ended June 30, 2018.
- Depreciation and depletion for the three months ended June 30, 2019 was $15.9 million (June 30, 2018 – $10.9 million), related to the depletion of mineral reserves and the depreciation of plant and equipment with useful lives ranging from 3 to 12 years. The increase compared to the prior year period was due to the increase in the asset portfolio of the Company from one operating mine to four operating mines.
- General and administrative (G&A) costs for the three months ended June 30, 2019 were $2.8 million (June 30, 2018 – $3.1 million). The decrease compared to the prior year was due to the Belo Horizonte office, which in H2 2018 was rationalized into a shared services centre for the Brazil operations with

the majority of the costs associated with this office are being allocated to each of RDM, Fazenda, Pilar and Santa Luz.

- Other expenses for the three months ended June 30, 2019 were $0.5 million (June 30, 2018 – $1.4 million). This increase was primarily attributable to the provision for losses on VAT credits in Brazil of $1.8 million (June 30, 2018 – $0.4 million) and other items of $1.0 million (June 30, 2018 – $0.9 million), offset by the decrease in legal provisions across the mines of $2.3 million (June 30, 2018 – $0.0 million).

- Interest expense on the loan facilities for the three months ended June 30, 2019 was $5.4 million (June 30, 2018 - $4.3 million). The increase compared to the prior period was primarily due to the additional $100.0 million tranche of funding acquired as part of the Brio acquisition. This facility was refinanced in Q2 2019 (refer to the *Q2 and H1 2019 Highlights - Refinancing* for further details).

- Finance and accretion expense for the three months ended June 30, 2019 of $6.4 million (June 30, 2018 – income of $8.1 million) was primarily related to $4.5 million of amortization of deferred financing costs (June 30, 2018 - $0.7 million), this included $3.2 million of amortization of deferred financing costs associated with the loan facilities which were fully repaid during the six months ended June 30, 2019. Other items include $1.3 million of accretion on the reclamation liability (June 30, 2018 - $0.5 million) and $0.6 million in other interest expenses (June 30, 2018 - $0.4 million). In the comparative period finance and accretion expense was primarily related to the change in fair value of the warrant derivative of $9.7 million.

- Deferred income tax expense/(recovery) for the three months ended June 30, 2019 was $68.7 million (June 30, 2018 – income of $1.6 million). During the three and six months ended June 30, 2019, the Company recognized a provision of $63.5 million against its deferred income tax assets (a non-cash item) generated by its wholly owned Mexican subsidiary, Desarrollos Mineros San Luis S.A. de C.V. (DMSL), and attributable to multiple tax periods prior to and including 2017. DMSL was acquired by the Company on April 7, 2017 from Goldcorp Inc. (now part of Newmont Goldcorp Corporation) (the Acquisition) and its principal asset is the Los Filos mine complex. As at June 30, 2019 the Company had unused tax losses amounting to $107.7 million on a tax effected basis, prior to the recognition of the provision. These unused tax losses were supported by corporate tax returns filed for each of the years in which the tax losses were generated. The Company's projections of the probable utilization of DMSL's unused tax losses in the future is the basis for recognizing the unused tax losses as a deferred income tax asset (a non-cash item). The $63.5 million provision, which is a non-cash adjustment related to the deferred income tax assets, results from management's current understanding of the terms and impact of a tax settlement with the Mexican Tax Authorities (the Settlement). The Company is continuing to review and assess the impact of the Settlement, and in the interim has recognized this provision.

Table 12: Financial Results for the Six Months Ended June 30, 2019 and 2018

$000s	Six months ended Jun 30, 2019	Six months ended Jun 30, 2018
Revenue	258,295	155,002
Operating expenses	177,601	114,339
Depreciation and depletion	33,559	18,705
Royalties	2,971	1,365
Earnings from mine operations	**44,164**	**20,593**
Share-based payments	4,272	159
Acquisition and restructuring costs	-	5,241
General and administration costs	5,090	4,787
Other (income)/expenses	(60)	728
Foreign exchange loss/(gain)	1,135	(2,380)
Interest expense on loan facilities	11,079	7,561
Finance and accretion expense/(income)	9,555	(7,782)
Earnings before taxes	**13,093**	**12,279**
Current income tax expense	3,451	4,303
Deferred income tax expense	76,714	8,947
Net loss	**(67,072)**	**(971)**
Basic and diluted (loss) per share	(0.24)	(0.01)
Basic and diluted earnings before taxes per share	0.05	0.07

During the six months ended June 30, 2019, Leagold recorded net losses of $67.1 million or $0.24 per share (June 30, 2018 – loss of $1.0 million or $0.01 per share). The Company recorded earnings before taxes of $13.1 million or $0.05 per share (June 30, 2018 – $12.3 million or $0.07 earnings per share).

- Revenue for the six months ended June 30, 2019 was $258.3 million (June 30, 2018 – $155.0 million), primarily related to the sale of 201,724 gold oz from the four operating mines at an average realized gold price of $1,276 per oz (June 30, 2018 – 118,316 gold oz at a realized gold price of $1,306 per oz).
- Operating expenses for the six months ended June 30, 2019 were $177.6 million (June 30, 2018 – $114.3 million). Operating expenses related to the four operations were comprised of consumables used in mining and processing of $92.2 million (June 30, 2018 – $55.6 million), salaries and wages of $43.6 million (June 30, 2018 – $24.1 million), contractors of $40.3 million (June 30, 2018 – $19.9 million), and other production costs and changes in inventory of $1.5 million (June 30, 2018 – $14.8 million). The increase in H1 2019 compared to H1 2018 was primarily due to the Brio Acquisition, which added $90.2 million in operating expenses for the six months ended June 30, 2019 compared to $20.9 million for the six months ended June 30, 2018.
- Depreciation and depletion for the six months ended June 30, 2019 was $33.6 million (June 30, 2018 – $18.7 million), related to the depletion of mineral reserves and the depreciation of plant and equipment with useful lives ranging from 3 to 12 years. The increase compared to the prior year comparative was due to the increase in the asset portfolio of the Company from one operating mine to four operating mines.
- Share based compensation for the six months ended June 30, 2019 was $4.3 million (June 30, 2018 – $0.2 million). This primarily related to a Black-Scholes valuation of the 6,578,444 incentive share options granted to the officers, employees, and consultants in Q1 2019. In addition, the Company established a PSU plan as part of its compensation program for certain employees of the Company. The PSUs vest in three tranches based on gold production targets. All unvested PSUs expire on December 31, 2021.

- G&A costs for the six months ended June 30, 2019 were $5.1 million (June 30, 2018 – $4.8 million), comparable to the prior year six months ended June 30, 2018.
- Other income for the six months ended June 30, 2019 was $0.1 million (June 30, 2018 – expense of $0.7 million). The income was primarily attributable to the decrease in legal provisions across the mines of $1.7 million (June 30, 2018 – $0.0 million), offset by the provision for losses on VAT credits in Brazil of $0.4 million (June 30, 2018 – $0.4 million) and other items of $1.2 million (June 30, 2018 – $0.3 million).
- Interest expense on the loan facilities for the six months ended June 30, 2019 was $11.1 million (June 30, 2018 - $7.6 million). The increase compared to the prior period was due to the additional $100.0 million tranche of funding acquired as part of the Brio acquisition. This facility was refinanced in Q2 2019 (refer to the *Q2 and H1 2019 Highlights - Refinancing* for further details).
- Finance and accretion expense for the six months ended June 30, 2019 of $9.6 million (June 30, 2018 – income of $7.8 million) was primarily related to $5.5 million of amortization of deferred financing costs (June 30, 2018 - $1.2 million), this included $3.2 million of amortization of deferred financing costs associated with the loan facilities which were fully repaid during the six months ended June 30, 2019. Other items include $2.6 million of accretion on the reclamation liability (June 30, 2018 - $0.8 million) and other interest expenses of $1.5 million (June 30, 2018 - $0.3 million). In the comparative period finance and accretion expense was primarily related to the change in fair value of the warrant derivative of $10.1 million.
- Deferred income tax provision for the six months ended June 30, 2019 was $76.7 million (June 30, 2018 – $8.9 million). Refer to the financial analysis for the three months ended June 30, 2019 for details.

Financial Condition Summary

Table 13: Statement of Financial Position Summary at June 30, 2019 and December 31, 2018

$000s	Jun 30, 2019	Dec 31, 2018
Current assets		
Cash and cash equivalents	52,757	53,021
Trade and other receivables	30,904	33,770
Inventories	125,075	111,794
Prepaid expenses and other	18,202	16,125
	226,938	214,710
Non-current assets		
Mining interests	788,859	772,759
Long-term inventories	1,015	1,506
Deferred income tax assets	9,962	86,681
Other long-term receivables	10,729	7,229
Total assets	**1,037,503**	**1,082,885**
Current liabilities		
Trade and other payables	92,474	101,121
Deferred revenue	-	23,382
Reclamation and closure costs	3,754	2,873
Derivative financial liabilities	12,225	10,702
Other current financial liabilities	2,589	-
Current portion of debt	-	144,642
Lease liabilities	6,654	-
	117,696	**282,720**
Non-current liabilities		
Reclamation and closure costs	85,167	83,633
Deferred income tax liabilities	13,975	13,619
Derivative financial liabilities	20,303	-
Other long-term financial liabilities	4,014	5,502
Long-term debt	275,826	99,821
Long-term lease liabilities	9,450	-
Other long-term liabilities	12,512	13,551
Total liabilities	**538,943**	**498,846**
Total shareholders' equity	**498,560**	**584,039**

Liquidity and Capital Resources

Leagold had a working capital surplus of $109.2 million as at June 30, 2019 (December 31, 2018 – deficit of $68.0 million). The Company currently has sufficient cash and cash equivalents to fund its current operating and administration costs.

The increase in working capital of $177.3 million from December 31, 2018 to June 30, 2019 was primarily attributable to the completion to the refinancing in Q2 2019, resulting in the current portion of debt being extinguished ($144.6 million increase in working capital) and the repayment of the deferred revenue to Orion ($23.4 million increase in working capital). In December 2018, Leagold sold 20,000 oz to Orion for $23.4 million, of which the first 10,000 oz were delivered in Q1 2019 and the remaining 10,000 oz were delivered in Q2, 2019.

In H1 2019, Leagold adopted the new IFRS 16 - Leases standard. As a result, the Company has changed its accounting policy for lease contracts (refer to Application of New Accounting Standards Effective January

1, 2019 for further details). Therefore, the Company has recognised a current liability of $6.7 million for lease payments due within 12 months.

Other significant changes in working capital included an increase in inventories of $13.3 million and a decrease in trade and other payables of $8.6 million.

In Q2 2019, in conjunction with the refinancing, Leagold implemented a gold revenue protection program of 25,000 oz per quarter over a three-year period from Q4 2019 through to Q3 2022, which represents approximately 20% of group gold production over this period. As a result, the Company has recognized a derivative financial liability of $32.5 million at June 30, 2019 of which $12.2 million is current.

The net change in cash position at June 30, 2019 compared to March 31, 2019 was a decrease of $12.5 million, attributable to the following components of the statement of cash flows:

- Leagold's operating inflow before working capital adjustments was $27.3 million for the three months ended June 30, 2019 (June 30, 2018 – inflow of $10.5 million). Outflow relating to operating activities was an outflow of $11.4 million for the three months ended June 30, 2019 (June 30, 2018 – outflow $30.8 million) including an outflow of $38.7 million in working capital movements (June 30, 2018 – outflow of $41.3 million). This outflow of working capital was related primarily to the repayment of the deferred gold sale to Orion of $11.7 million, the bi-annual land payment at the Los Filos Mine complex of $9.2 million, the increase in inventory of $10.5 million and other working capital movements of $7.3 million. The operating cash flow for the three months ended June 30, 2019 was not comparable to the corresponding prior year quarter given the growth of the Company with the acquisition of Brio in Q2 2018.

- Investing activities used $13.2 million, associated primarily with the development of the mines (June 30, 2018 – $18.3 million). For the three months ended June 30, 2018, the additions were 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.

- Financing activities generated $12.9 million (June 30, 2018 –$66.0 million). This related to the completion of the refinancing with the draw down of the $200 million term loan and $85 million of the RCF, which was then used to repay the old facility of $250 million, associated interest of $10.7 million and debt issue costs of $9.1 million. There were also payments for lease liabilities of $1.7 million during Q2 2019.

The net change in cash position at June 30, 2019 compared to December 31, 2018 was a decrease of $0.3 million, attributable to the following components of the statement of cash flows:

- Leagold's operating inflow before working capital adjustments was $69.3 million for the six months ended June 30, 2019 (June 30, 2018 – inflow of $27.4 million). Operating activities generated $22.9 million for the six months ended June 30, 2019 (June 30, 2018 – outflow $16.0 million) including an outflow of $46.4 million in working capital movements (June 30, 2018 – outflow of $43.4 million). This outflow of working capital was related primarily to the repayment of the deferred gold sale to Orion of $23.4 million, the bi-annual land payment of $9.2 million, the increase in inventory of $13.0 million and other working capital movements of $0.8 million. The operating cash flow for the six months ended June 30, 2019 was not comparable to the corresponding prior year quarter given the growth of the Company with the acquisition of Brio in Q2 2018.

- Investing activities used $27.8 million, associated primarily with the development of the mines (June 30, 2018 – $30.8 million). For the six months ended June 30, 2018, the additions were 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.

- Financing activities generated $5.2 million (June 30, 2018 – inflow of $63.0 million). This related to the completion of the refinancing with the draw down of the $200 million term loan and $85 million of the RCF, which was used then used to repay the old facility of $250 million, associated interest of $16.4 million and debt issue costs of $9.1 million. There were also payments for lease liabilities of $3.8 million during H1 2019 and other finance costs of $0.6 million.

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.

Table 14: Capital Summary

$000s	Jun 30, 2019	Dec 31, 2018
Equity	**498,560**	584,039
Loan facility	**275,826**	244,463
	774,386	828,502
Less: cash and cash equivalents	**(52,757)**	(53,021)
	721,629	775,481

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

Contractual Obligations and Commitments

Table 15: Significant Undiscounted Commitments as at June 30, 2019

$000s	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Trade and other payables	92,474	-	-	-	**92,474**
Other long-term liabilities	-	-	-	12,512	**12,512**
Other financial liabilities	2,589	811	-	3,203	**6,603**
Derivative hedge liabilities	12,225	17,630	2,673	-	**32,528**
Lease liabilities	7,508	9,685	14	-	**17,207**
Reclamation and closure costs	4,951	23,976	15,053	97,192	**141,172**
Long-term debt – principal	-	55,000	115,000	115,000	**285,000**
Long-term debt – interest	18,725	36,212	23,845	3,575	**82,357**
	138,472	**143,314**	**156,586**	**231,482**	**669,853**

Gold Offtake Agreements

As part of the financing to complete the acquisition of the Los Filos mine complex, 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 complex at market prices, until a cumulative delivery of 1.1 million ounces to Orion. As part of the acquisition of Brio 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 35% of the gold production from the Brazilian mines at market prices, until a cumulative delivery of 0.7

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million ounces to Orion. As of June 30, 2019, 163,245 oz payable gold had been sold to Orion under the terms of the offtake agreements.

Silver Streaming Agreement

Leagold's silver production from the Los Filos mine complex is subject to the terms of an agreement with Wheaton Precious Metals Corp. (WPM). Under this agreement, Leagold must sell to WPM a minimum of 5.0 million oz payable silver produced by the Los Filos mine complex from August 5, 2010 to the earlier of the termination of the agreement or October 15, 2029 at the lesser of $3.90/oz or the prevailing market price, subject to an inflationary adjustment. The contract price is revised each year on the anniversary date of the contract, which was $4.34/oz until October 14, 2018. On October 15, 2018, the contract price was revised to $4.39/oz. As of June 30, 2019, 1.7 million oz payable silver had been sold to WPM under the terms of the agreement.

Quarterly Change in Cash Position

Table 16: Changes in Cash for the Three Months Ended June 30, 2019

$millions	Three months ended June 30, 2019
Gold revenue	119.8
Total cash costs	(80.1)
Land payments	(4.3)
Royalties	(1.4)
Sustaining capital	(6.0)
AISC	**(91.8)**
AISC margin	**28.0**
Santa Luz development	(1.5)
Los Filos expansion	(0.5)
RDM TSF raise and powerline project	(1.3)
RDM non-sustaining capitalized stripping	(2.4)
Other non-sustaining investments	(1.6)
Free cash flow (before working capital, interest and tax)	**20.7**
Increase in inventories	(10.5)
Change in supplier payables	(5.8)
Working capital changes and other	(16.5)
General and administrative costs	(3.7)
Repayment of deferred revenue	(11.7)
Principal term loan borrowing	200.0
Principal RCF drawdown	85.0
Principal loan facility repayment	(250.0)
Financing costs	(9.3)
Interest paid[1]	(10.7)
Net decrease in cash for Q2 2019	**(12.5)**
March 31, 2019, cash balance	65.2
June 30, 2019, cash balance	**52.7**

1 $5.5 million of interest paid in relation to the Q1 2019 interest accrued and a further $5.2 million in relation to full repayment of the loan facility on June 25, 2019.

Table 17: Summary of Quarterly Results

	For the three months ended			
($000s except per share and ounce amounts)	**Jun 30, 2019**	**Mar 31, 2019**	**Dec 31, 2018**	**Sept 30, 2018**
Revenue	120,181	138,115	110,250	111,259
Gold oz sold	94,178	107,546	90,004	91,733
Earnings from mine operations	18,594	25,571	18,134	19,608
Net earnings	(70,248)	3,177	1,328	14,932
Basic and diluted net earnings per share	(0.25)	0.01	0.00	0.05
Basic and diluted net earnings/(loss) before taxes per share	0.00	0.04	(0.02)	0.05

	For the three months ended			
($000s except per share and oz amounts)	**Jun 30, 2018**	**Mar 31, 2018**	**Dec 31, 2017**	**Sept 30, 2017**
Revenue	86,929	68,073	65,265	60,947
Gold oz sold	66,982	51,334	51,138	47,263
Earnings from mine operations	10,100	10,493	10,193	8,859
Net (loss)/earnings	9,779	(10,754)	1,773	317
Basic and diluted net (loss)/earnings per share	0.05	(0.07)	0.01	0.00
Basic and diluted net earnings/(loss) before taxes per share	0.04	0.03	0.01	0.01

In April 2017, the Company completed the acquisition of the Los Filos mine complex and commenced operations and generating revenue and earnings from mine operations. In May 2018, the Company completed the Brio Acquisition and increased revenue and production capacity. In Q4 2018, the RDM mine was temporarily shut down due to drought conditions. The trend analysis discussion is limited due to these acquisitions which caused significant variations from prior periods.

Related Party Transactions

Compensation of Key Management and Directors

Table 18: Compensation of Key Management and Directors

	Three months ended June 30,		Six months ended June 30,	
$000s	**2019**	2018	**2019**	2018
Short-term benefits	**820**	513	**1,589**	981
DSUs granted	**113**	102	**226**	215
PSUs granted	**-**	-	**236**	-
Share options granted	**-**	-	**2,182**	-
	933	615	**4,233**	1,196

Outstanding Share Data

Table 19: Outstanding Equity at August 1, 2019

	Units
Common shares	284,885,584
Share options	17,845,817
Warrants	50,715,873
	353,447,274

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Table 20: Exercisable Share Options at August 1, 2019

Exercise prices (C$)	Number of share options outstanding	Number of share options exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life
$ 0.63	210,000	210,000	$ 0.63	6.9 years
$ 2.85	10,725,000	10,725,000	$ 2.85	2.7 years
$ 3.15	200,000	200,000	$ 3.15	3.2 years
$ 2.92	100,000	100,000	$ 2.92	3.4 years
$ 2.11	6,578,444	6,578,444	$ 2.11	2.5 years
$ 2.01	32,373	32,373	$ 2.01	3.0 years
	17,845,817	**17,845,817**	**$ 2.55**	**2.7 years**

Table 21: Exercisable Warrants at August 1, 2019

Exercise prices (C$)	Number of warrants outstanding	Number of warrants exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life
$ 3.58	2,000,000	2,000,000	$ 3.58	2.7 years
$ 3.53	2,000,000	2,000,000	$ 3.53	1.9 years
$ 3.70	46,715,873	46,715,873	$ 3.70	0.9 years
	50,715,873	**50,715,873**	**$ 3.69**	**1.2 years**

NON-IFRS FINANCIAL PERFORMANCE MEASURES

Leagold 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

Leagold 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 the three months ended June 30, 2019, total sustaining capital included $3.5 million at Los Filos, $1.8 million at Fazenda, $0.4 million at Pilar and $0.3 million at Pilar. 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 restructuring costs related to acquisitions.

The following tables provide the calculation of this margin and adjusted EBITDA, as adjusted and calculated by the Company for the three months ended June 30, 2019, March 31, 2019, June 30, 2018, and the six months ended June 30, 2019 and June 30, 2018.

Table 22: All-in Sustaining Cost Margin and Adjusted EBITDA

	Three months ended			Six months ended	
$000s	**Jun 30, 2019**	**Mar 31, 2019**	**Jun 30, 2018**	**Jun 30, 2019**	**Jun 30, 2018**
Gold revenue	$119,761	137,695	$86,729	$257,456	$154,558
Less: cash costs of oz sold	(80,123)	(88,374)	(55,166)	(168,497)	(100,365)
Subtotal	39,638	49,321	31,563	88,959	54,193
Less: land access payments	(4,269)	(4,024)	(3,907)	(8,293)	(7,396)
Less: royalties	(1,425)	(1,546)	(820)	(2,971)	(1,365)
Less: sustaining capital	(6,022)	(5,764)	(3,772)	(11,786)	(7,887)
All-in sustaining cost margin	**$27,922**	**$37,987**	**$23,064**	**$65,909**	**$37,545**

	Three months ended			Six months ended	
$000s	**Jun 30, 2019**	**Mar 31, 2019**	**Jun 30, 2018**	**Jun 30, 2019**	**Jun 30, 2018**
Earnings/(loss) before tax[1]	$1,295	$11,799	$7,412	$13,093	$12,279
Add back: depreciation and depletion[1]	15,880	17,679	10,869	33,559	18,705
Add back: interest expense on loan facilities[1]	5,393	5,686	4,301	11,079	7,561
Add back: finance and accretion costs[1]	6,352	3,203	(8,110)	9,555	(7,782)
EBITDA	**28,920**	**38,367**	**14,472**	**67,286**	**30,763**
Add back: share-based payments[1]	534	3,738	101	4,272	159
Add back: transaction and restructuring costs[1]	-	-	3,450	-	5,241
Add back: non-recurring and other adjustments[2]	1,621	-	-	1,621	-
Add back: foreign exchange (gain)/loss[1]	1,730	(595)	(1,556)	1,135	(2,380)
Adjusted EBITDA	**$32,805**	**$41,510**	**$16,467**	**$74,314**	**$33,783**

1 As presented on the condensed interim consolidated statement of Net Income/(Loss) and Comprehensive Income/(Loss) for the respective periods.
2 Q2 2019 non-recurring and other adjustments primarily relate to the provision for settlement to the RDM contractor of $1.6 million.

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 oz 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.

Table 23: Cash Costs

	Three months ended			Six months ended	
($000s except oz amount)	**Jun 30, 2019**	**Mar 31, 2019**	**Jun 30, 2018**	**Jun 30, 2019**	**Jun 30, 2018**
Total gold sold (oz)	94,178	107,546	66,982	201,724	118,316
Production costs from mine operations[1]	84,282	93,319	65,140	177,601	114,339
Less: other adjustments[2]	(4,159)	(4,945)	(9,974)	(9,104)	(13,974)
Total cash costs	**80,123**	**88,374**	**55,166**	**168,497**	**100,365**
Total cash costs ($/oz of gold sold)	**853**	**822**	**824**	**836**	**848**

1 As presented on the condensed interim consolidated statement of Net Income/(Loss) and Comprehensive Income/(Loss) for the respective periods
2 Q2 2019 other adjustments primarily relate to land payments of $4.3 million, settlement on of foreign currency hedges of $1.7 million and silver sales and other adjustments of $0.8 million, offset by a reversal of NRV of $1.1 million and inclusion of IFRS 16 - Lease costs being added back of $1.5 million. Q1 2019 other adjustments primarily relate to land payments of $4.0 million, NRV adjustments of $1.7 million and silver sales and other adjustments of $0.6 million, offset by the inclusion of IFRS 16 - Lease costs being added back of $1.4 million. Q2 2018 non-recurring and other adjustments primarily relate the NRV adjustment of $6 million and land payments of $3.8 million.

All-in Sustaining Costs

Leagold is reporting AISC per oz 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 oz 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.

Table 24: All-in Sustaining Costs

	Three months ended			Six months ended	
($000s except oz amount)	**Jun 30, 2019**	**Mar 31, 2019**	**Jun 30, 2018**	**Jun 30, 2019**	**Jun 30, 2018**
Total gold sold (oz)	94,178	107,546	66,982	201,724	118,316
Total cash costs	80,123	88,374	55,166	168,497	100,365
Land access payments	4,269	4,024	3,907	8,293	7,396
Royalties[1]	1,425	1,546	820	2,971	1,365
Sustaining capital expenditures	6,022	5,764	3,772	11,786	7,887
Total AISC	**91,839**	**99,708**	**63,665**	**191,547**	**117,013**
Total AISC ($/oz of gold sold)	**978**	**927**	**950**	**951**	**989**

1 As presented on the condensed interim consolidated statement of Net Income/(Loss) and Comprehensive Income/(Loss) for the respective periods

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 and restructuring 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.

Table 25: Adjusted Net Earnings

	Three months ended			Six months ended	
($000s except shares amount)	**Jun 30, 2019**	**Mar 31, 2019**	**Jun 30, 2018**	**Jun 30, 2019**	**Jun 30, 2018**
Basic weighted average shares outstanding	284,885,584	284,834,940	205,629,792	284,860,402	178,276,505
Diluted weighted average shares outstanding	284,992,708	284,980,079	205,883,682	284,971,951	178,276,505
Earnings/(loss) before tax[1]	$1,295	$11,799	$7,412	$13,093	$12,279
Add back:					
Share based payments[1]	534	3,738	101	4,272	159
Transaction and restructuring costs[1]	-	-	3,450	-	5,241
Non-recurring and other adjustments[2]	1,621	-	-	1,621	-
Foreign exchange (gain)/loss[1]	1,730	(595)	(1,556)	1,135	(2,380)
Change in fair value of warrants derivative	(287)	316	(9,718)	29	(10,139)
Adjusted net earnings	**4,893**	**15,258**	**(311)**	**20,150**	**5,160**
Per share – basic ($/share)	**0.02**	**0.05**	**(0.00)**	**0.07**	**0.03**
Per share – diluted ($/share)	**0.02**	**0.05**	**(0.00)**	**0.07**	**0.03**

1 As presented on the condensed interim consolidated statement of net income/(loss) and comprehensive income/(loss) for the respective periods.
2 Q2 2019 non-recurring and other adjustments primarily relate to the provision for settlement to the RDM contractor of $1.6 million.

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

Change in Accounting Policies including Initial Adoption

IFRS 16 Leases (IFRS 16)

The Company has adopted IFRS 16, Leases, with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts and recognizes a right-of-use asset and lease liability at the lease commencement date. The Company adopted IFRS 16 using a modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as a $18.7 million increase to right-of-use assets, of which $0.5 million relates to corporate office leases and $18.2 million relates to the rental of trucks and drilling equipment, a $0.3 million increase to sublease receivables, and a corresponding $19.0 million increase to lease liabilities.

The right-of-use asset is depreciated using the straight-line method from the lease commencement date to the earlier of the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful lives of right-of-use assets are determined in the same manner as those of mineral interests and property plant and equipment. Right-of-use assets are adjusted for impairments and/or re-measurements of the lease liability.

At the lease commencement date, the lease liability is measured at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate, which is the rate the Company would pay for similar assets at similar locations over a similar term.

The lease liability is re-measured when there is a change in future lease payments due to a change in an index or rate, a change in the Company's estimate of an amount payable under residual value guarantee, or if there is a change in the assessment of whether the Company will exercise a purchase, termination or extension option. When the lease liability is re-measured, a corresponding adjustment is made to the right-of-use asset or recognized in the condensed interim consolidated statements of net income/(loss) and comprehensive income/(loss) if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to use the two exemptions permitted by IFRS 16 on the following contracts:

- Lease contracts with a duration of less than 12 months (short-term leases);
- Lease contracts for which the underlying asset has a low value (low-value leases).

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 viability, functional currency, business combinations and the capitalization of waste stripping.

Key Sources of Estimation Uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires 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. Refer to the consolidated financial statements for the year ended December 31, 2018 and December 31, 2017 for further detail of the Company's Critical Accounting Estimates.

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 financial liabilities include the warrant derivative, the DSU payable, PSU payable and hedging instruments which are measured at their fair value at the end of each reporting period. The loan facilities are measured at amortized cost and the carrying value approximates the fair value as the contractual interest rates are comparable to current market interest rates.

Table 26: Financial Instruments Measured at Fair Value

	June 30, 2019		Dec 31, 2018	
$000s	**Level 1**	**Level 2**	Level 1	Level 2
Cash and cash equivalents	**52,757**	**-**	53,021	-
Other financial liabilities	**-**	**(4,667)**	-	(14,267)
	52,757	**(4,667)**	53,021	(14,267)

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 condensed interim consolidated financial statements and related notes for the three months ended June 30, 2019 and June 30, 2018. For further details of risk factors, please refer to the most recent Annual Information Form dated March 29, 2019 filed on SEDAR at http://www.sedar.com/, the 2018 year-end audited consolidated financial statements, and the below discussions.

Financial Risks

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 and Brazilian governments. Subsequent to June 30, 2019, $2.0 million of VAT refunds were 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 $15.3 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 Brazilian jurisdictions in which the Company operates, or through offsetting against other taxes payable and VAT.

The Company sells its gold doré 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 doré gold trade receivables at June 30, 2019 is considered 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:

Table 27: Maximum Credit Risk Exposure

$000s	June 30, 2019	Dec 31, 2018
Cash and cash equivalents	**52,757**	53,021
Trade and other receivables	**30,904**	33,770
	83,661	86,791

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, 2019. The Company believes it has sufficient cash resources to pay its obligations associated with its financial liabilities as at June 30, 2019.

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 three months ended June 30, 2019.

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 reais, 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.

Table 28: Value of Net Assets

$000s	June 30, 2019	Dec 31, 2018
Canadian dollars	**1,671**	(1,378)
Brazilian reais	**(34,375)**	(19,595)
Mexican pesos	**(12,798)**	(11,270)
	(45,502)	(32,243)

The effect on earnings and other comprehensive earnings before tax as at June 30, 2019, 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 $4.1 million (December 31, 2018 - $2.9 million), assuming all other variables remained constant.

Interest Rate Risk

Leagold is exposed to interest rate risk on its cash and cash equivalents and the loan facility. At June 30, 2019, 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 $0.3 million (December 31, 2018 - $0.5 million) increase or decrease to the Company's earnings.

Other Risks

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. In conjunction with the refinancing, Leagold implemented a gold revenue protection program of 25,000 ounces per quarter over a three-year period from Q4 2019 through to Q3 2022, which represents approximately 20% of group gold production over this period.

Estimates of Future Production

Leagold 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.

Funding

Although the Company has been successful in the past in obtaining financing though the sale of equity securities and loan facilities, there can be no assurance that the Company will be able to obtain adequate financing in the future, if needed or that the terms of such financing will be favourable. Failure to obtain such additional financing when needed could result in the delay or indefinite postponement of the Company's growth strategy.

Price Volatility of Public Stock

In recent years securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on the TSX may be affected by such volatility.

Economic Conditions

Unfavourable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

For further information on Risk Factors, refer to those set forth in the Company's Annual Information Form dated March 29, 2019, filed under the Company's profile on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND PROCEDURES;

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, 2019, 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.

Changes in Internal Controls

During the three months ended June 30, 2019, 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.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Management's Discussion and Analysis for the three and six months ended June 30, 2019 and 2018 (expressed in thousands of United States dollars, except as noted)

RESERVES AND RESOURCES

Table 29: Proven and Probable Mineral Reserves

Mine/Project	Proven			Probable			Proven and Probable		
	Tonnes (kt)	Grade (g/t)	Contained gold (koz)	Tonnes (kt)	Grade (g/t)	Contained gold (koz)	Tonnes (kt)	Grade (g/t)	Contained gold (koz)
Los Filos	26,168	0.91	768	78,052	1.44	3,626	104,220	1.31	4,395
Leach pad inventory						114			114
RDM	5,647	0.73	133	19,079	1.08	656	24,726	0.99	789
Fazenda	2,632	1.77	150	2,756	1.91	169	5,387	1.84	319
Pilar	961	1.51	47	6,044	1.13	219	7,005	1.18	266
Santa Luz	25,000	1.43	1,153	3,200	1.03	106	28,200	1.39	1259
Total Proven and Probable			**2,251**			**4,890**			**7,142**

Table 30: Measured and Indicated Mineral Resources

Mine/Project	Measured			Indicated			Measured and Indicated		
	Tonnes (kt)	Grade (g/t)	Contained gold (koz)	Tonnes (kt)	Grade (g/t)	Contained gold (koz)	Tonnes (kt)	Grade (g/t)	Contained gold (koz)
Los Filos	114,631	0.77	2,851	211,678	1.02	6,922	326,309	0.93	9,773
RDM	3,195	0.77	79	36,107	1.02	1,181	39,303	1.00	1,259
Fazenda	4,870	2.17	339	2,670	2.55	219	7,540	2.30	558
Pilar	2,389	3.50	269	13,479	2.13	922	15,868	2.33	1,191
Santa Luz	31,200	1.36	1,364	9,700	1.96	612	40,900	1.50	1,976
Total Measured and Indicated			**4,902**			**9,856**			**14,757**

Table 31: Inferred Mineral Resources

Mine	Tonnes (kt)	Grade (g/t)	Contained Gold (koz)
Los Filos	98,204	0.83	2,633
RDM	8,305	1.50	401
Fazenda	6,040	2.45	476
Pilar	20,399	3.21	2,108
Santa Luz	7,700	2.02	501
Total Inferred			**6,119**

Notes to Mineral Reserves and Mineral Resources:

- CIM (2014) Definition Standards were followed for Mineral Reserves.
- Mineral Reserves used a gold price of US$1,200/oz; exchange rate of R$3.70:US$1 or Mex$19:US$1.
- Mineral Resources are inclusive of Mineral Reserves.
- Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
- Mineral Resources used a gold price of US$1,500/oz and exchange rate of R$3.70:US$1 for Brazil Mines; gold price of US$1400/oz, silver price of US$4.39/oz and exchange rate of Mex$19:US$1 for Los Filos.
- Tonnage and grade measurements are in metric units. Contained gold is reported as troy ounces.
- Summation errors may be present due to rounding.
- Mineral resources do not include factors such as mining dilution or mining recovery.
- Details of cut-off grades, bulk densities, mining widths, dilution, mining factors and process recovery assumptions applied to Mineral Reserves and Mineral Resources are provided in the Technical Reports for each mine/project.

- See the Los Filos Technical Report.
- See the RDM Technical Report
- See the Fazenda Technical Report
- See the Pilar Technical Report
- See the Santa Luz Technical Report

The scientific disclosure and technical information included in this MD&A is based upon information included in the NI 43-101 compliant technical reports entitled:

1. Los Filos Technical Report entitled "Independent Technical Report for the Los Filos Mine Complex, Mexico" dated March 11, 2019 with an effective date of October 31, 2018. The Los Filos Technical Report was prepared by Gilles Arseneau, P.Geo., Eric Olin, SME RM, Tim Olson, FAusIMM, Neil Winkelmann, FAusIMM, Neil Lincoln, Maritz Rykaart, P.Eng and David Nicholas, each of whom is independent of the Company within the meaning of NI 43-101 and is a "Qualified Person" as such term is defined in NI 43-101.

2. RDM Technical Report entitled "Technical Report on the Riacho dos Machados Gold Mine, Minas Gerais, Brazil" by Roscoe Postle Associates Inc. (RPA), and dated November 20, 2018 with an effective date of May 31, 2018 (RDM Technical Report). The RDM Technical Report was prepared by Hugo Miranda, MBA, ChMC (RM), Mark B. Mathisen, C.P.G. and Kathleen Ann Altman, Ph.D., P.E., each of whom is a "Qualified Person" as that term is defined in NI 43-101 and is independent of the Company.

3. Fazenda Technical Report entitled "Technical Report on the Fazenda Brasileiro Mine, Bahia State, Brazil" by RPA dated November 26, 2018 with an effective date as of May 31, 2018 (Fazenda Technical Report). The Fazenda Technical Report was prepared by Mark B. Mathisen, C.P.G., Hugo M. Miranda, MBA, ChMC (RM), Robert L. Michaud, P.Eng. and Andrew P. Hampton, P.Eng., each of whom is a "Qualified Person" as that term is defined in NI 43-101 and is independent of the Company.

4. Pilar Technical Report entitled "Technical Report on the Pilar Operations, Goiás State, Brazil" by RPA and dated December 20, 2018 with an effective date of May 31, 2018 (Pilar Technical Report). The Pilar Technical Report was prepared by Mark B. Mathisen, C.P.G., Philip A. Geusebroek, P.Geo., Hugo M. Miranda, MBA, ChMC (RM), Robert L. Michaud, P.Eng., and Andrew P. Hampton, P.Eng. each of whom is a "Qualified Person" as that term is defined in NI 43-101 and is independent of the Company.

5. Santa Luz Technical Report entitled "Technical Report on the Santa Luz Project, Bahia State, Brazil" dated November 14, 2018 and having an effective date of October 22, 2018. The Santa Luz Technical Report was prepared by Mark B. Mathisen, C.P.G., Hugo Miranda, MBA, ChMC(RM), Robert L. Michaud, P.Eng., and Richard Addison, P.E., each of whom is employed by Roscoe Postle Associates Inc. or an affiliate thereof, is independent of the Company within the meaning of NI 43-101 and is a "Qualified Person", as such term is defined in NI 43-101.

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 and operating performance, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, conclusions of economic assessments, and timing and potential for, the expansion projects at Los Filos and Santa Luz project, 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 and cash costs, expected timing of closing the refinancing and Leagolds growth strategy. 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.