LEAGOLD MINING

Management's Discussion and Analysis

For the three and nine months ended September 30, 2018 and 2017

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

Contents

Business Overview 3
Q3 2018 Highlights 4
Operations Review 6
Producing Mines – Q3 2018 Summary 6
Los Filos Mine 7
RDM Mine 9
Fazenda Mine 11
Pilar Mine 12
Operations Outlook 13
Development Projects 13
Acquisition of Brio Gold 15
Financial Results for the Period 17
Financial Results 17
Financial Condition Summary 20
Liquidity and Capital Resources 20
Capital Management 21
Contractual Obligations and Commitments 22
Quarterly Changes in Cash Flow 23
Related Party Transactions 24
Outstanding Share Data 24
Non-IFRS Financial Performance Measures 25
All-in Sustaining Margin and Adjusted EBITDA 25
Total Cash Costs 26
All-in Sustaining Costs 27
Adjusted Net Earnings and Adjusted Net Earnings per Share 27
Off-Balance Sheet Arrangements 28
Accounting Policy Overview 28
Accounting Policies Adopted in the nine months ended September 30, 2018 28
Application of New Accounting Standards Effective January 1, 2018 29
Future Accounting Standards and Interpretations 30
Critical Accounting Policies and Judgements 30
Key Sources of Estimation Uncertainty 30
Financial Instruments and Risk Management 30
Risk Factors 31
Financial Risk 31
Other Risks 33
Disclosure Controls and Procedures; Internal Controls Over Financial Reporting 34
Other Information 34
Technical Disclosure 34
Cautionary Note Regarding Forward-looking Statements 35

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

The following Management's 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 nine months ended September 30, 2018 and September 30, 2017, as well as the consolidated financial statements for the year ended December 31, 2017 and December 31, 2016, and the related notes, which have been prepared in accordance with International Financial Reporting Standards (IFRS). All monetary amounts are in United States dollars unless otherwise specified.

BUSINESS OVERVIEW

Leagold is a Canadian based gold producer with four operating mines: the Los Filos mine in Mexico, acquired in April 2017, and the RDM, Fazenda, and Pilar mines in Brazil, which were acquired in May 2018. Leagold also has a significant mine expansion project at the Los Filos mine and the opportunity to restart the previously operating Santa Luz mine in Brazil, which was also acquired in May 2018. An updated feasibility study was completed for the Santa Luz mine in October 2018. The acquisition of Brio Gold Inc. (Brio) in May 2018 provided a platform of further expansion in Latin America, and the benefit of multiple operations in two jurisdictions.

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

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

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

Q3 2018 Highlights

For the three months ended September 30, 2018, Leagold reported:

- Gold production of 93,269 ounces;
- Sales of 91,733 gold ounces;
- Revenue of $111.3 million;
- Earnings from mine operations of $19.6 million;
- Net income of $14.9 million or $0.05 per share;
- All-in sustaining costs (AISC)[1] of $966 per ounce;
- AISC margin[1] of $22.1 million; and
- Cash balance of $47.0 million at September 30, 2018.

During Q3 Leagold made good progress with the integration of the four recently acquired operations in Brazil – the RDM, Pilar and Fazenda mines, and the Santa Luz Development project. Actions taken in Q3 include:

- Commencement of programs to transform each mine into a stand-alone profit centre. The plan includes a significant reduction of the headcount in the Belo Horizonte office by year-end and increased management responsibility and accountability being transferred to the mines. In addition, we have closed Brio's executive offices in Toronto and Denver;
- Strengthening of operating and maintenance programs to improve long-term performance and cost reductions;
- Launching new forecasting and purchasing procedures that include new supply chain and inventory controls; and
- Implementation of excess mine site personnel reduction programs, with total reduction of active and unfilled positions of over 400, representing approximately 15% of the total Brazilian workforce.

The three operations generally performed within expectations for mining and processing, while necessary capital improvements progressed, including a tailings storage facility lift at RDM (completion due in late November), grid power line connection at RDM (completion by year end), acquisition of additional

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

underground mining equipment at Fazenda (delivered in July), and completion of the Nova Esperança village resettlement and delivery and payment for previously ordered plant equipment at Santa Luz.

Due to regional drought conditions at the RDM mine, gold production was impacted in September by a shortage of water, and the operation was placed on temporary shutdown in early October 2018. With the onset of the rainy season, the water storage facilities have now accumulated the required water to support the restart of operations on or around November 20, 2018. Leagold is now implementing a phased restart of RDM using the existing diesel gensets, and will transition to the national grid during the commissioning of the new power line expected in late December. As the water in the reservoir builds up over the rainy season (typically November through March), and as RDM continues to implement water use reduction programs, RDM is expected to be well positioned for stable and continuous operations in 2019.

At the Los Filos mine in Mexico, gold production in Q3 was similar to Q2, despite the significant 49% increase in contained ore on the heap leach pads in Q3 (Q3: 87,791 ounces; Q2: 58,982 ounces). Los Filos continues to achieve expected recovery rates for the higher-grade underground material, that is both crushed and agglomerated. The processing team is now focused on optimizing the recovery of the uncrushed and without agglomeration material, which has not yet achieved the forecasted recovery performance, due in part to extended recovery times. However, with increased gold production in October 2018 of 16,026 ounces, compared to the monthly average of 14,206 ounces during Q3, the Los Filos mine is beginning to demonstrate production growth as forecasted by Leagold earlier in the year.

During Q3 an independent updated feasibility study on the Santa Luz project in Brazil was completed and reported in October 2018. The updated plan for Santa Luz includes a phased open pit mining schedule with a low-strip ratio pit design that is included within the full mine plan. This approach generates a substantial increase in net cash flow during the first seven years of operations, while also retaining the upside potential of the full life of mine (LOM) plan and further upside potential from underground mining opportunities. With a high internal rate of return (IRR) and low costs, Santa Luz is a very attractive project.

Leagold continues to advance the long-term site-wide production and processing plan for the Los Filos mine, with several studies nearing completion related to the Bermejal underground mine, a potential carbon in leach (CIL) plant, and an enlarged Los Filos open pit mine plan. The Bermejal Underground ramp construction has been completed on schedule in November. This development is being integrated into the overall Los Filos mine design and feasibility study expected by year end.

As a result of the unplanned temporary shutdown of the RDM mine, and the Los Filos mine experiencing an extended recovery cycle on the heap leach pads, Leagold is updating its 2018 full-year production forecast from the previous guidance range of between 325,000 to 350,000 ounces to a revised guidance range of between 295,000 to 305,000 ounces. The updated guidance range considers the restart of RDM in late November with a two-week production ramp up. Leagold is expecting full year AISC to be similar to the nine months ended September 30, 2018 of $979 per ounce.

OPERATIONS REVIEW

Producing Mines – Q3 2018 Summary

Table 1: Production and Costs for the Three-month Period July 1 to September 30, 2018

Mining Physicals	Unit	Los Filos	RDM	Fazenda	Pilar	Total
Gold ounces produced	oz	42,617	16,596	20,167	13,889	93,269
Gold ounces sold	oz	41,868	16,956	19,526	13,383	91,733
Cash Cost Details						
Gold revenue	**$000s**	**50,676**	**20,326**	**23,524**	**16,148**	**110,674**
Mining costs – open pit		7,835	4,541	1,201	-	13,577
Mining costs – underground		12,300	-	7,483	7,346	27,129
Processing costs		20,274	8,256	3,923	3,279	35,732
Site general and administration costs		4,954	1,493	1,576	1,132	9,155
Change in inventory		(10,552)	1,307	(1,916)	(370)	(11,531)
Other		192	232	302	375	1,101
Total cash costs[1]		**35,003**	**15,829**	**12,569**	**11,762**	**75,163**
Land access payments		3,904	-	-	11	3,915
Royalties		525	508	349	256	1,638
Sustaining capital[1]		2,821	645	1,283	1,047	5,796
Sustaining capital[1] – Stripping costs		2,111	-	-	-	2,111
AISC[1]		**44,364**	**16,982**	**14,201**	**13,076**	**88,623**
AISC margin[1]		**6,312**	**3,344**	**9,323**	**3,072**	**22,051**
Cash costs per gold ounce sold[1]	**$/oz**	**836**	**934**	**644**	**879**	**819**
AISC per gold ounce sold[1]	**$/oz**	**1,060**	**1,002**	**727**	**977**	**966**

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

Table 2: Production and Costs for the Nine-month Period January 1 to September 30, 2018

Mining Physicals	Unit	Los Filos	RDM[2]	Fazenda[2]	Pilar[2]	Total
Gold ounces produced	oz	137,161	24,485	27,627	19,516	208,789
Gold ounces sold	oz	136,613	23,815	29,217	20,404	210,049
Cash Cost Details						
Gold revenue	**$000s**	**175,220**	**29,003**	**35,881**	**25,128**	**265,232**
Mining costs – open pit		26,413	8,167	1,655	-	36,235
Mining costs – underground		33,937	-	10,196	10,854	54,987
Processing costs		56,663	11,087	5,355	4,646	77,751
Site general and administration costs		17,048	1,964	2,068	1,581	22,661
Change in inventory		(19,559)	(470)	768	1,143	(18,118)
Other		608	361	455	589	2,013
Total cash costs[1]		**115,110**	**21,109**	**20,497**	**18,813**	**175,529**
Land access payments		11,298	-	2	11	11,311
Royalties		1,420	726	492	365	3,003
Sustaining capital[1]		8,001	759	1,844	1,327	11,931
Sustaining capital[1] – Stripping costs		3,863	-	-	-	3,863
AISC[1]		**139,692**	**22,594**	**22,835**	**20,516**	**205,637**
AISC margin[1]		**35,528**	**6,409**	**13,046**	**4,612**	**59,595**
Cash costs per gold ounce sold[1]	**$/oz**	**843**	**886**	**702**	**922**	**836**
AISC per gold ounce sold[1]	**$/oz**	**1,023**	**949**	**782**	**1,005**	**979**

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

2 Includes the period May 24-September 30, 2018 for the RDM, Fazenda, and Pilar mines.

Los Filos Mine

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

Table 3: Operating and Financial Results for the Los Filos Mine

Mining Physicals	**Unit**	**Three months ended Sept 30, 2018**	**Three months ended June 30, 2018**	**Three months ended Mar 31, 2018**	**Nine months ended Sept 30, 2018**	**Three months ended Sept 30, 2017**
Tonnes mined – open pit	000s	7,400	8,181	7,699	23,280	7,602
Tonnes of ore mined – open pit	000s	2,120	2,191	2,001	6,312	2,091
Avg. gold grade mined – open pit	g/t	0.65	0.55	0.57	0.59	0.67
Tonnes of ore mined – underground	000s	172	145	101	418	98
Avg. gold grade mined – underground	g/t	6.26	5.50	5.47	5.80	7.43
Tonnes of ore placed on pad	000s	3,328	1,901	1,597	6,826	2,134
Avg. gold grade placed on pad	g/t	0.82	0.97	0.97	0.90	0.92
Contained gold placed on pad	oz	87,791	58,982	50,029	196,712	62,825
Recovery rate in period[1]	%	49%	74%	102%	70%	70%
Gold ounces produced	oz	42,617	43,541	51,003	137,161	47,766
Gold ounces sold	oz	41,868	43,411	51,334	136,613	47,263
Unit Cost Analysis						
Realized gold sales price	$/oz	1,210	1,306	1,321	1,283	1,282
Mining costs – open pit	$/t mined	1.34	1.27	1.29	1.30	1.39
Mining costs – underground	$/t ore	71.65	80.90	98.08	81.19	104.32
Processing costs	$/t placed	7.62	9.19	9.20	7.98	9.75
Cash Cost Details						
Gold revenue	**$000s**	**50,676**	**56,715**	**67,829**	**175,220**	**60,602**
Mining costs – open pit		7,835	10,391	8,187	26,413	10,583
Mining costs – underground		12,300	11,731	9,906	33,937	10,176
Processing costs		20,274	17,473	18,916	56,663	20,806
Site general and administration costs		4,954	6,106	5,988	17,048	3,715
Change in inventory		(10,552)	(11,197)	2,190	(19,559)	(4,864)
Other		192	404	12	608	-
Total cash costs[2]		**35,003**	**34,907**	**45,199**	**115,110**	**40,416**
Land access payments		3,904	3,905	3,489	11,298	3,552
Royalties		525	350	545	1,420	364
Sustaining capital[2]		2,821	2,817	2,363	8,001	2,621
Sustaining capital[2] – Stripping costs		2,111	-	1,752	3,863	-
AISC[2]		**44,364**	**41,980**	**53,348**	**139,692**	**46,953**
AISC margin[2]		**6,312**	**14,735**	**14,481**	**35,528**	**13,649**
Cash costs per gold ounce sold[2]	**$/oz**	**836**	**804**	**880**	**843**	**855**
AISC per gold ounce sold[2]	**$/oz**	**1,060**	**967**	**1,039**	**1,023**	**993**

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

2 Cash costs, sustaining capital, AISC, and AISC margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to the section *Non-IFRS Measures* for a reconciliation to IFRS.

Q3 2018 Analysis – Los Filos

Mining rates in Q3 2018 compared favourably to Q2 2018, with ore mined from underground operations up 19% to 172,000 tonnes and ore mined from open pit operations sustained at over 2.1 million tonnes. Gold production of 42,617 ounces in Q3 2018 was consistent with the prior quarter, despite the significant increases in both ore placed and contained gold placed on the heap leach pad.

Based on sampling and testing results, Los Filos is now achieving expected recovery rates for the higher-grade underground material, that is both crushed and agglomerated. This material is segregated from the lower-grade material, which has not achieved the forecast recovery performance due in part to extended recovery times. The low average recovery rate in the period of 49% reflects the very large volume of material placed in Q3 (nearly double the volumes placed in Q1 and Q2), that was placed in an effort to increase production in the second half of 2018. The large increase in new material placed on the pad may have extended the normal leaching curve by interrupting solution flow and leach pad saturation rates. Over the next several months the recovery rate is expected to normalize with increased production levels. In October 2018, gold production started to demonstrate the forecast production growth by increasing to 16,026 ounces, which compares to the monthly average of 14,206 ounces during Q3.

The Los Filos mine produced 42,617 ounces of gold in the three months ended September 30, 2018 at an AISC of $1,060 per ounce sold, compared to 43,541 ounces at an AISC of $967 per ounce sold in the prior quarter.

At the Los Filos mine, $6.8 million in capital expenditures were made during Q3 2018 which included $2.8 million of sustaining development, $2.1 million of capitalized stripping costs and $1.4 million for the exploration drilling program in the Los Filos underground.

Drill Program – Los Filos

The objective of the Los Filos Underground mine drilling program is to identify additional resources to replace reserves and extend the overall mine life. The program is on track with 24,000 metres of step-out and exploration drilling completed to date. Drilling of a total of 62,000 metres is planned and is focused on several deposits along the contact of the intrusive bodies. All the drill holes completed to date in this program intersected oxide skarn mineralization at the contact of the intrusive.

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 RDM mine was acquired by Brio in April 2016 before being acquired by Leagold in May 2018. The operation is a conventional open pit mine with a 7,000-tonne per day (tpd) carbon-in-leach (CIL) plant. The RDM mine commenced production in early 2014.

Table 4: Operating and Financial Results for the RDM Mine

Mining Physicals	Unit	Three months ended Sept 30, 2018	May 24, 2018 – June 30, 2018	May 24, 2018 – Sept 30, 2018
Tonnes mined – open pit	000s	6,993	1,727	8,720
Tonnes of ore mined – open pit	000s	357	227	584
Avg. gold grade mined – open pit	g/t	1.18	1.27	1.22
Tonnes of ore processed	000s	587	181	768
Avg. gold grade processed	g/t	1.04	1.37	1.12
Recovery rate in period	%	82%	82%	82%
Gold ounces produced	oz	16,596	7,889	24,485
Gold ounces sold	oz	16,956	6,859	23,815
Unit Cost Analysis				
Realized gold sales price	$/oz	1,199	1,265	1,218
Mining costs – open pit[1]	$/t mined	1.92	2.10	1.94
Processing costs	$/t processed	14.08	16.00	14.44
Cash Cost Details				
Gold revenue	$000s	20,326	8,677	29,003
Mining costs – open pit		4,541	3,626	8,167
Processing costs		8,256	2,831	11,087
Site general and administration costs		1,493	471	1,964
Change in inventory		1,307	(1,777)	(470)
Other		232	129	361
Total cash costs[2]		15,829	5,280	21,109
Royalties		508	218	726
Sustaining capital[2]		645	114	759
AISC[2]		16,982	5,612	22,594
AISC margin[2]		3,344	3,065	6,409
Cash costs per gold ounce sold[2]	$/oz	934	770	886
AISC per gold ounce sold[2]	$/oz	1,002	818	949

1 Open pit mining cost per tonne mined for Q2 and Q3 2018 includes $0.5 million and $8.2 million of non-sustaining capitalized stripping respectively.

2 Cash costs, sustaining capital, AISC, and AISC margin are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to the section *Non-IFRS Measures* for a reconciliation to IFRS.

Q3 2018 Analysis – RDM

The RDM mine produced 16,596 ounces of gold during Q3 2018. Gold sales were 16,956 ounces with associated revenue of $20.3 million at an AISC of $1,002 per ounce sold. The results for the three months ended September 30, 2018 were not comparable to the prior quarter given the mine was acquired on May 24, 2018.

Mining rates improved in the quarter from 67,236 tpd to 79,858 tpd, this contributed to the lower mining unit costs, however, AISC costs remain high due to limited power availability from expensive diesel gensets. To improve availability, additional diesel gensets were rented during Q3 and the grid-power project was re-started. The lower cost grid power has the potential to reduce power costs by $6 million per annum, or by approximately $0.06/kwh as compared to current diesel gensets at approximately $0.23/kwh. The increased availability of power from the grid will also permit the use of a full load of steel balls in the mill, improving grind size and gold recovery and increasing mill throughput. The commissioning of the grid powerline is expected by year end. With the availability of increased and stable power supply, the processing plant is expected to increase throughput to its designed 7,000 tpd capacity, with the additional potential to expand up to 9,000 tpd with some plant modifications.

The tailings dam at RDM is designed to be raised on an intermittent basis. Immediately after completion of the acquisition, Leagold prioritized the selection of a contractor and construction of the $5.3 million capital project commencing in July. The tailings dam raise continued development in Q3 2018 and is scheduled to be completed in November 2018.

Due to regional drought conditions at the RDM mine, gold production was impacted in September by a shortage of water, and the operation was placed on temporary shutdown in early October 2018. With the onset of the rainy season, the water storage facilities have now accumulated the required water to support the restart of operations on or around November 20, 2018. Leagold is now implementing a phased restart of RDM using the existing diesel gensets, and will transition to the national grid during the commissioning of the new power line expected in late December. As the water in the reservoir builds up over the rainy season (typically November through March), and as RDM continues to implement water use reduction programs, RDM is expected to be well positioned for stable and continuous operations in 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 is primarily an underground operation with ore being processed in a carbon-in-pulp (CIP) milling facility.

Table 5: Operating and Financial Results for the Fazenda Mine

Mining Physicals	Unit	Three months ended Sept 30, 2018	May 24, 2018 – June 30, 2018	May 24, 2018 – Sept 30, 2018
Tonnes mined – open pit	000s	595	215	810
Tonnes of ore mined – open pit	000s	40	7	47
Avg. gold grade mined – open pit	g/t	1.24	1.68	1.30
Tonnes of ore mined – underground	000s	343	134	477
Avg. gold grade mined – underground	g/t	1.87	1.89	1.88
Tonnes of ore processed	000s	342	138	480
Avg. gold grade processed	g/t	1.92	1.93	1.92
Recovery rate in period	%	92%	92%	92%
Gold ounces produced	oz	20,167	7,460	27,627
Gold ounces sold	oz	19,526	9,691	29,217
Unit Cost Analysis				
Realized gold sales price	$/oz	1,205	1,275	1,228
Mining costs – open pit	$/t mined	2.02	2.11	2.04
Mining costs – underground	$/t ore	21.82	20.30	21.39
Processing costs	$/t processed	11.45	10.39	11.15
Cash Cost Details				
Gold revenue	**$000s**	**23,524**	**12,357**	**35,881**
Mining costs – open pit		1,201	454	1,655
Mining costs – underground		7,483	2,713	10,196
Processing costs		3,923	1,432	5,355
Site general and administration costs		1,576	492	2,068
Change in inventory		(1,916)	2,684	768
Other		302	153	455
Total cash costs[1]		**12,569**	**7,928**	**20,497**
Land access payments		-	2	2
Royalties		349	143	492
Sustaining capital[1]		1,283	561	1,844
AISC[1]		**14,201**	**8,634**	**22,835**
AISC margin[1]		**9,323**	**3,723**	**13,046**
Cash costs per gold ounce sold[1]	**$/oz**	**644**	**818**	**702**
AISC per gold ounce sold[1]	**$/oz**	**727**	**891**	**782**

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

Q3 2018 Analysis – Fazenda

The Fazenda mine produced 20,167 ounces during Q3 2018. Gold sales were 19,526 ounces with associated revenue of $23.5 million at an AISC per ounce of $727 per ounce sold for the three months ended September 30, 2018. The results for the three months ended September 30, 2018 were not comparable to the prior quarter given the mine was acquired on May 24, 2018.

Total ore mined from the open pit in Q3 2018 was 40,000 tonnes at an average grade of 1.24 g/t. Ore mined from underground was 343,000 tonnes at an average grade of 1.87 g/t. Efficiencies are expected to improve with new underground mining equipment purchased in H1 2018 being delivered in H2 2018.

Pilar Mine

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

Table 6: Operating and Financial Results for the Pilar Mine

Mining Physicals	**Unit**	**Three months ended Sept 30, 2018**	**May 24, 2018 – June 30, 2018**	**May 24, 2018 – Sept 30, 2018**
Tonnes of ore mined – underground	000s	267	145	412
Avg. gold grade mined – underground	g/t	1.38	1.32	1.36
Tonnes of ore processed	000s	384	148	532
Avg. gold grade processed	g/t	1.16	1.33	1.21
Recovery rate in period	%	94%	94%	94%
Gold ounces produced	oz	13,889	5,627	19,516
Gold ounces sold	oz	13,383	7,021	20,404
Unit Cost Analysis				
Realized gold sales price	$/oz	1,207	1,279	1,232
Mining costs – underground	$/t ore	27.44	24.27	26.33
Processing costs	$/t processed	8.53	9.25	8.73
Cash Cost Details				
Gold revenue	**$000s**	**16,148**	**8,980**	**25,128**
Mining costs – underground		7,346	3,508	10,854
Processing costs		3,279	1,367	4,646
Site general and administration costs		1,132	449	1,581
Change in inventory		(370)	1,513	1,143
Other		375	214	589
Total cash costs[1]		**11,762**	**7,051**	**18,813**
Land access payments		11	-	11
Royalties		256	109	365
Sustaining capital[1]		1,047	280	1,327
Sustaining capital[1] – Stripping costs		-	-	-
AISC[1]		**13,076**	**7,440**	**20,516**
AISC margin[1]		**3,072**	**1,540**	**4,612**
Cash costs per gold ounce sold[1]	**$/oz**	**879**	**1,004**	**922**
AISC per gold ounce sold[1]	**$/oz**	**977**	**1,060**	**1,005**

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

Q3 2018 Analysis – Pilar

The Pilar mine produced 13,889 ounces of gold during Q3 2018. Gold sales were 13,383 ounces with associated revenue of $16.1 million at an AISC per ounce of $977 per ounce sold for the three months ended September 30, 2018. The results for the three months ended September 30, 2018 were not comparable to the prior quarter given the mine was acquired on May 24, 2018.

Ore mined from underground was 267,000 tonnes at an average grade of 1.38 g/t. The plant achieved record throughput in the quarter which resulted in strong production performance.

OPERATIONS OUTLOOK

Leagold is continuing to focus on the integration and transformation of the three mines in Brazil. As both Fazenda and Pilar are meeting internal targets, the primary focus is the completion of the key projects at RDM (grid powerline and TSF raise) with the benefits of these projects expected to improve production rates and reduce costs.

Production rates at the Los Filos mine are also expected to increase as recovery rates normalize following the large volumes of ore placed on the heap leach pads during Q3, however, at a slower growth rate than was previously expected.

Following the completion the updated feasibility study on the Santa Luz project in October, a key next step is the completion of a site-wide review of the Los Filos mine in Mexico. Following this, we can then determine our preferred capital allocation priorities. The Los Filos study is on schedule for completion by year end.

As a result of the unplanned temporary shutdown of the RDM mine, and the Los Filos mine experiencing an extended recovery cycle on the heap leach pads, Leagold is updating its 2018 full-year production forecast from the previous guidance range of between 325,000 to 350,000 ounces to a revised guidance range of between 295,000 to 305,000 ounces. The updated guidance range considers the restart of RDM in late November with a two-week production ramp up. Leagold is expecting full year AISC to be similar to the nine months ended September 30, 2018 of $979 per ounce.

Development Projects

Bermejal Underground Project

Leagold continues to advance the long-term site-wide production and processing plan for the Los Filos mine, with several studies nearing completion related to the Bermejal underground mine, a potential carbon in leach (CIL) plant, and an enlarged Los Filos open pit mine plan. The Bermejal Underground ramp construction has been completed on schedule in November. This development is being integrated into the overall Los Filos mine design and feasibility study expected by year end.

Los Filos Long-term Processing Studies

Concurrent with the Bermejal Underground project, metallurgical test work, process design and associated studies for a potential CIL processing plant at Los Filos are being completed in Q4 2018. A CIL plant could enable higher recoveries for a wider range of ore types.

Management's Discussion and Analysis for the three and nine months ended September 30, 2018 and 2017 (expressed in thousands of United States dollars, except as noted)

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

Santa Luz was built and placed in to operation in mid-2013; however, production was suspended in September 2014 after 14 months of operation due to process difficulties 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 processing. Prior to the Acquisition, the ball mill, process tanks and agitators were delivered, and the tailings storage facility was relined. At the time of the Acquisition in May 2018, the principal activity at site was limited to the completion of the construction for the nearby re-settlement village of Nova Esperança, with total relocation, and clean-up of the old village, expected to be completed by December 2018.

On October 25, 2018, Leagold announced the completion of an independent updated feasibility study on the Santa Luz project in Brazil. This feasibility study was based on the Proven and Probable open pit mineral reserves of 28.2 million tonnes at 1.39 g/t containing 1.26 million ounces. See table 7 below.

Table 7: Santa Luz Mine Mineral Reserve Statement (Effective Date of October 22, 2018)

Classification	Tonnes (kt)	Gold grade (g/t)	Gold ounces (koz)
Proven – open pit	25,000	1.43	1,153
Probable – open pit	1,100	1.40	47
Probable – stockpiles	2,100	0.89	59
Total Proven and Probable	**28,200**	**1.39**	**1,259**

Notes:
1. CIM (2014) definitions were followed for Mineral Reserves.
2. Mineral Reserves were generated by Santa Luz Project personnel and adjusted by RPA to reflect the October 22, 2018 mining surface.
3. Mineral Reserves are quoted at cut-off grades of 0.53 g/t Au, for dacite-leachable, 0.39 g/t Au for dacite-high-sulphide, and 0.60 g/t Au for carbonaceous ore.
4. C1 uses 10 m bench height and Antas 3 uses 9 m bench height.
5. Process recovery of 86% for dacite-leachable, 84% for dacite-high-sulphide and 84% for carbonaceous ore.
6. Mineral Reserves are based on Measured and Indicated Mineral Resources.
7. Metal price assumption for gold was US$1,200/oz.
8. Tonnage and grade measurements are in metric units. Contained gold are reported as troy ounces.
9. Summation errors may be present due to rounding.

The updated plan for Santa Luz includes a phased open pit mining schedule with an optimized strip ratio pit design that is 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 7 years of operations, while also retaining the upside potential of the full LOM plan and further upside potential from underground mining opportunities. Highlights from the updated feasibility study include the following for Phase 1:

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

	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.

Management's Discussion and Analysis for the three and nine months ended September 30, 2018 and 2017 (expressed in thousands of United States dollars, except as noted)

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 efficient management of the exploration, development, and extraction of mineral resources.

Leagold is committed to the safety and security of its people with the goal to protect employees, assets, and Leagold's reputation. The Company has a Zero Harm policy which is applied at all the mines and development projects, and continuous efforts are made to reduce the lost time injury frequency rate (LTIFR).

Table 9: Safety Statistics for the Nine Months Ended September 30, 2018

Incident Category	Los Filos	RDM	Fazenda	Pilar	Total
Fatality	1	-	-	-	1
Lost time injury (LTI)	9	-	-	-	9
Total work hours	3,947,362	623,744	620,681	626,206	5,817,993
LTIFR	**0.5**	**-**	**-**	**-**	**0.3**

1 Lost time injury frequency rate = number of LTIs in the period x 200,000/(total work hours worked for the period).
2 Includes the period May 24-September 30, 2018 for the RDM, Fazenda, and Pilar mines.

ACQUISITION OF BRIO GOLD

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

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

As part of the financing plan to complete the acquisition, the Company's existing $150.0 million senior secured five-year loan facility with Societe Generale, Investec Bank plc and Orion Mine Finance (Orion), was amended to provide an additional $100.0 million tranche of funding, net of $2.5 million of debt issuance costs. A portion of the proceeds of the new tranche was used to fully repay Brio's $75.0 million senior debt credit facility upon closing of the acquisition.

On the closing date, the Company also issued 21,317,098 common shares a fund managed by Orion pursuant to a private placement at a price of C$2.71 for proceeds of $45.0 million, net of $0.5 million of share issue costs. Additionally, the Company issued 2,000,000 Leagold Warrants in connection with the private placement with an exercise price of C$3.53. The fair value of these Leagold Warrants at the time of grant of $1.2 million, calculated using a Black-Scholes valuation model, was recognized as a reduction in the value of the Company's common shares issued to Orion.

Leagold's transaction costs relating to the acquisition incurred during the three and nine months ended September 30, 2018, totalling $0.3 million and $5.5 million, respectively, have been expensed in the consolidated statement of net income/(loss) and comprehensive income/(loss). Since the closing date until September 30, 2018, the Company assumed and paid $18.1 million of Brio's transaction-related costs as part of the acquisition.

The determination of fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized. The actual fair values of the assets and liabilities may differ from the amounts disclosed in the preliminary fair value below and are subject to change.

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

Table 10: Purchase Price Allocation

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

FINANCIAL RESULTS FOR THE PERIOD

Financial Results

Table 11: Financial Results for the Three Months Ended September 30, 2018 and September 30, 2017

$000s	Three months ended Sept 30, 2018	Three months ended Sept 30, 2017
Revenue	111,259	60,947
Operating expenses	75,185	45,876
Depreciation and depletion	14,827	5,848
Royalties	1,639	364
Earnings from mine operations	**19,608**	**8,859**
Exploration costs	273	54
Share-based payments	(157)	485
Transaction costs	271	124
General and administration costs[1]	3,749	1,535
Foreign exchange loss	961	319
Finance and accretion expense	755	4,820
Other income	(626)	(311)
Earnings/(loss) before taxes	**14,382**	**1,833**
Current income tax expense	2,136	285
Deferred income tax (recovery)/expense	(2,686)	1,231
Net income	**14,932**	**317**
Basic and diluted earnings per share	0.05	0.00

1 Q3 2018 general and administration costs include Belo office costs of $1.8 million and Toronto office costs of $0.4 million. The Toronto office was closed effective August 2018.

During the three months ended September 30, 2018, Leagold recorded net income of $14.9 million or $0.05 per share (September 30, 2017 –$0.3 million or $0.00 per share). During the three months ended September 30, 2018, Leagold recorded earnings before taxes of $14.4 million or $0.05 per share (September 30, 2017 –$1.8 million or $0.01 per share).

- Revenue for the three months ended September 30, 2018 was $111.3 million (September 30, 2017 – $60.9 million), primarily related to the sale of 91,733 gold ounces from the four operating mines at an average realized gold price of $1,206 per ounce (September 30, 2017 – 47,263 gold ounces at a realized gold price of $1,282 per ounce).

- Operating expenses for the three months ended September 30, 2018 were $75.2 million (September 30, 2017 – $45.9 million). Operating expenses related to the four operations were comprised of consumables used in mining and processing of $47.0 million (September 30, 2017 – $26.8 million), contractors of $18.0 million (September 30, 2017 – $9.5 million), salaries and wages of $18.1 million (September 30, 2017 – $7.9 million), offset by other production costs and changes in inventory of $7.9 million (September 30, 2017 – ($1.6 million)). The increase in operating expenses was primarily related to the acquisition of Brio.

- Depreciation and depletion for the three months ended September 30, 2018 were $14.8 million (September 30, 2017 – $5.8 million), related to the depletion of mineral reserves and the depreciation of plant and equipment with useful lives ranging from 3 to 10 years. The prior year comparative was significantly lower as it only included Los Filos mine and the increase in our asset portfolio from one operating mine to four, and one development project.

- Transaction costs for the three months ended September 30, 2018 were $0.3 million attributable to the Acquisition, for which due diligence, legal, and advisory services were rendered. Prior year transaction costs of $0.1 million related to the acquisition of the Los Filos mine.

- General and administrative (G&A) costs for the three months ended September 30, 2018 were $3.7 million (September 30, 2017 – $1.5 million). The increase in G&A is primarily attributable to $1.8 million related to the Belo office and $0.4 million for the Toronto office cost. The Toronto office was closed in August 2018 as part of the G&A reduction program following the acquisition.
- A foreign exchange loss of $0.9 million was recognized during the three months ended September 30, 2018. This was primarily driven by the strengthening Mexican Peso against the US dollar, partially offset by the weakening Brazilian real against the US dollar.
- Finance and accretion expense in the three-month period ending September 30, 2018 of $0.8 million (September 30, 2017 – $4.8 million), was related to the $6.5 million interest expense on the loan facility and $1.2 million accretion expense, offset by decrease in the fair value of derivative warrant liability of $6.9 million. In the comparative period finance and accretion expense recognized primarily in relation to the interest expense on the loan facility. The increase in interest expense compared to the prior period is due to the additional $100.0 million tranche of funding acquired as part of the acquisition, and the accretion on the reclamation liability now includes the Los Filos mine and the Brazilian mines.

Table 12: Financial Results for the Nine Months Ended September 30, 2018 and September 30, 2017

$000s	Nine months ended Sept 30, 2018	Nine months ended Sept 30, 2017
Revenue	266,261	128,429
Operating expenses	189,525	101,271
Depreciation and depletion	33,531	9,169
Royalties	3,004	671
Earnings from mine operations	**40,201**	**17,318**
Exploration costs	507	83
Share-based payments	2	9,956
Transaction costs	5,513	7,636
General and administration costs[1]	8,536	3,818
Foreign exchange (gain)/loss	(1,418)	202
Finance and accretion expenses	534	8,448
Other income	(133)	(217)
Earnings/(loss) before taxes	**26,660**	**(12,608)**
Current income tax expense	6,439	285
Deferred income tax expense/(recovery)	6,261	(3,598)
Net income/(loss)	**13,960**	**(9,295)**
Basic and diluted earnings/(loss) per share	0.07	(0.09)

1 The nine-month period ending September 30, 2018 includes general and administration costs relating to the Belo office costs of $2.3 million, the Toronto office of $0.7 million and Denver office of $0.3 million.

During the nine months ended September 30, 2018, Leagold recorded a net income of $14.0 million or $0.07 per share (September 30, 2017 – net loss of $9.3 million or $0.09 per share). During the nine months ended September 30, 2018, Leagold recorded earnings before taxes of $26.7 million or $0.12 per share (September 30, 2017 – net loss of $12.6 million or $0.12 per share). Overall, the increase in the current period compared to the nine months ended September 30, 2017 was due to the fact that the prior period only consisted of the Los Filos operations from April 8, 2017 to September 30, 2017.

- Revenue for the nine months ended September 30, 2018 was $266.3 million (September 30, 2017 – $128.4 million), related to the sale of 210,049 gold ounces from the four operating mines at a realized gold price of $1,263 per ounce (September 30, 2017 – 101,273 gold ounces from one operating mine, at a realized gold price of $1,262 per ounce).

- Operating expenses for the nine months ended September 30, 2018 were $189.5 million (September 30, 2017 – $101.3 million). Operating expenses were comprised of consumables used in mining and processing of $104.0 million (September 30, 2017 - $57.1 million), contractors of $38.0 million (September 30, 2017 – $22.9 million), salaries and wages of $41.9 million (September 30, 2017 – $16.7 million) and other production costs of $5.7 million (September 30, 2017 – $4.6 million). Increased operating costs in Q3 were due to incurring operating expenses in Los Filos for the full nine-month period and the Brazil operations for the 130-day period, compared to the prior year where operating expenses were only for the period of April 8 to September 30, 2017 at Los Filos.

- Depreciation and depletion for the nine months ended September 30, 2018 were $33.5 million (September 30, 2017 – $9.2 million) related to the depletion of mineral reserves and the depreciation of plant and equipment with useful lives ranging from 3 to 10 years. The prior year comparative was significantly lower as it only related to Los Filos mine.

- Transaction costs for the nine months ended September 30, 2018 were $5.5 million (September 30, 2017 – $7.6 million) related to the Acquisition, for which due diligence, legal, and advisory services were rendered. Transaction costs incurred in the nine months ended September 30, 2017 related to the acquisition of the Los Filos mine.

- G&A costs for the nine months ended September 30, 2018 were $8.5 million (September 30, 2017 – $3.8 million). The increase in G&A cost is primarily due to the Belo office ($2.3 million), and the Toronto and Denver offices ($1.0 million), which were both closed subsequent to the completion of the Acquisition. Furthermore, in the prior period, Leagold only had overhead costs associated to the Los Filos for a single quarter.

- A foreign exchange gain of $1.4 million was recognized during the nine months ended September 30, 2018. This was driven by the weakening Mexican Peso and Brazilian real against the US dollar.

- Finance and accretion expense in the nine-month period ending September 30, 2018 of $0.5 million was primarily related to $15.6 million interest expense on the loan facility and $2.0 million in accretion expense, offset by a decrease in the fair value of warrant derivative of $17.0 million. In the nine-month period ending September 30, 2017 the finance and accretion expense of $8.4 million was made up primarily of the interest expense on the loan facility. The increase in the interest expense compared to the prior period is due to the additional $100.0 million tranche of funding acquired as part of the Acquisition, and the accretion on the reclamation liability now includes the Los Filos mine and the Brazilian mines.

Financial Condition Summary

Table 13: Balance Sheet Summary at September 30, 2018

$000s	Sept 30, 2018	Dec 31, 2017
Current assets		
Cash and cash equivalents	46,953	54,039
Trade and other receivables	29,756	29,517
Inventories	99,047	55,566
Prepaid expenses and other	14,211	9,795
	189,967	148,917
Non-current assets		
Mining interests	757,442	288,857
Long-term inventories	1,732	2,410
Deferred income tax assets	85,935	80,916
Other long-term assets	7,071	-
Total assets	**1,042,697**	**521,100**
Current liabilities		
Trade and other payables	96,348	51,760
Reclamation and closure costs	3,585	1,523
Current portion of long-term debt	34,615	-
Loan facility	7,836	-
	142,384	53,283
Non-current liabilities		
Reclamation and closure costs	81,581	51,070
Long-term debt	208,968	143,933
Other long-term liabilities	15,607	-
Other long-term financial liabilities	10,913	4,455
Total liabilities	**459,453**	**252,741**
Total shareholders' equity	**583,244**	**268,359**

Overall, the increase in the current period compared to period ended December 31, 2018 was due to the fact that the prior period only consisted of the Los Filos operations.

Liquidity and Capital Resources

Leagold had a working capital balance of $47.6 million at September 30, 2018 (December 31, 2017 - $95.6 million). Leagold currently has sufficient cash and cash equivalents to fund its current operating and administration costs.

The decrease in working capital was primarily related to the fact that $34.6 million of the loan facility is now classified as a current liability (first principal payment due on March 31, 2019), offset by an increase in Los Filos heap leach inventory and due to the negative net working capital of $38.4 million acquired through the Acquisition.

At September 30, 2018, Leagold had cash and cash equivalents of $47.0 million (December 31, 2017 - $54.0 million).

The net change in cash position at September 30, 2018 compared to June 30, 2018 was a decrease of $22.5 million, attributable to the following components of the statement of cash flows:

- Leagold's operating inflow before working capital adjustments was $23.1 million for the three months ended September 30, 2018 (September 30, 2017 – inflow of $12.1 million). Operating activities generated $25.6 million for the three months ended September 30, 2018 (September 30, 2017 – outflow of $2.1 million) resulting from an inflow of $2.5 million in working capital movements (September 30, 2017 – outflow of $14.2 million), which included a $3.2 million outflow relating to transaction costs assumed from Brio on Acquisition.
- Investing activities used $31.5 million, associated primarily with the development of the mines (September 30, 2017 – outflow of $6.1 million).
- Financing activities used $16.2 million, related primarily to the repayment of Brio's short-term loans assumed on Acquisition (September 30, 2017 - $33.2 million).

The net change in cash position at September 30, 2018 compared to December 31, 2017 was a decrease of $7.1 million, attributable to the following components of the statement of cash flows:

- Leagold's operating inflow before working capital adjustments was $51.4 million for the nine months ended September 30, 2018 (September 30, 2017 – inflow of $13.3 million). Operating activities generated $9.5 million for the nine months ended September 30, 2018 (September 30, 2017 – outflow of $9.6 million) resulting from an outflow of $41.9 million in working capital movements (September 30, 2017 – outflow of $22.9 million), of which $18.1 million related to transaction costs assumed from Brio on Acquisition.
- Investing activities used $62.4 million, associated primarily with the development of the mines and the issuance of the bridge loan provided to Brio for settlement of hedge contracts on completion of the Acquisition (September 30, 2017 – outflow of $241.9 million, primarily due to the Los Filos Acquisition).
- Financing activities resulted in an inflow of $46.6 million, related primarily to the private placement of $44.5 million, net of costs, and the increase of the loan facility by $97.5 million, net of costs, offset by the repayment of the Brio long-term debt on completion of the acquisition of $75.0 million and interest payments of $7.6 million. In the period ended September 30, 2017, $280.0 million of funds were raised from investing activities, which included $154.5 million from a private placement and $142.3 million from loan facility proceeds.

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	**Sept 30, 2018**	Dec 31, 2017
Equity	**582,694**	268,359
Loan facility	**243,583**	143,933
	826,277	412,292
Less: cash and cash equivalents	**(46,953)**	(54,039)
	779,324	358,253

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

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

Contractual Obligations and Commitments

Table 15: Significant Undiscounted Commitments as at June 30, 2018

$000s	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Trade and other payables	96,348	-	-	-	96,348
Other long-term liabilities	-	-	-	15,607	15,607
Other financial liabilities	7,836	7,660	539	2,714	18,749
Reclamation and closure costs	3,800	10,218	11,490	92,484	117,992
Loan facility – principal	34,615	192,308	23,077	-	250,000
Loan facility – interest	21,063	15,379	820	-	37,262
	163,662	**225,565**	**35,926**	**110,805**	**535,958**

Gold Offtake Arrangement

As part of the Los Filos Acquisition financing, the Company entered into an offtake agreement with Orion (the Los Filos Gold Offtake Agreement) which provides for a gold offtake of 50% of the gold production from the Los Filos Mine at market prices, until a cumulative delivery of 1.1 million ounces to Orion. As part of the Brio Acquisition financing, the Company amended and restated the Los Filos Gold Offtake Agreement and entered into another offtake agreement with Orion (the Brazilian Gold Offtake Agreement). The Brazilian Gold Offtake Agreement provides for a gold offtake of 25% of the gold production from the Brazilian mines at market prices, until a cumulative delivery of 0.7 million ounces to Orion. As of September 30, 2018, 44,484 payable gold ounces had been sold to Orion under the terms of these offtake agreements.

Silver Streaming Arrangement

The Company's silver production from the Los Filos mine is subject to the terms of an agreement with Wheaton Precious Metals Corp. (WPM). Under this agreement, the Company must sell to WPM a minimum of 5.0 million payable silver ounces produced by the Los Filos mine from August 5, 2010 to the earlier of the termination of the agreement or October 15, 2029 at the lesser of $3.90 per ounce 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 per ounce until October 14, 2018. From October 15, 2018, the contract price has been revised to $4.39 per ounce. During the three months ended September 30, 2018, silver revenue equalled less than 0.5% of the Company's total revenue. As of September 30, 2018, 1.6 million payable silver ounces had been sold to WPM under the terms of the agreement.

Management's Discussion and Analysis for the three and nine months ended September 30, 2018 and 2017 (expressed in thousands of United States dollars, except as noted)

Quarterly Changes in Cash Flow

Table 16: Changes in Cash for the Three Months Ended September 30, 2018

$millions	Three months ended Sept 30, 2018
Gold revenue	**110.7**
Total cash costs	(75.2)
Land payments	(3.9)
Royalties	(1.6)
Sustaining capital	(7.9)
AISC	**(88.6)**
All-in sustaining margin	**22.1**
Santa Luz development	(4.8)
Bermejal underground development	(2.8)
CIL plant study	(0.4)
Los Filos exploration	(1.4)
Acquisition of mining equipment at Fazenda	(2.4)
RDM TSF raise and powerline project	(1.0)
RDM non-sustaining capitalized stripping	(8.4)
Other non-sustaining investments	(1.9)
Free cash flow (before working capital, interest and tax)	**(1.0)**
Decrease in VAT receivable	5.4
Increase in inventories	(10.0)
Change in supplier payables and other working capital changes	14.2
Reclamation costs[1]	(0.3)
Taxes paid[1]	(0.6)
Interest paid[1]	(4.3)
General and administrative costs	(3.0)
Belo office cost	(1.6)
Other expenses	(1.6)
Free cash flow (before acquisition related payments)	**(2.8)**
Payment of transaction costs for the Acquisition	(4.0)
Repayment of Brio's short-term loans[1]	(12.9)
Repayment of Brio's overdue suppliers	(2.8)
Net decrease in cash for Q2 2018	**(22.5)**
June 30, 2018, cash balance	69.5
September 30, 2018, cash balance	**47.0**

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

Table 17: Summary of Quarterly Results

	For the three months ended			
($000s except per share and ounce amounts)	**Sept 30, 2018**	**June 30, 2018[2]**	**Mar 31, 2018**	**Dec 31, 2017**
Revenue	111,259	86,929	68,073	65,265
Gold ounces sold	91,733	66,982	51,334	51,138
Earnings from mine operations	19,608	10,100	10,493	10,193
Net earnings/(loss)	14,932	9,779	(10,754)	1,773
Basic and diluted net earnings/(loss) per share	0.05	0.05	(0.07)	0.01
Basic and diluted net earnings/(loss) before taxes per share	0.05	0.04	(0.07)	0.01

	For the three months ended			
($000s except per share and ounce amounts)	**Sept 30, 2017**	**June 30, 2017[1]**	**Mar 31, 2017**	**Dec 31, 2016**
Revenue	60,947	67,482	-	-
Gold ounces sold	47,263	54,010	-	-
Earnings from mine operations	8,859	8,459	-	-
Net earnings/(loss)	317	(7,623)	(1,992)	(3,538)
Basic and diluted net earnings/(loss) per share	0.00	(0.06)	(0.07)	(0.02)
Basic and diluted net earnings/(loss) before taxes per share	0.01	(0.10)	(0.07)	(0.02)

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

Related Party Transactions

Compensation of Key Management and Directors

Table 18: Compensation of Key Management and Directors

	Three months ended Sept 30		Nine months ended Sept 30	
$000s	**2018**	2017	**2018**	2017
Short-term benefits	**696**	518	**1,677**	1,169
DSUs granted	**113**	485	**328**	1,078
Stock-options granted	**-**	-	**-**	7,374
	809	1,003	**2,005**	9,621

Outstanding Share Data

Table 19: Outstanding Equity at November 14, 2018

	Units
Common shares	284,743,147
Share options	11,409,810
Warrants	50,715,873
	346,868,830

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 September 30, 2018, total sustaining capital included $4.9 million at Los Filos, $0.6 million at RDM, $1.3 million at Fazenda and $1.0 million at Pilar. These amounts exclude $3.6 million Brio's deferred capital expenditures. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, and amortization, adjusted to exclude specific items that are significant but not reflective of the underlying operating performance of the Company, such as: the impact of foreign exchange gains and losses, finance and accretion expense, and share-based payments and other non-recurring items, such as, transaction costs and transition costs related to the acquisition.

The following tables provide the calculation of this margin and adjusted EBITDA, as adjusted and calculated by the Company for the three and nine months ended September 30, 2018, three months ended March 31, 2018, three months ended June 30, 2018 and the prior year three month period ended September 30, 2018.

Table 20: All-in Sustaining Margin and Adjusted EBITDA

$000s	Three months ended Sept 30, 2018	Three months ended June 30, 2018	Three months ended Mar 31, 2018	Nine months ended Sept 30, 2018	Three months ended Sept 30, 2017
Gold revenue	110,674	86,729	67,829	265,232	60,602
Less: cash costs of ounces sold	(75,163)	(55,167)	(45,199)	(175,529)	(40,416)
Subtotal	35,511	31,562	22,630	89,703	20,186
Less: land access payments	(3,915)	(3,907)	(3,489)	(11,311)	(3,552)
Less: royalties	(1,638)	(820)	(545)	(3,003)	(364)
Less: sustaining capital[2]	(7,907)	(3,772)	(4,115)	(15,794)	(2,621)
All-in sustaining cost margin	**22,051**	**23,063**	**14,481**	**59,595**	**13,649**

$000s	Three months ended Sept 30, 2018	Three months ended June 30, 2018	Three months ended Mar 31, 2018	Nine months ended Sept 30, 2018	Three months ended Sept 30, 2017
Earnings/(loss) before tax[1]	14,382	7,411	4,867	26,660	1,833
Add back: depreciation and depletion[1]	14,827	10,869	7,835	33,531	5,848
Add back: finance and accretion costs[1]	755	(3,809)	3,588	534	4820
EBITDA	**29,964**	**14,471**	**16,290**	**60,725**	**12,501**
Add back: share-based payments[1]	(157)	101	58	2	485
Add back: transaction costs[1]	271	3,450	1,792	5,513	124
Add back: non-recurring costs[2]	-	-	-	-	1,562
Add back: foreign exchange (gain)/loss[1]	961	(1,555)	(824)	(1,418)	319
Adjusted EBITDA	**31,039**	**16,467**	**17,316**	**64,822**	**14,991**

1 As presented on the condensed interim consolidated statement of Net Income/(Loss) and Comprehensive Income/(Loss) for the respective periods.
2 Q3 2017 cash costs of ounces sold has been adjusted for non-recurring and other adjustments is comprised of $1.6 million in non-recurring transition costs.

Total Cash Costs

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

Table 21: Cash Costs

($000s except ounce amount)	Three months ended Sept 30, 2018	Three months ended June 30, 2018	Three months ended Mar 31, 2018	Nine months ended Sept 30, 2018	Three months ended Sept 30, 2017
Total gold sold (ounces)	91,733	66,982	51,334	210,049	47,263
Production costs from mine operations[1]	75,185	65,140	49,199	189,525	45,876
Less: non-recurring and other adjustments[2]	(22)	(9,974)	(4,000)	(13,996)	(5,460)
Total cash costs	**75,163**	**55,166**	**45,199**	**175,529**	**40,416**
Total cash costs ($/ounce of gold sold)	**819**	**824**	**880**	**836**	**855**

1 As presented on the condensed interim consolidated statement of Net Income/(Loss) and Comprehensive Income/(Loss) for the respective periods.
2 Q3 2018 non-recurring and other adjustments primarily relate the reversal of NRV adjustments of $4.5 million, offset with land payments of $3.9 million and silver sales of $0.6 million. Q2 2018 non-recurring and other adjustments primarily relate the NRV adjustment of $6 million and land payments of $3.8 million. Q1 2018 non-recurring and other adjustments primarily related to land payments of $3.6 million and silver sales and other adjustments of $0.4 million. Q3 2017 non-recurring and other adjustments is comprised of $1.6 million in non-recurring transition costs and $4 million in land payments.

All-in Sustaining Costs

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

Table 22: All-in Sustaining Costs

($000s except ounce amount)	Three months ended Sept 30, 2018	Three months ended June 30, 2018	Three months ended Mar 31, 2018	Nine months ended Sept 30, 2018	Three months ended Sept 30, 2017
Total gold sold (ounces)	91,733	66,982	51,334	210,049	47,263
Total cash costs	75,163	55,166	45,199	175,529	40,416
Land access payments	3,915	3,907	3,489	11,311	3,552
Royalties	1,638	820	545	3,003	364
Sustaining capital expenditures	7,907	3,772	4,115	15,794	2,621
Total AISC	**88,623**	**63,665**	**53,348**	**205,637**	**46,953**
Total AISC ($/ounce of gold sold)	**966**	**950**	**1,039**	**979**	**993**

Adjusted Net Earnings and Adjusted Net Earnings per Share

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

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

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

Table 23: Adjusted Net Earnings

($000s except shares amount)	Three months ended Sept 30, 2018	Three months ended June 30, 2018	Three months ended Mar 31, 2018	Nine months ended Sept 30, 2018	Three months ended Sept 30, 2017
Basic weighted average shares outstanding	284,573,942	205,629,792	151,524,292	214,396,703	178,276,505
Diluted weighted average shares outstanding	284,748,937	205,883,682	151,995,781	214,680,654	178,276,505
Earnings/(loss) before tax[1]	14,382	7,412	4,867	26,660	1,833
Adjustments:					
Transaction costs[1]	271	3,450	1,792	5,513	124
Non-recurring costs[2]	-	-	-	-	1,562
Share based payments[1]	(157)	101	58	2	485
Foreign exchange (gain)/loss[1]	961	(1,556)	(824)	(1,418)	319
Change in fair value of warrants derivative	(6,908)	(9,718)	(421)	(17,047)	872
Adjusted net earnings	**8,549**	**(311)**	**5,472**	**13,710**	**5,195**
Per share – basic ($/share)	**0.03**	**(0.00)**	**0.04**	**0.06**	**0.03**
Per share – diluted ($/share)	**0.03**	**(0.00)**	**0.04**	**0.06**	**0.03**

1 As presented on the condensed interim consolidated statement of Net Income/(Loss) and Comprehensive Income/(Loss) for the respective periods.
2 Q3 2017 includes $1.6 million in non-recurring transition costs.

OFF-BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING POLICY OVERVIEW

Accounting Policies Adopted in the nine months ended September 30, 2018

Derivative Instruments and Hedging

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

Operating Segments

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

Application of New Accounting Standards Effective January 1, 2018

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

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

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

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

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

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

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

- Subsequent to initial measurement at fair value, all recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost in subsequent periods. For those financial assets that have a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets, are generally measured at fair value through other comprehensive income (FVTOCI). All other financial assets are measured at fair value through profit and loss (FVTPL) in subsequent accounting periods. In addition, on initial recognition, an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's FVTOCI, with only dividend income generally recognized in profit or loss. Transaction costs for financial assets held at FVTPL are expensed, for all other financial assets, they are recognized at fair value at initial measurement less any directly attributable transaction costs.
- Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded.
- For the impairment of financial assets, IFRS 9 requires an 'expected credit loss' model applies which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

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

Future Accounting Standards and Interpretations

The Company has not early adopted IFRS 16, Leases, which has been issued and will be effective January 1, 2019. IFRS 16, Leases provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases. The Company is currently assessing the impact IFRS 16 will have on the consolidated financial statements.

Critical Accounting Policies and Judgements

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

Key Sources of Estimation Uncertainty

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

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities include impairment of mining interests, estimated recoverable ounces, mineral reserves, environmental rehabilitation, deferred income taxes, share-based payments and contingencies

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and other long-term liabilities and the loan facility.

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

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

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

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

Table 24: Financial Instruments Measured at Fair Value

	Sept 30, 2018		Dec 31, 2017	
$000s	**Level 1**	**Level 2**	Level 1	Level 2
Cash and cash equivalents	**46,953**	**-**	54,039	-
Other long-term liabilities	**-**	**(16,870)**	-	(2,576)
	46,953	**(16,870)**	54,039	(2,576)

Risk Factors

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

Financial Risk

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

Credit Risk

Leagold's primary exposure to credit risk is on its cash and cash equivalents and trade and other receivables.

Leagold closely monitors its financial assets and does not have any significant concentration of credit risk other than receivable balances owed from the Mexican government. During the nine months ended September 30, 2018, $12.5 million of value-added tax (VAT) refunds have been received relating to the Company's accumulated VAT receivable balance. Subsequent to September 30, 2018, $2.7 million of VAT refunds have been received relating to the Company's accumulated VAT receivable balance. There is no indication that the Company will not continue to receive any VAT receivables from the Mexican government.

Leagold has $8.0 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.

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

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

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

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

Table 25: Maximum Credit Risk Exposure

$000s	June 30, 2018	Dec 31, 2017
Cash and cash equivalents	**46,953**	54,039
Trade and other receivables	**29,756**	29,517
	76,709	83,556

Liquidity Risk

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

Foreign Currency Risk

Currency risk relates to the risk that the fair values or future cash flows of Leagold's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations may affect the costs that the Company incurs in its operations. There has been no change in the Company's objectives and policies for managing this risk during the period ended September 30, 2018.

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

Table 26: Value of Net Assets

$000s	Jun 30, 2018	Dec 31, 2017
Canadian dollars	**60**	145
Brazilian reais	**(36,454)**	-
Mexican pesos	**(14,366)**	301
	(50,760)	446

The effect on earnings and other comprehensive earnings before tax as at September 30, 2018, of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Company is estimated to be $4.6 million (December 31, 2017 - $0.04 million), assuming that 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 September 30, 2018, the Company has determined the interest rate risk to be low and that a 10% increase or decrease in market interest rates would result in a $0.3 million (December 31, 2017 - $0.1 million) increase or decrease to the Company's earnings.

Other Risks

Acquisition of the Brio Mines

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

Commodity Price Risk

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

Estimates of Future Production

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.

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

Disclosure Controls and Procedures; 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 September 30, 2018, the Company's disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company.

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

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

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

Other Information

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

Technical Disclosure

The Updated Feasibility Study for Santa Luz was prepared by Messrs. Hugo Miranda, C.P., Mark Mathisen, C.P.G., Robert Michaud. P.Eng, and Richard Addison, P.E., all of whom are from RPA and are "Qualified Persons" as defined by NI 43-101. Each of the authors is independent of the Company. The feasibility study was prepared in accordance with standards as defined by the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council on May 10, 2014.

A technical report prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (NI 43-101) is expected to be filed under Leagold's profile on SEDAR at www.sedar.com and on the Company's website within 45 days of October 25, 2018.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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