



# **LEAGOLD MINING**

## **Management's Discussion and Analysis**

For the three months and year ended December 31, 2018 and 2017  
(expressed in thousands of United States dollars, except as noted)

# Leagold Mining Corporation

Management's Discussion and Analysis for the three month and year ended December 31, 2018 and 2017  
(expressed in thousands of United States dollars, except as noted)

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## Leagold Mining Corporation

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This Management's Discussion and Analysis is prepared as of March 13, 2019 and provides an analysis of the financial and operating results of Leagold Mining Corporation (Leagold or the Company) for the three months and year ended December 31, 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](http://www.sedar.com). All monetary amounts are in United States dollars unless otherwise specified.

### BUSINESS OVERVIEW

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

In a period of less than two years, Leagold has grown into a mid-tier gold producer with four operating mines. In April 2017, Leagold acquired the Los Filos Mine Complex from Goldcorp Inc. and in May 2018, Leagold acquired (the Brio Acquisition) Brio Gold Inc. (Brio). These transactions 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. Leagold invests significant time and effort in its newly acquired assets implementing cost reduction and overall business improvement programs.

Leagold owns the Los Filos mine complex in Mexico and the RDM, Fazenda, and Pilar mines in Brazil, with locations as shown in the figures below. Leagold is currently producing gold at an annualized rate of approximately 400,000 ounces (oz) per year and has established Proven and Probable mineral reserves of 7.1 million oz (Moz) (see Table 32 for more detailed technical disclosure relating to the reserve estimate). Leagold has several projects in the pipeline, including the expansion of the Los Filos mine complex and the re-



During 2018, Leagold produced 302,550 oz of gold, which includes the Brazilian operations on a post-acquisition basis from May 24 to year-end (See Table 1). Leagold expects to produce between 380,000 and 420,000 oz in 2019, and its internal growth projects have the potential to increase production to approximately 700,000 oz per year. The growth projects are the expansion of the Los Filos Mine Complex and the restart of construction of the Santa Luz project, and both have recently completed feasibility studies. Leagold is currently advancing with construction planning and optimizing the sequencing of the major expansion projects as part of its financial planning.

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

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### Q4 2018 AND ANNUAL HIGHLIGHTS

During 2018, Leagold evolved from a single mine operator into a diversified group with four mines in two countries. Leagold produced 302,550 oz in 2018, achieving the higher end of the revised production guidance range of 295,000 to 305,000 oz, at an AISC of \$974 per oz sold. 2018 was a transformational year of gold production growth as detailed in Table 1. In addition, these operating results generated full-year earnings from mine operations of \$58.3 million and net income of \$15.3 million as shown in Table 2.

**Table 1: 2018 Gold Production by Quarter (oz)**

Mine	Unit	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Full year 2018
Los Filos	oz	51,003	43,541	42,617	58,201	195,362
RDM <sup>1,2</sup>	oz	-	7,889	16,596	4,913	29,398
Fazenda <sup>1</sup>	oz	-	7,460	20,167	19,041	46,668
Pilar <sup>1</sup>	oz	-	5,627	13,889	11,606	31,122
<b>Total</b>	<b>oz</b>	<b>51,003</b>	<b>64,517</b>	<b>93,269</b>	<b>93,761</b>	<b>302,550</b>

<sup>1</sup> For Q2 2018, the results for RDM, Fazenda and Pilar are included in Leagold's results for the 38-day post-Brio Acquisition period from May 24, 2018 to June 30, 2018 (inclusive).

<sup>2</sup> During Q4 2018, the RDM mine experienced a temporary shut-down from early October until November 20 due to regional drought conditions.

**Table 2: Highlights for the Fourth Quarter and Full Year ended December 31, 2018**

Mining Physicals	Unit	Three months ended Dec 31, 2018	Year ended Dec 31, 2018
Gold production	oz	93,761	302,550
Gold sales	oz	90,004	300,053
Revenue	\$millions (\$m)	\$110.3	\$376.5
Earnings from mine operations	\$m	\$18.1	\$58.3
Net income	\$m	\$1.3	\$15.3
All-in sustaining costs (AISC) <sup>1</sup>	\$/oz sold	\$962	\$974
AISC margin <sup>1</sup>	\$m	\$23.6	\$83.2
Cash balance	\$m	\$53.0	\$53.0

<sup>1</sup> 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.

In Q4 2018, Los Filos production of 58,201 oz was up over 37% over the previous quarter and set a new quarterly production record since acquisition. In March 2019, Leagold filed the NI 43-101 compliant technical report entitled "Independent Technical Report for the Los Filos Mine Complex, Mexico dated March 11, 2019 and having an effective date of October 31, 2018 (the "Los Filos Technical Report") which summarizes the results of the Expansion Feasibility Study (Expansion Feasibility Study). The Expansion Feasibility Study incorporates the potential for: developing of the Bermejil underground mine, enlarging the Los Filos open pit mine, re-phasing of the Bermejil open pit into two distinct sections (Bermejil and Guadalupe), and adding a carbon-in-leach (CIL) processing facility to process the higher-grade ore, and continuing heap leaching of the lower-grade open pit ore.

The Expansion Feasibility Study builds on the large scale exploration program that Leagold commenced in April 2017, shortly after Leagold acquired the Los Filos mine complex from Goldcorp. This exploration program delineated several new areas of high-grade mineralization as part of the Bermejil Underground, and in Q4 2017, an exploration ramp was started. In Q4 2018, development of the 1,330-metre ramp to access the ore body at Bermejil underground was completed on schedule.

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Since the acquisition of the Los Filos mine complex, Leagold has carried out extensive exploration programs for both open pit and underground deposits, developed the Bermejil access ramp, completed the Bermejil underground mine design, and completed comprehensive metallurgical test work on all of the mineral deposits to support the CIL plant design. This work, with a total investment of approximately \$30 million, has contributed to increasing the Proven and Probable Reserves from 1.7 Moz to 4.5 Moz (see Table 3, note 1) at an average cost of less than \$10 per oz, and now forms the basis of the Expansion Feasibility Study. Summary results of the Expansion Feasibility Study are in Table 3.

**Table 3: Highlights of the Los Filos Expansion Feasibility Study (from January 1, 2019 – LOM)**

Item	Unit	Expansion Feasibility Study
Proven and Probable mineral reserves <sup>1</sup>	Koz	4,509
Total gold production	Koz	3,240
LOM Average AISC <sup>2</sup>	\$/oz	\$740
Net Cash flow (after tax), NPV <sub>0%</sub> <sup>3</sup>	\$m	\$884
NPV <sub>5%</sub> <sup>3</sup>	\$m	\$679

1 Proven reserve of 26.2 million tonnes at 0.91 grams per tonne containing 0.768 Moz gold plus Probable reserve of 78.1 million tonnes at 1.44 grams per tonne containing 3.626 Moz gold plus an additional 0.114 Moz gold in Probable leach pad inventory (effective date of October 31, 2018, SRK Consulting (Canada) Inc.). See the Los Filos Technical Report for further information

2 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.

4 Assuming \$1,250/oz gold price.

Leagold continued to advance the integration of the recently acquired mining operations in Brazil – the RDM, Pilar and Fazenda mines, and the Santa Luz development project. Actions taken in Q4 included:

- strengthened operating and maintenance programs to improve long-term performance and cost reductions;
- launched a strategic review process of the life of mine plans
- implemented new forecasting and purchasing procedures that include new supply chain and inventory controls; and
- implemented of organizational structure changes to transform each mine into a stand-alone profit centre with management responsibility and accountability transferred to the mines.

With the Brio Acquisition in May 2018, Leagold's first priority was assuming control of and optimizing the three newly acquired mines, and the construction of the Santa Luz project in Brazil was placed on hold. Leagold initiated an independent and updated feasibility study on the Santa Luz project that was completed in October 2018, the results of which are included in the technical report entitled "Technical Report on the Santa Luz Project, Bahai State, Brazil" dated November 14, 2018 and having an effective date of October 22, 2018 (the "Santa Luz Technical Report"). As Santa Luz was a previously operating mine, all major infrastructure is in place and the new construction is mostly limited to retrofitting the plant for gold recovery using resin versus carbon. Leagold's updated feasibility study, metallurgical testwork and review of the pilot plant results have confirmed the proposed resin processing technology.

The updated feasibility study for Santa Luz also included a phased open pit mining schedule with a low strip ratio pit design included in the full mine plan. Leagold's new 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.

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On January 21, 2019, Leagold announced 2019 production guidance of between 380,000 and 420,000 oz at AISC between \$920 and \$970 per oz, as outlined in Table 4:

**Table 4: 2019 Gold Production and Cost Guidance**

Mine	Production Guidance (oz gold)	AISC Guidance (\$/oz sold) <sup>1</sup>	Sustaining Capital Guidance (\$m) <sup>1</sup>
Los Filos	200,000 to 220,000	\$925 to \$975	14
RDM	72,000 to 80,000	\$900 to \$950	5
Fazenda	63,000 to 70,000	\$900 to \$950	9
Pilar	45,000 to 50,000	\$950 to \$1,000	7
<b>Total</b>	<b>380,000 to 420,000</b>	<b>\$920 to \$970</b>	<b>35</b>

<sup>1</sup> 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.

## OPERATIONS REVIEW

**Table 5: Production and Costs for the Three-month Period ended December 31, 2018**

Mining Physicals	Unit	Los Filos	RDM	Fazenda	Pilar	Total
Gold produced	oz	58,201	4,913	19,041	11,606	93,761
Gold sold	oz	54,001	5,574	18,849	11,580	90,004
<b>Cash Cost Details</b>						
<b>Gold revenue</b>	<b>\$000s</b>	<b>65,906</b>	<b>7,025</b>	<b>23,111</b>	<b>14,128</b>	<b>110,170</b>
Mining costs – open pit		7,492	1,641	1,278	-	10,411
Mining costs – underground		13,146	-	7,454	7,851	28,451
Processing costs		21,908	3,237	4,387	4,063	33,595
Site general and administration costs		6,041	1,066	1,714	1,417	10,238
Change in inventory		(8,624)	583	(791)	(761)	(9,593)
Other		223	174	350	396	1,143
<b>Total cash costs<sup>1</sup></b>	<b>\$000s</b>	<b>40,186</b>	<b>6,701</b>	<b>14,392</b>	<b>12,966</b>	<b>74,245</b>
Land access payments		3,668	-	-	12	3,680
Royalties		389	171	356	217	1,133
Sustaining capital <sup>1</sup>		2,223	184	2,717	745	5,869
Sustaining capital <sup>1</sup> – Stripping costs		1,614	-	-	-	1,614
<b>Total AISC<sup>1</sup></b>	<b>\$000s</b>	<b>48,080</b>	<b>7,056</b>	<b>17,465</b>	<b>13,940</b>	<b>86,541</b>
<b>AISC margin<sup>1</sup></b>	<b>\$000s</b>	<b>17,826</b>	<b>(31)</b>	<b>5,646</b>	<b>188</b>	<b>23,629</b>
<b>Cash costs<sup>1</sup></b>	<b>\$/oz sold</b>	<b>744</b>	<b>1,202</b>	<b>764</b>	<b>1,120</b>	<b>825</b>
<b>AISC<sup>1</sup></b>	<b>\$/oz sold</b>	<b>890</b>	<b>1,266</b>	<b>927</b>	<b>1,204</b>	<b>962</b>

<sup>1</sup> 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.

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**Table 6: Production and Costs for the Year Ended December 31, 2018**

<b>Mining Physicals</b>	<b>Unit</b>	<b>Los Filos</b>	<b>RDM<sup>2</sup></b>	<b>Fazenda<sup>2</sup></b>	<b>Pilar<sup>2</sup></b>	<b>Total</b>
Gold produced	oz	195,362	29,398	46,668	31,122	302,550
Gold sold	oz	190,614	29,389	48,066	31,984	300,053
<b>Cash Cost Details</b>						
<b>Gold revenue</b>	<b>\$000s</b>	<b>241,126</b>	<b>36,028</b>	<b>58,992</b>	<b>39,256</b>	<b>375,402</b>
Mining costs – open pit		33,905	9,808	2,933	-	46,646
Mining costs – underground		47,083	-	17,650	18,705	83,438
Processing costs		78,571	14,324	9,742	8,709	111,346
Site general and administration costs		23,089	3,030	3,782	2,998	32,899
Change in inventory		(28,183)	113	(23)	382	(27,711)
Other		831	535	805	985	3,156
<b>Total cash costs<sup>1</sup></b>	<b>\$000s</b>	<b>155,296</b>	<b>27,810</b>	<b>34,889</b>	<b>31,779</b>	<b>249,774</b>
Land access payments		14,966	-	2	23	14,991
Royalties		1,809	897	848	582	4,136
Sustaining capital <sup>1</sup>		10,224	943	4,561	2,072	17,800
Sustaining capital <sup>1</sup> – stripping costs		5,477	-	-	-	5,477
<b>Total AISC<sup>1</sup></b>	<b>\$000s</b>	<b>187,772</b>	<b>29,650</b>	<b>40,300</b>	<b>34,456</b>	<b>292,178</b>
<b>AISC margin<sup>1</sup></b>	<b>\$000s</b>	<b>53,354</b>	<b>6,378</b>	<b>18,692</b>	<b>4,800</b>	<b>83,224</b>
<b>Cash costs<sup>1</sup></b>	<b>\$/oz sold</b>	<b>815</b>	<b>946</b>	<b>726</b>	<b>994</b>	<b>832</b>
<b>AISC<sup>1</sup></b>	<b>\$/oz sold</b>	<b>985</b>	<b>1,009</b>	<b>838</b>	<b>1,077</b>	<b>974</b>

<sup>1</sup> 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.

<sup>2</sup> Includes the period May 24-December 31, 2018 for the RDM, Fazenda, and Pilar mines.

### Los Filos Mine Complex

The Los Filos mine complex 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 complex currently consists of two open pit mines, Los Filos and Bermejil, and an underground mine at Los Filos. Grid power is supplied to a 20 MVA substation at site. In April 2017, a large-scale exploration program was commenced that delineated several new areas of high-grade mineralization as part of the Bermejil Underground, and in Q4 2017, an exploration ramp was started. In Q4 2018, development of the 1,330-metre ramp to access the ore body at Bermejil underground was completed on schedule. Leagold has carried out extensive exploration programs for both open pit and underground deposits, completed the Bermejil underground mine design, and completed comprehensive metallurgical test work on all of the mineral deposits to support the design of a CIL plant. This work has contributed to increasing the Proven and Probable Reserves from 1.7 Moz to 4.5 Moz (See Note 1 of Table 3) and now forms the basis of the Expansion Feasibility Study completed in March 2019. See the *Development Projects – Los Filos Expansion* section.



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**Table 7: Operating and Financial Results for the Los Filos mine complex**

		Three months ended Dec 31, 2018	Three months ended Sept 30, 2018	Three months ended Dec 31, 2017	Year ended Dec 31, 2018	April 7, 2017– Dec 31, 2017
<b>Mining Physicals</b>	<b>Unit</b>					
Tonnes mined – open pit	000s	5,566	7,400	7,833	28,846	22,131
Tonnes of ore mined – open pit	000s	2,561	2,120	2,627	8,873	6,674
Avg. gold grade mined – open pit	g/t	0.95	0.65	0.76	0.70	0.68
Tonnes of ore mined – underground	000s	177	172	102	595	289
Avg. gold grade mined – underground	g/t	5.74	6.26	7.25	5.79	7.03
Tonnes of ore placed on pad	000s	2,735	3,328	2,718	9,561	6,838
Avg. gold grade placed on pad	g/t	1.26	0.82	0.92	1.00	0.88
Contained gold placed on pad	oz	110,600	87,791	80,070	307,312	194,533
Recovery rate in period <sup>1</sup>	%	53%	49%	67%	64%	74%
Gold produced	oz	58,201	42,617	53,446	195,362	145,192
Gold sold	oz	54,001	41,868	51,138	190,614	152,411
<b>Unit Cost Analysis</b>						
Realized gold sales price	\$/oz	1,220	1,210	1,275	1,265	1,266
Mining costs – open pit	\$/t mined	1.64	1.34	1.31	1.37	1.38
Mining costs – underground	\$/t ore	74.24	71.65	101.84	79.13	102.06
Processing costs	\$/t placed	8.01	6.09	7.67	8.22	9.27
<b>Cash Cost Details</b>						
<b>Gold revenue</b>	<b>\$000s</b>	<b>65,906</b>	<b>50,676</b>	<b>65,196</b>	<b>241,126</b>	<b>192,997</b>
Mining costs – open pit		7,492	7,835	10,225	33,905	30,489
Mining costs – underground		13,146	12,300	10,434	47,083	29,499
Processing costs		21,908	20,274	20,860	78,571	63,363
Site general and administration costs		6,041	4,954	5,024	23,089	12,951
Change in inventory		(8,624)	(10,552)	(6,705)	(28,183)	(8,989)
Other		223	192	-	831	-
<b>Total cash costs<sup>2</sup></b>	<b>\$000s</b>	<b>40,186</b>	<b>35,003</b>	<b>39,838</b>	<b>155,296</b>	<b>127,313</b>
Land access payments		3,668	3,904	3,493	14,966	10,438
Royalties		389	525	324	1,809	995
Sustaining capital <sup>2</sup>		2,223	2,821	2,877	10,224	8,178
Sustaining capital <sup>2</sup> – Stripping costs		1,614	2,111	-	5,477	-
<b>Total AISC<sup>2</sup></b>	<b>\$000s</b>	<b>48,080</b>	<b>44,364</b>	<b>46,532</b>	<b>187,772</b>	<b>146,924</b>
<b>AISC margin<sup>2</sup></b>	<b>\$000s</b>	<b>17,826</b>	<b>6,312</b>	<b>18,664</b>	<b>53,354</b>	<b>46,073</b>
<b>Cash costs<sup>2</sup></b>	<b>\$/oz sold</b>	<b>744</b>	<b>836</b>	<b>779</b>	<b>815</b>	<b>835</b>
<b>AISC<sup>2</sup></b>	<b>\$/oz sold</b>	<b>890</b>	<b>1,060</b>	<b>910</b>	<b>985</b>	<b>964</b>

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

<sup>2</sup> 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.

### Q4 2018 Analysis – Los Filos

At the Los Filos mine complex in Mexico, production of 58,201 oz in Q4 2018 was up 37% over the previous quarter and set a new quarterly production record since acquisition. This production result was due to the significant increase in contained gold placed on the heap leach pad during the year and the delayed gold recovery rates that improved at the end of 2018. The gold recovery from heap leaching has continued to achieve expected levels into 2019. During Q4 2018, mining operations continued to perform well with ore mined from the open pits up 21% to 2.6 million tonnes and ore mined from underground operations up 3% to 177,000 tonnes.



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The Los Filos mine complex sold 54,001 oz of gold in the three months ended December 31, 2018 at AISC of \$890 per oz sold, compared to 41,868 oz at AISC of \$1,060 per oz sold in Q3 2018.

Also during Q4, Leagold completed the development of a 1,330-metre ramp to access the ore body at Bermejil underground. Since the acquisition of the Los Filos mine complex, Leagold carried out extensive exploration programs for both open pit and underground deposits, developed the Bermejil access ramp, completed the Bermejil underground mine design, and completed comprehensive metallurgical test work on all of the mineral deposits to support the CIL plant design. Leagold's total investment in this work to date is approximately \$30 million and forms the basis of the Los Filos Expansion Feasibility Study completed in March 2019.

### *Full Year 2018 Analysis – Los Filos*

Los Filos produced 195,362 oz at AISC of \$985 per oz sold. The extended recovery cycle on the heap leach pads from the large volume of material placed in Q3 2018 slowed recovery, impacting H2 2018 production. Overall, most of the increase in the year ended December 31, 2018, compared to the year ended December 31, 2017 was due to the fact that the prior period only consisted of the Los Filos operations from April 8, 2017 to December 31, 2017.

During 2018, growth capital expenditures (e.g. non-sustaining) at Los Filos totalled \$22.2 million which included \$11.3 million for development of the Bermejil Underground, \$3.1 million for the installation of additional conveyors and the agglomerator, \$1.5 million on the CIL plant studies, and \$6.3 million for the Los Filos Underground exploration drilling program that extended mine life.

### *Drill Program – Los Filos*

The objective of the Los Filos Underground Mine drilling program was to identify additional resources to replace reserves and extend the overall mine life. A total of 24,000 metres was completed by year-end.

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### 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 its acquisition by Leagold in May 2018. The operation is a conventional open pit mine with a 7,000 tpd CIL plant. The RDM mine commenced production in early 2014.

**Table 8: Operating and Financial Results for the RDM Mine**

		Three months ended Dec 31, 2018	Three months ended Sept 30, 2018	May 24, 2018 – June 30, 2018	May 24, 2018 – Dec 31, 2018
<b>Mining Physicals</b>	<b>Unit</b>				
Tonnes mined – open pit	000s	2,680	6,993	1,727	11,400
Tonnes of ore mined – open pit	000s	52	357	227	636
Avg. gold grade mined – open pit	g/t	0.94	1.18	1.27	1.19
Tonnes of ore processed	000s	288	587	181	1,056
Avg. gold grade processed	g/t	0.75	1.04	1.37	1.02
Recovery rate in period	%	82%	82%	82%	82%
Gold produced	oz	4,913	16,596	7,889	29,398
Gold sold	oz	5,574	16,956	6,859	29,389
<b>Unit Cost Analysis</b>					
Realized gold sales price	\$/oz	1,260	1,199	1,265	1,226
Mining costs – open pit <sup>1</sup>	\$/t mined	2.46	1.92	2.10	2.07
Processing costs	\$/t processed	15.51	14.08	16.00	14.74
<b>Cash Cost Details</b>					
<b>Gold revenue</b>	<b>\$000s</b>	<b>7,025</b>	<b>20,326</b>	<b>8,677</b>	<b>36,028</b>
Mining costs – open pit		1,641	4,541	3,626	9,808
Processing costs		3,237	8,256	2,831	14,324
Site general and administration costs		1,066	1,493	471	3,030
Change in inventory		583	1,307	(1,777)	113
Other		174	232	129	535
<b>Total cash costs<sup>2</sup></b>	<b>\$000s</b>	<b>6,701</b>	<b>15,829</b>	<b>5,280</b>	<b>27,810</b>
Royalties		171	508	218	897
Sustaining capital <sup>2</sup>		184	645	114	943
<b>Total AISC<sup>2</sup></b>	<b>\$000s</b>	<b>7,056</b>	<b>16,982</b>	<b>5,612</b>	<b>29,650</b>
<b>AISC margin<sup>2</sup></b>	<b>\$000s</b>	<b>(31)</b>	<b>3,344</b>	<b>3,065</b>	<b>6,378</b>
<b>Cash costs<sup>2</sup></b>	<b>\$/oz sold</b>	<b>1,202</b>	<b>934</b>	<b>770</b>	<b>946</b>
<b>AISC<sup>2</sup></b>	<b>\$/oz sold</b>	<b>1,266</b>	<b>1,002</b>	<b>818</b>	<b>1,009</b>

<sup>1</sup> Open pit mining cost per tonne mined for Q2, Q3 and Q4 2018 includes \$0.5 million, \$8.2 million and \$5.5 million of non-sustaining capitalized stripping respectively.

<sup>2</sup> 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.

### Q4 2018 Analysis – RDM

Due to regional drought conditions at the RDM mine, the operation was placed on temporary shutdown in early October 2018 through November 20, 2018. As a result, the RDM mine only produced 4,913 oz of gold during Q4 2018 compared to 16,596 oz in Q3 2018. Gold sales were 5,574 oz with associated revenue of \$7.0 million at AISC of \$1,266 per oz sold. With the onset of the rainy season in October 2018, there were sufficient volumes to support the restart of operations in mid-November. Water in the reservoir has continued to build up over the rainy season (typically November through March) and RDM is expected to be positioned for stable and continuous operations in 2019.

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During Q4 the grid power project continued to progress with 90% of the towers constructed by quarter end. During Q1 2019, the installation of the remaining towers and power cable has been completed and commissioned, and the switch-over to grid power is scheduled for mid-March 2019.

Following the gridline connection, the AISC is expected to improve with access to lower cost and more reliable power as compared to the current diesel generators.

The tailings facility at RDM is designed to be raised on an intermittent basis throughout the mine life to store additional tailings produced from the ongoing operations. During Q4 2018, the tailings embankment raise was completed with the lining of the embankment completed in Q1 2019.

Monitoring of the tailings embankment is performed on a regular basis by surveying twice per month the six movement monuments located on the embankment crest and downstream slope as well as measuring twice per month the water levels with the 22 piezometers located within the embankment and foundation. This monitoring includes independent reviews and independent reporting to local authorities.

### *May 24, 2018 to December 31, 2018 Analysis – RDM*

The RDM mine produced 29,398 oz of gold from May 24, 2018 to December 31, 2018. Gold sales were 29,389 oz with associated revenue of \$36.0 million at an AISC of \$1,009 per oz sold. The results for the year ended December 31, 2018 cannot be compared to the prior year given the Company did not own the RDM mine in the prior year.

Following the Brio Acquisition, Leagold restarted the grid-power connection project. The lower cost grid power has the potential to reduce power costs by \$6 million per annum, to approximately \$0.06/kwh as compared to current diesel generators 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.

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### 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 CIL milling facility.

**Table 9: Operating and Financial Results for the Fazenda Mine**

		Three months ended Dec 31, 2018	Three months ended Sept 30, 2018	May 24, 2018 – June 30, 2018	May 24, 2018 – Dec 31, 2018
<b>Mining Physicals</b>					
	<b>Unit</b>				
Tonnes mined – open pit	000s	477	595	215	1,287
Tonnes of ore mined – open pit	000s	19	40	7	66
Avg. gold grade mined – open pit	g/t	1.37	1.24	1.68	1.32
Tonnes of ore mined – underground	000s	344	343	134	821
Avg. gold grade mined – underground	g/t	1.82	1.87	1.89	1.85
Tonnes of ore processed	000s	354	343	138	834
Avg. gold grade processed	g/t	1.84	1.92	1.93	1.89
Recovery rate in period	%	90%	92%	92%	91%
Gold produced	oz	19,041	20,167	7,460	46,668
Gold sold	oz	18,849	19,526	9,691	48,066
<b>Unit Cost Analysis</b>					
Realized gold sales price	\$/oz	1,226	1,205	1,275	1,227
Mining costs – open pit	\$/t mined	2.68	2.02	2.11	2.28
Mining costs – underground	\$/t ore	21.65	21.82	20.30	21.50
Processing costs	\$/t processed	12.40	11.45	10.39	11.68
<b>Cash Cost Details</b>					
<b>Gold revenue</b>	<b>\$000s</b>	<b>23,111</b>	<b>23,524</b>	<b>12,357</b>	<b>58,992</b>
Mining costs – open pit		1,278	1,201	454	2,933
Mining costs – underground		7,454	7,483	2,713	17,650
Processing costs		4,387	3,923	1,432	9,742
Site general and administration costs		1,714	1,576	492	3,782
Change in inventory		(791)	(1,916)	2,684	(23)
Other		350	302	153	805
<b>Total cash costs<sup>1</sup></b>	<b>\$000s</b>	<b>14,392</b>	<b>12,569</b>	<b>7,928</b>	<b>34,889</b>
Land access payments			-	2	2
Royalties		356	349	143	848
Sustaining capital <sup>1</sup>		2,717	1,283	561	4,561
<b>Total AISC<sup>1</sup></b>	<b>\$000s</b>	<b>17,465</b>	<b>14,201</b>	<b>8,634</b>	<b>40,300</b>
<b>AISC margin<sup>1</sup></b>	<b>\$000s</b>	<b>5,646</b>	<b>9,323</b>	<b>3,723</b>	<b>18,692</b>
<b>Cash costs<sup>1</sup></b>	<b>\$/oz sold</b>	<b>764</b>	<b>644</b>	<b>818</b>	<b>726</b>
<b>AISC<sup>1</sup></b>	<b>\$/oz sold</b>	<b>927</b>	<b>727</b>	<b>891</b>	<b>838</b>

<sup>1</sup> 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.

### Q4 2018 Analysis – Fazenda

The Fazenda mine produced 19,041 oz during Q4 2018 compared to 20,167 in Q3 2018. Gold sales were 18,849 oz with associated revenue of \$23.1 million at an AISC per oz of \$927 per oz sold for the three months ended December 31, 2018. Costs increased during Q4 2018 with increased development in the underground mine as well the strengthening Brazilian Reais.

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Total ore mined from the open pit in Q4 2018 was 19,315 tonnes at an average grade of 1.37 g/t. Ore mined from underground was 344,367 tonnes at an average grade of 1.82 g/t. Overall tonnes mined decreased compared to the prior period as management has focused on mining higher grade underground material and optimizing excess plant throughput capacity using open pit material. Ore processed of 353,708 tonnes has increased compared to Q3 2018 of 342,703; however, the ore grade decreased from 1.92 g/t to 1.84 g/t resulting in lower ounces of gold being produced.

### *May 24, 2018 to December 31, 2018 Analysis – Fazenda*

The Fazenda mine produced 46,668 oz of gold from May 24, 2018 to December 31, 2018. Gold sales were 48,066 oz with associated revenue of \$59.0 million at an AISC of \$838 per oz sold. The results for the year ended December 31, 2018 cannot be compared to the prior year given the Company did not own the Fazenda mine in the prior year.

Since the Brio Acquisition, total ore mined from the open pit was 66,147 tonnes at an average grade of 1.32 g/t. Ore mined from underground was 821,047 tonnes at an average grade of 1.85 g/t. Leagold has focused operations on mining higher grade underground material and optimizing the excess throughput capacity of the plant using material mined from the open pits. This has contributed to consistently strong performance at Fazenda.

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

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### Pilar Mine

The Pilar mine consists of two underground mines feeding a CIP plant 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 10: Operating and Financial Results for the Pilar Mine**

		Three months ended Dec 31, 2018	Three months ended Sept 30, 2018	May 24, 2018 – June 30, 2018	May 24, 2018 – Dec 31, 2018
<b>Mining Physicals</b>	<b>Unit</b>				
Tonnes of ore mined – underground	000s	233	267	145	645
Avg. gold grade mined – underground	g/t	1.36	1.38	1.32	1.36
Tonnes of ore processed	000s	364	384	148	896
Avg. gold grade processed	g/t	1.07	1.16	1.33	1.15
Recovery rate in period	%	93%	94%	94%	94%
Gold oz produced	oz	11,606	13,889	5,627	31,122
Gold oz sold	oz	11,580	13,383	7,021	31,984
<b>Unit Cost Analysis</b>					
Realized gold sales price	\$/oz	1,220	1,207	1,279	1,227
Mining costs – underground	\$/t ore	33.73	27.44	24.27	29.00
Processing costs	\$/t processed	11.17	8.53	9.25	9.72
<b>Cash Cost Details</b>					
<b>Gold revenue</b>	<b>\$000s</b>	<b>14,128</b>	<b>16,148</b>	<b>8,980</b>	<b>39,256</b>
Mining costs – underground		7,851	7,346	3,508	18,705
Processing costs		4,063	3,279	1,367	8,709
Site general and administration costs		1,417	1,132	449	2,998
Change in inventory		(761)	(370)	1,513	382
Other		396	375	214	985
<b>Total cash costs<sup>1</sup></b>	<b>\$000s</b>	<b>12,966</b>	<b>11,762</b>	<b>7,051</b>	<b>31,779</b>
Land access payments		12	11	-	23
Royalties		217	256	109	582
Sustaining capital <sup>1</sup>		745	1,047	280	2,072
Sustaining capital <sup>1</sup> – Stripping costs		-	-	-	-
<b>Total AISC<sup>1</sup></b>	<b>\$000s</b>	<b>13,940</b>	<b>13,076</b>	<b>7,440</b>	<b>34,456</b>
<b>AISC margin<sup>1</sup></b>	<b>\$000s</b>	<b>188</b>	<b>3,072</b>	<b>1,540</b>	<b>4,800</b>
<b>Cash costs<sup>1</sup></b>	<b>\$/oz sold</b>	<b>1,120</b>	<b>879</b>	<b>1,004</b>	<b>994</b>
<b>AISC<sup>1</sup></b>	<b>\$/oz sold</b>	<b>1,204</b>	<b>977</b>	<b>1,060</b>	<b>1,077</b>

<sup>1</sup> 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.

### Q4 2018 Analysis – Pilar

The Pilar mine produced 11,606 oz of gold during Q4 2018. Gold sales were 11,580 oz with associated revenue of \$14.1 million at an AISC per oz of \$1,204 per oz sold for the three months ended December 31, 2018. Ore mined from underground was 233,000 tonnes at an average grade of 1.36 g/t.

Production and sales have decreased compared to Q3 2018, driven by lower processing grades. Processing costs increased compared to the prior quarter due to the timing of increased preventative maintenance

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procedures in the plant. In addition, costs were also generally higher with the strengthening Brazilian Reais and contributed to the increased cash cost and AISC between Q3 2018 and Q4 2018.

### *May 24, 2018 to December 31, 2018 Analysis – Pilar*

The Pilar mine produced 31,122 oz of gold from May 24, 2018 to December 31, 2018. Gold sales were 31,984 oz with associated revenue of \$39.2 million at an AISC of \$1,077 per oz sold. The results for the year ended December 31, 2018 cannot be compared to the prior year given the Company did not own the Pilar mine in the prior year.

Since the Brio Acquisition, total ore mined from underground was 645,047 tonnes at an average grade of 1.36 g/t. Total ore processed was 895,835 tonnes of which 253,659 tonnes came from reprocessing low-grade stockpiles, allowing the plant to operate at its optimum throughput capacity. By doing this, management has achieved record monthly throughput in H2 2018 and has maximised production despite grade issues from the underground mines.

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

## Development Projects

### *Los Filos Expansion*

At the Los Filos mine complex in Mexico, Leagold completed the Los Filos Expansion Feasibility Study in March 2019 which was prepared by independent consultants. The study incorporates the potential for developing the Bermejil underground mine, enlarging the Los Filos open pit mine, re-phasing the Bermejil open pit into two distinct sections (Bermejil and Guadalupe), and building a 4,000 tonne per day (tpd) CIL plant to complement the existing heap leach facilities.

Since the acquisition of the Los Filos mine complex, Leagold has carried out extensive exploration programs for both open pit and underground deposits, developed the 1.3 km ramp to access the ore body at Bermejil underground, completed the Bermejil underground mine design, and completed comprehensive metallurgical test work on all of the mineral deposits to support the design of a CIL plant. This work, with a total investment of approximately \$30 million, has contributed to increasing the Proven and Probable Reserves from 1.7 Moz to 4.5 Moz at an average cost of less than \$10 per oz, and now forms the basis of the Expansion Feasibility Study.

### Expansion Feasibility Study Highlights

- Gold production of 3.2 Moz over a 10-year mine life (2019 to 2028) at an average AISC of \$740/oz
- Post expansion (2021 onwards):
  - Average annual production of 350,000 oz at AISC of \$694/oz
  - Average annual production exceeding 420,000 oz from 2021 to 2024
- Proven and Probable mineral reserves of 104.2 Mt at 1.31 g/t containing 4.5 Moz. See Table 32 for more detailed technical disclosure relating to the reserve estimate.
- Capital cost of \$180 million to develop the Bermejil underground and construct a new 4,000 tpd CIL plant with related infrastructure
- Current operations to fund capitalized stripping during the initial expansion phase (2019 to 2020) at the Guadalupe and Los Filos open pits
- At \$1,250/oz gold price:
  - NPV<sub>0%</sub> of \$884 million



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- NPV<sub>5%</sub> of \$679 million
- IRR of 86%

The site-wide LOM plan for the Los Filos mine complex has contributions from two high-grade underground mines and three large, lower-grade open pits.

### *Bermejal Underground*

The Bermejal underground mine will utilize the existing 1,330-metre exploration ramp completed in 2018 as its main access ramp. A total of 11 km of horizontal and vertical development will be completed during the initial development period and a further 45 km of development over the life of mine. The mine life extends for nine years. The mining method is underhand drift and fill with cemented rock fill (CRF) used as backfill. The production rate averages 2,000 tpd and peaks at 2,150 tpd.

### *Los Filos Underground*

The Los Filos underground mine is currently operating at over 1,800 tpd and in the LOM plan averages 1,700 tpd with mining costs based on owner and contract mining. Reduced operating costs, improved mining efficiencies and additional drilling have enabled the update of the Los Filos underground mine plan to extend to 2021.

### *Los Filos Open Pit*

Los Filos utilizes conventional open pit mining methods with an owner-operated fleet supplemented with rental of additional equipment during peak production periods. The Los Filos open pit will be expanded, and its mine life extended to seven years.

### *Bermejal and Guadalupe Open Pits*

The Bermejal open pit has been optimized and redesigned into two open pits, Bermejal and Guadalupe. The two open pits have been rescheduled to mine the higher-grade Guadalupe ore earlier in the schedule which significantly improves the cash flow generation.

### *CIL and Heap Leach Processing*

The Expansion Feasibility Study contemplates the existing heap leach facility continuing to operate throughout the full LOM plan, and a newly constructed CIL plant to process the higher grade material. The CIL plant has an 18-month construction period plus three months of initial detailed engineering and procurement of long lead-time equipment. The plant includes single stage crushing and SAG grinding prior to the CIL leaching process.

The CIL plant is expected to achieve higher recoveries and better financial returns than heap leach processing for the underground ore and the higher-grade portion of the open pit ores. The CIL plant also provides the ability to process some ore types that were previously not included in reserves as they were not amenable to heap leach processing.

The Bermejal underground has an approved environmental impact assessment (EIA) and the restart of development is fully permitted. The EIA for the CIL plant and tailings deposits has also been approved subject to confirmation of final locations of both facilities, and the EIA for the Guadalupe phase of the Bermejal open pit has been submitted for approval. With many of the required approvals in place or well advanced, the Los Filos Expansion can start shortly after Leagold makes its final investment decision.

### *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

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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 Brio Acquisition, the ball mill, process tanks and agitators were delivered, and the tailings storage facility was relined. At the time of the Brio 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 completed.

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

On October 25, 2018, Leagold announced the completion of an independent updated feasibility study on the Santa Luz project in Brazil and filed the Santa Luz Technical Report in November 2018. 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 oz (see Table 11 below).

**Table 11: 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
<b>Total Proven and Probable</b>	<b>28,200</b>	<b>1.39</b>	<b>1,259</b>

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 oz.

9 Summation errors may be present due to rounding.

10 Please see Santa Luz Technical Report for further information.

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 seven 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:

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**Table 12: Santa Luz Summary Cash Flow at \$1,200/oz gold<sup>1</sup>**

	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 <sup>2</sup>	\$/oz	\$788	\$856
Upfront capex	\$M	\$82.0	\$82.0
Upfront capex payback period	years	< 2	< 2
IRR (after-tax)	%	63%	47%
Project NPV <sub>5%</sub> (after-tax) - \$1,200	\$M	\$165	\$149

<sup>1</sup> Costs in Brazilian Reais converted to US dollars with an exchange rate of 3.7 BRL-USD.

<sup>2</sup> AISC includes mine cash costs, royalties, sustaining capital expenditures, and operational waste stripping costs.

<sup>3</sup> Please see Santa Luz Technical Report for further information.

The updated feasibility study for Santa Luz also included a phased open pit mining schedule with a low strip ratio pit design included in the full mine plan. Leagold's new 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.

## OPERATIONS OUTLOOK

On January 21, 2019, Leagold announced 2019 production guidance between 380,000 to 420,000 oz at all-in sustaining costs of between \$920 to \$970 per oz, as outlined in Table 13.

**Table 13: 2019 Gold Production and Cost Guidance**

Mine	Production Guidance (oz gold)	AISC Guidance (\$/oz sold) <sup>1</sup>	Sustaining Capital Guidance (\$m) <sup>1</sup>
Los Filos	200,000 to 220,000	\$925 to \$975	\$14
RDM	72,000 to 80,000	\$900 to \$950	\$5
Fazenda	63,000 to 70,000	\$900 to \$950	\$9
Pilar	45,000 to 50,000	\$950 to \$1,000	\$7
<b>Total</b>	<b>380,000 to 420,000</b>	<b>\$920 to \$970</b>	<b>\$35</b>

<sup>1</sup> 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.

The Leagold 2019 guidance range incorporates the first full year of contributions from the three mines in Brazil and assumes sufficient water supplies for continuous operations at RDM mine.

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### 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 14: Safety Statistics for the Year Ended December 31, 2018**

Incident Category	Los Filos	RDM <sup>2</sup>	Fazenda <sup>2</sup>	Pilar <sup>2</sup>	Total
Fatality	1	-	-	-	1
Lost time injury (LTI) <sup>1</sup>	10	-	-	-	10
Total work hours	5,133,352	1,056,121	1,083,830	1,026,975	8,300,278
<b>LTIFR</b>	<b>0.4</b>	-	-	-	<b>0.3</b>

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

<sup>2</sup> Includes the period May 24-December 31, 2018 for the RDM, Fazenda, and Pilar mines.

Subsequent to December 31, 2018, there were two fatalities at the Fazenda mine due to an underground blasting accident. Please refer to the news release issued on March 3, 2019. The accident is currently undergoing investigation.

### 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 options 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 Brio 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 Brio Acquisition, the Company's existing \$150.0 million senior secured five-year loan facility with Société Générale, 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 Brio Acquisition.

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On the closing date, the Company also issued 21,317,098 common shares to a fund managed by Orion pursuant to a private placement at a price of C\$2.71 for proceeds of \$45.0 million, net of \$0.5 million of share issue costs. Additionally, the Company issued 2,000,000 Leagold Warrants to Orion 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 and restructuring costs relating to the Brio Acquisition incurred during the year ended December 31, 2018, totalling \$8.0 million, have been expensed in the consolidated statements of net income/(loss). Since acquiring Brio until December 31, 2018, the Company paid \$18.1 million of Brio's transaction-related costs assumed as part of the Brio Acquisition.

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 15: Purchase Price Allocation**

	\$000s
<b>Purchase price</b>	
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
	<b>297,754</b>
<b>Net assets/(liabilities) acquired</b>	
Cash	5,423
Mining interests and plant and equipment	455,887
Other non-current assets	16,247
Net working capital acquired (excluding cash)	(46,345)
Hedging instruments	(4,525)
Senior debt credit facility	(75,000)
Deferred income tax liabilities	(9,971)
Provision for reclamation	(30,246)
Other non-current payables	(13,716)
	<b>297,754</b>

## ACQUISITION OF LOS FILOS

On April 7, 2017, the Company completed the acquisition of the Los Filos mine complex in Guerrero State, Mexico from Goldcorp for total consideration of \$350.0 million. The acquisition was completed through the purchase of Goldcorp Inc.'s indirect subsidiaries: Desarrollos Mineros San Luis S.A. de C.V. (DMSL), Exploradora de Yacimientos Los Filos S.A. de C.V. (Exploradora) and Minera Thesalia, S.A. de C.V. (Minera) (collectively, Los Filos). The purchase price consisted of \$279.0 million in cash and \$71.0 million in common shares of the Company. At closing of the acquisition, Leagold issued 34,635,091 common shares to Goldcorp, representing \$71.0 million at C\$2.75 per share.

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### FINANCIAL RESULTS FOR THE PERIOD

#### Financial Results

**Table 16: Financial Results for the Three Months Ended December 31, 2018 and December 31, 2017**

\$000s	Three months ended Dec 31, 2018	Three months ended Dec 31, 2017
Revenue	110,250	65,265
Operating expenses	77,653	47,059
Depreciation and depletion	13,331	7,690
Royalties	1,132	324
<b>Earnings from mine operations</b>	<b>18,134</b>	<b>10,192</b>
Exploration costs	167	36
Share-based payments	28	225
Acquisition and restructuring costs	2,525	-
General and administration costs	4,801	4,359
Brazil regional office costs	1,342	-
Foreign exchange loss	4,152	58
Finance and accretion expense	5,780	3,514
Other expense/(income)	5,035	(336)
<b>(Loss)/earnings before taxes</b>	<b>(5,696)</b>	<b>2,336</b>
Current income tax expense	1,355	2,040
Deferred income tax recovery	(8,379)	(1,474)
<b>Net income</b>	<b>1,328</b>	<b>1,770</b>
Basic and diluted earnings per share	0.00	0.01
Basic and diluted (loss)/earnings before taxes per share	(0.02)	0.02

During the three months ended December 31, 2018, Leagold recorded net income of \$1.3 million or \$0.00 per share (December 31, 2017 – \$1.8 million or \$0.01 per share). During the three months ended December 31, 2018, Leagold recorded loss before taxes of \$5.7 million or \$0.02 per share (December 31, 2017 – \$2.3 million net income or \$0.02 earnings per share).

- Revenue for the three months ended December 31, 2018 was \$110.3 million (December 31, 2017 – \$65.3 million), primarily related to the sale of 90,004 gold oz from the four operating mines at an average realized gold price of \$1,224 per oz (December 31, 2017 – 51,138 gold oz at a realized gold price of \$1,275 per oz).
- Operating expenses for the three months ended December 31, 2018 were \$77.7 million (December 31, 2017 – \$47.1 million). Operating expenses related to the four operations were comprised of consumables used in mining and processing of \$43.7 million (December 31, 2017 – \$31.5 million), salaries and wages of \$19.9 million (December 31, 2017 – \$7.6 million), contractors of \$16.3 million (December 31, 2017 – \$8.3 million), offset by other production costs and changes in inventory of \$2.3 million (December 31, 2017 – (\$0.3 million)). The increase in operating expenses compared to Q4 2018 was primarily related to the Brio Acquisition which contributed \$34.9 million in operating expenses for the three months ended December 31, 2018.
- Depreciation and depletion for the three months ended December 31, 2018 was \$13.3 million (December 31, 2017 – \$7.7 million), related to the depletion of mineral reserves and the depreciation of plant and equipment with useful lives ranging from 3 to 12 years. The increase in depreciation and depletion compared to the prior year comparative was due to the increase in the asset portfolio of the Company from one operating mine to four operating mines.

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- General and administrative (G&A) costs for the three months ended December 31, 2018 were \$4.8 million (December 31, 2017 – \$4.4 million). The increase is due to the Brio Acquisition as the prior year only included the Los Filos mine complex.
- Brazil regional office costs were acquired during the Brio Acquisition and the office is currently under restructuring to reduce costs and in the future any remaining costs will be directly attributable to the mines.
- A foreign exchange loss of \$4.2 million was recognized during the three months ended December 31, 2018. This was primarily driven by the strengthening Brazilian Real against the US dollar, partially offset by the weakening Mexican Peso against the US dollar.
- Finance and accretion expense in the three-month period ending December 31, 2018 of \$5.8 million (December 31, 2017 – \$3.5 million), was related to the \$7.2 million interest expense, primarily on the loan facility, and \$1.2 million accretion expense, offset by decrease in the fair value of derivative warrant liability of \$2.6 million. In the comparative period finance and accretion expense was 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 Brio acquisition, and the accretion on the reclamation liability of Los Filos and the Brazilian mines.

**Table 17: Financial Results for the Year Ended December 31, 2018 and December 31, 2017**

\$000s	Year ended Dec 31, 2018	Year ended Dec 31, 2017
Revenue	376,511	193,694
Operating expenses	267,178	148,330
Depreciation and depletion	46,862	16,859
Royalties	4,136	994
<b>Earnings from mine operations</b>	<b>58,335</b>	<b>27,511</b>
Exploration costs	674	119
Share-based payments	30	10,181
Acquisition and restructuring costs	8,038	7,636
General and administration costs <sup>1</sup>	11,304	8,178
Brazil regional office costs	3,375	-
Foreign exchange loss	2,733	260
Finance and accretion expenses	6,314	11,961
Other expenses/(income)	4,902	(553)
<b>Earnings/(loss) before taxes</b>	<b>20,965</b>	<b>(10,271)</b>
Current income tax expense	7,797	2,326
Deferred income tax (recovery)	(2,117)	(5,072)
<b>Net income/(loss)</b>	<b>15,285</b>	<b>(7,525)</b>
Basic and diluted earnings/(loss) per share	0.07	(0.07)
Basic and diluted earnings/(loss) before taxes per share	0.09	(0.09)

During the year ended December 31, 2018, Leagold recorded net income of \$15.3 million or \$0.07 per share (December 31, 2017 – net loss of \$7.5 million or \$0.07 loss per share). During the year ended December 31, 2018, Leagold recorded earnings before taxes of \$21.0 million or \$0.09 per share (December 31, 2017 – net loss of \$10.3 million or \$0.09 per share). Overall, significant variances in the current period compared to the year ended December 31, 2017 is due to the fact that the prior period only consisted of the Los Filos operations from April 8, 2017 to December 31, 2017.



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- Revenue for the year ended December 31, 2018 was \$376.5 million (December 31, 2017 – \$193.7 million), related to the sale of 300,053 gold oz from the four operating mines at a realized gold price of \$1,251 per oz (December 31, 2017 – 152,411 gold oz from one operating mine, at a realized gold price of \$1,266 per oz).
- Operating expenses for the year ended December 31, 2018 were \$267.2 million (December 31, 2017 – \$148.3 million). Operating expenses were comprised of consumables used in mining and processing of \$146.3 million (December 31, 2017 - \$88.6 million), salaries and wages of \$61.5 million (December 31, 2017 – \$24.3 million), contractors of \$53.3 million (December 31, 2017 – \$31.2 million) and other production costs of \$6.1 million (December 31, 2017 – \$4.2 million). Increased operating costs compared to the prior year is primarily attributable to the Brio Acquisition which accounted for \$97.1 million of 2018 operating costs. Furthermore, the operating expenses at the Los Filos mine complex were \$21.3 million higher in 2018 compared to 2017 as this was the first full year of operations since the Los Filos acquisition in April 2017.
- Depreciation and depletion for the year ended December 31, 2018 were \$46.9 million (December 31, 2017 – \$16.9 million) related to the depletion of mineral reserves and the depreciation of plant and equipment with useful lives ranging from 3 to 12 years. The prior year comparative was significantly lower as it only related to the Los Filos mine complex.
- Acquisition and restructuring costs for the year ended December 31, 2018 were \$8.0 million (December 31, 2017 – \$7.6 million) related to the Brio Acquisition, for which due diligence, legal, and advisory services were rendered. Transaction and restructuring costs incurred in the year ended December 31, 2017 related to the acquisition of the Los Filos mine complex.
- G&A costs for the year ended December 31, 2018 were \$11.3 million (December 31, 2017 – \$8.2 million). In the prior period, Leagold only had overhead costs associated to Los Filos for seven months compared to the current full year of operations.
- Brazil regional office costs were acquired during the Brio Acquisition and the office is currently under restructuring to reduce costs and in the future any remaining costs will be directly attributable to the mines.
- A foreign exchange loss of \$2.7 million was recognized during the year ended December 31, 2018. This was driven by the fluctuations in the Mexican Peso and Brazilian Real against the US dollar.
- Finance and accretion expense in the year ended December 31, 2018 of \$6.3 million was primarily related to \$22.8 million interest expense on the loan facilities and \$3.2 million in accretion expense, offset by a decrease in the fair value of warrant derivative of \$19.7 million (December 31, 2017 – increase in the fair value of \$0.3 million). In the year ended December 31, 2017 the finance and accretion expense of \$12.0 million was comprised 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 Brio Acquisition, and the accretion on the reclamation liability now includes the Los Filos mine complex and the Brazilian mines.

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### Financial Condition Summary

**Table 18: Balance Sheet Summary at December 31, 2018**

\$000s	Dec 31, 2018	Dec 31, 2017
<b>Current assets</b>		
Cash and cash equivalents	53,021	54,039
Trade and other receivables	33,770	29,517
Inventories	111,794	55,566
Prepaid expenses and other	16,125	9,795
	<b>214,710</b>	<b>148,917</b>
<b>Non-current assets</b>		
Mining interests	772,759	288,857
Long-term inventories	1,506	2,410
Deferred income tax assets	86,681	80,916
Other long-term assets	7,229	-
<b>Total assets</b>	<b>1,082,885</b>	<b>521,100</b>
<b>Current liabilities</b>		
Trade and other payables	101,121	51,760
Current portion of debt	144,642	-
Deferred revenue	23,382	-
Reclamation and closure costs	2,873	1,523
Other current financial liabilities	10,702	-
	<b>282,720</b>	<b>53,283</b>
<b>Non-current liabilities</b>		
Reclamation and closure costs	83,633	51,070
Long-term debt	99,821	143,933
Deferred tax liabilities	13,619	-
Other long-term liabilities	13,551	-
Other long-term financial liabilities	5,502	4,455
<b>Total liabilities</b>	<b>498,846</b>	<b>252,741</b>
<b>Total shareholders' equity</b>	<b>584,039</b>	<b>268,359</b>

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. Additional information can be found below in the Liquidity and Capital Resources section.

### Liquidity and Capital Resources

Leagold had a working capital deficit of \$68.0 million as at December 31, 2018 (December 31, 2017 – surplus of \$95.6 million). This deficit is primarily attributable to the current portion of the loan facilities totalling \$144.6 million, of which \$11.5 million is scheduled be paid in Q1, Q2 and Q3 2019 and \$111.6 million scheduled to be paid in Q4 2019. Leagold management is working to refinance the loan facilities during the first fiscal quarter of 2019.

The working capital balances have generally increased for both assets and liabilities with the Brio Acquisition. At December 31, 2018, this contributed \$70.9 million to current assets and \$73.1 million to current liabilities.

Other significant changes in working capital include an increase in heap leach inventory of \$32.1 million at the Los Filos mine complex. Los Filos is achieving expected recovery rates for the higher-grade underground material, that is both crushed and agglomerated. This material is segregated from the lower-

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grade material, which has extended recovery times. The large increase in new material placed on the pad in Q3 2018 extended the normal leaching curve by interrupting solution flow and leach pad saturation rates. Recovery rates have normalized in December as evidenced by increased production levels.

In December 2018, Leagold sold 20,000 oz to Orion with 10,000 oz to be delivered by March 31, 2019 and 10,000 oz to be delivered by May 31, 2019. Leagold received a payment of \$23.4 million for these gold sales.

The net change in cash position at December 31, 2018 compared to September 30, 2018 was an increase of \$6.1 million, attributable to the following components of the statement of cash flows:

- Leagold's operating inflow before working capital adjustments was \$15.5 million for the three months ended December 31, 2018 (December 31, 2017 – inflow of \$16.2 million). Operating activities generated \$37.9 million for the three months ended December 31, 2018 (December 31, 2017 – \$15.0 million) including an inflow of \$22.4 million in working capital movements (December 31, 2017 – outflow of \$1.2 million). This inflow of working capital is related primarily to the gold sale to Orion of \$23.4 million.
- Investing activities used \$25.9 million, associated primarily with the development of the mines (December 31, 2017 – outflow of \$10.7 million).
- Financing activities used \$5.5 million, related to the interest payment on the loan facilities of \$5.5 million (December 31, 2017 - \$3.2 million).

The net change in cash position at December 31, 2018 compared to December 31, 2017 was a decrease of \$1.0 million, attributable to the following components of the statement of cash flows:

- Leagold's operating inflow before working capital adjustments was \$71.6 million for the year ended December 31, 2018 (December 31, 2017 – inflow of \$29.6 million). Operating activities generated \$47.6 million for the year ended December 31, 2018 (December 31, 2017 – \$5.2 million) after an outflow of \$23.9 million in working capital movements (December 31, 2017 – outflow of \$24.4 million). The outflow in working capital was primarily associated with the increased heap leach balance at Los Filos (\$32.1 million) and the payment of transaction related costs assumed from the Brio Acquisition (\$18.1 million), offset by the inflow from the gold sale to Orion of \$23.4 million.
- Investing activities used \$89.6 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 Brio Acquisition (December 31, 2017 – outflow of \$281.6 million, primarily due to the acquisition of Los Filos).
- Financing activities resulted in an inflow of \$41.1 million, related primarily to the private placement of \$44.5 million worth of common shares to Orion, net of costs and the increase of the loan facilities by \$97.5 million, net of costs. This was offset by the repayment of the Brio long-term debt on completion of the Brio Acquisition of \$75.0 million, repayment of the Brio short-term debt of \$14.5 million and interest payments of \$13.1 million. In the period ended December 31, 2017, \$305.8 million of funds were raised from investing activities, which included \$173.4 million from a private placement, net of costs, 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

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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 19: Capital Summary**

\$000s	Dec 31, 2018	Dec 31, 2017
Equity	584,039	268,359
Loan facility	244,463	143,933
	<b>828,502</b>	412,292
Less: cash and cash equivalents	<b>(53,021)</b>	(54,039)
	<b>775,481</b>	358,253

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

### Contractual Obligations and Commitments

**Table 20: Significant Undiscounted Commitments as at December 31, 2018**

\$000s	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Trade and other payables	101,121	-	-	-	101,121
Other long-term liabilities	-	-	-	13,551	13,551
Other financial liabilities	10,702	2,339	363	2,800	16,204
Reclamation and closure costs	2,989	21,974	17,078	99,741	141,782
Loan facility – principal	146,154	92,308	11,538	-	250,000
Loan facility – interest	19,597	12,097	271	-	31,965
	<b>280,563</b>	<b>128,718</b>	<b>29,250</b>	<b>116,092</b>	<b>554,623</b>

#### *Gold Offtake Arrangement*

As part of the financing to complete the Los Filos acquisition, Leagold entered into an offtake agreement with Orion (the Los Filos Gold Offtake agreement) which provides for a gold offtake of 50% of the gold production from the Los Filos mine complex at market prices, until a cumulative delivery of 1.1 million oz to Orion is achieved. 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 as amended provides for a gold offtake of 35% of the gold production from the Brazilian mines at market prices, until a cumulative delivery of 0.7 million oz to Orion is achieved. As of December 31, 2018, 82,874 payable gold oz had been sold to Orion under the terms of these offtake agreements.

#### *Silver Streaming Arrangement*

Leagold's silver production from the Los Filos mine complex is subject to the terms of an agreement with Wheaton Precious Metals Corp. (WPM). Under this agreement, Leagold must sell to WPM a minimum of 5.0 million payable silver oz produced by the Los Filos mine complex from August 5, 2010 to the earlier of the termination of the agreement or October 15, 2029 at the lesser of \$3.90 per oz or the prevailing market price, subject to an inflationary adjustment. The contract price is revised each year on the anniversary date of the contract, which was \$4.34 per oz until October 14, 2018. From October 15, 2018, the contract price has been revised to \$4.39 per oz. During the three months ended December 31, 2018, silver revenue equalled less than 0.5% of the Company's total revenue. As of December 31, 2018, 1.7 million payable silver oz had been sold to WPM under the terms of the agreement.

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### Quarterly Change in Cash Position

**Table 21: Changes in Cash for the Three Months Ended December 31, 2018**

<b>\$millions</b>	<b>Three months ended Dec 31, 2018</b>
<b>Gold revenue</b>	<b>110.2</b>
Total cash costs	(74.2)
Land payments	(3.7)
Royalties	(1.1)
Sustaining capital	(7.5)
<b>AISC</b>	<b>(86.5)</b>
<b>All-in sustaining margin</b>	<b>23.7</b>
Santa Luz development	(3.8)
Bermejal underground development	(2.1)
CIL plant study	(0.5)
Los Filos exploration	(1.3)
RDM TSF raise and powerline project	(3.6)
RDM non-sustaining capitalized stripping	(2.1)
Other non-sustaining investments	(2.1)
<b>Free cash flow (before working capital, interest and tax)</b>	<b>(8.2)</b>
Increase in inventories	(9.0)
Change in supplier payables and other working capital changes	4.3
Movement in input taxes – Brazil and Mexico	1.9
Interest paid	(5.5)
General and administrative costs	(5.7)
Brazil regional office costs	(2.1)
Gold sale to Orion	23.4
Holding costs during temporary shutdown of RDM	(8.6)
Other expenses	(0.2)
<b>Free cash flow (before acquisition related payments)</b>	<b>6.7</b>
Payment of transaction costs for the Brio Acquisition	(0.7)
<b>Net increase in cash for Q4 2018</b>	<b>6.0</b>
September 30, 2018, cash balance	<b>47.0</b>
<b>December 31, 2018, cash balance</b>	<b>53.0</b>

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**Table 22: Summary of Quarterly Results**

(\$000s except per share and ounce amounts)	For the three months ended			
	Dec 31, 2018	Sept 30, 2018	June 30, 2018	Mar 31, 2018
Revenue	110,250	111,259	86,929	68,073
Gold oz sold	90,004	91,733	66,982	51,334
Earnings from mine operations	18,134	19,608	10,100	10,493
Net earnings/(loss)	1,328	14,932	9,779	(10,754)
Basic and diluted net earnings/(loss) per share	0.00	0.05	0.05	(0.07)
Basic and diluted net earnings/(loss) before taxes per share	(0.02)	0.05	0.04	(0.07)

(\$000s except per share and oz amounts)	For the three months ended			
	Dec 31, 2017	Sept 30, 2017	June 30, 2017	Mar 31, 2017
Revenue	65,265	60,947	67,482	-
Gold oz sold	51,138	47,263	54,010	-
Earnings from mine operations	10,193	8,859	8,459	-
Net earnings/(loss)	1,773	317	(7,623)	(1,992)
Basic and diluted net earnings/(loss) per share	0.01	0.00	(0.06)	(0.07)
Basic and diluted net earnings/(loss) before taxes per share	0.01	0.01	(0.10)	(0.07)

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

### Related Party Transactions

#### *Compensation of Key Management and Directors*

**Table 23: Compensation of Key Management and Directors**

\$000s	Three months ended Dec 31		Year ended Dec 31	
	2018	2017	2018	2017
Short-term benefits	3,540	2,567	5,217	3,736
DSUs granted	113	25	441	1,103
Stock-options granted	-	-	-	7,374
	3,653	2,592	5,658	12,213

### Outstanding Share Data

**Table 24: Outstanding Equity at March 13, 2019**

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

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**Table 23: Exercisable Share Options at March 13, 2019**

Exercise prices (C\$)	Number of share options outstanding	Number of share options exercisable	Weighted average exercise price (C\$)	Weighted average remaining contractual life
\$ 0.63	210,000	210,000	\$ 0.63	7.3 years
\$ 2.85	10,725,000	10,725,000	\$ 2.85	3.1 years
\$ 3.15	200,000	200,000	\$ 3.15	3.6 years
\$ 2.92	100,000	100,000	\$ 2.92	3.8 years
\$ 2.01	32,373	32,373	\$ 2.01	3.4 years
\$ 2.11	6,578,444	6,578,444	\$ 2.11	2.9 years
	<b>17,845,817</b>	<b>17,845,817</b>	<b>\$ 2.55</b>	<b>3.1 years</b>

**Table 24: Exercisable Warrants at March 13, 2019**

Exercise prices (C\$)	Number of warrants outstanding	Number of warrants exercisable	Weighted average exercise price (C\$)	Weighted average remaining contractual life
\$ 3.58	2,000,000	2,000,000	\$ 3.58	3.1 years
\$ 3.53	2,000,000	2,000,000	\$ 3.53	2.2 years
\$ 3.70	46,715,873	46,715,873	\$ 3.70	1.2 years
	<b>50,715,873</b>	<b>50,715,873</b>	<b>\$ 3.69</b>	<b>1.3 years</b>

## 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 December 31, 2018, total sustaining capital included \$3.8 million at Los Filos, \$0.2 million at RDM, \$2.7 million at Fazenda and \$0.7 million at Pilar. These amounts exclude \$1.4 million Brio's deferred capital expenditures. For the year ended December 31, 2018, total sustaining capital included \$15.7 million at Los Filos, \$0.9 million at RDM, \$4.6 million at Fazenda and \$2.1 million at Pilar. These amounts exclude \$5.5 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 restructuring costs related to acquisitions.

The following tables provide the calculation of this margin and adjusted EBITDA, as adjusted and calculated by the Company for the three months and year ended December 31, 2018, three months ended September 30, 2018, the prior year three-month period ended December 31, 2017 and the prior year period from April 7, 2017 until December 31, 2017.



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**Table 25: All-in Sustaining Cost Margin and Adjusted EBITDA**

	Three months ended Dec 31, 2018	Three months ended Sep 30, 2018	Three months ended Dec 31, 2017	Year ended Dec 31, 2018	April 7, 2017 to Dec 31, 2017
<b>\$000s</b>					
Gold revenue	110,170	110,674	65,196	\$375,402	192,997
Less: cash costs of oz sold	(74,245)	(75,163)	(39,838)	(249,774)	(127,313)
Subtotal	35,925	35,511	25,358	125,628	65,684
Less: land access payments	(3,680)	(3,915)	(3,493)	(14,991)	(10,438)
Less: royalties	(1,133)	(1,638)	(324)	(4,136)	(995)
Less: sustaining capital	(7,483)	(7,907)	(2,877)	(23,277)	(8,178)
<b>All-in sustaining cost margin</b>	<b>23,629</b>	<b>22,051</b>	<b>18,664</b>	<b>83,224</b>	<b>46,073</b>

	Three months ended Dec 31, 2018	Three months ended Sep 30, 2018	Three months ended Dec 31, 2017	Year ended Dec 31, 2018	April 7, 2017 to Dec 31, 2017
<b>\$000s</b>					
Earnings/(loss) before tax <sup>1</sup>	(5,696)	14,382	2,337	20,965	(8,280)
Add back: depreciation and depletion <sup>1</sup>	13,331	14,827	7,690	46,862	16,859
Add back: finance and accretion costs <sup>1</sup>	5,780	755	3,514	6,314	12,020
<b>EBITDA</b>	<b>13,415</b>	<b>29,964</b>	<b>13,541</b>	<b>74,141</b>	<b>20,599</b>
Add back: share-based payments <sup>1</sup>	28	(157)	225	30	10,102
Add back: transaction and restructuring costs <sup>1, 2</sup>	2,525	271	-	8,038	10,352
Add back: non-recurring and other adjustments <sup>3</sup>	4,567	-	-	4,567	-
Add back: foreign exchange (gain)/loss <sup>1</sup>	4,152	961	58	2,733	1,982
<b>Adjusted EBITDA</b>	<b>24,687</b>	<b>31,039</b>	<b>13,824</b>	<b>89,509</b>	<b>43,035</b>

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

2 The 2017 period includes \$5.7 million in non-recurring transition costs.

3 Q4 2018 non-recurring and other adjustments primarily relate to the costs incurred during the temporary shutdown or RDM of \$3.6 million, and the provision for an accounts receivable on the sale of carbon of \$1.0 million.

### Total Cash Costs

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

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**Table 26: Cash Costs**

	Three months ended Dec 31, 2018	Three months ended Sep 30, 2018	Three months ended Dec 31, 2017	Year ended Dec 31, 2018	April 7, 2017 to Dec 31, 2017
<b>(\$000s except oz amount)</b>					
Total gold sold (oz)	90,004	91,733	51,138	300,053	152,411
Production costs from mine operations <sup>1</sup>	77,653	75,185	47,059	267,178	148,330
Less: other adjustments <sup>2</sup>	(3,408)	(22)	(7,221)	(17,404)	(21,017)
<b>Total cash costs</b>	<b>74,245</b>	<b>75,163</b>	<b>39,838</b>	<b>249,774</b>	<b>127,313</b>
<b>Total cash costs (\$/oz of gold sold)</b>	<b>825</b>	<b>819</b>	<b>779</b>	<b>832</b>	<b>835</b>

<sup>1</sup> As presented on the consolidated statement of Net Income/(Loss) and Comprehensive Income/(Loss) for the respective periods

<sup>2</sup> Q4 2018 other adjustments primarily relate to land payments of \$3.7 million, silver sales and other adjustments of \$0.6 million, offset by NRV adjustments of \$0.9 million. Q3 2018 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. Q4 2017 other adjustments is comprised of \$3.7 million in non-recurring transition costs and \$3.5 million in land payments.

### All-in Sustaining Costs

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

**Table 27: All-in Sustaining Costs**

	Three months ended Dec 31, 2018	Three months ended Sep 30, 2018	Three months ended Dec 31, 2017	Year ended Dec 31, 2018	April 7, 2017 to Dec 31, 2017
<b>(\$000s except oz amount)</b>					
Total gold sold (oz)	90,004	91,733	51,138	300,053	152,411
Total cash costs	74,245	75,163	39,838	249,774	127,313
Land access payments	3,680	3,915	3,493	14,991	10,438
Royalties	1,133	1,638	324	4,136	995
Sustaining capital expenditures	7,483	7,907	2,877	23,277	8,178
<b>Total AISC</b>	<b>86,541</b>	<b>88,623</b>	<b>46,532</b>	<b>292,178</b>	<b>146,924</b>
<b>Total AISC (\$/oz of gold sold)</b>	<b>962</b>	<b>966</b>	<b>910</b>	<b>974</b>	<b>964</b>

### Adjusted Net Earnings and Adjusted Net Earnings per Share

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

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

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

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**Table 28: Adjusted Net Earnings**

(\$000s except shares amount)	Three months ended Dec 31, 2018	Three months ended Sep 30, 2018	Three months ended Dec 31, 2017	Year ended Dec 31, 2018	April 7, 2017 to Dec 31, 2017
Basic weighted average shares outstanding	284,743,174	284,573,942	151,316,959	232,127,862	146,243,355
Diluted weighted average shares outstanding	284,868,192	284,748,937	152,329,738	232,363,478	146,778,304
Earnings/(loss) before tax <sup>1</sup>	(5,696)	14,382	2,337	20,965	(8,280)
Adjustments:					
Share based payments <sup>1</sup>	28	(157)	225	30	10,102
Add back: transaction and restructuring costs <sup>1,2</sup>	2,525	271	-	8,038	10,352
Add back: non-recurring and other adjustments <sup>3</sup>	4,567	-	-	4,567	-
Foreign exchange (gain)/loss <sup>1</sup>	4,152	961	58	2,733	1,982
Change in fair value of warrants derivative	(2,612)	(6,908)	(353)	(19,659)	(276)
<b>Adjusted net earnings</b>	<b>2,964</b>	<b>8,549</b>	<b>2,267</b>	<b>16,674</b>	<b>13,880</b>
<b>Per share – basic (\$/share)</b>	<b>0.01</b>	<b>0.03</b>	<b>0.01</b>	<b>0.07</b>	<b>0.09</b>
<b>Per share – diluted (\$/share)</b>	<b>0.01</b>	<b>0.03</b>	<b>0.01</b>	<b>0.07</b>	<b>0.09</b>

<sup>1</sup> As presented on the consolidated statement of Net Income/(Loss) and Comprehensive Income/(Loss) for the respective periods.

<sup>2</sup> The 2017 period includes \$5.7 million in non-recurring transition costs.

<sup>3</sup> Q4 2018 non-recurring and other adjustments primarily relate to the costs incurred during the temporary shutdown or RDM of \$3.6 million, and the provision for an accounts receivable on the sale of carbon of \$1.0 million.

## OFF-BALANCE SHEET ARRANGEMENTS

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

## ACCOUNTING POLICY OVERVIEW

### Accounting Policies Adopted in the year ended December 31, 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 a mine by mine segment structure 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.

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### Application of New Accounting Standards Effective January 1, 2018

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

#### *Impact of IFRS 15 Revenue from Contracts with Customers (IFRS 15)*

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

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

The Company 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.

#### *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.

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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 December 31, 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 is 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.

As of January 1, 2019, the Company will adopted IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard is expected to increase right-of-use assets with a corresponding increase to lease obligations. The right-of-use assets recognized will be measured at amounts equal to the lease obligation. The Company has elected to use the two exemptions proposed by IFRS 16 on the following contracts:

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

### 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 are as follows:

#### *Determination of economic viability*

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

#### *Functional currency*

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

#### *Business combinations*

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

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### *Capitalization of waste stripping*

Capitalization of waste stripping requires the Company to make judgments and estimates in determining the amounts to be capitalized. These judgments and estimates include and rely on the expected stripping ratio for each separate open pit, the determination of what defines separate pits, and the expected ounces to be extracted from each component of a pit, amongst others.

### **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 29: Financial Instruments Measured at Fair Value**

\$000s	Dec 31, 2018		Dec 31, 2017	
	Level 1	Level 2	Level 1	Level 2
Cash and cash equivalents	53,021	-	54,039	-
Other financial liabilities	-	(14,267)	-	(2,576)
	53,021	(14,267)	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 audited consolidated financial statements and related notes for the three months and year ended December 31, 2018 and December 31, 2017.



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### Financial Risk

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

#### *Credit Risk*

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

The Company closely monitors its financial assets and does not have any significant concentration of credit risk other than receivable balances owed from the Mexican government. During the year ended December 31, 2018, \$22.9 million of VAT refunds have been received relating to the Company's accumulated VAT receivable balance. Subsequent to December 31, 2018, \$4.2 million of VAT refunds were received relating to the Company's accumulated VAT receivable balance. There is no indication that the Company will not receive any VAT receivables from the Mexican government.

Leagold has \$12.3 million of current and long-term input tax credits receivable from the Brazilian Government. The Company actively monitors the Brazilian tax legislation changes and believes that the balance is recoverable, either in the form of a refund from the respective Brazilian jurisdictions in which the Company operates, or through offsetting against other taxes payable and VAT.

The Company sells its gold doré to large international organizations with strong credit ratings, the historical level of customer defaults is minimal and, as a result, the credit risk associated with doré gold trade receivables at December 31, 2018 is considered to be negligible. The Company also sells carbon fines to various organizations. During the year ended December 31, 2018, a refinery that Company sells carbon fines to declared bankruptcy. As a result, the Company recognized a provision of \$1.0 million for an outstanding receivable at December 31, 2018 (December 31, 2017 - \$nil).

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 30: Maximum Credit Risk Exposure**

<b>\$000s</b>	<b>Dec 31, 2018</b>	<b>Dec 31, 2017</b>
Cash and cash equivalents	<b>53,021</b>	54,039
Trade and other receivables	<b>33,770</b>	29,517
	<b>86,791</b>	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 December 31, 2018. The Company believes it has sufficient cash resources to pay its obligations associated with its financial liabilities as at December 31, 2018 as they become due as Leagold management is working to refinance the loan facilities during the first half of 2019.



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### *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 December 31, 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 31: Value of Net Assets**

<b>\$000s</b>	<b>Dec 31, 2018</b>	<b>Dec 31, 2017</b>
Canadian dollars	<b>(1,378)</b>	145
Brazilian reais	<b>(19,595)</b>	-
Mexican pesos	<b>(11,270)</b>	301
	<b>(32,243)</b>	446

The effect on earnings and other comprehensive earnings before tax as at December 31, 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 \$2.9 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 December 31, 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 \$0.5 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 Brio Acquisition 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 Brio 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

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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.

### *Funding*

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

### *Price Volatility of Public Stock*

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

### *Economic Conditions*

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

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

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### 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 December 31, 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 December 31, 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 December 31, 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.

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### RESERVES

Leagold Proven and Probable mineral reserves ("P&P" reserves) total 7.1 Moz of gold (see Table 32).

**Table 32: Proven and Probable Reserves**

Mine/Project	Proven			Probable			Proven and Probable		
	Tonnes (kt)	Grade (g/t)	Contained gold (koz)	Tonnes (kt)	Grade (g/t)	Contained gold (koz)	Tonnes (kt)	Grade (g/t)	Contained gold (koz)
Los Filos	26,168	0.91	768	78,052	1.44	3,626	104,220	1.31	4,395
Leach pad inventory						114			114
RDM	2,510	0.88	71	19,079	1.08	656	21,589	1.05	728
Stockpiles	3,137	0.61	62				3,137	0.61	62
Fazenda	2,632	1.77	150	2,756	1.91	169	5,387	1.84	319
Pilar	961	1.51	47	6,044	1.13	219	7,005	1.18	266
Santa Luz	25,000	1.43	1,153	1,100	1.40	47	26,100	1.43	1,200
Stockpiles				2,100	0.89	59	2,100	0.89	59
<b>Total Proven and Probable</b>			<b>2,251</b>			<b>4,890</b>			<b>7,141</b>

Notes:

- CIM (2014) definitions were followed for Mineral Reserves.
- The Los Filos effective date was October 31, 2018. Mineral Reserves for Bermejil Underground were prepared by SRK Consulting (Canada) Inc. Mineral Reserves for all other deposits were prepared by the Los Filos mine complex and reviewed by SRK. Mineral Reserves are quoted using a NSR break-even cut-off grade approach with minimum block NSR of \$149.4/t for Bermejil underground. Cut-off grade for the Los Filos underground is 2.59 g/t. Mineral reserves for Los Filos, Bermejil and Guadalupe open pits are based on variable break-even cut-offs for ore revenue as generated by process destination and recoveries. Variables for revenue calculation include process cost, recovery, and estimated gold, copper and sulphur grades. Please see the Los Filos Technical Report for further information.
- The RDM effective date was May 31, 2018. Mineral Reserves are reported at a cut-off grade of 0.40 g/t Au. Please see the RDM Technical Report (as defined herein) for further information.
- The Fazenda effective date was May 31, 2018. Mineral Reserves are reported at a cut-off grade of 1.29 g/t Au for underground and 0.64 g/t Au to 0.72 g/t Au for open pit material. Please see the Fazenda Technical Report (as defined herein) for further information.
- The Pilar effective date was May 31, 2018. Mineral Reserves are estimated at a cut-off grade of 1.53 g/t Au for Pilar, 1.20 g/t Au for Maria Lázara and 0.54 g/t Au for Três Buracos. Please see the Pilar Technical Report (as defined herein) for further information.
- The Santa Luz effective date was October 22, 2018. Mineral Reserves are reported at a cut-off grade 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. Please see the Santa Luz Technical Report (as defined herein) for further information.
- Mineral Reserves are based on Measured and Indicated Mineral Resources.
- Metal price assumption for gold was US\$1,200/oz.
- The exchange rate used for Los Filos was MEX:USD of 20:1. The exchange rate used for RDM, Fazenda, Pilar and Santa Luz was BRL:USD of 3.7:1
- Tonnage and grade measurements are in metric units. Contained gold is reported as troy ounces.
- Summation errors may be present due to rounding.

### 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.

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### Technical Disclosure

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

1. "Independent Technical Report for the Los Filos Mine Complex, Mexico" dated March 11, 2019 and having an effective date of October 31, 2018. The Los Filos Technical Report was prepared by Gilles Arseneau, P.Geo., Eric Olin, SME RM, Tim Olson, FAusIMM, Neil Winkelmann, FAusIMM, Neil Lincoln, Maritz Rykaart, P.Eng and David Nicholas, each of whom is independent of the Company within the meaning of NI 43-101 and is a "Qualified Person" as such term is defined in NI 43-101.
2. "Technical Report on the Riacho dos Machados Gold Mine, Minas Gerais, Brazil" by Roscoe Postle Associates Inc. (RPA), and dated November 20, 2018 with an effective date of May 31, 2018 (RDM Technical Report). The RDM Technical Report was prepared by Hugo Miranda, MBA, ChMC (RM), Mark B. Mathisen, C.P.G. and Kathleen Ann Altman, Ph.D., P.E., each of whom is a "Qualified Person" as that term is defined in NI 43-101 and is independent of the Company.
3. "Technical Report on the Fazenda Brasileiro Mine, Bahia State, Brazil" by RPA dated November 26, 2018 with an effective date as of May 31, 2018 (Fazenda Technical Report). The Fazenda Technical Report was prepared by Mark B. Mathisen, C.P.G., Hugo M. Miranda, MBA, ChMC (RM), Robert L. Michaud, P.Eng. and Andrew P. Hampton, P.Eng., each of whom is a "Qualified Person" as that term is defined in NI 43-101, and is independent of the Company.
4. "Technical Report on the Pilar Operations, Goiás State, Brazil" by RPA and dated December 20, 2018 with an effective date of May 31, 2018 (Pilar Technical Report). The Pilar Technical Report was prepared by Mark B. Mathisen, C.P.G., Philip A. Geusebroek, P.Geo., Hugo M. Miranda, MBA, ChMC (RM), Robert L. Michaud, P.Eng., and Andrew P. Hampton, P.Eng. each of whom is a "Qualified Person" as that term is defined in NI 43-101 and is independent of the Company.
5. "Technical Report on the Santa Luz Project, Bahia State, Brazil" dated November 14, 2018 and having an effective date of October 22, 2018. The Santa Luz Technical Report was prepared by Mark B. Mathisen, C.P.G., Hugo Miranda, MBA, ChMC(RM), Robert L. Michaud, P.Eng., and Richard Addison, P.E., each of whom is employed by Roscoe Postle Associates Inc. or an affiliate thereof, is independent of the Company within the meaning of NI 43-101 and is a "Qualified Person", as such term is defined in NI 43-101.

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### 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 results of the Expansion Feasibility Study and the Santa Luz Feasibility Study, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, conclusions of economic assessments, and timing and potential for, the expansion projects at Los Filos and Santa Luz project, the timing and amount of estimated future production, costs of future production, future capital expenditures, costs and timing of the development of new deposits, anticipated production, expected AISC and cash costs, 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](http://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

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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.