

Condensed Interim Consolidated Financial Statements of

LEAGOLD MINING CORPORATION

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

(Expressed in Thousands of United States Dollars)

(Unaudited)

Leagold Mining Corporation

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Thousands of United States Dollars) – Unaudited

	As at June 30, 2018	As at December 31, 2017
Assets		
Current assets		
Cash	\$ 69,449	\$ 54,039
Trade and other receivables (Note 6)	38,162	29,517
Inventories (Note 7)	81,377	55,566
Prepaid expenses and other	23,257	9,795
	212,245	148,917
 Mining interests (Note 8)	 745,677	288,857
Long-term inventories (Note 7)	1,958	2,410
Deferred income tax assets	83,247	80,916
Other long-term receivables (Note 6)	3,945	-
 Total assets	 \$ 1,047,072	 \$ 521,100
 Liabilities		
Current liabilities		
Trade and other payables (Note 9)	\$ 97,386	\$ 51,760
Reclamation and closure costs (Note 10)	2,956	1,523
Current portion of debt (Note 12)	35,980	-
Other current financial liabilities (Note 11)	4,073	-
	140,395	53,283
 Reclamation and closure costs (Note 10)	 82,468	51,070
Long term debt (Note 12)	219,649	143,933
Other long-term liabilities (Note 13)	16,018	-
Other long-term financial liabilities (Note 11)	19,719	4,455
 Total liabilities	 \$ 478,249	 \$ 252,741
 Equity		
Share capital (Note 14)	\$ 577,341	268,777
Reserves	11,879	11,312
Hedging reserves	(4,174)	-
Share purchase reserve (Note 14)	(3,522)	-
Deficit	(12,701)	(11,730)
 Total equity	 568,823	 268,359
 Total liabilities and equity	 \$ 1,047,072	 \$ 521,100

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 23)

Approved by the Board of Directors and authorized for issue on August 14, 2018:

"Neil Woodyer" Director

"Miguel Rodriguez" Director

Leagold Mining Corporation

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenues (Note 15)	\$ 86,929	67,482	\$ 155,002	67,482
Cost of sales				
Operating expenses (Note 16)	65,140	55,395	114,339	55,395
Depreciation and depletion (Note 8)	10,869	3,321	18,705	3,321
Royalties	820	307	1,365	307
	76,829	59,023	134,409	59,023
Earnings from mine operations	10,100	8,459	20,593	8,459
Exploration costs	178	29	234	29
Share-based payments (Note 14(b))	101	9,392	159	9,471
Transaction costs (Note 5)	3,450	4,544	5,241	7,512
General and administration costs	3,114	1,560	4,787	2,284
Earnings/(loss) from operations	3,257	(7,066)	10,172	(10,837)
Foreign exchange (gain)/loss	(1,556)	1,605	(2,380)	(117)
Finance and accretion (income)/ expense (Note 17)	(3,809)	3,686	(221)	3,628
Other expenses	1,210	94	494	94
Earnings/(loss) before taxes	7,412	(12,451)	12,279	(14,442)
Current income and other tax (recovery)/expense	(808)	-	4,303	-
Deferred income tax (recovery)/expense	(1,559)	(4,828)	8,947	(4,828)
Net income/(loss)	9,779	(7,623)	(971)	(9,614)
Change in fair value of hedging instruments	(4,174)	-	(4,174)	-
Net comprehensive income/(loss)	5,605	(7,623)	(5,145)	(9,614)
Basic and diluted loss per share (Note 14c)	0.05	(0.06)	(0.01)	(0.13)
Basic and diluted earnings/(loss) before taxes per share (Note 14c)	0.04	(0.10)	0.07	(0.19)
Weighted average common shares outstanding				
Basic (Note 14c)	205,629,792	128,687,650	178,726,505	76,674,154
Diluted (Note 14c)	205,883,682	128,687,650	178,726,505	76,674,154

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

Leagold Mining Corporation

Condensed Interim Consolidated Statements of Cash Flows (Expressed in Thousands of United States Dollars) – Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Operating activities				
Net income/(loss) for the period	\$ 9,779	\$ (7,623)	\$ (971)	\$ (9,614)
Adjust for:				
Depreciation and depletion (Note 8)	10,869	3,321	18,705	3,321
Share-based payments (Note 14b)	101	9,392	159	9,471
Finance expense (Note 17)	5,394	3,902	9,086	3,844
Change in fair value of warrant derivative (Note 17)	(9,718)	(795)	(10,139)	(795)
Accretion expense (Note 10, 17)	515	579	832	579
Current income and other tax (recovery)/expense	(808)	-	4,303	-
Deferred income tax (recovery)/expense	(1,559)	(4,828)	8,947	(4,828)
Unrealized foreign exchange (gain)/loss	(3,940)	1,645	(4,577)	(57)
Inventory write down (Note 7)	3,633	-	5,981	-
Other	645	-	342	-
Cash spent on reclamation (Notes 10, 19b)	(759)	(369)	(1,199)	(369)
Income taxes paid	(3,677)	(381)	(4,024)	(381)
Operating cash flows before working capital	\$ 10,475	\$ 4,843	\$ 27,444	\$ 1,171
Changes in working capital items:				
Trade and other receivables	(9,275)	(16,739)	(8,451)	(17,327)
Inventories	(7,255)	4,893	(7,265)	4,893
Prepaid expenses and other	(4,002)	4,405	(4,955)	4,430
Trade and other payables	(5,827)	(6,459)	(7,831)	(665)
Payment of transaction-related payables assumed on Acquisition (Note 9)	(14,937)	-	(14,937)	-
Cash (used in)/ provided by operating activities	\$ (30,821)	\$ (9,057)	\$ (15,994)	\$ (7,498)
Investing activities				
Expenditures on mining interests (Notes 8, 19a)	(10,822)	(6,333)	(23,444)	(6,333)
Cash acquired through Acquisition (Note 5)	5,423	20,547	5,423	20,547
Bridge loan issued on Acquisition (Note 5)	(13,069)	-	(13,069)	-
Cash paid to Goldcorp for Los Filos Acquisition	-	(250,000)	-	(250,000)
Interest received	146	156	250	213
Other	-	(178)	-	(178)
Cash used in investing activities	\$ (18,322)	\$ (235,808)	\$ (30,840)	\$ (235,751)
Financing activities				
Private placement proceeds, net of issue costs (Note 5)	44,503	23,690	44,503	145,289
Loan facility proceeds, net of issue costs (Note 5)	97,546	142,288	97,546	142,288
Subscription receipts proceeds	-	29,000	-	29,000
Repayment of loan facility assumed on Acquisition (Note 5)	(75,000)	-	(75,000)	-
Interest paid on loan facility (Note 12)	-	(3,385)	(3,261)	(3,385)
Repayment of short-term loans (Note 12)	(1,500)	-	(1,500)	-
Other	437	11	665	11
Cash provided by financing activities	\$ 65,986	\$ 191,604	\$ 62,953	\$ 313,203
Foreign exchange gain on cash and cash equivalents	(374)	(1,915)	(709)	(212)
Increase/(decrease) in cash and cash equivalents	16,469	(55,176)	15,410	69,742
Cash and cash equivalents, beginning of period	52,980	149,568	54,039	24,650
Cash and cash equivalents, end of period	\$ 69,449	\$ 94,392	\$ 69,449	\$ 94,392

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

Leagold Mining Corporation

Condensed Interim Consolidated Statements of Changes in Equity

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

Share Capital											
	Common Shares		Subscription Receipts								
	Number	Amount	Number	Amount	Reserve	Hedging Reserves	Share Purchase Reserve		Deficit	Total	
Balance at December 31, 2016	27,130,958	\$ 26,119	-	\$ -	\$ 2,235	\$ -	\$ -	\$ (4,205)	\$ 24,149		
Shares issued pursuant to the private placement	75,384,182	152,309	-	-	-	-	-	-	-	152,309	
Share issue costs	-	(9,174)	-	-	-	-	-	-	-	(9,174)	
Shares issued during the Los Filos Acquisition	34,635,091	71,000	-	-	-	-	-	-	-	71,000	
Subscription receipts issued to Orion	-	-	14,146,728	29,000	-	-	-	-	-	29,000	
Share-based compensation	-	-	-	-	8,878	-	-	-	-	8,878	
Share issued on exercised of stock options	20,000	12	-	-	(1)	-	-	-	-	11	
Net loss and comprehensive loss	-	-	-	-	-	-	-	(9,614)	(9,614)		
Balance at June 30, 2017	137,170,231	\$ 240,266	14,146,728	\$ 29,000	\$ 11,112	\$ -	\$ -	\$ (13,819)	\$ 266,559		
Conversion of subscription receipts to common shares, net of costs	14,146,728	28,511	(14,146,728)	(29,000)	-	-	-	-	-	(489)	
Share-based compensation	-	-	-	-	200	-	-	-	-	200	
Net income and comprehensive income	-	-	-	-	-	-	-	2,089	2,089		
Balance at December 31, 2017	151,316,959	\$ 268,777	-	\$ -	\$ 11,312	\$ -	\$ -	\$ (11,730)	\$ 268,359		
Share-based compensation (Note 14(b))	-	-	-	-	91	-	-	-	-	91	
Share issue costs (Note 5)	-	(497)	-	-	-	-	-	-	-	(497)	
Shares issued pursuant to the Acquisition (Note 5)	110,876,166	264,052	-	-	-	-	-	-	-	264,052	
Share options granted pursuant to the Acquisition (Note 5)	-	-	-	-	930	-	-	-	-	930	
Shares issued pursuant to the private placement (Note 5)	21,317,098	43,800	-	-	-	-	-	-	-	43,800	
Shares issued on exercise of stock options (Note 14(b))	807,245	1,209	-	-	(454)	-	-	-	-	755	
Warrants exercised (Note 14(b))	250	-	-	-	-	-	-	-	-	-	
Issuance of treasury shares (Note 14)	-	-	-	-	-	-	(3,626)	-	-	(3,626)	
Settlement of treasury shares (Note 14)	-	-	-	-	-	-	104	-	-	104	
Change in fair value of hedging instruments (Note 11a)	-	-	-	-	-	(4,174)	-	-	-	(4,174)	
Net loss and comprehensive loss	-	-	-	-	-	-	-	(971)	(971)		
Balance at June 30, 2018	284,317,718	\$ 577,341	-	\$ -	\$ 11,879	\$ (4,174)	\$ (3,522)	\$ (12,701)	\$ 568,823		

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

Leagold Mining Corporation

Notes to the Condensed Interim Consolidated Financial Statements

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

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

Leagold is a Canadian based gold producer with four operating mines: the Los Filos mine in Mexico, acquired in April 2017 from Goldcorp Inc. ("Goldcorp"), and the Riachos dos Machados mine ("RDM"), the Fazenda Brasileiro mine ("Fazenda"), and Pilar de Goias ("Pilar") mine in Brazil, which were acquired on May 24, 2018 (Note 5). The Company also has a significant mine expansion project at the Los Filos mine and the opportunity to restart the previously operating Santa Luz mine in Brazil.

Leagold's corporate strategy is to identify and acquire operating gold mines and projects nearing construction within Latin America which can be consolidated regionally and where the acquired assets complement each other. This involves targeting non-core gold assets from senior producers and the acquisition of publicly listed junior producers and unlocking value from implementing optimizations, de-risking projects and investing in exploration.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). Certain disclosures required by the IFRS have been condensed or omitted in the following note disclosures as they are disclosed or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the years ended December 31, 2017 and 2016 ("annual financial statements"), which have been prepared in accordance with IFRS.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the annual financial statements, except as noted below. As a result of the Acquisition (Note 5), some additional accounting policies are now applicable.

(b) Basis of consolidation

The accounts of the subsidiaries controlled by the Company are included in the consolidated financial statements from the date that control commenced until the date that control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The principal subsidiaries of the Company and their geographic locations at June 30, 2018 are as follows:

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

Direct parent company	Location	Ownership
Leagold Acquisition Corp.	Canada	100%
Leagold Acquisition Corp. II	Canada	100%
Leagold (BC) Holding Corp.	Canada	100%
Brio Gold USA Inc.	USA	100%
Brio (Barbados) Holdings Ltd.	Barbados	100%
MXN Silver Corp.	Barbados	100%
Leagold Switzerland SA	Switzerland	100%
Brazil Holdings BV	Netherlands	100%
Riacho Dos Machados Holdings BV	Netherlands	100%
Fazenda Holdings BV	Netherlands	100%
C1 Holdings BV	Netherlands	100%
Pilar Holdings BV	Netherlands	100%
Brio Finance II BV	Netherlands	100%
Leagold Mexico S.A.P.I. de C.V.	Mexico	100%
Mina Leagold Los Filos, S.A.P.I. de C.V.	Mexico	100%
Administración Los Filos, S.A.P.I. de C.V.	Mexico	100%
Desarrollos Mineros San Luis S.A. de C.V.	Mexico	100%
Exploradora de Yacimientos Los Filos S.A. de C.V.	Mexico	100%
Minera Thesalia, S.A. de C.V.	Mexico	100%
Mineracao Riacho Dos Machados Ltda	Brazil	100%
Fazenda Brasileiro Desenvolvimento Mineral Ltda	Brazil	100%
Santa Luz Desenvolvimento Mineral Ltda	Brazil	100%
Pilar de Goias Desenvolvimento Mineral S/A	Brazil	100%

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

(c) Foreign currency translation

The presentation and functional currency of the Company is the US dollar. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of net income/(loss) and comprehensive income/(loss).

(d) 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).

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(e) *Operating segments*

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

3. CHANGES IN ACCOUNTING POLICIES AND STANDARDS

(a) *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.

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

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

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

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.

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

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

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

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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.

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

(b) Future accounting standards and interpretations

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

4. CRITICAL JUDGEMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Judgements, estimates and assumptions are continually 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 judgments, estimates and assumptions made by management in applying the Company's accounting policies were the same as those that applied to the annual financial statements.

5. ACQUISITION OF BRIO GOLD INC.

The Company completed the acquisition of the Brio Gold Inc. ("Brio") on May 24, 2018 (the "Acquisition"), whereby Leagold acquired all the issued and outstanding common shares of Brio (each, a "Brio Share") by way of a statutory plan of arrangement (the "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 \$258,209. In addition, 2,453,546 Leagold common shares were issued in exchange for certain of Brio's restricted share units ("RSUs") and deferred share units ("DSUs") and in satisfaction of a partial severance payment, which increases the value of the total common share consideration to \$264,052. The Company issued 46,716,645 Leagold Warrants having a consideration value of \$19,703, calculated using a Black-Scholes valuation method (Note 14). Also under the Arrangement, certain Brio stock options were exchanged for 1,026,267 Leagold options to acquire common shares of Leagold, which option have a consideration value of \$930. The Company also provided a \$13,069 bridge loan to Brio prior to the closing of the Acquisition, the proceeds of which were used to settle certain of Brio's liabilities. The total transaction price of \$297,754 reflects the consideration value of the newly issued common shares, warrants, and stock options, and the principal value of the bridge loan.

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As part of the financing plan to complete the Acquisition, the Company's existing \$150,000 senior secured 5-year loan facility with Societe Generale, Investec Bank plc and Orion Mine Finance ("Orion"), was amended to provide an additional \$100,000 tranche of funding, net of \$2,454 of debt issuance costs. A portion of the proceeds of the new tranche was used to fully repay Brio's \$75,000 senior debt credit facility upon closing of the Acquisition.

On the Closing Date, the Company also issued 21,317,098 common shares a fund managed by Orion pursuant to a private placement at a price of C\$2.71 for proceeds of \$44,503, net of share issue costs. Additionally, the Company issued 2,000,000 Leagold Warrants in connection with the private placement with an exercise price of C\$3.53. The fair value of these Leagold Warrants at the time of grant of \$1,200, calculated using a Black-Scholes valuation model, was recognized as a reduction in the value of the Company's common shares issued to Orion.

Leagold's transaction costs relating to the Acquisition incurred during the three and six months ended June 30, 2018, totaling \$3,450 and \$5,241, respectively, have been expensed in the consolidated statement of net income/(loss) and comprehensive income/(loss). Since the Closing Date until June 30, 2018, the Company paid \$14,937 of Brio's transaction-related costs assumed as part of the Acquisition.

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

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

Purchase price

Fair value estimate of Leagold share consideration	\$ 264,052
Fair value estimate of Leagold Warrants issued	19,703
Fair value estimate of share options issued	930
Bridge loan issued	13,069
	\$ 297,754

Net assets/(liabilities) acquired

Cash	\$ 5,423
Mining interests and plant and equipment	446,987
Deferred income tax assets	11,053
Other non-current assets	4,171
Net working capital acquired (excluding cash)	(43,855)
Hedging instruments	(4,525)
Senior debt credit facility	(75,000)
Provision for reclamation	(30,246)
Other non-current payables	(16,254)
	\$ 297,754

Since acquisition date of May 24, 2018, the revenues and net income included in the condensed interim consolidated financial statements are \$30,014 and \$5,065, respectively. Had the acquisition happened on January 1, 2018, the pro forma consolidated revenues and net income of the Company for the six months ended June 30, 2018 would have been \$271,002 and \$15,788, respectively.

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6. TRADE AND OTHER RECEIVABLES

	June 30, 2018	December 31, 2017
Trade receivables	\$ 11,732	\$ 9,622
Mexican VAT receivable (a)	17,772	16,144
Brazilian input tax credits receivable (b)	6,208	-
Income taxes receivables	3,596	2,708
Other receivables	2,799	1,073
	\$ 42,107	\$ 29,517
Less: non-current portion	3,945	-
Current portion	\$ 38,162	29,517

(a) The value-added tax ("VAT") receivable balance of \$17,772 represents the VAT receivable at the Los Filos mine, net of VAT refunds received. During the six months ended June 30, 2018, \$3,911 of VAT refunds have been received relating to the Company's accumulated VAT receivable balance. Subsequent to June 30, 2018, \$5,296 of VAT refunds have been received relating to the Company's accumulated VAT receivable balance.

(b) As at June 30, 2018, \$2,569 of the Brazilian input tax credits receivable are included in other long-term receivables on the consolidated statement of financial position as they are expected to be recovered over a period which exceeds the next twelve months.

7. INVENTORIES

	June 30, 2018	December 31, 2017
Supplies	\$ 23,991	\$ 10,522
Finished goods	2,529	2,407
Work in progress	6,263	1,473
Heap leach ore	45,543	38,149
Stockpiled ore	5,009	5,425
	\$ 83,335	\$ 57,976
Less: non-current heap leach ore	1,958	2,410
Current portion	\$ 81,377	\$ 55,566

(a) The costs of inventories recognized as expense for the three and six months ended June 30, 2018 was \$65,140 and \$114,339, respectively, and is included in operating expenses (Note 16).

(b) Work in progress inventory includes a charge of \$720 for the three and six months ended June 30, 2018 to adjust the cost of inventory to net realizable value ("NRV") at the Pilar mine.

(c) Heap leach ore inventory includes a charge of \$2,913 and \$5,261 for the three and six months ended June 30, 2018, respectively, to adjust the cost of inventory to NRV at the Los Filos mine.

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8. MINING INTERESTS

	Mining Properties			Plant and equipment	Total
	Depletable	Non-depletable			
Cost					
At December 31, 2017	\$ 66,435	\$ 89,253		\$ 157,618	\$ 313,306
Assets acquired on Brio Acquisition (Note 5)	100,845	10,919		335,223	446,987
Additions/expenditures	7,575	14,444		3,609	25,628
Change in reclamation liability (Note 10)	2,094	769		-	2,863
Balance as at June 30, 2018	\$ 176,949	\$ 115,385		\$ 496,450	\$ 788,784
Accumulated depreciation					
At December 31, 2017	\$ 9,124	\$ -		\$ 15,325	\$ 24,449
Depreciation/depletion	5,449	-		13,256	18,705
Change in depreciation included in inventory	(987)	-		940	(47)
Balance as at June 30, 2018	\$ 13,586	\$ -		\$ 29,521	\$ 43,107
Carrying amounts					
At December 31, 2017	\$ 57,311	\$ 89,253		\$ 142,293	\$ 288,857
Balance as at June 30, 2018	\$ 163,363	\$ 115,385		\$ 466,929	\$ 745,677

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

9. TRADE AND OTHER PAYABLES

	June 30,	December 31,
	2018	2017
Trade and other payables	\$ 62,477	\$ 27,348
Accrued liabilities	34,909	24,412
	\$ 97,386	\$ 51,760

The Company assumed \$63,414 of trade and other payables as part of the Acquisition. Since the Closing Date until June 30, 2018, the Company paid \$14,937 in transaction-related costs assumed as part of the Acquisition (Note 5).

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10. RECLAMATION AND CLOSURE COSTS

	June 30, 2018	December 31, 2017
Beginning balance	\$ 52,593	\$ -
Assumed on Los Filos Acquisition	-	42,428
Assumed on Brio Gold Acquisition (Note 5)	30,246	-
Revision of estimate	4,213	10,249
Foreign exchange impact	(1,350)	-
Accretion expense	832	1,175
Expenditures	(1,110)	(1,259)
	\$ 85,424	\$ 52,593
Less: non-current portion	82,468	51,070
Current portion	\$ 2,956	\$ 1,523

The Company's environmental permits require that it reclaims any land it disturbs during mine development, construction and operations. The majority of these reclamation costs are expected to be incurred subsequent to the end of the expected useful life of the operation to which they relate. The Company measures the provision at the expected value of future cash flows using inflation rates of 1.90% to 4.10% and discounted to the present value using discount rates of 2.43% to 10.85% depending on the region in which the liabilities will be realized. The undiscounted value of the provision as of June 30, 2018 was \$119,981 Decommissioning, restoration and similar liabilities of the Company's mines and projects are incurred in Brazilian reals ("R\$"), Mexican pesos and US dollars. The liabilities, other than those denominated in US Dollars, are subject to translation gains and losses from one reporting period to the next in accordance with the Company's accounting policy for foreign currency translation of monetary items. Translation gains or losses are reflected in the carrying amounts of the related property, plant and equipment.

The revision of estimates of \$4,213 relate to the change from the fair value at Acquisition (Note 5) and the subsequent valuation using a risk-free discount rate of 10.85% during the six months ended June 30, 2018. The revision of estimates of \$10,249 related to the change in valuation from the Los Filos Acquisition and the subsequent valuation using a risk-free discount rate of 2.43% during the six months ended June 30, 2017.

11. OTHER FINANCIAL LIABILITIES

	June 30, 2018	December 31, 2017
Warrant liability (Note 14(b)(ii))	\$ 12,222	\$ 1,458
DSU liability (Note 14(b)(ii))	992	1,118
Hedging instruments (a)	8,699	-
Other financial liabilities	1,879	1,879
Ending balance	\$ 23,792	\$ 4,455
Less: non-current portion	19,719	4,455
Current portion (a)	\$ 4,073	\$ -

(a) Hedging instruments

As part of the Acquisition, the Company assumed hedging instruments with a fair value of \$4,525 relating to currency forward contracts of R\$20,000 per month from January 2019 through December 2019, totalling R\$240,000, at a fixed exchanged rate of US\$1 = R\$3.4725. The change in fair value of the hedging

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instruments was \$4,174 for the three and six months ended June 30, 2018 and was recorded in OCI on the consolidated statement of net income/(loss) and comprehensive income/(loss). The fair value of the current portion of the hedging instruments is \$4,073 as at June 30, 2018 and is included in other current financial liabilities on the consolidated statement of financial position. The fair value of the non-current portion of the hedging instruments is \$4,626 as at June 30, 2018 and is included in other long-term financial liabilities on the consolidated statement of financial position.

12. LOAN FACILITY

	June 30, 2018	December 31, 2017
Loan facilities	\$ 250,000	\$ 150,000
Deferred financing costs	(10,166)	(7,712)
Accretion expense	19,716	10,908
Interest paid	(16,824)	(9,263)
Total loan facilities	\$ 242,726	\$ 143,933
Less: non-current portion	219,649	143,933
Current portion	\$ 23,077	\$ -
Short-term loans assumed on Acquisition (Note 5)	14,337	-
Principal repayments on short-term loans	(1,500)	-
Interest expense	66	-
Total short-term loans	\$ 12,903	-
Total loan facilities and short-term loans	\$ 255,629	\$ 143,933
Less: non-current portion	219,649	143,933
Current portion	\$ 35,980	\$ -

(a) Loan facilities

As part of the financing plan to complete the Los Filos Acquisition, the Company closed a financing with a fund managed by Orion consisting of a \$150,000 senior secured 5-year loan facility, which bears interest at a rate equal to the greater of 3-month USD Libor or 1.00%, plus 700 basis points, and will mature on April 6, 2022. Principal repayments commence with the first repayment due on March 31, 2019 and with equal quarterly installments thereafter, until fully repaid. Effective October 31, 2017, Société Générale and Investec Bank plc joined the \$150,000 loan facility, with the new lenders participating for \$25,000 each, and Orion retaining \$100,000 of the loan facility. All other terms of the loan facility remain the same.

As part of the financing plan to complete the Acquisition of Brio, the Company's existing \$150,000 senior secured 5-year loan facility was amended to provide an additional \$100,000 tranche of funding, which bears interest at a rate equal to the greater of 3-month USD Libor of 1.00%, plus 425 basis points, and will mature November 24, 2019. The principal amount is due as a single payment on the maturity date.

Both tranches of the loan facility include the following standard covenants:

- Debt service cover ratio of not less than 1.25;
- Tangible net worth of no less than \$400,000; and
- Leverage ratio of not more than 3.0.

The Company is in compliance with its covenants as at June 30, 2018.

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(b) Short-term loans

As part of the Acquisition (Note 5), the Company assumed \$14,337, including accrued interest, of short-term loans with a group of Brazilian banks which has varying maturity of 2 - 10 months and interest rates varying from 3.8% to 7.8%. As of the date of these financial statements, the Company has repaid \$9,000 of the short-term loans. The Company will use part of the proceeds from the Acquisition financing (Note 5), to repay the remainder of the short-term loans by August 31, 2018.

13. OTHER LONG-TERM LIABILITIES

	June 30, 2018	December 31, 2017
Long-term tax payable	\$ 3,297	\$ -
Legal provisions	8,466	-
Tax provisions	4,255	-
	\$ 16,018	\$ -

14. SHARE CAPITAL

On the Closing Date of May 24, 2018, the Company also issued 21,317,098 common shares to Orion pursuant to a private placement at a price of C\$2.71 for proceeds of \$44,503. Additionally, the Company issued 2,000,000 Leagold Warrants in connection with the private placement with an exercise price of C\$3.53. The fair value of these Leagold Warrants at the time of grant of \$1,200, calculated using a Black-Scholes valuation model, was recognized as a reduction in the value of the Company's common shares issued to Orion.

As part of the Acquisition, 1,522,639 Leagold common shares issued were withheld to cover certain withholding taxes paid by the Company. The Leagold common shares withheld are presented as a reduction in equity in share purchase reserve in the condensed interim consolidated statement of changes in equity. During the three and six months ended June 30, 2018, 50,000 Leagold shares withheld were sold with a value of \$104.

(a) Authorized capital

Unlimited common shares without par value.

Unlimited preferred shares without par value.

Unlimited series 1 convertible preferred shares with special rights and restrictions attached.

(b) Share-based payments

The following table summarizes the share-based payments:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Share-based payment expense	\$ -	\$ 8,878	\$ 91	\$ 8,878
Expense recognized on grant of DSUs, net of change in fair value during the period	101	514	68	593
Total share-based payments	\$ 101	\$ 9,392	\$ 159	\$ 9,471

i. Share options

The Company has adopted a rolling share option plan (the "Plan") whereby the option to acquire up to 10% of the issued share capital may be granted to eligible optionees from time to time. The Plan

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permits options granted to have a maximum term of ten years, a vesting period determined by the directors, and the exercise price may not be less than the market price, as prescribed by regulatory requirements.

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

	Options outstanding	Weighted average exercise price (C\$)
At December 31, 2016	2,500,000	2.23
Granted	9,200,000	2.86
Exercised	(20,000)	0.63
At December 31, 2017	11,680,000	\$ 2.73
Granted	100,000	2.92
Granted pursuant to Acquisition (Note 5)	1,026,267	2.02
Exercised	(807,245)	1.20
Expired	(75,000)	2.85
At June 30, 2018	11,924,022	\$ 2.77

The following table summarizes information about the exercisable share options outstanding as June 30, 2018:

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	8.0 years
\$ 2.85	10,725,000	10,725,000	\$ 2.85	3.8 years
\$ 3.15	200,000	200,000	\$ 3.15	4.3 years
\$ 2.92	100,000	100,000	\$ 2.92	4.5 years
\$ 2.07	152,126	152,126	\$ 2.07	4.4 years
\$ 2.01	536,896	536,896	\$ 2.01	1.2 years
	11,924,022	11,924,022	\$ 2.77	3.7 years

The following weighted average assumptions were used for Black-Scholes valuation of the share options granted during the six months ended June 30, 2018 and June 30, 2017:

	2018	2017
Risk-free interest rate	2.01%	1.37%
Expected life	1.8 years	5.0 years
Annualized volatility	41.50%	56.63%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

Subsequent to June 30, 2018, 183,955 share options with an exercise price of C\$2.01 were exercised.

ii. Deferred share units

The Company established a DSU plan for the purposes of strengthening the alignment of interests between non-executive directors of the Company and shareholders by linking a portion of the

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

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

	DSUs outstanding	Weighted average grant price (C\$)
At December 31, 2016	26,640	\$ 3.15
Granted	479,378	2.62
Exercised	(24,368)	2.53
At December 31, 2017	481,650	\$ 2.63
Granted	109,123	2.64
Exercised	(86,334)	2.88
At June 30, 2018	504,439	\$ 2.63

During the three and six months ended June 30, 2018, the Company granted 54,337 and 109,123 DSU's with a resulting fair value of \$102 and \$214, respectively, which was recognized as share-based payments expense during the periods. The total fair value of all outstanding DSUs at June 30, 2018 was \$992 (December 31, 2017 - \$1,118) which was recorded as other long-term liabilities.

iii. Warrant derivative

In relation to the Los Filos Acquisition financing in April 2017, the Company has granted Orion 2,000,000 share purchase warrants that are exercisable in whole or in part for a term of five years at an exercise price of C\$3.575 per share.

In relation to the Acquisition, the Company has granted Brio shareholders 46,716,645 share purchase warrants that are exercisable in whole or in part until May 24, 2020 at an exercise price of C\$3.70 per share. The Company has also granted an additional 2,000,000 share purchase warrants to Orion that are exercisable in whole or in part until May 24, 2021 at an exercise price of C\$3.529 per share.

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

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A reconciliation of the change in the fair values of the warrant derivative, included on the consolidated statements of financial position as another long-term liability, is presented below:

	Warrants outstanding	Fair value of warrant derivative
At December 31, 2016	-	\$ -
Warrants issued	2,000,000	1,734
Change in fair value of warrant derivative	-	(276)
At December 31, 2017	2,000,000	\$ 1,458
Warrants issued (Note 5)	48,716,645	20,903
Warrants exercised	(250)	-
Change in fair value of warrant derivative	-	(10,139)
At June 30, 2018	50,716,395	\$ 12,222

The following weighted average assumptions were used for Black-Scholes valuation of the warrants granted during the six months ended June 30, 2018 and June 30, 2017.

	2018	2017
Risk-free interest rate	1.93%	1.49%
Expected life	2.07 years	5.0 years
Annualized volatility	41.22%	56.63%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

(c) Diluted earnings per share

Three months ended June 30, 2018					
	Weighted average shares outstanding	Net income	Net income per share	Earnings before taxes	Earnings before taxes per share ⁽¹⁾
Basic EPS	205,629,792	\$ 9,779	\$ 0.05	\$ 7,412	\$ 0.04
Effect of dilutive stock options	253,890	-	-	-	-
Diluted EPS	205,883,682	\$ 9,779	\$ 0.05	\$ 7,412	\$ 0.04

Three months ended June 30, 2017					
	Weighted average shares outstanding	Net loss	Net loss per share	Loss before taxes	Loss before taxes per share ⁽¹⁾
Basic EPS	128,687,650	\$(7,623)	\$(0.06)	\$(12,451)	\$(0.10)
Effect of dilutive stock options	-	-	-	-	-
Diluted EPS	128,687,650	\$(7,623)	\$(0.06)	\$(12,451)	\$(0.10)

⁽¹⁾ The Company is presenting net earnings before taxes per share as the Company believes this is a relevant metric that reflects the Company's results from continuing operations prior to the effect of the deferred tax recognized.

At June 30, 2018, 50,716,395 share purchase warrants and 11,025,000 stock options were outstanding, which for the three and six months ended June 30, 2018 were anti-dilutive. This is due to the underlying exercise prices exceeded the daily weighted average market values of the common shares for the three and six months ended June 30, 2018 of C\$2.77 and C\$2.82, respectively.

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15. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Gold (a)	\$ 86,729	\$ 67,199	\$ 154,558	\$ 67,199
Silver (b)	200	283	444	283
	\$ 86,929	\$ 67,482	\$ 155,002	\$ 67,482

(a) Gold Offtake Arrangement

As part of the Los Filos Acquisition financing, the Company entered into an offtake agreement with Orion (the “Los Filos Gold Offtake Agreement”) which provides for a gold offtake of 50% of the gold production from the Los Filos Mine at market prices, until a cumulative delivery of 1.1 million ounces to Orion. As part of the Brio Gold Acquisition financing, the Company amended and restated the Los Filos Gold Offtake Agreement and entered into another offtake agreement with Orion (the “Brazilian Gold Offtake Agreement”). The Brazilian Gold Offtake Agreement provides for a gold offtake of 25% of the gold production from the Brazilian mines at market prices, until a cumulative delivery of 0.7 million ounces to Orion. As of June 30, 2018, 11,803 payable gold ounces had been sold to Orion under the terms of the offtake agreements.

(b) Silver Streaming Arrangement

The Company’s silver production from the Los Filos mine is subject to the terms of an agreement (the “Silver Purchase Agreement”) with Wheaton Precious Metals Corp. (“WPM”) under which the Company must sell a minimum of 5 million payable silver ounces produced by the Los Filos mine operations from August 5, 2010 to the earlier of the termination of the agreement or October 15, 2029 to WPM at the lesser of \$3.90 per ounce (the “Fixed Price”) or the prevailing market price, subject to an inflationary adjustment. The contract price is revised each year on the anniversary date of the contract, and will be \$4.34 per ounce until October 14, 2018. As of June 30, 2018, 1.6 million payable silver ounces had been sold to WPM under the terms of the agreement.

(c) Royalties

The Company is subject to a royalty arrangement of 0.5% and 1.5% of gross income on gold and silver revenues in Mexico and Brazil respectively. In addition, at Los Filos mine, the concession named Xochipala is subject to a royalty arrangement of 3.0% of gross income on gold and silver revenues. At Pilar mine, there are multiple royalties between 0.75% and 1.0% of gross income on gold and silver revenues on certain concessions. At RDM mine, there is a royalty of 1.0% of gross income on gold and silver revenues. At Fazenda mine, there is a royalty of 0.75% of gross revenue royalty on certain concessions.

16. OPERATING EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Raw materials and consumables	\$ 30,571	\$ 30,311	\$ 55,573	\$ 30,311
Contractors	13,800	13,337	19,861	13,337
Salaries and employee benefits	14,113	8,752	24,140	8,752
Other	6,656	2,995	14,765	2,995
	\$ 65,140	\$ 55,395	\$ 114,339	\$ 55,395

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17. FINANCE EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Interest expense	\$ 5,394	\$ 3,902	\$ 9,086	\$ 3,844
Change in the fair value of warrant derivative (Note 14b)	(9,718)	(795)	(10,139)	(795)
Accretion expense (Note 10)	515	579	832	579
	\$ (3,809)	\$ 3,686	\$ (221)	\$ 3,628

18. SEGMENT REPORTING

The Company operates in two principal geographic locations, the Los Filos Mine in Mexico and the RDM mine, Fazenda mine, Pilar mine and Santa Luz project in Brazil. The following table provides the Company's results and financial positions by reportable segment.

	June 30, 2018						Corporate & Others	Total
	Los Filos	RDM	Pilar	Fazenda	Santa Luz			
Mining interests	\$299,135	\$135,115	\$ 91,518	\$ 88,446	\$131,032	\$ 431	\$ 745,677	
Total assets	\$476,778	\$165,301	\$105,966	\$102,332	\$139,734	\$ 56,961	\$1,047,072	
Total liabilities	\$ 94,414	\$ 30,142	\$ 31,182	\$ 35,005	\$ 10,992	\$276,514	\$ 478,249	

	Three months ended June 30, 2018						Corporate & Others	Total
	Los Filos	RDM	Pilar	Fazenda	Santa Luz			
Revenues	\$ 56,915	\$ 8,677	\$ 8,980	\$ 12,357	\$ -	\$ -	\$ 86,929	
Cost of sales								
Operating expenses	44,241	5,253	7,750	7,896	-	-	65,140	
Depreciation and depletion	6,684	1,836	1,038	1,285	-	26	10,869	
Royalties	350	218	109	143	-	-	820	
	51,275	7,307	8,897	9,324	-	26	76,829	
Earnings from mine operations	\$ 5,640	\$ 1,370	\$ 83	\$ 3,033	\$ -	\$ (26)	\$ 10,100	

	Six months ended June 30, 2018						Corporate & Others	Total
	Los Filos	RDM	Pilar	Fazenda	Santa Luz			
Revenues	\$ 124,988	\$ 8,677	\$ 8,980	\$ 12,357	\$ -	\$ -	\$ 155,002	
Cost of sales								
Operating expenses	93,440	5,253	7,750	7,896	-	-	114,339	
Depreciation and depletion	14,493	1,836	1,038	1,285	-	53	18,705	
Royalties	895	218	109	143	-	-	1,365	
	108,828	7,307	8,897	9,324	-	53	134,409	
Earnings from mine operations	\$ 16,160	\$ 1,370	\$ 83	\$ 3,033	\$ -	\$ (53)	\$ 20,593	

Segment reporting as at and for the three and six months ended June 30, 2018 are not comparable to the same periods in the prior year given the Company had only one operating segment in the prior year, the Los Filos mine.

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19. SUPPLEMENTAL CASH FLOW INFORMATION

The Company did not have any cash equivalents as at June 30, 2018 and December 31, 2017.

(a) Expenditures on mining interests per the condensed interim consolidated statements of cash flows include:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Capitalized expenditures on mining interests (Note 8)	\$ 13,344	\$ 6,333	\$ 25,628	\$ 6,333
Change in trade and other payables	\$ (2,522)	\$ -	\$ (2,184)	\$ -
	\$ 10,822	\$ 6,333	\$ 23,444	\$ 6,333

(b) Expenditures on reclamation and closure obligations per the condensed interim consolidated statements of cash flows include:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Expenditures on reclamation and closure obligations (Note 10)	\$ 504	\$ 369	\$ 1,110	\$ 369
Change in trade and other payables	\$ 255	\$ -	\$ 89	\$ -
	\$ 759	\$ 369	\$ 1,199	\$ 369

(c) Non-cash financing activities

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Common shares issued on Acquisition (Note 5)	\$ 264,052	\$ -	\$ 264,052	\$ -
Share options granted on Acquisition (Note 5)	930	-	930	-
Common shares issued on Los Filos Acquisition	-	71,000	-	71,000
Warrants issued on Acquisition (Note 5)	19,703	-	19,703	-
Warrants issued to Orion (Note 5)	(1,200)	(1,734)	(1,200)	(1,734)
	\$ 283,485	\$ 69,266	\$ 283,485	\$ 69,266

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20. RELATED PARTY TRANSACTIONS

Compensation of key management personnel and directors

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Short-term benefits	\$ 513	\$ 330	\$ 981	\$ 651
DSUs granted	102	514	215	593
Stock-options granted	-	7,373	-	7,374
	\$ 615	\$ 8,217	\$ 1,196	\$ 8,618

21. CAPITAL MANAGEMENT

The Company'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. The Company intends to finance potential acquisitions with a prudent combination of equity, debt and other forms of finance.

In the management of capital, the Company includes the components of equity, and loan facilities, net of cash and cash equivalents.

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

	June 30, 2018	December 31, 2017
Equity	\$ 568,823	\$ 268,359
Loan facilities (Note 12)	255,629	143,933
	824,452	412,292
Less:		
Cash and cash equivalents	(69,449)	(54,039)
	\$ 755,003	\$ 358,253

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

22. 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, other long-term financial liabilities and the loan facilities.

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.

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The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

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

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

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

	June 30, 2018		December 31, 2017	
	Level 1	Level 2	Level 1	Level 2
Cash and cash equivalents	\$ 69,449	\$ -	\$ 54,039	\$ -
Other financial liabilities	-	(21,913)	-	(2,576)
	\$ 69,449	\$ (21,913)	\$ 54,039	\$ (2,576)

Financial Risk

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

Credit risk

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

The Company closely monitors its financial assets and does not have any significant concentration of credit risk other than receivable balances owed from the Mexican government. During the six months ended June 30, 2018, \$3,911 of VAT refunds have been received relating to the Company's accumulated VAT receivable balance. Subsequent to June 30, 2018, \$5,296 of VAT refunds have been received relating to the Company's accumulated VAT receivable balance. There is no indication that the Company will not receive any VAT receivables from the Mexican government.

The Company has \$6,208 of current and long-term input tax credits receivable from the Brazilian Government. The Company actively monitors the Brazilian tax legislation changes and believes that the balance is recoverable, either in the form of a refund from the respective jurisdictions in which the Company operates, or through offsetting against other taxes payable and VAT.

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

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

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

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

	June 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 69,449	\$ 54,039
Trade and other receivables (Note 6)	38,162	29,517
	\$ 107,611	\$ 83,556

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company believes it has sufficient cash resources to pay its obligations associated with its financial liabilities as at June 30, 2018.

The Company's significant undiscounted commitments at June 30, 2018 are as follows:

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

Foreign currency risk

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

The Company's reporting currency is the US dollar and major purchases are transacted in US dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the US dollar. A portion of the Company's exploration, development and operating costs and administrative costs are incurred mainly in Mexican pesos, Brazilian reals 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.

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

	June 30, 2018	December 31, 2017
Canadian dollars	\$ (2,776)	\$ 145
Brazilian reals	(29,199)	-
Mexican pesos	(605)	301
	\$ (32,580)	\$ 446

The effect on earnings and other comprehensive earnings before tax as at June 30, 2018, of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Company is estimated to be \$2,962 (December 31, 2017 - \$41), assuming that all other variables remained constant.

Commodity Price risk

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

Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents and the loan facility. At June 30, 2018, the Company has determined the interest rate risk to be low and that a 10% increase or decrease in market interest rates would result in a \$173 (December 31, 2017 - \$142) increase or decrease to the Company's earnings.

23. COMMITMENTS AND CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated (Note 13). In the opinion of management, these matters will not have a material effect on these condensed interim consolidated financial statements.