LUNDIN GOLD

Building a Leading Gold Company Through Responsible Mining

Q3 2019

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Lundin Gold Inc. and its subsidiary companies (collectively, "Lundin Gold" or the "Company") provides a detailed analysis of the Company's business and compares its financial results for the three and nine months ended September 30, 2019 with those of the same period from the previous year.

This MD&A is dated as of November 8, 2019 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes thereto for the three and nine months ended September 30, 2019, which are prepared in accordance with IAS 34: Interim Financial Statements, and the Company's audited annual consolidated financial statements and related notes thereto, which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and the MD&A for the fiscal year ended December 31, 2018. References to the "2019 Period" and "2018 Period" relate to the nine months ended September 30, 2019 and September 30, 2018, respectively.

Other continuous disclosure documents, including the Company's press releases, quarterly and annual reports and annual information form, are available through its filings with the securities regulatory authorities in Canada at www.sedar.com.

Lundin Gold, headquartered in Vancouver, Canada, is developing its wholly-owned Fruta del Norte gold project ("Fruta del Norte Project" or the "Project") in southeast Ecuador. The Fruta del Norte Project is one of the highest-grade gold projects currently under development in the world today. The Company's board and management team have extensive expertise in mine construction and operations and are dedicated to advancing this project through to first gold production this quarter.

The Company operates with transparency and in accordance with international best practices. Lundin Gold is committed to delivering value to its shareholders, while simultaneously providing economic and social benefits to impacted communities, fostering a healthy and safe workplace and minimizing the environmental impact. The Company believes that the value created through the development of Fruta del Norte will benefit its shareholders, the Government and the citizens of Ecuador.

THIRD QUARTER 2019 HIGHLIGHTS AND ACTIVITIES

The following provides an overview of key accomplishments and milestones achieved in the third quarter of 2019:

Fruta del Norte Project

The Fruta del Norte Project continued to progress on budget and on schedule, and hot commissioning of the process plant started towards the end of the quarter. More specific highlights were as follows:

- Overall construction progress was 89% complete.
- Underground development continued ahead of projections.
- Raise boring of the South Vent Raise commenced.
- Mine production is on plan with 148,000 tonnes of ore stockpiled as at September 30, 2019.
- Process plant wet commissioning started early in the third quarter, and hot commissioning began towards the end of the quarter.
- First ore was introduced to the grinding mills on September 27, 2019 as part of hot commissioning.
- The powerline from the Bomboiza substation to the Project was completed and tested and work to connect the powerline to the national grid at the Bomboiza substation was completed. In early October 2019, the powerline was energized.
- Construction of the tailings dam progressed on schedule with the tailings dam reaching the elevation to enable hot commissioning to commence.

Exploration

- Detailed follow-up mapping and sampling occurred on several targets within the central Suarez Pull-Apart basin (the "Basin"). The drill permitting process continues.

THE FRUTA DEL NORTE PROJECT

Lundin Gold's properties in Southeast Ecuador consists of 30 mining concessions covering an area of approximately 64,406 hectares. From this, the Fruta del Norte Project is comprised of six concessions covering an area of approximately 5,039 hectares and is located approximately 140 km east-northeast of the City of Loja.

Development of the Project remains on track and on budget to deliver first gold production this quarter and achieve commercial production in the second quarter of 2020.

Activities in the Third Quarter of 2019

Fruta del Norte Project

During the third quarter of 2019, Project construction advanced to near completion and commissioning of the process plant and ancillary facilities started.

Mine Development

- As at September 30, 2019, a total over 10.5 kilometres of underground mine development had been completed, of which 2,500 metres was completed during the quarter. Development continues ahead of projections.
- The mine contractor has completed its scope of work and was demobilized by the end of the quarter.
- Raise boring of the South Vent Shaft began with the pilot hole completed during September.
- Ore mining ramped up and is on plan with 148,000 tonnes of ore stockpiled as at September 30, 2019.
- Hiring of miners and process plant operators from the Company's training program continued according to plan.

Construction

- Overall construction progress was 89% complete.
- Construction is nearing completion in most areas with some work on tailings, the main water treatment plant and paste plant on target for completion later this year.

Site-Wide Infrastructure

- All significant ancillary facilities were completed.
- On site electrical distribution network was substantially completed.
- Work was completed on the main Fruta del Norte power substation and emergency power generation system.
- Remediation work was well under way on the North Access Road during the third quarter and was re-opened to traffic in November 2019.

Off Site Infrastructure

- Construction of the 42 km powerline connecting the Project to Ecuador's national power grid was completed and tested.
- Bomboiza substation connection construction work was completed, and the powerline was energized in early October.
- The Zamora River Bridge erection contract was awarded, and foundation construction commenced.

Tailings Storage Facility

- Construction of the tailings dam progressed significantly with earthworks 95% complete and on plan for hot commissioning.
- Dam liner installation was 50% complete at the end of the quarter.
- Reclaim barge installation was completed, and collection of water in the tailings basin commenced.

Operational Readiness

- Hot commissioning commenced with first ore put through the grinding mills on September 27, 2019.
- Reagents fills and operations consumables started arriving at site.
- Laboratory operations began near the end of the quarter.
- Hiring for operations continued to progress on plan with less than 100 positions open at quarter end, with the majority expected to be filled from existing Project staff.

Health and Safety, Environment, and Community

Health and Safety

- The Total Recordable Incident Rate for the Project at the end of the quarter was 0.54 per 200,000 hours worked.
- Only one medical incident and no lost time incidents were recorded during the quarter.

Environment and Permitting

- Efforts to finalize the Administrative Act and Industrial Water Permits required for operations from La Secretaría Nacional del Agua (SENAGUA) continued and these permits are expected to be received shortly.

Community

- Lundin Gold's Responsible Mining program continued to focus on economic diversification and the transition from construction to operations.
- During the quarter the community presentations according to the Awareness and Preparedness for Emergencies at the Local Level (APELL) process relating to the transportation of cyanide were held.
- As of quarter end, the Company estimates that 46% of its employees and 45% of all workers including contractors were from the Zamora Chinchipe province.
- Lundin Gold's procurement programs resulted in the purchase of approximately $2.5 million per month in goods and services from the local communities during the quarter.

Exploration

- Detailed mapping and geochemical sampling occurred on the North Barbasco, Las Arenas, La Chonta and El Copal target areas in the central Basin. These targets all display epithermal pathfinder anomalies (typically As, Sb and sometimes Hg) in rock and soil samples as well as alteration typical of epithermal fluids (Illite and marcasite).
- More detailed mapping and sampling also occurred at the Jabali target south of the Basin. Epithermal gold-silver vein float has previously been located in the target area, but a significant in-situ source of this material has not been identified.
- Permitting in preparation for scout drill testing continues with the plan to mobilize drill rigs to the Barbasco epithermal gold-silver target as soon as the permits are received.

(All dollar amounts are stated in U.S. dollars unless otherwise indicated. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The Company's quarterly financial statements are reported under IFRS as issued by the IASB as applicable to interim financial reporting. The following table provides highlights from the Company's financial statements of quarterly results for the past eight quarters (unaudited).

	2019 Q3	2019 Q2	2019 Q1	2018 Q4
Derivative gain (loss) for the period	$ (33,723)	$ (24,745)	$ 468	$ (28,508)
Net income (loss) for the period	$ (39,672)	$ (30,797)	$ (7,711)	$ (23,491)
Basic income (loss) per share	$ (0.18)	$ (0.14)	$ (0.04)	$ (0.11)
Diluted income (loss) per share	$ (0.18)	$ (0.14)	$ (0.04)	$ (0.11)
Weighted-average number of common shares outstanding				
Basic	222,953,642	222,535,083	216,061,503	213,163,980
Diluted	222,953,642	222,535,083	216,061,503	213,163,980
Additions to property, plant and equipment	$ 109,996	$ 118,520	$ 124,069	$ 113,841
Total assets	$ 1,344,528	$ 1,343,799	$ 1,062,931	$ 1,012,461
Long-term debt	$ 772,526	$ 722,689	$ 388,106	$ 364,252
Working capital	$ 124,586	$ 222,056	$ 59,889	$ 153,186

	2018 Q3	2018 Q2	2018 Q1	2017 Q4
Derivative gain (loss) for the period	$ 17,924	$ 18,846	$ (23,993)	$ (14,135)
Net income (loss) for the period	$ 7,270	$ 19,741	$ (25,588)	$ (19,505)
Basic income (loss) per share	$ 0.03	$ 0.09	$ (0.20)	$ (0.16)
Diluted income (loss) per share	$ 0.03	$ 0.09	$ (0.20)	$ (0.16)
Weighted-average number of common shares outstanding				
Basic	213,163,980	213,163,980	124,861,126	119,666,840
Diluted	213,707,572	213,754,928	124,861,126	119,666,840
Additions to property, plant and equipment	$ 84,765	$ 77,278	$ 66,250	$ 55,543
Total assets	$ 1,007,287	$ 994,583	$ 988,889	$ 481,729
Long-term debt	$ 351,591	$ 349,032	$ 376,218	$ 217,940
Working capital	$ 290,398	$ 377,265	$ 460,329	$ 26,794

To date, the Company has not generated production revenue. The only income generated by the Company is interest income on its cash deposits.

Since the second quarter of 2017 the Company's fluctuations in the quarterly results are mainly driven by derivative gains or losses from the valuation of the Company's long-term debt on a fair value basis under the Company's accounting policies and IFRS. More specifically, during the third quarter of 2019, the Company recorded a derivative loss of $33.7 million compared to a derivative gain of $17.9 million in the third quarter of 2018 as more fully explained below. Other than for the effect of derivative losses, the increase in the Company's net loss during the third quarter of 2019 compared to the third quarter of 2018 is driven by increased professional fees of $0.6 million during the third quarter of 2019 due to the recognition of annual costs for the maintenance of the senior debt facility. In addition, with the hiring of operating personnel the Company is incurring increased training costs ($0.6 million in the third quarter) as training programs for operations are well underway. Interest income has decreased by $0.9 million due to the decrease in the Company's cash balance between the third quarter of 2019 compared to the third quarter of 2018. This is offset by the recognition of a foreign exchange gain of $0.3 million compared to a foreign exchange loss of $5.0 million in the third quarter of 2018. Foreign exchange gains or losses are driven by the quantum the Company's U.S. dollar cash held by its Canadian entities and movements in the foreign exchange rate. As the functional currency of the Canadian entities is the Canadian dollar, a weakening of the U.S. dollar against the Canadian dollar during the period generates an unrealized loss in terms of Canadian dollars.

The loss in the 2019 Period is higher by $79.6 million compared to that of the 2018 Period mainly due to the revaluation of the Company's long-term debt which resulted in a derivative loss of $58.0 million in the 2019 Period compared to a derivative gain of $12.8 million in the 2018 Period as more fully explained below. The Company also recognized a foreign exchange loss of $2.6 million in the 2019 Period compared to a foreign exchange gain of $8.4 million in the 2018 Period as noted above. This is partially offset by the recognition of other income of $2.5 million relating to the recovery of capital outflow tax paid from the Company's repatriation of capital from Ecuador in the third quarter of 2017.

Derivative gains or losses

The Company did not repay or increase its gold prepay and stream credit facilities during the 2019 Period. The variation in the amount of these debt obligations is due to a change in their estimated fair values during the 2019 Period as they are accounted for as financial liabilities measured at fair value. This variation is recorded as a derivative gain or loss in the applicable period. The fair values calculated under the Company's accounting policies are based on numerous estimates noted below as of the balance sheet date and are, therefore, subject to further future variations until the debt obligations will actually be repaid by the Company.

These balances are valued using Monte Carlo simulation valuation models. The key inputs used by the Monte Carlo simulation include: the gold and silver forward curve based on Comex futures, the Company's expectation about long-term gold yields, gold and silver volatility, risk-free rate of return, risk-adjusted discount rate, and production expectations. Relatively small variations in some of these inputs can give rise to significant variations in the fair value of financial liabilities; hence, the large derivative gains and losses recorded in the accounts to date.

Two key drivers of current fair values are gold and silver prices because future repayments under the gold prepay and stream credit facilities are based on forward gold and silver price estimates at time of repayment. During periods of increasing gold and silver prices as in the 2019 Period, their forecast forward prices will also generally increase. This results in a higher estimated fair value of the debt obligations at the current balance sheet date and the recognition of derivative losses, although it does not necessarily reflect the amounts that will actually be repaid when the obligations become due in the future. It should also be noted that the potentially more significant impact of the same change in forward gold and silver prices on the value of future production and revenues forecast to be generated during the same periods when the debt obligations will be repaid cannot be recognized because of the inherent uncertainty and risks associated with actually realizing such production and sales.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2019, the Company had cash of $130.2 million and a working capital of $124.6 million compared to cash of $167.5 million and a working capital balance of $153.2 million at December 31, 2018. The change in cash was due to costs incurred for the development of the Project of $320.9 million, general and administration costs of $16.0 million and exploration expenditures of $2.4 million. This is offset by drawdowns from the Facility totalling $301.0 million, which will be used to fund the construction of the Project, and net proceeds of $33.9 million from an equity financing in March 2019. In addition, the Company received proceeds of $2.4 million from the exercise of stock options and $1.6 million for the issuance of shares and warrants (with terms described below) to Newcrest under the anti-dilution rights related to its 27.3% shareholding in the Company.

As at September 30, 2019, the Company has $49 million remaining under the Facility available to be drawn at its option. In addition, at the end of March the Company entered into a $75 million cost overrun facility (the "COF") with Nemesia S.à.r.l. ("Nemesia"), a company owned by a trust whose settlor was the late Adolf H. Lundin. The COF is available once the Facility is fully drawn and can only be used to fund a potential cost overrun related to the development of the Project. The Company expects the current cash balance and existing debt facilities to be sufficient to complete the development of the Project.

The Company currently has no sources of revenues. The Company's continuing operations and the underlying value and recoverability of the amount shown for the mineral interests and property, plant and equipment are dependent upon the ability of the Company to complete the development of the Project and on future profitable production.

TRANSACTIONS WITH RELATED PARTIES

During the 2019 Period, the Company paid $0.2 million (2018 – $0.2 million) to Namdo Management Services Ltd. ("Namdo"), a private corporation associated with an officer of the Company. The Company occupies office space in the Namdo offices in Vancouver for the Company's management, investor relations personnel and support staff. Namdo charges a service fee and recovers out of pocket expenses related to the Company.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, cash equivalents and receivables, which are categorized as financial assets at amortized cost, and accounts payable and accrued liabilities, which are categorized as financial liabilities at amortized cost. The fair value of these financial instruments, approximates their carrying values due to the short-term nature of these instruments. In addition, the gold prepay credit facility; stream loan credit facility; and offtake commitment have been classified as financial liabilities measured at fair value. The senior debt facility has been classified as a financial liability at amortized cost.

The Company's financial instruments are exposed to a variety of financial risks by virtue of its activities.

Currency risk

Lundin Gold is a Canadian company and its capital is typically raised in Canadian dollars, with foreign operations in Ecuador. Expenditures in Ecuador are primarily denominated in U.S. dollars. As such, the Company is subject to risk due to fluctuations in the exchange rates of foreign currencies. Although the Company does not enter into derivative financial instruments to manage its exposure, the Company tries to manage this risk by maintaining most of its cash in U.S. dollars.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The majority of the Company's cash is held in large financial institutions with a high investment grade rating.

Interest rate risk

The Company is subject to interest rate risk with respect to the fair value of long-term debt which are accounted for at fair value through profit or loss and on the Facility for which interest payments are affected by movements to the LIBOR rate.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. Cash flow forecasting is performed regularly to monitor the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs at all times. In addition, management is actively involved in the review, planning and approval of significant expenditures and commitments.

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for gold and silver. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of substitutes, inflation and political and economic conditions. The Company has not hedged the price of any commodity at this time.

The fair value of long-term debt which is accounted for at fair value through profit or loss is impacted by fluctuations of commodity prices.

OFF-BALANCE SHEET ARRANGEMENTS

During the 2019 Period and the year ended December 31, 2018 there were no off-balance sheet transactions. The Company has not entered into any specialized financial arrangements to minimize its currency risk.

OUTSTANDING SHARE DATA

As at the date of this MD&A, there were 223,229,102 common shares issued and outstanding, stock options outstanding to purchase a total of 6,803,800 common shares and outstanding warrants to purchase a total of 411,441 common shares for a total of 230,444,343 common shares outstanding on a fully-diluted basis.

OUTLOOK

The Company will be focused on completion of construction and first gold production in the fourth quarter of this year. The workforce peaked in the third quarter and will begin ramping down in the fourth quarter. The following activities are planned going forward:

- Complete process plant construction.
- Bringing the laboratory into full service.
- Complete the shipment of first fills and consumables.
- Completing the tailing storage facility for initial operations stage.
- Obtaining remaining permits required for operations.
- Commence operations and start producing concentrate and doré with the objective of reaching commercial production in the second quarter of 2020.
- Complete the South Vent Raise and begin operation of the permanent ventilation fans to enable mine production to ramp up
- Complete the main water treatment plant.
- Complete paste plant construction.
- Advance construction of the Zamora River bridge.

Detailed mapping and sampling to develop additional drill targets is ongoing, while the permitting process continues for the more advanced epithermal gold-silver targets.

ADOPTION OF NEW ACCOUNTING STANDARDS

During the 2019 Period, the Company adopted the following new accounting standard:

i. IFRS 16, Leases

IFRS 16 has resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

As the Company does not currently have any leases other than short-term or low value leases, there was no impact by the adoption of this new standard.

CRITICAL ACCOUNTING ESTIMATES

The adoption of certain accounting policies requires the Company to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain. For a complete discussion of accounting estimates deemed most crucial by the Company, refer to the Company's annual 2018 Management's Discussion and Analysis.

RISKS AND UNCERTAINTIES

Natural resources exploration, development and operation involves a number of risks and uncertainties, many of which are beyond the Company's control. These risks and uncertainties include, without limitation, the risks discussed elsewhere in this MD&A and those set out in the Company's Annual Information Form dated March 27, 2019 (the "AIF") which is available on SEDAR at www.sedar.com.

QUALIFIED PERSON

The technical information relating to the Fruta del Norte Project contained in this MD&A has been reviewed and approved by Ron Hochstein P. Eng, Lundin Gold's President & CEO who is a Qualified Person under NI 43-101. The disclosure of exploration information contained in this MD&A was prepared by Stephen Leary, MAusIMM CP(Geo), a consultant to the Company, who is a Qualified Person in accordance with the requirements of NI 43-101.

FINANCIAL INFORMATION

The report for the year ended December 31, 2019 is expected to be published on or about February 20, 2020.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

Management, including the Chief Executive Officer and the Chief Financial Officer, are responsible for the design of the Company's disclosure controls and procedures in order to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

Internal controls over financial reporting

Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required under Multilateral Instrument 52-109, management advises that there have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period, beginning January 1, 2019 and ending September 30, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD LOOKING STATEMENTS

Certain of the information and statements in this MD&A are considered "forward-looking information" or "forward-looking statements" as those terms are defined under Canadian securities laws (collectively referred to as "forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "believes", "anticipates", "expects", "is expected", "scheduled", "estimates", "pending", "intends", "plans", "forecasts", "targets", or "hopes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "will", "should" "might", "will be taken", or "occur" and similar expressions) are not statements of historical fact and may be forward-looking statements.

By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. Lundin Gold believes that the expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. This information speaks only as of the date of this MD&A, and the Company will not necessarily update this information, unless required to do so by securities laws.

This MD&A contains forward-looking information in a number of places, such as in statements pertaining to: the timing of first gold and commercial production and the progress of the development, construction and operation of the Project, improvements to site logistics and completion of site and powerline infrastructure and the acquisition of land and surface rights, the success of the Company's exploration plans and activities, exploration and development expenditures and reclamation costs, timing and success of permitting and regulatory approvals, project financing and future sources of liquidity, capital expenditures and requirements, future tax payments and rates, cash flows and their uses.

Lundin Gold's actual results could differ materially from those anticipated. Management has identified the following risk factors which could have a material impact on the Company or the trading price of its shares: risks associated with the Company's community relationships; risks and hazards inherent in mining and processing; lack of availability of or interference with infrastructure; risks related to Lundin Gold's compliance with increasingly strict environmental laws and liability for environmental contamination; risks related political and economic instability in Ecuador; deficient or vulnerable title to mining concessions and surface rights; risk to shareholders of dilution from future equity financings; failure to maintain its obligations under the gold prepay and stream credit facilities or the Facility and other debt; shortages of critical resources, such as skilled labour and supplies, consumables and equipment; inherent safety hazards and risk to the health and safety of the Company's employees and contractors; volatility in the price of gold; the cost of compliance or failure to comply with applicable laws; the timely receipt of regulatory approvals, permits and licenses; risks associated with the performance of the Company's contractors; the imprecision of Mineral Reserve and Resource estimates; dependence on key personnel; volatility in the market price of the Company's shares; the potential influence of the Company's largest shareholders; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; exploration and development risks; the Company's reliance on one project; risks related to artisanal and illegal mining; the reliance of the Company on its information systems and the risk of cyber-attacks on those systems; the ability to obtain adequate insurance; uncertainty as to reclamation and decommissioning; the uncertainty regarding risks posed by climate change; the ability of Lundin Gold to ensure compliance with anti-bribery and anti-corruption laws; the potential for litigation; and limits of disclosure and internal controls.

There can be no assurance that such statements will prove to be accurate, as Lundin Gold's actual results and future events could differ materially from those anticipated in this forward-looking information as a result of the factors discussed under the heading "Risk Factors" in the AIF available at www.sedar.com.

LUNDIN GOLD INC.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in thousands of U.S. Dollars)

	Note		September 30, 2019		December 31, 2018
ASSETS					
Current assets					
Cash and cash equivalents		$	130,235	$	167,513
VAT recoverable and other current assets	3		36,583		31,485
Advance royalty	6		4,530		-
			171,348		198,998
Non-current assets					
VAT recoverable and other long-term assets	4		43,706		26,877
Property, plant and equipment	5		828,339		480,921
Mineral properties			240,665		240,665
Advance royalty	6		60,470		65,000
		$	1,344,528	$	1,012,461
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	46,762	$	45,812
Non-current liabilities					
Long-term debt	7		772,526		364,252
Reclamation provisions			4,652		4,353
			823,940		414,417
EQUITY					
Share capital	8		897,905		857,279
Equity-settled share-based payment reserve	9		13,942		12,125
Accumulated other comprehensive loss			(77,072)		(35,353)
Deficit			(314,187)		(236,007)
			520,588		598,044
		$	1,344,528	$	1,012,461

Commitments (Note 13)

Approved by the Board of Directors

/s/ Ron F. Hochstein
Ron F. Hochstein

/s/ Ian W. Gibbs
Ian W. Gibbs

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

LUNDIN GOLD INC.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in thousands of U.S. Dollars, except share and per share amounts)

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
EXPENSES					
Exploration		$ 328	$ 792	$ 2,365	$ 4,991
General and administration:					
Corporate social responsibility		262	379	855	1,151
Depreciation		24	27	79	79
Investor relations		88	40	237	191
Municipal taxes		985	589	1,225	802
Office and general		592	637	1,754	2,014
Professional fees		1,120	567	3,700	2,825
Regulatory and transfer agent		59	35	314	205
Salaries and benefits		915	922	4,171	4,152
Stock-based compensation		867	704	2,819	2,031
Training		986	349	3,360	349
Travel		167	200	404	544
Loss before other items		6,393	5,241	21,283	19,334
OTHER ITEMS					
Foreign exchange gain (loss)		258	(5,024)	(2,636)	8,379
Interest income		260	1,115	1,512	2,422
Other income		26	-	2,526	-
Accretion expense		(100)	(1,504)	(299)	(2,821)
Derivative gain (loss)	7	(33,723)	17,924	(58,000)	12,777
Net income (loss) for the period		$ (39,672)	$ 7,270	$ (78,180)	$ 1,423
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified to net income (loss)					
Currency translation adjustment		(710)	5,108	2,877	(8,586)
Items that will not be reclassified to net income (loss)					
Derivative loss related to the Company's own credit risk		(7,187)	(12,096)	(44,596)	(20,102)
Comprehensive income (loss)		$ (47,569)	$ 282	$ (119,899)	$ (27,265)
Income (loss) per common share					
Basic		$ (0.18)	$ 0.03	$ (0.35)	$ 0.01
Diluted		(0.18)	0.03	(0.35)	0.01
Weighted-average number of common shares					
Basic		222,953,642	213,163,980	220,541,990	184,053,148
Diluted		222,953,642	213,707,572	220,541,990	184,646,495

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

LUNDIN GOLD INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Prepared by Management)
(Expressed in thousands of U.S. Dollars, except number of common shares)

	Note	Number of common shares		Share capital		Equity-settled share-based payment reserve		Other reserves		Deficit		Total
Balance, January 1, 2018		119,666,840	$	460,856	$	9,547	$	(11,364)	$	(224,190)	$	234,849
Impact of adopting IFRS 9 on January 1, 2018		-		-		-		(10,251)		10,251		-
Balance, January 1, 2018 (restated)		119,666,840		460,856		9,547		(21,615)		(213,939)		234,849
Proceeds from equity financing, net	8	93,497,140		396,452		-		-		-		396,452
Stock-based compensation	9	-		-		2,031		-		-		2,031
Other comprehensive loss		-		-		-		(28,688)		-		(28,688)
Net loss for the period		-		-		-		-		1,423		1,423
Balance, September 30, 2018		213,163,980	$	857,308	$	11,578	$	(50,303)	$	(212,516)	$	606,067
Balance, January 1, 2019		213,163,980	$	857,279	$	12,125	$	(35,353)	$	(236,007)	$	598,044
Proceeds from equity financing, net	8	8,625,000		33,940		-		-		-		33,940
Consideration for cost overrun facility	7	300,000		1,221		373		-		-		1,594
Exercise of stock options		831,800		3,963		(1,514)		-		-		2,449
Exercise of anti-dilution rights	8, 9	308,322		1,502		139		-		-		1,641
Stock-based compensation	9	-		-		2,819		-		-		2,819
Other comprehensive loss		-		-		-		(41,719)		-		(41,719)
Net loss for the period		-		-		-		-		(78,180)		(78,180)
Balance, September 30, 2019		223,229,102	$	897,905	$	13,942	$	(77,072)	$	(314,187)	$	520,588(

LUNDIN GOLD INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in thousands of U.S. Dollars)

	Nine months ended September 30, 2019	2018
OPERATING ACTIVITIES		
Net income (loss) for the period	$ (78,180)	$ 1,423
Items not affecting cash:		
Stock-based compensation	2,819	2,031
Depreciation	105	88
Derivative loss (gain)	58,000	(12,777)
Unrealized foreign exchange loss (gain)	2,516	(8,363)
Other expense	299	2,754
	(14,441)	(14,844)
Changes in non-cash working capital items:		
VAT recoverable and other current assets	(4,483)	(22,440)
Accounts payable and accrued liabilities	491	(696)
Net cash used for operating activities	(18,433)	(37,980)
FINANCING ACTIVITIES		
Proceeds from long-term debt (Note 7)	301,000	110,000
Transaction costs (Note 7)	(4,991)	(735)
Net proceeds from equity financing (Note 8)	33,940	396,452
Proceeds from exercise of stock options	2,449	-
Proceeds from exercise of anti-dilution rights (Note 8 and 9)	1,641	-
Net cash provided by financing activities	334,039	505,717
INVESTING ACTIVITIES		
Acquisition and development of property, plant and equipment	(320,921)	(193,290)
Change in VAT receivable and other long-term assets	(32,220)	(17,856)
Net cash used for investing activities	(353,141)	(211,146)
Effect of foreign exchange rate differences on cash	257	(10)
Net increase (decrease) in cash and cash equivalents	(37,278)	256,581
Cash and cash equivalents, beginning of period	167,513	35,018
Cash and cash equivalents, end of period	$ 130,235	$ 291,599
Supplemental information		
Interest received	$ 1,512	$ 2,422
Interest paid	(5,340)	-
Change in accounts payable and accrued liabilities related to:		
Acquisition of property, plant and equipment	436	8,210

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

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

1. Nature of operations

Lundin Gold Inc. together with its subsidiaries (collectively referred to as "Lundin Gold" or the "Company") is focused on developing its mining concessions in Ecuador, which includes advancing the Fruta del Norte gold project (the "Fruta del Norte Project") through development to production.

The common shares of the Company are listed for trading on the Toronto Stock Exchange (the "TSX") and Nasdaq Stockholm under the symbol "LUG". The Company was originally incorporated in British Columbia and continued under the Canada Business Corporations Act in 2002.

The Company's head office is located at Suite 2000, 885 W. Georgia Street, Vancouver, BC, and it has a corporate office in Quito, Ecuador.

The Company is developing the Fruta del Norte Project and currently has no sources of revenues. Based on estimated costs, the project is fully financed, first gold is anticipated before the end of 2019 and commercial production in the second quarter of 2020. The Company's continuing operations and the underlying value and recoverability of the amount shown for the mineral interests and property, plant and equipment are dependent upon the ability of the Company to complete the development of the Fruta del Norte Project and on future profitable production.

2. Basis of preparation and consolidation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS and should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended December 31, 2018.

These unaudited condensed consolidated interim financial statements are presented in U.S. dollars.

In preparing these unaudited condensed consolidated interim financial statements, the Company applied the same accounting policies and key sources of estimation uncertainty as those that were applied to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2018.

These financial statements were approved for issue by the Board of Directors on November 8, 2019.

3. VAT recoverable and other current assets

		September 30, 2019		December 31, 2018
VAT recoverable	$	15,433	$	-
Prepaid expenses and deposits		13,163		9,531
Deferred transaction costs		7,170		21,954
Other current assets		817		-
	$	36,583	$	31,485

Deferred transaction costs include upfront and advisory fees incurred to secure the senior debt facility (the "Facility"), the cost overrun facility (the "COF"), and ongoing stand-by fees. These costs are being reclassified to long-term debt on a pro-rata basis upon each draw down of the Facility or the COF.

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

4. VAT recoverable and other long-term assets

	September 30, 2019	December 31, 2018
VAT recoverable	$ 40,305	$ 24,665
Other long-term assets	3,401	2,212
	$ 43,706	$ 26,877

VAT paid in Ecuador by the Company after January 1, 2018 will be refunded or applied as a credit against other taxes payable after the Company begins to generate export sales.

5. Property, plant and equipment

Cost	Construction-in-progress	Land and buildings	Machinery and equipment	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2018	$ 130,572	$ 4,458	$ 6,896	$ 2,967	$ 1,103	$ 145,996
Additions	321,264	-	11,296	8,936	638	342,134
Cumulative translation adjustment	(713)	-	-	-	(7)	(720)
Balance, December 31, 2018	451,123	4,458	18,192	11,903	1,734	487,410
Additions	319,955	257	24,328	7,486	559	352,585
Cumulative translation adjustment	117	-	-	-	2	119
Balance, September 30, 2019	$ 771,195	$ 4,715	$ 42,520	$ 19,389	$ 2,295	$ 840,114

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

5. Property, plant and equipment (continued)

Accumulated depreciation	Construction-in-progress	Land and buildings	Machinery and equipment	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2018	$ -	$ 309	$ 1,889	$ 912	$ 288	$ 3,398
Depreciation and amortization	-	102	1,441	1,247	307	3,097
Cumulative translation adjustment	-	-	-	-	(6)	(6)
Balance, December 31, 2018	-	411	3,330	2,159	589	6,489
Depreciation and amortization	-	77	2,517	2,350	340	5,284
Cumulative translation adjustment	-	-	-	-	2	2
Balance, September 30, 2019	$ -	$ 488	$ 5,847	$ 4,509	$ 931	$ 11,775
Net book value						
As at December 31, 2018	$ 451,123	$ 4,047	$ 14,862	$ 9,744	$ 1,145	$ 480,921
As at September 30, 2019	$ 771,195	$ 4,227	$ 36,673	$ 14,880	$ 1,364	$ 828,339

Included in the additions to construction-in-progress are the following:

	September 30, 2019	December 31, 2018
Depreciation and amortization	$ 5,179	$ 2,974
Capitalized interest and accretion of transaction and derivative costs (Note 7)	26,049	33,371
	$ 31,228	$ 36,345

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

6. Advance royalty

Advance royalty payments totalling $65 million are deductible against future royalties payable to the Government of Ecuador at a rate equal to the lesser of 50% of the actual future royalties payable in a six-month period or 10% of the total advance royalty payment. As the Company expects to begin generating sales in the next twelve months, a portion of the advance royalty payment has been reclassified as current assets.

7. Long-term debt

As at September 30, 2019, the long-term debt consisted of the following:

		September 30, 2019		December 31, 2018
Gold prepay credit facility (a)	$	208,904	$	167,524
Stream loan credit facility (b)		255,448		178,838
Offtake derivative liability (c)		27,398		17,890
Senior debt facility (d)		280,776		-
	$	772,526	$	364,252

The gold prepay and the stream loan credit facilities were fully drawn at September 30, 2019 and December 31, 2018. The gold prepay credit facility (the "Prepay Loan"), stream loan credit facility (the "Stream Loan"), and the offtake derivative liability are accounted for as financial liabilities at fair value through profit or loss and is comprised of the following:

		Gold prepay credit facility		**Stream loan credit facility**		**Offtake derivative liability**		**Total**
Principal	$	150,000	$	150,000	$	-	$	300,000
Interest accrued and capitalized at stated rate of 7.5%		23,285		22,875		-		46,160
Transaction costs		(3,532)		(2,708)		-		(6,240)
Derivative fair value adjustments		39,151		85,281		27,398		151,830
Total	$	208,904	$	255,448	$	27,398	$	491,750

Derivative fair value adjustments reflect the revaluation of the long-term debt at fair value as at September 30, 2019, including a portion of the cost of derivatives which are part of the long-term debt. The derivative loss related to the Company's own credit risk recorded in other comprehensive loss includes the impact of the difference between the Company's own credit risk at the time of entering into the long-term debt and the balance sheet date (see also note 12).

(a) Gold prepay credit facility

The Prepay Loan is a secured loan facility of $150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance.

The Prepay Loan is amortized and repayable over 19 quarters starting December 31, 2020. The quarterly payments are equivalent to the value of 11,500 oz. of gold based on the gold spot price at the time of the payment date. The excess of the quarterly repayments over the principal and interest components, if any, is a variable additional charge (the "Finance Charge"). If the average gold price in the fiscal quarter prior to repayment date is greater than $1,436 or less than $1,062, the repayments are reduced or increased by 15%, respectively. In addition, the Company has an option to defer the initial quarterly instalment for up to four quarters by increasing the gold equivalent deliveries by 1,000 oz. for each deferred quarter.

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

7. Long-term debt (continued)

The Company has elected to measure the Prepay Loan as a financial liability measured at fair value.

(b) Stream loan credit facility

The Stream Loan is a secured loan facility of $150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance.

The Stream Loan is repayable in variable monthly instalments equivalent to the value of 7.75% of gold production less $400 per oz. (the “Gold Base Price”) and 100% of the silver production less $4 per oz. (the “Silver Base Price”) upon the start of commercial production at the Fruta del Norte Project, up to a maximum of 350,000 oz. of gold and six million oz. of silver. The Gold Base Price and Silver Base Price will increase by 1% per annum starting on the third anniversary of the commercial production date. The excess of the monthly repayments over the principal and interest components, if any, will be a Finance Charge.

The monthly gold and silver quantities and associated maximum deliverable ounces are subject to increase by set percentages if commercial production is not achieved by December 31, 2020 until October 1, 2021. In addition, the Company has the option to repay (i) 50% of the remaining Stream Loan on June 30, 2024 for $150 million and / or (ii) the other 50% of the remaining Stream Loan on June 30, 2026 for $225 million.

The Company has elected to measure the Stream Loan as a financial liability measured at fair value.

(c) Offtake commitment

The lenders of the Prepay Loan and Stream Loan have been granted the right to purchase 50% of Fruta del Norte gold production, up to a maximum of 2.5 million oz., at a price determined based on monthly delivery dates and a defined quotational period. This obligation will be satisfied first through the sale of doré and then, if required, financial settlement.

The Company has determined that the Offtake represents a derivative financial liability. Accordingly, the Offtake, which is primarily a function of the gold price option feature, is measured at fair value at each statement of financial position date, with changes in the derivative fair value being recorded in profit or loss.

(d) Senior debt facility (the “Facility”)

		Tranche A		Tranche B		Total
Principal	$	215,000	$	86,000	$	301,000
Transaction costs		(15,016)		(5,208)		(20,224)
Total	$	199,984	$	80,792	$	280,776

The Facility is a senior secured loan of up to $350 million, comprised of two tranches: a $250 million senior commercial facility (“Tranche A”) and a $100 million senior covered facility under a raw material guarantee (“Tranche B”). The annual interest rate is the three or six-month LIBOR plus an average margin of approximately 5.05% for Tranche A and 2.50% for Tranche B. Tranche A and Tranche B are subject to risk mitigation and guarantee fees of 2.00% and 3.15%, respectively. The Facility is repayable in variable quarterly instalments starting at the end of 2020 and maturing in June 2026. As at September 30, 2019, the Company has drawn down $215.0 million and $86.0 million from Tranche A and Tranche B, respectively.

(e) Cost overrun facility (the “COF”)

On March 29, 2019, the Company entered into a $75 million COF with a related party of the Company by virtue of its shareholding in the Company in excess of 20%. The COF is available once the Facility is fully drawn and can only be used to fund a potential cost overrun related to the development of the Fruta del Norte Project.

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

7. Long-term debt (continued)

In accordance with the terms of the COF, the Company issued the related party 300,000 common shares and 300,000 warrants ("Warrants") in lieu of fees. Each Warrant has a term of three years from the date of issue and is exercisable for a common share upon payment of the exercise price of CAD$5.98. The Company is required to issue an additional 300,000 common shares to the related party as a condition precedent to the first utilization of the COF.

8. Share capital

Authorized:

- Unlimited number of common shares without par value
- Unlimited number of preference shares without par value

A continuity summary of the issued and outstanding common shares and the associated dollar amounts is presented below:

	Note	Number of common shares		Share capital
Balance at January 1, 2018		119,666,840	$	460,856
Proceeds from equity financing, net	(a)	93,497,140		396,423
Balance at December 31, 2018		213,163,980		857,279
Proceeds from equity financing, net	(b)	8,625,000		33,940
Consideration for cost overrun facility	7	300,000		1,221
Exercise of stock options		831,800		3,963
Exercise of anti-dilution rights	(c)	308,322		1,502
Balance at September 30, 2019		223,229,102	$	897,905

(a) On March 26, 2018, the Company closed a $400 million private placement financing (the “Private Placement”) which resulted in the issuance of 69,284,065 common shares at a price of CAD$5.50 per share and 24,213,075 common shares at a price of CAD$5.25 per share. Share issue costs of $3.5 million were paid resulting in net proceeds of $396.5 million received by the Company in relation to the Private Placement.

(b) On March 1, 2019, the Company closed a CAD$46.6 million bought deal equity financing (the “Bought Deal”) by issuing 8,625,000 shares, which included the exercise in full of the over-allotment option of an additional 1,125,000 shares, at a price of CAD$5.40 per share. Share issue costs of $1.2 million were paid resulting in net proceeds of $33.9 million received by the Company in relation to the Bought Deal.

(c) During the nine months ended September 30, 2019, the Company issued 308,322 common shares to Newcrest Mining Limited (“Newcrest”) at a weighted average price of CAD$6.49 per share for total proceeds of $1.5 million under its anti-dilution rights granted as part of the Private Placement following the issuance of shares to the COF provider (see note 7) and the exercise of stock options.

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

9. Stock-based compensation and share purchase warrants

(a) Stock-based compensation

The Company has adopted an omnibus incentive plan (the "Plan") approved at the June 3, 2019 annual general and special meeting of shareholders which replaces its rolling stock-based compensation plan. The Plan allows for the reservation of a maximum 8.5% of the common shares issued and outstanding at any given time for issuance under the Plan. Under the Plan, the Company may grant stock options, restricted share units and deferred share units (collectively, the "Awards"). Subject to specific provisions under the Plan, the eligibility, vesting period, term, and number of Awards are granted at the discretion of the Company's board of directors. No Awards have been granted under the Plan as at September 30, 2019.

Stock options granted and outstanding under a pre-existing stock option plan (the "Option Plan") have an expiry date of five years from date of grant and vest over a period of 24 months from date of grant. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option agreement. No additional stock options can be granted under the Option Plan.

Restricted share units entitle the recipient, upon settlement, to receive common shares or, subject to provisions under the Plan, the cash equivalent or a combination thereof.

Deferred share units may only be granted to non-employee directors and are payable after termination of the recipient's service with the Company. Upon settlement, the recipient may receive common shares or, subject to provisions under the Plan, the cash equivalent or a combination thereof.

A continuity summary of the stock options granted and outstanding under the Option Plan is presented below:

	Nine months ended September 30, 2019			Year ended December 31, 2018		
	Number of stock options		Weighted average exercise price (CAD)	Number of stock options		Weighted average exercise price (CAD)
Balance, beginning of period	5,902,900	$	4.59	4,625,500	$	4.44
Granted	1,861,800		5.35	1,277,400		5.13
Cancelled	(38,500)		5.22	-		-
Exercised[1]	(831,800)		3.93	-		-
Balance outstanding, end of period	6,894,400	$	4.87	5,902,900	$	4.59
Balance exercisable, end of period	4,598,540	$	4.67	4,236,980	$	4.38

[1] The weighted average share price on the exercise date for the stock options exercised during the nine months ended September 30, 2019 was CAD$6.39.

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

9. Stock-base compensation and share purchase warrants (continued)

The following table summarizes information concerning outstanding and exercisable options at September 30, 2019:

	Outstanding options			**Exercisable options**		
Range of exercise prices (CAD)	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CAD)	Number of options outstanding	Weighted average remaining contractual life (life)	Weighted average exercise price (CAD)
$ 3.69 to 4.50	2,301,000	0.97	$ 4.06	2,301,000	0.97	$ 4.06
$ 4.51 to 5.94	4,593,400	3.46	5.28	2,297,540	2.81	5.29
	6,894,400	2.63	$ 4.87	4,598,540	1.89	$ 4.67

The fair value based method of accounting was applied to stock options granted to employees, including directors, and non-employees on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	September 30, 2019	December 31, 2018
Risk-free interest rate	1.81%	1.95%
Expected stock price volatility	57.18%	60.87%
Expected life	5 years	5 years
Expected dividend yield	-	-
Weighted-average fair value per option granted (CAD)	$2.69	$2.73

The equity-settled share-based payment reserve includes the fair value of employee options as measured at grant date and amortized over the period during which the employees become unconditionally entitled to the options.

During the nine months ended September 30, 2019, the Company recorded stock-based compensation expense of $2.8 million (2018 – $2.0 million).

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

9. Stock-base compensation and share purchase warrants (continued)

(b) Share Purchase Warrants

A continuity summary of the warrants granted and outstanding is presented below:

	Nine months ended September 30, 2019		Year ended December 31, 2018	
	Number of warrants	Weighted average exercise price (CAD)	Number of warrants	Weighted average exercise price (CAD)
Balance, beginning of period	-	$ -	-	$ -
Consideration for cost overrun facility (Note 7)	300,000	5.98	-	-
Anti-dilution rights exercised by Newcrest	111,441	5.98	-	-
Balance outstanding, end of period	411,441	$ 5.98	-	$ -

i. The Company issued 111,441 warrants to Newcrest at a price of CAD$1.66 per warrant for total proceeds of CAD$0.2 million under its anti-dilution rights granted as part of the Private Placement (see Note 8) following the issuance of Warrants to the COF provider (see Note 7). Each warrant has a term of three years from the date of issue and is exercisable for a common share upon payment of the exercise price of CAD$5.98. The following table summarizes information concerning outstanding warrants at September 30, 2019:

Exercise price (CAD)	Number of warrants outstanding	Remaining contractual life (years)
$ 5.98	411,441	2.50

The fair value based method of accounting was applied to the warrants on date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	September 30, 2019	December 31, 2018
Risk-free interest rate	1.78%	-
Expected stock price volatility	50.63%	-
Expected life	3 years	-
Expected dividend yield	-	-
Weighted-average fair value per warrant granted (CAD)	$1.66	-

The equity-settled share-based payment reserve includes the fair value of warrants as measured at grant date.

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

10. Related party transactions

(a) Related party expenses

During the nine months ended September 30, 2019 and September 30, 2018, the Company incurred the following:

Payee	Nature	Note		September 30, 2019		September 30, 2018
Namdo	Management fees	i	$	223	$	231

i. Namdo Management Services Ltd. ("Namdo"), a company associated with an officer of the Company, provides services and office facilities to the Company pursuant to an agreement.

(b) Key management compensation

Key management includes executive officers and directors of the Company. The compensation paid or payable to key management for employee services is shown below.

		September 30, 2019		September 30, 2018
Salaries, bonuses and benefits	$	3,299	$	3,297
Stock-based compensation		2,010		1,534
	$	5,309	$	4,831

11. Segmented information

Operating segments are components of an entity that engage in business activities from which they incur expenses and whose operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. The Chief Executive Officer is responsible for allocating resources and reviewing operating results of each operating segment on a periodic basis.

The Company's primary business activity is the advancement of the Fruta del Norte Project in Ecuador. Materially all of the Company's non-current assets and non-current liabilities relate to the Fruta del Norte Project. In addition, the Company conducts exploration activities and maintains a number of concessions in Ecuador outside of the Fruta del Norte Project. Materially all of the Company's administrative costs are incurred by the Canadian parent.

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

11. Segmented information (continued)

The following are summaries of the Company's current and non-current assets, current and non-current liabilities, and net losses by segment:

	Fruta del Norte Project	Other concessions	Corporate and other	Total
As at September 30, 2019				
Current assets	$ 117,166	$ 555	$ 53,627	$ 171,348
Non-current assets	1,173,180	-	-	1,173,180
Total assets	1,290,346	555	53,627	1,344,528
Current liabilities	45,660	413	689	46,762
Non-current liabilities	777,178	-	-	777,178
Total liabilities	822,838	413	689	823,940
For the three months ended September 30, 2019				
Capital expenditures	109,996	-	-	109,996
Exploration expenditures	-	328	-	328
General and administration and other items	37,031	(3)	2,316	39,344
Net loss for the period	37,031	325	2,316	39,672
For the nine months ended September 30, 2019				
Capital expenditures	352,585	-	-	352,585
Exploration expenditures	-	2,365	-	2,365
General and administration and other items	67,259	30	8,526	75,815
Net loss for the period	67,259	2,395	8,526	78,180

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

11. Segmented information (continued)

	Fruta del Norte Project	Other concessions	Corporate and other	Total
As at September 30, 2018				
Current assets	$ 47,900	$ 393	$ 270,540	$ 318,833
Non-current assets	688,292	162	-	688,454
Total assets	736,192	555	270,540	1,007,287
Current liabilities	28,003	134	298	28,435
Non-current liabilities	372,785	-	-	372,785
Total liabilities	400,788	134	298	401,220
For the three months ended September 30, 2018				
Capital expenditures	84,765	-	-	84,765
Exploration expenditures	-	792	-	792
General and administration and other items	(10,796)	(8)	2,742	(8,062)
Net loss (income) for the period	(10,796)	784	2,742	(7,270)
For the nine months ended September 30, 2018				
Capital expenditures	228,293	-	-	228,293
Exploration expenditures	-	4,991	-	4,991
General and administration and other items	(9,825)	4	3,407	(6,414)
Net loss (income) for the period	(9,825)	4,995	3,407	(1,423)

12. Financial instruments

The Company's financial instruments consist of cash, cash equivalents and receivables, which are categorized as financial assets at amortized cost, and accounts payable and accrued liabilities, which are categorized as financial liabilities at amortized cost. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. In addition, the Gold Prepay Loan; Stream Loan; and offtake commitment have been classified as financial liabilities measured at fair value and the senior debt facility as a financial liability at amortized cost.

(a) Fair value measurements and hierarchy

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lower priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

12. Financial instruments (continued)

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

(b) Fair value measurements using significant unobservable inputs (Level 3)

The following table sets forth the Company's financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy for the nine months ended September 30, 2019. Each of these financial instruments are classified as Level 3 as their valuation includes significant unobservable inputs.

	Gold prepay credit facility	Stream loan credit facility	Offtake derivative liability	Total
Balance, December 31, 2018	$ 167,524	$ 178,838	$ 17,890	$ 364,252
Interest accrued and capitalized at stated rate of 7.5%	8,531	8,531	-	17,062
Accretion of transaction costs	461	133	-	594
Derivative fair value adjustments recognized in:				
Property, plant and equipment	3,338	3,908	-	7,246
Derivative loss (gain)	14,942	33,550	9,508	58,000
Other comprehensive loss	14,108	30,488	-	44,596
Balance, September 30, 2019	$ 208,904	$ 255,448	$ 27,398	$ 491,750

(c) Valuation inputs and relationships to fair value

The financial liabilities above were valued using Monte Carlo simulation valuation models. The key inputs used by the Monte Carlo simulation include: the gold forward curve based on Comex futures, gold volatility, risk-free rate of return, risk-adjusted discount rate, and production expectations. In addition, in valuing the Stream Loan, the silver forward curve based on Comex futures, silver volatility, and the gold/silver correlation were used.

As the expected volatility and risk-adjusted discount rate are not observable inputs, the financial liabilities above are classified within Level 3 of the fair value hierarchy. The following table summarizes the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements.

	Fair value at September 30, 2019	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Long-term debt	$ 491,750	Expected volatility	14% to 28%	An increase or decrease in expected volatility of 5% would increase or decrease fair value by $5.6 million or $7.5 million, respectively
		Risk-adjusted discount rate	6% to 9%	An increase or decrease in risk-adjusted discount rate of 1% would decrease or increase fair value by $22.4 million or $23.8 million, respectively

(Expressed in U.S. Dollars unless otherwise noted. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

12. Financial instruments (continued)

(d) Valuation processes

The valuation of financial instruments classified as Level 3 of the fair value hierarchy was carried by an independent third party under the direct oversight of the vice president, finance ("VP Finance") of the Company. Discussions of valuation processes and results are held between the VP Finance, the Chief Financial Officer, and the Audit Committee at least once every three months, in line with the Company's quarterly reporting periods.

13. Commitments

Significant capital expenditures contracted as at September 30, 2019 but not recognized as liabilities are as follows:

		Development Costs
12 months ending September 30, 2020	$	79,448
October 1, 2020 onward		-
Total	$	79,448

Corporate Information

BOARD OF DIRECTORS

Lukas H. Lundin, Chairman
Geneva, Switzerland
Tamara Brown
Toronto, Canada
Carmel Daniele
London, United Kingdom
Ian Gibbs
Vancouver, Canada
Chantal Gosselin
Toronto, Canada
Ashley Heppenstall
London, United Kingdom
Ron F. Hochstein
Vancouver, Canada
Craig Jones
Brisbane, Australia
Paul McRae
Algarve, Portugal
Istvan Zollei
New York City, United States

OFFICERS

Ron F. Hochstein
President & Chief Executive Officer
Alessandro Bitelli
Executive Vice President &
Chief Financial Officer
Sheila Colman
Vice President, Legal
& Corporate Secretary
David Dicaire
Vice President, Projects
Nathan Monash
Vice President, Business
Sustainability
Iliana Rodriguez
Vice President, Human Resources
Chester See
Vice President, Finance

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CORPORATE HEAD OFFICE

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COMMUNITY OFFICE

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Ecuador

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The Toronto Stock Exchange
Trading Symbol: LUG
Nasdaq Stockholm
Trading Symbol: LUG

SHARE REGISTRAR AND TRANSFER AGENT

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ADDITIONAL INFORMATION

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