LUNDIN GOLD

Building a New Leading Gold Company

Q1 2016

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 months ended March 31, 2016 with those of the same period from the previous year.

This MD&A is dated as of May 14, 2016 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes thereto for the three months ended March 31, 2016, 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, 2015. References to the "2016 Period" and "2015 Period" relate to the three months ended March 31, 2016 and March 31, 2015, 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.

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: completion of the feasibility study for the Fruta del Norte Project, exploration and development expenditures and reclamation costs, the negotiation and signing of the investment protection agreement and signing of the exploitation agreement with the government, exploration plans, timing and success of permitting and regulatory approvals, future sources of liquidity, capital expenditures and requirements, expectations of market prices and costs, development, construction and operation of the Fruta del Norte Project, future tax payments and rates, cash flows and their uses and estimates of Mineral Resources.

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: the ability to arrange financing, the timely receipt of regulatory approvals, permits and licenses, risks related to carrying on business in an emerging market such as possible government instability and civil turmoil and economic instability, measures required to protect endangered species, deficient or vulnerable title to mining concessions and surface rights; the potential for litigation; volatility in the market price of the Company's shares; the risk to shareholders of dilution from future equity financings; the cost of compliance or failure to comply with applicable laws; difficulty complying with changing government regulations and policies, including without limitation, compliance with environment, health and safety regulations; illegal mining; uncertainty as to reclamation and decommissioning liabilities, unreliable infrastructure and local opposition to mining; the accuracy of the Mineral Resource estimates for the Fruta del Norte Project and the Company's reliance on one project; volatility in the price of gold; shortages of resources, such as labour, and the dependence on key personnel; the Company's lack of operating history in Ecuador and negative cash flow; the inadequacy of insurance; potential conflicts of interest for the Company's directors who are engaged in similar businesses; limitations of disclosure and internal controls; and the potential influence of the Company's largest shareholders.

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 Lundin Gold's Annual Information Form dated March 14, 2016 (the "AIF") available at www.sedar.com.

HIGHLIGHTS AND ACTIVITIES

- On January 14, 2016, the Company announced the completion of negotiations of the definitive form of the exploitation agreement (the "Definitive EA") for the Fruta del Norte Project with the Government of Ecuador. Once signed, the Definitive EA, combined with existing laws and regulations, establishes the fiscal terms and conditions for the development of the Fruta del Norte Project.

- The feasibility study activities continued during the first quarter of 2016 with anticipated release of the feasibility study results in the second quarter of 2016.

- Progress continued on the environmental aspects of the Fruta del Norte Project. An amendment to the mine Environmental Impact Assessment ("EIA") to include the anticipated plant and infrastructure was submitted to the Ministry of Environment in April. The next step is a public participation process, which is anticipated to take approximately sixty days, after which the final EIA may be submitted. The EIA process remains on schedule along with other permits required for development and exploration.

- The Company continued exploration activities on some of its higher priority concessions near the Fruta del Norte Project. During the first quarter, field programs were carried out including soil geochemical surveys, detailed mapping and prospecting. These programs have helped to optimize existing high priority drilling targets and define new areas of interest. A 10,500 metre drilling program focussed on the high priority targets began on April 26, 2016.

- The Company hired Mr. David Dicaire as Project Director in April 2016 to further strengthen the management team. David has over 35 years of experience in the mining, engineering and construction industry on a variety of global projects leading both the Owners and EPCM teams.

ABOUT LUNDIN GOLD

Lundin Gold is a Canadian mining company with its head office in Vancouver, British Columbia and a corporate office in Quito, Ecuador. The Company owns the Fruta del Norte Project located in Southeast Ecuador.

Lundin Gold was incorporated in British Columbia and then continued under the *Canada Business Corporations Act*. It is a reporting issuer in the Provinces of Alberta, British Columbia and Ontario. Lundin Gold's common shares are listed for trading on the TSX and Nasdaq Stockholm under the trading symbol "LUG".

In December 2014, the Company acquired the Fruta del Norte Project along with surrounding exploration concessions located in Southeast Ecuador. The Fruta del Norte Project is one of the largest and highest grade undeveloped gold projects in the world. The Company is advancing the Fruta del Norte Project in order to realize the significant potential of this asset and is currently working on the Fruta del Norte Project feasibility study, scheduled to be completed in the second quarter of 2016.

The Company believes that the value created will not only greatly benefit shareholders, but also the Government and people of Ecuador who are the Company's most important stakeholders in this project. Lundin Gold views its commitment to corporate social responsibility as a strategic advantage that enables it both to access and effectively manage business opportunities in increasingly complex environments. Lundin Gold is committed to addressing the challenge of sustainability - delivering value to its shareholders, while simultaneously providing economic and social benefits to impacted communities and minimizing its environmental footprint.

THE FRUTA DEL NORTE PROJECT

Lundin Gold's property in Southeast Ecuador consists of 33 mining concessions covering an area of approximately 75,000 hectares. From this, the Fruta del Norte ("FDN") Project is comprised of three concessions and covers an area of approximately 4,900 hectares, located approximately 80 kilometres east of the City of Loja, which is the fourth largest city in Ecuador.

In October 2014, a Mineral Resource estimate was completed for the FDN Project by RPA Inc. (the "FDN Report"), which was retained by the Company to independently review and audit the Mineral Resources in accordance with the requirements of National Instrument 43-101 - *Standards of Disclosure for Mineral Projects ("*NI 43-101"). The FDN Report used a cut-off grade of 3.4 g/t Au and estimates an:

- Indicated Mineral Resource of 23.5 million tonnes at an average grade of 9.59 g/t Au and 12.9 g/t Ag for a total of 7.26 million ounces of gold and 9.73 million ounces of silver; and,

- Inferred Mineral Resource of 14.5 million tonnes at an average grade of 5.46 g/t Au and 2.55 g/t Ag containing 2.55 million ounces of gold and 5.27 million ounces of silver.

A 1% net revenue royalty is payable on production from the La Zarza concession to a third party. There are no other third party royalties, back-in rights, payments, or other encumbrances affecting the FDN Project.

The historical work carried out by prior owners, including Aurelian Resources Inc. and Kinross Gold Corporation, from its discovery in 2006 to 2014, has enabled Lundin Gold to proceed towards feasibility and ultimately a production decision.

In addition to the current Mineral Resource estimates, the Company believes that there is significant exploration potential at the FDN Project and on the greater than 70,000 ha owned by the Company.

Activities in the First Quarter of 2016

<u>Feasibility Study and Environment</u>

Progress on all feasibility study technical activities continued during the first quarter. Mine engineering and the optimization of the production schedule were completed. Several engineering activities for on-site and off-site infrastructure and water management were largely completed. In addition, the metallurgical testwork which was completed during the fourth quarter of 2015 confirmed the Gravity Float Leach (GFL) flowsheet for the FDN Project. As a result, the feasibility study is scheduled to be completed in the second quarter of 2016.

Progress continued on the environmental approval process for the FDN Project. An amendment to the mine EIA to include the anticipated plant and infrastructure was submitted to the Ministry of Environment in April. The next step is a public participation process, which is anticipated to take approximately sixty days, after which the final EIA may be submitted. The EIA process remains on schedule along with other permits required for development and exploration.

<u>Exploration</u>

The Company continued exploration activities on some of its higher priority concessions near the FDN Project. During the quarter, field programs were carried out including soil geochemical surveys, detailed mapping and prospecting. These programs have helped to optimize existing high priority drilling targets and identify new areas of interest. Trenching and channel sampling were also initiated on key outcrops of priority targets. Grab samples from the prospecting work done on the Robles target returned values up to 86 g/t Au in outcrop, approximately 20 kilometres to the south of FDN. Highest values from these samples were associated with fracture-filling silica-marcasite and silica veinlets. Channel samples over the same outcrops returned values up 6.5 g/t Au over 7 metres, including 11.8 g/t Au over 3 metres. A 26 hole, 10,500 metre drill program was started on April 26, 2016.

(Expressed in U.S. Dollars, unless otherwise noted)

Exploitation Agreement

On January 14, 2016, the Company completed negotiations of the Definitive EA with the Government of Ecuador. The signing of the exploitation agreement is anticipated to occur within the required six months of approval of the election to change the FDN Project's status from the economic evaluation phase to the exploitation phase (the "Phase Change Application") by the Government of Ecuador. The Company must submit the Phase Change Application by June 17, 2016.

Key contract terms established by the signing of the Definitive EA are outlined in the Company's MD&A for the fiscal year ended December 31, 2015.

Investment Protection Agreement

During the first quarter, discussions began regarding the Investment Protection Agreement with the Coordinating Ministry of Production, Employment and Competitiveness ("MCPEC") of the Government of Ecuador. This agreement is expected to provide additional tax stability and security to the FDN Project, which will aid in the financing of the project. The Company expects to formalize the terms of the Investment Protection Agreement by the end of the second quarter of 2016.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

	2016 Q1	2015 Q4	2015 Q3	2015 Q2
Operating expenses	$ (14,501,410)	$ (13,250,753)	$ (13,684,595)	$ (15,423,500)
Other income	(208,121)	489,812	2,081,708	(474,455)
Net loss for the period	(14,709,531)	(12,760,941)	(11,602,887)	(15,897,955)
Basic and diluted loss per share	$ (0.15)	$ (0.13)	$ (0.11)	$ (0.16)
Weighted-average number of common shares outstanding	101,260,268	101,260,268	101,239,398	101,201,982
Total assets	$ 253,616,770	$ 267,399,530	$ 277,941,185	$ 294,612,037
Working capital	$ 2,922,308	$ 16,314,025	$ 28,324,350	$ 42,476,614

	2015 Q1	2014 Q4	2014 Q3	2014 Q2
Operating expenses	$ (8,265,497)	$ (1,843,500)	$ (1,013,367)	$ (1,151,234)
Other income	3,203,418	4,286,581	195,158	25,863
Net loss for the period	(5,062,079)	2,443,081	(818,209)	(1,125,371)
Basic and diluted loss per share	$ (0.05)	$ 0.09	$ (0.06)	$ (0.08)
Weighted-average number of common shares outstanding	101,176,268	27,971,149	14,831,758	14,831,758
Total assets	$ 304,792,017	$ 318,032,944	$ 18,179,145	$ 19,865,087
Working capital	$ 56,317,859	$ 65,977,308	$ 17,707,223	$ 19,163,144

The Company historically has only operated in the evaluation and exploration phase and therefore, has never generated production revenue. The only income generated by the Company is interest income on its cash deposits.

The current quarter's net loss is higher compared to the first quarter of 2015 as a result of project evaluation expenditures of $11.6 million incurred on the feasibility study and at the FDN Project. Project evaluation expenditures are $6.5 million higher compared to the same period in 2015 because activities relating to the feasibility study increased significantly in the first quarter of 2016. The Company also incurred general and administrative expenditures of $2.6 million, which includes $0.8 million in professional fees in connection with the negotiations with the Government of Ecuador and financing initiatives. Exploration expenditures of $0.3 million were also incurred during the first quarter of 2016 as the Company increased exploration activities on its higher priority concessions near the FDN Project.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2016, the Company had cash of $7.8 million and a working capital surplus of $2.9 million compared to cash of $21.4 million and a working capital surplus of $16.3 million at December 31, 2015. The decrease in cash of $13.6 million was primarily due to $11.6 million of project evaluation expenditures relating to the feasibility study.

Any potential development activities at the FDN Project or other concessions require substantial additional capital. As the Company does not have any sources of revenue, the Company expects to pursue various financing transactions or arrangements, including equity financing, debt financing, stream financing, joint venturing or other means. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Lundin Gold. Moreover, Lundin Gold may not be successful in locating suitable financing when required or at all. A failure to raise capital when needed would have a material adverse effect on Lundin Gold's business, financial condition and results of operations.

TRANSACTIONS WITH RELATED PARTIES

During the 2016 Period, the Company paid $77,192 (2015 - $62,842) 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 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. In addition, during the 2016 period, the Company paid $23,826 to Bofill Mir & Alvarez Jana Abogados ("BMAJ"), a law firm of which a director of the Company is a partner. BMAJ assisted the Company with the negotiations of the Definitive EA and the Investment Protection Agreement with the Government of Ecuador.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, cash equivalents and receivables, which are categorized as loans and receivables, and accounts payable and accrued liabilities, which are categorized as amortized cost. The fair value of these financial instruments other than cash, approximates their carrying values due to the short-term nature of these instruments.

The Company's financial instruments are exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate and liquidity risk.

Currency risk

The Company's parent is Canadian and its capital is 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 a large Canadian financial institution with a high investment grade rating. The Company does not have any asset-backed commercial paper. The Company's receivables are made up of interest recoverable from large Canadian financial institutions.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company holds no interest bearing financial obligations or assets.

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 which monitors 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.

OFF-BALANCE SHEET ARRANGEMENTS

During the 2016 Period and the year ended December 31, 2015 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 101,260,268 common shares issued and outstanding and stock options outstanding to purchase a total of 3,834,500 common shares for a total of 105,094,768 common shares outstanding on a fully-diluted basis.

OUTLOOK

The Company is on the verge of finalizing and issuing the results of the feasibility study in the second quarter of 2016. In addition, the Company expects to submit the final EIA to the Ministry of the Environment in the third quarter following the public participation process and anticipates obtaining the approval of the EIA in the third quarter of 2016 and receipt of the Environmental License shortly thereafter. A production decision by the Company is anticipated by late 2016 or early 2017.

By June 17, 2016, the Company must submit the Phase Change Application. The Government of Ecuador then has up to sixty (60) days to approve the Phase Change Application. Once the Phase Change Application is approved, the Company has up to six months to execute the exploitation agreement with the Government of Ecuador.

During 2016, the Company intends to work with its financial advisors and legal advisors to evaluate and put in place the financing for the construction of the FDN Project. The Company intends to have its financing in place coincident with its production decision.

The Company may also undertake certain early works activities in order to optimize certain aspects of the project and carry out field activities to facilitate a construction start in the second quarter of 2017.

An exploration drilling campaign has begun to test high priority concessions near the FDN Project. The staged 10,500 metre campaign will drill five high priority targets outside of the La Zarza Concession which hosts the FDN deposit. The Company may also undertake an exploration geophysical program (IP) during the fourth quarter of 2016, which will target new areas of interest identified from the completed geochemical survey.

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 2015 Management's Discussion and Analysis.

RISKS AND UNCERTAINTIES

Acquisition, exploration and development of mineral properties involves a high degree of financial risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of an ore body may result in substantial rewards, few exploration properties are ultimately developed into producing mines. Major expenditures may be required to establish reserves by drilling, constructing mining and process facilities at a site, developing metallurgical processes and extracting base and precious metals from ore.

The risk factors which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set out in the AIF which is available on SEDAR at www.sedar.com.

QUALIFIED PERSON

The technical information relating to the FDN Project contained in this MD&A has been reviewed and approved by Anthony George P. Eng, a mining engineer and Lundin Gold's Vice-President Project Development, and Nicholas Teasdale, MAusIMM CP(Geo), Lundin Gold's Vice-President Exploration, both of whom are Qualified Persons under NI 43-101.

FINANCIAL INFORMATION

The report for the three and six months ended June 30, 2016 is expected to be published on August 10, 2016.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

Disclosure controls and procedures are designed 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 and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of December 31, 2015, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. 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.

The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of December 31, 2015, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

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, 2016 and ending March 31, 2016, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OTHER INFORMATION

Additional information regarding the Company is included in the Company's AIF which is filed with the Canadian securities regulators. A copy of the AIF can be obtained under the Company's profile on SEDAR or on the Company's website at www.lundingold.com.

LUNDIN GOLD INC.

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

	Note		March 31, 2016		December 31, 2015
ASSETS					
Current assets					
Cash	3	$	7,809,280	$	21,360,228
Other current assets			628,835		608,297
			8,438,115		21,968,525
Non-current assets					
Property, plant and equipment	4		8,304,852		8,557,202
Mineral properties			236,873,803		236,873,803
		$	253,616,770	$	267,399,530
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	5	$	5,515,807	$	5,654,500
Non-current liabilities					
Reclamation provisions			893,403		866,593
			6,409,210		6,521,093
EQUITY					
Share capital	6		386,675,284		386,675,284
Equity-settled share-based payment reserve	7		5,678,781		5,012,391
Foreign currency translation reserve			(10,200,435)		(10,572,699)
Deficit			(134,946,070)		(120,236,539)
			247,207,560		260,878,437
		$	253,616,770	$	267,399,530

Nature of operations and liquidity (Note 1)
Contingencies (Note 12)

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 Loss and Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars)

	Note	Three months ended March 31, 2016	2015
EXPENSES			
Project evaluation	8	$ 11,565,147	$ 5,087,219
Exploration		314,279	-
General and administration:			
Depreciation		5,653	5,955
Investor relations		99,666	287,363
Office and general		416,567	920,685
Professional fees		800,845	313,985
Regulatory and transfer agent		100,808	105,770
Salaries and benefits		536,088	841,003
Stock-based compensation	7	517,844	507,057
Travel		144,513	196,460
Loss before other items		14,501,410	8,265,497
OTHER ITEMS			
Loss (gain) on foreign exchange		288,093	(3,163,766)
Interest and other income		(79,972)	(39,652)
Net loss for the period		$ 14,709,531	$ 5,062,079
OTHER COMPREHENSIVE LOSS			
Items that may be subsequently reclassified to net loss			
Currency translation adjustment		(372,264)	5,396,411
Comprehensive loss for the period		$ 14,337,267	$ 10,458,490
Basic and diluted loss per common share		$ 0.15	$ 0.05
Weighted-average number of common shares		101,260,268	101,176,268

LUNDIN GOLD INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars)

	Note	Number of common shares		Share capital		Equity-settled share-based payment reserve		Foreign currency translation reserve		Deficit		Total
Balance January 1, 2015		101,176,268	$	386,315,842	$	3,006,381	$	(2,839,998)	$	(74,912,677)	$	311,569,548
Stock-based compensation	7	-		-		507,057		-		-		507,057
Currency translation adjustment		-		-		-		(5,396,411)		-		(5,396,411)
Net loss for the period		-		-		-		-		(5,062,079)		(5,062,079)
Balance March 31, 2015		101,176,268	$	386,315,842	$	3,513,438	$	(8,236,409)	$	(79,974,756)	$	301,618,115
Balance, January 1, 2016		101,260,268	$	386,675,284	$	5,012,391	$	(10,572,699)	$	(120,236,539)	$	260,878,437
Stock-based compensation	7	-		-		666,390		-		-		666,390
Currency translation adjustment		-		-		-		372,264		-		372,264
Net loss for the period		-		-		-		-		(14,709,531)		(14,709,531)
Balance March 31, 2016		101,260,268	$	386,675,284	$	5,678,781	$	(10,200,435)	$	(134,946,070)	$	247,207,560

LUNDIN GOLD INC.

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

	Three months ended March 31, 2016	2015
OPERATING ACTIVITIES		
Net loss for the period	$ (14,709,531)	$ (5,062,079)
Items not affecting cash:		
Stock-based compensation	666,390	507,057
Depreciation and accretion	285,012	278,865
Foreign exchange loss (gain)	285,687	(3,247,678)
	(13,472,442)	(7,523,835)
Changes in non-cash working capital items:		
Other current assets	(12,688)	(149,281)
Accounts payable and accrued liabilities	(159,692)	802,174
Net cash used for operating activities	(13,644,822)	(6,870,942)
FINANCING ACTIVITIES		
Changes in non-cash working capital items:		
Proceeds from private placement, net	-	(239,656)
Net cash provided by financing activities	-	(239,656)
INVESTING ACTIVITIES		
Changes in non-cash working capital items:		
Acquisition of Aurelian Resources Inc., net of cash acquired	-	(3,548,816)
Acquisition of property, plant and equipment	(3,015)	(55,672)
Net cash used for investing activities	(3,015)	(3,604,488)
Effect of foreign exchange rate differences on cash	96,889	(2,373,694)
Net decrease in cash	(13,550,948)	(13,088,780)
Cash, beginning of period	21,360,228	70,919,477
Cash, end of period	$ 7,809,280	$ 57,830,697
Supplemental information		
Interest received	$ 79,972	$ 57,313
Changes in accounts payable and accrued liabilities related to:		
Proceeds from private placement, net	-	(239,656)
Acquisition of Aurelian Resources Inc.	-	(3,548,816)
Acquisition of property, plant and equipment	-	(55,672)

1. Nature of operations and liquidity

Lundin Gold Inc. together with its subsidiaries (collectively referred to as "Lundin Gold" or the "Company") is focused on advancing the Fruta del Norte gold project in Ecuador through feasibility to a production decision.

The Company is in the process of completing a feasibility study for the Fruta del Norte Project and has not yet determined whether it contains economically recoverable mineral reserves. The Company's continuing operations and the underlying value and recoverability of the amount shown for the mineral interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the development of the Fruta del Norte Project, obtaining the necessary permits to mine, and on future profitable production or from the proceeds from the disposition of the Fruta del Norte Project.

Any potential development activities at the Fruta del Norte Project require substantial additional capital. As the Company does not have any sources of revenue, the Company expects to pursue various financing transactions or arrangements, including equity financing, debt financing, stream financing, joint venturing or other means. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Lundin Gold. Moreover, Lundin Gold may not be successful in locating suitable financing when required or at all. A failure to raise capital when needed would have a material adverse effect on Lundin Gold's business, financial condition and results of operations.

The common shares of the Company are listed for trading on the Toronto Stock Exchange (the "TSX") and Nasdaq Stockholm under the symbol "LUG". Prior to this, the Company's common shares traded on the NEX Board of the TSX Venture Exchange under the symbol "FST.H". 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.

2. Basis of preparation and consolidation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 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, 2015.

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, 2015.

These unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

These financial statements were approved for issue by the Board of Directors on May 14, 2016.

(Expressed in U.S. Dollars, unless otherwise noted)

3. Cash and cash equivalents

The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

Currency		March 31, 2016		December 31, 2015
Canadian dollars	$	1,422,482	$	3,110,456
U.S. dollars		6,386,798		18,249,772
	$	7,809,280	$	21,360,228

4. Property, plant and equipment

Cost		**Land and buildings**		**Machinery and equipment**		**Vehicles**		**Furniture and office equipment**		**Total**
Balance, January 1, 2015	$	4,442,000	$	4,094,000	$	741,000	$	263,258	$	9,540,258
Additions		-		17,748		-		92,480		110,228
Cumulative translation adjustment		-		-		-		(19,410)		(19,410)
Balance, December 31, 2015		4,442,000		4,111,748		741,000		336,328		9,631,076
Additions		-		-		-		3,015		3,015
Cumulative translation adjustment		-		-		-		4,566		4,566
Balance, March 31, 2016	$	4,442,000	$	4,111,748	$	741,000	$	343,909	$	9,638,657
Accumulated depreciation										
Balance, January 1, 2015	$	3,037	$	18,318	$	5,170	$	2,209	$	28,734
Depletion, amortization and accretion for the year		102,300		584,831		280,365		79,406		1,046,902
Cumulative translation adjustment		-		-		-		(1,762)		(1,762)
Balance, December 31, 2015		105,337		603,149		285,535		79,853		1,073,874
Depletion, amortization and accretion for the period		25,575		146,392		63,011		23,223		258,201
Cumulative translation adjustment		-		-		-		1,730		1,730
Balance, March 31, 2016	$	130,912	$	749,541	$	348,546	$	104,806	$	1,333,805
Net book value										
As at December 31, 2015	$	4,336,663	$	3,508,599	$	455,465	$	256,475	$	8,557,202
As at March 31, 2016	$	4,311,088	$	3,362,207	$	392,454	$	239,103	$	8,304,852

(Expressed in U.S. Dollars, unless otherwise noted)

5. Accounts payable and accrued liabilities

		March 31, 2016		December 31, 2015
Accounts payable	$	2,209,188	$	2,535,241
Accrued liabilities		3,306,619		3,119,259
	$	5,515,807	$	5,654,500

6. 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:

	Number of common shares		Share capital
Balance at January 1, 2015	101,176,268	$	386,315,842
Share options exercised	84,000		260,082
Share options exercised - fair value adjustment	-		99,360
Balance at December 31, 2015 and March 31, 2016	101,260,268	$	386,675,284

7. Stock options

The Company has a rolling stock-based compensation plan (the "Plan") allowing for the reservation of a maximum 10% of the common shares issued and outstanding at any given time for issuance under the Plan. Under the Plan, all stock options are granted at the discretion of the Company's board of directors. The term of any option granted may not exceed ten years and the exercise price may not be less than the market price of the Company's common shares at the time of grant.

Current outstanding options have an expiry date of five years and vest over a period of 24 months.

(Expressed in U.S. Dollars, unless otherwise noted)

7. Stock options (continued)

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

	Three months ended March 31, 2016			Year ended December 31, 2015		
	Number of common shares		Weighted exercise price (CAD)	Number of common shares		Weighted exercise price (CAD)
Balance, beginning of period	2,122,500	$	3.91	757,000	$	3.81
Granted	1,712,000		4.13	1,880,500		3.95
Cancelled / Expired	-		-	(431,000)		3.89
Exercised[(1)]	-		-	(84,000)		3.94
Balance outstanding, end of period	3,834,500	$	4.01	2,122,500	$	3.91
Balance exercisable, end of period	1,233,750	$	3.89	808,500	$	3.83

[(1)] The weighted average share price on the exercise date for the stock options exercised during the year ended December 31, 2015 was CAD$3.92.

The following table summarizes information concerning outstanding and exercisable options at March 31, 2016:

	Exercise price (CAD)	Options outstanding	Options exercisable	Weighted average remaining contractual life (years) Options outstanding	Weighted average remaining contractual life (years) Options exercisable
$	3.69	95,000	19,000	4.03	4.03
$	3.75	610,000	506,000	3.36	3.20
$	3.90	115,000	57,500	3.98	3.98
$	4.00	1,302,500	651,250	3.90	3.90
$	4.13	1,712,000	-	4.90	-
		3,834,500	1,233,750		

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:

	2016	2015
Risk-free interest rate	0.51%	0.60%
Expected stock price volatility	60.59%	64.83%
Expected life	5 years	5 years
Expected dividend yield	-	-
Weighted-average fair value per option granted (CAD)	$2.10	$2.10

The equity-settled share-based payment reserve comprises 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 three months ended March 31, 2016, the Company recorded stock-based compensation expense of $666,390 (2015 – $507,057) of which $517,844 has been allocated to general and administration expenses; $94,511 to project evaluation expenses; and $54,035 to exploration expenses.

(Expressed in U.S. Dollars, unless otherwise noted)

8. Project evaluation

	Three months ended March 31, 2016	Three months ended March 31, 2015
Camp costs	$ 643,261	$ 393,527
Conceptual studies	5,603,315	1,817,956
Depreciation and accretion expense	279,359	272,910
Drilling and other operating expenses	41,747	362,230
Environmental costs	960,629	208,133
Office and general	1,190,615	252,864
Salaries and benefits	1,074,885	381,262
Property taxes	1,771,336	1,398,337
	$ 11,565,147	$ 5,087,219

9. Related party transactions

(a) Related party expenses

During the three months ended March 31, 2016 and March 31, 2015, the Company incurred the following:

Payee	Nature	Note	March 31, 2016	March 31 2015
Namdo	Management fees	i	$ 77,192	$ 62,842
BMAJ	Legal fees	ii	23,826	-

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.

ii. Bofill Mir & Alvarez Jana Abogados (“BMAJ”), a law firm of which a director of the Company is a partner, assisted the Company with negotiations of the exploitation agreement with the Government of Ecuador.

(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.

	March 31, 2016	March 31, 2015
Salaries and benefits	$ 417,112	$ 471,902
Stock-based compensation	580,610	423,398
	$ 997,722	$ 895,300

(Expressed in U.S. Dollars, unless otherwise noted)

10. Segmented information

The Company's primary business activity is the advancement of the Fruta del Norte gold project in Ecuador through feasibility to a production decision. During the three months ended March 31, 2016 and March 31, 2015, all project evaluation expenses were incurred in Ecuador. The geographic distribution of non-current assets is as follows:

	March 31, 2016		December 31, 2015	
	Equipment, net	**Mineral properties**	**Equipment, net**	**Mineral properties**
Canada	$ 45,704	$ -	$ 45,506	$ -
Ecuador	8,259,148	236,873,803	8,511,696	236,873,803
	$ 8,304,852	$ 236,873,803	$ 8,557,202	$ 236,873,803

11. Financial instruments

The Company's financial instruments consist of cash, cash equivalents and receivables, which are categorized as loans and receivables, and accounts payable and accrued liabilities, which are categorized as amortized cost. The fair value of these financial instruments other than cash approximates their carrying values due to the short-term nature of these instruments.

12. Contingencies

The Company is not currently involved in any litigation or proceedings. However, the Company is aware of a potential dispute concerning a historical asset. If the dispute cannot be amicably resolved, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Company's financial position or results. However, in making this determination management has had to make assumptions about the probabilities of and amounts of potential cash flows, and changes in these assumptions could lead to different results. Management has also exercised its judgement in the application of IAS 37, and concluded that no further information relating to this potential dispute should be disclosed on the basis that additional disclosure could prejudice the Company's interests at this time.

Corporate Information

BOARD OF DIRECTORS
James Cambon
British Columbia, Canada
Carmel Daniele
London, United Kingdom
Ian Gibbs
British Columbia, Canada
Ashley Heppenstall
Geneva, Switzerland
Ron F. Hochstein
British Columbia, Canada
Lukas H. Lundin
Vaud, Switzerland
Paul McRae
Algarve, Portugal
Pablo Mir
Santiago, Chile

OFFICERS
Lukas H. Lundin
Chairman
Ron F. Hochstein
President & Chief Executive Officer
Chester See
Chief Financial Officer
Anthony George
Vice President, Project Development
Nick Teasdale
Vice President, Exploration
Nathan Monash
Vice President, Business Sustainability
Sheila Colman
Vice President, Legal & Corporate Secretary

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Nasdaq Stockholm
Trading Symbol: LUG

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ADDITIONAL INFORMATION
Further information about Lundin Gold is available by contacting Investor Relations at the head office listed above or by email to: info@lundingold.com