

LUNDINGOLD

Building a Leading Gold Company
Through Responsible Mining



Q3 2017

LUNDIN GOLD INC.

Management's Discussion and Analysis
Nine Months Ended September 30, 2017
(Expressed in U.S. Dollars, unless otherwise noted)

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, 2017 with those of the same period from the previous year.

This MD&A is dated as of November 7, 2017 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, 2017, 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, 2016. References to the "2017 Period" and "2016 Period" relate to the nine months ended September 30, 2017 and September 30, 2016, 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 (the "Fruta del Norte Project" or "the Project") in southeast Ecuador. The Fruta del Norte Project is one of the largest, highest-grade gold projects currently under construction. 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 in 2019.

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 people of Ecuador.

THIRD QUARTER 2017 HIGHLIGHTS AND ACTIVITIES

Fruta del Norte Project

- Mine portals were completed and soft tunneling is well advanced.
- Key infrastructure at site to support mine development was completed.
- Detailed engineering contracts for the process plant, tailings facility and water management were awarded and work began on all areas.
- Long-lead time process plant equipment was ordered.
- Engineering, procurement and construction ("EPC") contract for the power transmission line from the Bomboiza substation to the site was awarded.
- Major earthworks activities are progressing and work on the process plant area started.

Exploration

- Targets in preparation for drill testing were better defined, with geochemical sampling and mapping completed on the Barbasco and Puente-Princesa epithermal gold-silver targets within the Suarez pull-apart basin.

THE FRUTA DEL NORTE PROJECT

Lundin Gold's properties in Southeast Ecuador consists of 32 mining concessions covering an area of approximately 70,400 hectares. From this, the Fruta del Norte Project is comprised of three concessions covering an area of approximately 4,900 hectares and is located approximately 140 kilometres east-northeast of the City of Loja, which is the fourth largest city in Ecuador.

Development of the Fruta del Norte Project remains on track to deliver first gold in the last quarter of 2019 and achieve commercial production in the second quarter of 2020.

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Activities in the Third Quarter of 2017

Fruta del Norte Project

During the third quarter, work on the Fruta del Norte Project progressed on both the Early Works and Construction phases. Reporting of activities under the Fruta del Norte Project construction program commenced on July 1, 2017. The Company plans to continue on the Early Works scope through to completion in the fourth quarter of 2017. The construction program has ramped up quickly in the third quarter with the launch of engineering, procurement and construction activities.

Mine Development

- The mine contractor continued with work on the twin portals which commenced in May of this year. Both portals were substantially completed during the quarter and soft tunneling commenced on September 20th for the first decline, with the second decline starting shortly afterwards.
- The facilities to support mine development, including offices, mine dry, warehouse, maintenance, and batch plant were completed during the quarter.

Detailed Engineering Contracts

- Process plant detailed engineering was awarded to Ausenco Engineering Canada Inc.
- Klohn Crippen Berger Ltd. was awarded detailed designs and site quality control for the tailings storage facility and site geotechnical engineering.
- Site-wide water management design was awarded to SRK Consulting (Canada) Inc.

Process Plant Equipment Procurement

- Engineering and procurement of the process plant advanced during the quarter. The long-lead time grinding equipment package, including the SAG and ball mills, complete with motors, was awarded to Outotec Chile S.A. ("Outotec"). Outotec was also awarded the flotation and filtration packages.
- The procurement of the remaining process plant equipment and electrical packages was well advanced.

Powerline

- The EPC contract for the 42 kilometre, 230 kilovolt transmission line that will connect the national grid at Bomboiza to the Fruta del Norte Project was finalized and awarded in October to a consortium that will be formed by two Ecuadorian companies, Cointec S.A. Ingenieros Contratistas and Energía y Petróleos Enerpetrol, S.A.
- Purchasing of the necessary land easements for the power line commenced during the quarter. Agreement was reached on approximately 75% of the easements by the end of the quarter.

Major Earthworks Activities

- Major earthworks activities were advanced, including continuing with mine portal platform, main North Access Road and River Road construction.
- The earthworks and utilities for the 1,000-person construction camp were mostly completed during the quarter. Delivery of initial camp units commenced near the end of the quarter.

Environment and Permitting

The Company continued with ongoing permitting activities. Main activities included work on the Powerline environmental impact assessment ("EIA") and the Mountain Pass Quarry EIA. The social participation process for the Powerline EIA was completed in all of the affected communities. Preparation of the EIA for the new Mountain Pass Quarry was completed and submitted in October. The Company continued to pursue the issuance of the domestic and industrial water permits.

Exploration

- Geochemical sampling and mapping has better defined the Barbasco and the Puente-Princesa epithermal gold-silver targets within the Suarez pull-apart basin (the "Basin") that hosts the Fruta del Norte. Both targets are located approximately 7 kilometers south of the Project.
- Outside of the Basin, the El Quimi porphyry copper-gold target, which is approximately 25 km north of Fruta del Norte, has also been advanced.

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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).

	2017 Q3	2017 Q2	2017 Q1	2016 Q4
Net income (loss) for the period	\$ (16,031,761)	\$ 784,342	\$ (6,387,440)	\$ (23,888,698)
Basic income (loss) per share	\$ (0.13)	\$ 0.01	\$ (0.05)	\$ (0.20)
Diluted income (loss) per share	(0.13)	0.01	(0.05)	(0.20)
Weighted-average number of common shares outstanding				
Basic	119,417,366	118,857,521	118,743,908	118,682,274
Diluted	119,417,366	119,880,477	118,743,908	118,682,274
Property, plant and equipment	87,311,970	49,042,502	22,568,856	7,821,938
Total assets	\$ 434,197,767	\$ 460,837,712	\$ 295,795,073	\$ 278,906,199
Long-term debt	\$ 163,591,371	\$ 150,996,732	\$ -	\$ -
Working capital	\$ 66,196,213	\$ 107,023,972	\$ (18,776,330)	\$ 1,022,055
	2016 Q3	2016 Q2	2016 Q1	2015 Q4
Net loss for the period	\$ (11,785,014)	\$ (12,430,576)	\$ (14,709,531)	\$ (12,760,941)
Basic and diluted loss per share	\$ (0.10)	\$ (0.12)	\$ (0.15)	\$ (0.13)
Weighted-average number of common shares outstanding	113,331,975	101,264,883	101,260,268	101,260,268
Property, plant and equipment	7,946,634	8,187,901	8,304,852	8,557,202
Total assets	\$ 300,194,541	\$ 249,635,830	\$ 253,616,770	\$ 267,399,530
Working capital	\$ 49,902,765	\$ (8,535,198)	\$ 2,922,308	\$ 16,314,025

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

The Company's net loss in the current quarter is higher compared to the net loss during the third quarter of 2016 mainly due to a derivative loss of \$8.3 million from the fair value revaluation of its long-term debt at September 30, 2017. The Company also incurred higher professional fees during the third quarter of 2017 due to ongoing costs relating to project finance initiatives and a loss on foreign exchange due to the movement in the CAD/USD exchange rate during the quarter. In addition, the Company repatriated capital from Ecuador which resulted in a \$2.5 million expense for capital outflow tax. These are offset by the commencement of capitalization of expenses relating to the development of the Fruta del Norte Project which started in the first quarter of 2017.

The loss in the 2017 Period is lower compared to that of the 2016 Period due to the commencement of capitalization of expenses which is offset by a derivative loss from the revaluation of the Company's long-term debt as noted above.

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The Company's long-term debt balance is made up of financial liabilities measured at fair value on a quarterly basis. This balance is 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, non-performance risk, and production expectations.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2017, the Company had cash of \$63.0 million and a working capital of \$66.7 million compared to cash of \$8.5 million and a working capital balance of \$1.0 million at December 31, 2016. The change in cash was primarily due to proceeds from a project finance package of \$300 million (the "Financing") with Orion Mine Finance Group and Blackstone Tactical Opportunities (the "Lenders") of which \$150 million has been drawn to date, offset by costs incurred for the development of the Fruta del Norte Project of \$67.8 million and exploration expenditures of \$4.7 million.

Short-term credit facility

On January 16, 2017, the Company obtained a \$35 million unsecured short-term credit facility from an insider of the Company (the "Debenture"). All amounts outstanding under the Debenture were repaid in full on July 14, 2017.

The Company issued an aggregate of 60,000 common shares on January 16, 2017 as consideration for the Debenture in lieu of fees. No interest was payable in cash during the term of the Debenture. The Company also issued 187,867 common shares as consideration for amounts drawn under the Debenture. The value of all shares issued in the amount of \$1,064,048 was capitalized to property, plant and equipment. All securities issued in conjunction with the Debenture are subject to a four-month hold period under applicable securities law.

The Financing

On May 30, 2017, the Company's operating subsidiary, Aurelian Ecuador S.A. ("Aurelian"), which holds the Fruta del Norte Project, closed the Financing comprised of a gold prepay credit facility for \$150 million (the "Prepay Loan"), a stream loan credit facility of \$150 million (the "Stream Loan") and an offtake agreement (the "Offtake"). The Lenders also committed to participate in future equity financings of the Company required to fund the Fruta del Norte Project, in an aggregate amount of not less than \$100 million and not more than \$150 million, as and when initiated by the Company and subject to minimum financing thresholds.

Pursuant to the Financing, the Company, together with Aurelian and other subsidiaries related to the Project (collectively, the "Project Subsidiaries"), are subject to a number of non-financial covenants while amounts remain outstanding. The Prepay and Stream Loans are secured by way of a first ranking charge over the Project Subsidiaries' assets, pledges of the shares of the Project Subsidiaries and guarantees of the Company and the Project Subsidiaries.

To date, \$150 million has been advanced under the Financing. The remaining \$150 million is available to be drawn at the option of Aurelian, up to the end of June 2018, as required to further the development of the Fruta del Norte Project.

(a) Gold prepay credit facility

The Prepay Loan is a senior secured loan facility of \$150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance. As at September 30, 2017, \$75 million has been drawn under this facility.

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, then the repayments are reduced or increased by 15%, respectively. In addition, the Company has an option to defer the quarterly instalments for up to four (4) quarters by increasing the gold equivalent deliveries by 1,000 oz. for each deferred quarter.

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(b) Stream loan credit facility

The Stream Loan is a senior secured loan facility of \$150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance. As at September 30, 2017, \$75 million has been drawn under this facility.

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.

(c) Offtake Commitment

The Lenders 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 elected to classify each component of the Financing as a financial liability measured at fair value.

In May 2016, the Company completed a feasibility study for the Fruta del Norte Project and has since commenced its development. It 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 are entirely dependent upon the ability of the Company to obtain the necessary financing to develop the Fruta del Norte Project and fund future advance royalty payments to the Government of Ecuador, and on future profitable production.

Any potential development activities at the Fruta del Norte Project require substantial additional capital. As the Company does not currently have any sources of revenue, the Company relies on various forms of financing transactions or arrangements, including equity financing, debt financing, stream financing, joint venturing or other means to support its activities.

Management continues to engage in discussions with a number of parties, including financial institutions, strategic and other potential investors to raise additional project funding for the Fruta del Norte Project and is in advanced discussions with respect to debt financing with a group of senior lenders. There can be no assurance that such financing will be available to the Company when required or, if available, that it will be offered on terms acceptable to Lundin Gold. A failure to raise capital when required could delay the development of the Fruta del Norte Project and would have a material adverse effect on Lundin Gold's business, financial condition and results of operations.

TRANSACTIONS WITH RELATED PARTIES

During the 2017 Period, the Company paid \$261,588 (2016 – \$243,607) 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 2017 Period, the Company paid \$44,103 (2016 – \$65,430) to Bofill Mir & Alvarez Jana Abogados ("BMAJ"), a law firm which provides legal services to the Company and of which a director of the Company is a partner. The Company also paid \$103,258 (2016 – \$82,463) to Lundin S.A. during the 2017 Period. Lundin S.A. is associated with a director of the Company and provides administrative and office facilities pursuant to an agreement.

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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 and the Debenture, which are categorized as financial liabilities at 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. In addition, the Company has long-term debt all of which have been classified as financial liabilities measured at fair value.

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 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. 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

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.

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. Management is currently engaged in advanced discussions with a number of parties, including senior lenders, strategic and other potential investors, which will allow for the full funding of the development of the Fruta del Norte Project (refer to Liquidity and Capital Resources section above).

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 metal 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 2017 Period and the year ended December 31, 2016 there were no off-balance sheet transactions. The Company has not entered into any specialized financial arrangements to minimize its currency risk.

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OUTSTANDING SHARE DATA

As at the date of this MD&A, there were 119,666,840 common shares issued and outstanding and stock options outstanding to purchase a total of 4,575,500 common shares for a total of 124,242,340 common shares outstanding on a fully-diluted basis.

OUTLOOK

The third quarter of 2017 marked the commencement of construction at the Fruta del Norte Project. The Company's focus now is on advancing the Project through to first gold production in 2019. To achieve that goal, the following activities are planned over the next twelve months:

- Completion of all Early Works activities by the end of the year.
- Completion of soft tunnelling and commencement of underground hard rock development in 2017.
- Advancement of detailed engineering of the process plant, tailings storage facility and site-wide water management into 2018.
- Ordering of remaining process plant equipment and electrical packages and mobile mine equipment in 2017.
- Approval of the Mountain Pass Quarry EIA and signing of an exploitation agreement for the quarry to permit the extraction of construction materials in 2018.
- Continuation of earthworks activities, including the clearing of the plant site, construction of the North Access and River Roads and site preparation for the tailings dam.
- Commencement of concrete work on the process plant in 2018.
- Commencement of construction of the Bomboiza / Fruta del Norte powerline in 2018.

During the next several months, the Company will also continue to work with its financial advisors to put in place the remaining funding for the construction of Fruta del Norte, including continuing advanced discussions with a syndicate of banks.

A helicopter Z-Tipper Axis Electromagnetic resistivity geophysical survey of the Basin and surrounding terrain is planned to take place by the end of 2017. Soil sampling has been completed on most of the Company's concessions in the Basin, and geological mapping is continuing on selected targets; targets will be prioritized for drilling scheduled to begin before the end of 2017.

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 2016 Management's Discussion and Analysis.

The following is an additional critical accounting estimate considered by the Company during the period:

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The Company uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at initial recognition and at the end of each reporting period. Refer to Note 14 of the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2017 for further details on the methods and assumptions utilized.

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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 Company's Annual Information Form dated February 28, 2017 (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 Steve Leary, MAusIMM CP(Geo), a consultant to the Company, who is a Qualified Person in accordance with the requirements of NI 43-101.

Full details of the Feasibility Study can be found in a technical report entitled "Fruta del Norte - NI 43-101 Technical Report on Feasibility Study" which has an effective date of April 30, 2016. The Technical Report is available for review under the Company's profile on SEDAR (www.sedar.com) and on the Company's website (www.lundingold.com).

FINANCIAL INFORMATION

The report for the year ended December 31, 2017 is expected to be published on or about February 23, 2018.

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, 2017 and ending September 30, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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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 and success of the Early Works and construction programs, 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, the results of the project update and, development, construction and operation of the Fruta del Norte Project, 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: the ability to arrange financing and the risk to shareholders of dilution from future equity financings; risks related to carrying on business in an emerging market such as possible government instability and civil turmoil and economic instability; volatility in the price of gold; the timely receipt of regulatory approvals, permits and licenses; risks associated with the performance of the Company's contractors; risks inherent in the development of an underground mine; deficient or vulnerable title to mining concessions and surface rights; shortages of resources, such as input commodities, equipment and skilled labour, and the dependence on key personnel; risks associated with the Company's community relationships; unreliable infrastructure and local opposition to mining; volatility in the market price of the Company's shares; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; difficulty complying with changing government regulations and policies, including without limitation, compliance with environment, health and safety regulations, and the cost of compliance or failure to comply with applicable laws; exploration and development risks; the accuracy of the Mineral Reserve and Resource estimates for the Fruta del Norte Project and the Company's reliance on one project; the Company's lack of operating history; illegal mining; uncertainty as to reclamation and decommissioning; adverse global economic conditions; risks associated with the Company's information systems; the ability to obtain adequate insurance; risks of bribery or corruption; the potential for litigation; limits 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 the AIF available at www.sedar.com.

LUNDIN GOLD INC.

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

	Note	September 30, 2017	December 31, 2016
ASSETS			
Current assets			
Cash		\$ 62,951,013	\$ 8,503,476
Other current assets	3	12,745,815	706,982
		75,696,828	9,210,458
Non-current assets			
Other long-term assets		519,731	-
Property, plant and equipment	4	87,311,970	7,821,938
Mineral properties	5	245,669,238	236,873,803
Advance royalty		25,000,000	25,000,000
		\$ 434,197,767	\$ 278,906,199
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 9,500,615	\$ 8,188,403
Non-current liabilities			
Long-term debt	7	163,591,371	-
Reclamation provisions	8	7,146,640	973,831
		180,238,626	9,162,234
EQUITY			
Share capital	9	460,856,010	456,750,048
Equity-settled share-based payment reserve	10	9,013,086	7,421,932
Foreign currency translation reserve		(11,224,738)	(11,377,657)
Deficit		(204,685,217)	(183,050,358)
		253,959,141	269,743,965
		\$ 434,197,767	\$ 278,906,199

Nature of operations and liquidity (Note 1)
Commitments (Note 14)

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.

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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 September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
EXPENSES					
Project evaluation		\$ -	\$ 6,278,399	\$ -	\$ 22,085,653
Exploration		854,771	1,324,094	4,686,442	6,778,405
General and administration:					
Depreciation		13,928	6,944	51,035	18,920
Donations		-	681,973	-	681,973
Investor relations		51,872	328,945	161,211	499,493
Municipal taxes		392,189	323,817	585,262	520,661
Office and general		610,804	431,058	1,681,062	1,307,120
Professional fees		1,238,062	839,313	3,252,648	2,323,868
Regulatory and transfer agent		25,355	10,249	206,280	156,926
Salaries and benefits		638,686	920,389	2,073,880	2,171,688
Stock-based compensation	10	534,193	555,218	1,900,968	1,699,854
Travel		122,603	113,460	568,407	543,174
Loss before other items		4,482,463	11,813,859	15,167,195	38,787,735
OTHER ITEMS					
Loss (gain) on foreign exchange		820,579	(116,662)	127,984	88,032
Other expense		2,448,128	87,817	2,441,052	49,354
Derivative loss	7	8,280,591	-	3,898,628	-
Net loss for the period		\$ 16,031,761	\$ 11,785,014	\$ 21,634,859	\$ 38,925,121
OTHER COMPREHENSIVE LOSS					
Items that may be subsequently reclassified to net loss					
Currency translation adjustment		(862,624)	133,466	(152,919)	(152,268)
Comprehensive loss		\$ 15,169,137	\$ 11,918,480	\$ 21,481,940	\$ 38,772,853
Basic and diluted loss per common share		\$ 0.13	\$ 0.10	\$ 0.18	\$ 0.37
Weighted-average number of common shares		119,417,366	113,331,975	119,008,735	105,315,075

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

LUNDINGOLD

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, 2016		101,260,268	\$ 386,675,284	\$ 5,012,391	\$ (10,572,699)	\$ (120,236,539)	\$ 260,878,437
Proceeds from equity financing, net	9	17,250,000	69,261,119	-	-	-	69,261,119
Exercise of stock options	10	76,000	357,395	(123,449)	-	-	233,946
Share consideration for debenture	6	39,267	172,434	-	-	-	172,434
Stock-based compensation	10	-	-	2,003,097	-	-	2,003,097
Currency translation adjustment		-	-	-	152,268	-	152,268
Net loss for the period		-	-	-	-	(38,925,121)	(38,925,121)
Balance, September 30 2016		118,625,535	\$ 456,466,232	\$ 6,892,039	\$ (10,420,431)	\$ (159,161,660)	\$ 293,776,180
Balance, January 1, 2017		118,685,535	\$ 456,750,048	\$ 7,421,932	\$ (11,377,657)	\$ (183,050,358)	\$ 269,743,965
Exercise of stock options	10	302,500	1,441,914	(487,265)	-	-	954,649
Share consideration for debenture	6	247,867	1,064,048	-	-	-	1,064,048
Shares issued for mining concession	5	430,938	1,600,000	-	-	-	1,600,000
Stock-based compensation	10	-	-	2,078,419	-	-	2,078,419
Currency translation adjustment		-	-	-	152,919	-	152,919
Net loss for the period		-	-	-	-	(21,634,859)	(21,634,859)
Balance, September 30, 2017		119,666,840	\$ 460,856,010	\$ 9,013,086	\$ (11,224,738)	\$ (204,685,217)	\$ 253,959,141

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

LUNDINGOLD

LUNDIN GOLD INC.

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

	Nine months ended September 30,	
	2017	2016
OPERATING ACTIVITIES		
Net loss for the period	\$ (21,634,859)	\$ (38,925,121)
Items not affecting cash:		
Stock-based compensation	1,948,672	2,003,097
Depreciation	51,035	830,348
Foreign exchange loss	151,032	94,003
Derivative loss	3,898,628	-
Other expense (income)	(12,076)	140,588
	(15,597,568)	(35,857,085)
Changes in non-cash working capital items:		
Other current assets	(1,214,488)	91,874
Accounts payable and accrued liabilities	(5,859,190)	(201,572)
Net cash used for operating activities	(22,671,246)	(35,966,783)
FINANCING ACTIVITIES		
Proceeds from long-term debt (Note 7)	150,000,000	-
Transaction costs (Note 7)	(6,131,804)	-
Net proceeds from equity financing (Note 9)	-	69,261,119
Proceeds from exercise of stock options	954,649	233,946
Net proceeds from draw downs of debenture (Note 6)	28,600,000	7,822,788
Repayment of debenture (Note 6)	(28,600,000)	(8,000,000)
Non-cash finance cost of debenture	-	172,434
Net cash provided by financing activities	144,822,845	69,490,287
INVESTING ACTIVITIES		
Acquisition and development of property, plant and equipment	(66,552,718)	(136,883)
Acquisition of mineral properties	(1,173,000)	-
Net cash used for investing activities	(67,725,718)	(136,883)
Effect of foreign exchange rate differences on cash	21,656	102,644
Net increase in cash	54,447,537	33,489,265
Cash, beginning of period	8,503,476	21,360,228
Cash, end of period	\$ 62,951,013	\$ 54,849,493
Supplemental information		
Interest received	\$ 58,948	\$ 139,070
Change in accounts payable and accrued liabilities related to:		
Acquisition of property, plant and equipment	6,624,774	-

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

LUNDINGOLD

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2017
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars, unless otherwise noted)

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 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.

In May 2016, the Company completed a feasibility study for the Fruta del Norte Project and has since commenced its development. It 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 are entirely dependent upon the ability of the Company to obtain the necessary financing to develop the Fruta del Norte Project, fund future advance royalty payments to the Government of Ecuador, and on future profitable production.

Any potential development activities at the Fruta del Norte Project require substantial additional capital. As the Company does not currently have any sources of revenue, the Company relies on various forms of financing transactions or arrangements, including equity financing, debt financing, stream financing, joint venturing or other means to support its activities.

The Company closed a project financing package in May 2017 (See Note 7). Management continues to engage in discussions with a number of parties, including financial institutions, strategic and other potential investors to raise additional project funding for the Fruta del Norte Project and is in advanced discussion with respect to debt financing with a group of senior lenders. There can be no assurance that such financing will be available to the Company when required or, if available, that it will be offered on terms acceptable to Lundin Gold. A failure to raise capital when required could delay the on going development of the Fruta del Norte Project and would have a material adverse effect on Lundin Gold’s business, financial condition and results of operations.

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, 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, 2016.

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, 2016 except as noted below.

During the nine months ended September 30, 2017, the Company applied the following:

i. Financial Instruments

At initial recognition, the Company has classified its long-term debt as financial liabilities at fair value. Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the consolidated statement of loss within “derivative gains and losses” in the period in which they arise.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2017
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars, unless otherwise noted)

2. Basis of preparation and consolidation (continued)

ii. *Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that the actual results differ from assumptions made, relate to, but are not limited to the fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The Company uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at initial recognition and at the end of each reporting period. Refer to Note 13 for further details on the methods and assumptions utilized.

Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

These financial statements were approved for issue by the Board of Directors on November 7, 2017.

3. Other current assets

	September 30, 2017	December 31, 2016
Prepaid expenses and deposits	\$ 1,938,786	\$ 706,982
Deferred transaction and derivative costs (Note 7)	10,807,029	-
	<u>\$ 12,745,815</u>	<u>\$ 706,982</u>

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2017
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars, unless otherwise noted)

4. Property, plant and equipment

Cost	Development Costs	Land and buildings	Machinery and equipment	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2016	\$ -	\$ 4,442,000	\$ 4,111,748	\$ 741,000	\$ 336,328	\$ 9,631,076
Additions	-	145,619	-	235,123	14,004	394,746
Disposals and other	-	(129,441)	-	-	-	(129,441)
Cumulative translation adjustment	-	-	-	-	1,866	1,866
Balance, December 31, 2016	-	4,458,178	4,111,748	976,123	352,198	9,898,247
Additions	75,507,483	-	2,744,331	1,991,203	126,283	80,369,300
Cumulative translation adjustment	-	-	-	-	6,284	6,284
Balance, September 30, 2017	\$ 75,507,483	\$ 4,458,178	\$ 6,856,079	\$ 2,967,326	\$ 484,765	\$ 90,273,831
Accumulated depreciation						
Balance, January 1, 2016	\$ -	\$ 105,337	\$ 603,149	\$ 285,535	\$ 79,853	\$ 1,073,874
Depreciation and amortization for the year	-	102,300	585,568	218,107	96,147	1,002,122
Cumulative translation adjustment	-	-	-	-	313	313
Balance, December 31, 2016	-	207,637	1,188,717	503,642	176,313	2,076,309
Depreciation and amortization for the period	-	76,725	486,593	249,221	68,616	881,155
Cumulative translation adjustment	-	-	-	-	4,397	4,397
Balance, September 30, 2017	\$ -	\$ 284,362	\$ 1,675,310	\$ 752,863	\$ 249,326	\$ 2,961,861
Net book value						
As at December 31, 2016	\$ -	\$ 4,250,541	\$ 2,923,031	\$ 472,481	\$ 175,885	\$ 7,821,938
As at September 30, 2017	\$ 75,507,483	\$ 4,173,816	\$ 5,180,769	\$ 2,214,463	\$ 235,439	\$ 87,311,970

In accordance with its accounting policies, the Company commenced capitalizing Project Evaluation expenditures in 2017. Development costs are not currently depreciated until the related assets are ready for its intended use.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2017
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars, unless otherwise noted)

4. Property, plant and equipment (continued)

Included in the additions to developments costs are the following:

	September 30, 2017	December 31, 2016
Stock-based compensation (Note 10)	\$ 129,747	\$ -
Depreciation and amortization	830,120	-
Finance expense	1,064,048	-
Accretion of transaction and derivative costs	5,017,519	-
Accretion of reclamation provision	150,374	-
	\$ 7,191,808	\$ -

5. Mineral properties

Cost	Fruta del Norte Project	Fruta del Norte restoration asset (Note 8)	Total
Balance, January 1, 2016	\$ 236,337,090	\$ 536,713	\$ 236,873,803
Additions	-	-	-
Balance, December 31, 2016	236,337,090	536,713	236,873,803
Additions	2,773,000	6,022,435	8,795,435
Balance, September 30, 2017	\$ 239,110,090	\$ 6,559,148	\$ 245,669,238

On August 4, 2017, the Company completed the acquisition of a mining concession to gain access to land required for the development of certain facilities for the operation the Fruta del Norte Project. As consideration for this concession, the Company:

- Paid \$1.2 million in cash including taxes;
- Issued 430,938 common shares of the Company valued at \$1.6 million; and
- Granted a 2% net smelter royalty for any metallic minerals mined from the acquired concession.

6. Debenture

On January 16, 2017, the Company obtained a \$35 million unsecured short-term credit facility from an insider of the Company (the "Debenture"). All amounts outstanding under the Debenture were repaid in full on July 14, 2017.

The Company issued an aggregate of 60,000 common shares on January 16, 2017 as consideration for the Debenture in lieu of fees. No interest was payable in cash during the term of the Debenture. The Company also issued 187,867 common shares as consideration for amounts drawn under the Debenture. The value of all shares issued in the amount of \$1,064,048 was capitalized to property, plant and equipment. All securities issued in conjunction with the Debenture are subject to a four-month hold period under applicable securities law.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2017

(Unaudited – Prepared by Management)

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

7. Long-term debt

On May 30, 2017, the Company's operating subsidiary, Aurelian Ecuador S.A. ("Aurelian"), which holds the Fruta del Norte Project, closed a project finance package (the "Financing") comprised of a gold prepay credit facility for \$150 million (the "Prepay Loan"), a stream loan credit facility of \$150 million (the "Stream Loan") and an offtake agreement (the "Offtake"). The lenders also committed to participate in future equity financings of the Company required to fund the Fruta del Norte Project, in an aggregate amount of not less than \$100 million and not more than \$150 million, as and when initiated by the Company and subject to minimum financing thresholds.

Pursuant to the Financing, the Company, together with Aurelian and other subsidiaries related to the Project (collectively, the "Project Subsidiaries"), are subject to a number of non-financial covenants while amounts remain outstanding. The Prepay and Stream Loans are secured by way of a first ranking charge over the Project Subsidiaries' assets, pledges of the shares of the Project Subsidiaries and guarantees of the Company and the Project Subsidiaries.

To date, \$150 million has been advanced under the Financing. The remaining \$150 million is available to be drawn at the option of Aurelian, up to the end of June 2018, as required to further the development of the Fruta del Norte Project.

Transaction costs incurred associated to the Financing totalled \$6,131,804 of which \$3,065,902 has been recorded as Other Current Assets since only half of the available Financing was drawn down and outstanding at September 30, 2017.

As at September 30, 2017, the long-term debt consisted of the following:

	Gold prepay credit facility	Stream loan credit facility	Offtake derivative liability	Total
Principal	\$ 75,000,000	\$ 75,000,000	\$ -	\$ 150,000,000
Interest accrued and capitalized at stated rate of 7.5%	1,775,343	1,695,206	-	3,470,549
Transaction costs	(1,469,739)	(1,507,461)	-	(2,977,200)
Derivative fair value adjustments	(2,295,278)	(310,440)	15,703,740	13,098,022
Total	\$ 73,010,326	\$ 74,877,305	\$ 15,703,740	\$ 163,591,371

Derivative fair value adjustments reflect the revaluation of the long-term debt at fair value as at September 30, 2017, including half of the cost of derivatives which are part of the long-term debt. Half of the cost has been recorded in Other Current Assets since only half of the available long-term debt was drawn down and outstanding at September 30, 2017.

(a) Gold prepay credit facility

The Prepay Loan is a senior secured loan facility of \$150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance. As at September 30, 2017, \$75 million has been drawn under this facility.

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, then the repayments are reduced or increased by 15%, respectively (the "Credit/Penalty"). In addition, the Company has an option to defer the quarterly instalments for up to four (4) quarters by increasing the gold equivalent deliveries by 1,000 oz. for each deferred quarter (the "Prepay Deferral").

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

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2017

(Unaudited – Prepared by Management)

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

7. Long-term debt (continued)

(b) Stream loan credit facility

The Stream Loan is a senior secured loan facility of \$150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance. As at September 30, 2017, \$75 million has been drawn under this facility.

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 (the “Stream Loan Extension”). 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 “Buyback Options”).

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

(c) Offtake Commitment

The Lenders 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.

8. Restoration provision

The Company’s provisions relate to the rehabilitation of the Fruta del Norte Project. The reclamation provisions have been calculated based on total estimated rehabilitation costs and discounted back to their present values. The pre-tax discount rates and inflation rates are adjusted annually and reflect current market assessments. At September 30, 2017, the Company applied a pre-tax discount rate of 12.9% (2016 – 14.0%) and an inflation rate of 3.3% (2016 – 3.7%). The estimated total liability for reclamation and remediation costs on an undiscounted basis is approximately \$36.9 million.

	September 30, 2017	December 31, 2016
Balance, beginning of year	\$ 973,831	\$ 866,593
Fair value of new obligations during the period	6,022,435	-
Accretion of liability component of obligations	150,374	107,238
	\$ 7,146,640	\$ 973,831

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2017
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars, unless otherwise noted)

9. 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, 2016		101,260,268	\$ 386,675,284
Equity financing, net	(a)	17,250,000	69,261,119
Stock options exercised		136,000	415,432
Stock options exercised - fair value adjustment		-	225,779
Share consideration for debenture		39,267	172,434
Balance at December 31, 2016		118,685,535	456,750,048
Stock options exercised		302,500	954,649
Stock options exercised - fair value adjustment		-	487,265
Share consideration for mining concession	5	430,938	1,600,000
Share consideration for Debenture	6	247,867	1,064,048
Balance at September 30, 2017		119,666,840	\$ 460,856,010

(a) On June 27, 2016, the Company entered into an agreement with a syndicate of underwriters (the "Underwriters"), pursuant to which the Underwriters agreed to purchase, on a bought deal basis, 15,000,000 common shares of the Company at a price of CAD\$5.50 per Share, for aggregate gross proceeds of CAD\$82,500,000 (the "Offering") in two tranches. The Underwriters were granted an over-allotment option, exercisable in whole or in part, to purchase up to an additional 2,250,000 common shares, representing 15% of the number of Shares sold under the Offering, also at a price of CAD\$5.50 per share.

The first tranche of the Offering, for 10,000,000 common shares, closed on July 19, 2016. The second tranche of the offering for 5,000,000 common shares, closed on August 9, 2016. In addition, the Underwriters exercised the over-allotment option in full and purchased 2,250,000 additional common shares.

The total gross proceeds raised under the Offering was CAD\$94,875,000 (\$72.6 million). Share issue costs of \$3.3 million were paid resulting in net proceeds of \$69.3 million received by the Company in relation to the Offering.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2017
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars, unless otherwise noted)

10. 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.

Stock options have an expiry date of five years from date of grant and vest over a period of 24 months from date of grant.

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

	Nine months ended September 30, 2017		Year ended December 31, 2016	
	Number of common shares	Weighted exercise price (CAD)	Number of common shares	Weighted exercise price (CAD)
Balance, beginning of period	3,834,500	\$ 4.18	2,122,500	\$ 3.91
Granted	1,269,000	5.17	2,092,000	4.43
Cancelled / Expired	(225,500)	4.68	(244,000)	4.08
Exercised ⁽¹⁾	(302,500)	4.01	(136,000)	4.03
Balance outstanding, end of period	4,575,500	\$ 4.44	3,834,500	\$ 4.18
Balance exercisable, end of period	2,775,400	\$ 4.17	1,528,650	\$ 3.95

⁽¹⁾ The weighted average share price on the exercise date for the stock options exercised during the nine months ended September 30, 2017 and year ended December 31, 2016 were CAD\$5.07 and CAD\$5.61, respectively.

The following table summarizes information concerning outstanding and exercisable options at September 30, 2017:

Range of exercise prices (CAD)	Outstanding options			Exercisable options		
	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 4.00	1,735,500	2.22	\$ 3.90	1,735,500	2.22	\$ 3.90
\$ 4.01 to 5.94	2,840,000	3.87	4.77	1,039,900	3.69	4.62
	4,575,500		\$ 4.44	2,775,400		\$ 4.17

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2017
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars, unless otherwise noted)

10. Stock options (continued)

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:

	2017	2016
Risk-free interest rate	1.08%	0.54%
Expected stock price volatility	61.87%	60.85%
Expected life	5 years	5 years
Expected dividend yield	-	-
Weighted-average fair value per option granted (CAD)	\$2.71	\$2.25

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 nine months ended September 30, 2017, the Company recorded stock-based compensation expense of \$2,078,419 (2016 – \$2,003,097) of which \$1,900,968 (2016 – \$1,699,854) has been allocated to general and administration expenses; nil (2016 – \$137,489) to project evaluation expenses; \$47,704 (2016 – \$165,754) to exploration expenses; and \$129,747 (2016 – nil) to property, plant and equipment.

11. Related party transactions

(a) Related party expenses

During the nine months ended September 30, 2017 and September 30, 2016, the Company incurred the following:

Payee	Nature	Note	September 30, 2017	September 30, 2016
Namdo	Management fees	i	\$ 261,588	\$ 243,607
BMAJ	Legal fees	ii	44,103	65,430
Lundin S.A.	Office and administration	iii	103,258	82,463

- 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, assists the Company with negotiations and ongoing relations with the Government of Ecuador.
- iii. Lundin S.A., a company associated with a director of the Company, provides administrative and office facilities to the Company pursuant to an agreement.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2017
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars, unless otherwise noted)

11. Related party transactions (continued)

(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, 2017		September 30, 2016	
Salaries and benefits	\$	1,843,319	\$	1,866,299
Stock-based compensation		1,747,451		1,727,527
	\$	3,590,770	\$	3,593,826

12. Segmented information

The Company's primary business activity is the advancement of the Fruta del Norte Project in Ecuador. During the nine months ended September 30, 2017 and September 30, 2016, all project development, evaluation and exploration expenditures were incurred in Ecuador. In addition, materially all the non-current assets of the Company are located in Ecuador.

13. 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 and debenture, which are categorized as financial liabilities at 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. In addition, the Company has long-term debt all of which have been classified as financial liabilities measured at fair value.

(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.

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

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2017

(Unaudited – Prepared by Management)

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

13. Financial instruments (continued)

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. Each of these financial instruments are classified as Level 3 as their valuation includes significant unobservable inputs.

	September 30, 2017	September 30, 2016
Gold prepay credit facility	\$ 73,010,326	\$ -
Stream loan credit facility	74,877,305	-
Offtake derivative liability	15,703,740	-
	\$ 163,591,371	\$ -

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, the Company's expectation about long-term gold yields, gold volatility, risk-free rate of return, non-performance risk, 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.

14. Commitments

The Company has committed to payments under various leases and other commitments. Excluding spending amounts which may be required to maintain the Company's mineral properties in good standing, the future minimum payments are as follows:

	Advance royalty	Other	Total
2017	\$ 20,000,000	\$ 37,322,039	\$ 57,322,039
2018	20,000,000	16,710,536	36,710,536
2019-2020	-	25,174,582	25,174,582
Total	\$ 40,000,000	\$ 79,207,157	\$ 119,207,157

Corporate Information

BOARD OF DIRECTORS

Carmel Daniele
London, United Kingdom
Ian Gibbs
British Columbia, Canada
Chantal Gosselin
Ontario, Canada
Ashley Heppenstall
Hong Kong, China
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
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

OFFICES

CORPORATE HEAD OFFICE

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REGIONAL HEAD OFFICE

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Telephone: 593-2-299-6400

FIELD OFFICE

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Los Encuentros, Zamora Ecuador

STOCK EXCHANGE LISTINGS

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

SHARE REGISTRAR AND TRANSFER AGENT

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1-800-564-6253

AUDITOR

PricewaterhouseCoopers LLP
250 Howe St #700 Vancouver,
BC V6C 3S7 Telephone: 604-
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ADDITIONAL INFORMATION

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LUNDIN GOLD

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