LUNDIN GOLD

Building a Leading Gold Company Through Responsible Mining

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, 2018 with those of the same period from the previous year.

This MD&A is dated as of November 8, 2018 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, 2018, 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, 2017.

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

Lundin Gold, headquartered in Vancouver, Canada, is developing its wholly-owned Fruta del Norte gold project ("Fruta del Norte Project" or the "Project") in southeast Ecuador. The Fruta del Norte Project is one of the highest-grade gold projects currently under construction in the world today. The Company's board and management team have extensive expertise in mine construction and operations and are dedicated to advancing this project through to first gold production 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 2018 HIGHLIGHTS AND ACTIVITIES

Fruta del Norte Project

- Overall engineering was 63% complete and construction 34% complete.
- Cumulative advance in the K'isa and Kuri declines was 3.3 kilometres ("km").
- Process plant excavation is finished, and concrete is 40% complete.
- Grinding building steel erection is underway.
- North Access Road was substantially complete and being used by commercial vehicles.
- Powerline construction is ongoing on three separate work fronts.
- Updated mine plan and re-estimate of the Project's capital cost and operating cost were completed. It resulted in an increase in the Project's NPV 5% ($786 million from $717 million) and IRR (17.5% from 16.3%). The new capital cost estimate increased only marginally by $8.0 million to $692 million. At the same time, the estimated all-in sustaining cost dropped to $583 per oz. from $609 per oz.

Financing

- Closed a $350 million senior secured project finance debt facility (the "Facility") with a syndicate of seven lenders. The initial draw down of the Facility is not expected to occur until the first quarter of 2019. In addition, the Company executed a gold concentrate offtake agreement with Boliden.

Exploration

- The mapping, geochemical sampling and permitting required for future drilling continues on a number of epithermal gold-silver targets in the central and southern Suarez basin and the Gata Salvaje target area to the west of the basin.

THE FRUTA DEL NORTE PROJECT

Development of the Project remains on track and on budget to deliver first gold production in the fourth quarter of 2019 and achieve commercial production in the second quarter of 2020.

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

Activities in the Third Quarter of 2018

<u>Fruta del Norte Project</u>

During the third quarter of 2018 progress continued on the Project, in all areas of engineering, procurement and construction. Overall engineering was 63% complete and construction was 34% complete as of the end of the quarter.

Mine Development

- As at September 30, a total of 3.3 km of underground mine development had been achieved, with 1,565 metres ("m") and 1,760 m in the Kuri and K'isa declines, respectively. Daily advance rates continued above target throughout the quarter with an average advance rate achieved of 6.2 m per day in Kuri and 7.0 m per day in K'isa in September, versus a target of 4.0 m per day and 3.8 m per day, respectively. The increase in advance rates are the result of better than anticipated ground conditions, less water than expected and higher contractor productivities.

Process Plant Construction

- Process plant foundations are well advanced.
- Structural steel erection started on the grinding building during the quarter.
- Fabrication of process plant equipment is on track. Flotation cells, mills, CIL tanks, and thickeners are expected to arrive in the fourth quarter of 2018.

Major Site Earthworks

- North Access Road was substantially complete and is being used by commercial vehicles.
- Tailings storage facility dam and basin clearing has started and construction coffer dams were completed.
- Polishing pond earthworks are almost finished and liner installation is underway. Work also started on the east diversion ditch.
- Paste plant access road and site preparation commenced.
- Ventilation shaft access road was completed.

Powerline

- Contractor started powerline construction in September and is working on three fronts.
- Negotiations for agreements on the Bomboiza substation connection to the national grid are underway.

<u>Environment and Permitting</u>

- Mountain Pass Quarry Environmental Licence was issued, and an exploitation agreement with the local government concerning the rights to develop the quarry is in the final stages.
- Continued to advance several SENAGUA water permits.
- Submitted explosives storage magazines expansion permit.

Exploration

- Exploration has focused on mapping and sampling geochemical anomalies to develop them into drill targets. This activity has primarily been conducted on targets in the central and southern Suarez basin (the Puente-Princesa and La Negra target areas) for Fruta del Norte style epithermal gold-silver systems using similar geochemical pathfinder elements that led to the discovery of the Project: arsenic, antimony, mercury, gold and silver. The Suarez basin is a 16 km "pull-apart" structure that hosts the buried Fruta del Norte deposit at its northern end.
- Outside of the Suarez basin, mapping and sampling has also been conducted north of the Gata Salvaje diatreme epithermal gold-silver target. The target occurs approximately 1 km west of the southern basin and is defined by a 1km long coincident arsenic, antimony, mercury and gold soil anomaly.
- Drill permitting activities continue on the Barbasco epithermal gold-silver target on the eastern edge of the Suarez basin approximately 6km south of Fruta del Norte. The target is defined by a 2.5km long area of anomalous arsenic and antimony in soil samples within the Suarez basin sediments.

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

SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

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

	2017 Q3	2017 Q2	2017 Q1	2016 Q4
Derivative gain (loss) for the period	$ (8,281)	$ 4,382	$ -	$ -
Net income (loss) for the period	$ (16,032)	$ 785	$ (6,387)	$ (23,889)
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
Additions to property, plant and equipment	$ 38,635	$ 26,731	$ 15,003	$ 257
Total assets	$ 434,198	$ 460,838	$ 295,795	$ 278,906
Long-term debt	$ 163,591	$ 150,997	$ -	$ -
Working capital	$ 66,196	$ 107,024	$ (18,776)	$ 1,022

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 income in the third quarter of 2018 is mainly due to the revaluation of the Company's long-term debt as more fully explained below. This is offset by a foreign exchange loss of $5.0 million from its substantial holdings of U.S. dollar cash at its Canadian entities during the quarter compared to a foreign exchange gain of $7.1 million in the second quarter of 2018 and a foreign exchange loss of $0.8 million in the third quarter of 2017. As the functional currency of these Canadian entities is the Canadian dollar, a strengthening of the Canadian dollar against the U.S. dollar during the period generates an unrealized loss in terms of Canadian dollars.

The Company generated net income of $1.4 million in the 2018 Period compared to a loss of $21.6 million in the 2017 Period. This is mainly due to the revaluation of the Company's long-term debt and recognition of a substantial foreign exchange gain on its cash balance as explained above. Partially offsetting these gains were higher salaries and benefits in the 2018 Period due to the performance incentive plan payment to the Company's employees.

Derivative gains or losses

The Company did not repay or increase its long-term debt during the third quarter of 2018; however, the Company's long-term debt balance is comprised 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, risk-adjusted discount rate, and production expectations. Relatively small variations in these inputs can give rise to significant variations in the fair value of financial liabilities; hence, the large derivative gains and losses recorded in the accounts to date.

During the third quarter of 2018, the Company recorded a derivative gain from the fair value revaluation of its long-term debt of $17.9 million compared to a derivative loss of $8.3 million recognized in the third quarter of 2017. For the 2018 Period, the Company has recorded a derivative gain of $12.8 million compared to a derivative loss of $3.9 million in the 2017 Period.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2018, the Company had cash of $291.6 million and a working capital of $290.4 million compared to cash of $35.0 million and a working capital balance of $26.8 million at December 31, 2017. The change in cash was primarily due to net proceeds from the private placement in March 2018 of $396.5 million and the final drawdown of $110 million under the gold prepay and stream credit facilities. This is offset by costs incurred for the development of the Fruta del Norte Project of $193.3 million, general and administration costs of $14.3 million and exploration expenditures of $5.0 million.

The Company has successfully financed the Fruta del Norte Project with a project financing package of $300 million in May 2017 comprising of the gold prepay and stream credit facilities, a $400 million private placement in March 2018, and the Facility of $350 million secured in July 2018. The initial draw down of the Facility is not expected to occur until the first quarter of 2019 and is subject to customary conditions precedent and establishing a cost overrun facility (the "COF") for which terms have been substantially agreed and is now subject to acceptance by the Company's lenders and final documentation.

The Company currently has no sources of revenues. Its continuing operations and the underlying value and recoverability of the amount shown for the mineral interests are dependent upon the ability of the Company to complete the development of the Fruta del Norte Project and on future profitable production.

TRANSACTIONS WITH RELATED PARTIES

During the 2018 Period, the Company paid $0.2 million (2017 – $0.3 million) to Namdo Management Services Ltd. ("Namdo"), a private corporation associated with an officer of the Company. The Company occupies office space in the Namdo offices for the Company's management, investor relations personnel and support staff. Namdo charges a service fee and recovers out of pocket expenses related to the Company.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, cash equivalents and receivables, which are categorized as financial assets at amortized cost, and accounts payable and accrued liabilities, which are categorized as financial liabilities at amortized cost. The fair value of these financial instruments, approximates their carrying values due to the short-term nature of these instruments. In addition, the 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 typically raised in Canadian dollars, with foreign operations in Ecuador. Expenditures in Ecuador are primarily denominated in U.S. dollars. As such, the Company is subject to risk due to fluctuations in the exchange rates of foreign currencies. Although the Company does not enter into derivative financial instruments to manage its exposure, the Company tries to manage this risk by maintaining most of its cash in U.S. dollars.

Credit risk

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

Interest rate risk

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

Liquidity risk

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

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for gold and silver. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of 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 2018 Period and the year ended December 31, 2017 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 213,163,980 common shares issued and outstanding and stock options outstanding to purchase a total of 5,902,900 common shares for a total of 219,066,880 common shares outstanding on a fully-diluted basis.

OUTLOOK

The Company is focused on advancing the Project on schedule through to first gold production in the fourth quarter of 2019. The following activities are planned over the next twelve months:

- Completing detailed engineering.
- Completing process plant construction and starting commissioning.
- Advancing mine development towards completion of the ventilation system.
- Commence mine operations and mining ore to stockpiles.
- Completing construction of the site infrastructure buildings such as the laboratory, reagent storage, mine dry and administration.
- Completing the construction of the power transmission line and connecting to the national grid at the Bomboiza substation.
- Signing the Mountain Pass Quarry exploitation agreement and developing the quarry.
- Completing construction of the tailing storage facility.
- Completing the design and supply of the paste plant and commencing construction.
- Obtaining permits and starting construction for the Zamora River bridge in El Pindal.

The Company has substantially agreed to the terms of the COF with a provider. Completion of the COF is a condition precedent to the initial draw down of the Facility, expected to occur in the first quarter of 2019, and is now subject to acceptance by the Company's lenders and final documentation.

Exploration continues to focus on developing drilling targets through mapping and geochemical sampling at the Suarez basin and Gata Salvaje targets. Drill permitting continues for a number of epithermal gold-silver target areas around the Suarez basin.

ADOPTION OF NEW ACCOUNTING STANDARDS

During the nine months ended September 30, 2018, the Company adopted the following new accounting standards:

i. *IFRS 15, Revenue from Contracts with Customers*

The IASB issued a new standard for the recognition of revenue. This replaced IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

This new standard did not affect the Company's financial statements as the Company has yet to generate any revenues.

ii. *IFRS 9, Financial Instruments*

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures*.

The Company's long-term debt is and under IFRS 9, continues to be classified as financial liabilities at fair value. Upon adoption of IFRS 9, the component of fair value changes relating to the Company's own credit risk is recognised in Other Comprehensive Loss. Amounts recorded in Other Comprehensive Loss related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognised in profit or loss.

The adoption of IFRS 9 has resulted in adjustments to the amounts recognised in the unaudited condensed consolidated interim financial statements. Refer to the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 for further details.

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 2017 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 Company's Annual Information Form dated March 20, 2018 (the "AIF") which is available on SEDAR at www.sedar.com.

QUALIFIED PERSON

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

FINANCIAL INFORMATION

The report for the year ended December 31, 2018 is expected to be published on or about February 19, 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, 2018 and ending September 30, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD LOOKING STATEMENTS

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

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

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

Lundin Gold's actual results could differ materially from those anticipated. Management has identified the following risk factors which could have a material impact on the Company or the trading price of its shares: the ability to arrange financing and the risk to shareholders of dilution from future equity financings; the ability to maintain its obligations under the gold prepay and stream credit facilities, the Facility and other debt; risks related to carrying on business in Ecuador; 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 critical resources, labour and key executive personnel, such as input commodities, equipment and skilled labour, and the dependence on key personnel; risks associated with the Company's community relationships; unreliable infrastructure; volatility in the market price of the Company's shares; the potential influence of the Company's largest shareholders; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; 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; the Company's reliance on one project; risks related to artisanal and illegal mining; uncertainty as to reclamation and decommissioning; risks associated with the Company's information systems; competition in the mining industry; the ability to obtain adequate insurance; risks of bribery or corruption; the potential for litigation; and limits of disclosure and internal controls.

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

LUNDIN GOLD INC.

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

	Note		September 30, 2018		December 31, 2017
ASSETS					
Current assets					
Cash and cash equivalents		$	291,599	$	35,018
Other current assets	3		27,234		12,726
			318,833		47,744
Non-current assets					
VAT recoverable and other long-term assets	4		17,856		-
Property, plant and equipment	5		368,829		142,598
Mineral properties	6		256,769		246,387
Advance royalty			45,000		45,000
		$	1,007,287	$	481,729
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	28,435	$	20,950
Non-current liabilities					
Long-term debt	7		351,591		217,940
Reclamation provisions	8		21,194		7,990
			401,220		246,880
EQUITY					
Share capital	9		857,308		460,856
Equity-settled share-based payment reserve	10		11,578		9,547
Accumulated other comprehensive loss			(50,303)		(11,364)
Deficit			(212,516)		(224,190)
			606,067		234,849
		$	1,007,287	$	481,729

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.

LUNDIN GOLD INC.

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

	Note	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
EXPENSES					
Exploration		$ 792	$ 854	$ 4,991	$ 4,686
General and administration:					
Corporate social responsibility		379	-	1,151	-
Depreciation		27	14	79	51
Investor relations		40	52	191	161
Municipal taxes		589	392	802	585
Office and general		637	611	2,014	1,681
Professional fees		567	1,239	2,825	3,253
Regulatory and transfer agent		35	25	205	206
Salaries and benefits		922	639	4,152	2,074
Stock-based compensation	10	704	534	2,031	1,901
Training		349	-	349	-
Travel		200	122	544	568
Loss before other items		5,241	4,482	19,334	15,166
OTHER ITEMS					
Foreign exchange gain (loss)		(5,024)	(821)	8,379	(128)
Other expense		(389)	(2,448)	(399)	(2,441)
Derivative gain (loss)	7	17,924	(8,281)	12,777	(3,899)
Net income (loss) for the period		$ 7,270	$ (16,032)	$ 1,423	$ (21,634)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified to net income (loss)					
Currency translation adjustment		5,108	863	(8,586)	153
Items that will not be reclassified to net income (loss)					
Derivative loss related to the Company's own credit risk	7	(12,096)	-	(20,102)	-
Comprehensive income (loss)		$ 282	$ (15,169)	$ (27,265)	$ (21,481)
Income (loss) per common share					
Basic		$ 0.03	$ (0.13)	$ 0.01	$ (0.18)
Diluted		0.03	(0.13)	0.01	(0.18)
Weighted-average number of common shares					
Basic		213,163,980	119,417,366	184,053,148	119,008,735
Diluted		213,707,572	119,417,366	184,646,495	119,008,735

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

LUNDIN GOLD INC.

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

	Note	Number of common shares		Share capital		Equity-settled share-based payment reserve		Other reserves		Deficit		Total
Balance, January 1, 2017		118,685,535	$	456,750	$	7,422	$	(11,378)	$	(183,050)	$	269,744
Exercise of stock options	10	302,500		1,442		(487)		-		-		955
Share consideration for debenture		247,867		1,064		-		-		-		1,064
Shares issued for mining concession	6	430,938		1,600								1,600
Stock-based compensation	10	-		-		2,078		-		-		2,078
Currency translation adjustment		-		-		-		153		-		153
Net loss for the period		-		-		-		-		(21,634)		(21,634)
Balance, September 30, 2017		119,666,840	$	460,856	$	9,013	$	(11,225)	$	(204,684)	$	253,960
Balance, January 1, 2018		119,666,840	$	460,856	$	9,547	$	(11,364)	$	(224,190)	$	234,849
Impact of adopting IFRS 9 on January 1, 2018	2	-		-		-		(10,251)		10,251		-
Balance, January 1, 2018 (restated)		119,666,840		460,856		9,547		(21,615)		(213,939)		234,849
Proceeds from equity financing, net	9	93,497,140		396,452		-		-		-		396,452
Stock-based compensation	10	-		-		2,031		-		-		2,031
Other comprehensive loss		-		-		-		(28,688)		-		(28,688)
Net loss for the period		-		-		-		-		1,423		1,423
Balance, September 30, 2018		213,163,980	$	857,308	$	11,578	$	(50,303)	$	(212,516)	$	606,067

LUNDIN GOLD INC.

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

	Nine months ended September 30, 2018	2017
OPERATING ACTIVITIES		
Net income (loss) for the period	$ 1,423	$ (21,634)
Items not affecting cash:		
Stock-based compensation	2,031	1,949
Depreciation	88	51
Derivative loss (gain)	(12,777)	3,899
Unrealized foreign exchange loss (gain)	(8,363)	151
Other expense (income)	2,754	(12)
	(14,844)	(15,596)
Changes in non-cash working capital items:		
Other current assets	(22,440)	(1,214)
Accounts payable and accrued liabilities	(696)	(5,859)
Net cash used for operating activities	(37,980)	(22,669)
FINANCING ACTIVITIES		
Proceeds from long-term debt (Note 7)	110,000	150,000
Transaction costs (Note 7)	(735)	(6,131)
Net proceeds from equity financing (Note 9)	396,452	-
Proceeds from exercise of stock options	-	955
Proceeds from draw downs of debenture	-	28,600
Repayment of debenture	-	(28,600)
Net cash provided by financing activities	505,717	144,824
INVESTING ACTIVITIES		
Acquisition and development of property, plant and equipment	(193,290)	(66,553)
Acquisition of mineral properties	-	(1,173)
Change in VAT receivable and other long-term assets	(17,856)	-
Net cash used for investing activities	(211,146)	(67,726)
Effect of foreign exchange rate differences on cash	(10)	21
Net increase in cash and cash equivalents	256,581	54,450
Cash and cash equivalents, beginning of period	35,018	8,503
Cash and cash equivalents, end of period	$ 291,599	$ 62,953
Supplemental information		
Interest received	$ 2,422	$ 59
Change in accounts payable and accrued liabilities related to:		
Acquisition of property, plant and equipment	8,210	6,625

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

1. Nature of operations

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

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

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

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 and property, plant and equipment are dependent upon the ability of the Company to develop the Fruta del Norte Project and on future profitable production.

The Company closed a project financing package of $300 million in May 2017 (See Note 7), a $400 million private placement in March 2018 (See Note 9), and a senior secured project finance facility of $350 million in July 2018 (the "Facility"). The initial draw down of the Facility is not expected to occur until the first quarter of 2019 and is subject to customary conditions precedent and establishment of a cost overrun facility.

2. Basis of preparation and consolidation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS and should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended December 31, 2017.

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, 2017 except as noted below.

These financial statements were approved for issue by the Board of Directors on November 8, 2018.

During the nine months ended September 30, 2018, the Company adopted the following new accounting standards:

i. *IFRS 15, Revenue from Contracts with Customers*

The IASB issued a new standard for the recognition of revenue. This replaced IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

This new standard did not affect the Company's financial statements as the Company has yet to generate any revenues.

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

2. Basis of preparation and consolidation (continued)

ii. IFRS 9, Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures*.

The Company's long-term debt is and under IFRS 9, continues to be classified as financial liabilities at fair value. Upon adoption of IFRS 9, the component of fair value changes relating to the Company's own credit risk is recognised in Other Comprehensive Loss. Amounts recorded in Other Comprehensive Loss related to credit risk are not subject to recycling in profit or loss; but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognised in profit or loss.

The adoption of IFRS 9 has resulted in adjustments to the amounts recognised in the unaudited condensed consolidated interim financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the Company's equity due to the recognition of fair value changes relating to the Company's own credit risk in Other Comprehensive Loss as at January 1, 2018 is as follows:

Cost		**Accumulated other comprehensive loss**		**Deficit**		**Total**
Balance, January 1, 2018 – IAS 39	$	(11,364)	$	(224,190)	$	(235,554)
Derivative loss related to the Company's own credit risk		(10,251)		10,251		-
Balance, January 1, 2018 – IFRS 9	$	(21,615)	$	(213,939)	$	(235,554)

Upon adoption of IFRS 9 on January 1, 2018, the financial instruments of the Company were as follows, with any reclassifications noted:

	Measurement category			Carrying amount		
	Original (IAS 39)	New (IFRS 9)		Original	New	Difference
Financial assets						
Cash	Loans and receivables	Amortized cost	$	35,018	$ 35,018	-
Other current assets	Loans and receivables	Amortized cost		12,726	12,726	-
Financial liabilities						
Accounts payable and accrued liabilities	Amortized cost	Amortized cost		20,950	20,950	-
Long-term debt	FVPL[1]	FVPL[1]		217,940	217,940	-

[1] FVPL = financial liabilities measured at fair value through profit or loss

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

3. Other current assets

		September 30, 2018		December 31, 2017
Prepaid expenses and deposits	$	8,720	$	2,428
Deferred transaction costs		18,514		10,298
	$	27,234	$	12,726

4. VAT receivable and other long-term assets

		September 30, 2018		December 31, 2017
VAT recoverable	$	16,530	$	-
Other long-term assets		1,326		-
	$	17,856	$	-

In December 2015, the Government of Ecuador passed legislation (Ley Orgánica de Incentivos para Asociaciones Público Privadas) to extend VAT recovery to the mining sector. As a result, VAT paid by the Company after January 1, 2018 will be refunded or applied as a credit against other taxes payable once the Company begins to generate export sales.

5. Property, plant and equipment

Cost		**Construction-in-progress**		**Land and buildings**		**Machinery and equipment**		**Vehicles**		**Furniture and office equipment**		**Total**
Balance, January 1, 2017	$	-	$	4,458	$	4,112	$	976	$	352	$	9,898
Additions		130,388		-		2,784		1,991		749		135,912
Cumulative translation adjustment		184		-		-		-		2		186
Balance, December 31, 2017		130,572		4,458		6,896		2,967		1,103		145,996
Additions		211,783		-		11,008		4,914		588		228,293
Cumulative translation adjustment		(167)		-		-		-		(3)		(170)
Balance, September 30, 2018	$	342,188	$	4,458	$	17,904	$	7,881	$	1,688	$	374,119

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

5. Property, plant and equipment (continued)

Accumulated depreciation												
Balance, January 1, 2017	$	-	$	207	$	1,189	$	504	$	176	$	2,076
Depreciation and amortization		-		102		700		408		110		1,320
Cumulative translation adjustment		-		-		-		-		2		2
Balance, December 31, 2017		-		309		1,889		912		288		3,398
Depreciation and amortization		-		77		886		723		208		1,894
Cumulative translation adjustment		-		-		-		-		(2)		(2)
Balance, September 30, 2018	$	-	$	386	$	2,775	$	1,635	$	494	$	5,290
Net book value												
As at December 31, 2017	$	130,572	$	4,149	$	5,007	$	2,055	$	815	$	142,598
As at September 30, 2018	$	342,188	$	4,072	$	15,129	$	6,246	$	1,194	$	368,829

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

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

		September 30, 2018		December 31, 2017
Stock-based compensation (Note 10)	$	-	$	166
Depreciation and amortization		1,806		1,246
Share consideration for debenture		-		1,064
Accretion of transaction and derivative costs (Note 7)		24,987		9,049
Accretion of reclamation provision		-		276
	$	26,793	$	11,801

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

6. Mineral properties

Cost		Fruta del Norte Project		Fruta del Norte restoration asset (Note 8)		Total
Balance, January 1, 2017	$	236,337	$	537	$	236,874
Additions		2,773		6,740		9,513
Balance, December 31, 2017		239,110		7,277		246,387
Additions		-		10,382		10,382
Balance, September 30, 2018	$	239,110	$	17,659	$	256,769

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 of 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
- Allowed the vendor to retain a 2% net smelter royalty for any metallic minerals mined from the acquired concession.

7. Long-term debt

As at September 30, 2018, the long-term debt consisted of the following:

		Gold prepay credit facility		Stream loan credit facility		Offtake derivative liability		Total
Principal	$	150,000	$	150,000	$	-	$	300,000
Interest accrued and capitalized at stated rate of 7.5%		11,879		11,469		-		23,348
Transaction costs		(4,146)		(2,885)		-		(7,031)
Derivative fair value adjustments		7,105		13,534		14,635		35,274
Total	$	164,838	$	172,118	$	14,635	$	351,591

Derivative fair value adjustments reflect the revaluation of the long-term debt at fair value as at September 30, 2018, including a portion of the cost of derivatives which are part of the long-term debt. The derivative loss related to the Company's own credit risk included in other comprehensive loss includes the impact of the difference between the Company's own credit risk at the time of entering into the long-term debt and the balance sheet date.

(a) Gold prepay credit facility (the "Prepay Loan")

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, 2018, the full balance has been drawn under this facility.

6. Long-term debt (continued)

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

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

(b) Stream loan credit facility (the "Stream Loan")

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, 2018, the full balance 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 of the Prepay Loan and Stream Loan have been granted the right to purchase 50% of Fruta del Norte gold production, up to a maximum of 2.5 million oz., at a price determined based on monthly delivery dates and a defined quotational period. This obligation will be satisfied first through the sale of doré and then, if required, financial settlement.

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

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

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, 2018, the Company applied a pre-tax discount rate of 9.3% (2017 – 12.9%) and an inflation rate of 2.4% (2017 – 3.3%). The estimated total liability for reclamation and remediation costs on an undiscounted basis and adjusted for an estimate of future inflation is approximately $71.8 million.

	September 30, 2018	December 31, 2017
Balance, beginning of year	$ 7,990	$ 974
Fair value of new obligations during the period	10,382	6,740
Accretion of liability component of obligations	2,822	276
	$ 21,194	$ 7,990

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, 2017		118,685,535	$ 456,750
Stock options exercised		302,500	955
Transfer from equity-settled share-based payment reserve		-	487
Share consideration for mining concession	6	430,938	1,600
Share consideration for debenture		247,867	1,064
Balance at December 31, 2017		119,666,840	460,856
Proceeds from equity financing, net		93,497,140	396,452
Balance at September 30, 2018		213,163,980	$ 857,308

(a) On March 26, 2018, the Company closed a $400 million private placement financing (the "Private Placement") which resulted in the issuance of 69,284,065 common shares at a price of CAD$5.50 per share and 24,213,075 common shares at a price of CAD$5.25 per share.

The total gross proceeds raised under the Private Placement was $400 million. Share issue costs of $3.5 million were paid resulting in net proceeds of $396.5 million received by the Company in relation to the Private Placement.

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

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, 2018			Year ended December 31, 2017		
	Number of common shares		Weighted exercise price (CAD)	Number of common shares		Weighted exercise price (CAD)
Balance, beginning of period	4,625,500	$	4.44	3,834,500	$	4.18
Granted	1,277,400		5.13	1,319,000		5.16
Cancelled / Expired	-		-	(225,500)		4.68
Exercised[(1)]	-		-	(302,500)		4.01
Balance outstanding, end of period	5,902,900	$	4.59	4,625,500	$	4.44
Balance exercisable, end of period	4,171,980	$	4.36	2,805,400	$	4.18

[(1)] The weighted average share price on the exercise date for the stock options exercised during the year ended December 31, 2017 was CAD$5.07.

The following table summarizes information concerning outstanding and exercisable options at September 30, 2018:

	Outstanding options				Exercisable options			
Range of exercise prices (CAD)	Number of options outstanding	Weighted average remaining contractual life (years)		Weighted average exercise price (CAD)	Number of options outstanding	Weighted average remaining contractual life (life)		Weighted average exercise price (CAD)
$ 3.69 to 4.00	1,735,500	1.22	$	3.90	1,735,500	1.22	$	3.90
$ 4.01 to 5.94	4,167,400	3.39		4.88	2,436,480	2.89		4.69
	5,902,900	2.75	$	4.59	4,171,980	2.19	$	4.36

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

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:

	September 30, 2018	December 31, 2017
Risk-free interest rate	1.95%	1.10%
Expected stock price volatility	60.87%	61.85%
Expected life	5 years	5 years
Expected dividend yield	-	-
Weighted-average fair value per option granted (CAD)	$2.73	$2.71

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, 2018, the Company recorded stock-based compensation expense of $2.0 million (2017 – $2.1 million).

11. Related party transactions

(a) Related party expenses

During the nine months ended September 30, 2018 and September 30, 2017, the Company incurred the following:

Payee	Nature	Note		September 30, 2018		September 30, 2017
Namdo	Management fees	i	$	231	$	262

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

(b) Key management compensation

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

		September 30, 2018		September 30, 2017
Salaries, bonuses and benefits	$	3,297	$	1,843
Stock-based compensation		1,534		1,747
	$	4,831	$	3,590

12. Segmented information

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

The Company's primary business activity is the advancement of the Fruta del Norte Project in Ecuador. During the nine months ended September 30, 2018 and September 30, 2017, all exploration expenditures were incurred in Ecuador. In addition, materially all the non-current assets of the Company and $21.2 million (December 31, 2017 – $18.8 million) of the cash are located in Ecuador. The balance of the cash is located in Canada.

13. Financial instruments

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

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

13. Financial instruments (continued)

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

The following table sets forth the Company's financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy for the nine months ended September 30, 2018. Each of these financial instruments are classified as Level 3 as their valuation includes significant unobservable inputs.

	Gold prepay credit facility	Stream loan credit facility	Offtake derivative liability	Total
Balance, December 31, 2017	118,575	83,365	16,000	217,940
Principal drawn during the period	35,000	75,000	-	110,000
Interest accrued and capitalized at stated rate of 7.5%	8,476	8,356	-	16,832
Transaction costs incurred	(1,450)	(1,533)	-	(2,983)
Accretion of transaction costs	461	135	-	596
Derivative fair value adjustments recognized in:				
Long-term debt	(1,806)	(3,872)	-	(5,678)
Property, plant and equipment	3,528	4,031	-	7,559
Derivative gain	(4,552)	(6,860)	(1,365)	(12,777)
Other comprehensive loss	6,606	13,496	-	20,102
Balance, September 30, 2018	164,838	172,118	14,635	351,591

(c) Valuation inputs and relationships to fair value

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

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

	Fair value at September 30, 2018	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Long-term debt	$ 351,591	Expected volatility	10% to 21%	An increase or decrease in expected volatility of 5% would increase or decrease fair value by $4.2 million or $4.9 million, respectively
		Risk-adjusted discount rate	8% to 9%	An increase or decrease in risk-adjusted discount rate of 1% would decrease or increase fair value by $19.3 million or $20.8 million, respectively

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

13. Financial instruments (continued)

(d) Valuation processes

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

14. Commitments

The Company has committed to the following future minimum payments excluding spending amounts which may be required to maintain the Company's mineral properties in good standing:

	Advance royalty	Construction of Fruta del Norte Project	Total
12 months ending September 30, 2019	20,000	153,510	173,510
October 1, 2019 onward	-	25,174	25,174
Total	$ 20,000	$ 178,684	$ 198,684

In July 2018, the Company signed an offtake agreement to sell approximately half of its gold concentrate production over the first eight years of operations to Boliden, a high-tech metal company with a network of mines and smelters across Europe.

Corporate Information

BOARD OF DIRECTORS

Lukas H. Lundin, Chairman
Geneva, Switzerland
Carmel Daniele
London, United Kingdom
Ian Gibbs
Vancouver, Canada
Chantal Gosselin
Toronto, Canada
Ashley Heppenstall
London, United Kingdom
Ron F. Hochstein
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Michael Nossal
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New York City, United States

OFFICERS

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

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STOCK EXCHANGE LISTINGS

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

SHARE REGISTRAR AND TRANSFER AGENT

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