

LUNDINGOLD

A New Flagship Gold Company

Q2 2015



LUNDIN GOLD INC.

Management's Discussion and Analysis
Six Months Ended June 30, 2015
(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") for the three and six months ended June 30, 2015 provides a detailed analysis of the Company's business, and compares its financial results with those of the same period from the previous year.

This MD&A is dated as of August 11, 2015 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes thereto for the three and six months ended June 30, 2015, 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, 2014. References to the "2015 Period" and "2014 Period" relate to the six months ended June 30, 2015 and June 30, 2014, respectively.

Effective December 31, 2014, the Company changed its reporting currency from Canadian to U.S. dollars. The change in reporting currency is to better reflect the Company's business activities. As a result, all amounts are expressed in U.S. dollars, unless otherwise noted and all comparative financial information has been restated to reflect the Company's results as if they had been historically reported in U.S. dollars.

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

FORWARD LOOKING STATEMENTS

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

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

This MD&A contains forward-looking information in a number of places, such as in statements pertaining to: capital expenditures, exploration and development expenditures and reclamation costs, expectations of market prices and costs, the receipt of regulatory approvals, negotiation and signing of exploitation and investment protection agreements with the government, permits and licenses under governmental and regulatory regimes, exploration plans, timing and success of permitting, development, construction and operation of the Fruta del Norte Project, the feasibility study to be prepared for the Fruta del Norte Project, future tax payments and rates, future sources of liquidity, cash flows and their uses and estimates of Mineral Resources.

Lundin Gold's actual results could differ materially from those anticipated. Management has identified the following risk factors which could have a material impact on the Company or the trading price of its shares: the timely receipt of regulatory approvals, permits and licenses and the cost of compliance with applicable laws; difficulty complying with changing government regulations and policies, including without limitation, compliance with environment, health and safety regulations; uncertainty as to reclamation and decommissioning liabilities, risks related to carrying on business in an emerging market such as possible government instability and civil turmoil, economic instability and uncertain tax environments, unreliable infrastructure and local opposition to mining; the accuracy of the Mineral Resource estimates for the Fruta del Norte Project and the Company's reliance on one project; vulnerability of title and surface rights and access; shortages of resources, such as labour, and the dependence on key personnel; the

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Company's lack of operating history in Ecuador and negative cash flow; the inadequacy of insurance; the potential for litigation; potential conflicts of interest for the Company's directors who are engaged in similar businesses; limitations of disclosure and internal controls; the risk to shareholders of dilution from future equity financings; volatility in the market price of the Company's shares; and the potential influence of the Company's largest shareholders.

There can be no assurance that such statements will prove to be accurate, as Lundin Gold's actual results and future events could differ materially from those anticipated in this forward-looking information as a result of the factors discussed under the heading "Risk Factors" in Lundin Gold's Annual Information Form dated March 25, 2015 (the "AIF") available at www.sedar.com.

2015 HIGHLIGHTS AND ACTIVITIES

During the second quarter of 2015:

- Discussions began with the Government of Ecuador on the Exploitation and Investment Protection Agreements with the common goal of settling the key terms and conditions by the end of 2015.
- Work on the feasibility study is well advanced with anticipated completion in Q2 2016. Field programs, including 10,000 metres of diamond drilling, are substantially complete. Mine planning, confirmatory metallurgical testwork, process design and engineering and infrastructure studies are on track.
- Environmental baseline work is largely complete in support of Environmental Impact Assessment ("EIA") submissions. Licenses and permits required to advance the project to production are also in process.
- The Company appointed Endeavour Financial as its Financial Advisor to provide debt financial advisory services with respect to the development of the Fruta del Norte gold project in Ecuador (the "Fruta del Norte Project").
- The Company bolstered its board and management team with the appointments of:
 - Ashley Heppenstall to the Board of Directors; and
 - Nathan Monash as Vice President, Business Sustainability.

ABOUT LUNDIN GOLD

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

Lundin Gold, formerly named Fortress Minerals Corp., was incorporated in British Columbia and then continued under the *Canada Business Corporations Act*. It is a reporting issuer in the Provinces of Alberta, British Columbia and Ontario. In December 2014, the common shares of Lundin Gold were listed for trading on the TSX and Nasdaq Stockholm under the trading symbol "LUG".

In December 2014, the Company acquired the Fruta del Norte Project located in Southeast Ecuador. The Fruta del Norte Project is one of the largest and highest grade undeveloped gold projects in the world and is the Company's flagship project. The Company plans to advance the Fruta del Norte Project in order to realize the significant potential of this asset.

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

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THE FRUTA DEL NORTE PROJECT

Lundin Gold's property in Southeast Ecuador consists of 36 mining concessions covering an area of approximately 86,000 hectares. From this, the Fruta del Norte Project is comprised of three concessions and covers an area of approximately 5,000 hectares and is located approximately 80 kilometres east of the City of Loja, which is the fourth largest city in Ecuador.

The Fruta del Norte Project is among the largest and highest grade undeveloped gold projects in the world. In October 2014, a Mineral Resource estimate was completed by RPA Inc. (the "FDN Report"), which was retained by the Company to independently review and audit the Mineral Resources at the Project in accordance with the requirements of National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The FDN Report uses a cut-off grade of 3.4 g/t Au and estimates:

- an Indicated Mineral Resource of 23.5 million tonnes at an average grade of 9.59 g/t Au and 12.9 g/t Ag for a total of 7.26 million ounces of gold and 9.73 million ounces of silver; and,
- an Inferred Mineral Resource of 14.5 million tonnes at an average grade of 5.46 g/t Au and 2.55 g/t Ag containing 2.55 million ounces of gold and 5.27 million ounces of silver.

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

The historical work carried out by prior owners, including Aurelian Resources Inc. and Kinross Gold Corporation, from its discovery in 2006 to 2014, has enabled Lundin Gold to move quickly towards feasibility and ultimately a production decision. The previous work completed on the Fruta del Norte Project, including various internal studies, indicates that the deposit can potentially support a large scale, low cost underground mining operation.

In addition to the current Mineral Resource estimates, the Company believes that there is significant exploration potential at the Fruta del Norte Project and on the greater than 80,000 ha of surrounding 33 concessions owned by the Company. Lundin Gold intends to review and evaluate the near-term regional exploration potential and is carrying out regional field and geophysical exploration programs.

Ecuador is a largely underexplored country with excellent geological potential and with a limited mining industry. The Government of Ecuador has expressed an intention to develop the mining industry. Lundin Gold views this prospective region to have significant opportunity.

Activities in the Current Quarter

Work on the feasibility study advanced according to schedule during the second quarter of 2015. All engineering and consulting teams are fully staffed, and field work, which includes the drill program, mine geotechnical, hydrological and civil geotechnical, is well advanced. Fresh drill core has been delivered and prepared for the metallurgical testwork program, which has been initiated, and the paste fill and tailings laboratory work was near conclusion at quarter end.

Plant layout, infrastructure design, preliminary engineering trade-offs and the site layout were completed in the second quarter. Detailed design and engineering for all aspects of the project are expected to progress and be the main focus of the Company's activities in third quarter of 2015.

Environmental baseline and associated fieldwork, in support of the feasibility study and the submission of the EIA's, progressed according to schedule.

Discussions with the Government of Ecuador regarding negotiations on the Exploitation Agreement and Investment Protection Agreement began.

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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).

| | 2015 Q2 | 2015 Q1 | 2014 Q4 | 2014 Q3 |
|--|-----------------|----------------|----------------|----------------|
| Operating expenses | \$ (15,423,500) | \$ (8,265,497) | \$ (1,843,500) | \$ (1,013,367) |
| Other income (loss) | (474,455) | 3,203,418 | 4,286,581 | 195,158 |
| Net income (loss) for the period | (15,897,955) | (5,062,079) | 2,443,081 | (818,209) |
| Basic and diluted income (loss) per share | \$ (0.16) | \$ (0.05) | \$ 0.09 | \$ (0.06) |
| Weighted-average number of common shares outstanding | 101,201,982 | 101,176,268 | 27,971,149 | 14,831,758 |
| Total assets | \$ 294,612,037 | \$ 304,792,017 | \$ 318,032,944 | \$ 18,179,144 |
| Working capital surplus | \$ 42,476,614 | \$ 56,317,859 | \$ 65,977,308 | \$ 17,707,222 |
| | 2014 Q2 | 2014 Q1 | 2013 Q4 | 2013 Q3 |
| Operating expenses | \$ (1,151,234) | \$ (1,327,442) | \$ (170,362) | \$ (132,937) |
| Other income | 25,863 | 79,217 | 79,962 | 44,015 |
| Net loss for the period | (1,125,371) | (1,248,225) | (90,400) | (88,922) |
| Basic and diluted loss per share | \$ (0.08) | \$ (0.08) | \$ (0.01) | \$ (0.01) |
| Weighted-average number of common shares outstanding | 14,831,758 | 14,831,758 | 14,831,758 | 14,831,758 |
| Total assets | \$ 19,865,087 | \$ 19,295,256 | \$ 21,363,517 | \$ 22,092,554 |
| Working capital surplus | \$ 19,163,144 | \$ 19,240,766 | \$ 21,293,561 | \$ 22,068,494 |

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

The current quarter's net loss is higher compared to the second quarter of 2014 as a result of project evaluation expenditures of \$10.0 million incurred on the feasibility study and at the Fruta del Norte Project. The Company also incurred general and administrative expenditures of \$5.3 million which includes a \$2.0 million donation to the Lundin Foundation, a registered Canadian non-profit organization, who will carry out economic development, training and small business development programs in Ecuador in conjunction with the Company.

The loss in the 2015 Period is higher compared to that of the 2014 Period as a result of additional project evaluation expenditures of \$15.1 million incurred on the feasibility study and at the Fruta del Norte Project and general and administrative expenditures of \$8.5 million. General and administrative expenses are higher during the quarter as the Company ramped up personnel and activities in Ecuador associated with the support of the Fruta del Norte Project. In addition, the Company donated \$2.0 million to the Lundin Foundation as noted above. This expense is offset by a gain on account of foreign exchange of \$2.7 million. The gain is generated by the substantial holdings of U.S. dollars at the parent company level. As the functional currency of the parent company is the Canadian dollar, a strengthening of the U.S. dollar against the Canadian dollar during the six months ended June 30, 2015 generates a gain in terms of Canadian dollars.

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LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2015, the Company had cash of \$47.9 million compared to cash of \$70.9 million at December 31, 2014. The decrease of \$23.0 million was due primarily to cash used in operating activities of \$17.3 million and cash used in investing activities of \$3.7 million. In addition, as a result of holding significant cash resources in Canadian dollars as at December 31, 2014 and subsequent to which the Canadian dollar declined relative to the U.S. dollar, a negative foreign exchange impact of \$2.0 million was recorded in the condensed consolidated interim statement of cash flows during the six months ended June 30, 2015.

Net cash used in operating activities of \$17.3 million during the six months ended June 30, 2015 was primarily driven by project evaluation expenses incurred relating to the feasibility study of the Fruta del Norte Project offset by changes in working capital items.

Net cash used by financing activities was due to the settlement of accounts payable and accrued liabilities relating to the private placement which was completed during the fourth quarter of 2014 offset by proceeds received from the exercise of stock options.

Net cash used in investing activities of \$3.7 million was due to the settlement of accounts payable and accrued liabilities relating to the acquisition of Aurelian Resources Inc. and other property, plant and equipment.

The Company anticipates that its current financial position will provide sufficient working capital to fund its planned expenditures in 2015. As the Company does not have any sources of revenue, additional financing may be required in the future from external sources, which may include the issuance of equity, debt or a combination thereof. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Lundin Gold.

TRANSACTIONS WITH RELATED PARTIES

During the 2015 Period, the Company paid \$133,560 (2014 - \$142,232) to Namdo Management Services Ltd. ("Namdo"), a private corporation associated with officers 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 loans and receivables, and accounts payable and accrued liabilities, which are categorized as amortized cost. The fair value of these financial instruments other than cash approximates their carrying values due to the short-term nature of these instruments.

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

Currency risk

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

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The majority of the Company's cash is held in a large Canadian financial institution with a high investment grade rating. The Company does not have any asset-backed commercial paper. The Company's receivables are made up of interest recoverable from large Canadian financial institutions.

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Interest rate risk

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

Liquidity risk

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

OFF-BALANCE SHEET ARRANGEMENTS

During the 2015 Period and the year ended December 31, 2014 there were no off-balance sheet transactions. The Company has not entered into any specialized financial arrangements to minimize its currency risk.

OUTSTANDING SHARE DATA

As at the date of this MD&A, there were 101,236,268 common shares issued and outstanding and stock options outstanding to purchase a total of 2,332,500 common shares for a total of 103,568,768 common shares outstanding on a fully-diluted basis.

OUTLOOK

During the next ten months, the Company plans to conduct engineering and technical studies and environmental permitting at the Fruta del Norte Project with the goal to complete a feasibility study and reach a production decision by mid-2016. The Company also plans to work with the Government of Ecuador to finalize the Exploitation Agreement and Investment Protection Agreements. In addition, the Company may carry out regional exploration on its extensive land position in Ecuador.

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 2014 Management's Discussion and Analysis.

RISKS AND UNCERTAINTIES

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

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

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QUALIFIED PERSON

The technical information relating to the Fruta del Norte Project contained in this MD&A has been reviewed and approved by Anthony George P. Eng. Mr. George, a Mining Engineer, is the Company's Vice President, Project Development and a Qualified Person under NI 43-101.

FINANCIAL INFORMATION

The report for the three and nine months ended September 30, 2015 is expected to be published on November 12, 2015.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements or fraud.

Management has used the Internal Control - Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations for the Treadway Commission (COSO) in order to assess the effectiveness of the Company's internal control over financial reporting.

There has not been any change in the Corporation's internal control over financial reporting that occurred during the six months ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

OTHER INFORMATION

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

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

| | Note | June 30, 2015 | December 31, 2014 |
|--|------|------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | 3 | \$ 47,897,030 | \$ 70,919,477 |
| VAT receivables and other assets | | 753,837 | 728,140 |
| | | 48,650,867 | 71,647,617 |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 9,087,367 | 9,511,524 |
| Mineral properties | | 236,873,803 | 236,873,803 |
| | | \$ 294,612,037 | \$ 318,032,944 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 5 | \$ 6,174,253 | \$ 5,670,309 |
| Non-current liabilities | | | |
| Reclamation provisions | | 829,840 | 793,087 |
| | | 7,004,093 | 6,463,396 |
| EQUITY | | | |
| Share capital | 6 | 386,570,147 | 386,315,842 |
| Equity-settled share-based payment reserve | 7 | 4,255,243 | 3,006,381 |
| Foreign currency translation reserve | | (7,344,735) | (2,839,998) |
| Deficit | | (95,872,711) | (74,912,677) |
| | | 287,607,944 | 311,569,548 |
| | | \$ 294,612,037 | \$ 318,032,944 |

Approved by the Board of Directors

/s/ Ron F. Hochstein
Ron F. Hochstein

/s/ Ian W. Gibbs
Ian W. Gibbs

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

LUNDIN GOLD INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars)

| | Note | Three months ended June 30 | | Six months ended June 30, | |
|--|------|-------------------------------|--------------|------------------------------|--------------|
| | | 2015 | 2014 | 2015 | 2014 |
| EXPENSES | | | | | |
| Project evaluation | 8 | \$ 10,029,460 | \$ 668,435 | \$ 15,116,679 | \$ 1,889,098 |
| Exploration | | 74,593 | - | 74,593 | - |
| General and administration: | | | | | |
| Depreciation | | 6,010 | - | 11,965 | - |
| Donations | | 2,000,000 | - | 2,000,000 | - |
| Investor relations | | 120,083 | 205 | 407,446 | 205 |
| Municipal taxes | | 199,766 | - | 199,766 | - |
| Office and general | | 397,192 | 101,003 | 1,317,877 | 201,568 |
| Professional fees | | 416,846 | 6,292 | 730,831 | 11,611 |
| Regulatory and transfer agent | | 22,690 | 8,228 | 128,460 | 9,123 |
| Salaries and benefits | | 861,935 | - | 1,702,938 | - |
| Stock-based compensation | 7 | 804,485 | 367,071 | 1,311,542 | 367,071 |
| Travel | | 490,440 | - | 686,900 | - |
| Loss before other items | | 15,423,500 | 1,151,234 | 23,688,997 | 2,478,676 |
| OTHER ITEMS | | | | | |
| Loss (gain) on foreign exchange | | 506,285 | 25,574 | (2,657,481) | (2,302) |
| Interest and other income | | (31,830) | (51,437) | (71,482) | (102,778) |
| Net loss for the period | | \$ 15,897,955 | \$ 1,125,371 | \$ 20,960,034 | \$ 2,373,596 |
| OTHER COMPREHENSIVE LOSS | | | | | |
| Items that may be subsequently reclassified to net loss | | | | | |
| Currency translation adjustment | | (891,674) | (680,679) | 4,504,737 | 123,891 |
| Comprehensive loss for the period | | \$ 15,006,281 | \$ 444,692 | \$ 25,464,771 | \$ 2,497,487 |
| Basic and diluted loss per common share | | \$ 0.16 | \$ 0.08 | \$ 0.21 | \$ 0.16 |
| Weighted-average number of common shares outstanding | | 101,201,982 | 14,831,758 | 101,189,196 | 14,831,758 |

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

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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, 2014 | | 14,831,758 | \$ 94,113,114 | \$ 2,195,716 | \$ (851,316) | \$ (74,163,953) | \$ 21,293,561 |
| Stock-based compensation | 7 | - | - | 367,071 | - | - | 367,071 |
| Currency translation adjustment | | - | - | - | (123,891) | - | (123,891) |
| Net loss for the period | | - | - | - | - | (2,373,596) | (2,373,596) |
| Balance June 30, 2014 | | 14,831,758 | \$ 94,113,114 | \$ 2,562,787 | \$ (975,207) | \$ (76,537,549) | \$ 19,163,145 |
| Balance, January 1, 2015 | | 101,176,268 | \$ 386,315,842 | \$ 3,006,381 | \$ (2,839,998) | \$ (74,912,677) | \$ 311,569,548 |
| Exercise of stock options | 7 | 60,000 | 254,305 | (62,680) | - | - | 191,625 |
| Stock-based compensation | 7 | - | - | 1,311,542 | - | - | 1,311,542 |
| Currency translation adjustment | | - | - | - | (4,504,737) | - | (4,504,737) |
| Net loss for the period | | - | - | - | - | (20,960,034) | (20,960,034) |
| Balance June 30, 2015 | | 101,236,268 | \$ 386,570,147 | \$ 4,255,243 | \$ (7,344,735) | \$ (95,872,711) | \$ 287,607,944 |

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

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

| | Six months ended June 30, | |
|---|---------------------------|----------------|
| | 2015 | 2014 |
| OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (20,960,034) | \$ (2,373,596) |
| Items not affecting cash: | | |
| Stock-based compensation | 1,311,542 | 367,071 |
| Depreciation and accretion | 555,959 | - |
| Foreign exchange gain | (2,737,106) | - |
| | (21,829,639) | (2,006,525) |
| Changes in non-cash working capital items: | | |
| VAT receivables and other assets | (47,418) | 4,810 |
| Accounts payable and accrued liabilities | 4,598,409 | 631,988 |
| Net cash used for operating activities | (17,278,648) | (1,369,727) |
| FINANCING ACTIVITIES | | |
| Changes in non-cash working capital items: | | |
| Proceeds from private placement, net | (239,656) | - |
| Proceeds from exercise of stock options | 191,625 | - |
| Net cash used for financing activities | (48,031) | - |
| INVESTING ACTIVITIES | | |
| Changes in non-cash working capital items: | | |
| Acquisition of Aurelian Resources Inc., net of cash acquired | (3,548,816) | - |
| Acquisition of property, plant and equipment | (162,844) | - |
| Net cash used for investing activities | (3,711,660) | - |
| Effect of foreign exchange rate differences on cash | (1,984,108) | (123,893) |
| Net decrease in cash | (23,022,447) | (1,493,620) |
| Cash, beginning of period | 70,919,477 | 21,328,135 |
| Cash, end of period | \$ 47,897,030 | \$ 19,834,515 |
| Supplemental information | | |
| Interest received | \$ 89,026 | \$ 104,627 |
| Changes in accounts payable and accrued liabilities related to: | | |
| Proceeds from private placement, net | (239,656) | - |
| Acquisition of Aurelian Resources Inc. | (3,548,816) | - |
| Acquisition of property, plant and equipment | (55,672) | - |

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

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Notes to the condensed consolidated interim financial statements as at June 30, 2015

(Unaudited – Prepared by Management)

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

1. Nature of operations

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

In December 2014, the common shares of the Company were listed for trading on the Toronto Stock Exchange (the “TSX”) and Nasdaq Stockholm under the symbol “LUG”. Prior to this, the Company’s common shares traded on the NEX Board of the TSX Venture Exchange under the symbol “FST.H”. The Company was originally incorporated in British Columbia and continued under the Canada Business Corporations Act in 2002.

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

2. Basis of preparation and consolidation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS, and should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal year ended December 31, 2014.

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, 2014.

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

These financial statements were approved for issue by the Board of Directors on August 11, 2015.

3. Cash and cash equivalents

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

| Currency | June 30 2015 | December 31, 2014 |
|------------------|-----------------|----------------------|
| Canadian dollars | \$ 7,510,264 | \$ 29,686,978 |
| U.S. dollars | 40,386,766 | 41,232,499 |
| | \$ 47,897,030 | \$ 70,919,477 |

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2015
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars, unless otherwise noted)

4. Property, plant and equipment

| Cost | Land and buildings | Machinery and equipment | Vehicles | Furniture and office equipment | Total |
|-----------------------------------|--------------------|-------------------------|------------|--------------------------------|--------------|
| Balance, January 1, 2014 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Additions | 4,442,000 | 4,094,000 | 741,000 | 263,258 | 9,540,258 |
| Balance, December 31, 2014 | 4,442,000 | 4,094,000 | 741,000 | 263,258 | 9,540,258 |
| Additions | - | 17,748 | - | 89,424 | 107,172 |
| Cumulative translation adjustment | - | - | - | (12,253) | (12,253) |
| Balance, June 30, 2015 | \$ 4,442,000 | \$ 4,111,748 | \$ 741,000 | \$ 340,429 | \$ 9,635,177 |

Accumulated depreciation

| | | | | | |
|--|-----------|------------|------------|-----------|------------|
| Balance, January 1, 2014 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Depletion, amortization and accretion for the year | 3,037 | 18,318 | 5,170 | 2,209 | 28,734 |
| Balance, December 31, 2014 | 3,037 | 18,318 | 5,170 | 2,209 | 28,734 |
| Depletion, amortization and accretion for the period | 51,150 | 292,046 | 142,940 | 33,070 | 519,206 |
| Cumulative translation adjustment | - | - | - | (130) | (130) |
| Balance, June 30, 2015 | \$ 54,187 | \$ 310,364 | \$ 148,110 | \$ 35,149 | \$ 547,810 |

Net book value

| | | | | | |
|-------------------------|--------------|--------------|------------|------------|--------------|
| As at December 31, 2014 | \$ 4,438,963 | \$ 4,075,682 | \$ 735,830 | \$ 261,049 | \$ 9,511,524 |
| As at June 30, 2015 | \$ 4,387,813 | \$ 3,801,384 | \$ 592,890 | \$ 305,280 | \$ 9,087,367 |

5. Accounts payable and accrued liabilities

| | June 30, 2015 | December 31, 2014 |
|---------------------|---------------|-------------------|
| Accounts payable | \$ 2,874,640 | \$ 626,493 |
| Accrued liabilities | 3,299,613 | 5,043,816 |
| | \$ 6,174,253 | \$ 5,670,309 |

As at June 30, 2015, the accrued liabilities were related to ongoing business activities, in particular the feasibility study on the Fruta del Norte project.

As at December 31, 2014, the accrued liabilities were primarily related to transaction costs incurred relating to the acquisition of Aurelian Resources Inc. including the minimum cash adjustment, legal, stock exchange fees and other professional services.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2015

(Unaudited – Prepared by Management)

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

6. Share capital

Authorized:

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

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

| | Number of common shares | Share capital |
|--|----------------------------|----------------|
| Balance at January 1, 2014 | 14,831,758 | \$ 94,113,114 |
| Shares issued for acquisition of Aurelian Resources Inc. | 26,156,250 | 90,000,000 |
| Private placement, net | 50,128,260 | 167,587,674 |
| Issue of shares for convertible loan notes | 10,060,000 | 34,615,054 |
| Balance at December 31, 2014 | 101,176,268 | \$ 386,315,842 |
| Share options exercised | 60,000 | 191,625 |
| Share options exercised - fair value adjustment | - | 62,680 |
| Balance at June 30, 2015 | 101,236,268 | \$ 386,570,147 |

On November 25, 2014, the Company completed a private placement of 50,128,260 subscription receipts of the Company for gross proceeds of \$172.5 million (CAD\$200.5 million). Finder's fees and other related costs totaling \$4.7 million (CAD\$5.4 million) were paid in relation to the private placement. On December 17, 2014, upon completion of the acquisition of Aurelian Resources Inc., the subscription receipts were converted to 50,128,260 common shares of the Company. In addition, on December 17, 2014, the Company completed a private placement of convertible loan notes with an aggregate principal amount of \$34.6 million (CAD\$40.2 million) to CD Capital Natural Resources Fund II (Master) L.P. An aggregate of 10,060,000 common shares of the Company have been issued for these convertible loan notes but are held in escrow.

7. Stock options

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

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

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2015
(Unaudited – Prepared by Management)
(Expressed in U.S. Dollars, unless otherwise noted)

7. Stock options (continued)

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

| | Six months ended June 30, 2015 | | Year ended December 31, 2014 | |
|------------------------------------|-----------------------------------|-------------------------------------|---------------------------------|-------------------------------------|
| | Number of common shares | Weighted exercise price (CAD) | Number of common shares | Weighted exercise price (CAD) |
| Balance, beginning of period | 757,000 | \$ 3.81 | 227,700 | \$ 4.34 |
| Granted | 1,880,500 | 3.95 | 592,000 | 3.75 |
| Cancelled / Expired | (105,000) | 4.01 | (62,700) | 5.21 |
| Exercised ⁽¹⁾ | (60,000) | 4.01 | - | - |
| Balance outstanding, end of period | 2,472,500 | \$ 3.90 | 757,000 | \$ 3.81 |
| Balance exercisable, end of period | 444,000 | \$ 3.75 | 461,000 | \$ 3.84 |

⁽¹⁾ The weighted average share price on the exercise date for the stock options exercised during the six months ended June 30, 2015 was CAD\$3.91.

The following table summarizes information concerning outstanding and exercisable options at June 30, 2015:

| Expiry date | Exercise price (CAD) | Options outstanding | Options exercisable | Remaining contractual life (years) |
|-------------------|----------------------------|------------------------|------------------------|--|
| May 26, 2019 | \$ 3.75 | 592,000 | 444,000 | 3.91 |
| February 23, 2020 | \$ 4.00 | 1,440,500 | - | 4.65 |
| March 22, 2020 | \$ 3.90 | 115,000 | - | 4.73 |
| April 9, 2020 | \$ 3.69 | 95,000 | - | 4.78 |
| May 14, 2020 | \$ 3.75 | 230,000 | - | 4.88 |
| | | 2,472,500 | 444,000 | |

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:

| | 2015 | 2014 |
|--|---------|---------|
| Risk-free interest rate | 0.60% | 1.58% |
| Expected stock price volatility | 64.83% | 63.17% |
| Expected life | 5 years | 5 years |
| Expected dividend yield | - | - |
| Weighted-average fair value per option granted (CAD) | \$2.10 | \$2.02 |

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 six months ended June 30, 2015, the Company recorded stock-based compensation expense of \$1,311,542 (2014 – \$367,071) relating to the vesting of options with a corresponding increase in the equity-settled share-based payment reserve.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2015

(Unaudited – Prepared by Management)

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

8. Project evaluation

| | Three months ended June 30, | | Six months ended June 30, | |
|---------------------------------------|-----------------------------|------------|---------------------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| Camp costs | \$ 651,358 | \$ - | \$ 1,044,885 | \$ - |
| Conceptual studies | 4,480,133 | - | 6,298,089 | - |
| Depreciation and accretion expense | 271,084 | - | 543,994 | - |
| Drilling and other operating expenses | 1,748,045 | - | 2,110,275 | - |
| Environmental costs | 1,032,814 | - | 1,240,947 | - |
| Office and general | 545,335 | - | 798,199 | - |
| Salaries and benefits | 872,588 | - | 1,253,850 | - |
| Property taxes | 428,103 | - | 1,826,440 | - |
| Break fee and other expenses (a) | - | 668,435 | - | 1,889,098 |
| | \$ 10,029,460 | \$ 668,435 | \$ 15,116,679 | \$ 1,889,098 |

- (a) During the year ended December 31, 2013, the Company submitted a non-binding indicative offer and entered into an exclusivity agreement to acquire a mineral property. In January 2014, after completion of due diligence procedures, the Company withdrew its offer. As a result, pursuant to the terms of the exclusivity agreement, the Company paid a break fee of \$1,000,000. Following this withdrawal, the Company continued to incur project evaluations expenditures to evaluate strategic alternatives in the natural resource sector.

9. Related party transactions

- (a) Related party expenses

During the six months ended June 30, 2015 and June 30, 2014, the Company incurred the following:

| Payee | Nature | Note | June 30, 2015 | June 30, 2014 |
|-------|-----------------|------|------------------|------------------|
| Namdo | Management fees | i | \$ 133,560 | \$ 142,232 |

- i. Namdo Management Services Ltd. ("Namdo"), a company associated with officers 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.

| | June 30, 2015 | June 30, 2014 |
|--------------------------|------------------|------------------|
| Salaries and benefits | \$ 932,788 | \$ - |
| Stock-based compensation | 1,112,077 | 310,026 |
| | \$ 2,044,865 | \$ 310,026 |

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2015

(Unaudited – Prepared by Management)

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

10. Segmented information

The Company's primary business activity is the advancement of the Fruta del Norte gold project in Ecuador through feasibility to a production decision. During the six months ended June 30, 2015 and June 30, 2014, all project evaluation expenses were incurred in Ecuador and Canada, respectively. The geographic distribution of non-current assets is as follows:

| | June 30, 2015 | | December 31, 2014 | |
|---------|---------------------|-----------------------|---------------------|-----------------------|
| | Equipment, net | Mineral properties | Equipment, net | Mineral properties |
| Canada | \$ 59,171 | \$ - | \$ 83,258 | \$ - |
| Ecuador | 9,028,196 | 236,873,803 | 9,428,266 | 236,873,803 |
| | <u>\$ 9,087,367</u> | <u>\$ 236,873,803</u> | <u>\$ 9,511,524</u> | <u>\$ 236,873,803</u> |

11. Financial instruments

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

Corporate Information

BOARD OF DIRECTORS

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

OFFICERS

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

OFFICES

CORPORATE HEAD OFFICE

Lundin Gold Inc.
885 West Georgia Street, Suite 2000
Vancouver, British Columbia V6C 3E8
Telephone: 604-689-7842
Toll Free: 1-888-689-7842
Facsimile: 604-689-4250

REGIONAL HEAD OFFICE

**Aurelian Ecuador S.A.,
a subsidiary of Lundin Gold Inc.**
Av. Amazonas N37-29 y UNP Edificio
Eurocenter, Piso 5
Quito, Ecuador
Telephone: 593-2-299-6400

FIELD OFFICE

Los Encuentros office
Calle 1 de Mayo y 12 de Febrero
Los Encuentros, Zamora
Ecuador

STOCK EXCHANGE LISTINGS

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

SHARE REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.
510 Burrard Street, 3rd Floor
Vancouver, B.C. V6C 3B9 Telephone:
1-800-564-6253

AUDITOR

PricewaterhouseCoopers LLP
250 Howe St #700 Vancouver,
BC V6C 3S7 Telephone: 604-
806-7000

ADDITIONAL INFORMATION

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



LUNDIN GOLD

Lundin Gold Inc.
885 West Georgia Street, Suite 2000
Vancouver, BC, Canada V6C 3E8

Telephone +1 604 689 7842
Fax +1 604 689 4250
info@lundingold.com
lundingold.com