LUNDIN GOLD

Building a New Leading Gold Company

Q3 2016

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Lundin Gold Inc. and its subsidiary companies (collectively, "Lundin Gold" or the "Company") provides a detailed analysis of the Company's business, and compares its financial results for the three and nine months ended September 30, 2016 with those of the same period from the previous year.

This MD&A is dated as of November 9, 2016 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, 2016, which are prepared in accordance with IAS 34: Interim Financial Statements, and the Company's audited annual consolidated financial statements and related notes thereto, which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and the MD&A for the fiscal year ended December 31, 2015. References to the "2016 Period" and "2015 Period" relate to the nine months ended September 30, 2016 and September 30, 2015, respectively.

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

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.

In December 2014, the Company acquired the Fruta del Norte Project along with surrounding exploration concessions, located in Southeast Ecuador. The Fruta del Norte Project is one of the largest and highest grade undeveloped gold projects in the world. The Company is advancing the Fruta del Norte Project in order to realize the significant potential of this asset.

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 the environmental footprint of its operations.

HIGHLIGHTS AND ACTIVITIES

Fruta del Norte Project

- During the quarter the Company embarked on the Early Works Program. This phase of the project includes field investigations, early site works, optimizations and basic engineering and is scheduled to end approximately mid-2017. Its objective is to transition the Fruta del Norte Project from the feasibility study (the "Feasibility Study") into full development and construction and to maintain the critical path to first production in the first quarter of 2020.

- In August, the Company successfully concluded the negotiation of the definitive form of investment protection agreement (the "IPA") for the Fruta del Norte Project with the Government of Ecuador, and the draft text was subsequently formally approved by the Government.

- In October, the Company's Environmental Impact Study (the "EIS") for the Fruta del Norte Project was approved and the Environmental License was granted by the Government of Ecuador.

- The Company awarded several contracts to advance the Project including bringing G Mining Services Inc. ("G Mining") on to form an integrated project team to manage all aspects of the project, covering optimization of all areas of the project design and execution plan, basic engineering, detailed engineering, procurement, construction and commissioning. G Mining is a multidisciplinary mining and project management company based in Montreal, Quebec, Canada.

Financing

- During the quarter, the Company completed an equity financing with a syndicate of underwriters (the "Underwriters"), pursuant to which the Underwriters purchased, on a bought deal basis, 15,000,000 common shares of the Company at a price of CAD$5.50 per Share (the "Offering"). The first tranche of the Offering, for 10,000,000 common shares, closed on July 19, 2016. The second tranche of the offering for 5,000,000 common shares, closed on August 9, 2016. In addition, the Underwriters exercised a 15% over-allotment option in full and purchased 2,250,000 additional common shares. Gross proceeds under the Offering, inclusive of the over-allotment option, were CAD$94,875,000 ($72.6 million).

Exploration

- An exploration drilling campaign was completed in early August, having tested five key targets located 15 to 20 km south of the Fruta del Norte Project.

THE FRUTA DEL NORTE PROJECT

Lundin Gold's property in Southeast Ecuador consists of 31 mining concessions covering an area of approximately 71,400 hectares. From this, the Fruta del Norte Project is comprised of three concession covering an area of approximately 4,900 hectares and is located approximately 80 kilometres east of the City of Loja, which is the fourth largest city in Ecuador.

In addition to the current Mineral Resource and Mineral Reserve estimates, the Company believes that there is significant exploration potential at the Fruta del Norte Project and on the more than 66,000 ha owned by the Company.

Activities in the Third Quarter of 2016

Fruta del Norte Project

The objective of the Early Works Program is to transition the Fruta del Norte Project from the Feasibility Study to full development and construction with the purpose of maintaining the critical path to first production in first quarter of 2020. The key elements of this program, due to end approximately mid-2017, are:

- Early site preparation for the construction of access roads, mine portals platform, mine waste dumps and water management facilities (ponds and drainage) and support services and facilities required for the start of the mine development. The Company also expects to start work on a new access road from El Pindal to site.

- Optimization of the Feasibility Study in several areas including: mine plan and design, process plant, site layout, power supply and aggregate supply.

- Basic engineering activities, which are currently underway for the process plant, new access road and bridge, power supply, site infrastructure and tailings storage facility.

- An extensive field investigations campaign to obtain additional information, which is currently underway and will include approximately 8,000m of geotechnical drilling. The first phase of the field investigations for the mine development has been completed with the results of over 2,000m of geotechnical drilling supporting the advancing of the designs of the mine portals, twin declines and the north ventilation raise. Once structural modelling is complete additional mine geotechnical drilling will be done in the plant site, tailings storage facility and aggregate quarry areas, along with mine dewatering wells.

- The Company has awarded several contracts to advance the Project with:

    - G Mining Services Inc. to enable the Company to augment its project management team. Together, Lundin Gold and G Mining have formed an integrated project team to manage all aspects of the project, covering optimization of all areas of the project design and execution plan, basic engineering, detailed engineering, procurement, construction and commissioning. G Mining is a multidisciplinary mining and project management company based in Montreal, Quebec, Canada.

    - Ausenco Services Canada Inc. for completion of plant layout optimization, basic engineering and detailed engineering for the process plant and surface facilities.

  - Klohn Crippen Berger Ltd. (KCB), for surface geotechnical design and tailing dam basic engineering including associated field investigations.

  - NCL Ingenieria y Construccion S.A. (NCL) for underground mine design; SRK Consulting in Vancouver, Canada, for mine geotechnical services; and Alan Auld Group Ltd. in Saskatoon, Canada, for mine portal and soft tunneling design services. All three companies completed the equivalent scope of work for the Feasibility Study and continue to progress and develop detailed designs.

- During the quarter the Company started the tender process for the mine development contract to a select group of prequalified bidders. The scope of this contract will cover mine portal construction and over 6,000m of development. This contract is expected to be awarded in January 2017 for mobilization and commencement of mine portals construction by mid-2017.

Investment Protection Agreement

In August, the Company successfully concluded the negotiation of the definitive form of the IPA for the Fruta del Norte Project with the Government of Ecuador, and the draft text was subsequently formally approved by the Government. The IPA provides further legal and tax stability for the Company, in conjunction with the exploitation agreement and existing laws in Ecuador, including:

- Income tax rate fixed at 22%.

- Exemption from the capital outflow tax of 5% on payments of principal and interest to financial institutions outside of Ecuador.

- The ability to obtain benefits granted by the Government of Ecuador through future investment protection agreements with other investors in similar projects in Ecuador.

- No restrictions to transfer or assign all or part of the investment, including the right to assign its rights to any financing parties.

- Other benefits granted to the Company include no restriction to:

  i. Produce and sell minerals;

  ii. Import and export goods; and

  iii. establish, maintain, control, or transfer funds abroad, provided statutory remittances and obligations have been met.

The Company expects to execute the IPA at the same time as the exploitation agreement, on or before January 20, 2017.

Environment and Permitting

On October 13, 2016, the Company's Environmental Impact Study (the "EIS") for the Fruta del Norte Project was approved by the Government of Ecuador. The process of approval of the EIS started with the submission of a draft EIS in April 2016, followed by a public participation process coordinated and developed with the Ministry of Environment (the "MOE"), and the delivery of a final EIS to the MOE in August. The Environmental License was granted on October 28, 2016.

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

Exploration

The Company continued exploration activities on some of its higher priority concessions. A drilling campaign was completed on August 8 with 28 holes totaling 8,519m. The program tested five key targets located 15 to 20 km south of the Fruta del Norte Project. During the third quarter, 13 drill holes were completed on the Rio Blanco, Emperador, Robles, and Chanchito targets, totaling 2,847m. In total, 28 holes were drilled over the complete campaign for a total of 8,519m. Although intersected mineralization did not return high grades over significant intersections, the styles of alteration and mineralization do confirm important epithermal systems at four of the five targets tested, which justify future follow-up.

The Rio Blanco target was highly anomalous in arsenic, moly, and antimony, while the Chanchito target was highly anomalous in silica, mercury and moly. The Robles and Emperador targets were rich in all the previous elements as well as gold and silver. Illite alteration was the dominant alteration associated to all mineralized zones. These represent the full suite of trace pathfinder elements and hydrothermal alteration which characterize Fruta del Norte like many other low to intermediate sulphidation epithermal deposits.

Other field programs continued including soil geochemical surveys, detailed mapping and prospecting on new areas of interest to define high priority targets for drilling in 2017.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

	2016 Q3	2016 Q2	2016 Q1	2015 Q4
Operating expenses	$ (11,813,859)	$ (12,472,466)	$ (14,501,410)	$ (13,250,753)
Other income (expense)	28,845	41,890	(208,121)	489,812
Net loss for the period	(11,785,014)	(12,430,576)	(14,709,531)	(12,760,941)
Basic and diluted loss per share	$ (0.10)	$ (0.12)	$ (0.15)	$ (0.13)
Weighted-average number of common shares outstanding	113,331,975	101,264,883	101,260,268	101,260,268
Total assets	$ 300,194,541	$ 249,635,830	$ 253,616,770	$ 267,399,530
Working capital	$ 49,902,765	$ (8,535,198)	$ 2,922,308	$ 16,314,025

	2015 Q3	2015 Q2	2015 Q1	2014 Q4
Operating expenses	$ (13,684,595)	$ (15,423,500)	$ (8,265,497)	$ (1,843,500)
Other income (expense)	2,081,708	(474,455)	3,203,418	4,286,581
Net loss for the period	(11,602,887)	(15,897,955)	(5,062,079)	2,443,081
Basic and diluted loss per share	$ (0.11)	$ (0.16)	$ (0.05)	$ 0.09
Weighted-average number of common shares outstanding	101,239,398	101,201,982	101,176,268	27,971,149
Total assets	$ 277,941,185	$ 294,612,037	$ 304,792,017	$ 318,032,944
Working capital	$ 28,324,350	$ 42,476,614	$ 56,317,859	$ 65,977,308

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

The current quarter's net loss is lower compared to the third quarter of 2015 mainly due to a reduction in project evaluation costs offset by an increase in exploration and general and administrative expenses. Project evaluation expenditures are $3.6 million lower compared to the same period in 2015 because of the completion of the Feasibility Study during the second quarter of 2016 and drilling activities to support the Feasibility Study which progressed during the third quarter of 2015. This is offset by an increase in exploration expenditures of $1.0 million driven by exploration drilling during the third quarter of 2016. In addition, there was an increase in general and administrative expenditures of $0.8 million mainly due to a donation made to the Lundin Foundation in the third quarter of 2016. The Lundin Foundation is working closely with the Company in areas such as training and economic development in Ecuador.

The loss in the 2016 Period is higher compared to that of the 2015 Period as a result of an increase in exploration expenditures of $3.5 million and a reduction in the foreign exchange gain of $4.8 million, offset by a decrease in general and administrative expenditures of $2.0 million. The increase in exploration expenditures was driven by the start of exploration drilling in April 2016. In addition, there was a decrease in the foreign exchange gain due to the strengthening of the U.S. dollar against the Canadian dollar which generated a substantial gain in terms of Canadian dollars during the 2015 Period compared to the 2016 Period.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2016, the Company had cash of $54.8 million and a working capital balance of $49.9 million compared to cash of $21.4 million and a working capital balance of $16.3 million at December 31, 2015. The increase in cash of $33.4 million was primarily due to the equity financing which provided the Company with net proceeds of $69.3 million (see paragraph below) offset by $24.8 million of project evaluation expenditures relating to the Feasibility Study and general and administrative expenses of $9.9 million.

Equity Financing

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

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

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

Any potential development activities at the Fruta del Norte Project or other concessions require substantial additional capital. As the Company does not have any sources of revenue, the Company is in the process of identifying and evaluating various financing transactions or arrangements, including equity financing, debt financing, stream financing, or other means to ensure it will be in a position to complete the Early Works Program and proceed with full development and construction. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Lundin Gold. Moreover, Lundin Gold may not be successful in locating suitable financing when required or at all. A failure to raise capital when needed would delay the commencement of development and potentially have a material adverse effect on Lundin Gold's business, financial condition and results of operations.

TRANSACTIONS WITH RELATED PARTIES

During the 2016 Period, the Company paid $243,607 (2015 - $214,286) to Namdo Management Services Ltd. ("Namdo"), a private corporation associated with an officer of the Company. The Company occupies office space in the Namdo offices for the Company's management, investor relations personnel and support staff. Namdo charges a service fee and recovers out of pocket expenses related to the Company. In addition, during the 2016 Period, the Company paid $65,430 (2015 – nil) to Bofill Mir & Alvarez Jana Abogados ("BMAJ"), a law firm of which a director of the Company is a partner. BMAJ assisted the Company with the negotiations of the exploitation agreement and the IPA with the Government of Ecuador. The Company also paid $82,463 (2015 – nil) to Lundin S.A. during the 2016 Period. Lundin S.A. is associated with a director of the Company and provides administrative and office facilities pursuant to an agreement.

CONTINGENCIES

In August 2016, two claims and an arbitration proceeding were filed against the Company and a dissolved subsidiary of the Company. Former directors of the dissolved subsidiary were also named in one of the claims. Under these actions, the plaintiff (i) claims breach of contract and unspecified damages relating to its rights under a net smelter royalty on a Russian gold project (the "Project") based on an agreement entered into with the dissolved subsidiary (the "Agreement") prior to the subsidiary selling the Project to a third party in 2010; and (ii) seeks an order to revive the dissolved subsidiary to determine how the proceeds of the sale of the Project were distributed, and to find the Company and/or the former directors of the subsidiary liable for issuing an improper dividend or distribution. The subsidiary was dissolved shortly after the sale of the "Project". The acquirer of the Project, also named in the proceedings, has taken the position that it is not responsible for the royalty obligation.

The Company believes the plaintiff's actions to be without merit and intends to vigorously defend its position. Further, the Company maintains that it is not subject to the arbitration proceedings because it is not a party to the Agreement and that the subsidiary cannot participate because it no longer exists. The ultimate outcome of these proceedings cannot presently be determined. Accordingly, adjustments, if any, that might result from the resolution of these matters have not been reflected in the financial statements.

FINANCIAL INSTRUMENTS

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

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

Currency risk

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

Credit risk

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

Interest rate risk

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

Liquidity risk

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

OFF-BALANCE SHEET ARRANGEMENTS

During the 2016 Period and the year ended December 31, 2015 there were no off-balance sheet transactions. The Company has not entered into any specialized financial arrangements to minimize its currency risk.

OUTSTANDING SHARE DATA

As at the date of this MD&A, there were 118,685,535 common shares issued and outstanding and stock options outstanding to purchase a total of 3,734,500 common shares for a total of 122,420,035 common shares outstanding on a fully-diluted basis.

OUTLOOK

During the quarter the Company commenced the Early Works Program. The main objectives of the Early Works Program are to perform basic engineering, provide the access, infrastructure, services and facilities to support the start of construction of the mine's twin declines and to maintain the project critical path. These programs remain on track with earthworks scheduled to commence in fourth quarter of 2016 and are expected to be completed by the end of the second quarter 2017.

On June 16, 2016, the Company submitted the phase change application (the "PCA") to the Government of Ecuador. The Government of Ecuador approved the PCA on July 13, 2016. Based on the PCA approval date, the Company has until January 20, 2017 to execute the exploitation agreement and the IPA with the Government of Ecuador. Upon execution of the exploitation agreement, the first advance royalty payment of $25 million will become due. The balance of the payment will be due in two equal disbursements of $20 million on the first and second anniversaries of the execution of the exploitation agreement. The advance royalty payment is deductible against future royalties payable.

During the next 12 months, the Company will continue to work with its financial and legal advisors to evaluate and put in place the financing for the construction of the Fruta del Norte Project. The Company intends to have its financing in place coincident with a construction decision at the end of the Early Works Program, expected in the middle of 2017.

The Company intends to undertake an Induced Polarity (IP) geophysical program in the fourth quarter of 2016, to target new areas of interest identified from the recently completed geochemical survey. Continued mapping and prospecting on these areas combined with results from the IP survey will help define high priority exploration targets for drilling in 2017.

CRITICAL ACCOUNTING ESTIMATES

The adoption of certain accounting policies requires the Company to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain. For a complete discussion of accounting estimates deemed most crucial by the Company, refer to the Company's annual 2015 Management's Discussion and Analysis.

RISKS AND UNCERTAINTIES

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

The risk factors which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those discussed in the "Risk Factors" section in Lundin Gold's prospectus dated July 12, 2016 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, and Nicholas Teasdale, MAusIMM CP(Geo), Lundin Gold's Vice-President Exploration, both of whom are Qualified Persons under NI 43-101.

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

FINANCIAL INFORMATION

The report for the year ended December 31, 2016 is expected to be published on February 24, 2017.

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, 2016 and ending September 30, 2016, 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 execution of the exploitation agreement and the investment protection agreement and the benefits to be derived under the same, the timing and success of the Early Works program, the issuance of an Environment License for the project, the success of the Company's exploration plans and activities, the outcome of litigation, exploration and development expenditures and reclamation costs, timing and success of permitting and regulatory approvals, future sources of liquidity, capital expenditures and requirements, expectations of market prices and costs, development, construction and operation of the Fruta del Norte Project, future tax payments and rates, cash flows and their uses.

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: capital and operating costs varying significantly from estimates, metallurgical test results not being representative, the ability to arrange financing, the timely receipt of regulatory approvals, permits and licenses, risks related to carrying on business in an emerging market such as possible government instability and civil turmoil and economic instability, measures required to protect endangered species, deficient or vulnerable title to mining concessions and surface rights; the potential for litigation; volatility in the market price of the Company's shares; the risk to shareholders of dilution from future equity financings; the cost of compliance or failure to comply with applicable laws; difficulty complying with changing government regulations and policies, including without limitation, compliance with environment, health and safety regulations; illegal mining; uncertainty as to reclamation and decommissioning liabilities, unreliable infrastructure and local opposition to mining; the accuracy of the Mineral Reserve and Resource estimates for the Fruta del Norte Project and the Company's reliance on one project; volatility in the price of gold; shortages of resources, such as labour, and the dependence on key personnel; the Company's lack of operating history in Ecuador and negative cash flow; the inadequacy of insurance; potential conflicts of interest for the Company's directors who are engaged in similar businesses; limitations of disclosure and internal controls; and the potential influence of the Company's largest shareholders.

There can be no assurance that such statements will prove to be accurate, as Lundin Gold's actual results and future events could differ materially from those anticipated in this forward-looking information as a result of the factors discussed in the "Risk Factors" section in Lundin Gold's prospectus dated July 12, 2016 which is available on SEDAR at www.sedar.com.

LUNDIN GOLD INC.

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

	Note	September 30, 2016	December 31, 2015
ASSETS			
Current assets			
Cash		$ 54,849,493	$ 21,360,228
Other current assets		524,611	608,297
		55,374,104	21,968,525
Non-current assets			
Property, plant and equipment	3	7,946,634	8,557,202
Mineral properties		236,873,803	236,873,803
		$ 300,194,541	$ 267,399,530
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 5,471,339	$ 5,654,500
Non-current liabilities			
Reclamation provisions		947,022	866,593
		6,418,361	6,521,093
EQUITY			
Share capital	5	456,466,232	386,675,284
Equity-settled share-based payment reserve	6	6,892,039	5,012,391
Foreign currency translation reserve		(10,420,431)	(10,572,699)
Deficit		(159,161,660)	(120,236,539)
		293,776,180	260,878,437
		$ 300,194,541	$ 267,399,530

Nature of operations and liquidity (Note 1)
Contingencies (Note 11)

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 September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
EXPENSES					
Project evaluation	7	$ 6,159,953	$ 9,794,741	$ 24,836,235	$ 24,911,420
Exploration		1,442,540	428,767	4,027,823	503,360
General and administration:					
Depreciation		6,944	5,632	18,920	17,597
Donations		681,973	-	681,973	2,000,000
Investor relations		328,945	32,204	499,493	439,650
Municipal taxes		323,817	296,634	520,661	496,400
Office and general		431,058	403,318	1,307,120	1,721,195
Professional fees		839,313	974,598	2,323,868	1,705,429
Regulatory and transfer agent		10,249	8,714	156,926	137,174
Salaries and benefits		920,389	920,355	2,171,688	2,623,293
Stock-based compensation	6	555,218	484,621	1,699,854	1,796,163
Travel		113,460	335,011	543,174	1,021,911
Loss before other items		11,813,859	13,684,595	38,787,735	37,373,592
OTHER ITEMS					
Loss (gain) on foreign exchange		(116,662)	(2,069,749)	88,032	(4,727,230)
Finance expense	4	140,625	-	188,424	-
Interest and other income		(52,808)	(11,959)	(139,070)	(83,441)
Net loss for the period		$ 11,785,014	$ 11,602,887	$ 38,925,121	$ 32,562,921
OTHER COMPREHENSIVE LOSS					
Items that may be subsequently reclassified to net loss					
Currency translation adjustment		133,466	2,540,192	(152,268)	7,044,929
Comprehensive loss for the period		$ 11,918,480	$ 14,143,079	$ 38,772,853	$ 39,607,850
Basic and diluted loss per common share		$ 0.10	$ 0.11	$ 0.37	$ 0.32
Weighted-average number of common shares		113,331,975	101,239,398	105,315,075	101,206,114

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 U.S. Dollars)

	Note	Number of common shares		Share capital		Equity-settled share-based payment reserve		Foreign currency translation reserve		Deficit		Total
Balance January 1, 2015		101,176,268	$	386,315,842	$	3,006,381	$	(2,839,998)	$	(74,912,677)	$	311,569,548
Exercise of stock options	6	84,000		359,442		(99,360)		-		-		260,082
Stock-based compensation	6	-		-		1,796,163		-		-		1,796,163
Currency translation adjustment		-		-		-		(7,044,929)		-		(7,044,929)
Net loss for the period		-		-		-		-		(32,562,921)		(32,562,921)
Balance September 30, 2015		101,260,268	$	386,675,284	$	4,703,184	$	(9,884,927)	$	(107,475,598)	$	274,017,943
Balance, January 1, 2016		101,260,268	$	386,675,284	$	5,012,391	$	(10,572,699)	$	(120,236,539)	$	260,878,437
Proceeds from equity financing, net	5	17,250,000		69,261,119		-		-		-		69,261,119
Exercise of stock options	6	76,000		357,395		(123,449)		-		-		233,946
Share consideration for debenture	4	39,267		172,434		-		-		-		172,434
Stock-based compensation	6	-		-		2,003,097		-		-		2,003,097
Currency translation adjustment		-		-		-		152,268		-		152,268
Net loss for the period		-		-		-		-		(38,925,121)		(38,925,121)
Balance September 30, 2016		118,625,535	$	456,466,232	$	6,892,039	$	(10,420,431)	$	(159,161,660)	$	293,776,180

LUNDIN GOLD INC.

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

	Nine months ended September 30, 2016	2015
OPERATING ACTIVITIES		
Net loss for the period	$ (38,925,121)	$ (32,562,921)
Items not affecting cash:		
Stock-based compensation	2,003,097	1,796,163
Depreciation and accretion	830,348	838,220
Foreign exchange loss (gain)	94,003	(4,801,063)
Finance expense	177,212	-
Other income	(36,624)	-
	(35,857,085)	(34,729,601)
Changes in non-cash working capital items:		
Other current assets	91,874	25,546
Accounts payable and accrued liabilities	(201,572)	1,564,699
Net cash used for operating activities	(35,966,783)	(33,139,356)
FINANCING ACTIVITIES		
Net proceeds from equity financing (Note 5)	69,261,119	-
Proceeds from exercise of stock options	233,946	260,082
Net proceeds from draw downs of debenture (Note 4)	7,822,788	-
Repayment of debenture (Note 4)	(8,000,000)	-
Non-cash finance cost of debenture	172,434	-
Changes in non-cash working capital items:		
Proceeds from private placement, net	-	(239,656)
Net cash provided by financing activities	69,490,287	20,426
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	(136,883)	(162,844)
Net cash used for investing activities	(136,883)	(3,711,660)
Effect of foreign exchange rate differences on cash	102,644	(2,505,879)
Net increase (decrease) in cash	33,489,265	(39,336,469)
Cash, beginning of period	21,360,228	70,919,477
Cash, end of period	$ 54,849,493	$ 31,583,008
Supplemental information		
Interest received	$ 139,070	$ 100,643
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.

1. Nature of operations and liquidity

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

While the Company has recently completed a feasibility study for the Fruta del Norte Project, it has yet to commence development. The Company's continuing operations and the underlying value and recoverability of the amount shown for the mineral interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the development of the Fruta del Norte Project, obtaining the necessary permits to mine, and on future profitable production.

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

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

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

2. Basis of preparation and consolidation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS, and should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended December 31, 2015.

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

In preparing these unaudited condensed consolidated interim financial statements, the Company applied the same accounting policies and key sources of estimation uncertainty as those that were applied to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2015. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

These financial statements were approved for issue by the Board of Directors on November 9, 2016.

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

3. Property, plant and equipment

Cost	Land and buildings	Machinery and equipment	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2015	$ 4,442,000	$ 4,094,000	$ 741,000	$ 263,258	$ 9,540,258
Additions	-	17,748	-	92,480	110,228
Cumulative translation adjustment	-	-	-	(19,410)	(19,410)
Balance, December 31, 2015	4,442,000	4,111,748	741,000	336,328	9,631,076
Additions	122,848	-	-	14,035	136,883
Cumulative translation adjustment	-	-	-	3,793	3,793
Balance, September 30, 2016	$ 4,564,848	$ 4,111,748	$ 741,000	$ 354,156	$ 9,771,752
Accumulated depreciation					
Balance, January 1, 2015	$ 3,037	$ 18,318	$ 5,170	$ 2,209	$ 28,734
Depletion, amortization and accretion for the year	102,300	584,831	280,365	79,406	1,046,902
Cumulative translation adjustment	-	-	-	(1,762)	(1,762)
Balance, December 31, 2015	105,337	603,149	285,535	79,853	1,073,874
Depletion, amortization and accretion for the period	76,725	439,176	162,389	71,629	749,919
Cumulative translation adjustment	-	-	-	1,325	1,325
Balance, September 30, 2016	$ 182,062	$ 1,042,325	$ 447,924	$ 152,807	$ 1,825,118
Net book value					
As at December 31, 2015	$ 4,336,663	$ 3,508,599	$ 455,465	$ 256,475	$ 8,557,202
As at September 30, 2016	$ 4,382,786	$ 3,069,423	$ 293,076	$ 201,349	$ 7,946,634

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

4. Debenture

On June 8, 2016, the Company secured an $18 million credit facility (the "Facility").

The Facility was evidenced by a debenture (the "Debenture") which was unsecured and was due on the earlier of the closing of a financing by the Company or August 31, 2016 (the "Maturity Date"). No interest was payable in cash during the term of the Debenture.

The Company issued an aggregate of 20,000 common shares on June 9, 2016 as consideration for the Facility in lieu of fees. The Company also issued 19,267 common shares as consideration for amounts drawn under the Facility. All securities issued in conjunction with the Facility were subject to a four-month hold period under applicable securities law.

All amounts outstanding under the Facility were repaid in full on July 22, 2016 from the proceeds of an underwritten equity financing (Note 5).

5. 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, 2015		101,176,268	$	386,315,842
Stock options exercised		84,000		260,082
Stock options exercised - fair value adjustment		-		99,360
Balance at December 31, 2015		101,260,268		386,675,284
Equity financing, net	(a)	17,250,000		69,261,119
Stock options exercised		76,000		233,946
Stock options exercised - fair value adjustment		-		123,449
Share consideration for debenture	4	39,267		172,434
Balance at September 30, 2016		118,625,535	$	456,466,232

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

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

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

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

6. 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 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, 2016			Year ended December 31, 2015		
	Number of common shares		Weighted exercise price (CAD)	Number of common shares		Weighted exercise price (CAD)
Balance, beginning of period	2,122,500	$	3.91	757,000	$	3.81
Granted	1,992,000		4.37	1,880,500		3.95
Cancelled / Expired	(244,000)		4.08	(431,000)		3.89
Exercised[(1)]	(76,000)		4.06	(84,000)		3.94
Balance outstanding, end of period	3,794,500	$	4.13	2,122,500	$	3.91
Balance exercisable, end of period	1,567,650	$	3.93	808,500	$	3.83

[(1)] The weighted average share price on the exercise date for the stock options exercised during the nine months ended September 30, 2016 and year ended December 31, 2015 were CAD$5.72 and CAD$3.92, respectively.

The following table summarizes information concerning outstanding and exercisable options at September 30, 2016:

	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	1,982,500	3.24	$	3.90	1,261,250	3.14	$	3.88
$ 4.01 to 5.84	1,812,000	4.46		4.39	306,400	4.40		4.13
	3,794,500	3.83	$	4.13	1,567,650	3.38	$	3.93

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

	2016	2015
Risk-free interest rate	0.53%	0.60%
Expected stock price volatility	60.82%	64.83%
Expected life	5 years	5 years
Expected dividend yield	-	-
Weighted-average fair value per option granted (CAD)	$2.22	$2.10

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

6. Stock options (continued)

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, 2016, the Company recorded stock-based compensation expense of $2,003,097 (2015 – $1,796,163) of which $1,699,854 has been allocated to general and administration expenses; $137,489 to project evaluation expenses; and $165,754 to exploration expenses.

7. Project evaluation

	Three months ended September 30 2016	Three months ended September 30 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Camp costs	$ 785,939	$ 834,537	$ 2,185,719	$ 1,879,422
Community relations	539,378	696,406	1,844,011	1,022,606
Conceptual studies	813,804	3,908,877	9,541,138	10,206,966
Depreciation and accretion expense	264,225	276,629	811,428	820,623
Drilling and other operating expenses	726,297	1,664,729	842,489	3,775,004
Environmental costs	1,087,371	709,663	2,785,303	1,950,610
Office and general	639,539	345,214	1,515,927	817,213
Salaries and benefits	1,272,873	1,090,055	2,913,878	2,343,905
Property taxes	30,527	268,631	2,396,342	2,095,071
	$ 6,159,953	$ 9,794,741	$ 24,836,235	$ 24,911,420

8. Related party transactions

(a) Related party expenses

During the nine months ended September 30, 2016 and September 30, 2015, the Company incurred the following:

Payee	Nature	Note	September 30, 2016	September 30, 2015
Namdo	Management fees	i	$ 243,607	$ 214,286
BMAJ	Legal fees	ii	65,430	-
Lundin S.A.	Office and administration	Iii	82,463	-

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

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

iii. Lundin S.A., a company associated with a director of the Company, provides administrative and office facilities to the Company pursuant to an agreement.

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

8. Related party transactions (continued)

(b) Key management compensation

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

	September 30, 2016	September 30, 2015
Salaries and benefits	$ 1,866,299	$ 1,395,603
Stock-based compensation	1,727,527	1,479,852
	$ 3,593,826	$ 2,875,455

9. Segmented information

The Company's primary business activity is the advancement of the Fruta del Norte gold project in Ecuador through development to a production decision. During the nine months ended September 30, 2016 and September 30, 2015, all project evaluation and exploration expenses were incurred in Ecuador. In addition, materially all of the non-current assets of the Company are located in Ecuador.

10. Financial instruments

The Company's financial instruments consist of cash, cash equivalents and receivables, which are categorized as loans and receivables, and accounts payable and accrued liabilities and debenture, which are categorized as 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.

11. Contingencies

In August 2016, two claims and an arbitration proceeding were filed against the Company and a dissolved subsidiary of the Company. Former directors of the dissolved subsidiary were also named in one of the claims. Under these actions, the plaintiff: (i) claims breach of contract and unspecified damages relating to its rights under a net smelter royalty on a Russian gold project (the "Project") based on an agreement entered into with the dissolved subsidiary (the "Agreement") prior to the subsidiary selling the Project to a third party in 2010; and (ii) seeks an order to revive the dissolved subsidiary to determine how the proceeds of the sale of the Project were distributed, and to find the Company and/or the former directors of the subsidiary liable for issuing an improper dividend or distribution. The subsidiary was dissolved shortly after the sale of the Project". The acquirer of the Project, also named in the proceedings, has taken the position that it is not responsible for the royalty obligation.

The Company believes the plaintiff's actions to be without merit and intends to vigorously defend its position. Further, the Company maintains that it is not subject to the arbitration proceedings because it is not a party to the Agreement and that the subsidiary cannot participate because it no longer exists. The ultimate outcome of these proceedings cannot presently be determined. Accordingly, adjustments, if any, that might result from the resolution of these matters, have not been reflected in the financial statements.

Corporate Information

BOARD OF DIRECTORS

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

OFFICERS

Lukas H. Lundin
Chairman
Ron F. Hochstein
President & Chief Executive Officer
Alessandro Bitelli
Executive Vice President &
Chief Financial Officer
David Dicaire
Vice President, Projects
Nathan Monash
Vice President, Business
Sustainability
Iliana Rodriguez
Vice President, Human Resources
Chester See
Vice President, Finance
Nick Teasdale
Vice President, Exploration
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
Calle 01 de Mayo
SN y de Febiero
Los Encuentros, Zamora Ecuador

STOCK EXCHANGE LISTINGS

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

SHARE REGISTRAR AND TRANSFER AGENT

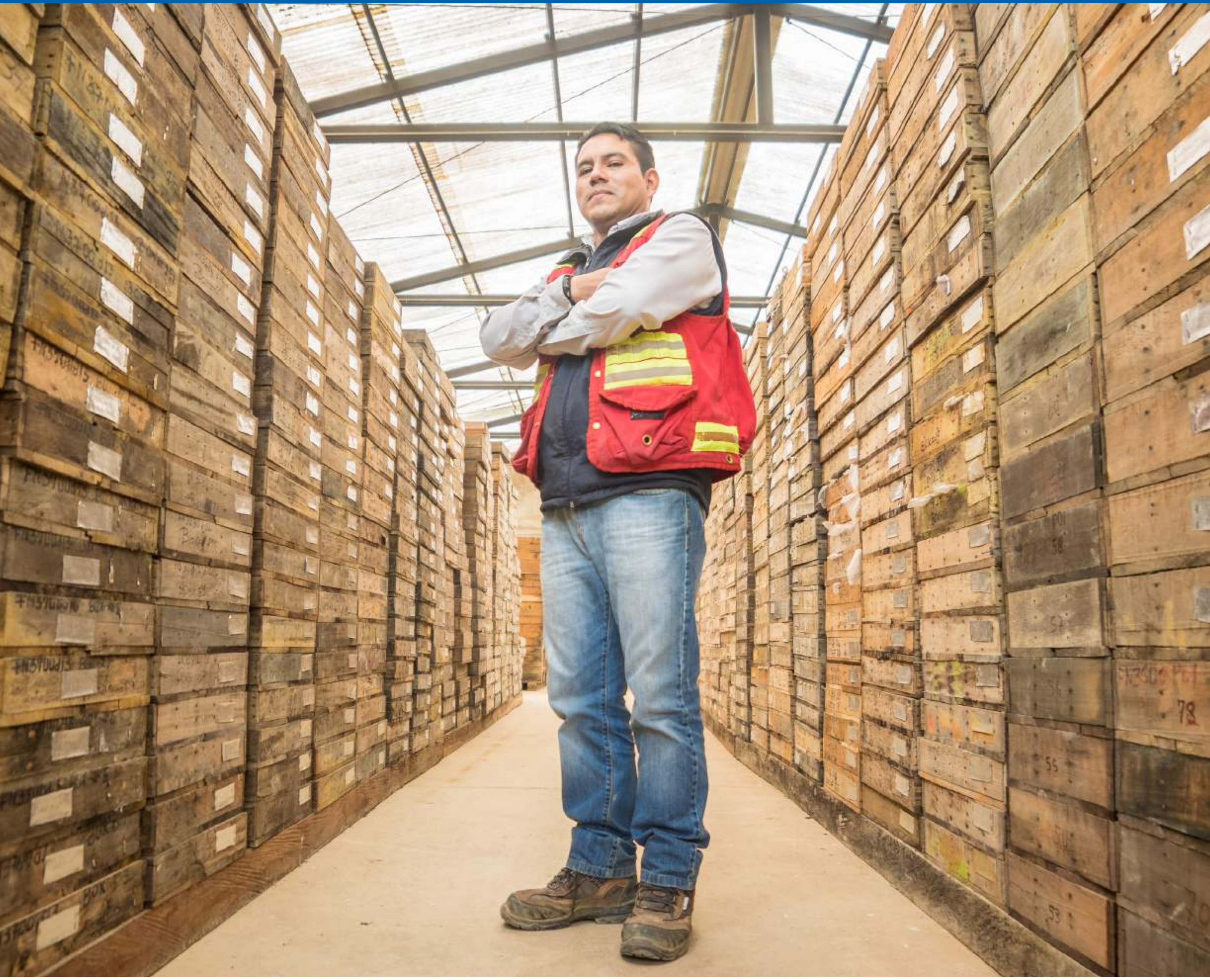
Computershare Investor Services Inc.
510 Burrard Street, 3rd Floor
Vancouver, B.C. V6C 3B9
Telephone: 1-800-564-6253

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

Tel +1 604 689 7842
Fax +1 604 689 4250

info@lundingold.com

Av. Amazonas N37-29 y UNP
Edif. Eurocenter Piso 5
Quito, Pichincha, Ecuador

Tel +593 2 299 6400

lundingold.com

Lundin Gold

@LundinGoldEC

Lundin Gold