LUNDIN GOLD

Building a New Leading Gold Company

Q1 2017

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Lundin Gold Inc. and its subsidiary companies (collectively, "Lundin Gold" or the "Company") provides a detailed analysis of the Company's business, and compares its financial results for the three months ended March 31, 2017 with those of the same period from the previous year.

This MD&A is dated as of May 15, 2017 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes thereto for the three months ended March 31, 2017, which are prepared in accordance with IAS 34: Interim Financial Statements, and the Company's audited annual consolidated financial statements and related notes thereto, which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and the MD&A for the fiscal year ended December 31, 2016. References to the "2017 Period" and "2016 Period" relate to the three months ended March 31, 2017 and March 31, 2016, respectively.

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

Lundin Gold 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

- The Company continued to progress its Early Works program focusing on completion of basic engineering and continuation of site capture activities to maintain the project critical path.

- On February 22, 2017, the Company awarded the mine development contract to a consortium who will become Lundin Gold's key contractor for the portals and soft tunneling work and the development of the twin declines and the mine in preparation for operations. As of the date of this MD&A, the mine development contractor has mobilized to site and construction of the mine portals has begun.

Financing

- On January 16, 2017, the Company secured a $35 million short-term credit facility from an insider of the Company (the "Facility"). As at March 31, 2017, $19 million was drawn down and outstanding.

Exploration

- Exploration activities focused on target definition, advancing inside and outside of the southern extension of the Suarez Pull-Apart basin hosting the Fruta del Norte deposit. New epithermal gold targets include Puma and Gata Salvaje.

Corporate

- On March 16, 2017, Ms. Chantal Gosselin was appointed to the Board of Directors. Ms. Gosselin brings over 25 years of combined experience in the mining industry and capital markets.

THE FRUTA DEL NORTE PROJECT

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

Activities in the First Quarter of 2017

Fruta del Norte Project

Work on the Fruta del Norte Project focussed on two main areas during the quarter. The Company continued with the project basic engineering and worked on a project update of the design and estimates from the Technical Report entitled "*Fruta del Norte - NI 43-101 Technical Report on Feasibility Study*" (the "Feasibility Study") filed by the Company in June 2016. At the same time, the Company made good progress on the Early Works program and construction. The Early Works program forms the basis of the transition of the Fruta del Norte Project from the Feasibility Study to full development and construction with the purpose of maintaining the mine development critical path to first gold production. The key activities of this program carried out during the 2017 Period were:

- Continued the field investigations campaign to obtain additional geotechnical information for tailings dam and quarry site selection.
- Basic engineering of the process plant and surface facilities proceeded and is near completion. Further work on the mine plan including review of re-allocation of mining methods, incorporation of field investigations and geotechnical factors.
- Progressed work on construction of the mine portals platform area, including surface water management structures and support services and facilities required for the underground mine development.
- Executed the mine development contract for portal, soft tunneling and underground development with a 50/50 consortium comprising Ingenieria y Construcciones Mas Errazuriz Limitada y Filiales ("Mas Errazuriz") of Chile, and Sevilla y Martinez Ingenieros C.A. Semaica ("Semaica") of Ecuador (together, the "Consortium").
- Initiated mobilization of the Consortium to site which resulted in the commencement of mine portal construction in May 2017.
- Awarded the first phase of underground mine equipment orders for equipment required for the portal and mine development.
- Completed basic engineering, environmental baseline studies and land surveys for the 230KV powerline to connect Fruta del Norte to the national grid.
- Developed the project direct hire strategy and plan for recruitment and hiring of the construction team.
- Worked on a project update from the feasibility study, which is focused on an updated life of mine plan, updated and basic engineering designs, capital cost estimate, operating cost estimate, project schedule and execution plan.

In March 2017, the Company entered into an agreement to acquire land required for the development of certain facilities for the operation the Fruta del Norte Project. As consideration for this land, the Company will:

- Pay $1.1 million in cash, of which $250,000 was paid by the end of the period.
- Issue $1.6 million worth of common shares of the Company based on the closing price on the TSX on the day immediately preceding the Closing Date and using the Canadian – U.S. Bank of Canada noon rate of exchange on the day immediately preceding the Closing Date.
- Grant a 2% net smelter royalty for any metallic minerals mined from the acquired land.

The Company expects to close this transaction in the middle of 2017.

Environment and Permitting

Field work was mainly related to the biotic rescue and archeological clearance prior to construction of Early Works areas associated with the mine portal platform, site roads and camp expansion. Lundin Gold's third party consultants monitored compliance with the Environmental Management Plan. The Company continued with ongoing permitting activities such as renewal of permits for the normal operation of the camp and continuing Early Works activities. Baseline studies and Environmental Impact Assessments were also developed for the power transmission line and new quarry location.

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

Exploration

During the 2017 Period, exploration activities focused on target definition (El Puma, Alejandro, and Fruta del Norte SW epithermal targets) in the extended area of the Suarez Pull-Apart basin, which hosts the Fruta del Norte deposit. Although the basin was initially believed to extend approximately eight kms to the south of the Fruta del Norte deposit, 2016 exploration drilling has extended the basin to 16 kms. Other targets also advanced in the 2017 Period include the Gata Salvaje, Oso Manso, and Las Nubes in the Marquesa, Reina, and Gucamayo concessions to the southwest of Fruta del Norte. Gata Salvaje is an epithermal Au-Ag target likely related to a diatreme type breccia, while Oso Manso and Las Nubes appear to be Porphyry Cu-Au and related Skarn Zn-Ag targets. All targets are being advanced to be drill-ready.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

	2017 Q1	2016 Q4	2016 Q3	2016 Q2
Net loss for the period	$ (6,387,440)	$ (23,888,698)	$ (11,785,014)	$ (12,430,576)
Basic and diluted loss per share	$ (0.05)	$ (0.20)	$ (0.10)	$ (0.12)
Weighted-average number of common shares outstanding	118,743,908	118,682,274	113,331,975	101,264,883
Total assets	$ 295,795,073	$ 278,906,199	$ 300,194,541	$ 249,635,830
Working capital	$ (18,776,330)	$ 1,022,055	$ 49,902,765	$ (8,535,198)

	2016 Q1	2015 Q4	2015 Q3	2015 Q2
Net loss for the period	$ (14,709,531)	$ (12,760,941)	$ (11,602,887)	$ (15,897,955)
Basic and diluted loss per share	$ (0.15)	$ (0.13)	$ (0.11)	$ (0.16)
Weighted-average number of common shares outstanding	101,260,268	101,260,268	101,239,398	101,201,982
Total assets	$ 253,616,770	$ 267,399,530	$ 277,941,185	$ 294,612,037
Working capital	$ 2,922,308	$ 16,314,025	$ 28,324,350	$ 42,476,614

To date, the Company 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 prior quarters mainly due to the commencement of capitalization of expenses relating to the development of the Fruta del Norte Project in accordance to the Company's accounting policy. This resulted in the reduction of project evaluation expenditures. In addition, the Company incurred finance fees relating to the Facility.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2017, the Company had cash of $8.4 million and a working capital deficit of $(18.8) million compared to cash of $8.5 million and a working capital balance of $1.0 million at December 31, 2016. The change in cash was primarily due to costs incurred for the development of the Fruta del Norte Project of $14.6 million and exploration expenditures of $2.9 million offset by drawdowns from the Facility (see below).

Short-term credit facility

On January 16, 2017, the Company secured a short-term $35 million credit facility from an insider of the Company. As at March 31, 2017, $19 million was drawn down and outstanding.

The Facility is evidenced by a debenture (the "Debenture") which is unsecured and is due on the earlier of the closing of a financing by the Company or May 31, 2017 (the "Maturity Date"). No interest is payable in cash during the term of the Debenture. Any amount of the Facility remaining unpaid and outstanding on or after the Maturity Date bears interest at a rate of 5.00% per annum until repaid in full.

The Company issued an aggregate of 60,000 common shares on January 16, 2017 as consideration for the Facility in lieu of fees. The Company will also issue an additional 1,700 common shares per month for each $1 million of the Facility drawn down and outstanding until the Maturity Date. As at March 31, 2017, 11,818 common shares have been issued for amounts drawn down and outstanding under the Facility. All securities issued in conjunction with the Facility are subject to a four-month hold period under applicable securities law.

In June 2016, the Company completed the Feasibility Study for the Fruta del Norte Project and commenced the development and has no other sources of revenues. The Company's continuing operations and the underlying value and recoverability of the amount shown for the mineral interests are entirely dependent upon the ability of the Company to obtain the necessary financing to develop the Fruta del Norte Project, fund future advance royalty payments to the Government of Ecuador, and on future profitable production.

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

Management is engaged in advanced discussions with a number of parties, including financial institutions, strategic and other potential investors. There can be no assurance that such financing will be available to the Company when required or, if available, that it will be offered on terms acceptable to Lundin Gold. A failure to raise capital could delay the commencement of development of the Fruta del Norte Project and, if the ongoing negotiations to raise capital were to extend for a material period of time, it could potentially have a material adverse effect on Lundin Gold's business, financial condition and results of operations.

TRANSACTIONS WITH RELATED PARTIES

During the 2017 Period, the Company paid $86,116 (2016 – $77,192) to Namdo Management Services Ltd. ("Namdo"), a private corporation associated with an officer of the Company. The Company occupies office space in the Namdo offices for the Company's management, investor relations personnel and support staff. Namdo charges a service fee and recovers out of pocket expenses related to the Company. In addition, during the 2017 Period, the Company paid $23,004 (2016 – $23,826) to Bofill Mir & Alvarez Jana Abogados ("BMAJ"), a law firm of which a director of the Company is a partner. BMAJ assisted the Company with the negotiations of the exploitation agreement and the investment protection agreement with the Government of Ecuador. The Company also paid $33,993 (2016 – nil) to Lundin S.A. during the 2017 Period. Lundin S.A. is associated with a director of the Company and provides administrative and office facilities pursuant to an agreement.

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

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

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The majority of the Company's cash is held in 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. Management is currently engaged in advanced discussions with a number of parties, including financial institutions, strategic and other potential investors, which would allow for longer term financial solutions to be put in place (refer to Liquidity and Capital Resources section above).

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

As at the date of this MD&A, there were 118,854,532 common shares issued and outstanding and stock options outstanding to purchase a total of 5,064,500 common shares for a total of 123,919,032 common shares outstanding on a fully-diluted basis.

OUTLOOK

The Fruta del Norte Project remains on track with its Early Works program, the highlight of which was the start of the mine portals on May 1, 2017. Work will progress on the portal and soft tunneling after which underground development in rock is targeted to commence early in the fourth quarter of 2017.

Key activities at the Fruta del Norte Project over the next 12 months are expected to include:

- process plant earthworks and start of process plant foundations by the first quarter of 2018;
- completion of the construction camp in the first quarter 2018;
- commencement of tailings dam construction in the first quarter of 2018;
- approval of the power line EIA by the end of 2017 and approval of the new Mountain Pass quarry EIA in the first quarter 2018; and
- progressing work on the North Access Road and Zamora River bridge.

The project update, which includes basic engineering on some facilities, will be finalized in the second quarter of 2017 and will form the baseline for the Project and detailed engineering, which is expected to start in July 2017. Design work is expected to be substantially complete by the third quarter of 2018. Plant and mine equipment procurement is expected to start in the second quarter of 2017.

The Company is engaged in advanced discussions with a number of parties, including financial institutions, strategic and other potential investors on project financing. During the next 12 months, the Company will continue to work with its financial advisors to put in place the financing for the construction of the Fruta del Norte Project. Funding for the construction and development of the Fruta del Norte Project could include various financing transactions or arrangements, including equity financing, debt financing, stream financing, joint venturing or other means.

During the second quarter, the exploration group plans to continue to advance existing targets to be drill-ready late this year. An airborne resistivity survey is planned to better define targets in the Pull-Apart basin, and an airborne MAG/RAD survey will be carried out on outlying concessions to facilitate reconnaissance in those areas.

CRITICAL ACCOUNTING ESTIMATES

The adoption of certain accounting policies requires the Company to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain. For a complete discussion of accounting estimates deemed most crucial by the Company, refer to the Company's annual 2016 Management's Discussion and Analysis.

RISKS AND UNCERTAINTIES

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

The risk factors which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set out in the Company's Annual Information Form dated February 28, 2017 (the "AIF") which is available on SEDAR at www.sedar.com.

QUALIFIED PERSON

The technical information relating to the Fruta del Norte Project contained in this MD&A has been reviewed and approved by Ron Hochstein P. Eng, Lundin Gold's President & CEO, 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" 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 three and six months ended June 30, 2017 is expected to be published on or about August 9, 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, 2017 and ending March 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD LOOKING STATEMENTS

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

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

This MD&A contains forward-looking information in a number of places, such as in statements pertaining to: the timing and success of the Early Works program, the success of the Company's exploration plans and activities,exploration and development expenditures and reclamation costs, timing and success of permitting and regulatory approvals, project financing and future sources of liquidity, capital expenditures and requirements, the results of the project update and, development, construction and operation of the Fruta del Norte Project, future tax payments and rates, cash flows and their uses.

Lundin Gold's actual results could differ materially from those anticipated. Management has identified the following risk factors which could have a material impact on the Company or the trading price of its shares: the ability to arrange financing and the risk to shareholders of dilution from future equity financings; risks related to carrying on business in an emerging market such as possible government instability and civil turmoil and economic instability; volatility in the price of gold; the timely receipt of regulatory approvals, permits and licenses; risks associated with the performance of the Company's contractors; risks inherent in the development of an underground mine; deficient or vulnerable title to mining concessions and surface rights; shortages of resources, such as input commodities, equipment and skilled labour, and the dependence on key personnel; risks associated with the Company's community relationships; unreliable infrastructure and local opposition to mining; volatility in the market price of the Company's shares; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; difficulty complying with changing government regulations and policies, including without limitation, compliance with environment, health and safety regulations, and the cost of compliance or failure to comply with applicable laws; exploration and development risks; the accuracy of the Mineral Reserve and Resource estimates for the Fruta del Norte Project and the Company's reliance on one project; the Company's lack of operating history; illegal mining; uncertainty as to reclamation and decommissioning; adverse global economic conditions; risks associated with the Company's information systems; the ability to obtain adequate insurance; risks of bribery or corruption; the potential for litigation; limits of disclosure and internal controls; and the potential influence of the Company's largest shareholders.

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

LUNDIN GOLD INC.

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

	Note	March 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash		$ 8,414,833	$ 8,503,476
Other current assets		791,408	706,982
		9,206,241	9,210,458
Non-current assets			
Property, plant and equipment	3	22,568,856	7,821,938
Mineral properties	4	239,019,976	236,873,803
Advance royalty		25,000,000	25,000,000
		$ 295,795,073	$ 278,906,199
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 9,095,782	$ 8,188,403
Debenture	5	18,886,789	-
		27,982,571	8,188,403
Non-current liabilities			
Reclamation provisions	6	3,170,129	973,831
		31,152,700	9,162,234
EQUITY			
Share capital	7	457,236,894	456,750,048
Equity-settled share-based payment reserve	8	8,158,229	7,421,932
Foreign currency translation reserve		(11,314,952)	(11,377,657)
Deficit		(189,437,798)	(183,050,358)
		264,642,373	269,743,965
		$ 295,795,073	$ 278,906,199

Nature of operations and liquidity (Note 1)
Commitments (Note 13)

Approved by the Board of Directors

/s/ Ron F. Hochstein
Ron F. Hochstein

/s/ Ian W. Gibbs
Ian W. Gibbs

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

LUNDIN GOLD INC.

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

	Note	Three months ended March 31, 2017	Three months ended March 31, 2016
EXPENSES			
Project evaluation	9	$ -	$ 8,821,621
Exploration		2,798,173	2,748,320
General and administration:			
Community relations		370,832	309,485
Depreciation		18,655	5,653
Investor relations		32,377	99,666
Office and general		448,435	416,567
Professional fees		946,136	800,845
Regulatory and transfer agent		99,533	100,808
Salaries and benefits		669,844	536,088
Stock-based compensation	8	600,478	517,844
Travel		177,542	144,513
Loss before other items		6,162,005	14,501,410
OTHER ITEMS			
Loss on foreign exchange		40,383	288,093
Finance expense	5	190,395	-
Interest and other income		(5,343)	(79,972)
Net loss for the period		$ 6,387,440	$ 14,709,531
OTHER COMPREHENSIVE LOSS			
Items that may be subsequently reclassified to net loss			
Currency translation adjustment		(62,705)	(372,264)
Comprehensive loss for the period		$ 6,324,735	$ 14,337,267
Basic and diluted loss per common share		$ 0.05	$ 0.15
Weighted-average number of common shares		118,743,908	101,260,268

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, 2016		101,260,268	$ 386,675,284	$ 5,012,391	$ (10,572,699)	$ (120,236,539)	$ 260,878,437
Stock-based compensation	8	-	-	666,390	-	-	666,390
Currency translation adjustment		-	-	-	372,264	-	372,264
Net loss for the period		-	-	-	-	(14,709,531)	(14,709,531)
Balance, March 31, 2016		101,260,268	$ 386,675,284	$ 5,678,781	$ (10,200,435)	$ (134,946,070)	$ 247,207,560
Balance, January 1, 2017		118,685,535	$ 456,750,048	$ 7,421,932	$ (11,377,657)	$ (183,050,358)	$ 269,743,965
Exercise of stock options	8	39,000	182,401	(64,458)	-	-	117,943
Share consideration for debenture	5	71,818	304,445	-	-	-	304,445
Stock-based compensation	8	-	-	800,755	-	-	800,755
Currency translation adjustment		-	-	-	62,705	-	62,705
Net loss for the period		-	-	-	-	(6,387,440)	(6,387,440)
Balance, March 31, 2017		118,796,353	$ 457,236,894	$ 8,158,229	$ (11,314,952)	$ (189,437,798)	$ 264,642,373

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

LUNDIN GOLD INC.

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

	Three months ended March 31, 2017	2016
OPERATING ACTIVITIES		
Net loss for the period	$ (6,387,440)	$ (14,709,531)
Items not affecting cash:		
Stock-based compensation	671,976	666,390
Depreciation	18,655	285,012
Foreign exchange loss	42,460	285,687
Finance expense	190,395	-
Other income	(4,999)	-
	(5,468,953)	(13,472,442)
Changes in non-cash working capital items:		
Other current assets	(82,153)	(12,688)
Accounts payable and accrued liabilities	902,969	(159,692)
Net cash used for operating activities	(4,648,137)	(13,644,822)
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	117,943	-
Proceeds from draw downs of debenture (Note 5)	19,000,000	-
Net cash provided by financing activities	19,117,943	-
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(14,586,296)	(3,015)
Net cash used for investing activities	(14,586,296)	(3,015)
Effect of foreign exchange rate differences on cash	27,847	96,889
Net decrease in cash	(88,643)	(13,550,948)
Cash, beginning of period	8,503,476	21,360,228
Cash, end of period	$ 8,414,833	$ 7,809,280
Supplemental information		
Interest received	$ 5,343	$ 79,972

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 developing its mining concessions in Ecuador, which includes advancing the Fruta del Norte gold project in Ecuador (the “Fruta del Norte Project”) through development to production.

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

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

At March 31, 2017, the Company had a working capital deficiency of $18.8 million (2016 - working capital of $1.0 million). In January 2017, the Company secured a $35 million short-term credit facility (Note 5) to fund ongoing activities at the Fruta del Norte Project for the early part of 2017. At March 31, 2017, $19 million was drawn down and outstanding under this facility.

In May 2016, the Company completed a feasibility study for the Fruta del Norte Project and commenced its development and has no other sources of revenues. The Company’s continuing operations and the underlying value and recoverability of the amount shown for the mineral interests are entirely dependent upon the ability of the Company to obtain the necessary financing to develop the Fruta del Norte Project, fund future advance royalty payments to the Government of Ecuador, and on future profitable production.

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

Management is engaged in advanced discussions with a number of parties, including financial institutions, strategic and other potential investors. There can be no assurance that such financing will be available to the Company when required or, if available, that it will be offered on terms acceptable to Lundin Gold. A failure to raise capital could delay the commencement of development of the Fruta del Norte Project and, if the ongoing negotiations to raise capital were to extend for a material period of time, it could potentially have a material adverse effect on Lundin Gold’s business, financial condition and results of operations.

2. Basis of preparation and consolidation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board, applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS, and should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal year ended December 31, 2016.

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

In preparing these unaudited condensed consolidated interim financial statements, the Company applied the same accounting policies and key sources of estimation uncertainty as those that were applied to the Company’s audited consolidated financial statements for the fiscal year ended December 31, 2016. 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 May 15, 2017.

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

3. Property, plant and equipment

Cost	Development Costs	Land and buildings	Machinery and equipment	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2016	$ -	$ 4,442,000	$ 4,111,748	$ 741,000	$ 336,328	$ 9,631,076
Additions	-	145,619	-	235,123	14,004	394,746
Disposals and other	-	(129,441)	-	-	-	(129,441)
Cumulative translation adjustment	-	-	-	-	1,866	1,866
Balance, December 31, 2016	-	4,458,178	4,111,748	976,123	352,198	9,898,247
Additions	15,002,716	-	-	-	-	15,002,716
Cumulative translation adjustment	-	-	-	-	799	799
Balance, March 31, 2017	$ 15,002,716	$ 4,458,178	$ 4,111,748	$ 976,123	$ 352,997	$ 24,901,762
Accumulated depreciation						
Balance, January 1, 2016	$ -	$ 105,337	$ 603,149	$ 285,535	$ 79,853	$ 1,073,874
Depreciation and amortization for the year	-	102,300	585,568	218,107	96,147	1,002,122
Cumulative translation adjustment	-	-	-	-	313	313
Balance, December 31, 2016	-	207,637	1,188,717	503,642	176,313	2,076,309
Depreciation and amortization for the period	-	25,575	146,392	59,637	24,567	256,171
Cumulative translation adjustment	-	-	-	-	426	426
Balance, March 31, 2017	$ -	$ 233,212	$ 1,335,109	$ 563,279	$ 201,306	$ 2,332,906
Net book value						
As at December 31, 2016	$ -	$ 4,250,541	$ 2,923,031	$ 472,481	$ 175,885	$ 7,821,938
As at March 31, 2017	$ 15,002,716	$ 4,224,966	$ 2,776,639	$ 412,844	$ 151,691	$ 22,568,856

During the three months ended March 31, 2017, the additions to property, plant and equipment included capitalized stock-based compensation of $128,779 (2016 – nil) relating to the Fruta del Norte Project. In addition, during the same period, depreciation and amortization of $237,516 (2016 – nil) and accretion of the reclamation provision of $50,125 (2016 – nil) have been capitalized to development costs.

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

4. Mineral properties

Cost		Fruta del Norte Project		Fruta del Norte restoration asset		Total
Balance, January 1, 2016	$	236,337,090	$	536,713	$	236,873,803
Additions		-		-		-
Balance, December 31, 2016		236,337,090		536,713		236,873,803
Additions (Note 6)		-		2,146,173		2,146,173
Balance, March 31, 2017	$	236,337,090	$	2,682,886	$	239,019,976

5. Debenture

On January 16, 2017, the Company secured a $35 million short-term credit facility from an insider of the Company (the "Facility).

The Facility is evidenced by a debenture (the "Debenture") which is unsecured and is due on the earlier of the closing of a financing by the Company or May 31, 2017 (the "Maturity Date"). No interest is payable in cash during the term of the Debenture. Any amount of the Facility remaining unpaid and outstanding on or after the Maturity Date shall bear interest at a rate of 5.00% per annum until repaid in full.

The Company issued an aggregate of 60,000 common shares on January 16, 2017 as consideration for the Facility in lieu of fees. The Company is required to also issue an additional 1,700 common shares per month for each $1 million of the Facility drawn down and outstanding until the Maturity Date. As at March 31, 2017, 11,818 common shares valued at $49,194 have been issued for amounts drawn down and outstanding under the Facility. All securities issued in conjunction with the Facility will be subject to a four-month hold period under applicable securities law.

		March 31, 2017		December 31, 2016
Balance, beginning of year	$	-	$	-
Draw downs during the period		19,000,000		-
Deferred finance fees		(255,251)		-
Accretion of deferred finance fees		141,201		-
Cumulative translation adjustment		839		
	$	18,886,789	$	973,831

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

6. Restoration provision

The Company's provisions relates to the rehabilitation of the Fruta del Norte Project. The reclamation provisions have been calculated based on total estimated rehabilitation costs and discounted back to their present values. The pre-tax discount rates and inflation rates are adjusted annually and reflect current market assessments. At March 31, 2017, the Company applied a pre-tax discount rate of 13.4% (2016 – 14.0%) and an inflation rate of 3.5% (2016 – 3.7%). The estimated total liability for reclamation and remediation costs on an undiscounted basis is approximately $18.9 million.

	March 31, 2017	December 31, 2016
Balance, beginning of year	$ 973,831	$ 866,593
Fair value of new obligations during the period	2,146,173	-
Accretion of liability component of obligations	50,125	107,238
	$ 3,170,129	$ 973,831

7. Share capital

Authorized:

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

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

	Note	Number of common shares	Share capital
Balance at January 1, 2016		101,260,268	$ 386,675,284
Equity financing, net	(a)	17,250,000	69,261,119
Stock options exercised		136,000	415,432
Stock options exercised - fair value adjustment		-	225,779
Share consideration for debenture		39,267	172,434
Balance at December 31, 2016		118,685,535	456,750,048
Stock options exercised		39,000	117,943
Stock options exercised - fair value adjustment		-	64,458
Share consideration for debenture	5	71,818	304,445
Balance at March 31, 2017		118,796,353	$ 457,236,894

(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.

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

7. Share capital (continued)

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.

8. Stock options

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

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

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

	Three months ended March 31, 2017			Year ended December 31, 2016		
	Number of common shares		Weighted exercise price (CAD)	Number of common shares		Weighted exercise price (CAD)
Balance, beginning of period	3,834,500	$	4.18	2,122,500	$	3.91
Granted	1,269,000		5.17	2,092,000		4.43
Cancelled / Expired	-		-	(244,000)		4.08
Exercised[1]	(39,000)		4.04	(136,000)		4.03
Balance outstanding, end of period	5,064,500	$	4.43	3,834,500	$	4.18
Balance exercisable, end of period	2,593,000	$	4.01	1,528,650	$	3.95

[1] The weighted average share price on the exercise date for the stock options exercised during the three months ended March 31, 2017 and year ended December 31, 2016 were CAD$6.35 and CAD$5.61, respectively.

The following table summarizes information concerning outstanding and exercisable options at March 31, 2017:

		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	1,895,500	2.74	$	3.90	1,783,000	2.72	$	3.91
$	4.01 to 5.84	3,169,000	4.37		4.75	810,000	3.93		4.25
		5,064,500	3.76	$	4.43	2,593,000	3.10	$	4.01

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

8. **Stock options** (continued)

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

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

The equity-settled share-based payment reserve comprises the fair value of employee options as measured at grant date and amortized over the period during which the employees become unconditionally entitled to the options.

During the three months ended March 31, 2017, the Company recorded stock-based compensation expense of $800,755 (2016 – $666,390) of which $600,478 (2016 – $517,844) has been allocated to general and administration expenses; nil (2016 – $94,511) to project evaluation expenses; $71,498 (2016 – $54,035) to exploration expenses; and $128,779 (2016 – nil) to property, plant and equipment.

9. **Project evaluation**

	Three months ended March 31, 2017	2016
Camp costs	$ -	$ 643,261
Community relations	-	4,524
Conceptual studies	-	5,603,315
Depreciation and accretion expense	-	279,359
Drilling and other operating expenses	-	41,747
Environmental costs	-	652,020
Office and general	-	521,025
Salaries and benefits	-	745,246
Property taxes	-	331,124
	$ -	$ 8,821,621

In accordance with its accounting policies, the Company has commenced capitalizing Project Evaluation expenditures.

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

10. Related party transactions

(a) Related party expenses

During the three months ended March 31, 2017 and March 31, 2016, the Company incurred the following:

Payee	Nature	Note		March 31, 2017		March 31, 2016
Namdo	Management fees	i	$	86,116	$	77,192
BMAJ	Legal fees	ii		23,004		23,826
Lundin S.A.	Office and administration	Iii		33,993		-

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

ii. Bofill Mir & Alvarez Jana Abogados ("BMAJ"), a law firm of which a director of the Company is a partner, assists the Company 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.

(b) Key management compensation

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

		March 31, 2017		March 31, 2016
Salaries and benefits	$	624,539	$	417,112
Stock-based compensation		675,503		580,610
	$	1,300,042	$	997,722

11. Segmented information

The Company's primary business activity is the advancement of the Fruta del Norte Project in Ecuador. During the three months ended March 31, 2017 and March 31, 2016, all project development, evaluation and exploration expenditures were incurred in Ecuador. In addition, materially all of the non-current assets of the Company are located in Ecuador.

12. 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.

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

13. Commitments

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

	Advance royalty	Other	Total
2017	$ 20,000,000	$ 2,057,549	$ 22,057,549
2018	20,000,000	-	20,000,000
Total	$ 40,000,000	$ 2,057,549	$ 42,057,549

Corporate Information

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

OFFICERS
Lukas H. Lundin
Chairman
Ron F. Hochstein
President & Chief Executive Officer
Alessandro Bitelli
Executive Vice President &
Chief Financial Officer
Sheila Colman
Vice President, Legal
& Corporate Secretary
David Dicaire
Vice President, Projects
Nathan Monash
Vice President, Business
Sustainability
Iliana Rodriguez
Vice President, Human Resources
Chester See
Vice President, Finance
Nick Teasdale
Vice President, Exploration

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Trading Symbol: LUG

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ADDITIONAL INFORMATION
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