LUNDIN GOLD

Building a Leading Gold Company Through Responsible Mining

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Lundin Gold Inc. and its subsidiary companies (collectively, "Lundin Gold" or the "Company") provides a detailed analysis of the Company's business and compares its financial results for the three months ended March 31, 2019 with those of the same period from the previous year.

This MD&A is dated as of May 10, 2019 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, 2019, 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, 2018.

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

Lundin Gold, headquartered in Vancouver, Canada, is developing its wholly-owned Fruta del Norte gold project ("Fruta del Norte Project" or the "Project") in southeast Ecuador. The Fruta del Norte Project is one of the highest-grade gold projects currently under construction in the world today. The Company's board and management team have extensive expertise in mine construction and operations and are dedicated to advancing this project through to first gold production in the fourth quarter of 2019.

The Company operates with transparency and in accordance with international best practices. Lundin Gold is committed to delivering value to its shareholders, while simultaneously providing economic and social benefits to impacted communities, fostering a healthy and safe workplace and minimizing the environmental impact. The Company believes that the value created through the development of Fruta del Norte will benefit its shareholders, the Government and the citizens of Ecuador.

FIRST QUARTER 2019 HIGHLIGHTS AND ACTIVITIES

The following provides an overview of key accomplishments and milestones achieved in the first quarter of 2019:

Fruta del Norte Project

The Fruta del Norte Project continued to progress on budget and on schedule during the quarter with peak construction expected in the coming months. More specific highlights during the quarter were as follows:

- Detailed engineering was 93% complete and approximately 80% of Project capital expenditure has been committed.
- Overall construction progress was 59% complete.
- Underground development continued ahead of projections, and Company crews started on February 14, 2019.
- All trades are now active on the construction of the process plant and associated facilities.
- Powerline construction from Bomboiza to site is 76% complete. Work commenced in early April on the Bomboiza substation for the connection to the national power grid.
- Construction of tailings dam is progressing on schedule and is expected to be ready for commissioning.
- Training and hiring for operations are well underway and staffing of operations positions continues with key managers in place.

Financing

- Completed a bought deal equity offering of 8,625,000 common shares (the "Bought Deal") for aggregate gross proceeds of C$46.6 million on March 1, 2019.
- Entered into a $75 million cost overrun facility (the "COF") with an insider of the Company.
- Completed the first draw of $159 million from the senior secured project finance debt facility (the "Facility") in early April 2019.

Exploration

- In anticipation of a drilling campaign later this year, permitting for drill targets continues on Fruta del Norte type epithermal gold-silver targets in the central and southern Suarez Pull-Apart basin (the "Basin").
- Mapping, rock and soil sampling performed on a number of targets around the Basin and east of Fruta del Norte.

THE FRUTA DEL NORTE PROJECT

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

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

Activities in the First Quarter of 2019

<u>Fruta del Norte Project</u>

During the first quarter of 2019 progress continued to ramp up as the Project is expected to reach peak construction in the second quarter of 2019.

Mine Development

- As at March 31, 2019 a total of 6.1 kilometres ("km") of underground mine development had been completed, of which 1.5 km was completed during the quarter.
- Total advance for the quarter continued above target development meters by approximately 25%. Advance rates exceeded planned rates due to better than expected ground conditions, lower than anticipated water inflows and greater productivity from the mine contractor.
- Drilling was completed on two surface mine dewatering wells with pumps to be installed in the next quarter.
- Surface drilling and grouting and the ventilation shaft collar concrete foundations were completed. The raise bore machine for boring of the ventilation raise is anticipated to arrive on site in May. The mine development to the bottom location of the vent raise is currently ahead of schedule.
- The first Company crews began work in February. They were augmented by the first group of 110 trainees who graduated in March from Lundin Gold's mining operations training program. The second cohort of about 110 trainees continues to progress through the program, and the third cohort of about 100 trainees began classes in March.

Construction

- As of quarter end earthworks was 79% complete, concrete 86%, steel 56%, architectural 45%, mechanical 33%, piping 30%, electrical 55% and instrumentation 17%.
- Process plant construction is on track for commissioning of some systems beginning third quarter of 2019.

Site-Wide Infrastructure

- Mine dry and administration building was completed and is now in use.
- Other facilities under construction include the laboratory, reagent storage building, plant security building, and plant dry and lunchroom.
- On site electrical distribution construction continues. The mine substation is complete, and work progresses on the main Fruta del Norte power substation and the sitewide power distribution.

Off Site Infrastructure

- Progress continued on the construction of the 42 km powerline connecting the Project to Ecuador's national power grid with 86 of 107 towers built and overall work at 76% complete.
- Cable stringing commenced.
- Bomboiza substation connection detailed engineering was completed, substation construction contract awarded and construction started on April 1, 2019 and the powerline is expected to be connected to the national grid in the third quarter of 2019.
- Earthworks on the accesses to the Zamora River bridge began in the quarter.

Tailings Storage Facility

- Construction of tailings storage facility is progressing on schedule and is expected to be ready for commissioning in the third quarter.

Health and Safety, Environment, and Community

Health and Safety

- On March 1, 2019, an employee of Lundin Gold, lost his life in a tragic accident. While operating a loader clearing a landslide on the North Access Road, a second landslide occurred which swept the loader over the edge of the road, burying it in mud and debris.

Environment and Permitting

- Received environmental register approval for the Zamora River Bridge.
- Numerous inspections completed by the Ministry of Environment during the quarter with zero major non-compliances recorded.
- Started to advance various operations chemical use and cyanide transportation permits.

Community

- Lundin Gold's Responsible Mining program focuses on local hiring, local procurement, economic diversification and the transition from construction to operations.
- As of quarter end, the Company estimates that 50% of its employees were from the Province of Zamora Chinchipe.
- Lundin Gold's procurement programs resulted in the purchase of approximately $1.8 million per month in goods and services from the local communities during the quarter.

Exploration

- With the underground mine reaching the Fruta del Norte orebody, additional structural and mineralogical information is being gained from the mapping of the ore drives by mine geologists. This additional information increases the geological knowledge of the Fruta del Norte orebody and will assist with the exploration for similar deposits elsewhere within the Basin.
- Additional mapping, rock sampling and the extension of soil grids was conducted on a number of targets around the Basin.
- Permitting in preparation for scout drill testing continues in anticipation of a drilling campaign later this year, with the Barbasco, Fruta del Norte southwest, Puente-Princesa and Gata Salvaje being the priority drill targets for Fruta del Norte type epithermal gold-silver mineralisation.

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

SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

		2019 Q1		2018 Q4		2018 Q3		2018 Q2
Derivative gain (loss) for the period	$	468	$	(28,508)	$	17,924	$	18,846
Net income (loss) for the period	$	(7,711)	$	(23,491)	$	7,270	$	19,741
Basic income (loss) per share	$	(0.04)	$	(0.11)	$	0.03	$	0.09
Diluted income (loss) per share	$	(0.04)	$	(0.11)	$	0.03	$	0.09
Weighted-average number of common shares outstanding								
Basic		216,061,503		213,163,980		213,163,980		213,163,980
Diluted		216,061,503		213,163,980		213,707,572		213,754,928
Additions to property, plant and equipment	$	124,069	$	113,841	$	84,765	$	77,278
Total assets	$	1,062,931	$	1,012,461	$	1,007,287	$	994,583
Long-term debt	$	388,106	$	364,252	$	351,591	$	349,032
Working capital	$	59,889	$	153,186	$	290,398	$	377,265

		2018 Q1		2017 Q4		2017 Q3		2017 Q2
Derivative gain (loss) for the period	$	(23,993)	$	(14,135)	$	(8,281)	$	4,382
Net income (loss) for the period	$	(25,588)	$	(19,505)	$	(16,032)	$	785
Basic income (loss) per share	$	(0.20)	$	(0.16)	$	(0.13)	$	0.01
Diluted income (loss) per share	$	(0.20)	$	(0.16)	$	(0.13)	$	0.01
Weighted-average number of common shares outstanding								
Basic		124,861,126		119,666,840		119,417,366		118,857,521
Diluted		124,861,126		119,666,840		119,417,366		119,880,477
Additions to property, plant and equipment	$	66,250	$	55,543	$	38,635	$	26,731
Total assets	$	988,889	$	481,729	$	434,198	$	460,838
Long-term debt	$	376,218	$	217,940	$	163,591	$	150,997
Working capital	$	460,329	$	26,794	$	66,196	$	107,024

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

Since the second quarter of 2017 the Company's fluctuations in the quarterly results are mainly driven by derivative gains or losses from the valuation of the Company's long-term debt. More specifically, during the first quarter of 2019, the Company recorded a derivative gain of $0.5 million compared to a derivative loss of $24.0 million in the first quarter of 2018 as more fully explained below. In addition, with the hiring of operating personnel and starting in the fourth quarter of 2018, the Company is now incurring training costs as training programs for operations have begun. The Company also recognized other income of $2.5 million relating to the recovery of capital outflow tax paid from the Company's repatriation of capital from Ecuador in the third quarter of 2017. These movements are offset by a foreign exchange loss of $2.5 million in the first quarter of 2019 compared to a foreign exchange gain of $6.3 million in the first quarter of 2018. Foreign exchange gains or losses are driven by the quantum the Company's U.S. dollar cash held by its Canadian entities and movements in the foreign exchange rate. As the functional currency of the Canadian entities is the Canadian dollar, a weakening of the U.S. dollar against the Canadian dollar during the period generates an unrealized loss in terms of Canadian dollars.

Derivative gains or losses

The Company did not repay or increase its gold prepay and stream credit facilities during the first quarter of 2019 which are accounted for as financial liabilities measured at fair value. These balances are valued using Monte Carlo simulation valuation models. The key inputs used by the Monte Carlo simulation include: the gold and silver forward curve based on Comex futures, the Company's expectation about long-term gold yields, gold and silver volatility, risk-free rate of return, risk-adjusted discount rate, and production expectations. Relatively small variations in these inputs can give rise to significant variations in the fair value of financial liabilities; hence, the large derivative gains and losses recorded in the accounts to date.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2019, the Company had cash of $83.0 million and a working capital of $60.0 million compared to cash of $167.5 million and a working capital balance of $153.2 million at December 31, 2018. The change in cash was due to net proceeds from the Bought Deal in March 2019 of $33.9 million offset by costs incurred for the development of the Fruta del Norte Project of $113.3 million, general and administration costs of $6.6 million and exploration expenditures of $1.4 million.

In April 2019, the Company completed the first draw down of $159 million from the Facility, which will be used to fund the construction of the Fruta del Norte Project. The Company has $191 million remaining under the Facility available to be drawn at its option. In addition, at the end of March the Company entered into a $75 million COF with Nemesia S.à.r.l. ("Nemesia"), a company owned by a trust whose settlor was the late Adolf H. Lundin, which fulfilled a condition precedent to first draw under the Facility. In accordance with the terms of the COF, the Company issued Nemesia 300,000 common shares and 300,000 warrants ("Warrants") in lieu of fees. Each Warrant has a term of three years from the date of issue and is exercisable for a common share upon payment of the exercise price of C$5.98. The fair value of the common shares and warrants at time of issuance were used to determine the amount of the fees. Lundin Gold is required to issue an additional 300,000 common shares to Nemesia as a condition precedent to the first utilization of the COF. The COF is available once the Facility is fully drawn and can only be used to fund a potential cost overrun related to the development of the Fruta del Norte Project.

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

TRANSACTIONS WITH RELATED PARTIES

During the first quarter of 2019, the Company paid $0.1 million (2018 – $0.1 million) to Namdo Management Services Ltd. ("Namdo"), a private corporation associated with an officer of the Company. The Company occupies office space in the Namdo offices in Vancouver for the Company's management, investor relations personnel and support staff. Namdo charges a service fee and recovers out of pocket expenses related to the Company.

FINANCIAL INSTRUMENTS

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

The Company's financial instruments are exposed to a variety of financial risks by virtue of its activities.

Currency risk

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

Credit risk

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

Interest rate risk

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

Liquidity risk

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

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for gold and silver. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of substitutes, inflation and political and economic conditions. The Company has not hedged the price of any commodity at this time.

The fair value of long-term debt which is accounted for at fair value through profit or loss is impacted by fluctuations of commodity prices.

OFF-BALANCE SHEET ARRANGEMENTS

During the first quarter of 2019 and the year ended December 31, 2018 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 222,382,422 common shares issued and outstanding and stock options outstanding to purchase a total of 7,582,700 common shares for a total of 229,965,122 common shares outstanding on a fully-diluted basis.

OUTLOOK

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

- Completing detailed engineering.
- Completing process plant construction and starting commissioning.
- Advancing mine development towards first production areas and to the bottom of the south ventilation raise.
- Commencing mine operations and mining ore to stockpiles.
- Completing construction of the site buildings such as the laboratory, reagent storage and plant ancillary buildings.
- Completing construction of the powerline and the Bomboiza substation
- Advancing construction of the tailing storage facility.
- Advancing paste plant construction.
- Starting construction of the Zamora River bridge.
- Advancing permits required for operations.

Drill permitting of selected epithermal gold-silver targets continues in preparation for a drilling program anticipated to start later this year, while the mapping and sampling of additional target areas to develop them into drill targets will also continue.

ADOPTION OF NEW ACCOUNTING STANDARDS

During the three months ended March 31, 2019, the Company adopted the following new accounting standard:

i. IFRS 16, Leases

IFRS 16 has resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

As the Company does not currently have any leases other than short-term or low value leases, there was no impact by the adoption of this new standard.

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 2018 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, to construct mining and process facilities, to develop metallurgical processes and to extract base and precious metals from ore.

The risk factors which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set out in the Company's Annual Information Form dated March 27, 2019 (the "AIF") which is available on SEDAR at www.sedar.com.

QUALIFIED PERSON

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

FINANCIAL INFORMATION

The report for the three and six months ended June 30, 2019 is expected to be published on or about August 9, 2019.

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, 2019 and ending March 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD LOOKING STATEMENTS

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

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

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

Lundin Gold's actual results could differ materially from those anticipated. Management has identified the following risk factors which could have a material impact on the Company or the trading price of its shares: risks associated with the Company's community relationships; risks and hazards inherent in mining and processing; lack of availability of or interference with infrastructure; risks related to Lundin Gold's compliance with increasingly strict environmental laws and liability for environmental contamination; risks related political and economic instability in Ecuador; deficient or vulnerable title to mining concessions and surface rights; risk to shareholders of dilution from future equity financings; failure to maintain its obligations under the gold prepay and stream credit facilities or the Facility and other debt; shortages of critical resources, such as skilled labour and supplies, consumables and equipment; inherent safety hazards and risk to the health and safety of the Company's employees and contractors; volatility in the price of gold; the cost of compliance or failure to comply with applicable laws; the timely receipt of regulatory approvals, permits and licenses; risks associated with the performance of the Company's contractors; the imprecision of Mineral Reserve and Resource estimates; dependence on key personnel; volatility in the market price of the Company's shares; the potential influence of the Company's largest shareholders; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; exploration and development risks; the Company's reliance on one project; risks related to artisanal and illegal mining; the reliance of the Company on its information systems and the risk of cyber-attacks on those systems; the ability to obtain adequate insurance; uncertainty as to reclamation and decommissioning; the uncertainty regarding risks posed by climate change; the ability of Lundin Gold to ensure compliance with anti-bribery and anti-corruption laws; the potential for litigation; and limits of disclosure and internal controls.

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

LUNDIN GOLD INC.

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

	Note		March 31, 2019		December 31, 2018
ASSETS					
Current assets					
Cash and cash equivalents		$	82,962	$	167,513
Other current assets	3		33,968		31,485
			116,930		198,998
Non-current assets					
VAT recoverable and other long-term assets	4		36,850		26,877
Property, plant and equipment	5		603,486		480,921
Mineral properties			240,665		240,665
Advance royalty			65,000		65,000
		$	1,062,931	$	1,012,461
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	6	$	57,041	$	45,812
Non-current liabilities					
Long-term debt	7		388,106		364,252
Reclamation provisions			4,453		4,353
			449,600		414,417
EQUITY					
Share capital	8		893,114		857,279
Equity-settled share-based payment reserve	9		13,090		12,125
Accumulated other comprehensive loss			(49,155)		(35,353)
Deficit			(243,718)		(236,007)
			613,331		598,044
		$	1,062,931	$	1,012,461

Commitments (Note 13)
Subsequent event (Note 7)

Approved by the Board of Directors

/s/ Ron F. Hochstein
Ron F. Hochstein

/s/ Ian W. Gibbs
Ian W. Gibbs

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

LUNDIN GOLD INC.

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

	Note	Three months ended March 31, 2019	2018
EXPENSES			
Exploration		$ 1,354	$ 2,632
General and administration:			
Corporate social responsibility		294	372
Depreciation		28	24
Investor relations		61	66
Office and general		542	301
Professional fees		1,714	1,011
Regulatory and transfer agent		116	96
Salaries and benefits		2,306	2,334
Stock-based compensation	9	861	531
Training		1,504	-
Travel		138	135
Loss before other items		8,918	7,502
OTHER ITEMS			
Foreign exchange loss (gain)		2,508	(6,273)
Interest income		(847)	(165)
Other income		(2,500)	-
Accretion expense		100	531
Derivative loss (gain)	7	(468)	23,993
Net loss for the period		$ 7,711	$ 25,588
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to net loss			
Currency translation adjustment		(2,304)	6,413
Items that will not be reclassified to net loss			
Derivative loss related to the Company's own credit risk	7	16,106	24,646
Comprehensive loss		$ 21,513	$ 56,647
Basic and diluted loss per common share		$ 0.04	$ 0.20
Weighted-average number of common shares		216,061,503	124,861,126

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

LUNDIN GOLD INC.

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

	Note	Number of common shares		Share capital		Equity-settled share-based payment reserve		Other reserves		Deficit		Total
Balance, January 1, 2018		119,666,840	$	460,856	$	9,547	$	(11,364)	$	(224,190)	$	234,849
Impact of adopting IFRS 9 on January 1, 2018		-		-		-		(10,251)		10,251		-
Balance, January 1, 2018 (restated)		119,666,840		460,856		9,547		(21,615)		(213,939)		234,849
Proceeds from equity financing, net	8	93,497,140		396,450		-		-		-		396,450
Stock-based compensation	9	-		-		531		-		-		531
Other comprehensive loss		-		-		-		(31,059)		-		(31,059)
Net loss for the period		-		-		-		-		(25,588)		(25,588)
Balance, March 31, 2018		213,163,980	$	857,306	$	10,078	$	(52,674)	$	(239,527)	$	575,183
Balance, January 1, 2019		213,163,980	$	857,279	$	12,125	$	(35,353)	$	(236,007)	$	598,044
Proceeds from equity financing, net	8	8,625,000		33,940		-		-		-		33,940
Consideration for cost overrun facility	7	300,000		1,221		373		-		-		1,594
Exercise of stock options		144,500		674		(269)		-		-		405
Stock-based compensation	9	-		-		861		-		-		861
Other comprehensive loss		-		-		-		(13,802)		-		(13,802)
Net loss for the period		-		-		-		-		(7,711)		(7,711)
Balance, March 31, 2019		222,233,480	$	893,114	$	13,090	$	(49,155)	$	(243,718)	$	613,331

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 thousands of U.S. Dollars)

	Three months ended March 31, 2019	2018
OPERATING ACTIVITIES		
Net loss for the period	$ (7,711)	$ (25,588)
Items not affecting cash:		
Stock-based compensation	861	531
Depreciation	37	24
Derivative loss (gain)	(468)	23,993
Unrealized foreign exchange loss (gain)	2,608	(6,295)
Accretion expense	100	531
	(4,573)	(6,804)
Changes in non-cash working capital items:		
Other current assets	2,135	(5,049)
Accounts payable and accrued liabilities	137	96
Net cash used for operating activities	(2,301)	(11,757)
FINANCING ACTIVITIES		
Proceeds from long-term debt (Note 7)	-	110,000
Transaction costs (Note 7)	(3,019)	(735)
Net proceeds from equity financing (Note 8)	33,940	399,650
Proceeds from exercise of stock options	405	-
Net cash provided by financing activities	31,326	508,915
INVESTING ACTIVITIES		
Acquisition and development of property, plant and equipment	(103,312)	(55,651)
Change in VAT receivable and other long-term assets	(9,973)	(808)
Net cash used for investing activities	(113,285)	(56,459)
Effect of foreign exchange rate differences on cash	(291)	(50)
Net increase (decrease) in cash and cash equivalents	(84,551)	440,649
Cash and cash equivalents, beginning of period	167,513	35,018
Cash and cash equivalents, end of period	$ 82,962	$ 475,667
Supplemental information		
Interest received	$ 847	$ 165
Change in accounts payable and accrued liabilities related to:		
Transaction costs from equity financing	-	3,200
Acquisition of property, plant and equipment	11,079	1,848

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

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

1. Nature of operations

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

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

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

The Company currently has no sources of revenues. It is in the process of developing the Fruta del Norte Project. Based on estimated costs, the project is fully financed, first gold is anticipated before the end of 2019 and commercial production in the second quarter of 2020. The Company's continuing operations and the underlying value and recoverability of the amount shown for the mineral interests and property, plant and equipment are dependent upon the ability of the Company to complete the development of the Fruta del Norte Project and on future profitable production.

2. Basis of preparation and consolidation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS and should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended December 31, 2018.

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, 2018.

These financial statements were approved for issue by the Board of Directors on May 10, 2019.

3. Other current assets

		March 31, 2019		December 31, 2018
Prepaid expenses and deposits	$	7,400	$	9,531
Deferred transaction costs		26,568		21,954
	$	33,968	$	31,485

Deferred transaction costs include upfront and advisory fees incurred to secure the senior debt facility (the "Facility"), the cost overrun facility (the "COF"), and ongoing stand-by fees. These costs will be reclassified to long-term debt on a pro-rata basis upon each draw down of the Facility or the COF, as applicable.

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

4. VAT receivable and other long-term assets

		March 31, 2019		December 31, 2018
VAT recoverable	$	34,874	$	24,665
Other long-term assets		1,976		2,212
	$	36,850	$	26,877

VAT paid in Ecuador by the Company after January 1, 2018 will be refunded or applied as a credit against other taxes payable through an application process commencing after the Company begins to generate export sales.

5. Property, plant and equipment

Cost		**Construction-in-progress**		**Land and buildings**		**Machinery and equipment**		**Vehicles**		**Furniture and office equipment**		**Total**
Balance, January 1, 2018	$	130,572	$	4,458	$	6,896	$	2,967	$	1,103	$	145,996
Additions		321,264		-		11,296		8,936		638		342,134
Cumulative translation adjustment		(713)		-		-		-		(7)		(720)
Balance, December 31, 2018		451,123		4,458		18,192		11,903		1,734		487,410
Additions		108,143		257		10,019		5,584		66		124,069
Cumulative translation adjustment		(5)		-		-		-		2		(3)
Balance, March 31, 2019	$	559,261	$	4,715	$	28,211	$	17,487	$	1,802	$	611,476

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

5. Property, plant and equipment (continued)

Accumulated depreciation		**Construction-in-progress**		**Land and buildings**		**Machinery and equipment**		**Vehicles**		**Furniture and office equipment**		**Total**
Balance, January 1, 2018	$	-	$	309	$	1,889	$	912	$	288	$	3,398
Depreciation and amortization		-		102		1,441		1,247		307		3,097
Cumulative translation adjustment		-		-		-		-		(6)		(6)
Balance, December 31, 2018		-		411		3,330		2,159		589		6,489
Depreciation and amortization		-		26		633		745		95		1,499
Cumulative translation adjustment		-		-		-		-		2		2
Balance, March 31, 2019	$	-	$	437	$	3,963	$	2,904	$	686	$	7,990
Net book value												
As at December 31, 2018	$	451,123	$	4,047	$	14,862	$	9,744	$	1,145	$	480,921
As at March 31, 2019	$	559,261	$	4,278	$	24,248	$	14,583	$	1,116	$	603,486

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

		March 31, 2019		December 31, 2018
Depreciation and amortization	$	1,462	$	2,974
Accretion of transaction and derivative costs (Note 7)		8,216		33,371
	$	9,678	$	36,345

6. Accounts payable and accrued liabilities

		March 31, 2019		December 31, 2018
Accounts payable	$	8,730	$	12,869
Accrued liabilities		48,311		32,943
	$	57,041	$	45,812

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

7. Long-term debt

As at March 31, 2019, the long-term debt consisted of the following:

		Gold prepay credit facility		Stream loan credit facility		Offtake derivative liability		Total
Principal	$	150,000	$	150,000	$	-	$	300,000
Interest accrued and capitalized at stated rate of 7.5%		17,567		17,156		-		34,723
Transaction costs		(3,839)		(2,796)		-		(6,635)
Derivative fair value adjustments		15,400		27,841		16,777		60,018
Total	$	179,128	$	192,201	$	16,777	$	388,106

Derivative fair value adjustments reflect the revaluation of the long-term debt at fair value as at March 31, 2019, including a portion of the cost of derivatives which are part of the long-term debt. The derivative loss related to the Company's own credit risk recorded in other comprehensive loss includes the impact of the difference between the Company's own credit risk at the time of entering into the long-term debt and the balance sheet date.

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

The Prepay Loan is a secured loan facility of $150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance.

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

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

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

The Stream Loan is a secured loan facility of $150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance.

The Stream Loan is repayable in variable monthly instalments equivalent to the value of 7.75% of gold production less $400 per oz. (the "Gold Base Price") and 100% of the silver production less $4 per oz. (the "Silver Base Price") upon the start of commercial production at the Fruta del Norte Project, up to a maximum of 350,000 oz. of gold and six million oz. of silver. The Gold Base Price and Silver Base Price will increase by 1% per annum starting on the third anniversary of the commercial production date. The excess of the monthly repayments over the principal and interest components, if any, will be a Finance Charge.

The monthly gold and silver quantities and associated maximum deliverable ounces are subject to increase by set percentages if commercial production is not achieved by December 31, 2020 until October 1, 2021 (the "Stream Loan Extension"). In addition, the Company has the option to repay (i) 50% of the remaining Stream Loan on June 30, 2024 for $150 million and / or (ii) the other 50% of the remaining Stream Loan on June 30, 2026 for $225 million (the "Buyback Options").

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

7. Long-term debt (continued)

(c) Offtake commitment

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

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

(d) Senior debt facility (the “Facility”)

The Facility is a senior secured loan of up to $350 million, comprised of two tranches: a $250 million senior commercial facility (“Tranche A”) and a $100 million senior covered facility under a raw material guarantee (“Tranche B”). The annual interest rate is the three or six-month LIBOR plus an average margin of approximately 5.05% for Tranche A and 2.50% for Tranche B. Tranche A and Tranche B are subject to risk mitigation and guarantee fees of 2.00% and 3.15%, respectively. The Facility is repayable in variable quarterly instalments starting at the end of 2020 and maturing in June 2026. The first draw of $159 million occurred on April 2, 2019.

(e) Cost overrun facility (the “COF”)

On March 29, 2019, the Company entered into a $75 million COF with an insider of the Company. Entering into the COF was a condition precedent to first draw under the Facility. It is available once the Facility is fully drawn and can only be used to fund a potential cost overrun related to the development of the Fruta del Norte Project.

In accordance with the terms of the COF, the Company issued the insider 300,000 common shares and 300,000 warrants ("Warrants") in lieu of fees. Each Warrant has a term of three years from the date of issue and is exercisable for a common share upon payment of the exercise price of CAD$5.98. The Company is required to issue an additional 300,000 common shares to the insider as a condition precedent to the first utilization of the COF.

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

8. 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, 2018		119,666,840	$	460,856
Proceeds from equity financing, net	(a)	93,497,140		396,423
Balance at December 31, 2018		213,163,980		857,279
Proceeds from equity financing, net	(b)	8,625,000		33,940
Consideration for cost overrun facility	7	300,000		1,221
Exercise of stock options		144,500		674
Balance at March 31, 2019		222,233,480	$	893,114

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

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

(b) On February 20, 2019, the Company entered into an agreement with a syndicate of underwriters, pursuant to which the underwriters agreed to purchase, on a bought deal basis, 7,500,000 common shares of the Company at a price of CAD$5.40 per share, for aggregate gross proceeds of CAD$40.5 million (the “Bought Deal”). The Company also granted the underwriters a 15% over-allotment option.

On March 1, 2019, the Company closed the Bought Deal by issuing 8,625,000 shares of the Company for gross proceeds of CAD$46.6 million ($35.1 million), which included the exercise in full of the over-allotment option of an additional 1,125,000 shares. Share issue costs of $1.2 million were paid resulting in net proceeds of $33.9 million received by the Company in relation to the Bought Deal.

9. Stock options and share purchase warrants

(a) 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.

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

9. Stock options and share purchase warrants (continued)

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

	Three months ended March 31, 2019			Year ended December 31, 2018		
	Number of stock options		Weighted exercise price (CAD)	Number of stock options		Weighted exercise price (CAD)
Balance, beginning of period	5,902,900	$	4.59	4,625,500	$	4.44
Granted	1,515,300		5.38	1,277,400		5.13
Exercised[1]	(144,500)		3.75	-		-
Balance outstanding, end of period	7,273,700	$	4.77	5,902,900	$	4.59
Balance exercisable, end of period	4,995,450	$	4.54	4,236,980	$	4.38

[1] The weighted average share price on the exercise date for the stock options exercised during the three months ended March 31, 2019 was CAD$5.47.

The following table summarizes information concerning outstanding and exercisable options at March 31, 2019:

	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	1,591,000	0.77	$	3.91	1,591,000	0.77	$	3.91
$ 4.01 to 5.94	5,682,700	3.43		5.02	3,404,450	2.64		4.83
	7,273,700	2.84	$	4.77	4,995,450	2.04	$	4.54

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:

	March 31, 2019	December 31, 2018
Risk-free interest rate	1.82%	1.95%
Expected stock price volatility	57.24%	60.87%
Expected life	5 years	5 years
Expected dividend yield	-	-
Weighted-average fair value per option granted (CAD)	$2.71	$2.73

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.

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

9. Stock options and share purchase warrants (continued)

During the three months ended March 31, 2019, the Company recorded stock-based compensation expense of $0.9 million (2018 – $0.5 million).

(b) Share Purchase Warrants

A continuity summary of the warrants granted and outstanding is presented below:

	Three months ended March 31, 2019		Year ended December 31, 2018	
	Number of warrants	Weighted exercise price (CAD)	Number of warrants	Weighted exercise price (CAD)
Balance, beginning of period	-	$ -	-	$ -
Granted (Note 7)	300,000	5.98	-	-
Balance outstanding, end of period	300,000	$ 5.98	-	$ -

The following table summarizes information concerning outstanding warrants at March 31, 2019:

Exercise price (CAD)	Number of warrants outstanding	Remaining contractual life (years)
$ 5.98	300,000	2.99

The fair value based method of accounting was applied to the warrants on date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	March 31, 2019	December 31, 2018
Risk-free interest rate	1.78%	-
Expected stock price volatility	50.63%	-
Expected life	3 years	-
Expected dividend yield	-	-
Weighted-average fair value per warrant granted (CAD)	$1.66	-

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

10. Related party transactions

(a) Related party expenses

During the three months ended March 31, 2019 and March 31, 2018, the Company incurred the following:

Payee	Nature	Note		March 31, 2019		March 31, 2018
Namdo	Management fees	i	$	75	$	78

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

(b) Key management compensation

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

		March 31, 2019		March 31, 2018
Salaries, bonuses and benefits	$	1,909	$	2,062
Stock-based compensation		607		399
	$	2,516	$	2,461

11. Segmented information

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

The Company's primary business activity is the advancement of the Fruta del Norte Project in Ecuador. Materially all of the Company's non-current assets and non-current liabilities relate to the Fruta del Norte Project. In addition, the Company conducts exploration activities and maintains a number of concessions in Ecuador outside of the Fruta del Norte Project. Materially all of the Company's administrative costs are incurred by the Canadian parent.

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

11. Segmented information (continued)

The following are summaries of the Company's current and non-current assets, current and non-current liabilities, and net losses by segment:

For the three months ended March 31, 2019

	Fruta del Norte Project	Other concessions	Corporate and other	Total
Current assets	$ 61,183	$ 120	$ 55,627	$ 116,930
Non-current assets	946,001	-	-	946,001
Total assets	1,007,184	120	55,627	1,062,931
Current liabilities	56,295	319	427	57,041
Non-current liabilities	392,559	-	-	392,559
Total liabilities	448,854	319	427	449,600
Capital expenditures	124,069	-	-	124,069
Exploration expenditures	-	1,354	-	1,354
General and administration and other items	2,668	-	3,689	6,357
Net loss for the period	2,668	1,354	3,689	7,711

For the three months ended March 31, 2018

	Fruta del Norte Project	Other concessions	Corporate and other	Total
Current assets	$ 75,834	$ 819	$ 409,660	$ 486,313
Non-current assets	502,576	-	-	502,576
Total assets	578,410	819	409,660	988,889
Current liabilities	21,070	666	4,248	25,984
Non-current liabilities	387,722	-	-	387,722
Total liabilities	408,792	666	4,248	413,706
Capital expenditures	66,250	-	-	66,250
Exploration expenditures	-	2,632	-	2,632
General and administration and other items	25,552	6	(2,602)	22,956
Net loss (income) for the period	25,552	2,638	(2,602)	25,588

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

12. Financial instruments

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

(a) Fair value measurements and hierarchy

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lower priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

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

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

The following table sets forth the Company's financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy for the three months ended March 31, 2019. Each of these financial instruments are classified as Level 3 as their valuation includes significant unobservable inputs.

	Gold prepay credit facility	Stream loan credit facility	Offtake derivative liability	Total
Balance, December 31, 2018	$ 167,524	$ 178,838	$ 17,890	$ 364,252
Interest accrued and capitalized at stated rate of 7.5%	2,813	2,812	-	5,625
Accretion of transaction costs	154	45	-	199
Derivative fair value adjustments recognized in:				
Property, plant and equipment	1,103	1,289	-	2,392
Derivative loss (gain)	1,848	(1,203)	(1,113)	(468)
Other comprehensive loss	5,686	10,420	-	16,106
Balance, March 31, 2019	$ 179,128	192,201	16,777	388,106

(c) Valuation inputs and relationships to fair value

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

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

12. Financial instruments (continued)

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

	Fair value at March 31, 2019	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Long-term debt	$ 388,106	Expected volatility	10% to 21%	An increase or decrease in expected volatility of 5% would increase or decrease fair value by $5.1 million or $5.9 million, respectively
		Risk-adjusted discount rate	8% to 9%	An increase or decrease in risk-adjusted discount rate of 1% would decrease or increase fair value by $19.1 million or $20.5 million, respectively

(d) Valuation processes

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

13. Commitments

Significant capital expenditures contracted as at March 31, 2019 but not recognized as liabilities are as follows:

		Development Costs
12 months ending March 31, 2020	$	120,648
April 1, 2020 onward		-
Total	$	120,648

Corporate Information

BOARD OF DIRECTORS

Lukas H. Lundin, Chairman
Geneva, Switzerland
Carmel Daniele
London, United Kingdom
Ian Gibbs
Vancouver, Canada
Chantal Gosselin
Toronto, Canada
Ashley Heppenstall
London, United Kingdom
Ron F. Hochstein
Vancouver, Canada
Craig Jones
Brisbane, Australia
Paul McRae
Algarve, Portugal
Michael Nossal
Melbourne, Australia
Istvan Zollei
New York City, United States

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

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COMMUNITY OFFICE
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Los Encuentros, Zamora-Chinchipe,
Ecuador

STOCK EXCHANGE LISTINGS

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

SHARE REGISTRAR AND TRANSFER AGENT

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