

LUNDIN GOLD INC.

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

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

Commitments (Note 14)

Approved by the Board of Directors

/s/ Ron F. Hochstein
Ron F. Hochstein

/s/ Ian W. Gibbs
Ian W. Gibbs

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

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LUNDIN GOLD INC.

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

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

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

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LUNDIN GOLD INC.

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

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

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LUNDIN GOLD INC.

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

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

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LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2018

(Unaudited – Prepared by Management)

(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.

In May 2016, the Company completed a feasibility study for the Fruta del Norte Project and has since commenced its development. It currently has no sources of revenues. The Company’s continuing operations and the underlying value and recoverability of the amount shown for the mineral interests and property, plant and equipment are dependent upon the ability of the Company to develop the Fruta del Norte Project and on future profitable production.

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

2. Basis of preparation and consolidation

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

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

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

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

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

i. IFRS 15, Revenue from Contracts with Customers

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

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

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2018

(Unaudited – Prepared by Management)

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

2. Basis of preparation and consolidation (continued)

ii. IFRS 9, Financial Instruments

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

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

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

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

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

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

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

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

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

3. Other current assets

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

4. VAT receivable and other long-term assets

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

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

5. Property, plant and equipment

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

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(Unaudited – Prepared by Management)

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5. Property, plant and equipment (continued)

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

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

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

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

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2018

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6. Mineral properties

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

On August 4, 2017, the Company completed the acquisition of a mining concession to gain access to land required for the development of certain facilities for the operation of the Fruta del Norte Project. As consideration for this concession, the Company:

- Paid \$1.2 million in cash including taxes;
- Issued 430,938 common shares of the Company valued at \$1.6 million; and
- Allowed the vendor to retain a 2% net smelter royalty for any metallic minerals mined from the acquired concession.

7. Long-term debt

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

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

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

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

The Prepay Loan is a senior secured loan facility of \$150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance. As at September 30, 2018, the full balance has been drawn under this facility.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2018

(Unaudited – Prepared by Management)

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

6. Long-term debt (continued)

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

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

(b) Stream loan credit facility (the “Stream Loan”)

The Stream Loan is a senior secured loan facility of \$150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance. As at September 30, 2018, the full balance has been drawn under this facility.

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

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

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

(c) Offtake Commitment

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

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

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8. Restoration provision

The Company's provisions relate to the rehabilitation of the Fruta del Norte Project. The reclamation provisions have been calculated based on total estimated rehabilitation costs and discounted back to their present values. The pre-tax discount rates and inflation rates are adjusted annually and reflect current market assessments. At September 30, 2018, the Company applied a pre-tax discount rate of 9.3% (2017 – 12.9%) and an inflation rate of 2.4% (2017 – 3.3%). The estimated total liability for reclamation and remediation costs on an undiscounted basis and adjusted for an estimate of future inflation is approximately \$71.8 million.

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

9. Share capital

Authorized:

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

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

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

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

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

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(Unaudited – Prepared by Management)

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10. Stock options

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

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

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

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Number of common shares	Weighted exercise price (CAD)	Number of common shares	Weighted exercise price (CAD)
Balance, beginning of period	4,625,500	\$ 4.44	3,834,500	\$ 4.18
Granted	1,277,400	5.13	1,319,000	5.16
Cancelled / Expired	-	-	(225,500)	4.68
Exercised ⁽¹⁾	-	-	(302,500)	4.01
Balance outstanding, end of period	5,902,900	\$ 4.59	4,625,500	\$ 4.44
Balance exercisable, end of period	4,171,980	\$ 4.36	2,805,400	\$ 4.18

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

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

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

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(Unaudited – Prepared by Management)

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10. Stock options (continued)

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

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

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

During the nine months ended September 30, 2018, the Company recorded stock-based compensation expense of \$2.0 million (2017 – \$2.1 million).

11. Related party transactions

(a) Related party expenses

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

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

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

(b) Key management compensation

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

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

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12. Segmented information

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

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

13. Financial instruments

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

(a) Fair value measurements and hierarchy

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

- Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

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13. Financial instruments (continued)

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

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

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

(c) Valuation inputs and relationships to fair value

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

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

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

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13. Financial instruments (continued)

(d) Valuation processes

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

14. Commitments

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

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

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