INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Lundin Gold Inc. and its subsidiary companies (collectively, "Lundin Gold" or the "Company") provides a detailed analysis of the Company's business and compares its financial results for the three and six months ended June 30, 2018 with those of the same period from the previous year.

This MD&A is dated as of August 10, 2018 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes thereto for the three and six months ended June 30, 2018, 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, 2017.

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 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 people of Ecuador.

SECOND QUARTER 2018 HIGHLIGHTS AND ACTIVITIES

Fruta del Norte Project

- Overall engineering was 48% complete and construction 21% complete.
- The cumulative advance in the K'isa and Kuri declines was 2.2 kilometres ("km").
- Process plant excavation is nearly complete.
- Process plant ball mill piers were poured.
- Grinding building foundations and carbon-in-leach tank foundations were well underway.
- North Access road was 70% complete.
- Tailings storage facility access road construction was completed, and polishing pond and diversion ditch construction began.
- Clearing of powerline route from site began.
- New camp kitchen and dining facility was completed.

Financing

- Closed a $350 million senior secured project finance debt facility (the "Facility") with a syndicate of seven lenders. In addition, the Company executed a gold concentrate offtake agreement with Boliden.

Exploration

- Scout drilling of the El Puma target, located in the southern Suarez Basin, was completed with a total of 6,245 metres ("m") in six drill holes.
- Mapping, geochemical sampling and the permitting required for future drilling continues on a number of epithermal gold-silver targets around the Suarez Basin.

Corporate

- Istvan Zollei of Orion Mine Finance Group and Michael Nossal and Craig Jones of Newcrest Mining Limited joined the board of the Company following the closing of the equity financing.

THE FRUTA DEL NORTE PROJECT

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, which is the fourth largest city in Ecuador.

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.

Activities in the Second Quarter of 2018

Fruta del Norte Project

During the second quarter of 2018 the progress continued on the Project, most notably in the areas of engineering, procurement and construction. Overall engineering was 48% complete and construction was 21% complete as of the end of the quarter.

Mine Development

- As at June 30, a total of 2.2 km of underground mine development had been achieved, with 1,030 m and 1,167 m in the Kuri and K'isa declines, respectively. Daily advance rates improved steadily throughout the quarter achieving an average advance rate of 5.9 m per day in Kuri and 6.6 m per day in K'isa in June, versus a target of 5.16 m per day.
- Company awarded the service fleet in May. With this award, nearly all of the mining equipment purchase orders have been placed.

Process Plant Construction

- Process plant and main substation excavation was nearly complete at the end of the quarter.
- Construction moved ahead with the ball mill piers and grinding building foundations were poured, putting this project at 84% complete.
- Carbon-in-leach tank bases were 20% complete.
- Fabrication of process plant equipment is on track with the first equipment (thickeners and primary jaw crusher) scheduled to arrive on site in the third quarter of 2018.

Major Site Earthworks

- North Access road was an estimated 70% complete with less than 2 km remaining until it is done.
- Remaining section of the North Access road includes a steep escarpment which requires careful attention for technical and safety reasons.
- Road construction through this section is progressing well and the Company remains on track to finish the road by the end of the third quarter of 2018.
- Tailings storage facility, polishing pond and east diversion ditch access roads were completed, and work commenced on clearing and grubbing in the polishing pond area.

Powerline

- Regulatory process of formalizing all easements required for the powerline from the Bomboiza substation to the Project is near complete.
- Contractor mobilized and started clearing on the powerline route from site in June.

Ancillary Facilities

- Work started on the permanent mine maintenance shop, mine substation and mine compressor station.
- Fuel storage station is almost finished and is in the final commissioning stages.

Environment and Permitting

- Continued to advance the Mountain Pass Quarry Environmental Licence, water permit and administrative act. The Mountain Quarry water permit was subsequently issued after quarter end.
- Continued to advance several SENAGUA water permits.
- Submitted explosives storage expansion permit.

Exploration

- Diamond drilling was completed at the El Puma target located in the southern Suarez basin, with a total of 6,245m in six drill holes. A buried vein, breccia and shear hosted epithermal quartz-carbonate-sulfide system was intersected along the interpreted western edge of the basin. Assays received from the drilling are variably anomalous in the epithermal pathfinder elements silver, arsenic, antimony, lead and zinc but not significantly anomalous in gold. The results are currently being interpreted and compared with other epithermal systems around the basin.
- Mapping and geochemical sampling has continued on the Puente-Princesa epithermal target which is approximately 4km north of El Puma along the strike of the western basin margin. Epithermal gold-silver veins have previously been sampled in trenches and drill holes at Puente-Princesa in 2004. The basin is covered between the El Puma and Puente-Princesa target areas by post-mineral andesite lavas and basin sediment.
- Drill permitting is in process on the Barbasco epithermal gold-silver target on the eastern edge of the Suarez basin approximately 6km south of Fruta del Norte. The target is defined by an extensive area of anomalous epithermal pathfinder elements (arsenic and antimony) in soil samples within the Suarez basin. An outcrop containing an epithermal quartz vein (20cm width) has been located in the andesites along the edge of this target and has assayed up to 8 g/t Au. The target model is a buried Fruta del Norte style epithermal gold-silver system.

(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).

		2018 Q2		2018 Q1		2017 Q4		2017 Q3
Derivative gain (loss) for the period	$	18,846	$	(23,993)	$	(14,135)	$	(8,281)
Net income (loss) for the period	$	19,741	$	(25,588)	$	(19,505)	$	(16,032)
Basic income (loss) per share	$	0.09	$	(0.20)	$	(0.16)	$	(0.13)
Diluted income (loss) per share	$	0.09	$	(0.20)	$	(0.16)	$	(0.13)
Weighted-average number of common shares outstanding								
Basic		213,163,980		124,861,126		119,666,840		119,417,366
Diluted		213,754,928		124,861,126		119,666,840		119,417,366
Additions to property, plant and equipment	$	77,278	$	66,250	$	55,543	$	38,635
Total assets	$	994,583	$	988,889	$	481,729	$	434,198
Long-term debt	$	349,032	$	376,218	$	217,940	$	163,591
Working capital	$	377,265	$	460,329	$	26,794	$	66,196

		2017 Q2		2017 Q1		2016 Q4		2016 Q3
Derivative gain (loss) for the period	$	4,382	$	-	$	-	$	-
Net income (loss) for the period	$	785	$	(6,387)	$	(23,889)	$	(11,785)
Basic income (loss) per share	$	0.01	$	(0.05)	$	(0.20)	$	(0.10)
Diluted income (loss) per share	$	0.01	$	(0.05)	$	(0.20)	$	(0.10)
Weighted-average number of common shares outstanding								
Basic		118,857,521		118,743,908		118,682,274		113,331,975
Diluted		119,880,477		118,743,908		118,682,274		113,331,975
Additions to property, plant and equipment	$	26,731	$	15,003	$	257	$	4
Total assets	$	460,838	$	295,795	$	278,906	$	300,195
Long-term debt	$	150,997	$	-	$	-	$	-
Working capital	$	107,024	$	(18,776)	$	1,022	$	49,903

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

The Company's net income in the second quarter of 2018 is mainly due to the revaluation of the Company's long-term debt as more fully explained below. In addition, the Company generated a foreign exchange gain of $7.1 million from its substantial holdings of U.S. dollar cash at its Canadian entities during the quarter compared to a foreign exchange gain of only $0.7 million in the second quarter of 2017. As the functional currency of these Canadian entities is the Canadian dollar, a strengthening of the U.S. dollar against the Canadian dollar during the period generates an unrealized gain in terms of Canadian dollars. This is offset by an increase in office and general expenses of $0.8 million mainly due to an increase in payments to foreign vendors which resulted in an increase in capital outflow tax paid.

The loss in the 2018 Period is higher by $0.2 million compared to that of the 2017 Period due to the revaluation of the Company's long-term debt and recognition of a substantial foreign exchange gain as noted above. In addition, the Company also incurred higher salaries and benefits in the 2018 Period due to the performance incentive plan payment to the Company's employees.

Derivative gains or losses

The Company did not repay or increase its long-term debt during the second quarter of 2018; however, the Company's long-term debt balance is comprised of financial liabilities measured at fair value on a quarterly basis. This balance is 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.

During the second quarter of 2018, the Company recorded a derivative gain from the fair value revaluation of its long-term debt of $18.8 million compared to a derivative gain of $4.4 million recognized in the second quarter of 2017. For the 2018 Period, the Company has recorded a derivative loss of $5.1 million compared to a derivative loss of $4.4 million in the 2017 Period.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2018, the Company had cash of $393.5 million and a working capital of $377.3 million compared to cash of $35.0 million and a working capital balance of $26.8 million at December 31, 2017. The change in cash was primarily due to net proceeds from the private placement in March 2018 of $396.5 million and the final drawdown of $110 million under the gold prepay and stream credit facilities. This is offset by costs incurred for the development of the Fruta del Norte Project of $121.0 million, general and administration costs of $9.9 million and exploration expenditures of $4.2 million.

The Company closed a project financing package of $300 million in May 2017 comprising of the gold prepay and stream credit facilities, a $400 million private placement in March 2018, and secured the Facility of $350 million in July 2018. 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 establishing a cost overrun facility.

The Company currently has no sources of revenues. Its continuing operations and the underlying value and recoverability of the amount shown for the mineral interests 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 2018 Period, the Company paid $0.2 million (2017 – $0.2 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 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.

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 metal 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 2018 Period and the year ended December 31, 2017 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 213,163,980 common shares issued and outstanding and stock options outstanding to purchase a total of 5,830,400 common shares for a total of 218,994,380 common shares outstanding on a fully-diluted basis.

OUTLOOK

The Company is focussed on advancing the Project on schedule through to first gold production in 2019. To achieve that goal, the following activities are planned over the next twelve months:

- Completing detailed engineering of the process plant, tailings storage facility and site-wide water management.
- Completing the North Access road.
- Completing process plant concrete foundations and advancing steel and equipment erection.
- Receiving the majority of the process plant equipment and mine mobile equipment onsite.
- Advancing construction of the site infrastructure buildings such as the laboratory, reagent storage, mine dry and administration.
- Continuing to advance underground mine development, as well as the underground services and facilities.
- Completing the construction of the 42 km, 230 kilovolt power transmission line to connect to the national grid.
- Receiving approval of the Mountain Pass Quarry Environmental License and developing the quarry.
- Awarding the contracts for the design and supply of the paste plant and water treatment plant, advancing the engineering and equipment procurement and beginning earthworks and site preparation for the two plants.
- Advancing construction of the tailings storage facility.
- Completing engineering and starting construction for the Zamora River bridge near Los Encuentros.

The Company is also in discussions with selected potential parties in order to establish a cost overrun facility which is a condition precedent to the initial draw down of the Facility, expected to occur in the first quarter of 2019.

Exploration is currently focused on mapping and geochemical sampling of the Puente-Princesa target. Other targets may be mapped and sampled during 2018 depending on results. Drill permitting continues for a number of epithermal gold-silver target areas around the Suarez basin.

ADOPTION OF NEW ACCOUNTING STANDARDS

During the six months ended June 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.

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. Refer to the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018 for further details.

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 2017 Management's Discussion and Analysis.

RISKS AND UNCERTAINTIES

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

The risk factors which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set out in the Company's Annual Information Form dated March 20, 2018 (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 nine months ended September 30, 2018 is expected to be published on or about November 8, 2018.

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, 2018 and ending June 30, 2018, 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 production and the progress of the development, construction and operation of the Project, improvements to site logistics and completion of camp 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: the ability to arrange financing and the risk to shareholders of dilution from future equity financings; the ability to maintain its obligations under the gold prepay and stream credit facilities, the Facility and other debt; risks related to carrying on business in Ecuador; volatility in the price of gold; the timely receipt of regulatory approvals, permits and licenses; risks associated with the performance of the Company's contractors; risks inherent in the development of an underground mine; deficient or vulnerable title to mining concessions and surface rights; shortages of critical resources, labour and key executive personnel, such as input commodities, equipment and skilled labour, and the dependence on key personnel; risks associated with the Company's community relationships; unreliable infrastructure; 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; the cost of compliance or failure to comply with applicable laws; exploration and development risks; the accuracy of the Mineral Reserve and Resource estimates for the Fruta del Norte Project; the Company's reliance on one project; risks related to artisanal and illegal mining; uncertainty as to reclamation and decommissioning; risks associated with the Company's information systems; competition in the mining industry; the ability to obtain adequate insurance; risks of bribery or corruption; 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.