LUNDIN GOLD INC.

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

	Note		March 31, 2016		December 31, 2015
ASSETS					
Current assets					
Cash	3	$	7,809,280	$	21,360,228
Other current assets			628,835		608,297
			8,438,115		21,968,525
Non-current assets					
Property, plant and equipment	4		8,304,852		8,557,202
Mineral properties			236,873,803		236,873,803
		$	253,616,770	$	267,399,530
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	5	$	5,515,807	$	5,654,500
Non-current liabilities					
Reclamation provisions			893,403		866,593
			6,409,210		6,521,093
EQUITY					
Share capital	6		386,675,284		386,675,284
Equity-settled share-based payment reserve	7		5,678,781		5,012,391
Foreign currency translation reserve			(10,200,435)		(10,572,699)
Deficit			(134,946,070)		(120,236,539)
			247,207,560		260,878,437
		$	253,616,770	$	267,399,530

Nature of operations and liquidity (Note 1)
Contingencies (Note 12)

Approved by the Board of Directors

/s/ Ron F. Hochstein	*/s/ Ian W. Gibbs*
Ron F. Hochstein	Ian W. Gibbs

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

LUNDIN GOLD INC.

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

	Note	Three months ended March 31, 2016	2015
EXPENSES			
Project evaluation	8	$ 11,565,147	$ 5,087,219
Exploration		314,279	-
General and administration:			
Depreciation		5,653	5,955
Investor relations		99,666	287,363
Office and general		416,567	920,685
Professional fees		800,845	313,985
Regulatory and transfer agent		100,808	105,770
Salaries and benefits		536,088	841,003
Stock-based compensation	7	517,844	507,057
Travel		144,513	196,460
Loss before other items		14,501,410	8,265,497
OTHER ITEMS			
Loss (gain) on foreign exchange		288,093	(3,163,766)
Interest and other income		(79,972)	(39,652)
Net loss for the period		$ 14,709,531	$ 5,062,079
OTHER COMPREHENSIVE LOSS			
Items that may be subsequently reclassified to net loss			
Currency translation adjustment		(372,264)	5,396,411
Comprehensive loss for the period		$ 14,337,267	$ 10,458,490
Basic and diluted loss per common share		$ 0.15	$ 0.05
Weighted-average number of common shares		101,260,268	101,176,268

LUNDIN GOLD INC.

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

	Note	Number of common shares		Share capital		Equity-settled share-based payment reserve		Foreign currency translation reserve		Deficit		Total
Balance January 1, 2015		101,176,268	$	386,315,842	$	3,006,381	$	(2,839,998)	$	(74,912,677)	$	311,569,548
Stock-based compensation	7	-		-		507,057		-		-		507,057
Currency translation adjustment		-		-		-		(5,396,411)		-		(5,396,411)
Net loss for the period		-		-		-		-		(5,062,079)		(5,062,079)
Balance March 31, 2015		101,176,268	$	386,315,842	$	3,513,438	$	(8,236,409)	$	(79,974,756)	$	301,618,115
Balance, January 1, 2016		101,260,268	$	386,675,284	$	5,012,391	$	(10,572,699)	$	(120,236,539)	$	260,878,437
Stock-based compensation	7	-		-		666,390		-		-		666,390
Currency translation adjustment		-		-		-		372,264		-		372,264
Net loss for the period		-		-		-		-		(14,709,531)		(14,709,531)
Balance March 31, 2016		101,260,268	$	386,675,284	$	5,678,781	$	(10,200,435)	$	(134,946,070)	$	247,207,560

LUNDIN GOLD INC.

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

	Three months ended March 31, 2016	2015
OPERATING ACTIVITIES		
Net loss for the period	$ (14,709,531)	$ (5,062,079)
Items not affecting cash:		
Stock-based compensation	666,390	507,057
Depreciation and accretion	285,012	278,865
Foreign exchange loss (gain)	285,687	(3,247,678)
	(13,472,442)	(7,523,835)
Changes in non-cash working capital items:		
Other current assets	(12,688)	(149,281)
Accounts payable and accrued liabilities	(159,692)	802,174
Net cash used for operating activities	(13,644,822)	(6,870,942)
FINANCING ACTIVITIES		
Changes in non-cash working capital items:		
Proceeds from private placement, net	-	(239,656)
Net cash provided by financing activities	-	(239,656)
INVESTING ACTIVITIES		
Changes in non-cash working capital items:		
Acquisition of Aurelian Resources Inc., net of cash acquired	-	(3,548,816)
Acquisition of property, plant and equipment	(3,015)	(55,672)
Net cash used for investing activities	(3,015)	(3,604,488)
Effect of foreign exchange rate differences on cash	96,889	(2,373,694)
Net decrease in cash	(13,550,948)	(13,088,780)
Cash, beginning of period	21,360,228	70,919,477
Cash, end of period	$ 7,809,280	$ 57,830,697
Supplemental information		
Interest received	$ 79,972	$ 57,313
Changes in accounts payable and accrued liabilities related to:		
Proceeds from private placement, net	-	(239,656)
Acquisition of Aurelian Resources Inc.	-	(3,548,816)
Acquisition of property, plant and equipment	-	(55,672)

1. Nature of operations and liquidity

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

The Company is in the process of completing a feasibility study for the Fruta del Norte Project and has not yet determined whether it contains economically recoverable mineral reserves. The Company's continuing operations and the underlying value and recoverability of the amount shown for the mineral interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the development of the Fruta del Norte Project, obtaining the necessary permits to mine, and on future profitable production or from the proceeds from the disposition of the Fruta del Norte Project.

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

The common shares of the Company are listed for trading on the Toronto Stock Exchange (the "TSX") and Nasdaq Stockholm under the symbol "LUG". Prior to this, the Company's common shares traded on the NEX Board of the TSX Venture Exchange under the symbol "FST.H". The Company was originally incorporated in British Columbia and continued under the Canada Business Corporations Act in 2002.

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

2. Basis of preparation and consolidation

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

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

In preparing these unaudited condensed consolidated interim financial statements, the Company applied the same accounting policies and key sources of estimation uncertainty as those that were applied to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2015.

These unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

These financial statements were approved for issue by the Board of Directors on May 14, 2016.

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

3. Cash and cash equivalents

The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

Currency		March 31, 2016		December 31, 2015
Canadian dollars	$	1,422,482	$	3,110,456
U.S. dollars		6,386,798		18,249,772
	$	7,809,280	$	21,360,228

4. Property, plant and equipment

Cost		**Land and buildings**		**Machinery and equipment**		**Vehicles**		**Furniture and office equipment**		**Total**
Balance, January 1, 2015	$	4,442,000	$	4,094,000	$	741,000	$	263,258	$	9,540,258
Additions		-		17,748		-		92,480		110,228
Cumulative translation adjustment		-		-		-		(19,410)		(19,410)
Balance, December 31, 2015		4,442,000		4,111,748		741,000		336,328		9,631,076
Additions		-		-		-		3,015		3,015
Cumulative translation adjustment		-		-		-		4,566		4,566
Balance, March 31, 2016	$	4,442,000	$	4,111,748	$	741,000	$	343,909	$	9,638,657
Accumulated depreciation										
Balance, January 1, 2015	$	3,037	$	18,318	$	5,170	$	2,209	$	28,734
Depletion, amortization and accretion for the year		102,300		584,831		280,365		79,406		1,046,902
Cumulative translation adjustment		-		-		-		(1,762)		(1,762)
Balance, December 31, 2015		105,337		603,149		285,535		79,853		1,073,874
Depletion, amortization and accretion for the period		25,575		146,392		63,011		23,223		258,201
Cumulative translation adjustment		-		-		-		1,730		1,730
Balance, March 31, 2016	$	130,912	$	749,541	$	348,546	$	104,806	$	1,333,805
Net book value										
As at December 31, 2015	$	4,336,663	$	3,508,599	$	455,465	$	256,475	$	8,557,202
As at March 31, 2016	$	4,311,088	$	3,362,207	$	392,454	$	239,103	$	8,304,852

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

5. Accounts payable and accrued liabilities

		March 31, 2016		December 31, 2015
Accounts payable	$	2,209,188	$	2,535,241
Accrued liabilities		3,306,619		3,119,259
	$	5,515,807	$	5,654,500

6. 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:

	Number of common shares		Share capital
Balance at January 1, 2015	101,176,268	$	386,315,842
Share options exercised	84,000		260,082
Share options exercised - fair value adjustment	-		99,360
Balance at December 31, 2015 and March 31, 2016	101,260,268	$	386,675,284

7. 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.

Current outstanding options have an expiry date of five years and vest over a period of 24 months.

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

7. Stock options (continued)

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

	Three months ended March 31, 2016			Year ended December 31, 2015		
	Number of common shares		Weighted exercise price (CAD)	Number of common shares		Weighted exercise price (CAD)
Balance, beginning of period	2,122,500	$	3.91	757,000	$	3.81
Granted	1,712,000		4.13	1,880,500		3.95
Cancelled / Expired	-		-	(431,000)		3.89
Exercised[1]	-		-	(84,000)		3.94
Balance outstanding, end of period	3,834,500	$	4.01	2,122,500	$	3.91
Balance exercisable, end of period	1,233,750	$	3.89	808,500	$	3.83

[1] The weighted average share price on the exercise date for the stock options exercised during the year ended December 31, 2015 was CAD$3.92.

The following table summarizes information concerning outstanding and exercisable options at March 31, 2016:

				Weighted average remaining contractual life (years)	
	Exercise price (CAD)	Options outstanding	Options exercisable	Options outstanding	Options exercisable
$	3.69	95,000	19,000	4.03	4.03
$	3.75	610,000	506,000	3.36	3.20
$	3.90	115,000	57,500	3.98	3.98
$	4.00	1,302,500	651,250	3.90	3.90
$	4.13	1,712,000	-	4.90	-
		3,834,500	1,233,750		

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

	2016	2015
Risk-free interest rate	0.51%	0.60%
Expected stock price volatility	60.59%	64.83%
Expected life	5 years	5 years
Expected dividend yield	-	-
Weighted-average fair value per option granted (CAD)	$2.10	$2.10

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

During the three months ended March 31, 2016, the Company recorded stock-based compensation expense of $666,390 (2015 – $507,057) of which $517,844 has been allocated to general and administration expenses; $94,511 to project evaluation expenses; and $54,035 to exploration expenses.

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

8. Project evaluation

		Three months ended March 31, 2016		2015
Camp costs	$	643,261	$	393,527
Conceptual studies		5,603,315		1,817,956
Depreciation and accretion expense		279,359		272,910
Drilling and other operating expenses		41,747		362,230
Environmental costs		960,629		208,133
Office and general		1,190,615		252,864
Salaries and benefits		1,074,885		381,262
Property taxes		1,771,336		1,398,337
	$	11,565,147	$	5,087,219

9. Related party transactions

(a) Related party expenses

During the three months ended March 31, 2016 and March 31, 2015, the Company incurred the following:

Payee	Nature	Note		March 31, 2016		March 31 2015
Namdo	Management fees	i	$	77,192	$	62,842
BMAJ	Legal fees	ii		23,826		-

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

ii. Bofill Mir & Alvarez Jana Abogados ("BMAJ"), a law firm of which a director of the Company is a partner, assisted the Company with negotiations of the exploitation agreement with the Government of Ecuador.

(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, 2016		March 31, 2015
Salaries and benefits	$	417,112	$	471,902
Stock-based compensation		580,610		423,398
	$	997,722	$	895,300

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

10. Segmented information

The Company's primary business activity is the advancement of the Fruta del Norte gold project in Ecuador through feasibility to a production decision. During the three months ended March 31, 2016 and March 31, 2015, all project evaluation expenses were incurred in Ecuador. The geographic distribution of non-current assets is as follows:

	March 31, 2016		December 31, 2015	
	Equipment, net	**Mineral properties**	**Equipment, net**	**Mineral properties**
Canada	$ 45,704	$ -	$ 45,506	$ -
Ecuador	8,259,148	236,873,803	8,511,696	236,873,803
	$ 8,304,852	$ 236,873,803	$ 8,557,202	$ 236,873,803

11. Financial instruments

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

12. Contingencies

The Company is not currently involved in any litigation or proceedings. However, the Company is aware of a potential dispute concerning a historical asset. If the dispute cannot be amicably resolved, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Company's financial position or results. However, in making this determination management has had to make assumptions about the probabilities of and amounts of potential cash flows, and changes in these assumptions could lead to different results. Management has also exercised its judgement in the application of IAS 37, and concluded that no further information relating to this potential dispute should be disclosed on the basis that additional disclosure could prejudice the Company's interests at this time.