LUNDIN GOLD INC.

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

	Note		September 30, 2017		December 31, 2016
ASSETS					
Current assets					
Cash		$	62,951,013	$	8,503,476
Other current assets	3		12,745,815		706,982
			75,696,828		9,210,458
Non-current assets					
Other long-term assets			519,731		-
Property, plant and equipment	4		87,311,970		7,821,938
Mineral properties	5		245,669,238		236,873,803
Advance royalty			25,000,000		25,000,000
		$	434,197,767	$	278,906,199
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	9,500,615	$	8,188,403
Non-current liabilities					
Long-term debt	7		163,591,371		-
Reclamation provisions	8		7,146,640		973,831
			180,238,626		9,162,234
EQUITY					
Share capital	9		460,856,010		456,750,048
Equity-settled share-based payment reserve	10		9,013,086		7,421,932
Foreign currency translation reserve			(11,224,738)		(11,377,657)
Deficit			(204,685,217)		(183,050,358)
			253,959,141		269,743,965
		$	434,197,767	$	278,906,199

Nature of operations and liquidity (Note 1)
Commitments (Note 14)

Approved by the Board of Directors

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

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 September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
EXPENSES					
Project evaluation		$ -	$ 6,278,399	$ -	$ 22,085,653
Exploration		854,771	1,324,094	4,686,442	6,778,405
General and administration:					
Depreciation		13,928	6,944	51,035	18,920
Donations		-	681,973	-	681,973
Investor relations		51,872	328,945	161,211	499,493
Municipal taxes		392,189	323,817	585,262	520,661
Office and general		610,804	431,058	1,681,062	1,307,120
Professional fees		1,238,062	839,313	3,252,648	2,323,868
Regulatory and transfer agent		25,355	10,249	206,280	156,926
Salaries and benefits		638,686	920,389	2,073,880	2,171,688
Stock-based compensation	10	534,193	555,218	1,900,968	1,699,854
Travel		122,603	113,460	568,407	543,174
Loss before other items		4,482,463	11,813,859	15,167,195	38,787,735
OTHER ITEMS					
Loss (gain) on foreign exchange		820,579	(116,662)	127,984	88,032
Other expense		2,448,128	87,817	2,441,052	49,354
Derivative loss	7	8,280,591	-	3,898,628	-
Net loss for the period		$ 16,031,761	$ 11,785,014	$ 21,634,859	$ 38,925,121
OTHER COMPREHENSIVE LOSS					
Items that may be subsequently reclassified to net loss					
Currency translation adjustment		(862,624)	133,466	(152,919)	(152,268)
Comprehensive loss		$ 15,169,137	$ 11,918,480	$ 21,481,940	$ 38,772,853
Basic and diluted loss per common share		$ 0.13	$ 0.10	$ 0.18	$ 0.37
Weighted-average number of common shares		119,417,366	113,331,975	119,008,735	105,315,075

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

LUNDIN GOLD INC.

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

	Note	Number of common shares	Share capital	Equity-settled share-based payment reserve	Foreign currency translation reserve	Deficit	Total
Balance, January 1, 2016		101,260,268	$ 386,675,284	$ 5,012,391	$ (10,572,699)	$ (120,236,539)	$ 260,878,437
Proceeds from equity financing, net	9	17,250,000	69,261,119	-	-	-	69,261,119
Exercise of stock options	10	76,000	357,395	(123,449)	-	-	233,946
Share consideration for debenture	6	39,267	172,434	-	-	-	172,434
Stock-based compensation	10	-	-	2,003,097	-	-	2,003,097
Currency translation adjustment		-	-	-	152,268	-	152,268
Net loss for the period		-	-	-	-	(38,925,121)	(38,925,121)
Balance, September 30 2016		118,625,535	$ 456,466,232	$ 6,892,039	$ (10,420,431)	$ (159,161,660)	$ 293,776,180
Balance, January 1, 2017		118,685,535	$ 456,750,048	$ 7,421,932	$ (11,377,657)	$ (183,050,358)	$ 269,743,965
Exercise of stock options	10	302,500	1,441,914	(487,265)	-	-	954,649
Share consideration for debenture	6	247,867	1,064,048	-	-	-	1,064,048
Shares issued for mining concession	5	430,938	1,600,000	-	-	-	1,600,000
Stock-based compensation	10	-	-	2,078,419	-	-	2,078,419
Currency translation adjustment		-	-	-	152,919	-	152,919
Net loss for the period		-	-	-	-	(21,634,859)	(21,634,859)
Balance, September 30, 2017		119,666,840	$ 460,856,010	$ 9,013,086	$ (11,224,738)	$ (204,685,217)	$ 253,959,141

LUNDIN GOLD INC.

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

	Nine months ended September 30, 2017	2016
OPERATING ACTIVITIES		
Net loss for the period	$ (21,634,859)	$ (38,925,121)
Items not affecting cash:		
Stock-based compensation	1,948,672	2,003,097
Depreciation	51,035	830,348
Foreign exchange loss	151,032	94,003
Derivative loss	3,898,628	-
Other expense (income)	(12,076)	140,588
	(15,597,568)	(35,857,085)
Changes in non-cash working capital items:		
Other current assets	(1,214,488)	91,874
Accounts payable and accrued liabilities	(5,859,190)	(201,572)
Net cash used for operating activities	(22,671,246)	(35,966,783)
FINANCING ACTIVITIES		
Proceeds from long-term debt (Note 7)	150,000,000	-
Transaction costs (Note 7)	(6,131,804)	-
Net proceeds from equity financing (Note 9)	-	69,261,119
Proceeds from exercise of stock options	954,649	233,946
Net proceeds from draw downs of debenture (Note 6)	28,600,000	7,822,788
Repayment of debenture (Note 6)	(28,600,000)	(8,000,000)
Non-cash finance cost of debenture	-	172,434
Net cash provided by financing activities	144,822,845	69,490,287
INVESTING ACTIVITIES		
Acquisition and development of property, plant and equipment	(66,552,718)	(136,883)
Acquisition of mineral properties	(1,173,000)	-
Net cash used for investing activities	(67,725,718)	(136,883)
Effect of foreign exchange rate differences on cash	21,656	102,644
Net increase in cash	54,447,537	33,489,265
Cash, beginning of period	8,503,476	21,360,228
Cash, end of period	$ 62,951,013	$ 54,849,493
Supplemental information		
Interest received	$ 58,948	$ 139,070
Change in accounts payable and accrued liabilities related to:		
Acquisition of property, plant and equipment	6,624,774	-

1. Nature of operations and liquidity

Lundin Gold Inc. together with its subsidiaries (collectively referred to as "Lundin Gold" or the "Company") is focused on developing its mining concessions in Ecuador, which includes advancing the Fruta del Norte gold project (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 are entirely dependent upon the ability of the Company to obtain the necessary financing to develop the Fruta del Norte Project, fund future advance royalty payments to the Government of Ecuador, and on future profitable production.

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

The Company closed a project financing package in May 2017 (See Note 7). Management continues to engage in discussions with a number of parties, including financial institutions, strategic and other potential investors to raise additional project funding for the Fruta del Norte Project and is in advanced discussion with respect to debt financing with a group of senior lenders. There can be no assurance that such financing will be available to the Company when required or, if available, that it will be offered on terms acceptable to Lundin Gold. A failure to raise capital when required could delay the on going development of the Fruta del Norte Project and would have a material adverse effect on Lundin Gold's business, financial condition and results of operations.

2. Basis of preparation and consolidation

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

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

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

During the nine months ended September 30, 2017, the Company applied the following:

i. *Financial Instruments*

At initial recognition, the Company has classified its long-term debt as financial liabilities at fair value. Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the consolidated statement of loss within "derivative gains and losses" in the period in which they arise.

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

2. Basis of preparation and consolidation (continued)

ii. Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that the actual results differ from assumptions made, relate to, but are not limited to the fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The Company uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at initial recognition and at the end of each reporting period. Refer to Note 13 for further details on the methods and assumptions utilized.

Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

These financial statements were approved for issue by the Board of Directors on November 7, 2017.

3. Other current assets

	September 30, 2017	December 31, 2016
Prepaid expenses and deposits	$ 1,938,786	$ 706,982
Deferred transaction and derivative costs (Note 7)	10,807,029	-
	$ 12,745,815	$ 706,982

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

4. Property, plant and equipment

Cost	Development Costs	Land and buildings	Machinery and equipment	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2016	$ -	$ 4,442,000	$ 4,111,748	$ 741,000	$ 336,328	$ 9,631,076
Additions	-	145,619	-	235,123	14,004	394,746
Disposals and other	-	(129,441)	-	-	-	(129,441)
Cumulative translation adjustment	-	-	-	-	1,866	1,866
Balance, December 31, 2016	-	4,458,178	4,111,748	976,123	352,198	9,898,247
Additions	75,507,483	-	2,744,331	1,991,203	126,283	80,369,300
Cumulative translation adjustment	-	-	-	-	6,284	6,284
Balance, September 30, 2017	$ 75,507,483	$ 4,458,178	$ 6,856,079	$2,967,326	$ 484,765	$ 90,273,831
Accumulated depreciation						
Balance, January 1, 2016	$ -	$ 105,337	$ 603,149	$ 285,535	$ 79,853	$ 1,073,874
Depreciation and amortization for the year	-	102,300	585,568	218,107	96,147	1,002,122
Cumulative translation adjustment	-	-	-	-	313	313
Balance, December 31, 2016	-	207,637	1,188,717	503,642	176,313	2,076,309
Depreciation and amortization for the period	-	76,725	486,593	249,221	68,616	881,155
Cumulative translation adjustment	-	-	-	-	4,397	4,397
Balance, September 30, 2017	$ -	$ 284,362	$ 1,675,310	$ 752,863	$ 249,326	$ 2,961,861
Net book value						
As at December 31, 2016	$ -	$ 4,250,541	$ 2,923,031	$ 472,481	$ 175,885	$ 7,821,938
As at September 30, 2017	$ 75,507,483	$ 4,173,816	$ 5,180,769	$2,214,463	$ 235,439	$ 87,311,970

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

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

4. Property, plant and equipment (continued)

Included in the additions to developments costs are the following:

		September 30, 2017		December 31, 2016
Stock-based compensation (Note 10)	$	129,747	$	-
Depreciation and amortization		830,120		-
Finance expense		1,064,048		-
Accretion of transaction and derivative costs		5,017,519		-
Accretion of reclamation provision		150,374		-
	$	7,191,808	$	-

5. Mineral properties

Cost		Fruta del Norte Project		Fruta del Norte restoration asset (Note 8)		Total
Balance, January 1, 2016	$	236,337,090	$	536,713	$	236,873,803
Additions		-		-		-
Balance, December 31, 2016		236,337,090		536,713		236,873,803
Additions		2,773,000		6,022,435		8,795,435
Balance, September 30, 2017	$	239,110,090	$	6,559,148	$	245,669,238

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 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
- Granted a 2% net smelter royalty for any metallic minerals mined from the acquired concession.

6. Debenture

On January 16, 2017, the Company obtained a $35 million unsecured short-term credit facility from an insider of the Company (the “Debenture”). All amounts outstanding under the Debenture were repaid in full on July 14, 2017.

The Company issued an aggregate of 60,000 common shares on January 16, 2017 as consideration for the Debenture in lieu of fees. No interest was payable in cash during the term of the Debenture. The Company also issued 187,867 common shares as consideration for amounts drawn under the Debenture. The value of all shares issued in the amount of $1,064,048 was capitalized to property, plant and equipment. All securities issued in conjunction with the Debenture are subject to a four-month hold period under applicable securities law.

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

7. Long-term debt

On May 30, 2017, the Company's operating subsidiary, Aurelian Ecuador S.A. ("Aurelian"), which holds the Fruta del Norte Project, closed a project finance package (the "Financing") comprised of a gold prepay credit facility for $150 million (the "Prepay Loan"), a stream loan credit facility of $150 million (the "Stream Loan") and an offtake agreement (the "Offtake"). The lenders also committed to participate in future equity financings of the Company required to fund the Fruta del Norte Project, in an aggregate amount of not less than $100 million and not more than $150 million, as and when initiated by the Company and subject to minimum financing thresholds.

Pursuant to the Financing, the Company, together with Aurelian and other subsidiaries related to the Project (collectively, the "Project Subsidiaries"), are subject to a number of non-financial covenants while amounts remain outstanding. The Prepay and Stream Loans are secured by way of a first ranking charge over the Project Subsidiaries' assets, pledges of the shares of the Project Subsidiaries and guarantees of the Company and the Project Subsidiaries.

To date, $150 million has been advanced under the Financing. The remaining $150 million is available to be drawn at the option of Aurelian, up to the end of June 2018, as required to further the development of the Fruta del Norte Project.

Transaction costs incurred associated to the Financing totalled $6,131,804 of which $3,065,902 has been recorded as Other Current Assets since only half of the available Financing was drawn down and outstanding at September 30, 2017.

As at September 30, 2017, the long-term debt consisted of the following:

	Gold prepay credit facility	Stream loan credit facility	Offtake derivative liability	Total
Principal	$ 75,000,000	$ 75,000,000	$ -	$ 150,000,000
Interest accrued and capitalized at stated rate of 7.5%	1,775,343	1,695,206	-	3,470,549
Transaction costs	(1,469,739)	(1,507,461)	-	(2,977,200)
Derivative fair value adjustments	(2,295,278)	(310,440)	15,703,740	13,098,022
Total	$ 73,010,326	$ 74,877,305	$ 15,703,740	$ 163,591,371

Derivative fair value adjustments reflect the revaluation of the long-term debt at fair value as at September 30, 2017, including half of the cost of derivatives which are part of the long-term debt. Half of the cost has been recorded in Other Current Assets since only half of the available long-term debt was drawn down and outstanding at September 30, 2017.

(a) Gold prepay credit facility

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, 2017, $75 million has been drawn under this facility.

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, then the repayments are reduced or increased by 15%, respectively (the "Credit/Penalty"). In addition, the Company has an option to defer the quarterly instalments for up to four (4) 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.

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

7. **Long-term debt** (continued)

(b) Stream loan credit facility

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, 2017, $75 million 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 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.

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, 2017, the Company applied a pre-tax discount rate of 12.9% (2016 – 14.0%) and an inflation rate of 3.3% (2016 – 3.7%). The estimated total liability for reclamation and remediation costs on an undiscounted basis is approximately $36.9 million.

	September 30, 2017	December 31, 2016
Balance, beginning of year	$ 973,831	$ 866,593
Fair value of new obligations during the period	6,022,435	-
Accretion of liability component of obligations	150,374	107,238
	$ 7,146,640	$ 973,831

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

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, 2016		101,260,268	$	386,675,284
Equity financing, net	(a)	17,250,000		69,261,119
Stock options exercised		136,000		415,432
Stock options exercised - fair value adjustment		-		225,779
Share consideration for debenture		39,267		172,434
Balance at December 31, 2016		118,685,535		456,750,048
Stock options exercised		302,500		954,649
Stock options exercised - fair value adjustment		-		487,265
Share consideration for mining concession	5	430,938		1,600,000
Share consideration for Debenture	6	247,867		1,064,048
Balance at September 30, 2017		119,666,840	$	460,856,010

(a) On June 27, 2016, the Company entered into an agreement with a syndicate of underwriters (the "Underwriters"), pursuant to which the Underwriters agreed to purchase, on a bought deal basis, 15,000,000 common shares of the Company at a price of CAD$5.50 per Share, for aggregate gross proceeds of CAD$82,500,000 (the "Offering") in two tranches. The Underwriters were granted an over-allotment option, exercisable in whole or in part, to purchase up to an additional 2,250,000 common shares, representing 15% of the number of Shares sold under the Offering, also at a price of CAD$5.50 per share.

The first tranche of the Offering, for 10,000,000 common shares, closed on July 19, 2016. The second tranche of the offering for 5,000,000 common shares, closed on August 9, 2016. In addition, the Underwriters exercised the over-allotment option in full and purchased 2,250,000 additional common shares.

The total gross proceeds raised under the Offering was CAD$94,875,000 ($72.6 million). Share issue costs of $3.3 million were paid resulting in net proceeds of $69.3 million received by the Company in relation to the Offering.

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

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, 2017			Year ended December 31, 2016		
	Number of common shares		Weighted exercise price (CAD)	Number of common shares		Weighted exercise price (CAD)
Balance, beginning of period	3,834,500	$	4.18	2,122,500	$	3.91
Granted	1,269,000		5.17	2,092,000		4.43
Cancelled / Expired	(225,500)		4.68	(244,000)		4.08
Exercised[(1)]	(302,500)		4.01	(136,000)		4.03
Balance outstanding, end of period	4,575,500	$	4.44	3,834,500	$	4.18
Balance exercisable, end of period	2,775,400	$	4.17	1,528,650	$	3.95

(1) The weighted average share price on the exercise date for the stock options exercised during the nine months ended September 30, 2017 and year ended December 31, 2016 were CAD$5.07 and CAD$5.61, respectively.

The following table summarizes information concerning outstanding and exercisable options at September 30, 2017:

	Outstanding options				Exercisable options			
Range of exercise prices (CAD)	Number of options outstanding	Weighted average remaining contractual life (years)		Weighted average exercise price (CAD)	Number of options outstanding	Weighted average remaining contractual life (life)		Weighted average exercise price (CAD)
$ 3.69 to 4.00	1,735,500	2.22	$	3.90	1,735,500	2.22	$	3.90
$ 4.01 to 5.94	2,840,000	3.87		4.77	1,039,900	3.69		4.62
	4,575,500		$	4.44	2,775,400		$	4.17

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

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:

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

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

During the nine months ended September 30, 2017, the Company recorded stock-based compensation expense of $2,078,419 (2016 – $2,003,097) of which $1,900,968 (2016 – $1,699,854) has been allocated to general and administration expenses; nil (2016 – $137,489) to project evaluation expenses; $47,704 (2016 – $165,754) to exploration expenses; and $129,747 (2016 – nil) to property, plant and equipment.

11. **Related party transactions**

(a) Related party expenses

During the nine months ended September 30, 2017 and September 30, 2016, the Company incurred the following:

Payee	Nature	Note		September 30, 2017		September 30, 2016
Namdo	Management fees	i	$	261,588	$	243,607
BMAJ	Legal fees	ii		44,103		65,430
Lundin S.A.	Office and administration	Iii		103,258		82,463

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

ii. Bofill Mir & Alvarez Jana Abogados (“BMAJ”), a law firm of which a director of the Company is a partner, assists the Company with negotiations and ongoing relations with the Government of Ecuador.

iii. Lundin S.A., a company associated with a director of the Company, provides administrative and office facilities to the Company pursuant to an agreement.

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

11. Related party transactions (continued)

(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, 2017		September 30, 2016
Salaries and benefits	$	1,843,319	$	1,866,299
Stock-based compensation		1,747,451		1,727,527
	$	3,590,770	$	3,593,826

12. Segmented information

The Company's primary business activity is the advancement of the Fruta del Norte Project in Ecuador. During the nine months ended September 30, 2017 and September 30, 2016, all project development, evaluation and exploration expenditures were incurred in Ecuador. In addition, materially all the non-current assets of the Company are located in Ecuador.

13. Financial instruments

The Company's financial instruments consist of cash, cash equivalents and receivables, which are categorized as loans and receivables, and accounts payable and accrued liabilities and debenture, which are categorized as financial liabilities at 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. 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.

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

13. Financial instruments (continued)

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. Each of these financial instruments are classified as Level 3 as their valuation includes significant unobservable inputs.

		September 30, 2017		September 30, 2016
Gold prepay credit facility	$	73,010,326	$	-
Stream loan credit facility		74,877,305		-
Offtake derivative liability		15,703,740		-
	$	163,591,371	$	-

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, the Company's expectation about long-term gold yields, gold volatility, risk-free rate of return, non-performance risk, 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.

14. Commitments

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

		Advance royalty		**Other**		**Total**
2017	$	20,000,000	$	37,322,039	$	57,322,039
2018		20,000,000		16,710,536		36,710,536
2019-2020		-		25,174,582		25,174,582
Total	$	40,000,000	$	79,207,157	$	119,207,157