LUNDIN GOLD

Building a leading Gold Company
through responsible mining

Q1 2020

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Lundin Gold Inc. and its subsidiary companies (collectively, "Lundin Gold" or the "Company") provides a detailed analysis of the Company's business and compares its financial results for the three months ended March 31, 2020 with those of the same period from the previous year.

This MD&A is dated as of May 7, 2020 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes thereto for the three months ended March 31, 2020, 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, 2019.

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, owns the Fruta del Norte gold mine ("Fruta del Norte" or the "Mine") in southeast Ecuador. Fruta del Norte is one of the highest-grade gold mines in the world today. The Company's board and management team have extensive expertise in mine operations and have advanced Fruta del Norte through its development, construction and to its first gold production in the fourth quarter of 2019 and commercial production this quarter.

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 operation of Fruta del Norte will benefit its shareholders, the Government and the citizens of Ecuador.

FIRST QUARTER 2020 HIGHLIGHTS AND ACTIVITIES

Two key matters defined the progress of Fruta del Norte during the first quarter of 2020: achieving commercial production and temporarily suspending operations shortly thereafter in response to the COVID-19 pandemic.

Commercial Production

The construction and development of Fruta del Norte continued to progress on budget through hot commissioning and ramp up of all key components and material processes and achieved commercial production two months ahead of schedule on February 20, 2020. The Company determined that commercial production was achieved at Fruta del Norte based on a number of criteria including:

- Completion of all major construction development activities in accordance with design.
- Mill feed, in terms of tonnes of ore equal to an average of 70% of design capacity over a 90 day period.
- Production of doré and concentrate within specifications and on a sustained basis.

For financial reporting purposes, the Company's accounting policy is to commence recognition of revenues and cost of goods sold on the first day of the calendar month following achievement of commercial production. Therefore, effective March 1, 2020, net proceeds from saleable mineral material and expenditures of an operating nature were recognized as revenues and cost of sales, instead of being deducted from or added to the capitalized cost of the mine, as applicable. Recognition of depletion and amortization of capitalized costs also commenced on this date.

Temporary Suspension of Operations

Due to growing concerns regarding the spread of COVID-19 in Ecuador and the impacts of increasing efforts by the governments at all levels to slow the spread of COVID-19, the Company temporarily suspended operations at Fruta del Norte on March 22, 2020, including reducing its site workforce to essential personnel. The remaining staff at Fruta del Norte have been and continue to conduct short-term care and maintenance and other activities in order to minimize the impacts of this temporary shutdown. The Company is finalizing plans to re-establish operations and exploration, including the resumption of transportation of goods and products, mobility of personnel, establishment of COVID-19 protocols and procurement activities as soon as practical.

Management believes that the current treasury is sufficient to support the Company's reduced activities during a temporary suspension and gradual re-start of operations and to meet obligations under its existing loans. However, as the situation is dynamic and dependent on the progression of the pandemic and actions by local, provincial, and national governments, the international supply chain and international personnel travel, the Company cannot be certain of the period of time it will require to restore operations nor of the full impact of the suspension and gradual re-start on the Company's financial position. As a result, the Company will not provide production guidance for the balance of 2020 at this time.

FRUTA DEL NORTE

Lundin Gold's properties in Southeast Ecuador consists of 30 metallic mineral concessions and three materials concessions covering an area of approximately 64,786 hectares. From this, Fruta del Norte is comprised of seven concessions covering an area of approximately 5,566 hectares and is located approximately 140 km east-northeast of the City of Loja.

Development of the Project remained on budget and achieved commercial production ahead of schedule in the first quarter of 2020.

Operating Results

- Achieved commercial production on February 20, 2020.
- Mine production of 198,000 tonnes of ore.
- Ore stockpiles, as of the end of March 2020, was 97,000 tonnes at an average grade of 7.1 grams per tonne (g/t).
- Processed 244,000 tonnes of ore at an average daily rate of 3,018 tonnes per day at an average head grade of 7.9 g/t.
- Gold production totalled 51,320 ounces ("oz"), of which 37,568 oz were produced as concentrate and 13,752 oz were produced in the form of doré.
- Sold 59,317 oz of gold at an average price of $1,564 per oz[1].
- Temporarily suspended production activities at site on March 22, 2020.

Financial Results

- Generated sales of $89.3 million of which $52.4 million were deducted from capitalized construction costs up to February 29, 2020.
- Recognized revenues of $36.9 million based on sales of 8,297 oz of gold in doré and 15,812 oz of gold in concentrate in March 2020.
- Incurred operating expenses and royalty expenses of $18.1 million and $2.1 million in March 2020, respectively, resulting in a cash operating cost of $839 per oz[1].
- All-in sustaining cost ("AISC") was $908 per oz of gold sold[1] for March 2020.
- With the achievement of commercial production, commenced principal and interest payments under the stream facility.

[1] Refer to "Non-IFRS Measures" section for a reconciliation of these amounts.

Project Development and Construction

During the first quarter of 2020, Fruta del Norte construction advanced to effective completion and end of commissioning and ramp-up of the process plant and ancillary facilities. The paste plant commissioning was nearing completion at the time of the COVID-19 suspension.

Mine Development

- As at March 31, 2020, a total of 14.7 kilometres ("km") of underground mine development had been completed and development was well advanced in a high grade area which will now be mined using long-hole stoping methods versus drift and fill.
- Due to an unexpected ground fall, the south ventilation raise is now anticipated to be completed in the fourth quarter of 2020.
- The installation of the permanent ventilation fans underground was near completion by the end of the quarter.

Construction

- The paste plant commissioning and the construction of the Zamora River bridge are the only remaining project work areas to be completed. The paste plant is expected to be in operation within a few weeks after the restart of operations. The Zamora River bridge is anticipated to be completed by the end of 2020.

Health and Safety and Community

Health and Safety

- The Total Recordable Incident Rate at the end of the quarter was 0.49 per 200,000 hours worked.
- There were two medical incidents and one lost time incident recorded during the quarter.
- As of the date of this MD&A, there have been no confirmed cases of COVID-19 at Fruta del Norte.

Community

- In response to the COVID-19 pandemic, the Company's community activities have shifted to supporting the local government and Ministry of Health initiatives. Several programs have been undertaken, such as the Neighbourhood Doctor program whereby the Company provides transportation for medical professionals, allowing them to access families in rural areas. Lundin Gold is also providing essential equipment to front-line workers in the communities surrounding the Mine. To date, the Company has donated 10 thermo-nebulizers, 1,200 N95 masks, 850 pairs of gloves, 85 gallons of antiseptic alcohol, 15 cans of disinfectant and 800 protective gowns and disposable caps. Lundin Gold will continue to work with the Zamora Chinchipe provincial health authorities on a comprehensive support plan to contribute to the well being of those in its neighbouring communities during the COVID-19 pandemic.

Exploration

- As a result of the COVID-19 pandemic, all exploration activities have also been suspended.

(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).

	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Revenues	$ 36,856	$ -	$ -	$ -
Income from mining operations	$ 10,336	$ -	$ -	$ -
Derivative loss for the period	$ (2,569)	$ (35,120)	$ (33,723)	$ (24,745)
Net loss for the period	$ (9,331)	$ (40,765)	$ (39,672)	$ (30,797)
Basic and diluted loss per share	$ (0.04)	$ (0.18)	$ (0.18)	$ (0.14)
Weighted-average number of common shares outstanding	224,244,554	223,339,447	222,953,642	222,535,083
Additions to property, plant and equipment	$ 5,347	$ 98,642	$ 109,996	$ 118,520
Total assets	$ 1,403,192	$ 1,408,961	$ 1,344,528	$ 1,343,799
Long-term debt	$ 808,251	$ 878,586	$ 772,526	$ 722,689
Working capital	$ 39,581	$ 32,800	$ 124,586	$ 222,056

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

With the achievement of commercial production in February 2020, the Company recognized revenues of $36.9 million during the first quarter of 2020 which then generated $10.3 million of income from mining operations. This is offset by other expenses including costs relating to the temporary suspension of Fruta del Norte of $3.4 million which includes salaries and benefits of personnel during the suspension as well as care and maintenance costs; finance expense of $4.7 million; corporate administration costs of $9.0 million; and a derivative loss of $2.6 million.

Finance expense was $4.7 million during the first quarter of 2020 compared to finance income of $0.8 million during the same period in 2019. With the achievement of commercial production, interest expense associated with the Company's debt facilities are no longer being capitalized.

Corporate administration costs increased from $7.6 million during the first quarter of 2019 to $9.0 million during the first quarter of 2020. This increase is mainly due to the payment of milestone bonuses of $2.8 million for the achievement of commercial production to the Company's employees and stock-based compensation of $1.2 million due to the grant of cash-settled stock-based compensation (restricted share units). This is a non-cash cost due to the recognition of a liability at fair value on grant date and subsequent revaluation at March 31, 2020. These increases are offset by a decrease in training costs of $1.3 million as the extensive training programs for operations implemented by the Company were completed in the third quarter of 2019. Professional fees also decreased by $1.1 million as additional costs were incurred during the first quarter of 2019 to complete the first draw under the senior debt facility.

A derivative loss of $2.6 million was recognized in the first quarter of 2020 compared to a derivative gain of $0.5 million in the first quarter of 2019. Since the second quarter of 2017 the Company's fluctuations in the quarterly results are mainly driven by derivative gains or losses from the valuation of the Company's long-term debt on a fair value basis under the Company's accounting policies and IFRS as further explained below.

Overall, the Company reported a net loss of $9.0 million in the first quarter of 2020 compared to a net loss of $7.7 million in the first quarter of 2019.

Derivative gains or losses

The Company did not repay or increase its gold prepay facility but made principal and interest repayments of $1.5 million under the stream facility during the first quarter of 2020. The variation in the amount of these debt obligations is mainly due to a change in their estimated fair values during the first quarter of 2020 as they are accounted for as financial liabilities measured at fair value. This variation is recorded as a derivative gain or loss in the applicable period. The fair values calculated under the Company's accounting policies are based on numerous estimates noted below as of the balance sheet date and are, therefore, subject to further future variations until the debt obligations will actually be repaid by the Company.

These balances are valued using Monte Carlo simulation valuation models. The key inputs used by the Monte Carlo simulation include: the gold and silver forward curve based on Comex futures, the Company's expectation about long-term gold yields, gold and silver volatility, risk-free rate of return, risk-adjusted discount rate, and production expectations. Relatively small variations in some of 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.

Two key drivers of current fair values are gold and silver prices and the Company's risk adjusted discount rate:

- Future repayments under the gold prepay and stream credit facilities are based on forward gold and silver price estimates at time of repayment. During periods of increasing gold and silver prices, their forecast forward prices will also generally increase. This, combined with a factor for volatility, results in a higher estimated fair value of the debt obligations at the current balance sheet date and the recognition of derivative losses, although it does not necessarily reflect the amounts that will actually be repaid when the obligations become due in the future. It should also be noted that the potentially more significant impact of the same change in forward gold and silver prices on the value of future production and revenues forecast to be generated during the same periods when the debt obligations will be repaid cannot be recognized because of the inherent uncertainty and risks associated with actually realizing such production and sales.

- The discount rate used to determine the current fair value of future payments under the gold prepay and stream credit facilities is dependent not only on the Company's own weighted average cost of capital, but also on market conditions. These includes inflation, economic conditions, both local and industry specific, and other factors outside of the Company's control like the COVID-19 pandemic. This pandemic has negatively impacted global financial markets, and may continue to do so, causing an increase in yields and credit risk. Such an increase would generally cause a decrease in the fair value of financial instruments like the gold prepay and stream credit facilities.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2020, the Company had cash of $57.5 million and a working capital balance of $39.6 million compared to cash of $75.7 million and a working capital balance of $32.8 million at December 31, 2019. The change in cash was primarily due to costs incurred, net of sales generated, for the development of Fruta del Norte of $23.0 million. This is offset by cash provided by operating activities of $11.6 million which commenced following the achievement of commercial production in February 2020. As a result, effective March 1, 2020, revenues, cost of goods sold, and debt service costs are recognized as operating activities through their recognition in the condensed consolidated statements of income (loss) and comprehensive income (loss). In addition, the Company received proceeds of $2.5 million from stock option exercises and made $1.5 million of repayments against its long-term debt.

Management believes that the current treasury is sufficient to support the Company's reduced activities during a temporary suspension and gradual re-start of operations and to meet obligations under its existing loans. However, as the situation is dynamic and dependent on the progression of the pandemic and actions by local, provincial, and national governments, the international supply chain and international personnel travel, the Company cannot be certain of the period of time it will require to restore operations nor of the full impact of the suspension and gradual re-start on the Company's financial position. 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 ultimately dependent upon the ability of the Company to re-start operations at Fruta del Norte and on future profitable production.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2020, the Company paid $0.1 million (2019 – $0.1 million) to Namdo Management Services Ltd. ("Namdo"), a private corporation associated with an officer of the Company. The Company occupies office space in the Namdo offices in Vancouver for the Company's management, investor relations personnel and support staff. Namdo charges a service fee and recovers out of pocket expenses related to the Company.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, cash equivalents and receivables, which are categorized as financial assets at amortized cost, and accounts payable and accrued liabilities, which are categorized as financial liabilities at amortized cost. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. In addition, the gold prepay credit facility, stream loan credit facility, and offtake commitment have been classified as financial liabilities measured at fair value. The senior debt facility has been classified as a financial liability at amortized cost.

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. The majority of its expenditures are incurred in Ecuador which are primarily denominated in U.S. dollars. These expenditures are funded by utilizations under the Company's long-term debt and sales proceeds which are in U.S. dollars. As such, the Company is not subject to significant risk due to fluctuations in exchange rates.

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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. The Company is also subject to credit risk associated with its trade receivables. The Company manages this risk by only selling to a small group of reputable customers with strong financial statements.

Interest rate risk

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

Liquidity risk

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

Commodity price risk

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

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

COMMITMENTS

Significant capital expenditures contracted as at March 31, 2020 but not recognized as liabilities are as follows:

		Capital Expenditures
12 months ending March 31, 2021	$	11,351
April 1, 2021 onward		-
Total	$	11,351

OFF-BALANCE SHEET ARRANGEMENTS

During the three months ended March 31, 2020 and the year ended December 31, 2019 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 224,449,162 common shares issued and outstanding and outstanding warrants to purchase a total of 411,441 common shares. There were also stock options outstanding to purchase a total of 6,512,050 common shares, 148,000 restricted share units with a performance criteria, and 518 deferred share units.

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OUTLOOK

The Company will be focused on implementing a plan to re-start operations at Fruta del Norte, initially re-establishing transportation of supplies and product, mobility of personnel and procurement activities, as soon as restrictions are lifted. This will be done with a focus on the health and safety of its personnel to minimize the risks of a breakout of COVID-19 at site and in the local communities. Following this, the Company will focus on ramping up operations in conjunction with improving recoveries to target levels. The following capital project activities are also planned:

- Complete paste plant commissioning.
- Complete the Zamora River Bridge construction.
- Complete the South Ventilation Raise and installation of the permanent mine ventilation fans.

The reactivation of the exploration program will also occur after restrictions are lifted and regulatory approvals are received.

NON-IFRS MEASURES

This MD&A refers to certain financial measures, such as average realized gold price, cash operating cost per oz., and all-in sustaining cost per oz, which are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies. These measures have been derived from the Company's financial statements because the Company believes that, with the achievement of commercial production, they are of assistance in the understanding of the results of operations and its financial position.

Average realized gold price per oz sold

Average realized gold price is a metric used to better understand the gold price realized during a period. This is calculated as sales plus treatment and refining charges less silver sales divided by gold oz sold.

	Three months ended March 31, 2020	2019
Sales recognized in:		
Property, plant and equipment	$ 52,409	$ -
Revenues	36,856	-
Treatment and refining charges	4,410	-
Less: silver sales	(910)	-
Gold sales	$ 92,765	$ -
Gold oz sold	59,317	-
Average realized gold price per oz sold	$ 1,564	$ -

(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)

Cash operating cost per oz

Cash operating cost per oz sold, combined with revenues, can be used to evaluate the Company's performance and ability to generate operating income and cash flow from operating activities. Cash operating costs include operating expenses and royalty expenses from March 1, 2020 after the achievement of commercial production.

	Three months ended March 31, 2020	2019
Operating expenses	$ 18,121	$ -
Royalty expenses	2,107	-
Cash operating costs	$ 20,228	$ -
Gold oz sold recognized in statement of income (loss)	24,109	-
Cash operating cost per oz sold	$ 839	$ -

All-in sustaining cost

AISC provides information on the total cost associated with producing gold since March 1, 2020 and has been calculated on a basis consistent with historic news releases by the Company.

The Company calculates AISC as the sum of total cash operating costs (as described above), corporate social responsibility costs, treatment and refining charges, accretion of restoration provision, and sustaining capital, less silver revenue, all divided by the gold ounces sold to arrive at a per oz amount.

Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied.

	Three months ended March 31, 2020	2019
Cash operating costs	$ 20,228	$ -
Corporate social responsibility	324	-
Treatment and refining charges	1,645	-
Accretion of restoration provision	10	-
Sustaining capital	-	-
Less: silver revenues	(304)	-
Total all-in sustaining cost	$ 21,903	$ -
Gold oz sold	24,109	-
All-in sustaining cost per oz sold	$ 908	$ -

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 2019 Management's Discussion and Analysis.

RISKS AND UNCERTAINTIES

Natural resources exploration, development and operation involves a number of risks and uncertainties, many of which are beyond the Company's control, such as some of the risks relating to the impacts of the COVID-19 pandemic virus outbreak. These risks and uncertainties include, without limitation, the risks discussed elsewhere in this MD&A and those set out in the Company's Annual Information Form dated March 24, 2020 (the "AIF") which is available on SEDAR at www.sedar.com.

QUALIFIED PERSON

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

FINANCIAL INFORMATION

The report for the three and six months ended June 30, 2020 is expected to be published on or about August 11, 2020.

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, 2020 and ending March 31, 2020, 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 duration of the temporary suspension of activities at the Mine and efforts to mitigate the impacts of the suspension, the Company's ability to re-start operations, the sufficiency of treasury to support the Company and meet obligations under its existing loans, completion of capital projects activities, the Company's continued support to community initiatives, plans to ramp up operations and improving recoveries to target levels, the reactivation of exploration activities and the receipt of permits.

Lundin Gold's actual results could differ materially from those anticipated. Management has identified the following risk factors which could have a material impact on the Company or the trading price of its shares: risks relating to the impacts of a pandemic virus outbreak; risks associated with the Company's community relationships; risks related to financing requirements; failure by the Company to maintain its obligations under its credit facilities; operating risks; risks associated with the ramp up of mining operations; risks related to political and economic instability in Ecuador; risks related to production estimates; risks related to Lundin Gold's compliance with environmental laws and liability for environmental contamination; volatility in the price of gold; shortages of critical supplies; lack of availability of infrastructure; deficient or vulnerable title to mining concessions; easements and surface rights; risks related to the Company's workforce and its labour relations; inherent safety hazards and risk to the health and safety of the Company's employees and contractors; risks related to the Company's ability to obtain, maintain or renew regulatory approvals, permits and licenses; the imprecision of mineral reserve and resource estimates; key talent recruitment and retention of key personnel; volatility in the market price of the Company's shares; the potential influence of the Company's largest shareholders; uncertainty with the tax regime in Ecuador; measures to protect endangered species and critical habitats; the cost of non-compliance and compliance costs; exploration and development risks; the Company's reliance on one project; risks related to illegal mining; the reliance of the Company on its information systems and the risk of cyber-attacks on those systems; the adequacy of the Company's insurance; uncertainty as to reclamation and decommissioning; the ability of Lundin Gold to ensure compliance with anti-bribery and anti-corruption laws; the uncertainty regarding risks posed by climate change; the potential for litigation; limits of disclosure and internal controls; security risks to the Company; its assets and its personnel; conflicts of interest; the risk that the Company will not declare dividends; and social media and the Company's reputation.

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.

	Note		March 31, 2020		December 31, 2019
ASSETS					
Current assets					
Cash and cash equivalents		$	57,467	$	75,684
Trade receivables and other current assets	3		90,386		63,706
Inventories	4		44,066		-
Advance royalty			11,475		9,790
			203,394		149,180
Non-current assets					
VAT recoverable and other long-term assets			33,902		39,435
Advance royalty			50,835		54,699
Property, plant and equipment	5		876,463		924,982
Mineral properties			238,598		240,665
		$	1,403,192	$	1,408,961
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	53,788	$	58,802
Current portion of long-term debt	6		110,025		57,578
			163,813		116,380
Non-current liabilities					
Long-term debt	6		698,226		821,008
Other non-current liabilities	8		1,182		-
Reclamation provisions			4,761		4,751
			867,982		942,139
EQUITY					
Share capital	7		903,764		899,903
Equity-settled share-based payment reserve	8		13,418		14,118
Accumulated other comprehensive loss			(17,689)		(92,247)
Deficit			(364,283)		(354,952)
			535,210		466,822
		$	1,403,192	$	1,408,961

Commitments (Note 15)

Approved by the Board of Directors

/s/ Ron F. Hochstein
Ron F. Hochstein

/s/ Ian W. Gibbs
Ian W. Gibbs

	Note		Three months ended March 31, 2020		2019
Revenues	5(b)	$	36,856	$	-
Cost of goods sold					
Operating expenses			18,121		-
Royalty expenses			2,107		-
Depletion and amortization			6,292		-
			26,520		-
Income from mining operations			10,336		-
Other expenses (income)					
Corporate administration	9		8,962		7,564
Exploration			1,095		1,354
Suspension of operations	1, 10		3,363		-
Finance expense (income)	11		4,686		(847)
Other expense (income)			(1,008)		108
Derivative loss (gain)	6		2,569		(468)
			19,667		7,711
Net loss for the period		$	(9,331)	$	(7,711)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified to net income (loss)					
Currency translation adjustment			(5,132)		2,304
Items that will not be reclassified to net income (loss)					
Derivative gain (loss) related to the Company’s own credit risk	7		79,690		(16,106)
Comprehensive income (loss)		$	65,227	$	(21,513)
Basic and diluted loss per common share		$	(0.04)	$	(0.04)
Weighted-average number of common shares			224,244,554		216,061,503

	Note	Number of common shares		Share capital		Equity-settled share-based payment reserve		Other reserves		Deficit		Total
Balance, January 1, 2019		213,163,980	$	857,279	$	12,125	$	(35,353)	$	(236,007)	$	598,044
Proceeds from equity financing, net	7	8,625,000		33,940		-		-		-		33,940
Consideration for cost overrun facility	6	300,000		1,221		373		-		-		1,594
Exercise of stock options		144,500		674		(269)		-		-		405
Stock-based compensation	8	-		-		861		-		-		861
Other comprehensive loss		-		-		-		(13,802)		-		(13,802)
Net loss for the period		-		-		-		-		(7,711)		(7,711)
Balance, March 31, 2019		222,233,480	$	893,114	$	13,090	$	(49,155)	$	(243,718)	$	613,331
Balance, January 1, 2020		223,631,212	$	899,903	$	14,118	$	(92,247)	$	(354,952)	$	466,822
Exercise of stock options		792,950		3,861		(1,368)		-		-		2,493
Stock-based compensation	8	-		-		668		-		-		668
Other comprehensive income		-		-		-		74,558		-		74,558
Net loss for the period		-		-		-		-		(9,331)		(9,331)
Balance, March 31, 2020		224,424,162	$	903,764	$	13,418	$	(17,689)	$	(364,283)	$	535,210

	Three months ended March 31, 2020	2019
OPERATING ACTIVITIES		
Net loss for the period	$ (9,331)	$ (7,711)
Items not affecting cash:		
Depletion and amortization	6,543	37
Stock-based compensation	1,915	861
Derivative loss (gain)	2,569	(468)
Unrealized foreign exchange loss (gain)	(1,222)	2,608
Other expense	-	100
	474	(4,573)
Changes in non-cash working capital items:		
Trade receivables and other current assets	(27,846)	2,135
Inventories (Note 4)	2,780	-
Advance royalty	1,826	-
Accounts payable and accrued liabilities	31,685	137
Long-term debt	2,695	-
Net cash provided by (used for) operating activities	11,614	(2,301)
FINANCING ACTIVITIES		
Repayments of long-term debt (Note 6)	(1,492)	-
Transaction costs (Note 6)	-	(3,019)
Net proceeds from equity financing (Note 7)	-	33,940
Proceeds from exercise of stock options	2,493	405
Net cash provided by financing activities	1,001	31,326
INVESTING ACTIVITIES		
Acquisition and development of property, plant and equipment	(22,975)	(103,312)
Change in VAT receivable and other long-term assets	(4,875)	(9,973)
Net cash used for investing activities	(27,850)	(113,285)
Effect of foreign exchange rate differences on cash	(2,982)	(291)
Decrease in cash and cash equivalents	(18,217)	(84,551)
Cash and cash equivalents, beginning of period	75,684	167,513
Cash and cash equivalents, end of period	$ 57,467	$ 82,962
Supplemental information		
Interest received	$ 231	$ 847
Interest paid	(6,521)	-
Change in trade receivables and other current assets related to:		
Sales recognized as a reduction of property, plant and equipment	11,900	-
Change in accounts payable and accrued liabilities related to:		
Acquisition of property, plant and equipment	(36,617)	11,079

1. Nature of operations

Lundin Gold Inc. together with its subsidiaries (collectively referred to as “Lundin Gold” or the “Company”) is focused on its mining concessions in Ecuador, which include the Fruta del Norte underground gold mine (“Fruta del Norte”).

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

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

The Company substantially completed the development of Fruta del Norte and achieved commercial production in February 2020. Due to growing concerns regarding the spread of COVID-19 in Ecuador and the impacts of increasing efforts by the governments at all levels to slow the spread of COVID-19, the Company temporarily suspended operations at Fruta del Norte on March 22, 2020. The Company has maintained a workforce at Fruta del Norte to conduct care and maintenance and other activities in order to minimize the impacts of this temporary shutdown and is finalizing plans to re-establish operations, including the resumption of transportation of supplies and products, mobility of personnel, establishment of COVID-19 protocols and procurement activities.

Management believes that the current treasury is sufficient to support the Company’s reduced activities during a temporary suspension and gradual re-start of operations and meet its obligations under its existing loans. However, as the situation is dynamic and dependent on the progression of the pandemic and actions by local, provincial, and national governments, the international supply chain and international personnel travel, the Company cannot be certain of the period of time it will require to restore operations nor of the full impact of the suspension and gradual re-start on the Company’s financial position. 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 ultimately dependent upon the ability of the Company to re-start operations at Fruta del Norte and on future profitable production.

2. Basis of preparation and consolidation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board (“IASB”), applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS and should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal year ended December 31, 2019.

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, 2019.

These financial statements were approved for issue by the Board of Directors on May 7, 2020.

3. Trade receivables and other current assets

		March 31, 2020		December 31, 2019
Trade receivables	$	37,550	$	20,936
VAT recoverable		38,066		26,804
Prepaid expenses and deposits		10,567		12,056
Deferred transaction costs		3,705		3,750
Other current assets		498		160
	$	90,386	$	63,706

VAT paid in Ecuador by the Company after January 1, 2018 will be refunded or applied as a credit against other taxes payable based on export sales. As the Company is generating sales, a portion of the VAT recoverable has been reclassified as current assets.

Deferred transaction costs include upfront and advisory fees incurred to secure the cost overrun facility (the "COF"), and ongoing stand-by fees. These costs will be reclassified to long-term debt on a pro-rata basis should the Company utilize the COF.

4. Inventories

		March 31, 2020		December 31, 2019
Ore stockpile	$	8,918	$	-
Production inventory		7,869		-
Materials and supplies		27,279		-
	$	44,066	$	-

With the achievement of commercial production, inventories totaling $48.2 million held at March 1, 2020 were reclassified from Construction-in-Progress (Note 5(b)).

5. Property, plant and equipment

Cost	Construction-in-progress	Mine and plant facilities	Machinery and equipment	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2019	$ 451,123	$ 4,458	$ 18,192	$ 11,903	$ 1,734	$ 487,410
Additions	415,735	257	26,478	7,994	763	451,227
Cumulative translation adjustment	369	-	-	-	4	373
Balance, December 31, 2019	867,227	4,715	44,670	19,897	2,501	939,010
Additions (a)	4,872	-	369	106	-	5,347
Reclassifications (b)	(858,177)	810,006	-	-	-	(48,171)
Cumulative translation adjustment	-	(1,063)	-	-	(7)	(1,070)
Balance, March 31, 2020	$ 13,922	$ 813,658	$ 45,039	$ 20,003	$ 2,494	$ 895,116

Accumulated depreciation	Construction-in-progress	Mine and plant facilities	Machinery and equipment	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2019	$ -	$ 411	$ 3,330	$ 2,159	$ 589	$ 6,489
Depreciation and amortization	-	102	3,639	3,306	488	7,535
Cumulative translation adjustment	-	-	-	-	4	4
Balance, December 31, 2019	-	513	6,969	5,465	1,081	14,028
Depletion and amortization	-	2,362	1,159	962	149	4,632
Cumulative translation adjustment	-	-	-	-	(7)	(7)
Balance, March 31, 2020	$ -	$ 2,875	$ 8,128	$ 6,427	$ 1,223	$ 18,653
Net book value						
As at December 31, 2019	$ 867,227	$ 4,202	$ 37,701	$ 14,432	$ 1,420	$ 924,982
As at March 31, 2020	$ 13,922	$ 810,783	$ 36,911	$ 13,576	$ 1,271	$ 876,463

5. Property, plant and equipment (continued)

(a) Included in the additions to construction-in-progress are the following:

		March 31, 2020		December 31, 2019
Depreciation and amortization	$	1,507	$	7,405
Capitalized interest and accretion of transaction and derivative costs (Note 6)		5,582		35,257
	$	7,089	$	42,662

January and February 2020 sales of $52.4 million have been recognized as a reduction of capitalized construction costs under property, plant and equipment.

(b) The Company achieved commercial production at Fruta del Norte in February 2020. In making this determination, management considered a number of factors, including completion of substantially all construction development activities in accordance with design and a production ramp up period where mill feed, in terms of tonnes of ore, equalled an average of 70% of mill capacity over a 90 day period. With this achievement, on March 1, 2020 substantially all of Construction-in-Progress was either reclassified to Mine and Plant Facilities ($810.0 million) or recognized as Opening Inventory ($48.2 million), as applicable, and depletion commenced on mine and plant facilities. Effective March 1, 2020, revenues, cost of goods sold, and debt service costs (Note 6 and 11) are recognized in the condensed consolidated statements of income (loss) and comprehensive income (loss).

6. Long-term debt

As at March 31, 2020, the long-term debt consisted of the following:

		March 31, 2020		December 31, 2019
Gold prepay credit facility (a)	$	223,054	$	234,917
Stream loan credit facility (b)		220,794		290,124
Offtake derivative liability (c)		36,923		26,856
Senior debt facility (d)		327,480		326,689
	$	808,251	$	878,586
Current portion		110,025		57,578
Long-term	$	698,226	$	821,008

6. Long-term debt (continued)

The gold prepay and the stream loan credit facilities were fully drawn at March 31, 2020 and December 31, 2019. The gold prepay credit facility (the "Prepay Loan"), stream loan credit facility (the "Stream Loan"), and the offtake derivative liability are accounted for as financial liabilities at fair value through profit or loss and is comprised of the following:

		Gold prepay credit facility		Stream loan credit facility		Offtake derivative liability		Total
Principal	$	150,000	$	149,506	$	-	$	299,506
Interest accrued and capitalized at stated rate of 7.5%		29,004		27,591		-		56,595
Transaction costs		(3,225)		(2,615)		-		(5,840)
Derivative fair value adjustments		47,275		46,312		36,923		130,510
Total	$	223,054	$	220,794	$	36,923	$	480,771

Derivative fair value adjustments reflect the revaluation of the above financial instruments at fair value as at March 31, 2020, including a portion of the cost of derivatives which are part of the long-term debt. The derivative loss related to the Company's own credit risk recorded in other comprehensive loss includes the impact of the difference between the Company's own credit risk at the time of entering into the long-term debt and the balance sheet date (see also note 14).

(c) Gold prepay credit facility

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

The Prepay Loan is amortized and repayable over 19 quarters starting December 31, 2020. The quarterly payments are equivalent to the value of 11,500 oz. of gold based on the gold spot price at the time of the payment date. The excess of the quarterly repayments over the principal and interest components, if any, is a variable additional charge (the "Finance Charge"). If the average gold price in the fiscal quarter prior to repayment date is greater than $1,436 or less than $1,062, the repayments are reduced or increased by 15%, respectively. 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 Company has elected to measure the Prepay Loan as a financial liability measured at fair value.

(d) Stream loan credit facility

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

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

The 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.

With the start of commercial production, the Company commenced repayments under the Stream Loan in February 2020.

6. Long-term debt (continued)

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

(e) 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 is 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.

Sales under the Offtake Agreement commenced after Fruta del Norte started production of doré.

(f) Senior debt facility (the "Facility")

	Tranche A	Tranche B	Total
Principal	$ 250,000	$ 100,000	$ 350,000
Transaction costs	(16,774)	(5,746)	(22,520)
Total	$ 233,226	$ 94,254	$ 327,480

The Facility is a senior secured loan of up to $350 million, comprised of two tranches: a $250 million senior commercial facility ("Tranche A") and a $100 million senior covered facility under a raw material guarantee ("Tranche B") both of which were fully drawn as at March 31, 2020. The annual interest rate is the three or six-month LIBOR plus an average margin of approximately 5.05% for Tranche A and 2.50% for Tranche B. Tranche A and Tranche B are subject to risk mitigation and guarantee fees of 2.00% and 3.15%, respectively. The Facility is repayable in variable quarterly instalments starting at the end of 2020 and maturing in June 2026.

(g) Cost overrun facility (the "COF")

On March 29, 2019, the Company entered into a $75 million COF with a related party of the Company by virtue of its shareholding in the Company in excess of 20%. The COF can only be used to fund a potential cost overrun related to Fruta del Norte until completion date as defined under the Facility and is currently undrawn.

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

Under the long-term debt, the Company, together with its subsidiaries related to Fruta del Norte (collectively, the "FDN Subsidiaries"), are subject to a number of non-financial covenants while amounts remain outstanding. The long-term debt is secured by a charge over the FDN Subsidiaries' assets, pledges of the shares of the FDN Subsidiaries and guarantees of the Company and the FDN Subsidiaries.

7. 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, 2019		213,163,980	$	857,279
Proceeds from equity financing, net	(a)	8,625,000		33,940
Consideration for cost overrun facility	6	300,000		1,221
Exercise of stock options		1,121,800		5,340
Exercise of anti-dilution rights	(b)	420,432		2,123
Balance at December 31, 2019		223,631,212		899,903
Exercise of stock options		792,950		3,861
Balance at March 31, 2020		224,424,162	$	903,764

(a) On March 1, 2019, the Company closed a CAD$46.6 million bought deal equity financing (the "Bought Deal") by issuing 8,625,000 shares, which included the exercise in full of the over-allotment option of an additional 1,125,000 shares, at a price of CAD$5.40 per share. Share issue costs of $1.2 million were paid resulting in net proceeds of $33.9 million received by the Company in relation to the Bought Deal.

(b) During the year ended December 31, 2019, the Company issued 420,432 common shares to Newcrest Mining Limited ("Newcrest") at a weighted average price of CAD$6.72 per share for total proceeds of $2.1 million under its anti-dilution rights granted as part of its initial investment into the Company following the issuance of shares to the COF provider (see note 6) and the exercise of stock options.

8. Stock-based compensation and share purchase warrants

(a) Stock-based compensation

The Company has adopted an omnibus incentive plan (the "Omnibus Plan") approved at the June 3, 2019 annual general and special meeting of shareholders which replaces its rolling stock-based compensation plan. The Omnibus Plan allows for the reservation of a maximum 8.5% of the common shares issued and outstanding at any given time for issuance under the Omnibus Plan. Under the Omnibus Plan, the Company may grant stock options, restricted share units and deferred share units (collectively, the "Awards"). Subject to specific provisions under the Omnibus Plan, the eligibility, vesting period, term, and number of Awards are granted at the discretion of the Company's board of directors.

Restricted share units entitle the recipient, upon settlement, to receive common shares or, subject to provisions under the Plan, the cash equivalent or a combination thereof. Subject to specific provisions under the Omnibus Plan, the eligibility, vesting period, and number of Awards are granted at the discretion of the Company's board of directors. The Company's board of directors may also grant restricted share units that include performance criteria which vests based on a multiplier ("PSUs").

Deferred share units may only be granted to non-employee directors and are payable after termination of the recipient's service with the Company. Upon settlement, the recipient may receive common shares or, subject to provisions under the Plan, the cash equivalent or a combination thereof.

i. Stock options

Stock options granted and outstanding under a pre-existing stock option plan (the "Option Plan") have an expiry date of five years and vest over a period of two years from date of grant. No additional stock options can be granted under the Option Plan.

During the three months ended March 31, 2020, stock options were granted under the Omnibus Plan which have an expiry date of five years and vest over a period of three years from date of grant.

Stock options are exercisable into one common share of the Company at the price specified in the terms of the option agreement.

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

	Three months ended March 31, 2020		Year ended December 31, 2019	
	Number of stock options	Weighted average exercise price (CAD)	Number of stock options	Weighted average exercise price (CAD)
Balance, beginning of period	6,508,200	$ 4.91	5,902,900	$ 4.59
Granted	821,800	12.60	1,861,800	5.35
Cancelled	-	-	(134,700)	5.18
Exercised[(1)]	(792,950)	4.12	(1,121,800)	3.95
Balance outstanding, end of period	6,537,050	$ 5.97	6,508,200	$ 4.91
Balance exercisable, end of period	4,714,700	$ 4.95	4,573,650	$ 4.74

(1) The weighted average share price on the exercise date for the stock options exercised during the three months ended March 31, 2020 and year ended December 31, 2019 were CAD$9.56 and CAD$6.81, respectively.

The following table summarizes information concerning outstanding and exercisable options at March 31, 2020:

	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)
$ 3.75 to 5.21	3,536,600	1.86	$ 4.76	3,521,600	1.86	$ 4.76
$ 5.22 to 12.60	3,000,450	3.76	7.40	1,193,100	2.83	5.52
	6,537,050	2.73	$ 5.97	4,714,700	2.10	$ 4.95

8. Stock-based compensation and share purchase warrants (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:

	March 31, 2020	December 31, 2019
Risk-free interest rate	1.38%	1.81%
Expected stock price volatility	28.28%	57.18%
Expected life	5 years	5 years
Expected dividend yield	-	-
Weighted-average fair value per option granted (CAD)	$3.46	$2.69

The equity-settled share-based payment reserve includes 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, 2020, the Company recorded stock-based compensation expense of $0.7 million (2019 – $0.9 million).

ii. Restricted share units with performance criteria (“PSUs”)

During the three months ended March 31, 2020, the Company granted 148,000 PSUs to eligible employees which vest three years from date of grant subject to continued employment and certain performance conditions being met. The number of PSUs that vest will be adjusted using a multiplier that is based on total shareholder return by the Company’s shares over the three-year period relative to a peer group as defined by the Company’s board of directors. Each vested PSU entitles the recipient to a payment of one common share or cash with an equivalent market value, at the recipient’s option. If the recipient elects a cash payout, the market value is determined as the volume weighted average trading price of the Company’s shares on the TSX for the five trading days immediately preceding the vesting date.

The fair value of PSUs was measured based on Monte Carlo simulation with the following weighted-average assumptions:

	March 31, 2020	December 31, 2019
Risk-free interest rate	1.37%	-
Average expected volatility of the Company and its peer group	53.63%	-
Expected life	3 years	-
Expected dividend yield	-	-
Weighted-average fair value per PSU outstanding	$6.58	-

The Company recorded a liability of $1.0 million to recognize the estimated fair value as at March 31, 2020 of the PSUs.

iii. Restricted share units (“RSUs”)

During the three months ended March 31, 2020, the Company granted 29,500 RSUs to eligible employees which vest three years from date of grant subject to continued employment. Each vested RSU entitles the recipient to a payment in cash based on the market value of one common share at the end of the three year period. The market value is determined as the volume weighted average trading price of the Company’s shares on the TSX for the five trading days immediately preceding the vesting date.

8. **Stock-based compensation and share purchase warrants** (continued)

The fair value of the cash settled RSUs was measured based on the Black-Scholes option pricing model with the following weighted-average assumptions:

	March 31, 2020	December 31, 2019
Risk-free interest rate	1.37%	-
Expected stock price volatility	28.37%	-
Expected life	3 years	-
Expected dividend yield	-	-
Weighted-average fair value per RSU outstanding	$7.08	-

The Company recorded a liability of $0.2 million to recognize the estimated fair value as at March 31, 2020 of the cash settled RSUs.

(b) Share Purchase Warrants

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

	Three months ended March 31, 2020		Year ended December 31, 2019	
	Number of warrants	Weighted average exercise price (CAD)	Number of warrants	Weighted average exercise price (CAD)
Balance, beginning of period	411,441	$ 5.98	-	$ -
Consideration for cost overrun facility (Note 6)	-	-	300,000	5.98
Anti-dilution rights exercised by Newcrest	-	-	111,441	5.98
Balance outstanding, end of period	411,441	$ 5.98	411,441	$ 5.98

iv. The Company issued 111,441 warrants to Newcrest at a price of CAD$1.66 per warrant for total proceeds of CAD$0.2 million under its anti-dilution rights following the issuance of Warrants to the COF provider (see Note 6). Each warrant has a term of three years from the date of issue and is exercisable for a common share upon payment of the exercise price of CAD$5.98. The following table summarizes information concerning outstanding warrants at March 31, 2020:

Exercise price (CAD)	Number of warrants outstanding	Remaining contractual life (years)
$ 5.98	411,441	2.00

8. Stock-based compensation and share purchase warrants (continued)

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

	March 31, 2020	December 31, 2019
Risk-free interest rate	-	1.78%
Expected stock price volatility	-	50.63%
Expected life	-	3 years
Expected dividend yield	-	-
Weighted-average fair value per warrant granted (CAD)	-	$1.66

The equity-settled share-based payment reserve includes the fair value of warrants as measured at grant date.

9. Administration

	Three months ended March 31, 2020	2019
Corporate social responsibility	$ 324	$ 294
Depreciation	-	28
Investor relations	47	61
Office and general	386	542
Professional fees	656	1,714
Regulatory and transfer agent	209	116
Salaries and benefits	5,078	2,306
Stock-based compensation	1,915	861
Training	216	1,504
Travel	131	138
	$ 8,962	$ 7,564

10. Suspension of operations

	Three months ended March 31, 2020	2019
Salaries and benefits	$ 1,428	$ -
Other costs	1,693	-
Depletion and amortization	242	-
	$ 3,363	$ -

Due to growing concerns regarding the spread of COVID-19 in Ecuador and the impacts of increasing efforts by the governments at all levels to slow the spread of COVID-19, the Company temporarily suspended operations at Fruta del Norte on March 22, 2020 (Note 1) with ongoing costs of the remaining limited activities during this suspension presented separately.

11. Finance expense (income)

	Three months ended March 31, 2020	2019
Interest expense	$ 4,544	$ -
Accretion of transaction costs	373	-
Interest income	(231)	(847)
	$ 4,686	$ (847)

With the achievement of commercial production, effective March 1, 2020, debt service costs are recognized in the condensed consolidated statements of income (loss) and comprehensive income (loss) (Note 5(b)).

12. Related party transactions

(a) Related party expenses

During the three months ended March 31, 2020 and March 31, 2019, the Company incurred the following:

Payee	Nature	Note	March 31, 2020	March 31, 2019
Namdo	Management fees	i	$ 74	$ 75

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

(b) Key management compensation

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

	March 31, 2020	March 31, 2019
Salaries, bonuses and benefits	$ 4,480	$ 1,909
Stock-based compensation	1,514	607
	$ 5,994	$ 2,516

13. 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 Fruta del Norte in Ecuador. Materially all of the Company’s non-current assets and non-current liabilities relate to Fruta del Norte. In addition, the Company conducts exploration activities and maintains a number of concessions in Ecuador outside of Fruta del Norte. Materially all of the Company’s administrative costs are incurred by the Canadian parent.

13. Segmented information (continued)

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

	Fruta del Norte	Other concessions	Corporate and other	Total
As at March 31, 2020				
Current assets	$ 159,465	$ 692	$ 43,237	$ 203,394
Non-current assets	1,199,798	-	-	1,199,798
Total assets	1,359,263	692	43,237	1,403,192
Current liabilities	162,617	807	389	163,813
Non-current liabilities	702,987	-	1,182	704,169
Total liabilities	865,604	807	1,571	867,982
For the three months ended March 31, 2020				
Capital expenditures	5,347	-	-	5,347
Revenues	36,856	-	-	36,856
Income from mining operations	10,336	-	-	10,336
Corporate administration	(1,748)	(3)	(7,211)	(8,962)
Exploration expenditures	-	(1,095)	-	(1,095)
Other items	(10,837)	-	1,227	(9,610)
Net loss for the period	(2,249)	(1,098)	(5,984)	(9,331)
As at March 31, 2019				
Current assets	$ 61,183	$ 120	$ 55,627	$ 116,930
Non-current assets	946,001	-	-	946,001
Total assets	1,007,184	120	55,627	1,062,931
Current liabilities	56,295	319	427	57,041
Non-current liabilities	392,559	-	-	392,559
Total liabilities	448,854	319	427	449,600
For the three months ended March 31, 2019				
Capital expenditures	124,069	-	-	124,069
Corporate administration	(3,958)	-	(3,606)	(7,564)
Exploration expenditures	-	(1,354)	-	(1,354)
Other items	1,290	-	(83)	1,207
Net loss for the period	(2,668)	(1,354)	(3,689)	(7,711)

14. 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 Gold Prepay Loan; Stream Loan; and offtake commitment have been classified as financial liabilities measured at fair value and the senior debt facility as a financial liability at amortized cost.

(a) Fair value measurements and hierarchy

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

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

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

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

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

The following table sets forth the Company's financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy for the three months ended March 31, 2020 and year ended December 31, 2019. Each of these financial instruments are classified as Level 3 as their valuation includes significant unobservable inputs.

	Gold prepay credit facility	Stream loan credit facility	Offtake derivative liability	Total
Balance, December 31, 2018	$ 167,524	$ 178,838	$ 17,890	$ 364,252
Interest accrued and capitalized at stated rate of 7.5%	11,406	11,406	-	22,812
Accretion of transaction costs	615	178	-	793
Derivative fair value adjustments recognized in:				
Property, plant and equipment	4,460	5,222	-	9,682
Derivative loss (gain)	31,806	52,348	8,966	93,120
Other comprehensive loss	19,106	42,132	-	61,238
Balance, December 31, 2019	$ 234,917	$ 290,124	$ 26,856	$ 551,897
Principal and interest payments	-	(1,492)	-	(1,492)
Interest accrued at stated rate of 7.5%	2,844	2,840	-	5,684
Accretion of transaction costs	154	48	-	202
Derivative fair value adjustments recognized in:				
Property, plant and equipment	735	866	-	1,601
Derivative loss (gain)	10,242	(17,740)	10,067	2,569
Other comprehensive income	(25,838)	(53,852)	-	(79,690)
Balance, March 31, 2020	$ 223,054	$ 220,794	$ 36,923	$ 480,771

14. Financial instruments (continued)

(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 March 31, 2020	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Long-term debt	$ 480,771	Expected volatility	22% to 46%	An increase or decrease in expected volatility of 5% would increase or decrease fair value by $4.5 million or $5.2 million, respectively
		Risk-adjusted discount rate	10% to 12%	An increase or decrease in risk-adjusted discount rate of 1% would decrease or increase fair value by $16.8 million or $17.8 million, respectively

(d) Valuation processes

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

15. Commitments

Significant capital expenditures contracted as at March 31, 2020 but not recognized as liabilities are as follows:

		Capital Expenditures
12 months ending March 31, 2021	$	11,351
April 1, 2021 onward		-
Total	$	11,351

Corporate Information

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

OFFICERS
Ron F. Hochstein
President & Chief Executive Officer
Alessandro Bitelli
Executive Vice President & Chief Financial Officer
Sheila Colman
Vice President, Legal & Corporate Secretary
David Dicaire
Vice President, Projects and General Manager
Nathan Monash
Vice President, Business Sustainability
Iliana Rodriguez
Vice President, Human Resources
Chester See
Vice President, Finance

OFFICES

CORPORATE HEAD OFFICE
Lundin Gold Inc.
885 West Georgia Street, Suite 2000
Vancouver, British Columbia V6C 3E8
Telephone: 604-689-7842
Toll Free: 1-888-689-7842
Facsimile: 604-689-4250

REGIONAL HEAD OFFICE
Aurelian Ecuador S.A.,
a subsidiary of Lundin Gold Inc.
Av. Amazonas N37-29 y UNP Edificio
Eurocenter, Piso 5
Quito, Pichincha
Ecuador
Telephone: 593-2-299-6400

COMMUNITY OFFICE
Calle 01 de Mayo
SN y de Febiero
Los Encuentros, Zamora-Chinchipe,
Ecuador

STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange
Trading Symbol: LUG
Nasdaq Stockholm
Trading Symbol: LUG

SHARE REGISTRAR AND TRANSFER AGENT
Computershare Investor Services Inc.
510 Burrard Street, 3rd Floor
Vancouver, B.C. V6C 3B9
Telephone: 1-800-564-6253

AUDITOR
PricewaterhouseCoopers LLP
250 Howe St #700 Vancouver,
BC V6C 3S7
Telephone: 604-806-7000

ADDITIONAL INFORMATION
Further information about Lundin Gold is available by contacting:
Sabina Srubiski
Manager, Investor Relations
Telephone: 604-689-7842
Toll Free: 1-888-689-7842
info@lundingold.com

LUNDIN GOLD

885 West Georgia Street, Suite 2000
Vancouver, British Columbia, V6C 3E8
Canada

Telephone: 604-689-7842
Toll Free: 1-888-689-7842
Facsimile: 604-689-4250

info@lundingold.com

Av. Amazonas N37-29 y UNP Edificio
Eurocenter, Piso 5
Quito, Pichincha, Ecuador

Telephone: 593-2-299-6400

www.lundingold.com

@LundinGold

@LundinGoldEC

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