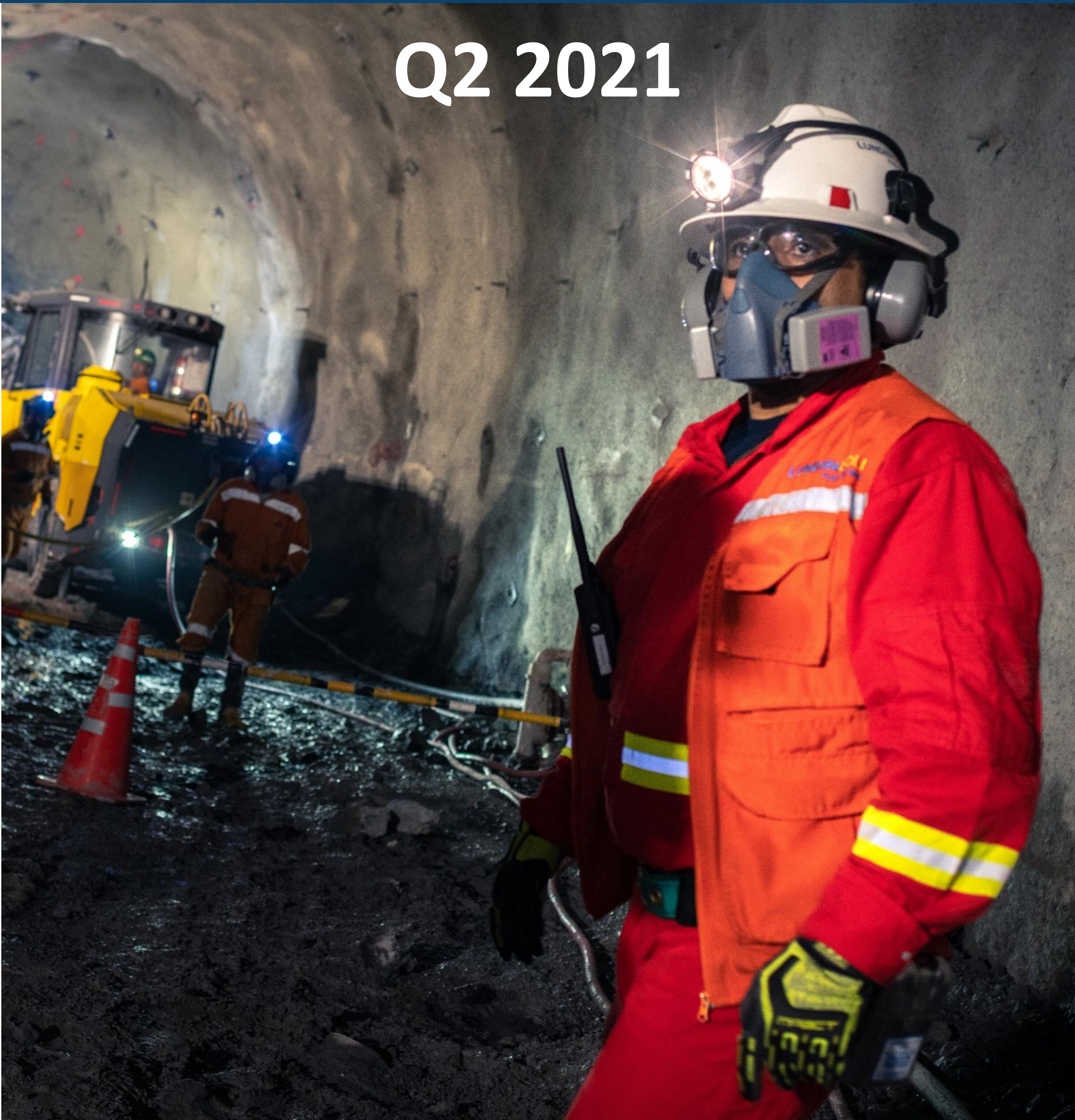
LUNDIN GOLD

Building a leading Gold Company
through responsible mining

Q2 2021



INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Lundin Gold Inc. and its subsidiary companies (collectively, "Lundin Gold" or the "Company") provides a detailed analysis of the Company's business and compares its financial results for the three and six months ended June 30, 2021 with those of the same period from the previous year.

This MD&A is dated as of August 11, 2021 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes thereto for the three and six months ended June 30, 2021, 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, 2020. References to the "2021 Period" and "2020 Period" relate to the six months ended June 30, 2021 and June 30, 2020, respectively.

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 27 metallic mineral concessions and three construction material concessions covering an area of approximately 64,270 hectares in southeast Ecuador, including the Fruta del Norte gold mine ("Fruta del Norte" or "FDN"). 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. Fruta del Norte is one of the highest-grade gold mines in production in the world today.

The Company's board and management team have extensive expertise in mine operations and are dedicated to operating Fruta del Norte responsibly. 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 operations of Fruta del Norte will benefit its shareholders, the Government and the citizens of Ecuador.

SECOND QUARTER 2021 HIGHLIGHTS AND ACTIVITIES

Fruta del Norte has once again delivered strong production and operating results in the second quarter of 2021 with production of 108,799 ounces ("oz") of gold and sales of 125,412 oz at a cash operating cost[1] of $596 per oz sold, its lowest quarterly cash operating costs since achieving commercial production in February 2020, and all-in sustaining cost ("AISC")[1] of $720 per oz sold. From this, net revenues, adjusted earnings[1], and cash flow from operations of $216.1 million, $74.8 million, and $142.0 million, respectively, were realized during the quarter. Based on the results to date, by the end of 2021 the Company anticipates ending the year closer to the upper end of its stated 2021 guidance of 380,000 to 420,000 oz of gold produced and the lower end of the AISC guidance of between $770 and $830 per oz of gold sold, calculated on a basis consistent with prior periods.

Since the restart of operations in July 2020, twelve months of continuous operations have been completed at Fruta del Norte. During this period, revenues and cash flow from operations in excess of $600 million and $300 million, respectively, have been generated.

The following two tables provide an overview of key operating and financial results achieved during 2021 compared to the same periods in 2020. Note that operations were suspended during the second quarter of 2020 due to the COVID-19 pandemic.

[1] Refer to "Non-IFRS Measures" section.

(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)

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020[1]
Tonnes mined	397,640	-[4]	763,111	197,674
Tonnes milled	346,561	-[4]	671,152	244,490
Average head grade (g/t)	11.1	-[4]	11.2	7.9
Average recovery (%)	88.2%	-[4]	88.0%	82.8%
Average mill throughput (tpd)	3,808	-[4]	3,708	3,056
Gold ounces produced	108,799	-[4]	212,936	51,320
Gold ounces sold	125,412	6,797	207,217	66,114

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Net revenues ($'000)	216,145	13,146	356,136	50,002[2]
Income from mining operations ($'000)	110,604	4,442	174,635	14,778[2]
Net income (loss) ($'000)	49,984	(64,374)	135,964	(73,705)
Operating cash flow ($'000)	142,005	(18,596)	217,088	(4,760)
Average realized gold price ($/oz sold)[3]	1,773	-[4]	1,770	1,680[2]
Cash operating cost ($/oz sold)[3]	596	-[4]	626	876[2]
All-in sustaining costs ($/oz sold)[3]	720	-[4]	764	952[2]
Operating cash flow per share ($)[3]	0.61	-[4]	0.94	(0.02)
Adjusted net earnings (loss) ($'000)[3]	74,800	-[4]	112,209	(16,100)
Adjusted net earnings (loss) per share ($)[3]	0.32	-[4]	0.48	(0.07)

[1] The figures presented are for the six months ended June 30, 2020 which include the two-month ramp up period before achieving commercial production.
[2] Amount relates to the period after achievement of commercial production.
[3] Refer to "Non-IFRS Measures" section.
[4] Operations were suspended during the second quarter of 2020 due to the COVID-19 pandemic. Therefore, there was no production and non-IFRS measures during this period are not presented.

The difference between net income and adjusted earnings during the second quarter and the first half of 2021 is due to non-cash derivative losses of $25.6 million and derivative gains of $25.9 million, respectively, associated with fair value accounting for the gold prepay and stream facilities. These non-cash items are driven by numerous factors including anticipated forward gold prices and yields. Non-cash derivative gains (or losses) associated with anticipated decreasing (or increasing) forward gold prices are recorded in the statement of operations, while non-cash derivative gains (or losses) associated with increasing (or decreasing) yields are recorded in the statement of other comprehensive income. These non-cash gains or losses are derived from complex valuation modelling and accounting treatment which are explained in more detail later in the MD&A. Revaluation of these obligations may result in considerable period-to-period volatility in the Company's net income, comprehensive income, current and long term liabilities and do not necessarily reflect the amounts that will actually be repaid when the obligations become due.

<u>Operating Results During the Second Quarter of 2021</u>

- Record quarterly mine operating performance was achieved with 397,640 tonnes mined.
- Underground mine development also continued as planned with a total of 2,360 metres of development completed with development rates averaging 25.9 metres per day in the second quarter.
- The mill processed 346,561 tonnes of ore at an average throughput of 3,808 tonnes per day.
- The average grade of ore milled was 11.1 grams per tonne with average recovery at 88.2%.
- Gold production was 108,799 oz, comprised of 66,721 oz of concentrate and 42,078 oz of doré.
- The Company sold a total of 125,412 oz of gold, consisting of 80,486 oz of concentrate and 44,926 oz of doré at an average realized gold price[1] of $1,773 per oz for total gross revenues from gold sales of $222.4 million. Net of treatment and refining charges, revenues were $216.1 million.
- Cash operating costs[1] and AISC[1] for the quarter were $596 and $720 per oz of gold sold, respectively. Cash operating costs were lower than previous quarters due to high production and sales, continued efficiencies in operations and increased recoveries. The lower cash operating costs also resulted in a lower AISC.
- Income from mining operations was $110.6 million and the Company generated cash flow of $142.0 million from operations, or $0.61 per share[1] and ended the quarter with a cash balance of $192.2 million.
- Net income was $50.0 million after deducting derivative losses, corporate, exploration, finance costs, and associated taxes on earnings. Adjusted earnings[1] for the quarter, which exclude derivative losses, were $74.8 million, or $0.32 per share.

<u>Capital Expenditures</u>

South Ventilation Raise

- The South Ventilation Raise is now expected to be completed in the second quarter of 2022 as a result of a revised work plan. The new plan includes a smaller diameter 2.1 metre raise followed by slashing to 5.1 metres and concrete lining. There is no anticipated impact on production forecasts for 2021, 2022 or future years as a result of this revised work plan.

Zamora River Bridge

- The Company's private Zamora River bridge was completed and inaugurated during the quarter and is now being used to access site.

Expansion Project

- The 4,200 tonnes per day ("tpd") expansion project is continuing on schedule for completion in the fourth quarter of 2021 and on budget with significant progress made on structural works in the flotation and concentrate filter areas. The first additional underground haul truck was also delivered and is in use.

[1] Refer to "Non-IFRS Measures" section.

Sustaining Capital

- The first raise of the tailings dam was completed and the second raise was in progress at the end of the quarter.
- Resource expansion drilling at Fruta del Norte is also well underway, targeting infill drilling of gaps in the existing indicated resource and conversion of a portion of the inferred resource at the south end of the deposit. During the 2021 Period, 7,376 metres of the planned 10,000 metre program were drilled and results are expected in the fourth quarter of 2021.

Health and Safety and Community

Health and Safety

- The health and safety of personnel at site is of paramount importance, and stringent procedures remain in place to minimize the impact of COVID-19 and related variants on the workforce. Vaccination programs commenced in Ecuador during the quarter with priority given to companies in the strategic sectors, including mining. As a result, vaccination campaigns by the Ecuador's Ministry of Public Health are currently ongoing directly at site for the Company's employees and contractors. As of the date of this MD&A, approximately 90% of the Company's employees and on-site contractors had received at least their first dose.
- During the quarter there were zero Lost Time Incidents and six Medical Aid Incidents.
- The Total Recordable Incident Rate during the 2021 Period was 0.76 per 200,000 hours worked.

Community

- Progress continued on the connectivity project for local communities surrounding FDN with tablets distributed to all 1,370 students. Upgrades were also completed to increase the internet speed at the local school in Los Encuentros allowing teachers to work virtually with students. The installation of fibre optic infrastructure to provide improved internet service to the local communities, benefiting nearly 1,000 families, is well underway.
- Construction of the public bridge over the Zamora River advanced under the authority of the provincial government to replace the bridge that collapsed during the fourth quarter of 2020. Lundin Gold has provided the funding for this work to date. Lundin Gold has also been supporting the affected communities by assisting with transportation of people and supplies.

Exploration

- The Company's 9,000 metre drilling campaign began at the end of March 2021. The regional exploration program is focused on two high priority targets, Barbasco and Puente-Princesa, to test for buried mineralization in a geological setting similar to that of Fruta del Norte. Drilling began on a section central to the Barbasco anomaly with two holes completed to a depth of approximately 1,000 metres each; the drill rigs were then moved 400 metres south where two additional holes are in progress. As of the end of the quarter, approximately 3,600 metres have been drilled, with assay results expected to be released in the fourth quarter.

(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).

		2021 Q2		2021 Q1		2020 Q4		2020 Q3
Revenues	$	216,145	$	139,991	$	189,250	$	118,904
Income from mining operations	$	110,604	$	64,031	$	94,857	$	62,751
Derivative gain (loss) for the period	$	(25,599)	$	51,523	$	(90,673)	$	(18,010)
Net income (loss) for the period	$	49,984	$	85,980	$	(1,233)	$	27,780
Basic income (loss) per share	$	0.22	$	0.37	$	(0.01)	$	0.12
Diluted income (loss) per share	$	0.21	$	0.37	$	(0.01)	$	0.12
Weighted-average number of common shares outstanding								
Basic		231,998,447		230,751,034		230,039,327		229,936,873
Diluted		234,508,000		233,634,540		230,039,327		233,264,544
Additions to property, plant and equipment	$	16,157	$	12,240	$	23,307	$	3,790
Total assets	$	1,590,849	$	1,502,715	$	1,505,360	$	1,452,070
Long-term debt	$	772,361	$	776,881	$	857,094	$	808,770
Working capital	$	109,010	$	57,571	$	56,603	$	31,172

		2020 Q2		2020 Q1		2019 Q4		2019 Q3
Revenues	$	13,146	$	36,856	$	-	$	-
Income from mining operations	$	4,442	$	10,336	$	-	$	-
Derivative loss for the period	$	(25,732)	$	(2,569)	$	(35,120)	$	(33,723)
Net loss for the period	$	(64,374)	$	(9,331)	$	(40,765)	$	(39,672)
Basic and diluted loss per share	$	(0.29)	$	(0.04)	$	(0.18)	$	(0.18)
Weighted-average number of common shares outstanding		225,724,679		224,244,554		223,339,447		222,953,642
Additions to property, plant and equipment	$	9,386	$	5,347	$	98,642	$	109,996
Total assets	$	1,407,231	$	1,403,192	$	1,408,961	$	1,344,528
Long-term debt	$	790,285	$	808,251	$	878,586	$	772,526
Working capital	$	(7,205)	$	39,581	$	32,800	$	124,586

Three months ended June 30, 2021 compared to the three months ended June 30, 2020

Steady state operations continued during the three months ended June 30, 2021. In comparison, during the three months ended June 30, 2020, operations at Fruta del Norte were suspended in response to the COVID-19 pandemic resulting in no production and significantly different results between the two periods.

The Company generated net income of $50.0 million during the second quarter of 2021 compared to a net loss of $64.4 million during the second quarter of 2020. Net income was generated from the recognition of revenues of $216.1 million resulting in income from mining operations of $110.6 million. This is offset by derivative losses of $25.6 million, finance expense of $11.7 million, income tax expense of $17.2 million, and other expenses totalling $6.1 million. During the second quarter of 2020, a net loss of $64.4 million was generated primarily from costs incurred during the suspension of operations of $25.9 million as well as derivative losses of $24.7 million and finance expense of $14.0 million.

Income from mining operations

During the second quarter of 2021, the Company recognized revenues of $216.1 million from the sale of 125,412 oz of gold. This is offset by cost of goods sold of $105.5 million which is comprised of operating expenses of $62.1 million; royalties of $12.6 million; and depletion and depreciation of $30.8 million. During the same period in 2020, revenues of $13.1 million were recognized from the sale of doré and concentrate produced during the first quarter of 2020 and sold during the temporary suspension.

Exploration

Drilling activities on two regional targets were underway during the second quarter of 2021, explaining the higher costs compared to the same period in 2020 when permits for the regional drilling were still to be received.

Corporate administration

Corporate administration costs were consistent between the second quarter of 2021 and the second quarter of 2020 when $3.0 million and $3.1 million were incurred, respectively.

Finance expense

Finance expense of $11.7 million was incurred during the second quarter of 2021 compared to $14.0 million during the second quarter of 2020. Interest expense on the Company's debt facilities was lower during the second quarter of 2021 due to a lower principal balance outstanding as well as a decrease in LIBOR rates.

Derivative gain or loss

A derivative loss of $25.6 million was recorded on the statement of operations during the second quarter of 2021 compared to a derivative loss of $24.7 million in the second quarter of 2020. This is largely the result of higher forward gold prices at the end of the relevant quarter compared to the beginning of the same quarter, which in turn causes the change in estimated fair values of the gold prepay, stream, and offtake facilities which are accounted for as financial liabilities measured at fair value and is more fully explained below.

Income taxes

Income taxes of $17.2 million were accrued during the period which is comprised of current income tax expense of $18.0 million offset by a deferred income tax recovery of $0.8 million. The deferred income tax recovery relates to the derivative loss in other comprehensive income as explained below. Current income tax expense is generated from net income for tax purposes in Ecuador relating to operations at Fruta del Norte. In addition to corporate income taxes in Ecuador which are levied at a rate of 22%, current income tax expense includes an accrual for the portion of profit sharing payable to the Government of Ecuador which is calculated at the rate of 12% of the estimated net income for tax purposes for the quarter. The employee portion of profit sharing payable, calculated at the rate of 3% of net income for tax purposes is considered an employee benefit and is included in operating expenses.

Corporate income taxes accrued to the end of June 30, 2021 are partially offset by tax credits available for use by the Company. Actual income taxes and profit sharing payable to the Government of Ecuador and the employees will be based on 2021 fiscal results and payable in 2022.

Six months ended June 30, 2021 compared to the six months ended June 30, 2020

The Company generated net income of $136.0 million during the 2021 Period compared to a loss of $73.7 million during the 2020 Period. Net income during the 2021 Period was generated from income from mining operations of $174.6 million and derivative gains of $25.9 million. This is offset by finance expense of $23.7 million, income tax expense of $28.2 million, and other expenses totalling $12.7 million.

Revenues and net income from mining operations for the 2020 Period were impacted by the start of commercial production in February 2020 as well as the suspension of operations due to the COVID-19 pandemic during the second quarter of 2020. Therefore, during the 2020 Period, the loss of $73.7 million was driven by a derivative loss of $28.3 million, costs relating to the suspension of operations of $29.3 million and finance expense of $18.7 million.

Income from mining operations

During the 2021 Period, the Company recognized revenues of $356.1 million from the sale of 207,217 oz of gold. This is offset by cost of goods sold of $181.5 million which is comprised of operating expenses of $109.0 million; royalties of $20.8 million; and depletion and depreciation of $51.7 million resulting in income from mining operations of $174.6 million. During the same period in 2020, revenues of $50.0 million were recognized from the sale of 30,906 oz of gold resulting in income from mining operations of $14.8 million.

Corporate administration

Corporate administration costs of $7.7 million were incurred during the 2021 Period compared to $12.0 million during the 2020 Period. This decrease is mainly attributable 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 $3.2 million mainly due to the grant of cash-settled stock-based compensation (restricted share units) during the first quarter of 2020. This is a non-cash cost due to the recognition of a liability at fair value on grant date and subsequent revaluation at each reporting period. During the first quarter of 2021, equity-settled stock-based compensation was awarded which results in the amortization of its fair value at grant date over the vesting period rather than immediate recognition of an expense and liability.

Exploration

Drilling activities on two regional targets started in March 2021, explaining the higher costs in the 2021 Period compared to the 2020 Period when permits for the regional drilling were still to be received.

Suspension of operations

In response to the COVID-19 pandemic, operations at Fruta del Norte were suspended throughout the second quarter of 2020. The Company continued to pay all personnel during the period of temporary suspension while retaining a minimal number of staff at Fruta del Norte for care and maintenance activities as well as other activities to ensure an efficient restart of operations. Suspension costs of $29.3 million were principally comprised of wages, site maintenance activities, COVID-19 related costs and ongoing fixed costs such as insurance and property taxes.

Finance expense

Finance expense of $23.7 million was incurred during the 2021 Period compared to $18.7 million during the 2020 Period. This expense was recognized starting only in March 2020 following the achievement of commercial production. Prior to this, these amounts were capitalized to property, plant, and equipment.

Derivative gain or loss

Derivative gains and losses in the statement of operations and other comprehensive income are driven by the Company's debt obligations classified as financial liabilities measured at fair value. During the 2021 Period, the Company made scheduled principal and interest repayments totaling $34.4 million under its gold prepay facility and $20.7 million under its stream facility, based on gold and silver prices at the time of repayment. In addition, a further increase or reduction of these debt obligations on the balance sheet is recognized due to a change in their estimated fair values since December 31, 2020. This variation is recorded as a derivative gain or loss in the statement of operations and other comprehensive income 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 are 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 prices, 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 forward gold and silver prices and the Company's risk adjusted discount rate:

- The value of future repayments under the gold prepay and stream credit facilities are based on forward gold and silver price estimates at time of repayment. Spot gold prices at June 30, 2021 are lower compared to December 31, 2020 and as a result, forward prices have followed suit. This decrease is somewhat offset by a factor for volatility. Overall, this has resulted in a lower estimated fair value of the debt obligations at the current balance sheet date and the recognition of derivative gains in the statement of operations for the 2021 Period. This does not necessarily reflect the amounts that will actually be repaid when the obligations become due in the future. While significant derivative gains or losses will continue to be recognized at each reporting period, the potentially more significant impact of the same change in forward gold and silver prices on the value of future production and revenue forecasts 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 include inflation, economic conditions, both local and industry specific, and other factors outside of the Company's control like the COVID-19 pandemic. During the 2021 Period, yields and credit risk have decreased resulting in an increase in the fair value of the gold prepay and stream credit facilities. The increase in fair value due to a change in credit risk must be recorded as a loss in other comprehensive income rather than offsetting the derivative gain in the statement of operations. The tax impact of the derivative loss in other comprehensive income during the 2021 Period must also be recorded. This results in a deferred income tax expense in the statement of operations as an offset to the deferred income tax recovery in other comprehensive income.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2021, the Company had cash of $192.2 million and a working capital balance of $109.0 million compared to cash of $79.6 million and a working capital balance of $56.6 million at December 31, 2020. The change in cash during the 2021 Period was primarily due to cash generated from operating activities of $217.1 million and proceeds from the exercise of stock options and anti-dilution rights of $13.5 million. This is offset by principal and interest repayments under the loan facilities totalling $88.5 million and cash outflows of $29.6 million for capital expenditures including costs for remaining initial construction activities, the expansion project, and sustaining capital.

Trade receivables

The majority of trade receivables represent the value of concentrate sold as at period end for which the funds are not yet received. The decrease in trade receivables as at June 30, 2021 is due to a decreased level of sales near the end of the second quarter of 2021 compared to the year ended December 31, 2020. Consistent with industry standards, these sales have relatively long payment terms and are not fully settled until concentrates are received by the customer and related final assays confirmed, generally two to four months after the export sale occurs. There is no recorded allowance for credit losses. In determining the recoverability of trade receivables, the Company assesses the credit quality of the counterparty, with the concentration of the credit risk limited due to the nature of the counterparties involved and a history of no credit losses.

VAT receivables

VAT paid in Ecuador by the Company after January 1, 2018 are expected to be refunded or applied, based on the level of export sales in any given month, as a credit against other taxes payable. Now that the Company is generating sales, a portion of the VAT recoverable has been reclassified as current assets based on the Company's assessment of the estimated time for processing current VAT claims and forecast future sales.

Advanced royalties

Advance royalties are deductible against future royalties on sales payable to the Government of Ecuador at a rate equal to the lesser of 50% of the actual future royalties payable in a six-month period or 10% of the total advance royalty payment. A portion of the advance royalty payment is classified as current assets based on expected utilization over the next twelve months.

Inventories

Inventories have increased primarily due to increased ore stockpiles and gold-in-circuit at higher grades compared to the balance at December 31, 2020. Gold inventory is recognized in the ore stockpiles and in production inventory, comprised principally of concentrate and doré at site or in transit to port or to the refinery, with a component of gold-in-circuit. The high value of material and supplies, comprised of consumables and spare parts, reflects the Company's assessment of the procurement cycles due to the remoteness of FDN and the increase in delivery times due to the impact of COVID-19 on the global supply chain.

Investment activities

Investment activities during the 2021 Period are comprised principally of costs for remaining initial construction activities, the expansion project, and sustaining capital at FDN.

Liquidity and capital resources

The Company expects to generate strong operating cash flow during 2021 based on its production and AISC guidance. This strong operating cash flow will support debt repayments, regional exploration and underground expansion drilling at FDN, and planned capital expenditures, including the expansion project to increase the mill throughput from 3,500 to 4,200 tonnes per day.

Monthly payments under the stream facility will be based on 7.75% and 100% of gold and silver ounces sold, respectively, calculated at the current gold and silver prices at the end of each month, less $400 and $4 per oz, respectively. Quarterly payments under the gold prepay facility are expected to be based on the current value of 9,775[1] oz of gold at the end of each quarter. Scheduled variable quarterly principal repayments of the senior debt facilities will total $33.3 million for the remainder of 2021, with lower repayments in the third quarter compared to the fourth quarter of the year. The Company is working towards achieving construction completion, as defined under the senior debt facilities, in 2021. Upon achieving this milestone, additional quarterly principal repayments based on 30% of Fruta del Norte's excess cash flow, also a defined term in the senior debt facilities, will also commence. The current portion of long-term debt includes an estimate of additional quarterly principal repayments as a result of reaching completion in 2021.

[1] This parameter increases to 11,500 oz and 13,225 if the gold price during the immediately preceding quarter is less than $1,436 and less than $1,062, respectively.

Notwithstanding forecasting strong cash flows from operations, the Company cannot be certain that an escalation of the COVID-19 pandemic will not have an impact on operations or on the Company's financial position in the future. 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 operate FDN without extended interruptions and on future profitable production.

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 facilities have 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, with foreign operations in Ecuador. Revenues generated and expenditures incurred in Ecuador are primarily denominated in U.S. dollars, as are its loan facilities. However, equity capital, if needed, is typically raised in Canadian dollars. As such, the Company is subject to risk due to fluctuations in the exchange rates of foreign currencies. Although the Company does not enter into derivative financial instruments to manage its exposure, the Company tries to manage this risk by maintaining most of its cash in U.S. dollars.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The majority of the Company's cash is held in large financial institutions with a high investment grade rating. 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 senior debt facilities 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 operational needs at all times. In addition, management is actively involved in the review, planning and approval of significant expenditures and commitments.

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices of 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 the gold prepay and the stream credit facilities, which is accounted for at fair value through profit or loss, is impacted by fluctuations of commodity prices.

(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)

COMMITMENTS

Significant capital expenditures contracted as at June 30, 2021 but not recognized as liabilities are as follows:

		Development costs
12 months ending June 30, 2022	$	21,068
July 1, 2022 onward		-
Total	$	21,068

OFF-BALANCE SHEET ARRANGEMENTS

During the 2021 Period and the year ended December 31, 2020, 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 232,621,845 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 5,213,337 common shares, 335,300 restricted share units with a performance criteria, 79,600 restricted share units settled by issuance of shares, and 25,291 deferred share units.

OUTLOOK

While guidance for 2021 remains unchanged with production of 380,000 to 420,000 oz of gold at Fruta del Norte, the Company now anticipates ending the year closer to the upper end of guidance. Likewise, while maintaining its AISC guidance for 2021 at between $770 and $830 per oz of gold sold, calculated on a basis consistent with prior periods, the Company expects to be nearer to the lower end of its AISC guidance for 2021.

Under its sustaining capital activities for 2021, the Company remains on schedule with its planned 10,000 metre drill program targeting conversion and expansion of the Fruta del Norte mineral resource, and completion of the second raise of the FDN tailings dam.

The SVR is the last remaining scope of work under the original FDN construction project. The plan to complete the SVR has been revised due to ongoing issues. The new plan includes a smaller diameter raise of 2.1 metres followed by slashing and installation of a 5.1 metre concrete lining. Based on this approach, the new estimated timeline for completion of the SVR is the second quarter of 2022 and there is no anticipated impact on production for 2021, 2022 or future years as a result of this revised work plan.

Construction is underway on the expansion program to increase the mill throughput from 3,500 to 4,200 tpd with completion expected before the end of 2021 consistent with plan. The throughput expansion modifications are also expected to improve mill recoveries through increased retention time in the flotation process of the plant.

Drilling is expected continue on the Barbasco target. Initial assay results are expected in the fourth quarter of 2021. Due to the slow start of the drilling campaign, the Company is evaluating starting the Puente Princesa drilling while continuing drilling on the Barbasco target.

(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)

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.

Operations were suspended during the second quarter of 2020 due to the COVID-19 pandemic. Therefore, non-IFRS measures during this period are not presented.

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 for the period plus treatment and refining charges less silver sales divided by gold oz sold.

		Three months ended June 30,		Six months ended June 30,		
		2021		2021		2020[1]
Revenues	$	216,145	$	356,136	$	50,002
Treatment and refining charges		9,080		15,914		2,350
Less: silver revenues		(2,854)		(5,262)		(417)
Gold sales	$	222,371	$	366,788	$	51,935
Gold oz sold		125,412		207,217		30,906
Average realized gold price	$	1,773	$	1,770	$	1,680

Adjusted Earnings and adjusted basic earning per share

Adjusted earnings and adjusted basic earnings per share can be used to measure and may assist in evaluating operating earning trends in comparison with results from prior periods by excluding specific items that are significant, but not reflective of the underlying operating activities of the Company. Presently, these include costs incurred during the suspension of operations in 2020 and derivative gains or losses, and related income tax effects, from accounting for the gold prepay and stream facilities at fair value. Adjusted basic earnings per share is calculated using the weighted average number of shares outstanding under the basic method of earnings per share as determined under IFRS.

[1] Amounts relate to the period after achievement of commercial production.

(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)

	Three months ended June 30, 2021	Six months ended June 30, 2021	Six months ended June 30, 2020
Net income (loss) for the period	$ 49,984	$ 135,964	$ (73,705)
Adjusted for:			
Suspension of operations	-	-	29,304
Derivative loss (gain)	25,599	(25,924)	28,301
Deferred income tax expense (recovery)	(783)	2,169	-
Adjusted earnings (loss)	$ 74,800	$ 112,209	$ (16,100)
Basic weighted average shares outstanding	231,998,447	231,378,191	224,984,617
Adjusted basic earnings (loss) per share	$ 0.32	$ 0.48	$ (0.07)

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 June 30, 2021	Six months ended June 30, 2021	Six months ended June 30, 2020
Operating expenses	$ 62,140	$ 108,958	$ 24,224
Royalty expenses	12,639	20,795	2,836
Cash operating costs	$ 74,779	$ 129,753	$ 27,060
Gold oz sold	125,412	207,217	30,906
Cash operating cost per oz sold	$ 596	$ 626	$ 876

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.

(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)

	Three months ended June 30, 2021	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash operating costs	$ 74,779	$ 129,753	$ 27,060
Corporate social responsibility	276	568	422
Treatment and refining charges	9,080	15,914	2,350
Accretion of restoration provision	26	53	20
Sustaining capital	8,989	17,186	-
Less: silver revenues	(2,854)	(5,262)	(417)
All-in sustaining cost	$ 90,296	$ 158,212	$ 29,435
Gold oz sold	125,412	207,217	30,906
All-in sustaining cost per oz sold	$ 720	$ 764	$ 952

Operating cash flow per share

Operating cash flow per share can be used to evaluate the Company's ability to generate cash flow from operations. The Company calculates operating cash flow per share as net cash provided by or used for operating activities divided by its basic weighted-average number of common shares outstanding.

	Three months ended June 30, 2021	Six months ended June 30, 2021	Six months ended June 30, 2020
Net cash provided by operating activities	$ 142,005	$ 217,088	$ (4,760)
Basic weighted average shares outstanding	231,998,447	231,378,191	224,984,617
Operating cash flow per share	$ 0.61	$ 0.94	$ (0.02)

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 2020 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 2, 2021 (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 4

FINANCIAL INFORMATION

The report for the nine months ended September 30, 2021 is expected to be published on or about November 9, 2021.

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, 2021 and ending June 30, 2021, 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 Company's efforts to protect its workforce from COVID-19, its 2021 production outlook, including estimates of gold production, grades and recoveries, expected sales receipts, cash flow forecasts and financing obligations, its capital costs and the expected timing and impact of completion of capital projects including the south ventilation raise and the throughput expansion project, the timing and the success of its drill program at Fruta del Norte and its other exploration activities, the completion of construction and the Company's efforts to protect its workforce from COVID-19.

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.

LUNDIN GOLD INC.

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

	Note	June 30, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		$ 192,200	$ 79,592
Trade receivables and other current assets	3	127,003	136,497
Inventories	4	72,652	59,910
Advance royalty		13,000	13,000
		404,855	288,999
Non-current assets			
VAT recoverable and other long-term assets		72,737	71,655
Advance royalty		35,994	41,461
Property, plant and equipment	5	857,723	872,148
Mineral properties	6	219,540	231,097
		$ 1,590,849	$ 1,505,360
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 58,253	$ 53,821
Income taxes payable		21,123	-
Current portion of long-term debt	7	216,469	178,575
		295,845	232,396
Non-current liabilities			
Long-term debt	7	555,892	678,519
Other non-current liabilities	9	1,525	1,631
Reclamation provisions		6,009	5,956
		859,271	918,502
EQUITY			
Share capital	8	968,416	951,725
Equity-settled share-based payment reserve	9	13,024	14,732
Accumulated other comprehensive income		16,284	22,511
Deficit		(266,146)	(402,110)
		731,578	586,858
		$ 1,590,849	$ 1,505,360

Commitments (Note 18)

Approved by the Board of Directors

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

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

LUNDIN GOLD INC.

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2021	2020	2021	2020
Revenues	5(b)	$ 216,145	$ 13,146	$ 356,136	$ 50,002
Cost of goods sold					
Operating expenses		62,140	6,103	108,958	24,224
Royalty expenses		12,639	729	20,795	2,836
Depletion and depreciation		30,762	1,872	51,748	8,164
		105,541	8,704	181,501	35,224
Income from mining operations		110,604	4,442	174,635	14,778
Other expenses (income)					
Corporate administration	10	2,981	3,052	7,732	12,014
Exploration		2,377	586	3,600	1,681
Suspension of operations	1, 11	-	25,941	-	29,304
Finance expense	12	11,670	13,971	23,748	18,657
Other expense (income)		749	(466)	1,349	(1,474)
Derivative loss (gain)	7	25,599	25,732	(25,924)	28,301
		43,376	68,816	10,505	88,483
Net income (loss) before tax		**67,228**	**(64,374)**	**164,130**	**(73,705)**
Income tax expense					
Current income tax expense	14	18,027	-	25,997	-
Deferred income tax expense	14	(783)	-	2,169	-
		17,244	-	28,166	-
Net income (loss) for the period		**$ 49,984**	**$ (64,374)**	**$ 135,964**	**$ (73,705)**
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified to net loss					
Currency translation adjustment		738	1,236	1,466	(3,896)
Items that will not be reclassified to net loss					
Derivative gain (loss) related to the Company's own credit risk	7	3,554	48,169	(9,862)	127,859
Deferred income tax on accumulated other comprehensive income	14	(783)	-	2,169	-
Comprehensive income		$ 53,493	$ (14,969)	$ 129,737	$ 50,258
Income (loss) per common share					
Basic		$ 0.22	$ (0.29)	$ 0.59	$ (0.33)
Diluted		0.21	(0.29)	0.58	(0.33)
Weighted-average number of common shares					
Basic		231,998,447	225,724,679	231,378,191	224,984,617
Diluted		234,508,000	225,724,679	233,967,008	224,984,617

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 thousands of U.S. Dollars, except number of common shares)

	Note	Number of common shares		Share capital		Equity-settled share-based payment reserve		Other reserves		Deficit		Total
Balance, January 1, 2020		223,631,212	$	899,903	$	14,118	$	(92,247)	$	(354,952)	$	466,822
Proceeds from equity financing, net	8	4,772,500		41,419		-		-		-		41,419
Exercise of stock options		954,100		4,682		(1,670)		-		-		3,012
Exercise of anti-dilution rights	8	507,271		4,188		-		-		-		4,188
Stock-based compensation	9	-		-		1,288		-		-		1,288
Other comprehensive income		-		-		-		123,963		-		123,963
Net loss for the period		-		-		-		-		(73,705)		(73,705)
Balance, June 30, 2020		229,865,083	$	950,192	$	13,736	$	31,716	$	(428,657)	$	566,987
Balance, January 1, 2021		230,088,337	$	951,725	$	14,732	$	22,511	$	(402,110)	$	586,858
Exercise of stock options		1,675,850		8,941		(2,892)		-		-		6,049
Vesting of share units	9	31,500		318		(318)		-		-		-
Exercise of anti-dilution rights	8	743,889		7,432		-		-		-		7,432
Stock-based compensation	9	-		-		1,502		-		-		1,502
Other comprehensive loss		-		-		-		(6,227)		-		(6,227)
Net income for the period		-		-		-		-		135,964		135,964
Balance, June 30, 2021		232,539,576	$	968,416	$	13,024	$	16,284	$	(266,146)	$	731,578

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

LUNDIN GOLD INC.

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

	Note	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
OPERATING ACTIVITIES					
Net income (loss) for the period		$ 49,984	$ (64,374)	$ 135,964	$ (73,705)
Items not affecting cash:					
Depletion and depreciation		30,770	4,127	51,765	10,670
Stock-based compensation		868	1,330	1,353	3,245
Derivative loss (gain)		25,599	25,732	(25,924)	28,301
Unrealized foreign exchange loss (gain)		485	(404)	1,037	(1,626)
Finance expense		10,106	13,062	22,045	17,748
Deferred income tax expense (recovery)		(783)	-	2,169	-
		117,029	(20,527)	188,409	(15,367)
Changes in non-cash working capital items:					
Trade receivables and other current assets		(4,388)	13,076	9,011	(14,770)
Inventories		(1,599)	(3,917)	(9,761)	(1,137)
Advance royalty		3,084	(598)	5,467	1,228
Accounts payable and accrued liabilities		27,796	(6,697)	23,816	24,988
Interest received		83	67	146	298
Net cash provided by operating activities		142,005	(18,596)	217,088	(4,760)
FINANCING ACTIVITIES					
Net proceeds from equity financing	8	-	41,419	-	41,419
Repayments of long-term debt		(13,293)	(494)	(47,604)	(1,132)
Interest paid		(23,059)	(6,783)	(40,905)	(13,304)
Proceeds from exercise of stock options		855	519	6,049	3,012
Proceeds from exercise of anti-dilution rights		7,191	4,188	7,432	4,188
Net cash provided by (used for) financing activities		(28,306)	38,849	(75,028)	34,183
INVESTING ACTIVITIES					
Acquisition and development of property, plant and equipment, net of sales		(13,467)	(2,141)	(26,376)	(21,671)
Change in VAT receivable and other long-term assets		(2,484)	(2,641)	(3,232)	(7,516)
Net cash used for investing activities		(15,951)	(4,782)	(29,608)	(29,187)
Effect of foreign exchange rate differences on cash		94	1,267	156	(1,715)
Increase (decrease) in cash and cash equivalents		97,842	16,738	112,608	(1,479)
Cash and cash equivalents, beginning of period		94,358	57,467	79,592	75,684
Cash and cash equivalents, end of period		$ 192,200	$ 74,205	$ 192,200	$ 74,205

Supplemental cash flow information (Note 15)

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

1. Nature of operations

Lundin Gold Inc. together with its subsidiaries (collectively referred to as "Lundin Gold" or the "Company") is focused on its Fruta del Norte gold operation and developing its portfolio of mineral concessions in Ecuador.

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. During the second quarter of 2020, while its activities were temporarily suspended, it implemented necessary health and safety protocols to minimize the risks due to the COVID-19 pandemic and since then, it has been operating in accordance with plans and generating positive cash flow. However, the continued operations at Fruta del Norte are dependent on the extent to which the COVID-19 pandemic is being controlled including vaccinations in Ecuador, consequential actions by local, provincial, and national governments, and the effectiveness of the international supply chain and personnel travel. Therefore, the Company cannot be certain that an escalation of the COVID-19 pandemic would not have an impact on operations or on the Company's financial position in the future. 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 operate the mine without extended interruptions 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, 2020.

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, 2020.

These financial statements were approved for issue by the Board of Directors on August 11, 2021.

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

3. Trade receivables and other current assets

		June 30, 2021		December 31, 2020
Trade receivables (a)	$	84,397	$	93,023
VAT recoverable (b)		22,222		16,711
Prepaid expenses and deposits		16,680		23,059
Deferred transaction costs (c)		3,704		3,704
	$	127,003	$	136,497

(a) Trade receivables represent the value of concentrate sold as at period end for which the funds are not yet received. Consistent with industry standards, these sales generally have relatively long payment terms and are not settled until two to four months after export. There is no recorded allowance for credit losses. In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the counterparty, with the concentration of the credit risk limited due to the nature of the counterparties involved and a history of no credit losses.

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

(c) Deferred transaction costs include upfront and advisory fees incurred to secure the cost overrun facility (the "COF"). These costs will be reclassified to long-term debt on a pro-rata basis should the Company utilize the COF. Should the COF expire without being utilized, these costs will be expensed directly to the Company's condensed consolidated statement of income (loss).

4. Inventories

		June 30, 2021		December 31, 2020
Ore stockpile	$	9,610	$	1,979
Gold in circuit		6,566		3,320
Doré and concentrate		11,919		13,786
Materials and supplies		44,557		40,825
	$	72,652	$	59,910

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

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, 2020	$ 867,227	$ 4,715	$ 44,670	$ 19,897	$ 2,501	$ 939,010
Additions (a)	29,360	-	10,211	2,121	138	41,830
Reclassifications (b)	(890,488)	841,073	-	-	-	(49,415)
Cumulative translation adjustment	-	230	-	-	2	232
Balance, December 31, 2020	6,099	846,018	54,881	22,018	2,641	931,657
Additions (a)	27,342	384	261	410	-	28,397
Reclassifications (b)	(7,959)	7,959	-	-	-	-
Cumulative translation adjustment	-	342	-	-	2	344
Balance, June 30, 2021	$ 25,482	$ 854,703	$ 55,142	$ 22,428	$ 2,643	$ 960,398

Accumulated depletion and depreciation	Construction-in-progress	Mine and plant facilities	Machinery and equipment	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2020	$ -	$ 513	$ 6,969	$ 5,465	$ 1,081	$ 14,028
Depletion and depreciation	-	36,200	4,806	3,884	589	45,479
Cumulative translation adjustment	-	-	-	-	2	2
Balance, December 31, 2020	-	36,713	11,775	9,349	1,672	59,509
Depletion and depreciation	-	37,442	3,325	2,131	250	43,148
Cumulative translation adjustment	-	16	-	-	2	18
Balance, June 30, 2021	$ -	$ 74,171	$ 15,100	$ 11,480	$ 1,924	$ 102,675

Net book value						
As at December 31, 2020	$ 6,099	$ 809,305	$ 43,106	$ 12,669	$ 969	$ 872,148
As at June 30, 2021	$ 25,482	$ 780,532	$ 40,042	$ 10,948	$ 719	$ 857,723

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

5. Property, plant and equipment (continued)

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

	June 30, 2021	December 31, 2020
Depletion and depreciation	$ -	$ 1,507
Capitalized interest and accretion of transaction and derivative costs (Note 7)	-	10,556
	$ -	$ 12,063

Sales in January and February 2020 totaling $52.4 million were recognized as a reduction of capitalized Construction-in-Progress costs.

(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 and continued handover of assets to operations, substantially all of Construction-in-Progress was either reclassified to Mine and Plant Facilities ($841 million) or recognized as Opening Inventory as at February 29, 2020 ($49.4 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 7 and 12) are recognized in the condensed consolidated statements of income (loss) and comprehensive income (loss). Costs of remaining areas of construction, not essential to operations, continue to be captured as Construction-in-progress and are transferred to Mine and Plant Facilities when the related asset is ready for its intended use.

6. Mineral properties

Cost	**Fruta del Norte**	**Fruta del Norte restoration asset**	**Total**
Balance, January 1, 2020	$ 239,110	$ 1,555	$ 240,665
Adjustments to restoration asset	-	1,166	1,166
Depletion	(10,673)	(61)	(10,734)
Balance, December 31, 2020	228,437	2,660	231,097
Depletion	(11,436)	(121)	(11,557)
Balance, June 30, 2021	$ 217,001	$ 2,539	$ 219,540

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

7. Long-term debt

		June 30, 2021		December 31, 2020
Gold prepay credit facility (a)	$	213,549	$	248,828
Stream loan credit facility (b)		251,030		268,471
Offtake derivative liability (c)		24,803		32,308
Senior debt facility (d)		282,979		307,487
	$	772,361	$	857,094
Less: current portion				
Gold prepay credit facility		63,707		68,174
Stream loan credit facility		50,509		50,041
Offtake derivative liability		3,854		4,488
Senior debt facility		98,399		55,872
Long-term portion	$	555,892	$	678,519

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 are comprised of the following as at June 30, 2021.

		Gold prepay credit facility		**Stream loan credit facility**		**Offtake derivative liability**		**Total**
Principal	$	126,316	$	139,668	$	-	$	265,984
Interest accrued and capitalized at stated rate of 7.5%		13,713		14,058		-		27,771
Transaction costs		(2,457)		(2,378)		-		(4,835)
Derivative fair value adjustments		75,977		99,682		24,803		200,462
Total	$	213,549	$	251,030	$	24,803	$	489,382

Derivative fair value adjustments reflect the revaluation of the financial instruments at fair value as at June 30, 2021, including a portion of the cost of derivatives which are part of the long-term debt. The derivative gain or loss related to the Company's own credit risk recorded in other comprehensive income (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 17).

(a) Gold prepay credit facility

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

The Prepay Loan is amortized quarterly and matures on June 2025. Quarterly payments are equivalent to the value of 9,775 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 due quarterly and the balance of interest accrued to that date, if any, is a variable additional charge (the "Finance Charge"). If the average gold price in the fiscal quarter prior to repayment date is less than $1,436 per oz. or less than $1,062 per oz., repayments will be based on 11,500 oz. or 13,225 oz. of gold, respectively.

During the six months ended June 30, 2021, the Company made payments on account of principal and accrued interest under the Prepay Loan totaling $15.8 million (six months ended June 30, 2020 – nil) and $18.7 million (six months ended June 30, 2020 – nil), respectively (see Note 17).

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

7. Long-term debt (continued)

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

(b) Stream loan credit facility

The Stream Loan is a secured loan facility 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 Fruta del Norte, 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 due monthly and the balance of interest accrued to that date, if any, will be a Finance Charge.

During the six months ended June 30, 2021, the Company made payments on account of principal and accrued interest under the Stream Loan totaling $5.6 million (six months ended June 30, 2020 – $1.1 million) and $15.2 million (six months ended June 30, 2020 – $2.7 million), respectively (see Note 17). As at June 30, 2021, based on the projected life of mine production and other significant assumptions (see Note 17), the estimated fair value equivalent to 325,892 oz. of gold and 5,513,126 oz. of silver remains outstanding under the Stream Loan.

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 Company has elected to measure the Stream Loan as a financial liability measured at fair value through profit or loss.

(c) Offtake commitment

The lender of the Prepay Loan and Stream Loan has 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.

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

As at June 30, 2021		**Tranche A**		**Tranche B**		**Total**
Principal	$	215,000	$	86,000	$	301,000
Transaction costs, net of amortization		(13,423)		(4,598)		(18,021)
Total	$	201,577	$	81,402	$	282,979

7. Long-term debt (continued)

The Facility is a senior secured loan comprised of two tranches: a senior commercial facility ("Tranche A") and a senior covered facility under a raw material guarantee ("Tranche B"). 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 and matures in June 2026. In addition, accelerated quarterly principal repayments based on 30% of Fruta del Norte's excess cash flow apply after completion date as defined under the Facility ("Completion"). The current portion of long-term debt includes an estimate of additional quarterly principal repayments based on reaching Completion in 2021.

During the six months ended June 30, 2021, the Company paid $26.3 million of principal (six months ended June 30, 2020: nil) and $7.1 million (six months ended June 30, 2020 – $10.5 million) of interest relating to the Facility.

(e) 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 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 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.

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

8. 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, 2020		223,631,212	$	899,903
Proceeds from equity financing, net	(a)	4,772,500		41,419
Exercise of stock options		1,074,650		5,318
Exercise of anti-dilution rights	(b)	609,975		5,085
Balance at December 31, 2020		230,088,337		951,725
Exercise of stock options		1,675,850		8,941
Vesting of share units		31,500		318
Exercise of anti-dilution rights	(b)	743,889		7,432
Balance at June 30, 2021		232,539,576	$	968,416

(a) On June 11, 2020, the Company closed a bought deal equity financing (the "2020 Bought Deal") by issuing 4,772,500 shares of the Company at a price of CAD$12.05 per share for gross proceeds of CAD$57.5 million ($42.4 million), which included the exercise in full of the over-allotment option of an additional 622,500 shares. Share issue costs of $1.0 million were paid resulting in net proceeds of $41.4 million received by the Company in relation to the 2020 Bought Deal.

(b) During the six months ended June 30, 2021, the Company issued 743,889 common shares to Newcrest Mining Limited ("Newcrest") at a weighted average price of CAD$12.10 per share for total proceeds of $7.4 million. During the year ended December 31, 2020, 609,975 common shares were issued at a weighted average price of CAD$11.55 per share for total proceeds of $5.1 million. Both issuances were completed in accordance with Newcrest's anti-dilution rights granted as part of its initial investment into the Company.

9. 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. The Company's board of directors may also grant restricted share units that include performance criteria which vests based on a multiplier ("PSUs").

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

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

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 six months ended June 30, 2021, 793,700 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:

	Six months ended June 30, 2021		Year ended December 31, 2020	
	Number of stock options	Weighted average exercise price (CAD)	Number of stock options	Weighted average exercise price (CAD)
Balance, beginning of period	6,226,450	$ 6.00	6,508,200	$ 4.91
Granted	793,700	10.45	821,800	12.60
Cancelled	(57,963)	11.96	(28,900)	12.60
Exercised[(1)]	(1,675,850)	4.56	(1,074,650)	4.23
Balance outstanding, end of period	5,286,337	$ 7.06	6,226,450	$ 6.00
Balance exercisable, end of period	4,012,196	$ 5.72	4,634,800	$ 4.99

(1) The weighted average share price on the exercise date for the stock options exercised during the six months ended June 30, 2021 and year ended December 31, 2020 were CAD$10.39 and CAD$10.19, respectively.

The following table summarizes information concerning outstanding and exercisable options at June 30, 2021:

	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 (years)	Weighted average exercise price (CAD)
$ 4.90 to 5.21	2,027,100	1.22	$ 5.14	2,027,100	1.22	$ 5.14
$ 5.22 to 10.00	1,730,600	2.49	5.38	1,730,600	2.49	5.38
$ 10.01 to 12.60	1,528,637	4.17	11.51	254,496	3.65	12.60
	5,286,337	2.49	$ 7.06	4,012,196	1.92	$ 5.72

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

9. 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:

	June 30, 2021	December 31, 2020
Risk-free interest rate	0.35%	1.38%
Expected stock price volatility	36.19%	28.28%
Expected life	5 years	5 years
Expected dividend yield	-	-
Weighted-average fair value per option granted (CAD)	$3.35	$3.46

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 six months ended June 30, 2021, the Company recorded stock-based compensation expense of $0.9 million (six months ended June 30, 2020 – $1.2 million).

ii. Share units

Under the Omnibus Plan, the Company has granted restricted share units and deferred share units to eligible employees and non-employee directors as presented below.

	Restricted share units with performance criteria		Restricted share units		Deferred share units
	Settled in cash	Settled in shares	Settled in cash	Settled in shares	
Balance at January 1, 2020	-	-	-	-	-
Granted	148,000	-	29,500	34,600	1,639
Cancelled	-	-	(2,800)	-	-
Balance at December 31, 2020	148,000	-	26,700	34,600	1,639
Granted	-	187,300	-	82,200	27,221
Settled		-	-	(31,500)	-
Balance at June 30, 2021	148,000	187,300	26,700	85,300	28,860

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

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

Restricted share units with performance criteria

During the six months ended June 30, 2021, the Company granted 187,300 restricted share units with performance criteria that are settled in shares ("Share PSUs"). During the year ended December 31, 2020, the Company granted 148,000 restricted share units with performance criteria that are settled in cash ("Cash PSUs"). The Share PSUs and Cash PSUs were granted to eligible employees and vest three years from date of grant subject to continued employment and certain performance conditions being met. The number of Share PSUs and Cash 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 Share PSU entitles the recipient to a payment of one common share while each vested Cash 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.

Using Monte Carlo simulation, the fair value of Share PSUs was measured on the date of grant while the fair value of Cash PSUs was measured as at June 30, 2021 and December 31, 2020 with the following weighted-average assumptions:

	June 30, 2021		December
	Share PSUs	Cash PSUs	31, 2020
Risk-free interest rate	0.89%	0.53%	0.53%
Average expected volatility of the Company and its peer group	57.53%	55.03%	55.03%
Expected life	3 years	1.65 years	2.40 years
Expected dividend yield	-	-	-
Weighted-average fair value per unit (CAD)	$11.19	$10.38	$10.89

The fair value of Share PSUs measured at grant date are being amortized over the period during which the employees become unconditionally entitled to the Share PSUs. During the six months ended June 30, 2021, the Company recorded stock-based compensation expense of $0.2 million (six months ended June 30, 2020 – nil) relating to Share PSUs and has recorded a liability of $1.2 million to recognize the estimated fair value of the Cash PSUs as at June 30, 2021 (2020 – $1.6 million).

Restricted share units without performance criteria

During the six months ended June 30, 2021, the Company granted 82,200 restricted share units without performance criteria that are settled in shares ("Share RSUs"). During the year ended December 31, 2020, the Company granted 34,600 Share RSUs and 29,500 restricted share units without performance criteria that are settled in cash ("Cash RSUs"). The Share RSUs and Cash RSUs were granted to eligible employees and vest one to three years from date of grant subject to continued employment. Each vested Share RSU entitles the recipient to a payment in shares upon vesting while each vested Cash 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.

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

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

Using the Black-Scholes option pricing model, the fair value of the Share RSUs was measured on the date of grant while the fair value of the Cash RSUs was measured as at June 30, 2021 and December 31, 2020 with the following weighted-average assumptions:

	June 30, 2021		December 31, 2020	
	Share RSUs	Cash RSUs	Share RSUs	Cash RSUs
Risk-free interest rate	0.15%	0.30%	0.29%	0.26%
Expected stock price volatility	58.67%	47.51%	66.62%	52.58%
Expected life	1.86 years	1.65 years	0.85 years	2.15 years
Expected dividend yield	-	-	-	-
Weighted-average fair value per unit (CAD)	$12.81	$13.30	$14.26	$14.32

The fair value of Share RSUs measured at grant date are being amortized over the period during which the employees become unconditionally entitled to the Share RSUs. During the six months ended June 30, 2021, the Company recorded stock-based compensation expense of $0.2 million (six months ended June 30, 2020 – nil) relating to Share RSUs and has recorded a liability of $0.3 million to recognize the estimated fair value of the Cash RSUs as at June 30, 2021 (2020 – $0.3 million).

Deferred share units ("DSUs")

During the six months ended June 30, 2021 and year ended December 31, 2020, the Company granted 27,221 DSUs and 1,639 DSUs, respectively, to non-employee directors. The DSUs do not vest until the end of service as a director of the Company. Each vested DSU entitles the recipient to a payment in shares.

During the six months ended June 30, 2021, the Company recorded stock-based compensation expense of $0.2 million (six months ended June 30, 2020 – nil) relating to DSUs.

(b) Share Purchase Warrants

As at June 30, 2021 and December 31, 2020, there were 411,441 warrants issued and outstanding. 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 outstanding warrants have a weighted average remaining contractual life of nine months.

10. Administration

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Corporate social responsibility	$ 276	$ 98	$ 568	$ 422
Investor relations	34	82	80	129
Office and general	529	372	1,060	1,105
Professional fees	326	541	574	1,197
Regulatory and transfer agent	61	33	297	242
Salaries and benefits	887	596	3,800	5,674
Stock-based compensation	868	1,330	1,353	3,245
	$ 2,981	$ 3,052	$ 7,732	$ 12,014

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

11. Suspension of operations

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Salaries and benefits	$ -	$ 11,575	$ -	$ 13,003
Maintenance	-	4,125	-	4,364
Fixed administrative costs	-	3,518	-	4,062
Site services	-	1,749	-	2,197
COVID-19 expenditures	-	1,455	-	1,455
Other costs	-	1,272	-	1,734
Depletion and depreciation	-	2,247	-	2,489
	$ -	$ 25,941	$ -	$ 29,304

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 during the early part of 2020, the Company temporarily suspended operations at Fruta del Norte on March 22, 2020. Following three months of suspension of operations and the implementation of strict health and safety protocols in response to the COVID-19 pandemic, the Company re-started operations in early July 2020. Costs during this suspension period have been presented separately and are comprised principally of salaries and benefits, maintenance, COVID-19 related costs, and ongoing indirect fixed costs such as insurance and property taxes.

12. Finance expense

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest expense	$ 8,690	$ 10,700	$ 17,652	$ 14,531
Other finance costs	1,965	2,238	4,055	2,951
Accretion of transaction costs	1,098	1,100	2,187	1,473
Interest income	(83)	(67)	(146)	(298)
	$ 11,670	$ 13,971	$ 23,748	$ 18,657

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)).

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

13. Related party transactions

Key management compensation

Key management includes executive officers and directors of the Company. The compensation paid or payable to key management for employee services during the six months ended June 30 is shown below.

	June 30, 2021	June 30, 2020
Salaries, bonuses and benefits	$ 3,629	$ 5,066
Stock-based compensation	1,359	2,650
	$ 4,988	$ 7,716

14. Income taxes

Current income tax expense is generated from net income for tax purposes in Ecuador relating to operations at Fruta del Norte. In addition to corporate income taxes in Ecuador which are levied at a rate of 22%, included in current income tax expense is the portion of profit sharing payable to the Government of Ecuador which is calculated at the rate of 12% of net income for tax purposes. The employee portion of profit sharing, calculated at the rate of 3% of net income for tax purposes, is considered an employment benefit and included in operating costs.

Corporate income taxes payable in Ecuador of $14.7 million has been partially offset by tax credits available for use by the Company of $4.9 million while the Government of Ecuador portion of profit sharing totalling $11.3 million has been accrued within current income taxes payable. The employee portion of profit sharing totalling $3.8 million has been accrued within accounts payable and accrued liabilities.

Deferred income tax recovery or expense relates to the tax associated with the derivative gain or loss in other comprehensive income during the three and six months ended June 30, 2021, respectively.

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

14. Income taxes (continued)

The rates used in Ecuador differ from the amount that would result from applying the Canadian federal and provincial income tax rates to net loss before tax. These differences result from the following items:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Net income (loss) before tax	$ 67,228	$ (64,374)	$ 164,130	$ (73,705)
Canadian federal and provincial income tax rates	27.00%	27.00%	27.00%	27.00%
Income tax expense (recovery) based on the above rates	18,152	(17,381)	44,315	(19,900)
Increase (decrease) due to:				
Differences in foreign tax rates	8,310	(3,998)	12,738	(4,056)
Non-deductible costs	1,872	722	3,457	1,990
Losses and temporary differences for which an income tax asset has not been recognized	(394)	20,657	463	21,966
Benefits of previously unrecognized deferred income tax assets	(10,696)	-	(32,807)	-
Income tax expense	$ 17,244	$ -	$ 28,166	$ -

15. Supplemental cash flow information

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Change in trade receivables and other current assets related to:				
Sales recognized as a reduction of property, plant and equipment	$ -	$ 9,036	$ -	$ 20,936
Change in accounts payable and accrued liabilities related to:				
Acquisition of property, plant and equipment	2,690	(3,320)	2,021	(39,937)

16. 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.

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

16. Segmented information (continued)

The Company's primary business activity is the Fruta del Norte operating mine 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.

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 June 30, 2021				
Current assets	$ 351,253	$ 1,613	$ 51,989	$ 404,855
Non-current assets	1,185,994	-	-	1,185,994
Total assets	1,537,247	1,613	51,989	1,590,849
Current liabilities	294,513	844	488	295,845
Non-current liabilities	561,901	-	1,525	563,426
Total liabilities	856,414	844	2,013	859,271
For the three months ended June 30, 2021				
Capital expenditures	16,157	-	-	16,157
Revenues	216,145	-	-	216,145
Income from mining operations	110,604	-	-	110,604
Corporate administration	(706)	(40)	(2,235)	(2,981)
Exploration expenditures	-	(2,377)	-	(2,377)
Suspension of operations	-	-	-	-
Finance income (expense)	(11,704)	-	34	(11,670)
Other expense	(129)	-	(620)	(749)
Derivative loss	(25,599)	-	-	(25,599)
Income tax expense	(17,244)	-	-	(17,244)
Net income (loss) for the period	55,222	(2,417)	(2,821)	49,984
For the six months ended June 30, 2021				
Capital expenditures	28,397	-	-	28,397
Revenues	356,136	-	-	356,136
Income from mining operations	174,635	-	-	174,635
Corporate administration	(1,390)	(42)	(6,300)	(7,732)
Exploration expenditures	-	(3,600)	-	(3,600)
Suspension of operations	-	-	-	-
Finance income (expense)	(23,814)	-	66	(23,748)
Other expense	(191)	-	(1,158)	(1,349)
Derivative gain	25,924	-	-	25,924
Income tax expense	(28,166)	-	-	(28,166)
Net income (loss) for the period	146,998	(3,642)	(7,392)	135,964

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

16. Segmented information (continued)

	Fruta del Norte	Other concessions	Corporate and other	Total
As at June 30, 2020				
Current assets	$ 116,297	$ 568	$ 58,846	$ 175,711
Non-current assets	1,231,520	-	-	1,231,520
Total assets	1,347,817	568	58,846	1,407,231
Current liabilities	181,906	208	802	182,916
Non-current liabilities	655,370	-	1,958	657,328
Total liabilities	837,276	208	2,760	840,244
For the three months ended June 30, 2020				
Capital expenditures	9,386	-	-	9,386
Revenues	13,146	-	-	13,146
Income from mining operations	4,442	-	-	4,442
Corporate administration	(339)	(35)	(2,678)	(3,052)
Exploration expenditures	-	(586)	-	(586)
Suspension of operations	(25,941)	-	-	(25,941)
Finance income (expense)	(14,032)	-	61	(13,971)
Other income	37	-	429	466
Suspension of operations	(25,732)	-	-	(25,732)
Net loss for the period	(61,565)	(621)	(2,188)	(64,374)
For the six months ended June 30, 2020				
Capital expenditures	14,733	-	-	14,733
Revenues	50,002	-	-	50,002
Income from mining operations	14,778	-	-	14,778
Corporate administration	(2,087)	(38)	(9,889)	(12,014)
Exploration expenditures	-	(1,681)	-	(1,681)
Suspension of operations	(29,304)	-	-	(29,304)
Finance income (expense)	(18,941)	-	284	(18,657)
Other income	41	-	1,433	1,474
Derivative loss	(28,301)	-	-	(28,301)
Net loss for the period	(63,814)	(1,719)	(8,172)	(73,705)

17. Financial instruments

The Company's financial instruments include 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.

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

17. Financial instruments (continued)

(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 six months ended June 30, 2021 and year ended December 31, 2020. 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, 2019	$ 234,917	$ 290,124	$ 26,856	$ 551,897
Principal paid	(7,895)	(4,767)	-	(12,662)
Interest paid	(10,433)	(13,185)	-	(23,618)
Interest accrued at stated rate of 7.5%	11,387	11,302	-	22,689
Accretion of transaction costs	614	191	-	805
Derivative fair value adjustments recognized in:				
Property, plant and equipment	735	866	-	1,601
Derivative loss	59,961	71,571	5,452	136,984
Other comprehensive loss	(40,458)	(87,631)	-	(128,089)
Change in derivative fair values	20,238	(15,194)	5,452	10,496
Balance, December 31, 2020	$ 248,828	$ 268,471	$ 32,308	$ 549,607
Principal paid	(15,790)	(5,564)	-	(21,354)
Interest paid	(18,655)	(15,173)	-	(33,828)
Interest accrued at stated rate of 7.5%	5,254	5,364	-	10,618
Accretion of transaction costs	307	94	-	401
Derivative fair value adjustments recognized in:				
Derivative gain	(11,687)	(6,732)	(7,505)	(25,924)
Other comprehensive income	5,292	4,570	-	9,862
Change in derivative fair values	(6,395)	(2,162)	(7,505)	(16,062)
Balance, June 30, 2021	$ 213,549	$ 251,030	$ 24,803	$ 489,382

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

17. Financial instruments (continued)

(c) Significant assumptions in valuation and relationship to fair value

The financial liabilities above were valued using Monte Carlo simulation valuation models. The significant assumptions used in the Monte Carlo valuation models include: the gold forward prices, gold price volatility, the risk-free rate of return, risk-adjusted discount rates, and the projected life of mine production schedule. In addition, in valuing the Stream Loan, the silver forward prices, silver price volatility, and the gold/silver price correlation were also used.

As the gold price and silver price volatilities and risk-adjusted discount rates are unobservable 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 June 30, 2021	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Long-term debt	$	489,382	Expected volatility	13% to 35%	An increase or decrease in expected volatility of 5% would increase or decrease fair value by $5.8 million or $6.9 million, respectively
			Risk-adjusted discount rate	13% to 15%	An increase or decrease in risk-adjusted discount rate of 1% would decrease or increase fair value by $14.6 million or $14.0 million, respectively

(d) Valuation processes

The valuation of financial instruments classified as Level 3 of the fair value hierarchy were prepared by an independent valuation specialist 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 reported to the audit committee at least once every three months, in line with the Company's quarterly reporting periods.

18. Commitments

Significant capital expenditures contracted as at June 30, 2021 but not recognized as liabilities are as follows:

		Capital Expenditures
12 months ending June 30, 2022	$	21,068
July 1, 2022 onward		-
Total	$	21,068

Corporate Information

BOARD OF DIRECTORS
Lukas H. Lundin, Chairman
Geneva, Switzerland
Carmel Daniele
London, United Kingdom
Gillian Davidson
Edinburgh, United Kingdom
Ian Gibbs
Vancouver, Canada
Chantal Gosselin
Vancouver, Canada
Ashley Heppenstall
London, United Kingdom
Ron F. Hochstein
Vancouver, Canada
Craig Jones
Queensland, Australia
Paul McRae
Algarve, Portugal
Bob Thiele
Queensland, Australia

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
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, BC 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 1ro de Mayo y 12 de Febrero,
esquina
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, BC V6C 3B9
Telephone: 1-800-564-6253

AUDITOR
PricewaterhouseCoopers LLP
250 Howe St, Suite700
Vancouver, BC V6C 3S7
Telephone: 604-806-7000

ADDITIONAL INFORMATION
Further information about Lundin Gold
is available by contacting:
Finlay Heppenstall
Director, 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

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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