

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
Ron F. Hochstein

/s/ Ian W. Gibbs
Ian W. Gibbs

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

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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)

	Note	Three months ended June 30,		Six months ended June 30,	
		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.

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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.

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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,		Six months ended June 30,	
		2021	2020	2021	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.

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LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2021

(Unaudited – Prepared by Management)

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

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.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2021

(Unaudited – Prepared by Management)

(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

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2021

(Unaudited – Prepared by Management)

(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

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2021

(Unaudited – Prepared by Management)

(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

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2021

(Unaudited – Prepared by Management)

(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).

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2021

(Unaudited – Prepared by Management)

(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

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2021

(Unaudited – Prepared by Management)

(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 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.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2021

(Unaudited – Prepared by Management)

(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”).

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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:

Range of exercise prices (CAD)	Outstanding options			Exercisable options		
	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

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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

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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.

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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		Six months ended	
	June 30,		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

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11. Suspension of operations

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	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		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	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)).

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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.

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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		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	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		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	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.

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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

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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.

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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

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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