

LUNDIN GOLD INC.

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

	Note	September 30, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	7	\$ 303,639	\$ 262,608
Trade receivables and other current assets	3	172,803	167,683
Inventories	4	93,182	84,946
Advance royalty		10,842	13,000
		580,466	528,237
Non-current assets			
VAT recoverable		49,302	54,052
Advance royalty		19,828	29,494
Property, plant and equipment	5	796,424	835,074
Mineral properties	6	188,570	207,146
Deferred income tax asset		-	31,110
		\$ 1,634,590	\$ 1,685,113
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 63,084	\$ 67,968
Income taxes payable		46,485	54,847
Other current liabilities	9	1,214	-
Current portion of long-term debt	7	216,010	188,201
		326,793	311,016
Non-current liabilities			
Long-term debt	7	373,909	551,776
Other non-current liabilities	9	-	1,406
Reclamation provisions		6,896	6,438
Deferred income tax liabilities		5,821	-
		713,419	870,636
EQUITY			
Share capital	8	986,851	974,740
Equity-settled share-based payment reserve	9	13,891	13,570
Accumulated other comprehensive income		6,329	6,851
Deficit		(85,900)	(180,684)
		921,171	814,477
		\$ 1,634,590	\$ 1,685,113

Commitments (Note 17)

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.

LUNDINGOLD

LUNDIN GOLD INC.

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Revenues		\$ 210,425	\$ 190,753	\$ 604,705	\$ 546,889
Cost of goods sold					
Operating expenses		75,598	61,465	194,355	170,423
Royalty expenses		12,787	11,089	35,454	31,884
Depletion and depreciation		38,110	28,768	97,237	80,516
		126,495	101,322	327,046	282,823
Income from mining operations		83,930	89,431	277,659	264,066
Other expenses (income)					
Corporate administration	10	4,958	3,112	14,553	10,844
Exploration		4,969	2,473	10,595	6,073
Finance expense	11	22,184	11,432	77,943	35,180
Other expense (income)		(4,925)	(845)	(5,538)	504
Derivative loss (gain)	7	(41,838)	636	(47,100)	(25,288)
		(14,652)	16,808	50,453	27,313
Net income before tax		98,582	72,623	227,206	236,753
Income tax expense					
Current income tax expense	13	14,614	14,463	51,757	40,460
Deferred income tax expense	13	21,295	1,487	33,632	3,656
		35,909	15,950	85,389	44,116
Net income for the period		\$ 62,673	\$ 56,673	\$ 141,817	\$ 192,637
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified to net loss					
Currency translation adjustment		(6,706)	(1,731)	(7,742)	(265)
Items that will not be reclassified to net loss					
Derivative gain (loss) related to the Company's own credit risk	7	1,454	(6,755)	10,518	(16,617)
Deferred income tax on accumulated other comprehensive income	13	(456)	1,487	(3,298)	3,656
Comprehensive income		\$ 56,965	\$ 49,674	\$ 141,295	\$ 179,411
Income per common share					
Basic		\$ 0.27	\$ 0.24	\$ 0.60	\$ 0.83
Diluted		0.26	0.24	0.60	0.82
Weighted-average number of common shares					
Basic		235,165,784	232,723,880	234,641,484	231,831,680
Diluted		236,882,976	235,017,999	236,509,402	234,314,678

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

LUNDINGOLD

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, 2021		230,088,337	\$ 951,725	\$ 14,732	\$ 22,511	\$ (402,110)	\$ 586,858
Exercise of stock options		2,097,387	11,639	(3,760)	-	-	7,879
Vesting of share units		40,769	404	(404)	-	-	-
Exercise of anti-dilution rights	8	833,299	8,217	-	-	-	8,217
Stock-based compensation	9	-	-	2,372	-	-	2,372
Other comprehensive loss		-	-	-	(13,226)	-	(13,226)
Net income for the period		-	-	-	-	192,637	192,637
Balance, September 30, 2021		233,059,792	\$ 971,985	\$ 12,940	\$ 9,285	\$ (209,473)	\$ 784,737
Balance, January 1, 2022		233,361,883	\$ 974,740	\$ 13,570	\$ 6,851	\$ (180,684)	\$ 814,477
Exercise of stock options		874,200	5,342	(1,787)	-	-	3,555
Vesting of share units	9	41,000	406	(406)	-	-	-
Exercise of anti-dilution rights	8	477,260	3,918	-	-	-	3,918
Exercise of warrants	9	411,441	2,445	(511)	-	-	1,934
Stock-based compensation	9	-	-	3,025	-	-	3,025
Other comprehensive loss		-	-	-	(522)	-	(522)
Net income for the period		-	-	-	-	141,817	141,817
Dividends paid		-	-	-	-	(47,033)	(47,033)
Balance, September 30, 2022		235,165,784	\$ 986,851	\$ 13,891	\$ 6,329	\$ (85,900)	\$ 921,171

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

LUNDINGOLD

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 September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
OPERATING ACTIVITIES					
Net income for the period		\$ 62,673	\$ 56,673	\$ 141,817	\$ 192,637
Items not affecting cash:					
Depletion and depreciation		38,111	28,777	97,254	80,542
Stock-based compensation	9	1,099	723	2,932	2,076
Derivative loss (gain)	16(b)	(41,838)	636	(47,100)	(25,288)
Other expense (income)		(5,036)	(987)	(5,597)	50
Finance expense		21,730	10,618	76,340	32,663
Deferred income tax expense		21,295	1,487	33,632	3,656
		98,034	97,927	299,278	286,336
Changes in non-cash working capital items:					
Trade receivables and other current assets		(13,966)	(21,550)	1,208	(12,539)
Inventories		2,016	(1,037)	(8,200)	(10,798)
Advance royalty		5,324	4,646	11,824	10,113
Accounts payable and accrued liabilities		(594)	(1,883)	(5,219)	810
Income taxes payable		12,449	14,463	(8,362)	35,586
Interest received		1,476	92	2,226	238
Net cash provided by operating activities		104,739	92,658	292,755	309,746
FINANCING ACTIVITIES					
Repayments of long-term debt	7	(14,429)	(19,635)	(98,133)	(67,239)
Interest paid	7	(7,386)	(20,829)	(20,687)	(61,734)
Finance charge paid	7	(12,845)	-	(49,225)	-
Proceeds from exercise of stock options		-	1,830	3,555	7,879
Proceeds from exercise of anti-dilution rights		-	785	3,918	8,217
Proceeds from exercise of warrants		-	-	1,934	-
Dividends paid		(47,033)	-	(47,033)	-
Net cash used for financing activities		(81,693)	(37,849)	(205,671)	(112,877)
INVESTING ACTIVITIES					
Acquisition and development of property, plant and equipment		(17,427)	(22,472)	(40,023)	(48,848)
VAT paid on investing activities		(1,879)	(2,243)	(4,564)	(5,475)
Net cash used for investing activities		(19,306)	(24,715)	(44,587)	(54,323)
Effect of foreign exchange rate differences on cash		(1,133)	(466)	(1,466)	(310)
Net increase in cash and cash equivalents		2,607	29,628	41,031	142,236
Cash and cash equivalents, beginning of period		301,032	192,200	262,608	79,592
Cash and cash equivalents, end of period		\$ 303,639	\$ 221,828	\$ 303,639	\$ 221,828

Supplemental cash flow information (Note 14)

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

LUNDINGOLD

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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” and the OTCQX Best Market under the symbol “LUGDF”. The Company was originally incorporated in British Columbia and continued under the Canada Business Corporations Act in 2002.

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

2. Basis of preparation and consolidation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board (“IFRS”), 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, 2021.

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, 2021.

These financial statements were approved for issue by the Board of Directors on November 8, 2022.

3. Trade receivables and other current assets

	September 30, 2022	December 31, 2021
Trade receivables (a)	\$ 94,367	\$ 96,471
VAT recoverable (b)	61,650	51,838
Prepaid expenses and deposits	16,786	19,374
	\$ 172,803	\$ 167,683

- (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 five 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.

Concentrate sales are first recorded based on provisional prices. For sales that are provisionally priced as at September 30, 2022, an adjustment is estimated and recorded using the forward gold price at quarter end for the expected month to be used to determine final gold price for each individual sale. This adjustment resulted in a decrease of \$10.8 million in trade receivables and revenues as of September 30, 2022 (December 31, 2021- nil).

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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 (continued)

- (b) Subject to submission of monthly claims and their acceptance by the applicable tax authorities, VAT paid in Ecuador by the Company after January 1, 2018 will be refunded or applied as a credit against other taxes payable, based on the level of export sales in any given month. Therefore, a portion of the VAT recoverable has been reclassified as current assets.

4. Inventories

	September 30, 2022	December 31, 2021
Ore stockpile	\$ 18,449	\$ 19,750
Gold in circuit	4,582	3,057
Doré and concentrate	14,607	11,203
Materials and supplies	55,544	50,936
	\$ 93,182	\$ 84,946

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, 2021	\$ 6,099	\$ 846,018	\$ 54,881	\$ 22,018	\$ 2,641	\$ 931,657
Additions	49,591	1,129	1,009	1,917	118	53,764
Disposals and other	-	(1,260)	(25)	(857)	(74)	(2,216)
Reclassifications	(28,154)	28,154	-	-	-	-
Cumulative translation adjustment	-	57	-	-	-	57
Balance, December 31, 2021	27,536	874,098	55,865	23,078	2,685	983,262
Additions	16,333	20,602	708	1,717	1,099	40,459
Reclassifications	(15,843)	15,843	-	-	-	-
Cumulative translation adjustment	-	(1,046)	-	-	(6)	(1,052)
Balance, September 30, 2022	\$ 28,026	\$ 909,497	\$ 56,573	\$ 24,795	\$ 3,778	\$ 1,022,669

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

Accumulated depletion and depreciation	Construction-in-progress	Mine and plant facilities	Machinery and equipment	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2021	\$ -	\$ 36,713	\$ 11,775	\$ 9,349	\$ 1,672	\$ 59,509
Depletion and depreciation	-	77,753	6,718	4,348	439	89,258
Disposals and other	-	-	-	(508)	(74)	(582)
Cumulative translation adjustment	-	3	-	-	-	3
Balance, December 31, 2021	-	114,469	18,493	13,189	2,037	148,188
Depletion and depreciation	-	69,697	5,028	3,335	204	78,264
Cumulative translation adjustment	-	(201)	-	-	(6)	(207)
Balance, September 30, 2022	\$ -	\$ 183,965	\$ 23,521	\$ 16,524	\$ 2,235	\$ 226,245
Net book value						
As at December 31, 2021	\$ 27,536	\$ 759,629	\$ 37,372	\$ 9,889	\$ 648	\$ 835,074
As at September 30, 2022	\$ 28,026	\$ 725,532	\$ 33,052	\$ 8,271	\$ 1,543	\$ 796,424

6. Mineral properties

Cost	Fruta del Norte
Balance, January 1, 2021	\$ 231,097
Adjustments to restoration asset	376
Depletion	(24,327)
Balance, December 31, 2021	207,146
Depletion	(18,576)
Balance, September 30, 2022	\$ 188,570

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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

	September 30, 2022	December 31, 2021
Gold prepay credit facility (a)	\$ 147,680	\$ 197,780
Stream loan credit facility (b)	225,067	263,614
Offtake derivative liability (c)	25,481	27,038
Senior debt facility (d)	191,691	251,545
	\$ 589,919	\$ 739,977
Less: current portion		
Gold prepay credit facility	59,871	65,030
Stream loan credit facility	41,299	49,087
Offtake derivative liability	4,202	3,539
Senior debt facility	110,638	70,545
Long-term portion	\$ 373,909	\$ 551,776

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 September 30, 2022.

	Gold prepay credit facility	Stream loan credit facility	Offtake derivative liability	Total
Principal	\$ 86,842	\$ 123,058	-	\$ 209,900
Transaction costs	(1,689)	(2,124)	-	(3,813)
Derivative fair value adjustments	62,527	104,133	25,481	192,141
Total	\$ 147,680	\$ 225,067	\$ 25,481	\$ 398,228

Derivative fair value adjustments reflect the revaluation of the financial instruments at fair value as at September 30, 2022. 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 statement of financial position date (see also Note 16).

(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 in 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 nine months ended September 30, 2022, the Company made payments under the Prepay Loan totaling \$56.4 million (nine months ended September 30, 2021 – \$51.6 million) of which \$23.7 million (nine months ended September 30, 2021 – \$23.7 million) was paid on account of principal; \$5.8 million (nine months ended September 30, 2021 – \$27.9 million) for accrued interest; and \$26.9 million (nine months ended September 30, 2021 – nil) for the Finance Charge (see Note 16).

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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, is considered a Finance Charge.

During the nine months ended September 30, 2022, the Company made payments under the Stream Loan totaling \$39.1 million (nine months ended September 30, 2021 – \$32.0 million) of which \$9.5 million (nine months ended September 30, 2021 – \$8.6 million) was paid on account of principal; \$7.2 million (nine months ended September 30, 2021 – \$23.4 million) for accrued interest; and \$22.4 million (nine months ended September 30, 2021 – nil) for the Finance Charge (see Note 16). As at September 30, 2022, based on the projected life of mine production and other significant assumptions (see Note 16), the estimated fair value equivalent to 287,135 oz. of gold and 5,051,037 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.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

(d) Senior debt facility (the “Facility”)

As at September 30, 2022	Tranche A	Tranche B	Total
Principal	\$ 144,873	\$ 57,949	\$ 202,822
Accrued interest	1,169	301	1,470
Transaction costs, net of amortization	(9,386)	(3,215)	(12,601)
Total	\$ 136,656	\$ 55,035	\$ 191,691

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 (the “Cash Sweep”) apply starting in 2022 for which an estimate is included in the current portion of long-term debt.

During the nine months ended September 30, 2022, the Company paid \$64.9 million of principal (nine months ended September 30, 2021 – \$35.0 million) and \$7.6 million (nine months ended September 30, 2021 – \$10.4 million) of interest relating to the Facility. The principal repaid during the nine months ended September 30, 2022 includes \$35.2 million (nine months ended September 30, 2021 – nil) paid on account of the Cash Sweep.

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 including maintaining a minimum cash balance of \$40 million in its operating subsidiary as its debt service reserve balance. 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 September 30, 2022

(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

During the nine months ended September 30, 2022, the Company issued 477,260 common shares to Newcrest Mining Limited (“Newcrest”) at a weighted average price of CAD\$10.50 per share for total proceeds of \$3.9 million. During the year ended December 31, 2021, 1,036,027 common shares were issued to Newcrest at a weighted average price of CAD\$11.97 per share for total proceeds of \$10.1 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

Under an omnibus incentive plan (the “Omnibus Plan”) that allows for the reservation of a maximum 6% of the common shares issued and outstanding for issuance at any given time, 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 vest based on a multiplier (“PSUs”).

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

Recipients of share units granted and outstanding on a dividend record date are entitled to receive an award of additional share units equal to the cash dividends declared and paid on the Company’s common shares (“Dividend Equivalent”). Dividend Equivalents are calculated in accordance with the Omnibus Plan based on the number of share units held, the dividend per share and the weighted average trading price of the Company’s shares on the TSX for the five days preceding the date the dividend was paid. These additional share units are subject to the same terms and conditions as the underlying share units.

i. Stock options

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

During the nine months ended September 30, 2022, 772,800 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.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

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

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

	Nine months ended September 30, 2022		Year ended December 31, 2021	
	Number of stock options	Weighted average exercise price (CAD)	Number of stock options	Weighted average exercise price (CAD)
Balance, beginning of period	4,863,400	\$ 7.26	6,226,450	\$ 6.00
Granted	772,800	9.86	893,700	10.55
Forfeited	-	-	(67,500)	12.05
Exercised ⁽¹⁾	(874,200)	5.18	(2,189,250)	4.88
Balance outstanding, end of period	4,762,000	\$ 8.06	4,863,400	\$ 7.26
Balance exercisable, end of period	3,174,263	\$ 6.83	3,531,122	\$ 5.74

⁽¹⁾ The weighted average share price on the exercise date for the stock options exercised during the nine months ended September 30, 2022 and year ended December 31, 2021 were CAD\$10.45 and CAD\$10.43, respectively.

The following table summarizes information concerning outstanding and exercisable options at September 30, 2022:

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 5.30	1,135,900	0.66	\$ 5.15	1,135,900	0.66	\$ 5.15
\$ 5.31 to 10.00	2,009,400	2.48	6.97	1,285,600	1.39	5.38
\$ 10.01 to 12.60	1,616,700	3.03	11.47	752,763	2.81	11.83
	4,762,000	2.23	\$ 8.06	3,174,263	1.47	\$ 6.83

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:

	September 30, 2022	December 31, 2021
Risk-free interest rate	1.62%	0.39%
Expected stock price volatility	36.51%	36.13%
Expected life	5 years	5 years
Expected dividend yield	-	-
Weighted-average fair value per option granted (CAD)	\$3.40	\$3.38

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

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

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 nine months ended September 30, 2022, the Company recorded stock-based compensation expense of \$1.6 million (nine months ended September 30, 2021 – \$1.3 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, 2021	148,000	-	26,700	34,600	1,639
Granted	-	187,300	-	118,300	32,738
Cancelled	-	-	(2,100)	(4,900)	-
Settled	-	-	-	(37,200)	(11,069)
Balance at December 31, 2021	148,000	187,300	24,600	110,800	23,308
Granted	-	196,500	-	86,800	9,552
Granted - Dividend Equivalent	4,052	10,506	670	4,271	861
Settled	-	-	-	(41,000)	-
Balance at September 30, 2022	152,052	394,306	25,270	160,871	33,721

Restricted share units with performance criteria ("PSUs")

During the nine months ended September 30, 2022, the Company granted 196,500 PSUs that are settled in shares ("Share PSUs"). In addition, in connection with the Company's inaugural dividend in the third quarter, 10,506 Share PSUs and 4,052 PSUs that are settled in cash ("Cash PSUs") were granted as Dividend Equivalents. During the year ended December 31, 2021, the Company granted 187,300 Share PSUs. 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.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

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

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 September 30, 2022 and December 31, 2021 with the following weighted-average assumptions:

	September 30, 2022		December 31, 2021	
	Share PSUs	Cash PSUs	Share PSUs	Cash PSUs
Risk-free interest rate	2.20%	1.17%	0.89%	1.17%
Average expected volatility of the Company and its peer group	50.54%	43.15%	57.53%	43.15%
Expected life	3 years	0.40 years	3 years	1.40 years
Expected dividend yield	-	-	-	-
Weighted-average fair value per unit (CAD)	\$9.33	\$9.34	\$11.19	\$10.14

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 nine months ended September 30, 2022, the Company recorded stock-based compensation expense of \$0.7 million (nine months ended September 30, 2021 – \$0.3 million) relating to Share PSUs and has recorded a liability of \$1.0 million to recognize the estimated fair value of the Cash PSUs as at September 30, 2022 (as at December 31, 2021 – \$1.2 million).

Restricted share units without performance criteria (“RSUs”)

During the nine months ended September 30, 2022, the Company granted 86,800 RSUs that are settled in shares (“Share RSUs”). In addition, in connection with the Company’s inaugural dividend in the third quarter, 4,271 Share RSUs and 670 RSUs that are settled in cash (“Cash RSUs”) were granted as Dividend Equivalents. During the year ended December 31, 2021, the Company granted 118,300 Share 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.

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 September 30, 2022 and December 31, 2021 with the following weighted-average assumptions:

	September 30, 2022		December 31, 2021	
	Share RSUs	Cash RSUs	Share RSUs	Cash RSUs
Risk-free interest rate	1.22%	2.48%	0.22%	1.04%
Expected stock price volatility	44.54%	35.21%	53.30%	37.71%
Expected life	1.99 years	0.40 years	1.70 years	1.15 years
Expected dividend yield	-	-	-	-
Weighted-average fair value per unit (CAD)	\$12.42	\$9.61	\$12.87	\$11.44

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

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

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 nine months ended September 30, 2022, the Company recorded stock-based compensation expense of \$0.7 million (nine months ended September 30, 2021 – \$0.5 million) relating to Share RSUs and has recorded a liability of \$0.2 million to recognize the estimated fair value of the Cash RSUs as at September 30, 2022 (as at December 31, 2021 – \$0.2 million).

Deferred share units (“DSUs”)

During the nine months ended September 30, 2022 and year ended December 31, 2021, the Company granted 9,552 DSUs and 32,738 DSUs, respectively, to non-employee directors of which 11,069 DSUs vested and were settled in 2021. In addition, in connection with the Company’s inaugural dividend in the third quarter, 861 DSUs were granted as Dividend Equivalents. 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 nine months ended September 30, 2022, the Company recorded stock-based compensation expense of \$0.1 million (nine months ended September 30, 2021 – \$0.2 million) relating to DSUs.

(b) Share Purchase Warrants

As at December 31, 2021, there were 411,441 warrants issued and outstanding. During the nine months ended September 30, 2022, all outstanding warrants were exercised.

10. Administration

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Corporate social responsibility	\$ 436	\$ 363	\$ 1,247	\$ 931
Investor relations	135	55	305	135
Office and general	913	500	2,576	1,560
Professional fees	568	605	1,547	1,179
Regulatory and transfer agent	36	49	370	346
Salaries and benefits	1,771	817	5,576	4,617
Stock-based compensation	1,099	723	2,932	2,076
	\$ 4,958	\$ 3,112	\$ 14,553	\$ 10,844

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

11. Finance expense

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest expense	\$ 7,279	\$ 8,457	\$ 22,158	\$ 26,109
Finance charge	12,845	-	49,225	-
Other finance costs	1,513	1,957	4,563	6,012
Accretion of transaction costs	2,023	1,110	4,223	3,297
Interest income	(1,476)	(92)	(2,226)	(238)
	\$ 22,184	\$ 11,432	\$ 77,943	\$ 35,180

12. 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 nine months ended September 30 is shown below.

	September 30,		September 30,	
	2022	2021	2022	2021
Salaries, bonuses and benefits	\$ 4,927	\$ 4,361		
Stock-based compensation	2,168	1,837		
	\$ 7,095	\$ 6,198		

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

13. 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% and dividend withholding taxes levied at a rate of 5% related to the anticipated portion of net income distributed from Ecuador, 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.

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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net income before tax	\$ 98,582	\$ 72,623	\$ 227,206	\$ 236,753
Canadian federal and provincial income tax rates	27.00%	27.00%	27.00%	27.00%
Income tax expense based on the above rates	26,617	19,608	61,346	63,923
Increase (decrease) due to:				
Differences in foreign tax rates	3,696	5,767	13,019	18,505
Non-deductible costs	476	2,361	2,382	5,818
Withholding taxes (current and deferred)	6,109	-	9,270	-
Losses and temporary differences for which an income tax asset has not been recognized	(989)	(698)	(628)	(235)
Benefits of previously unrecognized deferred income tax assets	-	(11,088)	-	(43,895)
Income tax expense	\$ 35,909	\$ 15,950	\$ 85,389	\$ 44,116

14. Supplemental cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Income taxes paid	\$ -	\$ -	\$ 54,376	\$ -
Increase (decrease) in accounts payable and accrued liabilities related to:				
Acquisition of property, plant and equipment	(684)	(2,371)	436	(350)

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

15. Segmented information

Operating segments are components of an entity that engage in business activities from which they incur expenses and whose operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. The Chief Executive Officer is responsible for allocating resources and reviewing operating results of each operating segment on a periodic basis.

The Company's primary business activity is the 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 income (loss) by segment:

	Fruta del Norte	Exploration activities	Corporate and other	Total
As at September 30, 2022				
Current assets	\$ 484,163	\$ 8,345	\$ 87,958	\$ 580,466
Non-current assets	1,054,124	-	-	1,054,124
Total assets	1,538,287	8,345	87,958	1,634,590
Current liabilities	317,843	1,762	7,188	326,793
Non-current liabilities	382,626	-	4,000	386,626
Total liabilities	700,469	1,762	11,188	713,419
For the three months ended September 30, 2022				
Revenues	210,425	-	-	210,425
Income from mining operations	83,930	-	-	83,930
Corporate administration	(1,452)	(17)	(3,489)	(4,958)
Exploration expenditures	-	(4,969)	-	(4,969)
Finance income (expense)	(22,495)	-	311	(22,184)
Other income (expense)	(192)	-	5,117	4,925
Derivative gain	41,838	-	-	41,838
Income tax expense	(31,451)	-	(4,458)	(35,909)
Net income (loss) for the period	70,178	(4,986)	(2,519)	62,673
For the nine months ended September 30, 2022				
Revenues	604,705	-	-	604,705
Income from mining operations	277,659	-	-	277,659
Corporate administration	(3,679)	(66)	(10,808)	(14,553)
Exploration expenditures	-	(10,595)	-	(10,595)
Finance income (expense)	(78,453)	-	510	(77,943)
Other income (expense)	(190)	-	5,728	5,538
Derivative gain	47,100	-	-	47,100
Income tax expense	(76,119)	-	(9,270)	(85,389)
Net income (loss) for the period	166,318	(10,661)	(13,840)	141,817

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

15. Segmented information (continued)

	Fruta del Norte	Exploration activities	Corporate and other	Total
As at September 30, 2021				
Current assets	\$ 405,374	\$ 1,525	\$ 51,004	\$ 457,903
Non-current assets	1,172,927	-	-	1,172,927
Total assets	1,578,301	1,525	51,004	1,630,830
Current liabilities	320,067	1,177	520	321,764
Non-current liabilities	522,990	-	1,339	524,329
Total liabilities	843,057	1,177	1,859	846,093
For the three months ended September 30, 2021				
Revenues	190,753	-	-	190,753
Income from mining operations	89,431	-	-	89,431
Corporate administration	(1,042)	(8)	(2,062)	(3,112)
Exploration expenditures	-	(2,473)	-	(2,473)
Finance income (expense)	(11,463)	-	31	(11,432)
Other income (expense)	(271)	20	1,096	845
Derivative loss	(636)	-	-	(636)
Income tax expense	(15,950)	-	-	(15,950)
Net income (loss) for the period	60,069	(2,461)	(935)	56,673
For the nine months ended September 30, 2021				
Revenues	546,889	-	-	546,889
Income from mining operations	264,066	-	-	264,066
Corporate administration	(2,432)	(50)	(8,362)	(10,844)
Exploration expenditures	-	(6,073)	-	(6,073)
Finance income (expense)	(35,277)	-	97	(35,180)
Other income (expense)	(462)	20	(62)	(504)
Derivative gain	25,288	-	-	25,288
Income tax expense	(44,116)	-	-	(44,116)
Net income (loss) for the period	207,067	(6,103)	(8,327)	192,637

16. Financial instruments

The Company's financial instruments include cash, cash equivalents and certain 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. Further, provisionally priced trade receivables of \$82.7 million (December 31, 2021 - \$75.7 million) are measured at fair value using quoted forward market prices (level 2).

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

16. 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: 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 nine months ended September 30, 2022 and year ended December 31, 2021. 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, 2020	\$ 248,828	\$ 268,471	\$ 32,308	\$ 549,607
Principal paid	(31,579)	(12,654)	-	(44,233)
Interest paid	(37,056)	(34,437)	-	(71,493)
Interest accrued at stated rate of 7.5%	9,942	10,570	-	20,512
Accretion of transaction costs	614	191	-	805
Derivative fair value adjustments recognized in:				
Derivative gain (loss)	(3,225)	19,208	(5,270)	10,713
Other comprehensive income	10,256	12,265	-	22,521
Change in derivative fair values	7,031	31,473	(5,270)	33,234
Balance, December 31, 2021	\$ 197,780	\$ 263,614	\$ 27,038	\$ 488,432
Principal paid	(23,684)	(9,521)	-	(33,205)
Interest paid	(5,829)	(7,243)	-	(13,072)
Interest accrued at stated rate of 7.5%	5,829	7,243	-	13,072
Accretion of transaction costs	461	158	-	619
Derivative fair value adjustments recognized in:				
Derivative loss (gain)	(27,234)	(18,309)	(1,557)	(47,100)
Other comprehensive loss (income)	357	(10,875)	-	(10,518)
Change in derivative fair values	(26,877)	(29,184)	(1,557)	(57,618)
Balance, September 30, 2022	\$ 147,680	\$ 225,067	\$ 25,481	\$ 398,228

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at September 30, 2022

(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)

16. 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 September 30, 2022	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Long-term debt \$	398,228	Expected volatility	17% to 35%	An increase or decrease in expected volatility of 5% would increase or decrease fair value by \$6.0 million or \$6.8 million, respectively
		Risk-adjusted discount rate	14% to 16%	An increase or decrease in risk-adjusted discount rate of 1% would decrease or increase fair value by \$10.6 million or \$11.0 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.

17. Commitments

Significant capital expenditures contracted as at September 30, 2022 but not recognized as liabilities are as follows:

	Capital Expenditures
12 months ending September 30, 2023 \$	11,679
October 1, 2023 onward	-
Total	\$ 11,679