

# LUNDIN GOLD INC.

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

	Note	June 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	\$ 301,032	\$ 262,608
Trade receivables and other current assets	3	156,586	167,683
Inventories	4	98,718	84,946
Advance royalty		13,000	13,000
		569,336	528,237
<b>Non-current assets</b>			
VAT recoverable		50,753	54,052
Advance royalty		22,994	29,494
Property, plant and equipment	5	807,937	835,074
Mineral properties	6	195,429	207,146
Deferred income tax asset		17,581	31,110
		\$ 1,664,030	\$ 1,685,113
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 64,443	\$ 67,968
Income taxes payable		34,036	54,847
Other current liabilities	9	1,237	-
Current portion of long-term debt	7	215,699	188,201
		315,415	311,016
<b>Non-current liabilities</b>			
Long-term debt	7	430,025	551,776
Other non-current liabilities	9	-	1,406
Reclamation provisions		6,744	6,438
Deferred income tax liabilities		1,650	-
		753,834	870,636
<b>EQUITY</b>			
Share capital	8	986,851	974,740
Equity-settled share-based payment reserve	9	12,848	13,570
Accumulated other comprehensive income		12,037	6,851
Deficit		(101,540)	(180,684)
		910,196	814,477
		\$ 1,664,030	\$ 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 June 30,		Six months ended June 30,	
		2022	2021	2022	2021
<b>Revenues</b>		\$ 177,808	\$ 216,145	\$ 394,280	\$ 356,136
<b>Cost of goods sold</b>					
Operating expenses		57,462	62,140	118,757	108,958
Royalty expenses		10,141	12,639	22,667	20,795
Depletion and depreciation		27,683	30,762	59,127	51,748
		95,286	105,541	200,551	181,501
<b>Income from mining operations</b>		82,522	110,604	193,729	174,635
<b>Other expenses (income)</b>					
Corporate administration	10	3,734	2,981	9,595	7,732
Exploration		2,820	2,377	5,626	3,600
Finance expense	11	28,483	11,670	55,759	23,748
Other expense (income)		(1,060)	749	(613)	1,349
Derivative loss (gain)	7	(39,986)	25,599	(5,262)	(25,924)
		(6,009)	43,376	65,105	10,505
<b>Net income before tax</b>		<b>88,531</b>	<b>67,228</b>	<b>128,624</b>	<b>164,130</b>
<b>Income tax expense</b>					
Current income tax expense	13	17,162	18,027	37,143	25,997
Deferred income tax expense	13	15,407	(783)	12,337	2,169
		32,569	17,244	49,480	28,166
<b>Net income for the period</b>		<b>\$ 55,962</b>	<b>\$ 49,984</b>	<b>\$ 79,144</b>	<b>\$ 135,964</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
<b>Items that may be reclassified to net loss</b>					
Currency translation adjustment		(1,857)	738	(1,036)	1,466
<b>Items that will not be reclassified to net loss</b>					
Derivative gain (loss) related to the Company's own credit risk	7	7,929	3,554	9,064	(9,862)
Deferred income tax on accumulated other comprehensive income	13	(2,486)	(783)	(2,842)	2,169
<b>Comprehensive income</b>		<b>\$ 59,548</b>	<b>\$ 53,493</b>	<b>\$ 84,330</b>	<b>\$ 129,737</b>
<b>Income per common share</b>					
Basic		\$ 0.24	\$ 0.22	\$ 0.34	\$ 0.59
Diluted		0.24	0.21	0.33	0.58
<b>Weighted-average number of common shares</b>					
Basic		234,933,975	231,998,447	234,374,977	231,378,191
Diluted		236,847,992	234,508,000	236,317,102	233,967,008

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		1,675,850	8,941	(2,892)	-	-	6,049
Vesting of share units		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
<b>Balance, June 30, 2021</b>		<b>232,539,576</b>	<b>\$ 968,416</b>	<b>\$ 13,024</b>	<b>\$ 16,284</b>	<b>\$ (266,146)</b>	<b>\$ 731,578</b>
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	-	-	1,982	-	-	1,982
Other comprehensive income		-	-	-	5,186	-	5,186
Net income for the period		-	-	-	-	79,144	79,144
<b>Balance, June 30, 2022</b>		<b>235,165,784</b>	<b>\$ 986,851</b>	<b>\$ 12,848</b>	<b>\$ 12,037</b>	<b>\$ (101,540)</b>	<b>\$ 910,196</b>

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 June 30,		Six months ended June 30,	
		2022	2021	2022	2021
<b>OPERATING ACTIVITIES</b>					
Net income for the period		\$ 55,962	\$ 49,984	\$ 79,144	\$ 135,964
Items not affecting cash:					
Depletion and depreciation		27,690	30,770	59,143	51,765
Stock-based compensation	9	841	868	1,833	1,353
Derivative loss (gain)	16(b)	(39,986)	25,599	(5,262)	(25,924)
Other expense (income)		(986)	485	(561)	1,037
Finance expense		27,930	10,106	54,610	22,045
Deferred income tax expense (recovery)		15,407	(783)	12,337	2,169
		86,858	117,029	201,244	188,409
Changes in non-cash working capital items:					
Trade receivables and other current assets		12,712	(4,388)	15,174	9,011
Inventories		(7,524)	(1,599)	(10,216)	(9,761)
Advance royalty		1,244	3,084	6,500	5,467
Accounts payable and accrued liabilities		7,602	10,072	(4,625)	2,693
Income taxes payable		(40,792)	17,724	(20,811)	21,123
Interest received		586	83	750	146
Net cash provided by operating activities		60,686	142,005	188,016	217,088
<b>FINANCING ACTIVITIES</b>					
Repayments of long-term debt	7	(60,058)	(13,293)	(83,704)	(47,604)
Interest paid	7	(7,324)	(23,059)	(13,301)	(40,905)
Finance charge paid	7	(19,071)	-	(36,380)	-
Proceeds from exercise of stock options		-	855	3,555	6,049
Proceeds from exercise of anti-dilution rights		3,502	7,191	3,918	7,432
Proceeds from exercise of warrants		-	-	1,934	-
Net cash used for financing activities		(82,951)	(28,306)	(123,978)	(75,028)
<b>INVESTING ACTIVITIES</b>					
Acquisition and development of property, plant and equipment		(11,389)	(13,467)	(22,596)	(26,376)
VAT paid on investing activities		(1,654)	(2,484)	(2,685)	(3,232)
Net cash used for investing activities		(13,043)	(15,951)	(25,281)	(29,608)
Effect of foreign exchange rate differences on cash		(599)	94	(333)	156
Net increase (decrease) in cash and cash equivalents		(35,907)	97,842	38,424	112,608
Cash and cash equivalents, beginning of period		336,939	94,358	262,608	79,592
Cash and cash equivalents, end of period		\$ 301,032	\$ 192,200	\$ 301,032	\$ 192,200

Supplemental cash flow information (Note 14)

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

**LUNDIN GOLD**

---

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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 August 9, 2022.

## 3. Trade receivables and other current assets

---

	June 30, 2022	December 31, 2021
Trade receivables (a)	\$ 89,864	\$ 96,471
VAT recoverable (b)	54,043	51,838
Prepaid expenses and deposits	12,679	19,374
	\$ 156,586	\$ 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 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) 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.

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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)

## 4. Inventories

	June 30, 2022	December 31, 2021
Ore stockpile	\$ 16,463	\$ 19,750
Gold in circuit	14,279	3,057
Doré and concentrate	16,264	11,203
Materials and supplies	51,712	50,936
	<b>\$ 98,718</b>	<b>\$ 84,946</b>

## 5. Property, plant and equipment

Cost	Construction- in-progress	Mine and plant facilities	Machinery and equipment	Vehicles	Furniture and office equipment	Total
<b>Balance, January 1, 2021</b>	\$ 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
<b>Balance, December 31, 2021</b>	27,536	874,098	55,865	23,078	2,685	983,262
Additions	11,773	8,917	708	1,636	682	23,716
Reclassifications	(15,660)	15,660	-	-	-	-
Cumulative translation adjustment	-	(216)	-	-	-	(216)
<b>Balance, June 30, 2022</b>	\$ 23,649	\$ 898,459	\$ 56,573	\$ 24,714	\$ 3,367	\$ 1,006,762

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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
<b>Balance, January 1, 2021</b>	\$ -	\$ 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
<b>Balance, December 31, 2021</b>	-	114,469	18,493	13,189	2,037	148,188
Depletion and depreciation	-	44,970	3,361	2,186	159	50,676
Cumulative translation adjustment	-	(39)	-	-	-	(39)
<b>Balance, June 30, 2022</b>	\$ -	\$ 159,400	\$ 21,854	\$ 15,375	\$ 2,196	\$ 198,825
<b>Net book value</b>						
<b>As at December 31, 2021</b>	\$ 27,536	\$ 759,629	\$ 37,372	\$ 9,889	\$ 648	\$ 835,074
<b>As at June 30, 2022</b>	\$ 23,649	\$ 739,059	\$ 34,719	\$ 9,339	\$ 1,171	\$ 807,937

## 6. Mineral properties

Cost	Fruta del Norte
<b>Balance, January 1, 2021</b>	\$ 231,097
Adjustments to restoration asset	376
Depletion	(24,327)
<b>Balance, December 31, 2021</b>	207,146
Depletion	(11,717)
<b>Balance, June 30, 2022</b>	\$ 195,429

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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

	June 30, 2022	December 31, 2021
Gold prepay credit facility (a)	\$ 171,613	\$ 197,780
Stream loan credit facility (b)	252,618	263,614
Offtake derivative liability (c)	28,011	27,038
Senior debt facility (d)	193,482	251,545
	<b>\$ 645,724</b>	<b>\$ 739,977</b>
Less: current portion		
Gold prepay credit facility	64,752	65,030
Stream loan credit facility	47,386	49,087
Offtake derivative liability	4,354	3,539
Senior debt facility	99,207	70,545
Long-term portion	<b>\$ 430,025</b>	<b>\$ 551,776</b>

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, 2022.

	Gold prepay credit facility	Stream loan credit facility	Offtake derivative liability	Total
Principal	\$ 94,737	\$ 126,092	-	\$ 220,829
Transaction costs	(1,843)	(2,177)	-	(4,020)
Derivative fair value adjustments	78,719	128,703	28,011	235,433
Total	<b>\$ 171,613</b>	<b>\$ 252,618</b>	<b>\$ 28,011</b>	<b>\$ 452,242</b>

Derivative fair value adjustments reflect the revaluation of the financial instruments at fair value as at June 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 six months ended June 30, 2022, the Company made payments under the Prepay Loan totaling \$36.9 million (six months ended June 30, 2021 – \$34.5 million) of which \$15.8 million (six months ended June 30, 2021 – \$15.8 million) was paid on account of principal; \$4.0 million (six months ended June 30, 2021 – \$18.7 million) for accrued interest; and \$17.1 million (six months ended June 30, 2021 – nil) for the Finance Charge (see Note 16).

---

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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 six months ended June 30, 2022, the Company made payments under the Stream Loan totaling \$25.9 million (six months ended June 30, 2021 – \$20.8 million) of which \$6.5 million (six months ended June 30, 2021 – \$5.6 million) was paid on account of principal; \$4.9 million (six months ended June 30, 2021 – \$15.2 million) for accrued interest; and \$14.5 million (six months ended June 30, 2021 – nil) for the Finance Charge (see Note 16). As at June 30, 2022, based on the projected life of mine production and other significant assumptions (see Note 16), the estimated fair value equivalent to 294,216 oz. of gold and 4,951,742 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 June 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 June 30, 2022	Tranche A	Tranche B	Total
Principal	\$ 147,373	\$ 58,949	\$ 206,322
Accrued interest	1,254	324	1,578
Transaction costs, net of amortization	(10,739)	(3,679)	(14,418)
Total	\$ 137,888	\$ 55,594	\$ 193,482

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 six months ended June 30, 2022, the Company paid \$61.4 million of principal (six months ended June 30, 2021 – \$26.3 million) and \$4.4 million (six months ended June 30, 2021 – \$7.1 million) of interest relating to the Facility. The principal repaid during the six months ended June 30, 2022 includes \$35.2 million (six months ended June 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 June 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

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, 2021		230,088,337	\$ 951,725
Exercise of stock options		2,189,250	12,435
Vesting of share units		48,269	463
Exercise of anti-dilution rights	(a)	1,036,027	10,117
Balance at December 31, 2021		233,361,883	974,740
Exercise of stock options		874,200	5,342
Vesting of share units		41,000	406
Exercise of anti-dilution rights	(a)	477,260	3,918
Exercise of warrants		411,441	2,445
Balance at June 30, 2022		235,165,784	\$ 986,851

- (a) During the six months ended June 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 8.5% 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.

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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)

### 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 six months ended June 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.

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, 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 <sup>(1)</sup>	(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	3,141,263	\$ 6.78	3,531,122	\$ 5.74

<sup>(1)</sup> The weighted average share price on the exercise date for the stock options exercised during the six months ended June 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 June 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	0.91	\$ 5.15	1,135,900	0.91	\$ 5.15
\$ 5.31 to 10.00	2,009,400	2.73	6.97	1,285,600	1.65	5.38
\$ 10.01 to 12.60	1,616,700	3.29	11.47	719,763	3.01	11.86
	4,762,000	2.49	\$ 8.06	3,141,263	1.69	\$ 6.78

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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 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, 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	-	-
<b>Weighted-average fair value per option granted (CAD)</b>	<b>\$3.40</b>	<b>\$3.38</b>

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, 2022, the Company recorded stock-based compensation expense of \$1.1 million (six months ended June 30, 2021 – \$0.9 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	8,157
Settled	-	-	-	(41,000)	-
Balance at June 30, 2022	148,000	383,800	24,600	156,600	31,465

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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)

### *Restricted share units with performance criteria*

During the six months ended June 30, 2022, the Company granted 196,500 restricted share units with performance criteria that are settled in shares (“Share PSUs”). During the year ended December 31, 2021, the Company granted 187,300 Share PSUs. Share PSUs and restricted share units with performance criteria that are settled in cash (“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, 2022 and December 31, 2021 with the following weighted-average assumptions:

	June 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	0.65 years	3 years	1.40 years
Expected dividend yield	-	-	-	-
Weighted-average fair value per unit (CAD)	\$9.33	\$8.99	\$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 six months ended June 30, 2022, the Company recorded stock-based compensation expense of \$0.3 million (six months ended June 30, 2021 – \$0.2 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 June 30, 2022 (as at December 31, 2021 – \$1.2 million).

### *Restricted share units without performance criteria*

During the six months ended June 30, 2022, the Company granted 86,800 restricted share units without performance criteria that are settled in shares (“Share RSUs”). During the year ended December 31, 2021, the Company granted 118,300 Share RSUs. The Share RSUs and restricted share units without performance criteria that are settled in cash (“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.

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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 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, 2022 and December 31, 2021 with the following weighted-average assumptions:

	June 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	0.65 years	1.70 years	1.15 years
Expected dividend yield	-	-	-	-
Weighted-average fair value per unit (CAD)	\$12.42	\$10.67	\$12.87	\$11.44

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, 2022, the Company recorded stock-based compensation expense of \$0.4 million (six months ended June 30, 2021 – \$0.2 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 June 30, 2022 (as at December 31, 2021 – \$0.2 million).

### *Deferred share units (“DSUs”)*

During the six months ended June 30, 2022 and year ended December 31, 2021, the Company granted 8,157 DSUs and 32,738 DSUs, respectively, to non-employee directors of which 11,069 DSUs vested and were settled in 2021. 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, 2022, the Company recorded stock-based compensation expense of \$0.1 million (six months ended June 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 six months ended June 30, 2022, all outstanding warrants were exercised.

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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)

## 10. Administration

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Corporate social responsibility	\$ 384	\$ 276	\$ 811	\$ 568
Investor relations	68	34	170	80
Office and general	882	529	1,663	1,060
Professional fees	371	326	979	574
Regulatory and transfer agent	174	61	334	297
Salaries and benefits	1,014	887	3,805	3,800
Stock-based compensation	841	868	1,833	1,353
	\$ 3,734	\$ 2,981	\$ 9,595	\$ 7,732

## 11. Finance expense

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Interest expense	\$ 7,434	\$ 8,690	\$ 14,879	\$ 17,652
Finance charge	19,071	-	36,380	-
Other finance costs	1,459	1,965	3,050	4,055
Accretion of transaction costs	1,105	1,098	2,200	2,187
Interest income	(586)	(83)	(750)	(146)
	\$ 28,483	\$ 11,670	\$ 55,759	\$ 23,748

## 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 six months ended June 30 is shown below.

	June 30, 2022	June 30, 2021
Salaries, bonuses and benefits	\$ 3,305	\$ 3,629
Stock-based compensation	1,296	1,359
	\$ 4,601	\$ 4,988

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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 earnings 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		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Net income before tax	\$ 88,531	\$ 67,228	\$ 128,624	\$ 164,130
Canadian federal and provincial income tax rates	27.00%	27.00%	27.00%	27.00%
Income tax expense based on the above rates	23,903	18,152	34,728	44,315
Increase (decrease) due to:				
Differences in foreign tax rates	7,995	8,310	12,485	12,738
Non-deductible costs	973	1,872	1,906	3,457
Losses and temporary differences for which an income tax asset has not been recognized	(302)	(394)	361	463
Benefits of previously unrecognized deferred income tax assets	-	(10,696)	-	(32,807)
Income tax expense	\$ 32,569	\$ 17,244	\$ 49,480	\$ 28,166

## 14. Supplemental cash flow information

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Income taxes paid	\$ 54,376	\$ -	\$ 54,376	\$ -
Change in accounts payable and accrued liabilities related to:				
Acquisition of property, plant and equipment	3,143	2,690	1,120	2,021

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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	Other concessions	Corporate and other	Total
<b>As at June 30, 2022</b>				
Current assets	\$ 462,776	\$ 7,407	\$ 99,153	\$ 569,336
Non-current assets	1,093,044	-	-	1,093,044
<b>Total assets</b>	<b>1,555,820</b>	<b>7,407</b>	<b>99,153</b>	<b>1,662,380</b>
Current liabilities	309,478	730	5,207	315,415
Non-current liabilities	435,119	-	1,650	436,769
<b>Total liabilities</b>	<b>744,597</b>	<b>730</b>	<b>6,857</b>	<b>752,184</b>
<b>For the three months ended June 30, 2022</b>				
Revenues	177,808	-	-	177,808
Income from mining operations	82,522	-	-	82,522
Corporate administration	(973)	(48)	(2,713)	(3,734)
Exploration expenditures	-	(2,820)	-	(2,820)
Finance income (expense)	(28,645)	-	162	(28,483)
Other income	22	-	1,038	1,060
Derivative gain	39,986	-	-	39,986
Income tax expense	(27,757)	-	(4,812)	(32,569)
<b>Net income (loss) for the period</b>	<b>65,155</b>	<b>(2,868)</b>	<b>(6,325)</b>	<b>55,962</b>
<b>For the six months ended June 30, 2022</b>				
Revenues	394,280	-	-	394,280
Income from mining operations	193,729	-	-	193,729
Corporate administration	(2,227)	(49)	(7,319)	(9,595)
Exploration expenditures	-	(5,626)	-	(5,626)
Finance income (expense)	(55,958)	-	199	(55,759)
Other income	2	-	611	613
Derivative gain	5,262	-	-	5,262
Income tax expense	(44,668)	-	(4,812)	(49,480)
<b>Net income (loss) for the period</b>	<b>96,140</b>	<b>(5,675)</b>	<b>(11,321)</b>	<b>79,144</b>

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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	Other concessions	Corporate and other	Total
<b>As at June 30, 2021</b>				
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
<b>For the three months ended June 30, 2021</b>				
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)
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
<b>For the six months ended June 30, 2021</b>				
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

## 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 \$70.6 million (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 June 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 six months ended June 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
<b>Balance, December 31, 2020</b>	\$ 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
<b>Balance, December 31, 2021</b>	\$ 197,780	\$ 263,614	\$ 27,038	\$ 488,432
Principal paid	(15,789)	(6,486)	-	(22,275)
Interest paid	(4,015)	(4,863)	-	(8,878)
Interest accrued at stated rate of 7.5%	4,015	4,863	-	8,878
Accretion of transaction costs	307	104	-	411
Derivative fair value adjustments recognized in:				
Derivative loss (gain)	(10,328)	4,093	973	(5,262)
Other comprehensive income	(357)	(8,707)	-	(9,064)
Change in derivative fair values	(10,685)	(4,614)	973	(14,326)
<b>Balance, June 30, 2022</b>	\$ 171,613	\$ 252,618	\$ 28,011	\$ 452,242

# LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 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 June 30, 2022	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Long-term debt \$	452,242	Expected volatility	15% to 34%	An increase or decrease in expected volatility of 5% would increase or decrease fair value by \$5.8 million or \$6.6 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 \$12.0 million or \$12.6 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 June 30, 2022 but not recognized as liabilities are as follows:

	Capital Expenditures
12 months ending June 30, 2023	\$ 15,069
July 1, 2023 onward	-
Total	\$ 15,069