

LUNDIN GOLD INC.

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

	Note	June 30, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	7, 14	\$ 274,968	\$ 363,400
Trade receivables and other current assets	3	163,967	169,134
Inventories	4	88,147	89,787
Advance royalty		13,000	13,000
		540,082	635,321
Non-current assets			
VAT recoverable		49,794	52,244
Advance royalty		9,994	16,494
Property, plant and equipment	5	738,893	781,299
Mineral properties	6	170,068	183,507
		\$ 1,508,831	\$ 1,668,865
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 67,708	\$ 71,434
Income taxes payable		53,424	21,445
Other current liabilities	9	-	2,264
Current portion of long-term debt	7	150,855	345,374
		271,987	440,517
Non-current liabilities			
Long-term debt	7	245,733	322,592
Reclamation provisions		7,384	7,049
Deferred income tax liabilities		58,145	46,626
		583,249	816,784
EQUITY			
Share capital	8	1,003,692	989,772
Equity-settled share-based payment reserve	9	13,053	13,856
Accumulated other comprehensive income (loss)		(4,244)	2,612
Deficit		(86,919)	(154,159)
		925,582	852,081
		\$ 1,508,831	\$ 1,668,865

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.

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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,	
		2023	2022	2023	2022
Revenues		\$ 243,930	\$ 177,808	\$ 500,658	\$ 394,280
Cost of goods sold					
Operating expenses		68,339	57,462	140,810	118,757
Royalty expenses		14,742	10,141	29,041	22,667
Depletion and depreciation		36,048	27,683	73,298	59,127
		119,129	95,286	243,149	200,551
Income from mining operations		124,801	82,522	257,509	193,729
Other expenses (income)					
Corporate administration	10	4,482	3,734	12,087	9,595
Exploration		5,196	2,820	9,039	5,626
Finance expense	11	16,435	28,483	37,492	55,759
Other expense (income)		1,603	(1,060)	1,059	(613)
Derivative loss (gain)	7	(321)	(39,986)	15,113	(5,262)
		27,395	(6,009)	74,790	65,105
Net income before tax		97,406	88,531	182,719	128,624
Income tax expense					
Current income tax expense	13	28,055	17,162	54,215	37,143
Deferred income tax expense	13	6,203	15,407	13,891	12,337
		34,258	32,569	68,106	49,480
Net income for the period		\$ 63,148	\$ 55,962	\$ 114,613	\$ 79,144
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified to net income					
Currency translation adjustment		1,756	(1,857)	1,559	(1,036)
Items that will not be reclassified to net income					
Derivative gain (loss) related to the Company's own credit risk		(10,420)	7,929	(10,788)	9,064
Deferred income tax on accumulated other comprehensive income		2,258	(2,486)	2,373	(2,842)
Comprehensive income		\$ 56,742	\$ 59,548	\$ 107,757	\$ 84,330
Income per common share					
Basic		\$ 0.27	\$ 0.24	\$ 0.48	\$ 0.34
Diluted		0.26	0.24	0.48	0.33
Weighted-average number of common shares					
Basic		236,943,432	234,933,975	236,505,417	234,374,977
Diluted		239,190,085	236,847,992	238,654,967	236,317,102

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

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LUNDIN GOLD INC.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited – Prepared by Management)

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

	Note	Number of common shares	Share capital	Equity-settled share-based payment reserve	Other reserves	Deficit	Total
Balance, January 1, 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
Balance, June 30, 2022		235,165,784	\$ 986,851	\$ 12,848	\$ 12,037	\$ (101,540)	\$ 910,196
Balance, January 1, 2023		235,646,977	\$ 989,772	\$ 13,856	\$ 2,612	\$ (154,159)	\$ 852,081
Exercise of stock options		823,952	4,931	(1,714)	-	-	3,217
Vesting of share units	9	237,514	2,382	(1,175)	-	-	1,207
Exercise of anti-dilution rights	8	549,332	6,607	-	-	-	6,607
Stock-based compensation	9	-	-	2,086	-	-	2,086
Other comprehensive income		-	-	-	(6,856)	-	(6,856)
Net income for the period		-	-	-	-	114,613	114,613
Dividends paid		-	-	-	-	(47,373)	(47,373)
Balance, June 30, 2023		237,257,775	\$ 1,003,692	\$ 13,053	\$ (4,244)	\$ (86,919)	\$ 925,582

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,	
		2023	2022	2023	2022
OPERATING ACTIVITIES					
Net income for the period		\$ 63,148	\$ 55,962	\$ 114,613	\$ 79,144
Items not affecting cash:					
Depletion and depreciation		36,059	27,690	73,321	59,143
Stock-based compensation	9	1,148	841	2,075	1,833
Derivative loss (gain)	16(b)	(321)	(39,986)	15,113	(5,262)
Other expense (income)		1,126	(986)	910	(561)
Finance expense		16,152	27,930	36,827	54,610
Deferred income tax expense		6,203	15,407	13,891	12,337
		123,515	86,858	256,750	201,244
Changes in non-cash working capital items:					
Trade receivables and other current assets		731	12,712	8,218	15,174
Inventories		623	(7,524)	2,328	(10,216)
Advance royalty		498	1,244	6,500	6,500
Accounts payable and accrued liabilities		5,361	7,602	(2,891)	(4,625)
Income taxes payable		28,486	(40,792)	31,979	(20,811)
Other non-current liabilities		-	-	(1,045)	-
Interest received		3,138	586	4,952	750
Net cash provided by operating activities		162,352	60,686	306,791	188,016
FINANCING ACTIVITIES					
Repayments of long-term debt	7	(49,108)	(60,058)	(171,558)	(83,704)
Interest paid	7	(5,357)	(7,324)	(11,725)	(13,301)
Finance charge paid	7	(11,870)	(19,071)	(154,422)	(36,380)
Proceeds from exercise of stock options		1,358	-	3,217	3,555
Proceeds from exercise of anti-dilution rights		4,417	3,502	6,607	3,918
Proceeds from exercise of warrants		-	-	-	1,934
Dividends paid		(23,725)	-	(47,373)	-
Net cash used for financing activities		(84,285)	(82,951)	(375,254)	(123,978)
INVESTING ACTIVITIES					
Acquisition and development of property, plant and equipment		(11,798)	(11,389)	(18,495)	(22,596)
VAT paid on investing activities		(1,468)	(1,654)	(1,943)	(2,685)
Net cash used for investing activities		(13,266)	(13,043)	(20,438)	(25,281)
Effect of foreign exchange rate differences on cash		453	(599)	469	(333)
Net increase (decrease) in cash and cash equivalents		65,254	(35,907)	(88,432)	38,424
Cash and cash equivalents, beginning of period		209,714	336,939	363,400	262,608
Cash and cash equivalents, end of period		\$ 274,968	\$ 301,032	\$ 274,968	\$ 301,032

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, 2023

(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 West 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, 2022.

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, 2022.

These financial statements were approved for issue by the Board of Directors on August 9, 2023.

3. Trade receivables and other current assets

	June 30, 2023	December 31, 2022
Trade receivables (a)	\$ 96,366	\$ 86,431
VAT recoverable (b)	35,700	61,883
Prepaid expenses and other (c)	31,901	20,820
	<u>\$ 163,967</u>	<u>\$ 169,134</u>

- (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 June 30, 2023, an adjustment is estimated and recorded using the forward gold price at quarter end for the future month when the final gold price for each individual sale is expected to be determined. This adjustment resulted in an increase of \$4.1 million in trade receivables as of June 30, 2023 (December 31, 2022 - \$6.1 million increase).

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Notes to the condensed consolidated interim financial statements as at June 30, 2023

(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 are being 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.
- (c) Prepaid expenses and other includes credit notes issued by the tax authorities in Ecuador relating to approved VAT claims. These credit notes can be used to offset taxes payable including statutory tax withholdings from payments to vendors.

4. Inventories

	June 30, 2023	December 31, 2022
Ore stockpile	\$ 9,516	\$ 11,545
Gold in circuit	6,055	5,833
Doré and concentrate	14,782	16,709
Materials and supplies	57,794	55,700
	\$ 88,147	\$ 89,787

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, 2022	\$ 27,536	\$ 874,098	\$ 55,865	\$ 23,078	\$ 2,685	\$ 983,262
Additions	18,569	29,715	2,202	2,311	1,350	54,147
Disposals and other	-	(1,953)	(3,154)	(795)	(612)	(6,514)
Reclassifications	(46,105)	46,105	-	-	-	-
Cumulative translation adjustment	-	(841)	-	-	(5)	(846)
Balance, December 31, 2022	-	947,124	54,913	24,594	3,418	1,030,049
Additions	-	17,405	182	42	-	17,629
Cumulative translation adjustment	-	284	-	-	2	286
Balance, June 30, 2023	\$ -	\$ 964,813	\$ 55,095	\$ 24,636	\$ 3,420	\$ 1,047,964

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Notes to the condensed consolidated interim financial statements as at June 30, 2023

(Unaudited – Prepared by Management)

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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, 2022	\$ -	\$ 114,469	\$ 18,493	\$ 13,189	\$ 2,037	\$ 148,188
Depletion and depreciation	-	92,689	6,640	4,426	264	104,019
Disposals and other	-	(410)	(1,513)	(748)	(612)	(3,283)
Cumulative translation adjustment	-	(169)	-	-	(5)	(174)
Balance, December 31, 2022	-	206,579	23,620	16,867	1,684	248,750
Depletion and depreciation	-	54,564	3,241	2,144	291	60,240
Cumulative translation adjustment	-	79	-	-	2	81
Balance, June 30, 2023	\$ -	\$ 261,222	\$ 26,861	\$ 19,011	\$ 1,977	\$ 309,071
Net book value						
As at December 31, 2022	\$ -	\$ 740,545	\$ 31,293	\$ 7,727	\$ 1,734	\$ 781,299
As at June 30, 2023	\$ -	\$ 703,591	\$ 28,234	\$ 5,625	\$ 1,443	\$ 738,893

6. Mineral properties

Cost	Fruta del Norte
Balance, January 1, 2022	\$ 207,146
Depletion	(23,639)
Balance, December 31, 2022	183,507
Depletion	(13,439)
Balance, June 30, 2023	\$ 170,068

LUNDIN GOLD INC.

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(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, 2023	December 31, 2022
Gold prepay credit facility (a)	\$ -	\$ 207,446
Stream loan credit facility (b)	276,428	259,226
Offtake derivative liability (c)	28,484	28,440
Senior debt facility (d)	91,676	172,854
	\$ 396,588	\$ 667,966
Less: current portion		
Gold prepay credit facility	-	207,446
Stream loan credit facility	55,325	49,223
Offtake derivative liability	3,854	4,112
Senior debt facility	91,676	84,593
Long-term portion	\$ 245,733	\$ 322,592

The 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, 2023.

	Stream loan credit facility	Offtake derivative liability	Total
Principal	\$ 109,885	\$ -	\$ 109,885
Transaction costs	(1,965)	-	(1,965)
Derivative fair value adjustments	168,508	28,484	196,992
Total	\$ 276,428	\$ 28,484	\$ 304,912

Derivative fair value adjustments reflect the revaluation of the financial instruments at fair value as at June 30, 2023. The derivative gain or loss related to the Company’s own credit risk recorded in other comprehensive income 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”)

In late December, as provided under the Prepay Loan, the Company exercised its right to repay in full the Prepay Loan by delivering an irrevocable notice of early repayment of its remaining outstanding obligations effective January 5, 2023. On that day, a payment of \$207.5 million was made to extinguish the Prepay Loan, inclusive of interest of \$0.1 million accrued between January 1 to January 5, 2023. Repayment was based on a gold price fixed near the end of December and a negotiated amount of equivalent ounces per quarter for the last ten remaining quarters at that time.

(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.

LUNDIN GOLD INC.

Notes to the condensed consolidated interim financial statements as at June 30, 2023

(Unaudited – Prepared by Management)

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7. Long-term debt (continued)

The Stream Loan is repayable in variable monthly instalments equivalent to the value of 7.75% of gold production less \$404 per oz. (the “Gold Base Price”) and 100% of the silver production less \$4.04 per oz. (the “Silver Base Price”) 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% in February of each year. The excess of the monthly repayments over the principal due monthly and the balance of interest accrued to that date, if any, is a variable additional charge (the “Finance Charge”).

During the six months ended June 30, 2023, the Company made payments under the Stream Loan totaling \$39.0 million (six months ended June 30, 2022 – \$25.9 million) of which \$8.8 million (six months ended June 30, 2022 – \$6.5 million) was paid on account of principal; \$4.3 million (six months ended June 30, 2022 – \$4.9 million) for accrued interest; and \$25.9 million (six months ended June 30, 2022 – \$14.5 million) for the Finance Charge (see Note 16). As at June 30, 2023, based on the projected life of mine production and other significant assumptions (see Note 16), the estimated fair value equivalent to 256,398 oz. of gold and 4,431,176 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 (“First Reduction Option”) 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 at fair value through profit or loss.

(c) Offtake commitment (the “Offtake”)

The lender of the Prepay Loan and Stream Loan has been granted the right to purchase 50% of Fruta del Norte gold production, up to a maximum of 2.5 million oz., at a price determined based on monthly delivery dates and a defined quotational period. This obligation is satisfied first through the sale of doré and then, if required, financial settlement.

The Company has determined that the Offtake represents a derivative financial liability. Accordingly, the Offtake, which is primarily a function of the gold price option feature, is measured at fair value at each statement of financial position date, with changes in the derivative fair value being recorded in profit or loss.

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

As at June 30, 2023	Tranche A	Tranche B	Total
Principal	\$ 69,780	\$ 27,912	\$ 97,692
Accrued interest	914	280	1,194
Transaction costs, net of amortization	(5,370)	(1,840)	(7,210)
Total	\$ 65,324	\$ 26,352	\$ 91,676

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 SOFR 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 as well as accelerated quarterly principal repayments based on 30% of Fruta del Norte’s excess cash flow (the “Cash Sweep”).

Based on scheduled principal payments and an estimate of the Cash Sweep, the Facility is expected to be fully repaid on or before June 30, 2024 and has been classified as part of the current portion of long-term debt.

LUNDIN GOLD INC.

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7. Long-term debt (continued)

During the six months ended June 30, 2023, the Company paid \$83.8 million of principal (six months ended June 30, 2022 – \$61.4 million) and \$7.3 million (six months ended June 30, 2022 – \$4.4 million) of interest relating to the Facility. The principal repaid during the six months ended June 30, 2023 includes \$43.6 million (six months ended June 30, 2022 – \$35.2 million) 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.

8. Share capital

Authorized:

- Unlimited number of common shares without par value
- Unlimited number of preference shares without par value

During the six months ended June 30, 2023, the Company issued 549,332 common shares to Newcrest Mining Limited (“Newcrest”) at a weighted average price of CAD\$16.44 per share for total proceeds of \$6.6 million. During the year ended December 31, 2022, 477,260 common shares were issued to Newcrest at a weighted average price of CAD\$10.50 per share for total proceeds of \$3.9 million. These 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

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.

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 three or four years from date of grant. No additional stock options can be granted under the Option Plan.

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Notes to the condensed consolidated interim financial statements as at June 30, 2023

(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 (continued)

During the six months ended June 30, 2023, 450,500 stock options were granted under the Omnibus Plan which have an expiry date of five years and vest over a period of three or four 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, 2023		Year ended December 31, 2022	
	Number of stock options	Weighted average exercise price (CAD)	Number of stock options	Weighted average exercise price (CAD)
Balance, beginning of period	4,237,923	\$ 8.35	4,863,400	\$ 7.26
Granted	450,500	13.78	772,800	9.86
Forfeited	-	-	(42,884)	10.23
Exercised ⁽¹⁾	(823,952)	5.26	(1,355,393)	5.23
Balance outstanding, end of period	3,864,471	\$ 9.64	4,237,923	\$ 8.35
Balance exercisable, end of period	2,598,721	\$ 8.77	2,693,070	\$ 7.10

⁽¹⁾ The weighted average share price on the exercise date for the stock options exercised during the six months ended June 30, 2023 and year ended December 31, 2022 were CAD\$15.87 and CAD\$11.62, respectively.

The following table summarizes information concerning outstanding and exercisable options at June 30, 2023:

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 5.40	1,133,900	0.65	\$ 5.35	1,133,900	0.65	\$ 5.35
\$ 5.41 to 11.00	1,450,071	3.17	10.13	714,417	3.00	10.23
\$ 11.01 to 13.88	1,280,500	2.87	12.89	750,404	1.74	12.53
	3,864,471	2.33	\$ 9.64	2,598,721	1.61	\$ 8.77

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9. Stock-based compensation (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, 2023	December 31, 2022
Risk-free interest rate	3.11%	1.62%
Expected stock price volatility	38.37%	36.51%
Expected life	5 years	5 years
Expected dividends (CAD)	\$0.26	-
Weighted-average fair value per option granted (CAD)	\$4.42	\$3.40

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, 2023, the Company recorded stock-based compensation expense of \$0.9 million (six months ended June 30, 2022 – \$1.1 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 or shares	Settled in shares	Settled in cash	Settled in shares	
Balance at January 1, 2022	148,000	187,300	24,600	110,800	23,308
Granted	-	196,500	-	86,800	10,509
Granted – Dividend Equivalent	4,052	10,506	670	4,271	861
Cancelled	-	(17,054)	-	-	-
Settled	-	-	-	(41,000)	-
Balance at December 31, 2022	152,052	377,252	25,270	160,871	34,678
Granted	-	139,200	-	96,200	7,609
Granted - Dividend Equivalent	-	9,068	-	2,734	404
Cancelled	-	-	(5,752)	(21,164)	-
Settled	(152,052)	-	(19,518)	(83,481)	(30,825)
Balance at June 30, 2023	-	525,520	-	155,160	11,866

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9. Stock-based compensation (continued)

Restricted share units with performance criteria (“PSUs”)

During the six months ended June 30, 2023, the Company granted 139,200 PSUs that are settled in shares (“Share PSUs”). In addition, in connection with dividends paid during the six months ended June 30, 2023, 9,068 Share PSUs were granted as Dividend Equivalents. During the year ended December 31, 2022, the Company granted 196,500 Share PSUs. In addition, in connection with the Company’s inaugural dividend paid in 2022, 10,506 Share PSUs and 4,052 PSUs that are settled in cash or common shares, at the recipient’s option, (“Cash PSUs”) were granted as Dividend Equivalents.

All Cash PSUs were settled through a combination of payment of cash or issuance of shares during the six months ended June 30, 2023. Share PSUs are 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 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.

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 December 31, 2022 with the following weighted-average assumptions:

	June 30, 2023	December 31, 2022	
	Share PSUs	Share PSUs	Cash PSUs
Risk-free interest rate	4.22%	2.20%	N/A
Average expected volatility of the Company and its peer group	45.64%	50.54%	N/A
Expected life	3 years	3 years	0.15 years
Expected dividends (CAD)	\$0.26	-	\$0.26
Weighted-average fair value per unit (CAD)	\$12.38	\$9.33	\$13.23

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, 2023, the Company recorded stock-based compensation expense of \$0.6 million (six months ended June 30, 2022 – \$0.3 million) relating to Share PSUs.

Restricted share units without performance criteria (“RSUs”)

During the six months ended June 30, 2023, the Company granted 96,200 RSUs that are settled in shares (“Share RSUs”). In addition, in connection with dividends paid during the six months ended June 30, 2023, 2,734 Share RSUs were granted as Dividend Equivalents. During the year ended December 31, 2022, the Company granted 86,800 Share RSUs. In addition, in connection with the Company’s inaugural dividend paid in 2022, 4,271 Share RSUs and 670 RSUs that are settled in cash (“Cash RSUs”) were granted as Dividend Equivalents.

All Cash RSUs were settled in cash during the six months ended June 30, 2023. Share RSUs are 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 of one common share.

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9. Stock-based compensation (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 December 31, 2022 with the following weighted-average assumptions:

	June 30, 2023	December 31, 2022	
	Share RSUs	Share RSUs	Cash RSUs
Risk-free interest rate	3.74%	1.22%	3.86%
Expected stock price volatility	40.93%	44.54%	39.27%
Expected life	1.55 years	1.99 years	0.15 years
Expected dividends (CAD)	\$0.26	-	\$0.26
Weighted-average fair value per unit (CAD)	\$16.44	\$12.42	\$13.86

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, 2023, the Company recorded stock-based compensation expense of \$0.4 million (six months ended June 30, 2022 – \$0.4 million) relating to Share RSUs.

Deferred share units (“DSUs”)

During the six months ended June 30, 2023 and year ended December 31, 2022, the Company granted 7,609 DSUs and 10,509 DSUs, respectively, to non-employee directors. In addition, in connection with dividends paid by the Company during the six months ended June 30, 2023 and year ended December 31, 2022, 404 DSUs and 861 DSUs, respectively, 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 six months ended June 30, 2023, the Company recorded stock-based compensation expense of \$0.2 million (six months ended June 30, 2022 – \$0.1 million) relating to DSUs.

10. Administration

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Corporate social responsibility	\$ 534	\$ 384	\$ 1,146	\$ 811
Investor relations	111	68	189	170
Office and general	810	737	1,515	1,474
Professional fees	811	371	1,218	979
Regulatory and transfer agent	95	174	340	334
Salaries and benefits	820	1,014	5,347	3,805
Stock-based compensation	1,148	841	2,075	1,833
Travel	153	145	257	189
	\$ 4,482	\$ 3,734	\$ 12,087	\$ 9,595

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11. Finance expense

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Interest expense	\$ 4,928	\$ 7,434	\$ 10,821	\$ 14,879
Finance charge	11,870	19,071	25,923	36,380
Other finance costs	924	1,459	2,019	3,050
Accretion of transaction costs	1,851	1,105	3,681	2,200
Interest income	(3,138)	(586)	(4,952)	(750)
	\$ 16,435	\$ 28,483	\$ 37,492	\$ 55,759

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,		June 30,	
	2023		2022	
Salaries, bonuses and benefits	\$ 4,850	\$ 3,305		
Stock-based compensation	1,669	1,296		
	\$ 6,519	\$ 4,601		

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.

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13. Income taxes (continued)

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income before tax	\$ 97,406	\$ 88,531	\$ 182,719	\$ 128,624
Canadian federal and provincial income tax rates	27.00%	27.00%	27.00%	27.00%
Income tax expense based on the above rates	26,299	23,903	49,334	34,728
Increase due to:				
Differences in foreign tax rates	4,587	7,995	10,215	12,485
Non-deductible costs	600	973	2,716	1,906
Withholding taxes (current and deferred)	1,500	-	3,791	-
Losses and temporary differences for which an income tax asset has not been recognized	1,272	(302)	2,050	361
Income tax expense	\$ 34,258	\$ 32,569	\$ 68,106	\$ 49,480

14. Supplemental cash flow information

Cash and cash equivalents are comprised of the following:

	June 30, 2023	December 31, 2022
Cash	\$ 131,132	\$ 283,596
Short-term investments	143,836	79,804
	\$ 274,968	\$ 363,400

Other supplemental cash information:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Income taxes paid	\$ 21,017	\$ 54,376	\$ 21,017	\$ 54,376
Change in accounts payable and accrued liabilities related to:				
Acquisition of property, plant and equipment	\$ 1,447	\$ 3,143	\$ (866)	\$ 1,120

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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 June 30, 2023				
Current assets	\$ 483,967	\$ 11,367	\$ 44,748	\$ 540,082
Non-current assets	968,749	-	-	968,749
Total assets	1,452,716	11,367	44,748	1,508,831
Current liabilities	269,528	741	1,718	271,987
Non-current liabilities	302,262	-	9,000	311,262
Total liabilities	571,790	741	10,718	583,249
For the three months ended June 30, 2023				
Revenues	243,930	-	-	243,930
Income from mining operations	124,801	-	-	124,801
Corporate administration	(1,429)	(71)	(2,982)	(4,482)
Exploration expenditures	-	(5,196)	-	(5,196)
Finance income (expense)	(17,739)	-	1,304	(16,435)
Other income	-	2	(1,605)	(1,603)
Derivative gain	321	-	-	321
Income tax expense	(33,768)	-	(1,500)	(35,268)
Net income (loss) for the period	72,186	(5,265)	(4,783)	62,138
For the six months ended June 30, 2023				
Revenues	500,658	-	-	500,658
Income from mining operations	257,509	-	-	257,509
Corporate administration	(2,661)	(87)	(9,339)	(12,087)
Exploration expenditures	-	(9,039)	-	(9,039)
Finance income (expense)	(39,534)	-	2,042	(37,492)
Other income (expense)	24	2	(1,085)	(1,059)
Derivative loss	(15,113)	-	-	(15,113)
Income tax expense	(65,325)	-	(3,791)	(69,116)
Net income (loss) for the period	134,900	(9,124)	(12,173)	113,603

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15. Segmented information (continued)

	Fruta del Norte	Exploration activities	Corporate and other	Total
As at June 30, 2022				
Current assets	\$ 462,776	\$ 7,407	\$ 99,153	\$ 569,336
Non-current assets	1,093,044	-	-	1,093,044
Total assets	1,555,820	7,407	99,153	1,662,380
Current liabilities	309,478	730	5,207	315,415
Non-current liabilities	435,119	-	1,650	436,769
Total liabilities	744,597	730	6,857	752,184
For the three months ended June 30, 2022				
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)
Net income (loss) for the period	65,155	(2,868)	(6,325)	55,962
For the six months ended June 30, 2022				
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)
Net income (loss) for the period	96,140	(5,675)	(11,321)	79,144

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 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 \$96.4 million (December 31, 2022 - \$86.4 million) are measured at fair value using quoted forward market prices (level 2).

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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, 2023 and year ended December 31, 2022. Each of these financial instruments are classified as Level 3 as their valuation includes significant unobservable inputs.

	Stream loan credit facility	Offtake derivative liability	Total
Balance, December 31, 2021	\$ 263,614	\$ 27,038	\$ 488,432
Principal paid	(13,933)	-	(13,933)
Interest paid	(9,545)	-	(9,545)
Interest accrued at stated rate of 7.5%	9,545	-	9,545
Accretion of transaction costs	212	-	212
Derivative fair value adjustments recognized in:			
Net income	20,608	1,402	22,010
Other comprehensive income	(11,275)	-	(11,275)
Change in derivative fair values	9,333	1,402	10,735
Balance, December 31, 2022	\$ 259,226	\$ 28,440	\$ 287,666
Principal paid	(8,761)	-	(8,761)
Interest paid	(4,282)	-	(4,282)
Interest accrued at stated rate of 7.5%	4,282	-	4,282
Accretion of transaction costs	107	-	107
Derivative fair value adjustments recognized in:			
Net income	15,069	44	15,113
Other comprehensive income	10,787	-	10,787
Change in derivative fair values	25,856	44	25,900
Balance, June 30, 2023	\$ 276,428	\$ 28,484	\$ 304,912

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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 and silver forward prices, gold and silver price volatility, the risk-free rate of return, risk-adjusted discount rates, and the projected life of mine production schedule.

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, 2023	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Stream Loan and Offtake	\$	304,912	Expected volatility	11% to 31%	An increase or decrease in expected volatility of 5% would increase or decrease fair value by \$6.4 million or \$7.3 million, respectively
			Risk-adjusted discount rate	11% to 13%	An increase or decrease in risk-adjusted discount rate of 1% would decrease or increase fair value by \$9.5 million or \$9.9 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 Senior Vice President, Finance of the Company. Discussions of valuation processes and results are reported to the audit committee at least once every three months, in line with the Company's quarterly reporting periods.

(e) Financial risk management

Concentration of credit risk

Cash and cash equivalents are held with high quality financial institutions. Substantially all of the Company's cash and cash equivalents held with financial institutions exceed government-insured limits. The Company has established a treasury policy that seeks to minimize its credit risk by entering into transactions with investment grade credit worthy and reputable financial institutions and by monitoring the credit standing of those financial institutions. The Company seeks to limit the amount of exposure with any one counterparty in accordance with its established treasury policy.

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17. Commitments

Significant capital expenditures contracted as at June 30, 2023 but not recognized as liabilities are as follows:

	Capital Expenditures	
12 months ending June 30, 2024	\$	16,012
July 1, 2024 onward		-
Total	\$	16,012