LUNDIN GOLD

Building a leading Gold Company
through responsible mining

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Lundin Gold Inc. and its subsidiaries (collectively, "Lundin Gold" or the "Company") provides a detailed analysis of the Company's business and compares its financial results for the three months ended March 31, 2023 with those of the same period from the previous year.

This MD&A is dated as of May 10, 2023 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes thereto for the three months ended March 31, 2023, which are prepared in accordance with IAS 34: Interim Financial Statements, and the Company's audited annual consolidated financial statements and related notes thereto, which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and the MD&A for the fiscal year ended December 31, 2022.

Other continuous disclosure documents, including the Company's press releases, quarterly and annual reports and annual information form, are available through its filings with the securities regulatory authorities in Canada at www.sedar.com.

Lundin Gold, headquartered in Vancouver, Canada, owns 28 metallic mineral concessions and three construction material concessions covering an area of approximately 64,454 hectares in southeast Ecuador, including the Fruta del Norte gold mine ("Fruta del Norte" or "FDN"). Fruta del Norte is comprised of seven concessions covering an area of approximately 5,566 hectares and is located approximately 140 km east-northeast of the City of Loja. Fruta del Norte is one of the highest-grade gold mines in production in the world today.

The Company's board and management team have extensive expertise and are dedicated to operating Fruta del Norte responsibly and pursuing growth. The Company operates with transparency and in accordance with international best practices. Lundin Gold is committed to delivering value to its shareholders, while simultaneously providing economic and social benefits to impacted communities, fostering a healthy and safe workplace and minimizing the environmental impact. The Company believes that the value created through the operations of Fruta del Norte will benefit its shareholders, the Government and the citizens of Ecuador.

FIRST QUARTER 2023 HIGHLIGHTS AND ACTIVITIES

Lundin Gold's momentum from 2022 continued in the first quarter of 2023 with an all-time high in gold production of 140,021 ounces ("oz") and gold sales of 134,691 oz at a cash operating cost[1] of $644 per oz sold and all-in sustaining cost ("AISC")[1] of $728 per oz sold. From this, revenues and adjusted earnings[1] of $257 million and $67.0 million, respectively, were realized during the quarter.

As at March 31, 2023, the Company maintained a strong cash balance of $210 million compared to $363 million as at December 31, 2022 with the decrease being driven by the use of cash for debt reduction initiatives and dividends to shareholders. During the three months ended March 31, 2023, the Company utilized cash to optimize its balance sheet through the full repayment of the gold prepay facility ("GPP") of $208 million which provides the Company with greater exposure to the positive outlook on gold price. This one-time transaction resulted in additional interest and finance charges of $129 million with a resultant first quarter free cash flow of $(11.7).

Production during the first quarter of 2023 was driven by processing ore with an average grade of 12.3 grams per tonne ("g/t"), the highest quarterly average grade achieved to date. The mine deferred certain lower grade stopes to later this year in order to complete additional geotechnical work to maximize mining recovery, which factored in the average grade processed during the period. Although the robust performance during the first quarter of 2023 provides a strong start for the year, the Company's production guidance of 425,000 to 475,000 oz for 2023 remains unchanged as grade and gold production are expected to vary over the coming quarters. Notwithstanding the reported AISC[1] for the quarter, due to the ramp up of sustaining capital activities starting in the second quarter, the most significant being the construction of the fourth tailings dam raise, the Company also maintains its AISC[1] guidance.

The following two tables provide an overview of key operating and financial results achieved during the first quarter of 2023 compared to the same period in 2022.

[1] Refer to "Non-IFRS Measures" section in this MD&A.

(All dollar amounts are stated in U.S. dollars unless otherwise indicated. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

	Three months ended March 31,	
	2023	**2022**
Tonnes ore mined	427,735	379,629
Tonnes ore milled	392,332	373,407
Average mill head grade (g/t)	12.3	11.2
Average recovery	90.6%	90.2%
Average mill throughput (tpd)	4,359	4,149
Gold ounces produced	140,021	121,665
Gold ounces sold	134,691	119,282

	Three months ended March 31,	
	2023	**2022**
Revenues ($'000)	256,728	216,472
Income from mining operations ($'000)	132,708	111,207
Earnings before interest, taxes, depreciation, and amortization ($'000)[1]	143,632	98,822
Adjusted earnings before interest, taxes, depreciation, and amortization ($'000)[1]	159,066	133,546
Net income ($'000)	51,465	23,182
Basic income per share ($)	0.22	0.10
Cash provided by operating activities ($'000)	144,439	127,330
Free cash flow ($'000)[1]	(11,653)	91,806
Average realized gold price ($/oz sold)[1]	1,952	1,862
Cash operating cost ($/oz sold)[1]	644	619
All-in sustaining costs ($/oz sold)[1]	728	696
Free cash flow per share ($)[1]	(0.05)	0.39
Adjusted earnings ($'000)[1]	67,014	57,550
Adjusted earnings per share ($)[1]	0.28	0.25
Dividends paid per share ($)	0.10	-

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

The difference between net income and adjusted earnings[1] during the first quarter of 2023 is due to non-cash derivative losses of $15.4 million associated with fair value accounting of the stream facility. This non-cash item is driven by numerous factors including expected production profile, anticipated forward gold and silver prices, and yields. Non-cash derivative gains (or losses) associated with decreased (or increased) short-term production and anticipated decreasing (or increasing) forward gold and silver prices are recorded in the statement of operations, while non-cash derivative gains (or losses) associated with increasing (or decreasing) yields are recorded in the statement of other comprehensive income.

These non-cash gains or losses are derived from complex valuation modelling and accounting treatment which are explained in more detail later in this MD&A. Revaluation of these obligations has and will continue to result in considerable period-to-period volatility in the Company's net income, comprehensive income, current and long-term liabilities and do not necessarily reflect the amounts that will actually be repaid when the obligations become due.

Operating and Financial Results During the First Quarter of 2023

- Mine production ramped up to 427,735 tonnes of ore at an average grade of 11.7 grams per tonne.
- The mill processed 392,332 tonnes of ore at an average throughput rate of 4,359 tpd. The throughput rate was below the guided average for the year of 4,400 tpd due to the completion of the relining of the SAG and ball mills late in the quarter.
- The average grade of ore milled was 12.3 grams per tonne with average recovery at 90.6%. Recoveries were positively impacted by processing high-grade ore and an ore blending strategy that improved flotation recoveries.
- Gold production was 140,021 oz, comprised of 88,236 oz in concentrate and 51,785 oz as doré. The Company sold a total of 134,691 oz of gold, consisting of 85,122 oz in concentrate and 49,569 oz as doré at an average realized gold price[1] of $1,952 per oz for total gross revenues from gold sales of $263 million. Net of treatment and refining charges, revenues were $257 million.
- Cash operating costs[1] and AISC[1] were $644 and $728 per oz of gold sold, respectively. Sustaining capital is expected to increase significantly in future periods with the start of the fourth tailings dam raise and ramp up of other site infrastructure and improvement projects which is expected to result in higher AISC[1] for the remainder of the year.
- The Company generated cash flow of $144 million from operations and negative free cash flow[1] of $(11.7) million or $(0.05) per share. Free cash flow[1] was impacted by the full repayment of the gold prepay facility which resulted in additional interest and finance charge paid during the period of $129 million.
- Notwithstanding the payment of $208 million to extinguish the gold prepay facility, the Company ended the quarter with a cash balance of $210 million.
- Earnings before interest, taxes, depreciation, and amortization[1] ("EBITDA") and adjusted EBITDA[1] were $144 million and $159 million, respectively. The difference is the derivative loss of $15.4 million in the quarter.
- Net income was $51.5 million including a derivative loss of $15.4 million, and net of corporate, exploration, finance costs, and associated taxes on earnings. Adjusted earnings[1], which exclude the derivative loss, were $67.0 million, or $0.28 per share.

Update to Mineral Reserve and Mineral Resource Estimates

On March 31, 2023, the Company filed a new technical report prepared in accordance with NI 43-101 for the Fruta del Norte mine. This report entitled "Amended NI 43-101 Technical Report Fruta del Norte Mine Ecuador" (the "FDN Technical Report")[2], replaces the Company's previous technical report entitled "Fruta del Norte Project Ecuador NI 43-101 Technical Report on Feasibility Study", dated June 2016 with an effective date of April 30, 2016, filed on SEDAR under the Company's profile at www.sedar.com (the "2016 Technical Report").

The conversion drilling program at Fruta del Norte successfully resulted in the replacement of all mined Mineral Reserves since the beginning of operations and added additional Mineral Reserves.

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

[2] This report supersedes the report dated March 29, 2023, titled "NI 43-101 Technical Report Fruta del Norte Mine Ecuador" in its entirety.

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Comparison of Reserve Estimates(3)(4)(5)(6)(7)

	Tonnage (M t)	Grade (g/t Au)	Contained Metal (M oz Au)	Grade (g/t Ag)	Contained Metal (M oz Ag)
2016 Reserve(1)					
Proven	0	0	0	0	0
Probable	15.49	9.67	4.82	12.7	6.34
Total	**15.49**	**9.67**	**4.82**	**12.7**	**6.34**
2022 Reserve(2)					
Proven	10.75	9.95	3.44	11.6	4.00
Probable	7.23	6.81	1.58	11.2	2.60
Total	**17.98**	**8.68**	**5.02**	**11.4**	**6.60**

Notes:

1. *For details of the 2016 estimate, see the 2016 Technical Report.*
2. *For details of the 2022 estimate, see the FDN Technical Report. The Qualified Person for the estimate is Jason Cox, P.Eng., an employee of SLR Consulting. The estimate has an effective date of December 31, 2022.*
3. *Mineral Reserves were estimated using key inputs listed in the table below:*

Key Input	2016 Technical Report	FDN Technical Report	Unit
Gold Price	1,400	1,400	$/oz
Transverse Stoping Mining Cost	61	51	$/t
Drift & Fill Mining Cost	80	77	$/t
Process, Surface Ops, G&A Cost	75.8	64	$/t
Dilution Factor	8	8	Percent
Concentrate Transport & Treatment	65.9	80	$/oz
Royalty	77	76	$/oz
Gold Metallurgical Recovery	93.9	88.5	Percent

4. *Gold cut-off grades for the different mining methods are listed in the table below:*

Gold Cut-off Grade	2016 Technical Report	FDN Technical Report	Unit
Transverse Stope	4.7	4.2	g/t
Drift and Fill	5.3	5.0	g/t

5. *Silver was not considered in the calculation of the cut-off grade.*
6. *Tonnages are rounded to the nearest 1,000 t, gold grades are rounded to two decimal places, and silver grades are rounded to one decimal place. Tonnage and grade measurements are in metric units; contained gold and silver are reported as thousands of troy ounces.*
7. *Rounding as required by reporting guidelines may result in summation differences.*

Capital Expenditures

Sustaining Capital

- Preparations were underway for the fourth raise of the tailings dam late in the first quarter with work starting in the second quarter and completion expected in the fourth quarter.
- Construction of the new warehouse progressed as planned during the quarter with completion expected late in the second quarter.
- Other sustaining capital projects such as a new sewage treatment plant, underground mine maintenance facility, and other efficiency improvement projects are expected to ramp up during the remainder of the year.

- The 2023 conversion drilling program completed eight drill holes of approximately 1,400 metres during the quarter in distinct sectors of the FDN deposit. In the north-central sector, four drill holes were completed with positive assay results associated with hydrothermal breccias that confirmed mineralization continuity along the downdip extension. In the southern sector, four drill holes were completed and intercepted veins and veinlets hosted in volcanic rocks, generally associated to the gold mineralization at FDN. A complete table of results received to date can be found in Lundin Gold's press release dated May 4, 2023.

Health and Safety and Community

Health and Safety

- During the quarter there were no Lost Time Incidents ("LTI") and one Medical Aid Incident ("MAI") on exploration activities.
- The Total Recordable Incident Rate across exploration and operations was 0.15 per 200,000 hours worked.
- In April 2023, the FDN operations reached a significant milestone of 4.0 million hours worked with neither an LTI nor a MAI.

Community

Various community projects supported by the Company continued to progress in the first quarter. Micro businesses established by local entrepreneurs and supported by the Company and Lundin Foundation have successfully become suppliers to FDN. The local textile manufacturer, fire extinguisher maintenance company, and pest control / fumigation company continue to work with the mine. Also in the first quarter, the evaluation of potential new areas for local businesses has commenced. Efforts have continued to ensure that local farmers retain access to local, national, and international markets.

Longstanding projects such as road maintenance, educational support to promote access to higher education, efficiency improvements in the agricultural sector and addressing infrastructure challenges continue to progress.

The Company continues to engage with local indigenous peoples, especially the Shuar Federation of Zamora Chinchipe, to jointly implement projects that promote economic opportunities and the Shuar culture. In the first quarter, the Shuar Cultural Center, which was constructed and is managed in partnership with the Lundin Foundation, hosted multiple events and received an increased number of visitors.

Exploration

Near Mine Exploration Program

The near mine drilling program restarted in February, following a change in drilling contractors at year end, and continues to explore extensions of major controlling structures of the FDN deposit targeting distinct sectors near FDN. In the first quarter, the program completed a total of 3,660 metres across eight holes, from surface and underground.

- The surface drilling program is focused along the south extension of the East Fault. A total of six drill holes were completed with most intercepting significant hydrothermal alteration from epithermal systems. Initial positive intercepts indicate a new mineralized zone, FDN Sur ("FDNS"), and identified targets for further evaluation, Bonza Sur and Castillo. Three surface rigs are currently drilling, two of them exploring the extensions of FDNS and another at Bonza Sur.

    - At FDNS, three surface drill holes were completed, and all successfully intercepted hydrothermal alteration zones of similar composition to that found at FDN. The most recent results from hole FDNS-2023-19 point to significant exploration potential to be developed along the north strike and at depth, parallel to the operating mine. Remaining results from drill holes completed in the first quarter are pending.

    - At Bonza Sur, three surface drill holes were completed, and initial results suggest a new mineralized zone located only one kilometre south from FDN. The intercepted gold mineralization is hosted in a wide hydrothermal alteration zone along the north-south strike direction. This is coincident with a large soil gold anomaly that extends continuously for more than 1.2 kilometres.

  - At Castillo, drill results indicate a new mineralized zone to the south of FDN. This sector is located underneath the Suarez Basin and to the west of the East Fault, in a similar geological setting to FDN and FDNS.

- The underground drilling program focused on the continuity of FDN at depth and explored new areas across the West Fault. Two drill holes were completed in the north central part of FDN, and drill hole UGE-W-23-018 intercepted narrow gold mineralization located west from the West Fault, which will be followed up with further drilling during the year.

A complete table of results received to date can be found in Lundin Gold's press release dated May 4, 2023.

Regional Exploration Program
The regional drilling program restarted late in the first quarter with one drill hole in progress at Quebrada La Negra located along the southwestern basin border. The drill hole is investigating the northern continuity of a major fault where wide hydrothermal alteration zones with breccias and/or veins and disseminated sulfides were intercepted during the 2022 drilling program.

The regional program will continue to advance in the identification of important indicators that point toward the presence of buried epithermal deposits in the southern basin. New targets of interest have been identified and will be tested targeting new potentially mineralized structures.

Newcrest Earn-In Agreement
On the concessions held by the Company's subsidiary, Surnorte S.A., a second phase of scout drilling commenced at the Gamora Project, located in southeast Ecuador. This work is being conducted by Newcrest Mining Limited ("Newcrest") as the operator under an earn-in agreement with Lundin Gold pursuant to which Newcrest can earn up to a 50% interest in eight exploration concessions located to the north and south of Fruta del Norte. The current phase of diamond core drilling at Gamora is focused on testing priority copper-gold targets in the Mirador copper porphyry district. The program is planned to finish in June 2023.

<u>Corporate</u>

- The Company paid its quarterly dividend of $0.10 per share on March 31, 2023 (April 4 for shares trading on Nasdaq Stockholm) based on a record date of March 13, 2023, for a total of $23.6 million.
- With the release of its first quarter 2023 results, the Company has declared a cash dividend of $0.10 per share, which is payable on June 27, 2023 (June 30 for shares trading on Nasdaq Stockholm) to shareholders of record on June 13, 2023.
- One of Newcrest's representatives, Mr. Robert Thiele resigned from the board of directors at the end of the quarter, and Ms. Jill Terry was appointed to the board as his replacement.
- During the quarter, the Company appointed Mr. Terry Smith as Chief Operating Officer and Mr. Chester See as Interim Chief Financial Officer concurrent with the retirement of Mr. Alessandro Bitelli, Executive Vice President and Chief Financial Officer.
- In April 2023, the Company announced that Mr. Christopher Kololian was hired as the Company's Chief Financial Officer and is expected to commence in the role on July 1, 2023. Chester See will continue in the role of Senior Vice President, Finance.

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SUMMARY OF QUARTERLY FINANCIAL RESULTS

The Company's quarterly financial statements are reported under IFRS as applicable to interim financial reporting. The following table provides highlights from the Company's financial statements for the past eight quarters (unaudited).

		2023 Q1		2022 Q4		2022 Q3		2022 Q2
Revenues	$	256,728	$	210,961	$	210,425	$	177,808
Income from mining operations	$	132,708	$	92,095	$	83,930	$	82,522
Derivative gain (loss) for the period	$	(15,434)	$	29,217	$	41,838	$	39,986
Net income (loss) for the period	$	51,465	$	(68,259)	$	62,673	$	55,962
Basic income (loss) per share	$	0.22	$	(0.29)	$	0.27	$	0.24
Diluted income (loss) per share	$	0.22	$	(0.29)	$	0.26	$	0.24
Weighted-average number of common shares outstanding								
Basic		236,062,529		235,332,039		235,165,784		234,933,975
Diluted		238,123,015		235,332,039		236,882,976		236,847,992
Additions to property, plant and equipment	$	4,384	$	15,253	$	15,178	$	14,532
Total assets	$	1,467,040	$	1,668,865	$	1,634,590	$	1,664,030
Long-term debt	$	434,175	$	667,966	$	589,919	$	645,724
Working capital	$	256,853	$	194,804	$	253,673	$	253,921

		2022 Q1		2021 Q4		2021 Q3		2021 Q2
Revenues	$	216,472	$	186,440	$	190,753	$	216,145
Income from mining operations	$	111,207	$	91,646	$	89,431	$	110,604
Derivative loss for the period	$	(34,724)	$	(36,001)	$	(636)	$	(25,599)
Net income for the period	$	23,182	$	28,789	$	56,673	$	49,984
Basic income per share	$	0.10	$	0.12	$	0.24	$	0.22
Diluted income per share	$	0.10	$	0.12	$	0.24	$	0.21
Weighted-average number of common shares outstanding								
Basic		233,809,773		233,211,843		232,723,880		231,998,447
Diluted		235,774,444		235,376,672		235,017,999		234,508,000
Additions to property, plant and equipment	$	9,184	$	5,266	$	20,101	$	16,157
Total assets	$	1,735,223	$	1,685,113	$	1,630,830	$	1,590,849
Long-term debt	$	752,482	$	739,977	$	748,856	$	772,361
Working capital	$	273,680	$	217,221	$	136,139	$	109,010

Three months ended March 31, 2023 compared to the three months ended March 31, 2022

The Company generated net income of $51.5 million during the first quarter of 2023 compared to $23.2 million during the first quarter of 2022. Net income was generated from the recognition of revenues of $257 million and income from mining operations of $133 million as well as other income of $0.5 million. This is offset by a derivative loss of $15.4 million, finance expense of $21.1 million, income tax expense of $33.8 million, and other expenses totalling $11.4 million. During the first quarter of 2022, net income was generated from the recognition of revenues of $216 million and income from mining operations of $111 million offset by a derivative loss of $34.7 million, finance expense of $27.3 million, income tax expense of $16.9 million, and other expenses totalling $9.1 million.

Income from mining operations

Net income from mining operations increased to $133 million compared to $111 million during the same quarter in 2022. Cost of goods sold of $124 million was comprised of operating expenses of $72.5 million; royalties of $14.3 million; and depletion and depreciation of $37.3 million. During the same period in 2022, cost of goods sold was $105 million. The increase in both cost of goods sold and net income from mining operations was primarily driven by the increase in oz sold and higher gold prices.

Exploration

Exploration costs were $3.8 million in the quarter compared to $2.8 million during the same period in 2022. Activities during the quarter consisted of drilling on two programs, the regional program and the near-mine program, the latter of which only commenced during the second half of 2022.

Corporate administration

Corporate administration costs increased from $5.9 million during the first quarter of 2022 to $7.6 million during the first quarter of 2023. This increase is mainly driven by payments made to certain long-serving employees upon the end of their employment with the Company.

Finance expense

Finance expense decreased to $21.1 million during the quarter compared to $27.3 million during the same period in 2022 as savings of interest and finance charges were realized after the full repayment of the gold prepay facility in January 2023.

Other expense (income)

Other income of $0.5 million was recognized during the quarter compared to other expense of $0.4 million in the first quarter of 2022. This is mainly driven by foreign exchange gains which are derived from the quantum of U.S. dollar cash held by Canadian group entities and movements in the foreign exchange rate. As the functional currency of the Canadian entities is the Canadian dollar, a strengthening of the U.S. dollar against the Canadian dollar during the period generates an unrealized gain in terms of Canadian dollars.

Derivative gain or loss

Derivative gains and losses in the statement of operations and other comprehensive income are driven by the Company's debt obligations under the stream facility which are classified as financial liabilities at fair value. In 2022, derivative gains and losses were also impacted by the fair value accounting of the gold prepay facility. During the first quarter of 2023, the Company made scheduled principal, interest, and finance charge repayments totaling $21.0 million (three months ended March 31, 2022: $11.3 million) under the stream facility, based on gold and silver prices at the time of repayment. This was offset by a non-cash increase of this debt obligation of $15.8 million due to a change in its estimated fair value between December 31, 2022 and March 31, 2023 (2022: an increase of $33.6 million between December 31, 2021 and March 31, 2022). This variation is recorded as derivative losses, in the statement of operations and other comprehensive income in the applicable period. The fair value calculated under the Company's accounting policies is based on numerous estimates noted below as of the balance sheet date and are, therefore, subject to further future variations until the debt obligation is repaid by the Company.

Fair value is determined using Monte Carlo simulation models. The key inputs used by the Monte Carlo simulation include gold and silver forward prices, the Company's expectation about long-term gold yields, gold and silver volatility, risk-free rate of return, risk-adjusted discount rate, and production expectations. Relatively small variations in some of these inputs can give rise to significant variations in the fair value of financial liabilities; hence, the large derivative gains and losses recorded to date.

Key drivers of current fair value are forward gold and silver prices and the Company's risk adjusted discount rate. The combined net impact of these factors is a net increase in the fair value of the stream credit facility as described more fully below, offset by the decrease from scheduled repayments during the period:

- The value of future repayments under the stream credit facility is based on forward gold and silver price estimates at time of repayment. Spot gold prices at March 31, 2023 were higher compared to December 31, 2022 and as a result, forward prices have followed suit. This has resulted in an increase in the estimated fair value of the debt obligation at the current balance sheet date and the recognition of derivative losses in the statement of operations during the first quarter of 2023. The same occurred during the first quarter of 2022. Fair values at a point in time do not necessarily reflect the amounts that will actually be repaid when the obligation becomes due in the future. While significant derivative gains or losses will continue to be recognized at each reporting period, the potentially more significant impact of the same change in forward gold and silver prices on the value of future production and revenue forecasts to be generated during the same periods when the debt obligation will be repaid cannot be recognized because of the inherent uncertainty and risks associated with actually realizing such production and sales.

- The discount rate used to determine the current fair value of future payments under the stream credit facility is dependent not only on the Company's own weighted average cost of capital, but also on market conditions. These include inflation, interest rates, economic conditions, both local and industry specific, and other factors outside of the Company's control. The change in fair value due to a variation in credit risk must be recorded as a loss or gain in other comprehensive income ("OCI") rather than in the statement of operations.

Income taxes

Income taxes of $33.8 million were accrued during the first quarter of 2023 (three months ended March 31, 2022: $16.9 million) which is comprised of current and deferred income tax expenses of $26.2 million and $7.7 million, respectively. In addition to corporate income taxes in Ecuador which are levied at a rate of 22%, income tax expense includes a 5% Ecuadorean withholding tax on the anticipated portion of net income generated from FDN to be paid in the form of dividends, and an accrual for the portion of profit sharing payable to the Government of Ecuador which is calculated at the rate of 12% of the estimated net income for tax purposes for the quarter. The employee portion of profit sharing payable, calculated at the rate of 3% of net income for tax purposes is considered an employee benefit and is included in operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2023, the Company had cash of $210 million and a working capital balance of $257 million compared to cash of $363 million and a working capital balance of $195 million at December 31, 2022. The change in cash during the first quarter of 2023 was primarily due to the full repayment of the gold prepay facility of $208 million; principal repayments, interest and finance charges, including associated taxes, under the stream credit facility totalling $21.0 million; interest and principal repayments under the senior debt of $42.8 million; dividends of $23.6 million; and cash outflows of $7.2 million for sustaining capital expenditures. This is offset by cash generated from operating activities of $144 million and proceeds from the exercise of stock options and anti-dilution rights of $4.0 million.

Trade receivables

The majority of trade receivables represent the value of concentrate and doré sold as at period end for which the funds are not yet received. Revenues and related trade receivables for concentrate sales are initially recorded at provisional gold prices. Subsequent determination of final gold prices can range from one to four months after shipment depending on the customer. For sales that are provisionally priced at period end, an estimate of the adjustment to the trade receivable is calculated based on the expected month when the final gold price is forecast to be determined and the related forward price of gold at the end of the reporting period. At March 31, 2023, this resulted in an estimated increase of $15.8 million ($6.1 million at December 31, 2022) to trade receivables.

Consistent with industry standards, concentrate sales have relatively long payment terms and are not fully settled until concentrate is received by the customer and related final assays confirmed, generally two to four months after the export sale occurs.

VAT receivables

Subject to the submission of monthly claims and their acceptance by the applicable authorities, VAT paid in Ecuador by the Company after January 1, 2018 are expected to be refunded or applied, based on the level of export sales in any given month, as a credit against other taxes payable. A portion of the VAT recoverable has been reclassified as current assets based on the Company's assessment of the estimated time for processing VAT claims during the next twelve months.

Advanced royalties

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

Inventories

Gold inventory is recognized in the ore stockpiles and in production inventory, comprised principally of concentrate and doré at site or in transit to port or to the refinery, with a component of gold-in-circuit. Ore stockpile inventory has increased primarily due to a higher volume of material compared to December 31, 2022. The variations in doré and concentrate are mainly the result of timing of shipments around period end. The high value of material and supplies, comprised of consumables and spare parts, reflects the Company's assessment of the procurement cycles due to the remoteness of FDN and higher costs of materials and supplies on hand.

Investment activities

Investment activities during the first quarter of 2023 are comprised principally of sustaining capital expenditures for the construction of a new warehouse and other capital projects.

Liquidity and capital resources

The Company generated strong operating cash flow during the first quarter of 2023 and expects to continue to do so for the remainder of the year based on its production and AISC guidance. At current gold prices, this strong operating cash flow will continue to support aggressive debt repayments, regional and near mine exploration, planned capital expenditures, growth initiatives and regular dividend payments under the approved dividend policy.

The senior debt is repayable in variable quarterly instalments and matures in June 2026. Additional quarterly principal repayments based on 30% of Fruta del Norte's excess cash flow (the "Cash Sweep") started in 2022 with the achievement of completion in the fourth quarter of 2021 and are expected to accelerate the full repayment of this debt to some time in 2024. An estimate of the Cash Sweep for the next twelve months is included in the current portion of long-term debt.

Monthly payments under the stream facility are based on 7.75% and 100% of gold and silver ounces sold, respectively, calculated at the current gold and silver prices at the end of each month, less $404 and $4.04 per oz (the "Base Prices"), respectively. The Base Prices increase by 1% annually in February of each year. The Company has the option to repay (i) 50% of the stream facility outstanding on June 30, 2024 for $150 million and / or (ii) the other 50% outstanding on June 30, 2026 for $225 million.

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 credit facility and offtake commitment have been classified as financial liabilities at fair value and the senior debt facility as a financial liability at amortized cost. Further, provisionally priced trade receivables of $105 million (December 31, 2022 - $86.4 million) are measured at fair value using quoted forward market prices.

The Company's financial instruments are exposed to a variety of financial risks by virtue of its activities.

Currency risk

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

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The majority of the Company's cash is held in large financial institutions with a high investment grade rating. The Company is also subject to credit risk associated with its trade receivables. The Company manages this risk by only selling to a small group of reputable customers with strong financial statements.

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 seek 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.

Interest rate risk

The Company is subject to interest rate risk with respect to the fair value of long-term debt which are accounted for at fair value through profit or loss and on the senior debt facilities for which interest payments are affected by movements to the LIBOR rate.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. Cash flow forecasting is performed regularly to monitor the Company's liquidity requirements to ensure it has sufficient cash to always meet its operational needs. In addition, management is actively involved in the review, planning and approval of significant expenditures and commitments.

(All dollar amounts are stated in U.S. dollars unless otherwise indicated. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices of gold and silver. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of substitutes, inflation, and political and economic conditions. The Company has not hedged the price of any commodity at this time.

The fair value of a portion of the Company's trade receivables as well as the stream credit facility are impacted by fluctuations of commodity prices.

COMMITMENTS

Significant capital expenditures contracted as at March 31, 2023 but not recognized as liabilities are as follows:

		Capital expenditures
12 months ending March 31, 2024	$	11,718
April 1, 2024 onward		-
Total	$	11,718

OFF-BALANCE SHEET ARRANGEMENTS

During the three months ended March 31, 2023 and the year ended December 31, 2022, there were no off-balance sheet transactions. The Company has not entered into any specialized financial arrangements to minimize its currency risk.

OUTSTANDING SHARE DATA

As at the date of this MD&A, there were 236,846,505 common shares issued and outstanding. There were also stock options outstanding to purchase a total of 3,914,471 common shares, 521,026 restricted share units with a performance criteria, 162,601 restricted share units, and 35,789 deferred share units.

OUTLOOK

Lundin Gold's performance in the first quarter of 2023 provides a strong foundation for the rest of the year, and the Company's production guidance of 425,000 to 475,000 oz and AISC[1] of $870 to $940 for 2023 remain unchanged.

Sustaining capital is expected to increase over the remaining quarters of 2023 with construction of the fourth raise of the tailings dam starting in the second quarter as well as several other capital projects. In addition, the conversion drilling program, aiming to convert Inferred to Indicated Mineral Resources is planned to continue.

Exploration drilling, on the near mine program, is planned to increase from 15,500 metres to 23,000 metres of drilling for 2023 as a result of positive results recently received. The near mine drilling program will continue to advance exploration of the recently identified FDNS, Bonza Sur, and Castillo targets near FDN. Another rig is planned to be incorporated in the second quarter, bringing the total number of surface rigs to four. The regional drilling program is planned to focus on the southern Suarez Basin, advancing along the eastern and western borders of the Basin. Its objective is to follow up on the numerous target areas identified during the 2022 program and test new and unexplored targets. The regional drilling program continues to be expected to comprise a total of 12,500 metres for the year, with one rig currently operating. The estimated exploration budget for 2023 is anticipated to increase from $21.1 million to $24.6 million.

(All dollar amounts are stated in U.S. dollars unless otherwise indicated. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

The Company anticipates declaring quarterly dividends of at least $0.10 per share, equivalent to approximately $100 million annually, based on currently issued and outstanding shares.

NON-IFRS MEASURES

This MD&A refers to certain financial measures, such as average realized gold price per oz sold, EBITDA, adjusted EBITDA, cash operating cost per oz. sold, all-in sustaining cost, free cash flow, free cash flow per share, and adjusted earnings, which are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies. These measures have been derived from the Company's financial statements because the Company believes that they are of assistance in the understanding of the results of operations and its financial position.

Average realized gold price per oz sold

Average realized gold price is a metric used to better understand the gold price realized during a period. This is calculated as sales for the period plus treatment and refining charges less silver sales divided by gold oz sold.

	Three months ended March 31, 2023	Three months ended March 31, 2022
Revenues	$ 256,728	$ 216,472
Treatment and refining charges	9,410	8,246
Less: silver revenues	(3,232)	(2,577)
Gold sales	$ 262,906	$ 222,141
Gold oz sold	134,691	119,282
Average realized gold price	$ 1,952	$ 1,862

EBITDA and Adjusted EBITDA

Earnings before interest, taxes, depreciation, and amortization ("EBITDA") is a metric used to better understand the financial performance of the Company by computing earnings from business operations without including the effects of capital structure, tax rates and depreciation. Adjusted EBITDA is EBITDA excluding items which are considered not indicative of underlying business operations.

	Three months ended March 31, 2023	Three months ended March 31, 2022
Net income for the period	$ 51,465	$ 23,182
Adjusted for:		
Finance expense	21,057	27,276
Income tax expense	33,848	16,911
Depletion and depreciation	37,262	31,453
EBITDA	$ 143,632	$ 98,822
Derivative loss	15,434	34,724
Adjusted EBITDA	$ 159,066	$ 133,546

(All dollar amounts are stated in U.S. dollars unless otherwise indicated. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

Adjusted earnings and adjusted basic earnings per share

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

	Three months ended March 31, 2023	Three months ended March 31, 2022
Net income for the period	$ 51,465	$ 23,182
Adjusted for:		
Derivative loss (gain)	15,434	34,724
Deferred income tax expense	115	(356)
Adjusted earnings	$ 67,014	$ 57,550
Basic weighted average shares outstanding	236,062,529	233,809,773
Adjusted basic earnings per share	$ 0.28	$ 0.25

Cash operating cost per oz

Cash operating cost per oz sold, combined with revenues, can be used to evaluate the Company's performance and ability to generate operating income and cash flow from operating activities. Cash operating costs include operating expenses and royalty expenses.

	Three months ended March 31, 2023	Three months ended March 31, 2022
Operating expenses	$ 72,471	$ 61,295
Royalty expenses	14,299	12,526
Cash operating costs	$ 86,770	$ 73,821
Gold oz sold	134,691	119,282
Cash operating cost per oz sold	$ 644	$ 619

All-in sustaining cost

AISC provides information on the total cost associated with producing gold and has been calculated on a basis consistent with historic news releases by the Company.

The Company calculates AISC as the sum of total cash operating costs (as described above), corporate social responsibility costs, treatment and refining charges, accretion of restoration provision, and sustaining capital, less silver revenue, all divided by the gold ounces sold to arrive at a per oz amount.

(All dollar amounts are stated in U.S. dollars unless otherwise indicated. Tables are expressed in thousands of U.S. dollars, except share and per share amounts)

Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied.

	Three months ended March 31, 2023	2022
Cash operating costs	$ 86,770	$ 73,821
Corporate social responsibility	612	427
Treatment and refining charges	9,410	8,246
Accretion of restoration provision	167	153
Sustaining capital	4,384	2,940
Less: silver revenues	(3,232)	(2,577)
All-in sustaining cost	$ 98,111	$ 83,010
Gold oz sold	134,691	119,282
All-in sustaining cost per oz sold	$ 728	$ 696

Free cash flow and free cash flow per share

Free cash flow is indicative of the Company's ability to generate cash from operations after consideration for required capital expenditures, including related VAT impact, necessary to maintain operations and interest and finance charge paid on its debt obligations. Free cash flow is defined as cash flow provided by operating activities, less cash used for investing activities and interest and finance charge paid.

	Three months ended March 31, 2023	2022
Net cash provided by operating activities	$ 144,439	$ 127,330
Net cash used for investing activities	(7,172)	(12,238)
Interest paid	(6,368)	(5,977)
Finance charge paid	(142,552)	(17,309)
Free cash flow	$ (11,653)	$ 91,806
Basic weighted average shares outstanding	236,062,529	233,809,773
Free cash flow per share	$ (0.05)	$ 0.39

CRITICAL ACCOUNTING ESTIMATES

The adoption of certain accounting policies requires the Company to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain. For a complete discussion of accounting estimates deemed most crucial by the Company, refer to the Company's annual 2022 Management's Discussion and Analysis.

RISKS AND UNCERTAINTIES

Natural resources exploration, development and operation involves a number of risks and uncertainties, many of which are beyond the Company's control. These risks and uncertainties include, without limitation, the risks discussed elsewhere in this MD&A and those set out in the Company's Annual Information Form dated March 31, 2023 (the "AIF"), which is available on SEDAR at www.sedar.com.

QUALIFIED PERSON

The technical information relating to Fruta del Norte contained in this MD&A has been reviewed and approved by Ron Hochstein P. Eng, Lundin Gold's President & CEO who is a Qualified Person under NI 43-101. The disclosure of exploration information contained in this MD&A was prepared by Andre Oliveira P.Geo, Vice President, Exploration of the Company, who is a Qualified Person in accordance with the requirements of NI 43-101.

FINANCIAL INFORMATION

The report for the six months ended June 30, 2023 is expected to be published on or about August 9, 2023.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

Management, including the Chief Executive Officer and the Chief Financial Officer, are responsible for the design of the Company's disclosure controls and procedures in order to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

Internal controls over financial reporting

Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required under Multilateral Instrument 52-109, management advises that there have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period, beginning January 1, 2023 and ending March 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD LOOKING STATEMENTS

Certain of the information and statements in this MD&A are considered "forward-looking information" or "forward-looking statements" as those terms are defined under Canadian securities laws (collectively referred to as "forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "believes", "anticipates", "expects", "is expected", "scheduled", "estimates", "pending", "intends", "plans", "forecasts", "targets", or "hopes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "will", "should" "might", "will be taken", or "occur" and similar expressions) are not statements of historical fact and may be forward-looking statements.

By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. Lundin Gold believes that the expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. This information speaks only as of the date of this MD&A, and the Company will not necessarily update this information, unless required to do so by securities laws.

This MD&A contains forward-looking information in a number of places, such as in statements pertaining to the Company's 2023 production outlook, including estimates of gold production, grades recoveries and AISC; operating plans; expected sales receipts, cash flow forecasts and financing obligations; its estimated capital costs; expected management changes; the recovery of VAT; benefits of the Company's community programs; the Company's declaration and payment of dividends pursuant to its dividend policy; the timing and the success of its drill program at Fruta del Norte and its other exploration activities; and estimates of Mineral Resources and Reserves at Fruta del Norte.

Lundin Gold's actual results could differ materially from those anticipated. Management has identified the following risk factors which could have a material impact on the Company or the trading price of its shares: risks related to political and economic instability in Ecuador; risks associated with the Company's community relationships; risks related to estimates of production, cash flows and costs; risks inherent to mining operations; shortages of critical supplies; the cost of non-compliance and compliance costs; control of the Company's largest shareholders; volatility in the price of gold; failure of the Company to maintain its obligations under its debt facilities; risks related to Lundin Gold's compliance with environmental laws and liability for environmental contamination; the lack of availability of infrastructure; the Company's reliance on one mine; security risks to the Company, its assets and its personnel; risks related to illegal mining; exploration and development risks; the impacts of a pandemic virus outbreak; risks related to the Company's ability to obtain, maintain or renew regulatory approvals, permits and licenses; uncertainty with and changes to the tax regime in Ecuador; the reliance of the Company on its information systems and the risk of cyber-attacks on those systems; the imprecision of Mineral Reserve and Resource estimates; deficient or vulnerable title to concessions, easements and surface rights; inherent safety hazards and risk to the health and safety of the Company's employees and contractors; risks related to the Company's workforce and its labour relations; key talent recruitment and retention of key personnel; volatility in the market price of the Company's shares; measures to protect endangered species and critical habitats; social media and reputation; the adequacy of the Company's insurance; risks relating to the declaration of dividends; uncertainty as to reclamation and decommissioning; the ability of Lundin Gold to ensure compliance with anti-bribery and anti-corruption laws; the uncertainty regarding risks posed by climate change; limits of disclosure and internal controls; the potential for litigation; and risks due to conflicts of interest.

There can be no assurance that such statements will prove to be accurate, as Lundin Gold's actual results and future events could differ materially from those anticipated in this forward-looking information as a result of the factors discussed under the heading "Risk Factors" in the AIF available at www.sedar.com.

LUNDIN GOLD INC.

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

	Note		March 31, 2023		December 31, 2022
ASSETS					
Current assets					
Cash and cash equivalents	7, 14	$	209,714	$	363,400
Trade receivables and other current assets	3		172,350		169,134
Inventories	4		90,859		89,787
Advance royalty			11,267		13,000
			484,190		635,321
Non-current assets					
VAT recoverable			41,308		52,244
Advance royalty			12,225		16,494
Property, plant and equipment	5		753,589		781,299
Mineral properties	6		175,728		183,507
		$	1,467,040	$	1,668,865
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	60,869	$	71,434
Income taxes payable			24,938		21,445
Other current liabilities	9		-		2,264
Current portion of long-term debt	7		141,530		345,374
			227,337		440,517
Non-current liabilities					
Long-term debt	7		292,645		322,592
Reclamation provisions			7,216		7,049
Deferred income tax liabilities			54,199		46,626
			581,397		816,784
EQUITY					
Share capital	8		996,762		989,772
Equity-settled share-based payment reserve	9		13,061		13,856
Accumulated other comprehensive income			2,162		2,612
Deficit			(126,342)		(154,159)
			885,643		852,081
		$	1,467,040	$	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.

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 March 31, 2023		2022
Revenues		$	256,728	$	216,472
Cost of goods sold					
Operating expenses			72,471		61,295
Royalty expenses			14,299		12,526
Depletion and depreciation			37,250		31,444
			124,020		105,265
Income from mining operations			132,708		111,207
Other expenses (income)					
Corporate administration	10		7,605		5,861
Exploration			3,843		2,806
Finance expense	11		21,057		27,276
Other expense (income)			(544)		447
Derivative loss	7		15,434		34,724
			47,395		71,114
Net income before tax			**85,313**		**40,093**
Income tax expense					
Current income tax expense	13		26,160		19,981
Deferred income tax expense	13		7,688		(3,070)
			33,848		16,911
Net income for the period		**$**	**51,465**	**$**	**23,182**
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified to net income					
Currency translation adjustment			(197)		821
Items that will not be reclassified to net income					
Derivative gain (loss) related to the Company's own credit risk			(368)		1,135
Deferred income tax on accumulated other comprehensive income			115		(356)
Comprehensive income		$	51,015	$	24,782
Income per common share					
Basic		$	0.22	$	0.10
Diluted			0.22		0.10
Weighted-average number of common shares					
Basic			236,062,529		233,809,773
Diluted			238,123,015		235,774,444

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

LUNDIN GOLD INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Prepared by Management)
(Expressed in thousands of U.S. Dollars, except number of common shares)

	Note	Number of common shares		Share capital		Equity-settled share-based payment reserve		Other reserves		Deficit		Total
Balance, January 1, 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	46,758		416		-		-		-		416
Exercise of warrants	9	411,441		2,445		(511)		-		-		1,934
Stock-based compensation	9	-		-		968		-		-		968
Other comprehensive income		-		-		-		1,600		-		1,600
Net income for the period		-		-		-		-		23,182		23,182
Balance, March 31, 2022		234,735,282	$	983,349	$	11,834	$	8,451	$	(157,502)	$	846,132
Balance, January 1, 2023		235,646,977	$	989,772	$	13,856	$	2,612	$	(154,159)	$	852,081
Exercise of stock options		487,400		2,883		(1,024)		-		-		1,859
Vesting of share units	9	199,227		1,917		(710)		-		-		1,207
Exercise of anti-dilution rights	8	226,349		2,190		-		-		-		2,190
Stock-based compensation	9	-		-		939		-		-		939
Other comprehensive loss		-		-		-		(450)		-		(450)
Net income for the period		-		-		-		-		51,465		51,465
Dividends paid		-		-		-		-		(23,648)		(23,648)
Balance, March 31, 2023		236,559,953	$	996,762	$	13,061	$	2,162	$	(126,342)	$	885,643

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

LUNDIN GOLD INC.

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

	Note	Three months ended March 31, 2023	2022
OPERATING ACTIVITIES			
Net income for the period		$ 51,465	$ 23,182
Items not affecting cash:			
Depletion and depreciation		37,262	31,453
Stock-based compensation	9	927	992
Derivative loss	16(b)	15,434	34,724
Other expense (income)		(216)	425
Finance expense		20,675	26,680
Deferred income tax expense		7,688	(3,070)
		133,235	114,386
Changes in non-cash working capital items:			
Trade receivables and other current assets		7,487	2,462
Inventories		1,705	(2,692)
Advance royalty		6,002	5,256
Accounts payable and accrued liabilities		(8,252)	(12,227)
Income taxes payable		3,493	19,981
Other non-current liabilities		(1,045)	-
Interest received		1,814	164
Net cash provided by operating activities		144,439	127,330
FINANCING ACTIVITIES			
Repayments of long-term debt	7	(122,450)	(23,646)
Interest paid	7	(6,368)	(5,977)
Finance charge paid	7	(142,552)	(17,309)
Proceeds from exercise of stock options		1,859	3,555
Proceeds from exercise of anti-dilution rights		2,190	1,934
Proceeds from exercise of warrants		-	416
Dividends paid		(23,648)	-
Net cash used for financing activities		(290,969)	(41,027)
INVESTING ACTIVITIES			
Acquisition and development of property, plant and equipment		(6,697)	(11,207)
VAT paid on investing activities		(475)	(1,031)
Net cash used for investing activities		(7,172)	(12,238)
Effect of foreign exchange rate differences on cash		16	266
Net increase (decrease) in cash and cash equivalents		(153,686)	74,331
Cash and cash equivalents, beginning of period		363,400	262,608
Cash and cash equivalents, end of period		$ 209,714	$ 336,939

Supplemental cash flow information (Note 14)

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

(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 May 10, 2023.

3. Trade receivables and other current assets

		March 31, 2023		December 31, 2022
Trade receivables (a)	$	104,617	$	86,431
VAT recoverable (b)		50,577		61,883
Prepaid expenses and other (c)		17,156		20,820
	$	172,350	$	169,134

(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 March 31, 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 $15.8 million in trade receivables as of March 31, 2023 (December 31, 2022 - $6.1 million increase).

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

3. Trade receivables and other current assets (continued)

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

(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

		March 31, 2023		December 31, 2022
Ore stockpile	$	14,789	$	11,545
Gold in circuit		7,562		5,833
Doré and concentrate		12,362		16,709
Materials and supplies		56,146		55,700
	$	90,859	$	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		-		4,342		-		42		-		4,384
Cumulative translation adjustment		-		2		-		-		-		2
Balance, March 31, 2023	$	-	$	951,468	$	54,913	$	24,636	$	3,418	$	1,034,435

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

5. Property, plant and equipment (continued)

Accumulated depletion and depreciation	**Construction-in-progress**	**Mine and plant facilities**	**Machinery and equipment**	**Vehicles**	**Furniture and office equipment**	**Total**
Balance, January 1, 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	-	29,234	1,622	1,093	146	32,095
Cumulative translation adjustment	-	1	-	-	-	1
Balance, March 31, 2023	$ -	$ 235,814	$ 25,242	$ 17,960	$ 1,830	$ 280,846
Net book value						
As at December 31, 2022	$ -	$ 740,545	$ 31,293	$ 7,727	$ 1,734	$ 781,299
As at March 31, 2023	$ -	$ 715,654	$ 29,671	$ 6,676	$ 1,588	$ 753,589

6. Mineral properties

Cost	**Fruta del Norte**
Balance, January 1, 2022	$ 207,146
Depletion	(23,639)
Balance, December 31, 2022	183,507
Depletion	(7,779)
Balance, March 31, 2023	$ 175,728

(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

		March 31, 2023		December 31, 2022
Gold prepay credit facility (a)	$	-	$	207,446
Stream loan credit facility (b)		269,090		259,226
Offtake derivative liability (c)		29,605		28,440
Senior debt facility (d)		135,480		172,854
	$	434,175	$	667,966
Less: current portion				
Gold prepay credit facility		-		207,446
Stream loan credit facility		54,906		49,223
Offtake derivative liability		4,480		4,112
Senior debt facility		82,144		84,593
Long-term portion	$	292,645	$	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 March 31, 2023.

		Stream loan credit facility		**Offtake derivative liability**		**Total**
Principal	$	113,820	$	-	$	113,820
Transaction costs		(2,018)		-		(2,018)
Derivative fair value adjustments		157,288		29,605		186,893
Total	$	269,090	$	29,605	$	298,695

Derivative fair value adjustments reflect the revaluation of the financial instruments at fair value as at March 31, 2023. 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”)

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.

(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.

(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 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 three months ended March 31, 2023, the Company made payments under the Stream Loan totaling $21.0 million (three months ended March 31, 2022 – $11.3 million) of which $4.8 million (three months ended March 31, 2022 – $2.8 million) was paid on account of principal; $2.2 million (three months ended March 31, 2022 – $2.5 million) for accrued interest; and $14.0 million (three months ended March 31, 2022 – $6.0 million) for the Finance Charge (see Note 16). As at March 31, 2023, based on the projected life of mine production and other significant assumptions (see Note 16), the estimated fair value equivalent to 265,580 oz. of gold and 4,532,785 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 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 March 31, 2023		**Tranche A**		**Tranche B**		**Total**
Principal	$	102,046	$	40,819	$	142,865
Accrued interest		1,246		376		1,622
Transaction costs, net of amortization		(6,709)		(2,298)		(9,007)
Total	$	96,583	$	38,897	$	135,480

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 three months ended March 31, 2023, the Company paid $38.7 million of principal (three months ended March 31, 2022 – $12.9 million) and $4.1 million (three months ended March 31, 2022 – $1.5 million) of interest relating to the Facility. The principal repaid during the three months ended March 31, 2023 includes $19.4 million (three months ended March 31, 2022 – $12.9 million) paid on account of the Cash Sweep. No variable quarterly instalments were paid during the three months ended March 31, 2022 as the settlement date had been revised from the end of each quarter to 45 days after a quarter end.

7. Long-term debt (continued)

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 three months ended March 31, 2023, the Company issued 226,349 common shares to Newcrest Mining Limited ("Newcrest") at a weighted average price of CAD$13.36 per share for total proceeds of $2.2 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.

During the three months ended March 31, 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.

(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)

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:

	Three months ended March 31, 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)]	(487,400)	5.15	(1,355,393)	5.23
Balance outstanding, end of period	4,201,023	$ 9.31	4,237,923	$ 8.35
Balance exercisable, end of period	2,923,690	$ 8.37	2,693,070	$ 7.10

(1) The weighted average share price on the exercise date for the stock options exercised during the three months ended March 31, 2023 and year ended December 31, 2022 were CAD$14.79 and CAD$11.62, respectively.

The following table summarizes information concerning outstanding and exercisable options at March 31, 2023:

	Outstanding options			Exercisable options		
Range of exercise prices (CAD)	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CAD)	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CAD)
$ 4.90 to 5.40	1,466,800	0.90	$ 5.35	1,466,800	0.90	$ 5.35
$ 5.41 to 11.00	1,451,523	3.41	10.13	710,490	3.25	10.22
$ 11.01 to 13.88	1,282,700	3.11	12.89	746,400	1.97	12.54
	4,201,023	2.44	$ 9.31	2,923,690	1.74	$ 8.37

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:

	March 31, 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

(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)

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 three months ended March 31, 2023, the Company recorded stock-based compensation expense of $0.4 million (three months ended March 31, 2022 – $0.5 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		
	Settled in cash or shares	Settled in shares	Settled in cash	Settled in shares	Deferred share units
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	-	90,100	804
Granted - Dividend Equivalent	-	4,574	-	1,414	307
Cancelled	-	-	(5,752)	(13,765)	-
Settled	(152,052)	-	(19,518)	(76,019)	-
Balance at March 31, 2023	-	521,026	-	162,601	35,789

Restricted share units with performance criteria (“PSUs”)

During the three months ended March 31, 2023, the Company granted 139,200 PSUs that are settled in shares (“Share PSUs”). In addition, in connection with the dividend paid on March 31, 2023, 4,574 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 three months ended March 31, 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.

(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)

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:

	March 31, 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 three months ended March 31, 2023, the Company recorded stock-based compensation expense of $0.3 million (three months ended March 31, 2022 – $0.2 million) relating to Share PSUs.

Restricted share units without performance criteria ("RSUs")

During the three months ended March 31, 2023, the Company granted 90,100 RSUs that are settled in shares ("Share RSUs"). In addition, in connection with the dividend paid on March 31, 2023, 1,414 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 three months ended March 31, 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.

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:

	March 31, 2023	December 31, 2022	
	Share RSUs	Share RSUs	Cash RSUs
Risk-free interest rate	3.74%	1.22%	3.86%
Expected stock price volatility	41.12%	44.54%	39.27%
Expected life	1.58 years	1.99 years	0.15 years
Expected dividends (CAD)	$0.26	-	$0.26
Weighted-average fair value per unit (CAD)	$16.10	$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 three months ended March 31, 2023, the Company recorded stock-based compensation expense of $0.1 million (three months ended March 31, 2022 – $0.2 million) relating to Share RSUs.

(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)

Deferred share units ("DSUs")

During the three months ended March 31, 2023 and year ended December 31, 2022, the Company granted 804 DSUs and 10,509 DSUs, respectively, to non-employee directors. In addition, in connection with dividends paid by the Company during the three months ended March 31, 2023 and year ended December 31 2022, 307 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 three months ended March 31, 2023, the Company recorded stock-based compensation expense of $0.1 million (three months ended March 31, 2022 – $0.1 million) relating to DSUs.

10. Administration

	Three months ended March 31, 2023	Three months ended March 31, 2022
Corporate social responsibility	$ 612	$ 427
Investor relations	78	102
Office and general	705	737
Professional fees	407	608
Regulatory and transfer agent	245	160
Salaries and benefits	4,527	2,791
Stock-based compensation	927	992
Travel	104	44
	$ 7,605	$ 5,861

11. Finance expense

	Three months ended March 31, 2023	Three months ended March 31, 2022
Interest expense	$ 5,893	$ 7,445
Finance charge	14,053	17,309
Other finance costs	1,095	1,591
Accretion of transaction costs	1,830	1,095
Interest income	(1,814)	(164)
	$ 21,057	$ 27,276

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

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 three months ended March 31 is shown below.

	March 31, 2023	March 31, 2022
Salaries, bonuses and benefits	$ 4,131	$ 2,467
Stock-based compensation	790	743
	$ 4,921	$ 3,210

13. Income taxes

Current income tax expense is generated from net income for tax purposes in Ecuador relating to operations at Fruta del Norte. In addition to corporate income taxes in Ecuador which are levied at a rate of 22% and dividend withholding taxes levied at a rate of 5% related to the anticipated portion of net income distributed from Ecuador, included in current income tax expense is the portion of profit sharing payable to the Government of Ecuador which is calculated at the rate of 12% of net income for tax purposes. The employee portion of profit sharing, calculated at the rate of 3% of net income for tax purposes, is considered an employment benefit and included in operating costs.

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

	Three months ended March 31, 2023	Three months ended March 31, 2022
Net income before tax	$ 85,313	$ 40,093
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax expense based on the above rates	23,035	10,825
Increase due to:		
Differences in foreign tax rates	5,628	4,490
Non-deductible costs	2,116	933
Withholding taxes (current and deferred)	2,291	-
Losses and temporary differences for which an income tax asset has not been recognized	778	663
Income tax expense	$ 33,848	$ 16,911

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

14. Supplemental cash flow information

Cash and cash equivalents are comprised of the following:

		March 31, 2023		December 31, 2022
Cash	$	142,184	$	283,596
Short-term investments		67,530		79,804
	$	209,714	$	363,400

Other supplemental cash information:

		Three months ended March 31, 2023		2022
Change in accounts payable and accrued liabilities related to:				
Acquisition of property, plant and equipment	$	(2,313)	$	(2,023)

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

15. Segmented information

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

The Company's primary business activity is the Fruta del Norte operating mine in Ecuador. Materially all of the Company's non-current assets and non-current liabilities relate to Fruta del Norte. In addition, the Company conducts exploration activities and maintains a number of concessions in Ecuador outside of Fruta del Norte.

The following are summaries of the Company's current and non-current assets, current and non-current liabilities, and net income (loss) by segment:

	Fruta del Norte	Exploration activities	Corporate and other	Total
As at March 31, 2023				
Current assets	$ 406,892	$ 9,360	$ 67,938	$ 484,190
Non-current assets	982,850	-	-	982,850
Total assets	1,389,742	9,360	67,938	1,467,040
Current liabilities	224,786	714	1,837	227,337
Non-current liabilities	346,560	-	7,500	354,060
Total liabilities	571,346	714	9,337	581,397
For the three months ended March 31, 2023				
Revenues	256,728	-	-	256,728
Income from mining operations	132,708	-	-	132,708
Corporate administration	(1,232)	(16)	(6,357)	(7,605)
Exploration expenditures	-	(3,843)	-	(3,843)
Finance income (expense)	(21,795)	-	738	(21,057)
Other income	24	-	520	544
Derivative loss	(15,434)	-	-	(15,434)
Income tax expense	(31,557)	-	(2,291)	(33,848)
Net income (loss) for the period	62,714	(3,859)	(7,390)	51,465

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

15. Segmented information (continued)

	Fruta del Norte	Exploration activities	Corporate and other	Total
As at March 31, 2022				
Current assets	$ 566,632	$ 4,403	$ 44,645	$ 615,680
Non-current assets	1,119,543	-	-	1,119,543
Total assets	1,686,175	4,403	44,645	1,735,223
Current liabilities	338,765	987	2,248	342,000
Non-current liabilities	547,091	-	-	547,091
Total liabilities	885,856	987	2,248	889,091
For the three months ended March 31, 2022				
Revenues	216,472	-	-	216,472
Income from mining operations	111,207	-	-	111,207
Corporate administration	(1,254)	(1)	(4,606)	(5,861)
Exploration expenditures	-	(2,806)	-	(2,806)
Finance income (expense)	(27,313)	-	37	(27,276)
Other income (expense)	(20)	-	(427)	(447)
Derivative loss	(34,724)	-	-	(34,724)
Income tax expense	(16,911)	-	-	(16,911)
Net income (loss) for the period	30,985	(2,807)	(4,996)	23,182

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 $104.6 million (December 31, 2022 - $86.4 million) are measured at fair value using quoted forward market prices (level 2).

(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 three months ended March 31, 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	(4,826)	-	(4,826)
Interest paid	(2,170)	-	(2,170)
Interest accrued at stated rate of 7.5%	2,170	-	2,170
Accretion of transaction costs	53	-	53
Derivative fair value adjustments recognized in:			
Net income	14,269	1,165	15,434
Other comprehensive income	368	-	368
Change in derivative fair values	14,637	1,165	15,802
Balance, March 31, 2023	$ 269,090	$ 29,605	$ 298,695

(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 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 March 31, 2023	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Stream Loan and Offtake	$ 298,695	Expected volatility	15% to 34%	An increase or decrease in expected volatility of 5% would increase or decrease fair value by $5.4 million or $6.0 million, respectively
		Risk-adjusted discount rate	14% to 16%	An increase or decrease in risk-adjusted discount rate of 1% would decrease or increase fair value by $8.5 million or $8.8 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 Interim Chief Financial Officer 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 seek 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.

17. Commitments

Significant capital expenditures contracted as at March 31, 2023 but not recognized as liabilities are as follows:

		Capital Expenditures
12 months ending March 31, 2024	$	11,718
April 1, 2024 onward		-
Total	$	11,718

Corporate Information

BOARD OF DIRECTORS

Jack Lundin, Chairman
Vancouver, Canada
Carmel Daniele
London, United Kingdom
Gillian Davidson
Edinburgh, United Kingdom
Ian Gibbs
Vancouver, Canada
Chantal Gosselin
Vancouver, Canada
Ashley Heppenstall
London, United Kingdom
Ron F. Hochstein
Vancouver, Canada
Craig Jones
Queensland, Australia
Jill Terry
Victoria, Australia

OFFICERS

Ron F. Hochstein
President & Chief Executive Officer
Chester See
Interim Chief Financial Officer
Terry Smith
Chief Operating Officer
Sheila Colman
Vice President, Legal
& Corporate Secretary
Nathan Monash
Vice President, Business Sustainability
Andre Oliveira
Vice President, Exploration

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COMMUNITY OFFICE
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Los Encuentros, Zamora-Chinchipe, Ecuador

STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange
Trading Symbol: LUG
Nasdaq Stockholm
Trading Symbol: LUG

SHARE REGISTRAR AND TRANSFER AGENT

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ADDITIONAL INFORMATION

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