LUNDIN GOLD INC.

Management's Discussion and Analysis
Three Months Ended March 31, 2021
(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)

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Lundin Gold Inc. and its subsidiary companies (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, 2021 with those of the same period from the previous year.

This MD&A is dated as of May 12, 2021 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, 2021, 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, and the MD&A for the fiscal year ended December 31, 2020. All amounts are in U.S. dollars unless otherwise indicated.

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 29 metallic mineral concessions and three construction material concessions covering an area of approximately 64,609 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 in mine operations and are dedicated to operating Fruta del Norte responsibly. 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 2021 HIGHLIGHTS AND ACTIVITIES

The first quarter of 2021 marks the first anniversary of the achievement of commercial production at FDN. Since then, notwithstanding the temporary suspension of operations due to the COVID-19 pandemic, operating results have consistently met or exceeded expectations. These excellent results continued during the first quarter of 2021 with production of 104,137 ounces ("oz") of gold and sales of 81,805 oz. at a low cash operating cost[1] of $672 per oz sold. From this, net revenues, adjusted earnings[1], and cash flow from operations of $140.0 million, $37.4 million, and $75.1 million, respectively, were realized during the quarter. The Company is on track to meet its 2021 guidance of 380,000 to 420,000 oz of gold produced.

The following two tables provide an overview of key operating and financial results achieved during the first quarter of 2021 compared those in the first quarter of 2020.

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

(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, 2021	Three months ended March 31, 2020[1]
Tonnes mined	365,471	198,000
Tonnes milled	324,591	244,000
Average head grade (g/t)	11.4	7.9
Average recovery (%)	87.8%	82.8%
Average mill throughput (tpd)	3,607	3,056
Gold ounces produced	104,137	51,320
Gold ounces sold	81,805	59,317

	Three months ended March 31, 2021	Three months ended March 31, 2020
Net revenues ($'000)	139,991	36,856[2]
Income from mining operations ($'000)	64,031	10,336[2]
Net income (loss) ($'000)	85,980	(9,331)
Operating cash flow ($'000)	75,083	13,836
Average realized gold price ($/oz sold)[3]	1,765	1,564[2]
Cash operating cost ($/oz sold)[3]	672	839[2]
All-in sustaining costs ($/oz sold)[3]	830	908
Operating cash flow per share ($)[3]	0.33	0.06
Adjusted net earnings (loss) ($'000)[3]	37,409	(3,399)
Adjusted net earnings (loss) per share ($)[3]	0.16	(0.02)

The difference between net income and adjusted earnings during the first quarter of 2021 is due to non-cash derivative gains of $51.5 million associated with fair value accounting for the gold prepay and stream facilities. These non-cash items are driven by numerous factors including anticipated forward gold prices and yields. Non-cash derivative gains (or losses) associated with anticipated decreasing (or increasing) forward gold 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 the MD&A. Revaluation of these obligations may 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.

[1] The figures presented are for the three months ended March 31, 2020 which include the two-month ramp up period before achieving commercial production.
[2] Amount relates to the period after achievement of commercial production.
[3] Refer to "Non-IFRS Measures" section.

Operating Results During the First Quarter of 2021

- Mine operating performance was in line with expectations with 365,471 tonnes mined, which is consistent with the fourth quarter of 2020.
- Underground mine development also continued as planned with a total of 2,450 metres of development completed with development rates averaging 27.2 metres per day in the first quarter.
- The mill processed 324,591 tonnes of ore at an average throughput of 3,607 tonnes per day.
- The average grade of ore milled was 11.4 grams per tonne with average recovery at 87.8%.
- Gold production was 104,137 oz, comprised of 70,642 oz of concentrate and 33,675 oz of doré.
- The Company sold a total of 81,805 oz of gold, consisting of 49,198 oz of concentrate and 32,607 oz of doré at an average realized gold price[1] of $1,765 per oz for total gross revenues from gold sales of $144.4 million. Net of treatment and refining charges, revenues were $140.0 million. The difference between oz. produced and oz. sold was principally due to mining and processing very high grade ore during the latter part of the first quarter resulting in double the amount of gold inventory at March 31, 2021 compared to December 31, 2020. These ounces produced late in the first quarter were sold subsequent to quarter end.
- Cash operating costs[1] and AISC[1] for the quarter were $672 and $830 per oz of gold sold, respectively. Cash operating costs were higher than the previous quarter due to scheduled maintenance at the mill during the quarter. In addition, AISC was affected by higher sustaining capital expenditures which were deferred in 2020 due to the COVID-19 pandemic such as the first raise of the FDN tailings dam as well as the disparity between gold produced and gold sold due to timing as explained above.
- Income from mining operations was $64.0 million and the Company generated cash flow of $75.1 million from operations, or $0.33 per share[1].
- Net income was $86.0 million, inclusive of derivative gains and after deducting corporate, exploration, finance costs, and associated taxes on earnings. Adjusted earnings[1] for the quarter, which exclude derivative gains, were $37.4 million, or $0.16 per share.

Capital Expenditures

South Ventilation Raise

- Work on the South Ventilation Raise ("SVR") is continuing with additional grout filling and drainage holes being drilled. Raise boring is expected to commence and completion of the SVR is anticipated during the third quarter of 2021. The timing of this work does not impact planned production for 2021.

Zamora River bridge

- Construction of the Company's Zamora River bridge is progressing according to plan with installation of the main suspension cables completed as well as the launching platform, from which the bridge platform modules are placed. Completion is expected before the end of the second quarter of 2021.

Expansion Project

- The 4,200 tonnes per day ("tpd") expansion project is continuing on schedule and on budget with detailed engineering and procurement of equipment and materials completed during the quarter. The civil contractor was mobilized during the quarter and earthworks and civil works have commenced on site.

Sustaining Capital

- Sustaining capital during the first quarter of 2021 mainly focused on the first raise of the FDN tailings dam.

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

Health and Safety and Community

Health and Safety

- The health and safety of personnel at site is of paramount importance, and stringent procedures remain in place to minimize the impact of COVID-19 and related variants on the workforce. These procedures include off-site quarantine followed by a Polymerase Chain Reaction (PCR) test for all employees and contractors before accessing Fruta del Norte, a second PCR test four days after entering site, mandatory use of masks, health monitoring, physical distancing, and enhanced disinfection and restricted access to common areas.
- During the quarter there was one Lost Time Incident and two Medical Aid Incidents.
- The Total Recordable Incident Rate during the first quarter of 2021 was 0.53 per 200,000 hours worked.

Community

- A connectivity project was launched in order to improve Internet infrastructure in communities surrounding FDN and to provide teachers and children enrolled in local schools with the necessary equipment and training to facilitate online learning in light of local schools continuing to be closed due to the COVID-19 pandemic.
- The Company also continues to support local government and Ministry of Health initiatives relating to the COVID-19 pandemic including donations of medical supplies to local hospitals, disinfection equipment to local authorities, and transportation services for doctors to reach rural areas. Moreover, Lundin Gold also provides essential equipment to frontline workers in the communities surrounding FDN.
- The Company, in partnership with two other mining companies, has committed to purchase and install an intensive care unit ("ICU") at the Yantzaza hospital in order to improve intensive care capabilities in the Province of Zamora Chinchipe. All required equipment was purchased in the first quarter of 2021 and the ICU was inaugurated in April 2021.
- Progress is being made with regards to construction of the public bridge over the Zamora River under the authority of the provincial government to replace the bridge that collapsed during the fourth quarter of 2020. Lundin Gold has provided the funding for this work to date, estimated at $3.0 million. Lundin Gold has also been supporting the affected communities by assisting with transportation of people and supplies.

Exploration

- The Company's 9,000 metre drilling campaign began at the end of March 2021, with strict COVID-19 protocols in place. The regional exploration program is focused on two high priority targets, Barbasco and Puente-Princesa, to test for mineralization in a geological setting very similar to that of Fruta del Norte. The first hole on the Barbasco target is in progress and a second rig has now begun drilling. Initial results are expected in the third quarter of this year.

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SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

	2021 Q1	2020 Q4	2020 Q3	2020 Q2
Revenues	$ 139,991	$ 189,250	$ 118,904	$ 13,146
Income from mining operations	$ 64,031	$ 94,857	$ 62,751	$ 4,442
Derivative gain (loss) for the period	$ 51,523	$ (90,673)	$ (18,010)	$ (25,732)
Net income (loss) for the period	$ 85,980	$ (1,233)	$ 27,780	$ (64,374)
Basic income (loss) per share	$ 0.37	$ (0.01)	$ 0.12	$ (0.29)
Diluted income (loss) per share	$ 0.37	$ (0.01)	$ 0.12	$ (0.29)
Weighted-average number of common shares outstanding				
Basic	230,751,034	230,039,327	229,936,873	225,724,679
Diluted	233,634,540	230,039,327	233,264,544	225,724,679
Additions to property, plant and equipment	$ 12,240	$ 23,307	$ 3,790	$ 9,386
Total assets	$ 1,502,715	$ 1,505,360	$ 1,452,070	$ 1,407,231
Long-term debt	$ 776,881	$ 857,094	$ 808,770	$ 790,285
Working capital	$ 57,571	$ 56,603	$ 31,172	$ (7,205)

	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Revenues	$ 36,856	$ -	$ -	$ -
Income from mining operations	$ 10,336	$ -	$ -	$ -
Derivative loss for the period	$ (2,569)	$ (35,120)	$ (33,723)	$ (24,745)
Net loss for the period	$ (9,331)	$ (40,765)	$ (39,672)	$ (30,797)
Basic and diluted loss per share	$ (0.04)	$ (0.18)	$ (0.18)	$ (0.14)
Weighted-average number of common shares outstanding	224,244,554	223,339,447	222,953,642	222,535,083
Additions to property, plant and equipment	$ 5,347	$ 98,642	$ 109,996	$ 118,520
Total assets	$ 1,403,192	$ 1,408,961	$ 1,344,528	$ 1,343,799
Long-term debt	$ 808,251	$ 878,586	$ 772,526	$ 722,689
Working capital	$ 39,581	$ 32,800	$ 124,586	$ 222,056

Three months ended March 31, 2021 compared to the three months ended March 31, 2020

The Company generated net income of $86.0 million during the first quarter of 2021 compared to a net loss of $9.3 million during the first quarter of 2020. Net income was generated from the recognition of revenues of $140.0 million and income from mining operations of $64.0 million as well as a derivative gain of $51.5 million. This is offset by finance expense of $12.1 million, income tax expense of $10.9 million, and other expenses totalling $6.5 million. During the first quarter of 2020, a net loss of $9.3 million was generated primarily due to revenues and costs being capitalized until February 2020 when commercial production was achieved as well as costs incurred for the suspension of operations due to COVID-19 near the end of March 2020.

Income from mining operations

During the first quarter of 2021, the Company recognized revenues of $140.0 million from the sale of 81,805 oz of gold. This is offset by cost of goods sold of $76.0 million which is comprised of operating expenses of $46.8 million; royalties of $8.2 million; and depletion and depreciation of $21.0 million. During the same period in 2020, revenues of $36.9 million were recognized from the sale of 24,109 oz of gold during the one month following achievement of commercial production.

Corporate administration

Corporate administration costs were $4.8 million during the first quarter of 2021 compared to $9.0 million during the first quarter of 2020. This decrease is mainly attributable to the payment of milestone bonuses of $2.8 million for the achievement of commercial production to the Company's employees and stock-based compensation of $1.2 million due to the grant of cash-settled stock-based compensation (restricted share units) during the first quarter of 2020. This is a non-cash cost due to the recognition of a liability at fair value on grant date and subsequent revaluation at March 31, 2020. During the first quarter of 2021, equity-settled stock-based compensation was awarded which results in the amortization of its fair value at grant date over the vesting period rather than immediate recognition of an expense and liability.

Finance expense

Finance expense of $12.1 million was incurred during the first quarter of 2021 compared to $4.7 million during the first quarter of 2020. Similar to income from mining operations, only one month of finance expense was recognized during the first quarter of 2020 following the achievement of commercial production. Prior to this, these amounts were capitalized to property, plant, and equipment.

Income taxes

Income taxes of $10.9 million were accrued during the period which is comprised of current income tax expense of $8.0 million and deferred income tax expense of $2.9 million. The deferred income tax expense relates to the derivative loss in other comprehensive income as explained below. 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%, current income tax expense includes 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.

Corporate income taxes accrued to the end of March 31, 2021 are fully offset by tax credits available for use by the Company. Actual profit sharing payable to the Government of Ecuador and the employees will be based on 2021 fiscal results and payable in 2022.

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 classified as financial liabilities measured at fair value. During the first quarter of 2021, the Company made scheduled principal and interest repayments totaling $17.0 million under its gold prepay facility and $7.0 million under its stream facility, based on gold and silver prices at the time of repayment. In addition, a further reduction of these debt obligations on the balance sheet is recognized due to a change in their estimated fair values since December 31, 2020. This variation is recorded as a derivative gain or loss in the statement of operations and other comprehensive income in the applicable period. The fair values calculated under the Company's accounting policies are based on numerous estimates noted below as of the balance sheet date and are, therefore, subject to further future variations until the debt obligations are repaid by the Company.

These balances are valued using Monte Carlo simulation valuation models. The key inputs used by the Monte Carlo simulation include: the 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 in the accounts to date.

Two key drivers of current fair values are forward gold and silver prices and the Company's risk adjusted discount rate:

- The value of future repayments under the gold prepay and stream credit facilities are based on forward gold and silver price estimates at time of repayment. Spot gold prices have decreased since December 31, 2020 and as a result, forward prices have followed suit. This decrease is somewhat offset by a factor for volatility. Overall, this has resulted in a lower estimated fair value of the debt obligations at the current balance sheet date and the recognition of derivative gains in the statement of operations. This does not necessarily reflect the amounts that will actually be repaid when the obligations become 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 obligations 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 gold prepay and stream credit facilities is dependent not only on the Company's own weighted average cost of capital, but also on market conditions. These include inflation, economic conditions, both local and industry specific, and other factors outside of the Company's control like the COVID-19 pandemic. During the first quarter of 2021, yields and credit risk have decreased resulting in an increase in the fair value of the gold prepay and stream credit facilities. The increase in fair value due to a change in credit risk must be recorded as a loss in other comprehensive income rather than offsetting the derivative gain in the statement of operations. The tax impact of the derivative loss in other comprehensive income during the first quarter of 2021 must also be recorded. This results in a deferred income tax expense in the statement of operations as an offset to the deferred income tax recovery in other comprehensive income.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2021, the Company had cash of $94.4 million and a working capital balance of $57.6 million compared to cash of $79.6 million and a working capital balance of $56.6 million at December 31, 2020. The change in cash during the first quarter of 2021 was primarily due to cash generated from operating activities of $75.1 million and proceeds from stock option exercises of $5.2 million. This is offset by principal and interest repayments under the loan facilities totalling $52.2 million and cash outflows of $12.9 million for capital expenditures including costs for remaining initial construction activities, the expansion project, and sustaining capital.

Trade receivables

The majority of trade receivables represent the value of concentrate sold as at period end for which the funds are not yet received. The decrease in trade receivables as at March 31, 2021 is due to a decreased level of sales near the end of the first quarter of 2021 compared to the year ended December 31, 2020. Consistent with industry standards, these sales have relatively long payment terms and are not fully settled until concentrates are received by the customer and related final assays confirmed, generally two to four months after the export sale occurs. There is no recorded allowance for credit losses. In determining the recoverability of trade receivables, the Company assesses 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.

VAT receivables

VAT paid in Ecuador by the Company after January 1, 2018 will be refunded or applied, based on the level of export sales in any given month, as a credit against other taxes payable. Now that the Company is generating sales, a portion of the VAT recoverable has been reclassified as current assets based on the Company's assessment of the estimated time for processing current VAT claims and forecast future sales.

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. Now that the Company is generating sales, a portion of the advance royalty payment is classified as current assets.

Inventories

Inventories have increased compared to the balance at December 31, 2020 primarily due to timing of production relative to sales as explained earlier. 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. 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 the increase in delivery times due to the impact of COVID-19 on the global supply chain.

Investment activities

Investment activities during the first quarter of 2021 are comprised principally of costs for remaining initial construction activities, the expansion project, and sustaining capital at FDN.

Liquidity and capital resources

The Company expects to generate strong operating cash flow during 2021 based on its production and AISC guidance. This strong operating cash flow will support debt repayments, regional exploration and underground expansion drilling at FDN, and planned capital expenditures, including the expansion project to increase the mill throughput from 3,500 to 4,200 tonnes per day.

Monthly payments under the stream facility will be 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 $400 and $4 per oz, respectively. Quarterly payments under the gold prepay facility are expected to be based on the current value of 9,775[1] oz of gold at the end of each quarter. Scheduled variable quarterly principal repayments of the senior debt facilities will total $35.0 million for the remainder of 2021, with lower repayments in the second and third quarter compared to the last quarter of the year. The Company is working towards achieving construction completion, as defined under the senior debt facilities, in 2021. Depending on the timing of this milestone, additional quarterly principal repayments based on 30% of Fruta del Norte's excess cash flow, also a defined term in the senior debt facilities, could also occur. The current portion of long-term debt includes an estimate of additional quarterly principal repayments as a result of reaching completion in 2021. An accelerated reduction in the principal under the senior facilities would reduce the Company's related finance cost going forward.

Notwithstanding forecasting strong cash flows from operations, the Company cannot be certain that an escalation of the COVID-19 pandemic will not have an impact on operations or on the Company's financial position in the future. The Company's continuing operations and the underlying value and recoverability of the amount shown for the mineral interests and property, plant and equipment are ultimately dependent upon the ability of the Company to operate FDN without extended interruptions and on future profitable production.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, cash equivalents and receivables, which are categorized as financial assets at amortized cost, and accounts payable and accrued liabilities, which are categorized as financial liabilities at amortized cost. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. In addition, the gold prepay credit facility; stream loan credit facility; and offtake commitment have been classified as financial liabilities measured at fair value. The senior debt facilities have been classified as a financial liability at amortized cost.

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.

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.

[1] This parameter increases to 11,500 oz and 13,225 if the gold price during the immediately preceding quarter is less than $1,436 and less than $1,062, respectively.

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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 meet its operational needs at all times. In addition, management is actively involved in the review, planning and approval of significant expenditures and commitments.

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 the gold prepay and the stream credit facilities, which is accounted for at fair value through profit or loss, is impacted by fluctuations of commodity prices.

COMMITMENTS

Significant capital expenditures contracted as at March 31, 2021 but not recognized as liabilities are as follows:

		Development costs
12 months ending March 31, 2022	$	14,891
April 1, 2022 onward		-
Total	$	14,891

OFF-BALANCE SHEET ARRANGEMENTS

During the three months ended March 31, 2021 and the year ended December 31, 2020, 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 231,775,545 common shares issued and outstanding and outstanding warrants to purchase a total of 411,441 common shares. There were also stock options outstanding to purchase a total of 5,331,100 common shares, 327,400 restricted share units with a performance criteria, 85,300 restricted share units settled by issuance of shares, and 19,681 deferred share units.

OUTLOOK

Guidance for 2021 remains unchanged with production of 380,000 to 420,000 oz of gold expected at Fruta del Norte based on an average head grade of 10.4 g/t and average gold recovery of 90%. Of note, production is planned to be lower in the second and third quarters compared to the fourth following completion of the throughput expansion program. AISC guidance for 2021 is also unchanged at between $770 and $830 per oz of gold sold, calculated on a basis consistent with prior periods.

Under its sustaining capital activities for 2021, the Company remains on schedule with its planned 10,000 metre drill program targeting conversion and expansion of the Fruta del Norte mineral resource, and completion of the second raise of the FDN tailings dam.

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The following capital project activities, which are still part of the construction scope of Fruta del Norte, are also nearing completion:

- the construction of the Company's bridge over the Zamora River, to be complete by the end of the second quarter of 2021; and
- the SVR, which is anticipated to be completed during the third quarter of 2021.

Engineering, procurement and construction are underway on the expansion program to increase the mill throughput from 3,500 to 4,200 tpd, which is expected to be completed before the end of 2021. The throughput expansion modifications are also expected to improve mill recoveries through the addition of retention time in the flotation process of the plant.

Furthermore, drilling has commenced on the Barbasco target as part of Company's 9,000 metre regional exploration drilling campaign. The program is focused on the high priority Barbasco and Puente-Princesa targets. Initial results are expected in the third quarter of 2021.

NON-IFRS MEASURES

This MD&A refers to certain financial measures, such as average realized gold price, cash operating cost per oz. and all-in sustaining cost per oz, 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, with the achievement of commercial production, 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, 2021	2020
Sales recognized in:		
Revenues	$ 139,991	$ 36,856
Property, plant and equipment	-	52,409
Treatment and refining charges	6,834	4,410
Less: silver revenues	(2,408)	(910)
Gold sales	$ 144,417	$ 92,765
Gold oz sold	81,805	59,317
Average realized gold price	$ 1,765	$ 1,564

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Adjusted Earnings and adjusted basic earning 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 costs incurred during the suspension of operations in 2020 and 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,			
		2021		2020
Net income (loss) for the period	$	85,980	$	(9,331)
Adjusted for:				
Suspension of operations		-		3,363
Derivative loss (gain)		(51,523)		2,569
Deferred income tax expense		2,952		-
Adjusted earnings (loss)	$	37,409	$	(3,399)
Basic weighted average shares outstanding		230,751,034		224,244,554
Adjusted basic earnings (loss) per share	$	0.16	$	(0.02)

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 from March 1, 2020 after the achievement of commercial production.

	Three months ended March 31,			
		2021		2020
Operating expenses	$	46,818	$	18,121
Royalty expenses		8,156		2,107
Cash operating costs	$	54,974	$	20,228
Gold oz sold recognized in statement of income (loss)		81,805		24,109
Cash operating cost per oz sold	$	672	$	839

All-in sustaining cost

AISC provides information on the total cost associated with producing gold since March 1, 2020 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.

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

(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, 2021	2020
Cash operating costs	$ 54,974	$ 20,228
Corporate social responsibility	292	324
Treatment and refining charges	6,834	1,645
Accretion of restoration provision	27	10
Sustaining capital	8,197	-
Less: silver revenues	(2,408)	(304)
All-in sustaining cost	$ 67,916	$ 21,903
Gold oz sold recognized in statement of income (loss)	81,805	24,109
All-in sustaining cost per oz sold	$ 830	$ 908

Operating cash flow per share

Operating cash flow per share can be used to evaluate the Company's ability to generate cash flow from operations. The Company calculates operating cash flow per share as net cash provided by or used for operating activities divided by its basic weighted-average number of common shares outstanding.

	Three months ended March 31, 2021	2020
Net cash provided by operating activities	$ 75,083	$ 13,836
Basic weighted average shares outstanding	230,751,034	224,244,554
Operating cash flow per share	$ 0.33	$ 0.06

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 2020 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, such as some of the risks relating to the impacts of the COVID-19 pandemic virus outbreak. 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 2, 2021 (the "AIF"), which is available on SEDAR at www.sedar.com.

QUALIFIED PERSON

The technical information relating to the Fruta del Norte Project 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 Stephen Leary, MAusIMM CP(Geo), a consultant to 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, 2021 is expected to be published on or about August 11, 2021.

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, 2021 and ending March 31, 2021, 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 efforts to protect its workforce from COVID-19, its 2021 production outlook, including estimates of gold production, grades and recoveries, expected sales receipts, cash flow forecasts and financing obligations, its capital costs and the expected timing of completion of capital projects including the south ventilation raise, the Company's bridge over the Zamora River and the throughput expansion project, the timing and the success of its drill program at Fruta del Norte and its other exploration activities, the completion of construction and the Company's efforts to protect its workforce from COVID-19.

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 relating to the impacts of a pandemic virus outbreak; risks associated with the Company's community relationships; risks related to financing requirements; failure by the Company to maintain its obligations under its credit facilities; operating risks; risks associated with the ramp up of mining operations; risks related to political and economic instability in Ecuador; risks related to production estimates; risks related to Lundin Gold's compliance with environmental laws and liability for environmental contamination; volatility in the price of gold; shortages of critical supplies; lack of availability of infrastructure; deficient or vulnerable title to mining concessions; easements and surface rights; risks related to the Company's workforce and its labour relations; inherent safety hazards and risk to the health and safety of the Company's employees and contractors; risks related to the Company's ability to obtain, maintain or renew regulatory approvals, permits and licenses; the imprecision of mineral reserve and resource estimates; key talent recruitment and retention of key personnel; volatility in the market price of the Company's shares; the potential influence of the Company's largest shareholders; uncertainty with the tax regime in Ecuador; measures to protect endangered species and critical habitats; the cost of non-compliance and compliance costs; exploration and development risks; the Company's reliance on one project; risks related to illegal mining; the reliance of the Company on its information systems and the risk of cyber-attacks on those systems; the adequacy of the Company's insurance; 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; the potential for litigation; limits of disclosure and internal controls; security risks to the Company; its assets and its personnel; conflicts of interest; the risk that the Company will not declare dividends; and social media and the Company's reputation.

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.