

# LUNDIN GOLD

**LUNDIN GOLD INC.**

Admission to Trading on Nasdaq Stockholm of  
Additional Common Shares

## IMPORTANT INFORMATION

This prospectus has been prepared in conjunction with the contemplated admission to trading of up to 93,497,140 Shares in Lundin Gold Inc. (the “New Shares”) on the main market operated by NASDAQ Stockholm AB (“**Nasdaq Stockholm**”). The “**Company**”, or “**Lundin Gold**” means Lundin Gold Inc. (Canadian corporation number 405633-7) and/or one or more or all of its subsidiaries, as it may apply. In this prospectus, unless otherwise specified or the context otherwise requires, all references to “**Canadian dollars**” and “**CAD**” are to Canadian dollars, all references to “**\$**” “**U.S. dollars**” and “**USD**” are to United States dollars and all references to “**SEK**” are to Swedish krona. Unless otherwise stated, the financial statements and other financial information as of, and for the years ended, December 31, 2017, December 31, 2016 and December 31, 2015 are in US dollars and have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board. Certain amounts and percentages stated in this prospectus have been rounded off and may therefore not add up correctly. Other than what is expressly stated herein, no information in this prospectus has been examined or audited by the Company’s auditors. This prospectus has been prepared in accordance with the provisions of the Swedish Financial Instruments Trading Act (1991:980) and European Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC of the European Parliament and the Council and has been approved and registered by the Swedish Financial Supervisory Authority, (“**SFSA**”), in accordance with the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). Approval and registration of the prospectus does not imply a guarantee by the Financial Supervisory Authority that the facts presented in the prospectus are correct or complete. This prospectus does not comprise any offer to purchase, subscribe for or acquire shares or any other financial instruments issued by Lundin Gold. This prospectus has been prepared only in conjunction with the admission to trading of the New Shares. The prospectus may not be distributed, directly or indirectly, in any other country where such distribution requires additional registration or other measures than those provided for under Swedish law or that contravene applicable regulations in such country. The Company’s shares (the “**Shares**”) have not been and will not be registered under the United States Securities Act of 1933, as amended, or under any equivalent statute in any individual state or province of the United States of America (the “**U.S.**”). No person has been authorized to give any information or to make any representation not contained in this prospectus and, if given or made, such information or representation not contained herein must not be relied upon as having been authorized by the Company. Any dispute concerning or relating to this prospectus shall be resolved exclusively in accordance with Swedish law and by Swedish courts with the Stockholm district court as the first instance. The prospectus is available in paper form at Lundin Gold’s head office and in electronic form on Lundin Gold’s website, [www.lundingold.com](http://www.lundingold.com), as well as on the website of the SFSA, [www.fi.se](http://www.fi.se). In this prospectus, the terms “**Mineral Resource**”, “**Indicated Mineral Resource**”, “**Inferred Mineral Resource**” and proven and probable Mineral Reserves have the meanings ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum (“**CIM**”), as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended. The technical disclosure for the Company’s project included in this prospectus, except as otherwise disclosed, has been derived from the results of a National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“**NI 43-101**”) compliant 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 (the “**Technical Report**”), prepared by Amec Foster Wheeler. The contents of the Company’s website and any third-party websites referred to herein do not form part of this prospectus.

## FORWARD-LOOKING STATEMENTS

Certain of the information and statements in this prospectus 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 prospectus, and the Company will not necessarily update this information, unless required to do so by securities laws.

This prospectus contains forward-looking information in a number of places, such as in statements pertaining to: completion of the Private Placement, the timing of first gold production, the results of the project update and the timing and progress of the development, construction and operation of Fruta del Norte Project, the timing and progress of the development and construction of the power line, the timing and success of permitting and regulatory approvals and the award of certain purchase orders and contracts, the success of the Company’s exploration plans and activities, exploration and development expenditures and reclamation costs, project financing and future sources of liquidity, capital expenditures and requirements, commodity prices, future tax payments and rates, cash flows and their uses. 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: the ability to arrange financing and the risk to shareholders of dilution from future equity financings; the ability to maintain its obligations under the 2017 Financing and other debt; risks related to carrying on business in Ecuador; volatility in the price of gold; the timely receipt of regulatory approvals, permits and licenses; risks associated with the performance of the Company’s contractors; risks inherent in the development of an underground mine; deficient or vulnerable title to mining concessions and surface rights; shortages of critical resources, labour and key executive personnel, such as input commodities, equipment and skilled labour, and the dependence on key personnel; risks associated with the Company’s community relationships; unreliable infrastructure; volatility in the market price of the Company’s shares; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; the cost of compliance or failure to comply with applicable laws; exploration and development risks; the accuracy of the Mineral Reserve and Resource estimates for the Fruta del Norte Project and the Company’s reliance on one project; risks related to artisanal and illegal mining; uncertainty as to reclamation and decommissioning; risks associated with the Company’s information systems; competition in the mining industry; the ability to obtain adequate insurance; risks of bribery or corruption; the potential for litigation; limits of disclosure and internal controls; and the potential influence of the Company’s largest shareholders. 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 this prospectus.

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# SUMMARY

Summaries are made up of disclosure requirements (hereinafter referred to as “Elements”). The Elements are numbered in Sections A - E (A.1 - E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of not applicable (“N/A”).

## Section A - Introduction and Warnings

A.1	<i>Introduction and warnings</i>	<p><b>This summary should be read as introduction to the prospectus.</b></p> <p><b>Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor.</b></p> <p><b>Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating the prospectus before the legal proceedings are initiated.</b></p> <p><b>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.</b></p>
A.2	<i>Financial intermediaries</i>	N/A; the admission to trading of the New Shares does not include any financial intermediaries.

## Section B – Issuer

B.1	<i>Legal and commercial name</i>	The legal and commercial name of the Company is Lundin Gold Inc.
B.2	<i>Legal context, registered office and corporate form</i>	The Company is continued under the Canada Business Corporations Act (“CBCA”) as a public company, with corporation no. 405633-7. The registered office of the Company is Suite 2600, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3.
B.3	<i>Operations and industry</i>	Lundin Gold’s strategy is to identify, acquire and develop world-class precious metal assets to deliver value to its shareholders, while providing economic and social benefits to impacted communities, fostering healthy and safe workplaces and minimizing the environmental impact of its activities. Lundin Gold’s current focus is on developing the Fruta del Norte Project (the “Fruta del Norte Project”, “Project” or “FDN”), and progressing the Project to production.

B.4a	Tendencies and trends influencing the issuer and its industries	<p><i>The Company routinely monitors the state of the gold industry and any related current trends. First production of gold from FDN is expected in the last quarter of 2019 and commercial production in the second quarter of 2020. Current industry conditions may not reflect the conditions that will be present at that time.</i></p> <p>In 2017, total gold demand declined 7% to 131 million oz. from 140 million oz. in 2016. Investment inflows to exchange traded funds (ETFs), although positive, lagged the significant growth in 2016, which offset a slight increase in physical demand. Overall physical demand from the jewelry and technology sectors climbed from a seven year low in 2016 and was up 4% from 2016. Jewelry fabrication continued to be the largest source of physical demand and experienced its first increase in demand since 2013. The other source of physical gold demand is in the technology, industrial and dentistry sectors. In this sector, demand for gold saw an overall gain of 3% to 10.7 million oz. in 2017. This represents the first year over year increase in this sector since 2010. Investment demand was down 23% in 2017, from 51.3 million oz. in 2016 to 39.6 million oz. Annual inflows into gold-backed ETFs was down approximately 63% from a stellar 2016, when demand was the second highest on record. Bar and coin investment was down 2% year over year. In 2017, central banks made net purchases of 11.9 million oz. of gold, down 5% over 2016. 2017 was the eighth consecutive year of net central bank demand, but the lowest annual total since 2010.</p> <p>Gold production comes from two principal sources: mine supply and recycling of scrap supply. For 2017, a decline in the gold recycling sector drove total gold supply 4% lower from 148 million oz. to 141 million oz. Mine production in 2017 increased marginally from 2016, to 105.1 million oz. from 104.9 million oz. The 2017 mine production represents the highest level of production to date.</p> <p>In 2017, the overall gold market surplus increased 18.5% from 9.2 million oz. to 10.9 million oz. This represents the largest surpluses since 2009.</p> <p>The price of gold has been relatively volatile over the last 10 years. The price of gold began in 2008 at USD 833/oz., continuing a rising trend, which began to move at a more rapid pace in the third quarter of 2008. Gold reached a high of USD 1,900/oz. in 2011. From 2012 to mid-2015 the price of gold depreciated to a low of USD 1,080 per oz. reached in July 2015, before the price began to rebound. In mid-2016, the gold price had risen to USD 1,370/oz., a level not seen since March 2014. In early October 2016 gold fell through the USD 1,300/oz. level, falling to USD 1,250/oz. and continued to decline through to the end of the year, ending the year at USD 1,146/oz. In 2017, the gold price ended the year up 13% at USD 1,291/oz. Based on annual averages, the price of gold was up only 1%, from USD 1,250.80 in 2016, to USD 1,257.20 in 2017. Through most of the year the gold price was in the USD 1,200 to USD 1,300/oz. range, testing USD 1,300/oz. several times. In late August the price finally broke through the USD 1,300/oz. level staying there until the end of September and then falling below USD 1,300 for the remainder of the year. The highest peak in September was USD 1,346/oz.</p> <p>Looking forward, global mine supply is forecast to continue to decline due to lower production at more mature operations and a lack of new mines coming on stream. On the demand side, volatility in the gold price is expected, on account of the volatile political climate around the globe combined with potential downward pressure due to continued forecast interest rate increases in the United States in 2018. Forecasts also project continued dampened demand in the important Asian markets. Overall, demand is forecast to be flat to declining given the volatile and offsetting factors.</p>
B.5	Group and Issuer's position in	Lundin Gold Inc. is the Canadian parent company of a group of companies, which consists of eight active subsidiaries incorporated in Canada and Ecuador.

	<i>the group</i>																																																																																													
<b>B.6</b>	<i>Largest shareholders</i>	<p>To the knowledge of the directors and officers of the Company<sup>(1)</sup>, shareholders carrying 10 per cent or more of the voting rights attached to the Shares as defined herein on March 12, 2018 were:</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Number of Shares</th> <th>% of Shares</th> </tr> </thead> <tbody> <tr> <td>Kinross Gold Corporation (“<b>Kinross</b>”)</td> <td>20,656,250</td> <td>17.26%</td> </tr> <tr> <td>Lorito Holdings S.à.r.l. (“<b>Lorito</b>”)<sup>(2)</sup></td> <td>5,009,167</td> <td>4.186%</td> </tr> <tr> <td>Zebra Holdings and Investments S.à.r.l. (“<b>Zebra</b>”)<sup>(2)</sup></td> <td>30,911,441</td> <td>25.831%</td> </tr> </tbody> </table> <p>Notes:  (1) This information was obtained from publicly disclosed information and has not been independently verified by the Company.  (2) Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settlor was the late Adolf H. Lundin. Together, Lorito and Zebra hold a total of 35,920,608 Shares, which represents approximately 30.02% of the current outstanding Shares.</p>	Name	Number of Shares	% of Shares	Kinross Gold Corporation (“ <b>Kinross</b> ”)	20,656,250	17.26%	Lorito Holdings S.à.r.l. (“ <b>Lorito</b> ”) <sup>(2)</sup>	5,009,167	4.186%	Zebra Holdings and Investments S.à.r.l. (“ <b>Zebra</b> ”) <sup>(2)</sup>	30,911,441	25.831%																																																																																
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<b>B.7</b>	<i>Financial summary</i>	<p><i>The selected financial information set out below for the financial years 2017 and 2016 has been extracted from the Company’s audited consolidated financial statements for the same years. The financial information for the year 2015 has been extracted from the Company’s audited consolidated financial statements for the year 2016. These consolidated financial statements have been prepared in compliance with IFRS.</i></p> <p><b>Income Statements</b></p> <p><b>(Expressed in thousands of USD)</b></p> <table border="1"> <thead> <tr> <th></th> <th>Jan-Dec 2017</th> <th>Jan-Dec 2016</th> <th>Jan-Dec 2015</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>EXPENSES</b></td> </tr> <tr> <td>Project evaluation</td> <td>-</td> <td>33,964</td> <td>36,145</td> </tr> <tr> <td>Exploration</td> <td>6,433</td> <td>8,259</td> <td>939</td> </tr> <tr> <td>Depreciation</td> <td>73</td> <td>26</td> <td>23</td> </tr> <tr> <td>Corporate social responsibility</td> <td>532</td> <td>682</td> <td>2,000</td> </tr> <tr> <td>Investor relations</td> <td>271</td> <td>896</td> <td>555</td> </tr> <tr> <td>Municipal taxes</td> <td>585</td> <td>521</td> <td>496</td> </tr> <tr> <td>Office and general</td> <td>2,120</td> <td>1,876</td> <td>2,129</td> </tr> <tr> <td>Professional fees</td> <td>4,468</td> <td>3,603</td> <td>2,305</td> </tr> <tr> <td>Regulatory and transfer agent</td> <td>235</td> <td>171</td> <td>170</td> </tr> <tr> <td>Salaries and benefits</td> <td>2,931</td> <td>3,602</td> <td>3,270</td> </tr> <tr> <td>Stock-based compensation</td> <td>2,369</td> <td>2,208</td> <td>1,694</td> </tr> <tr> <td>Travel</td> <td>720</td> <td>1,000</td> <td>899</td> </tr> <tr> <td><b>Loss before other items</b></td> <td><b>20,737</b></td> <td><b>56,808</b></td> <td><b>50,625</b></td> </tr> <tr> <td colspan="4"><b>OTHER ITEMS</b></td> </tr> <tr> <td>Other expense (income)</td> <td>2,369</td> <td>6,006</td> <td>(5,300)</td> </tr> <tr> <td>Derivative loss</td> <td>18,034</td> <td>-</td> <td>-</td> </tr> <tr> <td><b>Net loss</b></td> <td><b>41,140</b></td> <td><b>62,814</b></td> <td><b>45,325</b></td> </tr> <tr> <td colspan="4"><b>OTHER COMPREHENSIVE LOSS (INCOME)</b></td> </tr> <tr> <td>Currency translation adjustment</td> <td>(177)</td> <td>825</td> <td>7,644</td> </tr> <tr> <td>Other</td> <td>163</td> <td>(20)</td> <td>89</td> </tr> <tr> <td>Comprehensive loss for the year</td> <td>41,126</td> <td>63,619</td> <td>53,058</td> </tr> </tbody> </table>		Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015	<b>EXPENSES</b>				Project evaluation	-	33,964	36,145	Exploration	6,433	8,259	939	Depreciation	73	26	23	Corporate social responsibility	532	682	2,000	Investor relations	271	896	555	Municipal taxes	585	521	496	Office and general	2,120	1,876	2,129	Professional fees	4,468	3,603	2,305	Regulatory and transfer agent	235	171	170	Salaries and benefits	2,931	3,602	3,270	Stock-based compensation	2,369	2,208	1,694	Travel	720	1,000	899	<b>Loss before other items</b>	<b>20,737</b>	<b>56,808</b>	<b>50,625</b>	<b>OTHER ITEMS</b>				Other expense (income)	2,369	6,006	(5,300)	Derivative loss	18,034	-	-	<b>Net loss</b>	<b>41,140</b>	<b>62,814</b>	<b>45,325</b>	<b>OTHER COMPREHENSIVE LOSS (INCOME)</b>				Currency translation adjustment	(177)	825	7,644	Other	163	(20)	89	Comprehensive loss for the year	41,126	63,619	53,058
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## Balance Sheets

(Expressed in thousands of USD)	Dec 31 2017	Dec 31 2016	Dec 31 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	35,018	8,503	21,360
Other current assets	12,726	707	608
	<b>47,744</b>	<b>9,210</b>	<b>21,968</b>
<b>Non-current assets</b>			
Property, plant and equipment	142,598	7,822	8,557
Mineral properties	246,387	236,874	236,874
Advance royalty	45,000	25,000	-
<b>TOTAL ASSETS</b>	<b>481,729</b>	<b>278,906</b>	<b>267,399</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	20,950	8,188	5,652
	<b>20,950</b>	<b>8,188</b>	<b>5,652</b>
<b>Non-current liabilities</b>			
Long-term debt	217,940	-	-
Reclamation provisions	7,990	974	867
<b>TOTAL LIABILITIES</b>	<b>246,880</b>	<b>9,162</b>	<b>6,519</b>
<b>EQUITY</b>			
Share capital	460,856	456,750	386,676
Equity-settled share-based payment reserve	9,547	7,422	5,013
Accumulated other comprehensive loss	(11,364)	(11,378)	(10,573)
Deficit	(224,190)	(183,050)	(120,236)
	<b>234,849</b>	<b>269,744</b>	<b>260,880</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>481,729</b>	<b>278,906</b>	<b>267,399</b>

## Cash Flow Statements

(Expressed in thousands of USD)	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015
Net cash used for operating activities	(28,475)	(57,391)	(43,237)
Net cash provided by financing activities	181,513	69,848	20
Net cash used for investing activities	(126,549)	(25,395)	(3,715)
Effect of foreign exchange on cash balances	26	81	(2,628)
<b>Net increase/(decrease) in cash during the year</b>	<b>26,515</b>	<b>(12,857)</b>	<b>(49,560)</b>
Cash, beginning of year	8,503	21,360	70,920
<b>Cash, end of year</b>	<b>35,018</b>	<b>8,503</b>	<b>21,360</b>

## Key Financial Ratios

(Expressed in USD, except share amounts)	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015
Basic and diluted net loss from continuing operations (per Share)	0.35	0.58	0.45
Basic and diluted net loss from discontinued operations (per Share)	0.00	0.00	0.00
Basic and diluted net loss (per Share)	0.35	0.58	0.45
Weighted average basic Shares outstanding	119,174,612	108,675,136	101,219,763
Weighted average diluted Shares outstanding	119,174,612	108,675,136	101,219,763

## Significant Changes in Financial Position and Operating Results 2015-2017

**2015:** The loss during the year ended December 31, 2015 of USD 45.3 million was higher compared to the previous year ended 2014 loss of USD 0.7 million. This was a result of project evaluation expenditures of USD 36.1 million incurred on the Feasibility Study (as defined below) and at the Fruta del Norte Project.

**2016:** In June 2016, the Company secured an USD 18 million credit facility (the “**2016 Facility**”) from an insider of the Company. The proceeds of the 2016 Facility were used to initiate work that was identified as essential to the Company’s Early Works program of the Fruta del Norte Project. All amounts outstanding under the 2016 Facility were repaid in full on July 22, 2016 from the proceeds of the 2016 Financing (defined below).

Also in June 2016, the Company announced the results of an independent feasibility study for the Fruta del Norte Project. The feasibility study confirms that FDN will support an economically viable and robust, high grade underground gold mine. The Company filed subsequently a technical report entitled, “*Fruta del Norte Project Ecuador NI 43-101 Technical Report on Feasibility Study*” dated June 15, 2016 with an effective date of April 30, 2016 (the “**Feasibility Study**”). The Feasibility Study was prepared by Amec Foster Wheeler Americas Limited (“**Amec Foster Wheeler**”), with the support of four other globally recognized, leading engineering firms.

In June 2016, the Company submitted a Phase Change Application (the “**PCA**”) for the La Zarza concession (host to the Fruta del Norte Project) to the Government of Ecuador (“**GOE**”). On July 13, 2016, the PCA was approved by the GOE, thereby reclassifying the La Zarza concession from the exploration phase to the exploitation phase under Ecuador’s mining law. In July 2016, the Company completed an equity financing pursuant to which certain underwriters purchased, on a bought deal basis, 17,250,000 Shares of the Company at a price of CAD 5.50 per common share (the “**2016 Financing**”). The total gross proceeds raised under the offering was CAD 94,875,000 (USD 72.6 million). At the end of 2016, Lundin Gold and the GOE executed the exploitation agreement (“**Exploitation Agreement**”) and investment protection agreement (the “**IPA**”) for the Fruta del Norte Project.

The loss during the year ended December 31, 2016 of USD 62.8 million was higher compared to the same period 2015 of USD 45.3 million due to increased project development and exploration expenditures. Exploration expenditures were USD 5.3 million in 2016 compared to USD 0.9 million in 2015.

**2017:** In January 2017, Lundin Gold secured a USD 35 million credit facility (the “**2017 Facility**”) from an insider of the Company. All amounts outstanding were repaid on July 14, 2017. In May 2017, the Company announced the start of construction of the mine development support facilities at the Fruta del Norte Project, as well as a project update based on advancing the design and estimates from the Feasibility Study. The update included a revised mine plan, updated capital and operating costs and a new execution plan based on a self-perform approach versus engineering, procurement, construction and management (“**EPCM**”) approach.



Highlights of the project update, prepared by the Company and its consultants, compared to the Feasibility Study were as follows:

- Based on field investigations and improved mine design, the expected first gold production was moved forward several months, from first quarter 2020 to fourth quarter 2019;
- The mining rate is expected to ramp up quicker, over a twelve-month period, to an extraction rate of 3,500 tonnes per day (“**tpd**”) until 2022, when the extraction rate is planned to reach 3,600 tpd;
- Average annual gold production is again anticipated to exceed 300,000 ounces over 15 years (compared to 13 years in the Feasibility Study) at an average life of mine (“**LOM**”) total cash cost of USD 561/oz. and a LOM all-in sustaining cash cost (“**AISC**”) of USD 609/oz. compared to USD 553/oz. and USD 623/oz. respectively in the Feasibility Study;
  - LOM production is still expected to be approximately 4.5 million ounces of gold and 5.5 million ounces of silver;
  - Estimated capital cost for the Fruta del Norte Project, including contingency and pre-production costs and revenues, is USD 684 million, net of taxes, compared to USD 669 million in the Feasibility Study. This revised estimate includes the cost of mining equipment and the paste plant, estimated at USD 58 million, previously included in sustaining capital;
- Project economics show an improvement over the Feasibility Study (in the table below, Feasibility Study numbers shown in brackets), at the same gold and silver price assumptions used in the Feasibility Study (USD 1,250/ounce of Au and USD 20/ounce of Ag):

	Pre-tax	After Tax
Net Present Value at a 5% discount rate (NPV 5%)	\$1,323 million (\$1,283 million)	\$717 million (\$676 million)
Internal Rate of Return (IRR)	24.7% (23.8%)	16.3% (15.7%)
Capital payback (yrs)	3.1 (3.7)	4.0 (4.5)

Notes:

1. All figures are reported on a 100% equity project basis valuation. Capital payback is calculated based on start of commercial production.
2. Economic valuation is presented using a start date of July 1, 2017.

On May 30, 2017, the Company secured a project finance package of USD 400 to USD 450 million (the “**2017 Financing**”) with the Orion Mine Finance Group and Blackstone Tactical Opportunities (collectively “**Orion and Blackstone**”). The 2017 Financing is comprised of a gold prepay credit facility for USD 150 million (the “**Prepay Loan**”), a stream loan credit facility of USD 150 million (the “**Stream Loan**”), an offtake agreement and participation of USD 100 to USD 150 million to future equity financings. The full amount of the Prepaid and Stream Loans has been drawn. The participation in future equity financings is being satisfied under the Private Placement described below.

Pursuant to the 2017 Financing, the Company, together with Aurelian and other subsidiaries related to the Project (collectively, the “**Project Subsidiaries**”), are subject to a number of non-financial covenants while amounts remain outstanding. The Prepay and Stream Loans are secured by way of a first ranking charge over the Project Subsidiaries’ assets, pledges of the shares of the Project Subsidiaries and guarantees of the Company and the Project Subsidiaries.

In October of 2017, the Company announced that long-lead time processing plant equipment

	<p>had been ordered for the Fruta del Norte Project and that soft tunneling is well advanced. Additionally, the Company announced that detailed engineering contracts for the process plant, tailings facility and water management were awarded. Lundin Gold also awarded an engineering, procurement and construction contract for the power transmission line from the Bomboiza substation to the Fruta del Norte Project. In November of 2017, the Company began an exploration drill program at the El Puma target (“<b>El Puma</b>”). El Puma is located approximately 12 kilometres south of the Fruta del Norte Project. The Company has planned 4,000 metres of diamond drilling under the program, which is expected to be completed in early 2018. Soil sampling and two drill holes completed during the Company’s 2016 exploration drilling campaign indicate that El Puma has a similar epithermal geochemical signature to the Fruta del Norte deposit.</p> <p>The net loss during the year ended December 31, 2017 was lower than that of the corresponding 2016 period due to the commencement of capitalization of expenses relating to the development of Fruta del Norte which started in the first quarter of 2017 and one-time costs incurred in 2016. This is offset by a derivative loss of USD 18.0 million from the fair value revaluations of the long-term debt and an increase in professional fees due to ongoing costs relating to project finance initiatives.</p> <p><b>Significant Changes in Financial Position and Operating Results After December 31, 2017</b></p> <p>On January 17, 2018, the Company announced that it had drawn the final USD 110 million under the Prepay and Stream Loans. The funds are being used to support the ongoing development of the Project.</p> <p>On January 22, 2018, the Company announced it had received commitments from a syndicate of five senior lenders (the “<b>Senior Lenders</b>”) for a senior secured project finance facility (the “<b>Senior Debt Facility</b>”) of USD 300 million to fund the development and construction of the Project. The Senior Debt Facility will include two tranches: Tranche A of USD 100 million, to be guaranteed by an export credit agency (“<b>ECA</b>”) satisfactory to the Senior Lenders, and Tranche B of USD 200 million. The term of the Senior Debt Facility will be eight and a half years. There are no mandatory requirements for gold hedging associated with the Senior Debt Facility. The Senior Debt Facility is subject to completion of definitive documentation, which will include customary project finance terms, fees and conditions, a comprehensive intercreditor agreement and completion of ongoing due diligence.</p> <p>On February 25, 2018, the Company announced a USD 400 million equity private placement financing (the “<b>Private Placement</b>”). Subscribers to the Private Placement include Newcrest Mining Limited (“<b>Newcrest</b>”), Orion Mine Finance Group (“<b>Orion</b>”) and Zebra and Lorito (the “<b>Lundin Family Trust</b>”) at a weighted average subscription price of CAD 5.44 per common share. The Company will be issuing an aggregate of 93,497,140 New Shares pursuant to the Private Placement, which is expected to close on March 26, 2018.</p> <p>Also on February 25, 2018, the Company announced that it had signed a binding heads of agreement with Newcrest to form a joint venture company to explore eight early stage concessions held by Lundin Gold. These concessions are to the north and south of Fruta del Norte and exclude the large block of concessions surrounding the Fruta del Norte deposit. Newcrest can earn up to a 50% interest in the joint venture company by spending USD 20 million over a five-year period. Newcrest will be the operator of the joint venture.</p>
<p><b>B.8</b> <i>Selected pro forma financial information</i></p>	<p>N/A; the prospectus does not include any pro forma financial information.</p>

<b>B.9</b>	<i>Financial forecast</i>	N/A; the prospectus does not include any financial forecast or calculation of expected profit.
<b>B.10</b>	<i>Auditor's remarks</i>	N/A; there are no auditor's remarks.
<b>B.11</b>	<i>Working capital of the issuer</i>	<p>As at the date of this prospectus, the Company's existing working capital, excluding the proceeds from the Private Placement, is not expected to be sufficient to fully fund its present requirements for the next twelve months without curtailing its present level of activities. The Company has estimated that it will need approximately USD 200 to 250 million of additional funding before the end of 2018 to fully fund its present requirements during the next twelve months. Pursuant to the Private Placement, the Company is expected to receive gross proceeds of USD 400 million. In the Company's opinion, the gross proceeds are expected to be sufficient to fully fund its present requirements for the next twelve months.</p> <p>The Company has no reason to believe that the Company will not receive the expected proceeds from the Private Placement, but if so the Company would have to pursue various financing transactions or arrangements, including equity financing, debt financing, stream financing, joint venturing or other means. The Company believes that such financing transactions and arrangements will provide the Company sufficient resources for its present requirements for the next twelve months. However, there can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Lundin Gold. Moreover, Lundin Gold may not be successful in locating suitable financing when required or at all. A failure to raise capital when needed would delay the development of the Fruta del Norte Project and would potentially have a material adverse effect on Lundin Gold's business, financial condition and results of operations, including a curtailment of the Company's activities.</p>

## Section C - Securities

<b>C.1</b>	<i>Securities being listed</i>	It is intended that the New Shares are listed on the Toronto Stock Exchange ("TSX") and on Nasdaq Stockholm, with ISIN code CA5503711080. All Shares traded on Nasdaq Stockholm will be affiliated to Euroclear Sweden AB and will not be represented by physical share certificates.
<b>C.2</b>	<i>Denomination</i>	The Shares are denominated in CAD.
<b>C.3</b>	<i>Total number of shares in the Company</i>	The authorized share capital is an unlimited number of Shares without par value and an unlimited number of preference shares without par value. As of the date of this prospectus, Lundin Gold has 119,666,840 issued, outstanding and fully paid Shares, all of which are Shares.
<b>C.4</b>	<i>Rights pertaining to the shares</i>	The holders of Shares of the Company are entitled to receive notice of and attend all meetings of shareholders with each Share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of Shares are entitled to dividends, if as and when, declared by the Board. The Shares are entitled upon liquidation, dissolution or winding up of the Company to receive the remaining assets of the Company available for distribution to shareholders.
<b>C.5</b>	<i>Limitations to the free transferability</i>	N/A; there are no limitations to the free transferability of the Shares.
<b>C.6</b>	<i>Trading in the shares</i>	The Shares are listed on the TSX and on Nasdaq Stockholm under the symbol "LUG".

C.7	Dividend policy	Lundin Gold does not have a dividend policy in place. The holders of the Shares shall be entitled to receive such dividends as may be declared by the Board from time to time.
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## Section D - Risks

D.1	Key information on the key risks specific to the issuer and industry	<p><i>The Company's operations and the sectors in which it operates are subject to a number of risks that are completely or partly outside Lundin Gold's control and which could materially adversely impact the Company's business, financial condition and results of operations and prospects. The risk factors listed below, which are deemed to be the key risks specific to the Company and its industry, should not be construed as exhaustive nor are these risk factors ranked according to degree of importance. The Company's business, operating results or financial position may also be materially adversely affected by other risks and uncertainties which are currently unknown to the Company, or which are currently not viewed as material.</i></p> <p><b>Financing Requirements</b></p> <p>The development of FDN requires substantial additional capital. The Company's debt and other mezzanine financing has and may further involve a pledge of Lundin Gold's assets, which pledge is senior to interests of the Company's shareholders. If Lundin Gold raises additional funding by issuing equity, such financing may substantially dilute the interests of shareholders and reduce the value of their investment. Moreover, Lundin Gold may not be successful in locating suitable financing when required or at all or, if available, Lundin Gold may incur substantial fees and costs and the terms of such financing might not be favourable to Lundin Gold. A failure to raise capital when needed would have a material adverse effect on Lundin Gold's business, financial condition and results of operations.</p> <p><b>Ability to Maintain Obligations under the 2017 Financing and Other Debt</b></p> <p>Lundin Gold and its subsidiaries are subject to restrictive covenants under the 2017 Financing. The 2017 Financing is secured by a first ranking charge over the Project Subsidiaries' assets, by a pledge of their shares and by guarantees of Lundin Gold and the Project Subsidiaries. In addition, Lundin Gold may from time to time enter into other arrangements to borrow money to fund its development plans for Fruta del Norte Project, and such arrangements may include covenants that have similar obligations or that restrict its business in some way. Events may occur in the future, including events out of Lundin Gold's control, that could cause Lundin Gold to fail to satisfy its obligations under the 2017 Financing or other debt instruments that may arise. In such circumstances, the amounts drawn under Lundin Gold's debt agreements may become due and payable before the agreed maturity date, and Lundin Gold may not have the financial resources to repay such amounts when due. If Lundin Gold were to default on its obligations under the 2017 Financing or other secured debt instruments in the future, the lender(s) under such debt instruments could enforce their security and seize Lundin Gold's assets.</p> <p><b>Instability in Ecuador</b></p> <p>The Company is subject to certain risks and possible political and economic instability specific to Ecuador, arising from political unrest, labour disputes, invalidation of government orders, permits or property rights, risk of corruption, military repression, war, civil disturbances, criminal and terrorist acts, arbitrary changes in laws, expropriation, nationalization, renegotiation or nullification of existing agreements and changes to monetary or taxation policies. The occurrence of any of these risks may adversely affect the mining industry, mineral exploration and mining activities generally or the Company and, among impacts, could result in the impairment or loss of mineral concessions or other mineral rights.</p> <p>Exploration, development or production may also be affected to varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and</p>
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production, price controls, export controls, income taxes, labour and immigration, and by delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, limitations on foreign ownership, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on repatriation of income and return of capital, high rates of inflation, increased financing costs and site safety. These factors may affect both Lundin Gold's ability to undertake exploration and development activities in respect of future properties in the manner contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date.

Any shifts in political attitudes or changes in laws that may result in, among other things, significant changes to mining laws or any other national legal body of regulations or policies are beyond the control of Lundin Gold and may adversely affect its business. The Company faces the risk that governments may adopt substantially different policies, which might extend to the expropriation of assets or increased government participation in the mining sector. In addition, changes in resource development or investment policies, increases in taxation rates, higher mining fees and royalty payments, revocation or cancellation of mining concession rights or shifts in political attitudes in Ecuador may adversely affect Lundin Gold's business.

***Gold Price***

The price of gold is affected by numerous factors beyond Lundin Gold's control, including levels of supply and demand, global or regional consumptive patterns, sales by government holders, metal stock levels maintained by producers and others, increased production due to new mine developments and improved mining and production methods, speculative activities related to the sale of metals, availability and costs of metal substitutes, international economic and political conditions, interest rates, currency values and inflation.

A decrease in the gold price could negatively impact Lundin Gold's business, financial condition and results of operations in a number of ways. The development of FDN requires substantial additional capital. Variations in the gold price may impact the availability and the terms of additional financing required to develop the Project. The estimation of economically viable identified Mineral Reserves requires certain assumptions, including gold price. A revised estimate of identified Mineral Reserves due to a substantial decline in the gold price could result in the decrease in the estimates of the Company's Mineral Reserves, subsequent write downs and negative impact on mine life. If FDN is developed to production, the majority of Lundin Gold's revenue will be derived from the sale of gold. Therefore, fluctuations in the prices of this commodity may affect Lundin Gold's future operations and potential profitability. Such decreased revenues may also increase the requirements for capital.

***Government or Regulatory Approvals***

Lundin Gold's exploration and development activities and its operations depend on its ability to obtain, sustain or renew various mineral rights, licenses, permits, authorizations and regulatory approvals (collectively, "Rights" and individually a "Right") from various governmental and quasi-governmental authorities. Lundin Gold's ability to obtain, sustain or renew such Rights on acceptable terms and on a timely basis is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies. Lundin Gold may not be able to obtain, sustain or renew its Rights or its Rights may not be obtainable on reasonable terms or on a timely basis. Additional Rights that are necessary to permit Lundin Gold to commercially exploit the deposit at FDN may be subject to unfavourable terms, may be delayed or may not be obtained at all. A delay in obtaining any such Rights, the imposition of unfavourable terms or conditions on any Rights or the denial of any Right may have a material adverse effect on Lundin Gold's business, financial condition, results of operations and

prospects and, in particular, the development of FDN.

***Contractor Performance***

As the Company proceeds with the development of the Fruta del Norte Project, the timely and cost-effective completion of the work will depend on a large degree to the satisfactory performance of Lundin Gold's contractors, as well as the design and engineering consultants who are responsible for the different elements of the site and mine plan. If any of these contractors or consultants do not perform to accepted or expected standards, Lundin Gold may be required to hire different contractors to complete tasks, which may impact schedules and add costs to the Project and, in some cases lead to significant risks and losses. A major contractor default or the failure to properly manage contractor performance could have a material impact on Lundin Gold's results.

***Risks with Underground Development***

The Company's activities related to the development of the mine at Fruta del Norte are subject to risks inherent in the mining industry generally, including unexpected problems associated with required water flow, retention and treatment, water quality, surface and underground conditions, equipment performance, accidents, labour disputes, force majeure risks and natural disasters. Particularly with underground development, inherent risks include variations in rock structure and strength as it impacts on construction of the mine, de-watering and water handling requirements and unexpected local ground conditions. Hazards, such as unusual or unexpected rock formations, rock bursts, pressures, collapses, flooding or other conditions, may be encountered during construction. Such risks could result in personal injury or fatality; damage to or destruction of the mine, processing facilities or equipment; environmental damage; delays, suspensions or permanent cessation of activities; monetary losses; and possible legal liability.

***Title Matters and Surface Rights and Access***

There is a risk that title to the mining concessions, the surface rights and access rights comprising the Fruta del Norte Project may be deficient or subject to dispute. The procurement or enforcement of such rights can be costly and time consuming. In areas where there are local populations or land owners, it may be necessary, as a practical matter, to negotiate surface access. Despite having the legal right to access the surface and carry on mining activities, Lundin Gold may not be able to negotiate satisfactory agreements with existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities as planned. In addition, in circumstances where such access is denied, or no agreement can be reached, Lundin Gold may need to rely on the assistance of local officials or the courts in such jurisdictions, which may delay or impact mining activities as planned. There is also a risk that the Company's exploration, development and mining authorizations and surface rights may be challenged or impugned by third parties. In addition, there is a risk that Lundin Gold will not be able to renew some or all its licenses in the future. Inability to renew a license could result in the loss of any project located within that license. Finally, there is a risk that developing laws and movements respecting the acquisition of lands and other rights of indigenous communities may alter the arrangements made by prior owners of the lands where FDN is located. Future laws and actions could have a material adverse effect on Lundin Gold's operations at FDN or on its financial position, cash flow and results of operations.

***Shortage of Critical Resources***

Lundin Gold's ability to acquire critical resources such as input commodities, equipment, and skilled labour due to worldwide demand, may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and development schedules. In addition, as Lundin Gold continues with the development of FDN and its activities increase, Lundin Gold will require additional skilled labour, such as construction, operations, financial and geologic personnel. There is a risk that Lundin Gold will not be successful in

attracting, training and retaining qualified personnel as competition for persons with these skill sets increases and availability in country is limited. If Lundin Gold is not successful in attracting, training and retaining qualified personnel, the development of FDN and the efficiency of Lundin Gold's operations could be impaired, which could have an adverse impact on Lundin Gold's future cash flows, earnings, results of operations and financial condition.

***Key Talent Retention***

Recruiting and retaining qualified personnel is critical to Lundin Gold's success. Lundin Gold is dependent on the services of key executives, including its President and Chief Executive Officer, and other highly skilled and experienced executives and personnel focused on managing Lundin Gold's interests. The number of persons skilled in the financing, development and management of mining properties is limited and competition for such persons is intense. The inability of Lundin Gold to successfully attract and retain highly skilled and experienced executives and personnel could have a material adverse effect on Lundin Gold's business, financial condition and results of operations.

***Community Relations***

The Company's relationship with communities in which it operates is critical to the construction and development of the Project. The Fruta del Norte Project is located near rural communities, some of which contain groups that have been opposed to mining activities from time to time in the past, which may affect Lundin Gold's ability to develop the Fruta del Norte Project in the short and long term. Furthermore, local communities may be influenced by external entities, groups or organizations opposed to mining activities. In recent years, anti-mining nongovernmental organizations ("NGOs") activity in Ecuador has increased. These communities and NGOs have taken such actions as road closures, work stoppages, and law suits for damages. These actions relate not only to current activities but often in respect to the mining activities by prior owners of mining properties. Such actions by communities and NGOs may have a material adverse effect on Lundin Gold's operations at the Fruta del Norte Project and on its financial position, cash flow and results of operations. Lundin Gold does not presently maintain political risk insurance for the Fruta del Norte Project.

***Infrastructure***

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important elements of infrastructure, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploration or development of the Fruta del Norte Project. If adequate infrastructure is not available in a timely manner, there is a risk that (i) the development of the Fruta del Norte Project will not be completed on a timely basis, or at all, (ii) the resulting operations will not achieve the anticipated production volume or (iii) the anticipated construction costs and ongoing operating costs associated with the development of the Fruta del Norte Project will be higher than anticipated. Furthermore, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of necessary infrastructure could adversely affect Lundin Gold's operations and profitability.

***Tax Regime in Ecuador***

Tax regimes in Ecuador may be subject to differing interpretations and are subject to change without notice. The Company's interpretation of tax law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, the taxation applicable to transactions and operations may be challenged or revised by the tax authorities, which could result in significant additional taxes, penalties and/or interest. There is a risk that restrictions on the repatriation of earnings from Ecuador to foreign entities will be imposed in the future and Lundin Gold has no control over withholding tax rates. In addition, there is a risk that new laws and regulations in Ecuador may result in a capital gains tax on profits derived from the sale

of shares, ownership interests and other rights, such as exploration rights, of companies with permanent establishments in the country. The Company will not likely be able to comply with this law as currently drafted as it does not have access to the information requested by the law. It is unknown at this time what, if any, liability the Company or its subsidiaries may be subject to as a result of the application of this law. There is a risk that the Company's access to financing may be limited as a result of the indirect taxation.

***Measures to Protect Endangered Species***

Ecuador is a country with a diverse and fragile ecosystem and the federal government, regional governments and NGOs are vigilant in their protection of endangered species. The existence or discovery of an endangered species at the Fruta del Norte Project would likely have a number of adverse consequences to the Company's plans and operations. For instance, the presence of an endangered species could require the Company to modify its design plans and construction, to take extraordinary measures to protect the species or to cease its activities at the Fruta del Norte Project temporarily or permanently, all of which would delay the Fruta del Norte Project's development and production and would have an adverse economic impact on the Company, which could be material. The existence or discovery of an endangered species at the Fruta del Norte Project could also ignite NGO and local community opposition to the Fruta del Norte Project, which would be a further barrier to development of the Fruta del Norte Project and could impact the Company's global reputation.

***Non-Compliance and Compliance Costs***

Lundin Gold, its subsidiaries, its business and its operations are subject to various laws and regulations. The costs associated with compliance with such laws and regulations may cause substantial delays and require significant cash and financial expenditure, which may have a material adverse effect on the Company or the development of the Fruta del Norte Project. There is a risk that the Company may fail to comply with a legal or regulatory requirement, which may lead to the revocation of certain rights or to penalties or fees and in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. In addition, the Company may be required to compensate those suffering loss or damage arising from its non-compliant activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. Any of the foregoing may have a material adverse effect on the Company or the development of FDN.

***Exploration and Development Risks***

The exploration for, and development of, mineral deposits involves significant risks which, even with a combination of careful evaluation, experience and knowledge, may not be eliminated. Few exploration properties are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site. There is a risk that the exploration or development programs of Lundin Gold will not result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, including but not limited to: the particular attributes of the deposit, such as quantity and quality of the minerals, metallurgy and proximity to infrastructure and labour; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon Lundin Gold's operations.

***Mineral Reserve and Resource Estimates***

Mineral Reserve and Mineral Resource figures are estimates, and there is a risk that any of the Mineral Resources and Mineral Reserves identified at the Fruta del Norte Project to date will



		<p>not be realized. Until a deposit is actually mined and processed, the quantity of Mineral Resources and Mineral Reserves and grades must be considered as estimates only. In addition, the quantity of Mineral Resources and Mineral Reserves may vary depending on, among other things, precious metal prices. Any material change in quantity of Mineral Resources, Mineral Reserves or percent extraction of those Mineral Reserves recoverable by underground mining techniques may affect the economic viability of any project undertaken by Lundin Gold. In addition, there is a risk that metal recoveries in small scale laboratory tests will not be duplicated in a larger scale test under on-site conditions or during production. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability, and there is a risk that they will never be mined or processed profitably. Further, there is a risk that Inferred Mineral Resources will not be upgraded to proven and probable Mineral Reserves as a result of continued exploration. Fluctuations in gold prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of Mineral Reserves could have a material adverse effect on Lundin Gold's results of operations and financial condition.</p> <p><b><i>Dependence on Single Project</i></b></p> <p>The only property in which Lundin Gold has an interest is the Fruta del Norte Project. Actual development costs thereof may differ materially from Lundin Gold's estimates and may render the development of the Fruta del Norte Project economically unfeasible. In the absence of additional mineral projects, Lundin Gold is solely dependent upon the Fruta del Norte Project for its revenue and profits, if any. Should the development of the Fruta del Norte Project not be possible or practicable for political, engineering, technical or economic reasons, then Lundin Gold's business and financial position will be significantly and adversely affected.</p>
D.3	<p><i>Key information on key risks specific to the shares</i></p>	<p><i>Key risks specific to the Shares include:</i></p> <p><b><i>Dilution and Volatile Market Price</i></b></p> <p>Future sales or issuances of equity securities could decrease the value of the Shares, dilute shareholders' voting power and reduce future potential earnings per Lundin Gold Share. Securities of mineral companies have experienced substantial volatility, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic conditions, and market perceptions of the attractiveness of particular industries or sectors. The price of the Shares is also likely to be significantly affected by short-term changes in gold prices, other mineral prices, currency exchange fluctuations, or its financial condition or results of exploration activities on its projects. Other factors unrelated to the performance of the Company that may have an effect on the price of the Shares include: the extent of analyst coverage available to investors may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Shares may affect an investor's ability to trade significant numbers of Shares of the Company; the size of the Company's public float and whether it is included in market indices may limit the ability of some institutions to invest in the Shares; and, a substantial decline in the price of the Shares of the Company that persists for a significant period of time could cause the Shares to be delisted from an exchange, further reducing market liquidity. If an active market for the Shares does not continue, the liquidity of an investor's investment may be limited, and the price of the Shares may decline. If an active market does not exist, investors may lose their entire investment in the Company. As a result of any of these factors, the market price of the Shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in</p>

substantial costs and damages and divert management's attention and resources.

**Control of Lundin Gold**

As at the date hereof, Zebra and Lorito, who report their security holdings as joint actors, is a control person of Lundin Gold. The Private Placement, if completed, will materially affect control of the Company, since Newcrest will hold more than 27% of the issued and outstanding Shares upon closing, thereby becoming the largest shareholder of the Company and a control person. Zebra and Lorito will remain a control person, holding over 22% of the Shares after the Private Placement. As long as these shareholders maintain their significant positions in Lundin Gold, they will have the ability to exercise influence with respect to the affairs of Lundin Gold and significantly affect the outcome of matters upon which shareholders are entitled to vote. As a result of the holdings of control persons in the Company, there is a risk that the Company's securities are less liquid and trade at a relative discount compared to circumstances where these persons did not have the ability to influence or determine matters affecting Lundin Gold. Additionally, there is a risk that their significant interests in Lundin Gold discourages transactions involving a change of control of Lundin Gold, including transactions in which an investor, as a holder of the Company's securities, would otherwise receive a premium for its Company's securities over the then-current market price.

## Section E - Offer

E.1	<i>Rights issue proceeds and costs</i>	N/A; this prospectus is being issued in conjunction with the admission to trading of additional Shares on Nasdaq Stockholm and there is no offer by Lundin Gold to acquire Shares.
E.2a	<i>Reasons for the offer and use of proceeds</i>	N/A; this prospectus is being issued in conjunction with the admission to trading of additional Shares on Nasdaq Stockholm and there is no offer by Lundin Gold to acquire Shares.
E.3	<i>Background and terms and conditions</i>	N/A; this prospectus is being issued in conjunction with the admission to trading of additional Shares on Nasdaq Stockholm and there is no offer by Lundin Gold to acquire Shares.
E.4	<i>Conflicts of interest etc.</i>	N/A; no conflicts of interest or similar exist in connection with the admission to trading of the New Shares on Nasdaq Stockholm.
E.5	<i>Lock-up agreements and selling shareholder</i>	There are no lock-up agreements and there is no selling shareholder in connection with the admission to trading of additional Shares on Nasdaq Stockholm.
E.6	<i>Dilution</i>	N/A; this prospectus is being issued in conjunction with the admission to trading of additional Shares on Nasdaq Stockholm and there is no offer by Lundin Gold to acquire Shares.
E.7	<i>Costs for the investor</i>	N/A; there are no costs imposed on the investors.

# SAMMANFATTNING

Nedanstående text är en översättning av den engelska originaltexten ovan.

Denna sammanfattning omfattar information som måste offentliggöras (s.k. "Moduler"). Modulerna är numrerade i avsnitt A till E (A.1-E.7) nedan.

Denna sammanfattning inkluderar alla Moduler som krävs i en sammanfattning för denna typ av värdepapper och emittent. Eftersom inte samtliga Moduler behöver vara inkluderade kan det vara luckor i numreringen av Modulerna.

Även om det på grund av värdepapperstyp och emittent kan krävas att en viss Modul redovisas i sammanfattningen så är det möjligt att det inte finns någon relevant information att redovisa avseende den ifrågakvarande Modulen. I sådant fall inkluderas i sammanfattningen en kort beskrivning av Modulen ifråga med kommentaren "Ej tillämplig".

## Avsnitt A - Introduktion och varningar

A.1	<i>Introduktion och varningar</i>	<p>Denna sammanfattning bör betraktas som en introduktion till detta prospekt.</p> <p>Varje beslut om att investera i värdepapperen ska baseras på en bedömning av prospektet i dess helhet från investerarens sida.</p> <p>Om yrkande avseende uppgifterna i prospektet anförts vid domstol, kan den investerare som är kärke, i enlighet med medlemsstaterna i den europeiska unionens nationella lagstiftning, bli tvungen att svara för kostnaderna för översättning av prospektet innan de rättsliga förfarandena inleds.</p> <p>Civilrättsligt ansvar kan endast åläggas de personer som sammanställt sammanfattningen, inklusive översättningar därav, men endast om sammanfattningen är vilseledande, felaktig eller oförenlig med de andra delarna av prospektet eller om den inte, tillsammans med de andra delarna av prospektet, ger nyckelinformation för att hjälpa investerare när de överväger att investera i sådana värdepapper.</p>
A.2	<i>Finansiella mellanhänder</i>	Ej tillämplig; upptagandet till handel på Nasdaq Stockholm av de Nya Aktierna omfattas inte av finansiella mellanhänder.

## Avsnitt B - Emittent

B.1	<i>Firma och handelsbeteckning</i>	Bolagets firma och handelsbeteckning är Lundin Gold Inc. ("Bolaget" eller "Lundin Gold").
B.2	<i>Säte, bolagsform etc.</i>	Bolaget är ett publikt aktiebolag registrerat i enlighet med Canada Business Corporations Act. Bolagets organisationsnummer är 405633-7. Bolagets registrerade kontorsadress är Suite 2600, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3.
B.3	<i>Huvudsaklig verksamhet och industri</i>	Lundin Golds strategi är att identifiera, förvärva och utveckla ädelmetalltillgångar i världsklass för att leverera värde till sina aktieägare, och samtidigt ge ekonomisk och social nytta tillbaka till de samhällen som påverkas, främja hälsosamma och säkra arbetsplatser och minimera verksamhetens miljömässiga inverkan. Lundin Golds nuvarande fokus är att utveckla Fruta del Norte-projektet ("Fruta del Norte-projektet", "Projektet" eller "FDN") och fortsätta att utveckla Projektet till produktion.

B.4a	Tendenser och trender som påverkar emittenten och dess industrier	<p><i>Bolaget följer regelbundet guldindustrins utveckling och eventuella relaterade nuvarande trender. Första tillverkningen av guld från FDN väntas under sista kvartalet 2019 och kommersiell produktion under andra kvartalet 2020. Nuvarande branschförhållanden kanske inte återspeglar de villkor som kommer att vara gällande vid den tiden.</i></p> <p>År 2017 minskade den totala efterfrågan på guld med 7 % till 131 miljoner oz. från 140 miljoner oz. under 2016. Inflödet i investeringar i börshandlade fonder (ETFer), även om det var positivt, dämpade den betydande tillväxten 2016, vilket neutraliserade en liten ökning av den fysiska efterfrågan. Den totala fysiska efterfrågan från smyckes- och tekniksektorerna steg från den lägsta på sju år under 2016 och ökade med 4 % jämfört med 2016. Smyckestillverkning fortsatte att vara den största källan till fysisk efterfrågan och upplevde sin första ökade efterfrågan sedan 2013. Den andra källan till den fysiska efterfrågan på guld är teknik-, industri- och tandvårdssektorerna. I denna sektor erfor efterfrågan på guld en total uppgång på 3 % till 10,7 miljoner oz. år 2017. Detta var första året som det skedde en flerårig ökning under i denna sektor sedan 2010. Efterfrågan på investeringar minskade med 23 % år 2017, från 51,3 miljoner oz. år 2016 till 39,6 miljoner oz. Det årliga inflödet till guldbaserade ETFer minskade med ungefär 63 % från höjdpunkten 2016, då efterfrågan var den näst högsta som uppmätts. Investeringar i tackor- och mynt minskade med 2 % under året. År 2017 genomförde centralbanker nettoinköp om 11,9 miljoner oz. av guld, 5 % lägre än 2016. 2017 var det åttonde året i rad av nettoefterfrågan från centralbanker men den lägsta årliga totalen sedan 2010.</p> <p>Guldproduktionen kommer från två huvudkällor: gruvproduktion och från återvinning av skrot. För 2017 minskade guldåtervinningssektorns totala guldproduktion med 4 % från 148 miljoner oz. till 141 miljoner oz. Gruvproduktionen under år 2017 ökade marginellt från 2016 till 105,1 miljoner oz., från 104,9 miljoner oz. Gruvproduktionen 2017 utgör den högsta produktionsnivån hittills.</p> <p>År 2017 ökade det totala guldmarknadsöverskottet med 18,5 % från 9,2 miljoner oz. till 10,9 miljoner oz. Detta utgör det största överskottet sedan 2009.</p> <p>Priset på guld har varit relativt volatilt under de senaste 10 åren. Priset på guld började år 2008 på 833 USD/oz., med en fortsatt stigande trend, som började röra sig i en högre takt under tredje kvartalet 2008. Guldpriset uppgick som högst till 1,900 USD/oz. under 2011. Från 2012 till mitten av 2015 minskade priset på guld till ett lägsta pris om 1 080 USD/oz. i juli 2015, innan priset började återhämta sig. I mitten av 2016 hade guldpriset stigit till 1 370 USD/oz., en nivå som inte noterats sedan mars 2014. I början av oktober 2016 föll guldet under 1 300 USD-nivån, till 1 250 USD/oz. och fortsatte att minska till slutet av året och slutade året på 1 146 USD/oz. År 2017 slutade guldpriset med en ökning om 13 % på 1 291 USD/oz. Baserat på årliga medelvärden gick guldpriset upp med endast 1 %, från 1 250,80 USD under 2016 till 1 257,20 USD under 2017. Under den största delen av året låg guldpriset inom 1 200-1 300 USD/oz.-intervallet, och var uppe på 1 300 USD/oz. flera gånger. I slutet av augusti bröt priset till slut igenom 1 300 USD/oz.-nivån och stannade där fram till slutet av september men föll sedan under 1 300 USD resten av året. Den högsta toppen i september var 1 346 USD/oz.</p> <p>Framöver förväntas de globala gruvtillgångarna fortsätta att minska på grund av lägre produktion från äldre verksamheter och brist på att nya gruvor påbörjar produktion. På efterfrågesidan förväntas volatilitet i guldpriset p.g.a. det volatila politiska klimatet runt om i världen kombinerat med ett potentiellt nedåtriktat tryck p.g.a. fortsatt prognostiserade räntehöjningar i USA under 2018. Prognoserna visar också på fortsatt minskad efterfrågan på viktiga asiatiska marknader. Sammantaget bedöms efterfrågan vara plan till minskande på grund av volatiliteten och motverkande faktorer.</p>
B.5	Koncernen	Lundin Gold är ett kanadensiskt moderbolag i en koncern, som består av åtta aktiva

	<i>och emittentens position i koncernen</i>	dotterbolag med säte i Kanada respektive Ecuador.																																																																																												
<b>B.6</b>	<i>Största aktieägarna</i>	<p>Enligt Bolagets styrelseledamöters och lednings kännedom, utgör Bolagets<sup>(1)</sup> aktieägare som innehar 10% eller mer av rösterna och Bolagets aktier ("<b>Aktierna</b>") den 12 mars 2018:</p> <table border="1"> <thead> <tr> <th>Namn</th> <th>Antal Aktier</th> <th>Andel av Aktierna</th> </tr> </thead> <tbody> <tr> <td>Kinross Gold Corporation ("<b>Kinross</b>")</td> <td>20 656 250</td> <td>17,26%</td> </tr> <tr> <td>Lorito Holdings S.à.r.l. ("<b>Lorito</b>")<sup>(2)</sup></td> <td>5 009 167</td> <td>4,186%</td> </tr> <tr> <td>Zebra Holdings and Investments S.à.r.l. ("<b>Zebra</b>")<sup>(2)</sup></td> <td>30 911 441</td> <td>25,831%</td> </tr> </tbody> </table> <p>Noter:  (1) Denna information kommer från offentligt tillgängliga källor och har inte självständigt verifierats av Bolaget.  (2) Lorito och Zebra, som rapporterar sina värdepappersinnehav som gemensamma aktörer, är privata företag som ägs av en stiftelse vars förvaltare var den framlidne Adolf H. Lundin. Lorito och Zebra innehar tillsammans totalt 35 920 608 Aktier, vilket motsvarar cirka 30,02 % av de nuvarande utestående Aktierna.</p>	Namn	Antal Aktier	Andel av Aktierna	Kinross Gold Corporation (" <b>Kinross</b> ")	20 656 250	17,26%	Lorito Holdings S.à.r.l. (" <b>Lorito</b> ") <sup>(2)</sup>	5 009 167	4,186%	Zebra Holdings and Investments S.à.r.l. (" <b>Zebra</b> ") <sup>(2)</sup>	30 911 441	25,831%																																																																																
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<b>B.7</b>	<i>Finansiell information i sammandrag</i>	<p><i>Utvald finansiell information för räkenskapsåren 2017 och 2016 har hämtats från Bolagets reviderade konsoliderade rapporter för respektive år. Den finansiella informationen för helåret 2015 har hämtats från Bolagets reviderade konsoliderade rapport för helåret 2016. Nämnade rapporter har upprättats i enlighet med IFRS.</i></p> <p><b>Resultaträkning</b>  (Uttryckt i tusental USD)</p> <table border="1"> <thead> <tr> <th></th> <th>Jan-Dec 2017</th> <th>Jan-Dec 2016</th> <th>Jan-Dec 2015</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>KOSTNADER</b></td> </tr> <tr> <td>Projektvärdering</td> <td>-</td> <td>33 964</td> <td>36 145</td> </tr> <tr> <td>Prospektering</td> <td>6 433</td> <td>8 259</td> <td>939</td> </tr> <tr> <td>Nedskrivning</td> <td>73</td> <td>26</td> <td>23</td> </tr> <tr> <td>CSR (Corporate and social responsibility)</td> <td>532</td> <td>682</td> <td>2 000</td> </tr> <tr> <td>Investerarrelationer</td> <td>271</td> <td>896</td> <td>555</td> </tr> <tr> <td>Kommunalskatt</td> <td>585</td> <td>521</td> <td>496</td> </tr> <tr> <td>Övrigt och administration</td> <td>2 120</td> <td>1 876</td> <td>2 129</td> </tr> <tr> <td>Arvoden</td> <td>4 468</td> <td>3 603</td> <td>2 305</td> </tr> <tr> <td>Regulatoriska kostnader och transfer agent</td> <td>235</td> <td>171</td> <td>170</td> </tr> <tr> <td>Löner och förmåner</td> <td>2 931</td> <td>3 602</td> <td>3 270</td> </tr> <tr> <td>Aktierelaterad ersättning</td> <td>2 369</td> <td>2 208</td> <td>1 694</td> </tr> <tr> <td>Resor</td> <td>720</td> <td>1 000</td> <td>899</td> </tr> <tr> <td><b>Rörelseförlust före övriga poster</b></td> <td><b>20 737</b></td> <td><b>56 808</b></td> <td><b>50 625</b></td> </tr> <tr> <td colspan="4"><b>ÖVRIGA POSTER</b></td> </tr> <tr> <td>Övriga utgifter (intäkter)</td> <td>2 369</td> <td>6 006</td> <td>(5 300)</td> </tr> <tr> <td>Derivatförlust</td> <td>18 034</td> <td>-</td> <td>-</td> </tr> <tr> <td><b>Periodens nettoförlust</b></td> <td><b>41 140</b></td> <td><b>62 814</b></td> <td><b>45 325</b></td> </tr> <tr> <td colspan="4"><b>ÖVRIGA FÖRLUSTER (INTÄKTER)</b></td> </tr> <tr> <td>Omräkningsdifferenser</td> <td>(177)</td> <td>825</td> <td>7 644</td> </tr> <tr> <td>Övrigt</td> <td>163</td> <td>(20)</td> <td>89</td> </tr> <tr> <td><b>Årets sammanlagda totala förlust</b></td> <td><b>41 126</b></td> <td><b>63 619</b></td> <td><b>53 058</b></td> </tr> </tbody> </table>		Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015	<b>KOSTNADER</b>				Projektvärdering	-	33 964	36 145	Prospektering	6 433	8 259	939	Nedskrivning	73	26	23	CSR (Corporate and social responsibility)	532	682	2 000	Investerarrelationer	271	896	555	Kommunalskatt	585	521	496	Övrigt och administration	2 120	1 876	2 129	Arvoden	4 468	3 603	2 305	Regulatoriska kostnader och transfer agent	235	171	170	Löner och förmåner	2 931	3 602	3 270	Aktierelaterad ersättning	2 369	2 208	1 694	Resor	720	1 000	899	<b>Rörelseförlust före övriga poster</b>	<b>20 737</b>	<b>56 808</b>	<b>50 625</b>	<b>ÖVRIGA POSTER</b>				Övriga utgifter (intäkter)	2 369	6 006	(5 300)	Derivatförlust	18 034	-	-	<b>Periodens nettoförlust</b>	<b>41 140</b>	<b>62 814</b>	<b>45 325</b>	<b>ÖVRIGA FÖRLUSTER (INTÄKTER)</b>				Omräkningsdifferenser	(177)	825	7 644	Övrigt	163	(20)	89	<b>Årets sammanlagda totala förlust</b>	<b>41 126</b>	<b>63 619</b>	<b>53 058</b>
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<b>Balansräkning</b>			
(Uttryckt i tusental USD)	31 Dec 2017	31 Dec 2016	31 Dec 2015
<b>TILLGÅNGAR</b>			
<b>Omsättningstillgångar</b>			
Likvida medel	35 018	8 503	21 360
Andra kortfristiga tillgångar	12 726	707	608
	<b>47 744</b>	<b>9 210</b>	<b>21 968</b>
<b>Anläggningstillgångar</b>			
Fastigheter, anläggningar och utrustning	142 598	7 822	8 557
Mineraltillgångar	246 387	236 874	236 874
Förskottsroyalty	45 000	25 000	-
<b>TOTALA TILLGÅNGAR</b>	<b>481 729</b>	<b>278 906</b>	<b>267 399</b>
<b>SKULDER</b>			
<b>Kortfristiga skulder</b>			
Leverantörsskulder och upplupna skulder	20 950	8 188	5 652
	<b>20 950</b>	<b>8 188</b>	<b>5 652</b>
<b>Långfristiga skulder</b>			
Långfristiga skulder	217 940	-	-
Reklamationsavsättningar	7 990	974	867
<b>TOTALA SKULDER</b>	<b>246 880</b>	<b>9 162</b>	<b>6 519</b>
<b>EGET KAPITAL</b>			
Aktiekapital	460 856	456 750	386 676
Eget kapital-reglerad aktiebaserad säkringsreserv	9 547	7 422	5 013
Ackumulerad övrig förlust	(11 364)	(11 378)	(10 573)
Balanserad förlust	(224 190)	(183 050)	(120 236)
	<b>234 849</b>	<b>269 744</b>	<b>260 880</b>
<b>SUMMA SKULDER OCH EGET KAPITAL</b>	<b>481 729</b>	<b>278 906</b>	<b>267 399</b>
<b>Kassaflödesanalyser</b>			
(Uttryckt i tusental USD)	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015
Kassaflöde från den löpande verksamheten	(28 475)	(57 391)	(43 237)
Kassaflöde från finansieringsverksamheten	181 513	69 848	20
Kassaflöde från investeringsverksamheten	(126 549)	(25 395)	(3 715)
Kursdifferens i likvida medel	26	81	(2 628)
<b>Ökning/ (minskning) av likvida medel under året</b>	<b>26 515</b>	<b>(12 857)</b>	<b>(49 560)</b>
Likvida medel, årets början	8 503	21 360	70 920
<b>Likvida medel, årets slut</b>	<b>35 018</b>	<b>8 503</b>	<b>21 360</b>

### **Finansiella nyckeltal**

(Uttryckt i tusental USD, med undantag för antal aktier)	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015
Nettoförlust per aktie före och efter utspädning från kvarvarande verksamhet	0,35	0,58	0,45
Nettoförlust per aktie före och efter utspädning från avyttrad verksamhet	0,00	0,00	0,00
Nettoförlust per aktie före och efter utspädning	0,35	0,58	0,45
Viktat genomsnittligt antal utestående Aktier, före utspädning	119 174 612	108 675 136	101 219 763
Viktat genomsnittligt antal utestående Aktier, efter utspädning	119 174 612	108 675 136	101 219 763

### **Väsentliga förändringar i finansiell situation och rörelseresultat 2015-2017**

**2015:** Förlusten under året som slutade 31 december 2015 uppgick till 45,3 miljoner USD, vilket var 0,7 miljoner USD högre jämfört med föregående års förlust. Detta var ett resultat av utgifter för projektutvärdering på 36,1 miljoner USD avseende Genomförbarhetsstudien (såsom definieras nedan) och avseende Fruta del Norte-projektet.

**2016:** I juni 2016 säkerställde Bolaget en kreditfacilitet på 18 miljoner USD ("**2016-Faciliteten**") från en av Bolagets insiders. Intäkterna från 2016-Faciliteten användes för att initiera arbete som identifierades som väsentligt för Bolagets s.k. Early Works program för Fruta del Norte-projektet. Samtliga utestående belopp under 2016-Faciliteten återbetalades i sin helhet den 22 juli 2016 med intäkterna från 2016-Finansieringen (såsom definieras nedan).

I juni 2016 tillkännagav Bolaget också resultatet av en oberoende genomförbarhetsstudie för Fruta del Norte-projektet. Genomförbarhetsstudien bekräftar att FDN kommer att stödja en ekonomiskt genomförbar och stabil, högkvalitativ underjordisk guldgruva. Bolaget lämnade därefter en teknisk rapport med titeln "*Fruta del Norte Project Ecuador NI 43-101 Technical Report on Feasibility Study*", daterad den 15 juni 2016 och gällande fr.o.m. den 30 april 2016 ("**Genomförbarhetsstudien**"). Genomförbarhetsstudien utarbetades av Amec Foster Wheeler Americas Limited ("**Amec Foster Wheeler**"), med stöd av fyra andra globalt erkända ledande ingenjörsbolag.

I juni 2016 lämnade Bolaget in en fasändringsansökan ("**Fasändringsansökan**") för La Zarza-koncessionen (värd till Fruta del Norte-projektet) till regeringen i Ecuador ("**GOE**"). Den 13 juli 2016 godkändes Fasändringsansökan av GOE, därigenom omklassificerades La Zarza-koncessionen från prospekteringsfasen till exploateringsfasen enligt Ecuadors gruvlagstiftning. I juli 2016 genomförde Bolaget även en kapitalanskaffning enligt vilken vissa förvärvare köpte, genom ett s.k. *bought deal*, 17 250 000 Aktier i Bolaget till ett pris på 5,50 CAD per Aktie ("**2016-Finansieringen**"). Den totala bruttoavkastningen från erbjudandet uppgick till 94 875 000 CAD (72,6 miljoner USD). I slutet av 2016 undertecknade Lundin Gold och GOE exploateringsavtalet ("**Exploateringsavtalet**") och investeringskyddsavtalet ("**Investeringskyddsavtalet**") för Fruta del Norte-projektet.

Förlusten under året som slutade 31 december 2016, uppgick till 62,8 miljoner USD och var högre jämfört med förlusten på 45,3 miljoner USD för samma period 2015 på grund av ökade kostnader för projektutveckling och prospekteringsutgifter. Prospekteringsutgifterna uppgick till 5,3 miljoner USD 2016 jämfört med 0,9 miljoner USD 2015.

**2017:** I januari 2017 säkrade Lundin Gold en kreditfacilitet på 35 miljoner USD ("**2017-Faciliteten**") från en av Bolagets insiders. Alla utestående belopp återbetalades till fullo den 14 juli 2017. I maj 2017 tillkännagav Bolaget påbörjandet av byggnationen av stödanläggningarna

för gruvutvecklingen vid Fruta del Norte-projektet samt en projektuppdatering baserad på att utveckla designen och uppskattningarna från Genomförbarhetsstudien. Uppdateringen omfattade en reviderad gruvplan, uppdaterade kapital- och driftskostnader samt en ny utförandeplan baserad på eget utförande istället för en projekterings-, upphandlings- och utförandeentreprenad ("EPCM").

De centrala punkterna i projektuppdateringen, som genomförts av Bolaget och dess konsulter, jämfört med Genomförbarhetsstudien var följande:

- Med anledning av fältundersökningar och förbättrad gruvdesign flyttades den första förväntade guldproduktionen fram flera månader, från första kvartalet 2020 till fjärde kvartalet 2019;
- Gruvbrytningstakten förväntas öka fortare, över en tolv månadersperiod, till en utvinningstakt på 3 500 ton per dag ("tpd") fram till 2022 när utvinningstakten planeras uppgå till 3 600 tpd;
- Den genomsnittliga årliga guldproduktionen förväntas återigen överstiga 300 000 ounces över 15 år (jämfört med 13 år i Genomförbarhetsstudien) med en total kontantkostnad (*cash cost*) på 561 USD/oz. och en s.k. total upprätthållandekostnad (*LOM all-in sustaining cash cost, "AISC"*) på 609 USD/oz. vid en genomsnittlig gruvlivslängd (*Life of Mine, "LOM"*), jämfört med 553 USD/oz. respektive 623 USD/oz. i Genomförbarhetsstudien;
- Gruvlivslängds-produktionen (*LOM production*) förväntas fortfarande vara cirka 4,5 miljoner ounces av guld och 5,5 miljoner ounces av silver;
- Beräknad kapitalkostnad för Fruta del Norte-projektet, inklusive oförutsedda kostnader, förproduktionskostnader och intäkter, uppgår till 684 miljoner USD, exklusive skatter, jämfört med 669 miljoner USD i Genomförbarhetsstudien. Denna reviderade uppskattning inkluderar kostnaden för gruvutrustning och *paste fill*-anläggningen, uppskattad till 58 miljoner USD, som tidigare ingick i upprätthållande kapital (*sustaining capital*);
- Ekonomin för projektet visar en förbättring gentemot Genomförbarhetsstudien (se tabellen nedan, där siffror från Genomförbarhetsstudien anges inom parentes), till samma prisetförutsättningar för guld och silver som användes i Genomförbarhetsstudien (1 250 USD/ounce av Au och 20 USD/ounce av Ag):

	Före skatt	Efter skatt
Nuvärde vid en 5% diskonteringsränta (NPV)	1 323 miljoner USD (1 283 miljoner USD)	717 miljoner USD (676 miljoner USD)
Internränta (IRR)	24,7% (23,8%)	16,3% (15,7%)
Återbetalning av kapital (år)	3,1 (3,7)	4,0 (4,5)

Noter:

1. Alla siffror redovisas på en 100% kapitalprojektbaserad (*equity project basis*) värdering. Återbetalning av kapital beräknas utifrån påbörjandet av kommersiell produktion.
2. Ekonomisk värdering med startdatum den 1 juli 2017.

Den 30 maj 2017 säkrade Bolaget ett finansieringspaket om 400-450 miljoner USD ("**2017 Finansieringen**") med Orion Mine Finance Group och Blackstone Tactical Opportunities (gemensamt "**Orion och Blackstone**"). Finansieringen består av en *Gold Prepay Credit Facility* om 150 miljoner USD ("**Förskottsavtalet**"), en *Stream Loan Credit Facility* om 150 miljoner USD ("**Stream-Låneavtalet**"), ett *Offtake-avtal* och åtagande om 100-150 miljoner USD till framtida kapitalfinansiering. Hela beloppet enligt Förskottsavtalet och Stream-Låneavtalet har utnyttjats. Åtagandet avseende framtida kapitalfinansiering uppfylls genom Private Placement



som beskrivs nedan.

I enlighet med 2017-Finansieringen är Bolaget tillsammans med Aurelian och andra dotterbolag relaterade till Projektet (tillsammans "**Projekt-Dotterbolagen**") föremål för ett antal icke-finansiella villkor under den tid som belopp är utestående. Förskottsavtalet och Stream-Låneavtalet är säkerställda genom en förstahandspansättning av Projekt-Dotterbolagens tillgångar, pantsättning av aktierna i Projekt-Dotterbolagen och garantiförbindelser från Bolaget och Projekt-Dotterbolagen.

I oktober 2017 meddelade Bolaget att utrustning för bearbetningsanläggningen med långa ledtider hade beställts för Fruta del Norte-projektet och att byggandet av tunnlar (*soft tunneling*) har fortskridit väl. Dessutom tillkännagav Bolaget att detaljerade ingenjörskontrakt för bearbetningsanläggningen, avfallsanläggningen och vattenförvaltningen hade tilldelats. Lundin Gold har också tilldelat ett ingenjör-, upphandlings- och byggkontrakt för kraftöverföringsledningen från Bomboizas transformatorstation till Fruta del Norte-projektet. I november 2017 inledde Bolaget ett prospekteringsborrprogram vid El Puma-målet ("**El Puma**"). El Puma ligger cirka 12 kilometer söder om Fruta del Norte-projektet. Bolaget har planerat 4 000 meter diamanborrning under programmet, vilket förväntas vara klart i början av 2018. Jordprovtagning och två borrhål som genomförts under Bolagets prospekteringsborrkampanj 2016 visar att El Puma har en liknande epitermisk geokemi som kännetecknar Fruta del Norte-insatsen.

Nettoförlusten under året som slutade den 31 december 2017 var lägre än motsvarande period 2016 på grund av att kostnader hänförliga till utvecklingen av Fruta del Norte kapitaliserades med början första kvartalet 2017 och på grund av engångskostnader under 2016. Detta uppvägdes av en derivatförlust om 18 miljoner USD från en omvärdering (*fair value revaluation*) av den långfristiga skulden och en ökning av kostnader för rådgivare hänförliga till initiativ relaterade till projektfinansiering.

#### ***Väsentliga förändringar i finansiell ställning och rörelseresultat efter den 31 december 2017***

Den 17 januari 2018 offentliggjorde Bolaget att det hade utnyttjat de återstående 110 miljoner USD enligt Förskottsavtalet och Stream-Låneavtalet. Medlen används för den pågående utvecklingen av Projektet.

Den 22 januari 2018 offentliggjorde Bolaget att det hade erhållit förbindelser från ett syndikat bestående av fem seniora långgivare ("**Seniorlånggivarna**") för en senior säkerställd projektfacilitet ("**Senior Kreditfaciliteten**") om 300 miljoner USD för utvecklingen och uppförandet av Projektet. Senior Kreditfaciliteten kommer att inkludera två delar: Del A om 100 miljoner USD, som ska säkerställas genom en exportkreditnämnd ("**ECA**") godtagbar för Seniorlånggivarna, och Del B om 200 miljoner USD. Senior Kreditfacilitetens lånetid kommer att vara åtta och ett halvt år. Det finns inga obligatoriska krav på guld-hedging kopplade till Senior Kreditfaciliteten. Senior Kreditfaciliteten är villkorad av upprättandet av slutlig dokumentation, vilken kommer att inkludera sedvanliga projektfinansieringsvillkor, avgifter och villkor, ett omfattande s.k. intercreditor-avtal och slutförandet av pågående due diligence-granskning.

Den 25 februari 2018 offentliggjorde Bolaget en kapitalfinansiering om 400 miljoner USD i form av en *private placement* ("**Private Placement**"). Tecknare i denna Private Placement inkluderar Newcrest Mining Limited ("**Newcrest**"), Orion Mine Finance Group ("**Orion**") samt Zebra och Lorito ("**Lundin Familjestiftelsen**") till ett vägt genomsnittligt teckningspris om 5,44 CAD per stamaktie. Bolaget kommer att emittera totalt 93 497 140 Nya Aktier i denna Private Placement, som förväntas fullbordas den 26 mars 2018.

Den 25 februari 2018 offentliggjorde Bolaget också att det hade undertecknat ett bindande s.k. *heads of agreement* med Newcrest avseende bildande av ett joint venture-företag för att

		prospektera åtta koncessioner i tidigt stadiet som innehas av Lundin Gold. Dessa koncessioner ligger norr och söder om Fruta del Norte och exkluderar det stora området av koncessioner som omger Fruta del Norte-fyndigheten. Newcrest kan intjäna en andel om upp till 50 % av joint venture-företaget genom att spendera 20 miljoner USD över en femårsperiod. Newcrest kommer att vara verksamhetsutövare av joint venture-företaget.
<b>B.8</b>	<i>Utvald proforma-redovisning</i>	Ej tillämplig; prospektet innehåller ingen proforma redovisning.
<b>B.9</b>	<i>Resultatprognos</i>	Ej tillämplig; prospektet innehåller ingen resultatprognos eller beräkning av förväntad vinst.
<b>B.10</b>	<i>Revisorsanmärkning</i>	Ej tillämplig; det finns inga revisorsanmärkningar.
<b>B.11</b>	<i>Rörelsekapital</i>	<p>Vid tidpunkten för detta prospekt förväntas Bolagets befintliga rörelsekapital, exklusive intäkterna från Private Placement, inte vara tillräckligt för att fullt ut finansiera Bolagets nuvarande behov under de kommande tolv månaderna utan att Bolaget begränsar sin nuvarande aktivitetsnivå. Bolaget har bedömt att det behöver ytterligare cirka 200-250 miljoner USD före slutet av 2018 för att fullt ut finansiera nuvarande behov under de kommande tolv månaderna. Genom denna Private Placement förväntas Bolaget erhålla bruttointäkter om 400 miljoner USD. Enligt Bolagets bedömning förväntas bruttointäkterna vara tillräckliga för att fullt ut finansiera Bolagets nuvarande behov under de kommande tolv månaderna.</p> <p>Bolaget har ingen anledning att anta att Bolaget inte kommer att erhålla de förväntade intäkterna från Private Placement men om så skulle vara fallet skulle Bolaget behöva genomföra olika finansieringstransaktioner eller arrangemang, inklusive finansiering genom eget kapital, lånefinansiering, stream finansiering, joint ventures eller på annat sätt. Bolaget bedömer att det kommer att kunna genomföra sådana transaktioner och arrangemang för att finansiera Bolagets nuvarande behov under de kommande tolv månaderna. Det finns dock inga garantier för att en sådan finansiering kommer att vara tillgänglig för Bolaget eller, om tillgängligt, att finansieringen kommer att erbjudas på acceptabla villkor. Dessutom kanske inte Lundin Gold lyckas hitta lämplig finansiering när den behövs eller inte alls. Ett misslyckande att anskaffa kapital när det behövs skulle fördröja utvecklingen av Fruta del Norte-projektet och skulle potentiellt kunna ha en väsentligt negativ inverkan på Lundin Golds verksamhet, finansiella ställning och resultat, inklusive en begränsning av Bolagets verksamhet.</p>

## Avsnitt C - Värdepapper

<b>C.1</b>	<i>Värdepapper som tas upp till handel</i>	De Nya Aktierna avses noteras på Toronto Stock Exchange ("TSX") och på Nasdaq Stockholms huvudlista med ISIN-nummer CA5503711080. Alla Aktier som handlas på Nasdaq Stockholms huvudlista kommer att vara anslutna till Euroclear Sweden AB och inga fysiska aktiebrev kommer att ges ut.
<b>C.2</b>	<i>Denominering</i>	Aktierna är denominerade i CAD.
<b>C.3</b>	<i>Totalt antal aktier i Bolaget</i>	Bolagets auktoriserade aktiekapital består av ett obegränsat antal Aktier utan nominellt värde och ett obegränsat antal preferensaktier utan nominellt värde. Per dagen för detta

		prospekt har Lundin Gold 119 666 840 emitterade och utestående och fullt betalda Aktier, av vilka samtliga är Aktier.
C.4	<i>Rättigheter som sammanhänger med värdepappren</i>	Varje Aktie berättigar innehavaren att erhålla kallelse till samt att delta i alla Bolagets bolagsstämmor. Innehavaren är berättigad att rösta i samtliga frågor som behandlas under en bolagsstämma och varje ägd Aktie motsvarar en röst. Aktieägarna är berättigade att erhålla vinstutdelning som beslutas av Styrelsen. I händelse av likvidation, upplösning eller avveckling av Bolaget har aktieinnehavarna rätt vid fördelningen av de återstående tillgångarna i Bolaget som är tillgängliga för utdelning till aktieägarna.
C.5	<i>Inskränkningar i den fria överlåtbarheten</i>	Ej tillämplig; det finns inga inskränkningar i rätten att fritt överlåta aktierna.
C.6	<i>Upptagande till handel</i>	Bolagets Aktier handlas på TSX och på Nasdaq Stockholm under symbolen "LUG".
C.7	<i>Utdelningspolitik</i>	Lundin Gold har ingen fastställd utdelningspolicy. Innehavare av Aktierna äger rätten att erhålla utdelning, som kan beslutas av Styrelsen från tid till annan.

## Avsnitt D - Risker

D.1	<i>Central information om huvudsakliga risker relaterade till emittenten eller branschen</i>	<p><i>Bolagets verksamhet och de sektorer där Bolaget är verksamt inom är föremål för ett antal risker som är helt eller delvis utanför Lundin Golds kontroll och som kan ha en negativ inverkan på Bolagets verksamhet, finansiella ställning och operationella resultat och framtidsutsikter. De riskfaktorer som beskrivs nedan, och som bedöms vara de huvudsakliga riskerna relaterade till Bolaget och dess bransch, skall inte tolkas som fullständiga och är inte heller rangordnade efter grad av betydelse. Bolagets verksamhet, finansiella ställning och operationella resultat kan också komma att påverkas väsentligt negativt av andra risker och osäkerheter som för närvarande är okända för Bolaget, eller som för närvarande inte anses betydelsefulla.</i></p> <p><b>Finansieringskrav</b></p> <p>Utvecklingen av FDN kräver ytterligare, betydande mängder kapital. Bolagets skulder och annan mezzaninfinansiering omfattar och kan omfatta ytterligare pantsättning av Lundin Golds tillgångar, med bättre rätt än aktieägarnas intressen. Om Lundin Gold anskaffar ytterligare kapital genom att emittera aktier, kan sådan finansiering väsentligt späda ut aktieägares intressen och minska värdet av deras investering. Dessutom kanske Lundin Gold inte lyckas identifiera lämplig finansiering när det behövs eller inte alls eller, om finansiering är tillgänglig, kan Lundin Gold ådra sig betydande avgifter och kostnader och vidare är kanske villkoren för sådan finansiering inte gynnsamma för Lundin Gold. Ett misslyckande med att anskaffa kapital när det behövs skulle ha en väsentligt negativ inverkan på Lundin Golds verksamhet, finansiella ställning och operationella resultat.</p> <p><b>Förmåga att fullgöra skyldigheter enligt 2017-Finansieringen och andra lån</b></p> <p>Lundin Gold och dess dotterbolag är föremål för inskränkande villkor (s.k. covenant) enligt 2017-Finansieringen. 2017-Finansieringen är säkerställd genom en förstahands-pantsättning av Projekt-Dotterbolagens tillgångar, genom en pantsättning av deras aktier och genom garantier av Lundin Gold och Projekt-Dotterbolagen. Dessutom kan Lundin Gold komma att ingå andra arrangemang för att låna pengar i syfte att finansiera sina utvecklingsplaner för Fruta del Norte-projektet, och sådana arrangemang kan komma</p>
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innehålla villkor med liknande skyldigheter eller villkor som begränsar Bolagets verksamhet på olika sätt. Händelser kan komma att inträffa, inklusive sådana som ligger utom Lundin Golds kontroll, som kan medföra att Lundin Gold misslyckas med att uppfylla sina skyldigheter enligt 2017-Finansieringen eller enligt andra skuldinstrument som kan uppstå. I en sådan situation kan de belopp, som Lundin Gold har lånat enligt låneavtal, komma att förfalla till betalning före den avtalade förfalldagen, och Lundin Gold kan då sakna de finansiella resurser som krävs för att återbetala beloppen i rätt tid. Om Lundin Gold i framtiden skulle bryta mot sina skyldigheter enligt 2017-Finansieringen, eller andra säkerställda skuldinstrument, så skulle långgivarna i enlighet med sådana skuldinstrument kunna realisera sina säkerheter och ta Lundin Golds tillgångar i anspråk.

#### ***Instabilitet i Ecuador***

Bolaget är exponerat för vissa risker och för möjlig politisk och ekonomisk instabilitet specifik för Ecuador, såsom från politiska oroligheter, arbetsmarknadskonflikter, risk för upphävande av regeringsbeslut, tillstånd- eller äganderättskonflikter, risk för korrupktion, militära påtryckningar, krig, civila oroligheter, kriminella handlingar och terroristhandlingar, godtyckliga lagförändringar, expropriation, förstatligande handlingar, omförhandling eller annullering av befintliga avtal, samt förändringar i landets monetära eller skattepolitiska politik. Förekomsten av någon av dessa risker kan generellt påverka gruvindustrin, mineralprospektering och gruvdrift negativt eller påverka Bolaget, samt bl.a. leda till försämring eller förlust av rättigheten till mineralkoncessioner eller andra rättigheter.

Prospektering, utveckling eller produktion kan också påverkas i varierande grad av statliga bestämmelser med avseende på, men inte begränsat till, begränsningar av framtida prospektering och produktion, priskontroll, exportkontroll, inkomstskatt, arbetskraft och invandring, och genom förseningar vid erhållande eller oförmågan att erhålla nödvändiga tillstånd, motstånd mot gruvdrift från miljö- och andra icke-statliga organisationer, begränsning av utländskt ägande, expropriation av egendom, äganderätt till tillgångar, miljölagstiftning, arbetskraftsrelationer, begränsningar av återbetalning av inkomst och kapitalavkastning, hög inflationsnivå, ökade finansieringskostnader och platssäkerhet. Dessa faktorer kan påverka både Lundin Golds förmåga att utföra prospekterings- och utvecklingsverksamhet avseende framtida fastigheter på det sätt som avses, liksom förmågan att fortsätta att prospektera, utveckla och driva de fastigheter där Bolaget har ett intresse eller för vilken det har erhållit prospekterings- och utvecklingsrättigheter hittills.

Eventuella förändringar avseende politiska attityder eller lagändringar som bl.a. kan leda till betydande förändringar i gruvlagar eller annan nationell lagbestämmelse eller politik är utanför Lundin Golds kontroll och kan ha negativ inverkan på verksamheten. Bolaget står inför risken för att regeringar kan införa väsentligt annorlunda policies, vilket kan leda till expropriation av tillgångar eller ett ökat statligt deltagande i gruvsektorn. Dessutom kan förändringar i resursutveckling eller investeringspolitik, ökad skattesats, högre gruvdriftsavgifter och royaltybetalningar, återkallande eller upphävande av gruvkoncessionsrättigheter, eller förändringar i politiska attityder i Ecuador negativt påverka Lundin Golds verksamhet.

#### ***Guldpriset***

Guldpriset påverkas av flertalet faktorer bortom Lundin Golds kontroll, inklusive nivåer av tillgång och efterfrågan, globala och regionala konsumtionsmönster, försäljningar av regeringar, metallagernivåer hållna av producenter och andra, ökad produktion på grund av nya gruvutvecklingar och förbättrad gruvdrift samt produktionsmetoder, spekulativa aktiviteter hänförliga till försäljningen av metall, tillgänglighet och kostnader för metallsubstitut, internationella ekonomiska och politiska förhållanden, räntenivåer, valutakurser och inflation.

En minskning av guldpriset kan på olika sätt påverka Lundin Golds verksamhet, finansiella ställning och operationella resultat negativt. Utvecklingen av FDN kräver ytterligare, betydande mängder kapital. Förändringar av guldpriset kan påverka tillgängligheten och villkoren för ytterligare finansiering som krävs för att utveckla Projektet. Uppskattningen av ekonomiskt genomförbara identifierade Mineralreserver kräver vissa antaganden, inklusive guldpris. En reviderad uppskattning av identifierade Mineralreserver p.g.a. en väsentlig nedgång i guldpriset kan leda till minskning av uppskattningarna av Bolagets Mineralreserver, efterföljande nedskrivningar och negativ påverkan på gruvlivslängden. Om FDN utvecklas till produktion kommer huvuddelen av Lundin Golds intäkter att härledas från försäljningen av guld. Därför kan fluktuationer i priset på denna vara påverka Lundin Golds framtida verksamhet och potentiella lönsamhet. Sådana minskade intäkter kan också öka kraven på kapital.

#### ***Myndigheters eller regulatoriska godkännanden***

Lundin Golds prospekterings- och utvecklingsarbete samt dess verksamhet är beroende av dess förmåga att erhålla, bibehålla eller förnya olika mineralrättigheter, licenser, tillstånd, bemyndiganden och regulatoriska godkännanden (gemensamt "Rättigheter" och ensamt en "Rätt") från olika statliga och halvstatliga myndigheter. Lundin Golds förmåga att erhålla, bibehålla eller förnya sådana Rättigheter med acceptabla villkor och i tid är föremål för förändringar avseende regler och riktlinjer samt godtycklighet av relevant statligt och halvstatligt organ. Lundin Gold kanske inte kommer kunna erhålla, bibehålla eller förnya dess Rättigheter eller dess Rättigheter kanske inte kommer kunna erhållas med rimliga villkor eller i tid. Ytterligare Rättigheter som är nödvändiga för att tillåta Lundin Gold att kommersiellt utnyttja fyndigheten vid FDN kan vara föremål för ogynnsamma villkor, kan bli försenade eller kanske inte erhållas alls. En försening avseende erhållandet av sådana Rättigheter, införandet av ogynnsamma villkor för någon Rättighet eller nekande av någon Rättighet kan ha en väsentligt negativ inverkan på Lundin Golds verksamhet, finansiella ställning, operationella resultat och framtidsutsikterna samt, i synnerhet, utvecklingen av FDN.

#### ***Entreprenörers prestationsförmåga***

I takt med att Bolaget fortsätter med utvecklingen av Fruta del Norte-projektet kommer ett punktligt och kostnadseffektivt slutförande av arbetet till stora delar vara beroende av att Lundin Golds entreprenörer utför arbetet på ett tillfredsställande sätt, samt även av de design- och ingenjörskonsulter som är ansvariga för olika delar av platsen och gruvplanen. Om någon av dessa entreprenörer eller konsulter inte presterar enligt accepterade och förväntade standarder, kan Lundin Gold komma att behöva anlita andra entreprenörer för att färdigställa uppdragen, vilket kan påverka tidsplaner och öka kostnader för Projektet och i vissa fall leda till betydande risker och förluster. En större entreprenörs konkurs eller en oförmåga att på korrekt sätt leda entreprenörers prestationer kan ha betydande inverkan på Lundin Golds resultat.

#### ***Risker med underjordisk utveckling***

Bolagets aktiviteter hänförliga till utvecklandet av en gruva vid Fruta del Norte är föremål för risker inneboende i gruvindustrin, inklusive oväntade problem kopplade till nödvändigt vattenflöde, behandling, vattenkvalitet, ytförhållanden och underjordiska förhållanden, utrustningens prestanda, olyckor, arbetskonflikter, risk för force majeure och naturkatastrofer. Särskilt vid underjordiska etableringar finns det inneboende risker vilket inkluderar variationer i bergstruktur och styrka som kan påverka konstruktionen av gruvan, avvattning och vattenhanteringskrav och oväntade lokala grundförhållanden. Faror, såsom ovanliga eller oväntade bergformationer, stenbrott, tryck, kollapser, översvämning eller andra förhållanden kan komma att påträffas under konstruktionen. Sådana risker kan

resultera i personskada eller dödsfall, skada på eller förstörelse av gruvan, byggnader för bearbetning eller utrustning, miljöskada, förseningar, tillfälliga eller permanenta avbrott av verksamheten, monetär förlust och möjliga rättsliga åtgärder.

#### ***Rättighetsärenden samt yrättigheter och åtkomst***

Det finns en risk att äganderätten till gruvkoncessionen och yrättigheterna som ingår i Fruta del Norte-projektet kan vara bristfälliga eller bli föremål för tvist. Upphandlingen eller upprätthållandet av sådana rättigheter kan vara kostsamt och tidskrävande. I områden där det finns lokalbefolkning eller lokala markägare kan det vara nödvändigt att, som en praktisk åtgärd, förhandla om åtkomst till markytan. Trots laglig rätt att få åtkomst till markytan och att få bedriva gruvverksamhet, kommer Lundin Gold kanske inte kunna förhandla fram tillfredsställande avtal med befintliga markägare/ockupanter för sådan åtkomst, och kan därför bli oförmöget att bedriva gruvdrift. Dessutom, i de fall då sådan tillgång avslås eller ingen överenskommelse kan nås, kan Lundin Gold behöva förlita sig på hjälp av lokala tjänstemän eller domstolarna i sådana jurisdiktioner vilket kan försena eller påverka planerade gruvaktiviteter. Det finns också en risk att Bolagets prospekterings-, utvecklings- och gruvtillstånd samt yrättigheter kan utmanas eller bestridas av tredje man. Dessutom finns det risk för att Lundin Gold inte kommer att kunna förnya några eller alla sina licenser i framtiden. Oförmåga att förnya en licens kan leda till förlust av projekt som omfattas av licensen. Slutligen finns det en risk för att utvecklingslagar och rörelser som accepterar ursprungssamhällets rätt att förvärva landrättigheter och andra rättigheter, kan komma att ändra arrangemang av tidigare ägare av den mark där FDN ligger. Framtida lagar och åtgärder kan få en väsentlig negativ inverkan på Lundin Golds verksamhet vid FDN eller på dess finansiella ställning, kassaflöde och operationella resultat.

#### ***Begränsad tillgång till kritiska resurser***

Lundin Golds förmåga att förvärva kritiska resurser såsom ingående råvaror, utrustning och skicklig arbetskraft, på grund av stor efterfrågan, kan komma att orsaka oförutsedda kostnadsökningar och fördröjningar av leveranser, vilket kan leda till påverkan på driftskostnader, investeringar och tidplaner för utveckling. Dessutom, eftersom Lundin Gold fortsätter med utvecklingen av FDN och dess verksamhet ökar, kommer Lundin Gold att behöva ytterligare kompetent arbetskraft, såsom byggande, drift-, ekonomi- och geologisk personal. Det finns en risk för att Lundin Gold inte kommer att lyckas med att attrahera, utbilda och behålla kvalificerad personal eftersom konkurrens om personer med dessa färdigheter ökar och tillgängligheten i landet är begränsad. Om Lundin Gold inte lyckas attrahera, utbilda och behålla kvalificerad personal kan utvecklingen av FDN och effektiviteten i Lundin Golds verksamhet försämrats vilket kan negativt påverka Lundin Golds framtida kassaflöden, intäkter, operationella resultat och finansiella ställning.

#### ***Behållande av personal***

Att rekrytera och behålla kompetent personal är kritiskt för Lundin Golds framgångar. Lundin Gold är beroende av tjänster som tillhandahålls av nyckelpersoner såsom dess president och verkställande direktör samt andra högt kvalificerade och erfarna chefer och annan personal som fokuserar på att hantera Lundin Golds intressen. Antalet personer med kompetens inom finansiering, utveckling och förvaltning av gruvor är begränsat och konkurrensen om sådana personer är hög. Lundin Golds oförmåga att framgångsrikt attrahera och behålla högt kvalificerade och erfarna chefer och personal kan ha en väsentligt negativ inverkan på Lundin Golds verksamhet, finansiella ställning och operationella resultat.

#### ***Relationen till samhället***

Bolagets relation till samhällena det verkar i, är kritiskt för konstruktionen och utvecklingen

av Projektet. Fruta del Norte-projektet är lokaliserat nära landsbygdssamhällen, av vilka några tidigare har varit emot gruvdrift, vilket kan påverka Lundin Golds förmåga att utveckla Fruta del Norte-projektet både kort- och långsiktigt. Vidare kan lokalsamhällena bli påverkade av externa grupper eller organisationer som motsätter sig gruvdrift. Under senare år har icke-statliga antigruv-organisationer ("NGOs") ökat sin aktivitet i Ecuador. Dessa samhällen och organisationer har vidtagit åtgärder såsom stängning av vägar, nedläggning av arbete och rättsliga åtgärder i syfte att erhålla skadestånd. Åtgärderna fokuserar inte enbart till nuvarande verksamhet utan allt som oftast till tidigare gruvverksamhet bedrivna av tidigare ägare. Sådana åtgärder kan ha väsentlig negativ inverkan på Lundin Golds verksamhet vid Fruta del Norte-projektet och dess finansiella position, kassaflöde och resultat av verksamheten. Lundin Gold har för närvarande ingen försäkring för Fruta del Norte-projektet som täcker politiska risker.

#### ***Infrastruktur***

Gruvdrift, bearbetning, utveckling och prospektering är, på ett eller annat sätt, beroende av lämplig infrastruktur. Tillförlitliga vägar, broar, kraftkällor och vattenkällor är viktiga grunder för infrastruktur, som kan påverka kapital- och produktionskostnader. Avsaknad av godtagbara villkor, eller fördröjning av en eller fler av ovanstående faktorer, kan förhindra eller fördröja prospektering eller utveckling av Fruta del Norte-projektet. Om lämplig infrastruktur inte är tillgänglig i tid finns det en risk att (i) utvecklingen av Fruta del Norte-projektet inte kommer att färdigställas enligt gällande tidsschema, eller ens alls, (ii) verksamheten inte kommer att nå den förväntade produktionsvolymen eller (iii) förväntade konstruktionskostnader och pågående verksamhetskostnader kopplade till utvecklingen av Fruta del Norte-projektet kommer att bli högre än förväntat. Vidare kan ovanliga eller sällsynta väderfenomen, sabotage, statlig inblandning eller annan inblandning i underhållandet eller tillhandahållandet av nödvändig infrastruktur komma att negativt påverka Lundin Golds verksamhet och lönsamhet.

#### ***Skattebestämmelser i Ecuador***

Skattebestämmelser i Ecuador kan bli föremål för olika tolkningar och kan komma att ändras utan förvarning. Bolagets tolkning av skattelagstiftning som tillämpas i dess transaktioner och verksamheter kan eventuellt avvika från den som tillämpas av skattemyndigheterna. Som ett resultat av detta kan beskattning av transaktioner och verksamheter komma att ifrågasättas eller revideras av skattemyndigheterna, vilket kan leda till betydande skattehöjningar, böter och/eller ränta. Det finns en risk för att begränsningar av återföring av intäkter från Ecuador till utländska enheter kommer att införas i framtiden och Lundin Gold har ingen kontroll över källskattesatserna. Dessutom finns det risk för att nya lagar och förordningar i Ecuador kan leda till en kapitalvinstskatt på vinster som härrör från försäljning av aktier, ägarintressen och andra rättigheter, såsom prospekteringsrättigheter, av bolag med fasta driftställen i landet. Bolaget kommer sannolikt inte att kunna följa lagen som för närvarande utarbetas eftersom Bolaget inte har tillgång till den information som begärs av lagen. Det är okänt vid den här tidpunkten vilket, om något, ansvar Bolaget eller dess dotterbolag kan bli föremål för till följd av tillämpningen av denna lag. Det finns en risk för att Bolagets möjlighet till finansiering kan begränsas till följd av den indirekta beskattningen.

#### ***Åtgärder för att skydda utrotningshotade arter***

Ecuador är ett land med ett mångfacetterat och skört ekosystem och den federala regeringen, regionala regeringar och NGOs är noggranna i sitt skydd av utrotningshotade arter. Förekomsten eller upptäckten av en utrotningshotad art vid Fruta del Norte-projektet kommer troligtvis ha flera negativa konsekvenser för Bolagets planer och

verksamhet. T.ex. kan närvaron av en utrotningshotad art innebära att Bolaget skulle behöva ändra sina designplaner och konstruktioner, vidta extraordinära åtgärder för att skydda arterna eller upphöra med sina aktiviteter vid Fruta del Norte-projektet antingen tillfälligt eller permanent, samtliga följder skulle fördröja Fruta del Norte-projektets utveckling och produktion samt ha en negativ ekonomisk inverkan på Bolaget, vilken skulle kunna vara väsentlig. Förekomsten eller upptäckten av en utrotningshotad art vid Fruta del Norte-projektet skulle också kunna leda till ökat motstånd av icke-statliga organisationer och lokalsamhällen mot Fruta del Norte-projektet, vilket skulle vara ytterligare ett hinder mot utvecklingen av Fruta del Norte-projektet och som skulle kunna påverka Bolagets internationella anseende.

#### ***Icke-efterlevnad av regler och regelefterlevnadskostnader***

Lundin Gold, dess dotterbolag och dess verksamhet är föremål för flertalet lagar och regleringar. Kostnaderna kopplade till efterlevnaden av sådana lagar och regleringar kan komma att orsaka betydande förseningar och kräva betydande kostnader, vilket kan ha en väsentligt negativ inverkan på Bolaget eller utvecklingen av Fruta del Norte-projektet. Det finns en risk för att Bolaget kan misslyckas med att följa ett lagstadgat eller regulatoriskt krav som kan leda till upphävande av vissa rättigheter eller påföljder eller avgifter och till verkställighetsåtgärder, inklusive föreläggande av regulatoriska och rättsliga myndigheter som medför att verksamheten upphör eller begränsas och kan innefatta korrigeringsåtgärder som kräver investeringar, installation av ytterligare utrustning eller avhjälpan åtgärder. Dessutom kan Bolaget bli skyldigt att kompensera de som drabbas av förlust eller skada som uppstår med anledning av Bolagets icke-efterlevnad av regler och kan åläggas civilrättsliga eller straffrättsliga vite eller böter för överträdelse av tillämpliga lagar eller förordningar och i synnerhet, miljölagar. Allt det föregående kan ha en väsentligt negativ inverkan på Bolaget eller utvecklingen av FDN.

#### ***Prospekterings- och utvecklingsrisker***

Prospektering efter, och utveckling av, mineralresurser innefattar signifikanta risker som inte ens kan elimineras med en kombination av noggrann utvärdering, erfarenhet och kunskap. Få prospekteringsfyndigheter utvecklas slutligen till producerande gruvor. Stora kostnader kan behövas för att lokalisera och etablera Mineralreserver, utveckla metallurgiska processer samt konstruera gruvdrifts- och bearbetningsfaciliteter i ett särskilt område. Det finns en risk att prospekteringen eller utvecklingsprogram i Lundin Gold inte kommer att resultera i en lönsam kommersiell gruvdrift. Huruvida en mineralfyndighet kommer att vara kommersiellt genomförbar beror på ett antal faktorer, inklusive men inte begränsat till: fyndighetens särskilda egenskaper, såsom kvantitet och kvalitet på mineralerna, metallurgi och närhet till infrastruktur och arbetskraft; mineralpriser, som är mycket cykliska; och myndighetsbestämmelser, inklusive bestämmelser om priser, skatter, royalties, besittningsrätt, markanvändning, import och export av mineraler och miljöskydd. Den exakta effekten av dessa faktorer kan inte med säkerhet förutsägas men kan ha en väsentligt negativ inverkan på Lundin Golds verksamhet.

#### ***Mineralreserver och mineralresursberäkningar***

Mineralreserv- och Mineralresurssiffror är uppskattningar och det finns en risk att någon av Mineralresurserna och Mineralreserverna som hittills identifierats på Fruta del Norte-projektet inte kommer att realiseras. Till dess en fyndighet faktiskt bryts och bearbetas måste kvantiteten av Mineralreserver och Mineralresurser samt kvalitén endast betraktas som uppskattningar. Dessutom kan kvantiteten av Mineralreserver och Mineralresurser variera beroende på bland annat ädelmetallpriser. En väsentlig förändring av kvantiteten av Mineralreserver, Mineralresurser eller procentutvinning av de Mineralreserver som återvinns genom underjordisk gruvteknik, kan påverka den ekonomiska lönsamheten av



		<p>projekt som genomförs av Lundin Gold. Dessutom finns det en risk att metallåtervinningar i småskaliga laboratorieförsök inte kommer att dupliceras i storskaliga test under förhållandena på plats eller under produktion. Mineralresurser som inte är Mineralreserver har inte visad ekonomisk lönsamhet, och det finns en risk för att de aldrig kommer att brytas eller bearbetas med vinst. Vidare finns det en risk för att antagna Mineralresurser inte kommer att uppgraderas till bevisade och sannolika Mineralreserver som ett resultat av fortsatt prospektering. Fluktuationer avseende guldpriser, resultat av borrhning, metallurgisk testning och produktion samt utvärdering av studier, rapporter och planer efter datumet för någon av uppskattningarna kan kräva omprövning av sådan uppskattning. Eventuella väsentliga minskningar av uppskattningarna av Mineralreserver kan ha en väsentligt negativ inverkan på Lundin Golds operationella resultat och finansiella ställning.</p> <p><b>Beroende av endast ett projekt</b></p> <p>Den enda egendom i vilken Lundin Gold har ett intresse är Fruta del Norte-projektet. Faktiska utvecklingskostnader därav kan skilja sig väsentligt från Lundin Golds uppskattningar och kan göra utvecklingen av Fruta del Norte-projektet ekonomiskt omöjlig. I avsaknad av ytterligare mineralprojekt är Lundin Gold beroende av enbart Fruta del Norte-projektet för sina intäkter och vinster, om några. Om utvecklingen av Fruta del Norte-projektet inte är möjlig eller praktiskt genomförbar på grund av politiska, ingenjörsvetenskapliga, tekniska eller ekonomiska skäl kommer Lundin Golds verksamhet och finansiella ställning bli väsentligt och negativt påverkad.</p>
D.3	<p>Central information om huvudsakliga risker relaterade till aktierna</p>	<p><i>Huvudsakliga risker relaterade till Aktierna innefattar:</i></p> <p><b>Utspädning och volatil aktiekurs</b></p> <p>Framtida försäljningar eller emissioner av aktierelaterade värdepapper kan minska Aktiernas värde, späda ut aktieägares rösträtt och minska framtida potentiell vinst per Lundin Gold-aktie. Värdepapper i mineralföretag har varit föremål för stor volatilitet, ofta baserat på faktorer som inte är relaterade till de berörda företagens ekonomiska resultat eller utsikter. Dessa faktorer inkluderar makroekonomiska förhållanden och marknadsuppfattningar av attraktiviteten hos vissa branscher eller sektorer. Priset på Aktierna kommer sannolikt också att påverkas väsentligt av kortsiktiga förändringar i guldpriser, andra mineralpriser, växelkursfluktuationer, eller dess finansiella position eller resultat av prospekteringsaktiviteter avseende sina projekt. Övriga faktorer som inte är relaterade till Bolagets resultat som kan påverka priset på Aktierna är följande: omfattningen av analyser som finns tillgängliga för investerare kan vara begränsad om investeringsbanker med forskningskapacitet inte följer Bolaget; minskning av handelsvolymen och det allmänna marknadsintresset avseende Aktierna kan påverka en investerares möjlighet att handla ett betydande antal Aktier i Bolaget; storleken på Bolagets s.k. <i>public float</i> och huruvida den ingår i marknadsindex kan begränsa vissa institutioners möjligheter att investera i Aktierna; och en väsentlig nedgång av priset på Aktierna i Bolaget som kvarstår under en betydande tidsperiod kan leda till att Aktierna avnoteras från en börs, vilket ytterligare kan minska marknadslikviditeten. Om en aktiv marknad för Aktierna inte fortsätter att existera, kan likviditeten hos en investerares investering vara begränsad och priset på Aktierna kan komma att minska. Om en aktiv marknad inte finns kan investerare förlora hela sin investering i Bolaget. Som ett resultat av någon av dessa faktorer kan marknadspriset på Aktierna vid en given tidpunkt komma att inte korrekt återspegla Bolagets långsiktiga värde. Grupptalan avseende värdepapper har ofta väckts mot företag efter perioder av volatilitet i marknadspriset på deras värdepapper. Bolaget kan i framtiden bli föremål för liknande tvister. Värdepapperstvister kan leda till betydande kostnader och skador samt ta i anspråk ledningens uppmärksamhet och resurser.</p>

	<p><b>Kontroll av Lundin Gold</b></p> <p>Vid dagens datum är Zebra och Lorito, som rapporterar sina värdepappersinnehav som gemensamma aktörer, en s.k. kontrollperson av Lundin Gold. Denna Private Placement kommer, om den genomförs, att väsentligen påverka kontrollen av Bolaget eftersom Newcrest kommer att inneha mer än 27 % av de emitterade och utestående Aktierna vid fullbordandet och därigenom bli Bolagets största aktieägare och en kontrollperson. Zebra och Lorito kommer att förbli en kontrollperson som innehar över 22 % av Aktierna efter denna Private Placement. Så länge som dessa aktieägare behåller sina betydande positioner i Lundin Gold kommer de att ha möjlighet att utöva inverkan i förhållande till Lundin Golds angelägenheter och väsentligen påverka resultatet i frågor som aktieägare har rätt att rösta om. Till följd av kontrollpersoners i Bolaget betydande innehav finns det en risk för att Bolagets värdepapper är mindre likvida och handlas med en relativ rabatt jämfört med situationen där dessa personer inte hade möjlighet att påverka eller bestämma i frågor som påverkar Lundin Gold. Dessutom finns det en risk för att deras betydande innehav i Lundin Gold motverkar transaktioner som innebär en förändring av kontrollen, s.k. <i>change of control</i>, av Lundin Gold, inklusive transaktioner i vilka en investerare som innehavare av Bolagets värdepapper annars skulle få en premie för sina värdepapper hos Bolaget över det då gällande marknadspriset.</p>
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## Avsnitt E - Erbjudande

E.1	<i>Emissionsbelopp och emissionskostnader</i>	Ej tillämplig; detta prospekt utfärdas i samband med upptagande till handel av de Nya Aktierna på Nasdaq Stockholm och det finns inte något erbjudande från Lundin Gold att förvärva Aktier.
E.2a	<i>Motiv till erbjudandet och användning av medel</i>	Ej tillämplig; detta prospekt utfärdas i samband med upptagande till handel av de Nya Aktierna på Nasdaq Stockholm och det finns inte något erbjudande från Lundin Gold att förvärva Aktier.
E.3	<i>Bakgrund och villkor</i>	Ej tillämplig; detta prospekt utfärdas i samband med upptagande till handel av de Nya Aktierna på Nasdaq Stockholm och det finns inte något erbjudande från Lundin Gold att förvärva Aktier.
E.4	<i>Intressekonflikter etc.</i>	Ej tillämplig; inga intressekonflikter eller liknande existerar i samband upptagandet till handel av de Nya Aktierna på Nasdaq Stockholm.
E.5	<i>Lock-up-avtal och säljande aktieägare</i>	Det finns inga lock-up avtal och ingen säljande aktieägare i samband med upptagandet till handel av de Nya Aktierna på Nasdaq Stockholm.
E.6	<i>Utspädning</i>	Ej tillämplig; detta prospekt utfärdas i samband med upptagande till handel av de Nya Aktierna på Nasdaq Stockholm och det finns inte något erbjudande från Lundin Gold att förvärva Aktier.
E.7	<i>Kostnader för investerare</i>	Ej tillämplig; det finns inga kostnader som åläggs investerarna.

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# RISK FACTORS

*An investment in securities involves a significant degree of risk. The Company's business, operating results or financial position may be adversely affected by a number of risk factors which are beyond the control of the Company. The Company is exposed to a number of risks inherent in mining exploration and development. Risk factors deemed to be of particular significance to the future prospects of the Company are described below. The risk factors described below are not exhaustive. The Company's business, operating results and financial position may also be materially adversely affected by other risks and uncertainties which are currently unknown to the Company, or which are currently not viewed as material. Further, risks are not ranked according to degree of importance. Nor do they indicate how significant the impact could be on the Company's operations.*

*This description of risks below is intended to describe some of the risks associated with the Company and its operations. A description of the risks associated with the Shares in their capacity as financial instruments can be found in "Risk Factors" in the securities note.*

## Risks Relating to the Company

The operations of the Company are speculative due to the high risk nature of its business. Material risk factors and uncertainties, which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set out below. Any one or more of these risks and others could have a material adverse effect on the Company.

### **Financing Requirements**

The development of the Fruta del Norte Project requires substantial additional capital. When such additional capital is required, Lundin Gold may need to pursue various financing transactions or arrangements, including equity financing, debt financing, joint venturing of projects or other means. The Company's debt and other mezzanine financing has and may further involve a pledge of Lundin Gold's assets, which pledge is senior to interests of the Company's shareholders. If Lundin Gold raises additional funding by issuing equity, such financing may substantially dilute the interests of shareholders and reduce the value of their investment. Moreover, Lundin Gold may not be successful in locating suitable financing when required or at all. A failure to raise capital when needed would have a material adverse effect on Lundin Gold's business, financial condition and results of operations.

### **Ability to Maintain Obligations under the 2017-Financing and Other Debt**

Lundin Gold and its subsidiaries are subject to restrictive covenants under the 2017 Financing (as defined below). The 2017 Financing is secured by a first ranking charge over the assets of the Project Subsidiaries (as defined below), by a pledge of the shares of the Project Subsidiaries and by guarantees of Lundin Gold and the Project Subsidiaries. In addition, Lundin Gold may from time to time enter into other arrangements to borrow money to fund its development plans for Fruta del Norte Project, and such arrangements may include covenants that have similar obligations or that restrict its business in some way. Events may occur in the future, including events out of Lundin Gold's control, that could cause Lundin Gold to fail to satisfy its obligations under the 2017 Financing or other debt instruments that may arise. In such circumstances, the amounts drawn under Lundin Gold's debt agreements may become due and payable before the agreed maturity date, and Lundin Gold may not have the financial resources to repay such amounts when due. If Lundin Gold were to

default on its obligations under the 2017 Financing or other secured debt instruments in the future, the lender(s) under such debt instruments could enforce their security and seize Lundin Gold's assets.

### ***Instability in Ecuador***

The Company is subject to certain risks and possible political and economic instability specific to Ecuador, political unrest, labour disputes, invalidation of government orders, permits or property rights, risk of corruption including violations under applicable foreign corrupt practices laws, military repression, war, civil disturbances, criminal and terrorist acts, arbitrary changes in laws, expropriation, nationalization, renegotiation or nullification of existing agreements and changes to monetary or taxation policies. The occurrence of any of these risks may adversely affect the mining industry, mineral exploration and mining activities generally or the Company and, among impacts, could result in the impairment or loss of mineral concessions or other rights.

Exploration, development or production may also be affected to varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, income taxes, labour and immigration, and by delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, limitations on foreign ownership, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on repatriation of income and return of capital, high rates of inflation, increased financing costs and site safety. These factors may affect both Lundin Gold's ability to undertake exploration and development activities in respect of future properties in the manner contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date.

Any shifts in political attitudes or changes in laws that may result in, among other things, significant changes to mining laws or any other national legal body of regulations or policies are beyond the control of Lundin Gold and may adversely affect its business. The Company faces the risk that future governments may adopt substantially different policies, which might extend to the expropriation of assets or increased government participation in the mining sector. In addition, changes in resource development or investment policies, increases in taxation rates, higher mining fees and royalty payments, revocation or cancellation of mining concession rights or shifts in political attitudes in Ecuador may adversely affect Lundin Gold's business.

### ***Gold Price***

The price of gold is affected by numerous factors beyond Lundin Gold's control, including levels of supply and demand, global or regional consumptive patterns, sales by government holders, metal stock levels maintained by producers and others, increased production due to new mine developments and improved mining and production methods, speculative activities related to the sale of metals, availability and costs of metal substitutes, international economic and political conditions, interest rates, currency values and inflation.

A decrease in the gold price could negatively impact Lundin Gold's business, financial condition and results of operations in a number of ways. The development of FDN requires substantial additional capital. Variations in the gold price may impact the availability and the terms of additional financing required to develop the Project. The estimation of economically viable identified Mineral Reserves requires certain assumptions, including gold price. A revised estimate of identified Mineral Reserves due to a substantial decline in the gold price could result in the decrease in the estimates of the Company's Mineral Reserves, subsequent write downs and negative impact on mine life. If FDN is developed to production, the majority of Lundin Gold's revenue will be derived from the sale of gold. Therefore, fluctuations in the prices of this commodity may affect Lundin Gold's future operations and potential profitability. Such decreased revenues may also increase the requirements for capital.

### ***Government or Regulatory Approvals***

Lundin Gold's exploration and development activities and its operations depend on its ability to obtain, sustain or renew various mineral rights, licenses, permits, authorizations and regulatory approvals (collectively, **Rights** and individually a **Right**) from various governmental and quasi-governmental authorities. Lundin Gold's ability to obtain, sustain or renew such Rights on acceptable terms and on a timely basis is subject to changes in regulations and policies and to the discretion of the applicable governmental and quasi-governmental bodies. Lundin Gold may not be able to obtain, sustain or renew its Rights or its Rights may not be obtainable on reasonable terms or on a timely basis.

Additional Rights that are necessary to permit Lundin Gold to commercially exploit the deposit at the Fruta del Norte Project may be subject to unfavourable terms, may be delayed or may not be obtained at all. A delay in obtaining any such Rights, the imposition of unfavourable terms or conditions on any Rights or the denial of any Right may have a material adverse effect on Lundin Gold's business, financial condition, results of operations and prospects and, in particular, the development of the Fruta del Norte Project.

### ***Contractor Performance***

As the Company proceeds with the development of the Fruta del Norte Project, the timely and cost effective completion of the work will depend on a large degree to the satisfactory performance of Lundin Gold's contractors, as well as the design and engineering consultants who are responsible for the different elements of the site and mine plan. If any of these contractors or consultants do not perform to accepted or expected standards, Lundin Gold may be required to hire different contractors to complete tasks, which may impact schedules and add costs to the Project and, in some cases lead to significant risks and losses. A major contractor default or the failure to properly manage contractor performance could have a material impact on Lundin Gold's results.

### ***Risks with Underground Development***

The Company's activities related to the development of the mine at Fruta del Norte are subject to risks inherent in the mining industry generally, including unexpected problems associated with required water flow, retention and treatment, water quality, surface and underground conditions, equipment performance, accidents, labour disputes, force majeure risks and natural disasters. Particularly with underground development, inherent risks include variations in rock structure and strength as it impacts on construction of the mine, de-watering and water handling requirements and unexpected local ground conditions. Hazards, such as unusual or unexpected rock formations, rock bursts, pressures, collapses, flooding or other conditions, may be encountered during construction. Such risks could result in personal injury or fatality; damage to or destruction of the mine, processing facilities or equipment; environmental damage; delays, suspensions or permanent cessation of activities; monetary losses; and possible legal liability.

### ***Title Matters and Surface Rights and Access***

There is a risk that title to the mining concessions, the surface rights and access rights comprising the Fruta del Norte Project may be deficient or subject to dispute. The procurement or enforcement of such rights can be costly and time consuming. In areas where there are local populations or land owners, it may be necessary, as a practical matter, to negotiate surface access. Despite having the legal right to access the surface and carry on mining activities, Lundin Gold may not be able to negotiate satisfactory agreements with existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities as planned. In addition, in circumstances where such access is denied, or no agreement can be reached, Lundin Gold may need to rely on the assistance of local officials or the courts in such jurisdictions, which may delay or impact mining activities as planned.

There is also a risk that the Company's exploration, development and mining authorizations and surface rights may be challenged or impugned by third parties. In addition, there is a risk that Lundin Gold will not be able to renew some or all its licenses in the future. Inability to renew a license could result in the loss of any project located within that license.

Finally, there is a risk that developing laws and movements respecting the acquisition of lands and other rights of indigenous communities may alter the arrangements made by prior owners of the lands where the Fruta del Norte Project is located. Future laws and actions could have a material adverse effect on Lundin Gold's operations at the Fruta del Norte Project or on its financial position, cash flow and results of operations.

#### ***Shortages of Critical Resources***

Lundin Gold's ability to acquire critical resources such as supplies, consumables and equipment due to worldwide demand may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and development schedules.

In addition, as Lundin Gold continues with the development of FDN and its activities increase, Lundin Gold will require additional skilled labour, such as construction, operations, financial and geologic personnel. There is a risk that Lundin Gold will not be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases and availability in country is limited. If Lundin Gold is not successful in attracting, training and retaining qualified personnel, the development of FDN and the efficiency of Lundin Gold's operations could be impaired, which could have an adverse impact on Lundin Gold's future cash flows, earnings, results of operations and financial condition.

#### ***Key Talent Retention***

Recruiting and retaining qualified personnel is critical to Lundin Gold's success. Lundin Gold is dependent on the services of key executives, including its President and Chief Executive Officer, and other highly skilled and experienced executives and personnel focused on managing Lundin Gold's interests. The number of persons skilled in the financing, development and management of mining properties is limited and competition for such persons is intense. The inability of Lundin Gold to successfully attract and retain highly skilled and experienced executives and personnel could have a material adverse effect on Lundin Gold's business, financial condition and results of operations.

#### ***Community Relations***

The Company's relationship with communities in which it operates is critical to the construction and development of the Project. The Fruta del Norte Project is located near rural communities, some of which contain groups that have been opposed to mining activities from time to time in the past, which may affect Lundin Gold's ability to develop the Fruta del Norte Project in the short and long term. Furthermore, local communities may be influenced by external entities, groups or organizations opposed to mining activities. In recent years, anti-mining non governmental organizations ("NGOs") activity in Ecuador has increased. These communities and NGOs have taken such actions as road closures, work stoppages, and law suits for damages. These actions relate not only to current activities but often in respect to the mining activities by prior owners of mining properties. Such actions by communities and NGOs may have a material adverse effect on Lundin Gold's operations at the Fruta del Norte Project and on its financial position, cash flow and results of operations. Lundin Gold does not presently maintain political risk insurance for the Fruta del Norte Project.

#### ***Infrastructure***

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important elements of infrastructure, which affect capital and operating costs. The lack of availability on acceptable terms or the

delay in the availability of any one or more of these items could prevent or delay exploration or development of the Fruta del Norte Project. If adequate infrastructure is not available in a timely manner, there is a risk that (i) the development of the Fruta del Norte Project will not be completed on a timely basis, or at all, (ii) the resulting operations will not achieve the anticipated production volume or (iii) the anticipated construction costs and ongoing operating costs associated with the development of the Fruta del Norte Project will be higher than anticipated. Furthermore, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of necessary infrastructure could adversely affect Lundin Gold's operations and profitability.

#### ***Tax Regime in Ecuador***

Tax regimes in Ecuador may be subject to differing interpretations and are subject to change without notice. The Company's interpretation of tax law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, the taxation applicable to transactions and operations may be challenged or revised by the tax authorities, which could result in significant additional taxes, penalties and/or interest.

There is a risk that restrictions on the repatriation of earnings from Ecuador to foreign entities will be imposed in the future and Lundin Gold has no control over withholding tax rates. In addition, there is a risk that new laws and regulations in Ecuador may result in a capital gains tax on profits derived from the sale of shares, ownership interests and other rights, such as exploration rights, of companies with permanent establishments in the country. The Company will not likely be able to comply with this law as currently drafted as it does not have access to the information requested by the law. It is unknown at this time what, if any, liability the Company or its subsidiaries may be subject to as a result of the application of this law. There is a risk that the Company's access to financing may be limited as a result of the indirect taxation.

#### ***Measures to Protect Endangered Species***

Ecuador is a country with a diverse and fragile ecosystem and the federal government, regional governments and NGOs are vigilant in their protection of endangered species. The existence or discovery of an endangered species at the Fruta del Norte Project would likely have a number of adverse consequences to the Company's plans and operations. For instance, the presence of an endangered species could require the Company to modify its design plans and construction, to take extraordinary measures to protect the species or to cease its activities at the Fruta del Norte Project temporarily or permanently, all of which would delay the Fruta del Norte Project's development and production and would have an adverse economic impact on the Company, which could be material. The existence or discovery of an endangered species at the Fruta del Norte Project could also ignite NGO and local community opposition to the Fruta del Norte Project, which would be a further barrier to development of the Fruta del Norte Project and could impact the Company's global reputation.

#### ***Non-Compliance and Compliance Costs***

Lundin Gold, its subsidiaries, its business and its operations are subject to various laws and regulations. The costs associated with compliance with such laws and regulations may cause substantial delays and require significant cash and financial expenditure, which may have a material adverse effect on the Company or the development of the Fruta del Norte Project.

There is a risk that the Company may fail to comply with a legal or regulatory requirement, which may lead to the revocation of certain rights or to penalties or fees and in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. In addition, the Company may be required to compensate those suffering loss or damage arising from its non-compliant activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or



regulations and, in particular, environmental laws. Any of the foregoing may have a material adverse effect on the Company or the development of FDN.

### ***Exploration and Development Risks***

The exploration for, and development of, mineral deposits involves significant risks which, even with a combination of careful evaluation, experience and knowledge, may not be eliminated. Few exploration properties are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site. There is a risk that the exploration or development programs of Lundin Gold will not result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, including but not limited to: the particular attributes of the deposit, such as quantity and quality of the minerals, metallurgy and proximity to infrastructure and labour; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon Lundin Gold's operations.

There is a risk that the expenditures made by Lundin Gold towards the search and evaluation of precious metals and other minerals will not result in discoveries of additional Mineral Resources, Mineral Reserves or any other mineral occurrences. There is a risk that even if commercial quantities of ore are discovered, the new ore body will not be developed and brought into commercial production. Development projects are subject to, but not limited to, the successful completion of final feasibility studies, issuance of necessary permits and other government approvals and receipt of adequate financing.

### ***Mineral Reserve and Resource Estimates***

Mineral Reserve and Mineral Resource figures are estimates, and there is a risk that any of the Mineral Resources and Mineral Reserves identified at the Fruta del Norte Project to date will not be realized. Until a deposit is actually mined and processed, the quantity of Mineral Resources and Mineral Reserves and grades must be considered as estimates only. In addition, the quantity of Mineral Resources and Mineral Reserves may vary depending on, among other things, precious metal prices. Any material change in quantity of Mineral Resources, Mineral Reserves or percent extraction of those Mineral Reserves recoverable by underground mining techniques may affect the economic viability of any project undertaken by Lundin Gold. In addition, there is a risk that metal recoveries in small scale laboratory tests will not be duplicated in a larger scale test under on-site conditions or during production.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability, and there is a risk that they will never be mined or processed profitably. Further, there is a risk that Inferred Mineral Resources will not be upgraded to proven and probable Mineral Reserves as a result of continued exploration.

Fluctuations in gold prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of Mineral Reserves could have a material adverse effect on Lundin Gold's results of operations and financial condition.

### ***Dependence on Single Project***

Currently, Lundin Gold currently has only one project, Fruta del Norte, and, in the absence of additional mineral projects, it is solely dependent upon its development for its future revenue and profits. Should the development of FDN not be possible or practicable for political, engineering, technical or economic reasons, then Lundin Gold's business and financial position will be significantly and adversely affected.

### ***Artisanal and Illegal Mining***

Mining by illegal and artisanal miners occurs on some of Lundin Gold's mineral concessions in Ecuador. While this activity is monitored by both the Company and the government, the operations of artisanal and illegal miners could interfere with Lundin Gold's activities and could result in conflicts. These potential activities could cause damage to the Fruta del Norte Project, including pollution, environmental damage, or personal injury or death, for which Lundin Gold could potentially be held responsible. The presence of artisanal and illegal miners can lead to project delays and disputes regarding the development or operation of gold deposits. Artisanal and illegal mining can also result in mine stoppages, environmental issues and could have a material adverse effect on Lundin Gold's results of operations or financial condition.

### ***Reclamation Obligations***

Reclamation requirements are designed to minimize long-term effects of mining exploitation and exploration disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance land forms and vegetation. Lundin Gold is subject to such requirements in connection with its activities at the Fruta del Norte Project and may be liable for actions and activities and disturbances caused by artisanal and illegal miners on the Company's property. Any significant environmental issues that may arise, however, could lead to increased reclamation expenditures and could have a material adverse impact on Lundin Gold's financial resources. Furthermore, environmental hazards may exist on the properties in which Lundin Gold holds interests which are unknown to Lundin Gold at present and which have been caused by previous or existing owners or operators of the properties.

There is a risk that closure estimates prove to be inaccurate. The amounts recorded for reclamation costs are estimates unique to a property based on estimates provided by independent consulting engineers and Lundin Gold's assessment of the anticipated timing of future reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could affect the extent of reclamation and remediation work required to be performed by Lundin Gold. Any such changes in future costs could materially impact the amounts charged to operations for reclamation and remediation.

### ***Information Systems and Cyber Security***

The Company's operations depend on information technology (IT) systems. These IT systems could be subject to network disruptions caused by a variety of sources, including computer viruses, security breaches and cyber-attacks, as well as disruptions resulting from incidents such as cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

There is a risk that the Company will incur losses in the future as a result of cyber attacks or other information security breaches. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

### ***Industry Competition***

The mining industry is intensely competitive in all its phases. Lundin Gold competes with many companies that have greater financial and technical resources than Lundin Gold for the acquisition of mineral properties, recruitment and retention of qualified employees and access to equipment required for exploration, development and production. There is a risk that competition adversely affects Lundin Gold's future exploration and development of the Fruta del Norte Project or other projects it may acquire. For example, competitors with greater resources may offer employees higher compensation, or drain the market on critical equipment required for exploration, development and production.

### ***Insurance and Uninsured Risks***

The business of Lundin Gold is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unexpected geological conditions, ground or slope failures, cave-ins, rock bursts, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties, personal injury or damage to the properties of Lundin Gold or the properties of others, delays in mining, monetary losses and possible legal liability. Lundin Gold's current insurance does not cover all the potential risks associated with an exploration or development company's operations. Lundin Gold may also be unable to maintain insurance to cover certain risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Lundin Gold or to other companies in the mining and exploration industry on acceptable terms. Lundin Gold might also become subject to liability for pollution or other hazards which it may not be insured against or which Lundin Gold may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Lundin Gold to incur significant costs that could have a material adverse effect upon its consolidated financial performance and results of operations.

### ***Violation of Anti-Bribery Laws***

Lundin Gold is required to comply with anti-corruption and anti-bribery laws which apply to its business. If Lundin Gold finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on Lundin Gold resulting in a material adverse effect on Lundin Gold.

### ***Claims and Legal Proceedings***

Lundin Gold may be subject to claims or legal proceedings in multiple jurisdictions covering a wide range of matters that arise in the ordinary course of its current business or the Company's previous business activities which could materially adversely impact Lundin Gold's financial position, cash flow and results of operations.

### ***Internal Controls***

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can only provide reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. Consequently, there is a risk that the Company's financial reporting and financial statement preparations may prove to be incorrect. In such case, this could have material adverse effect on Lundin Gold.

# LUNDIN GOLD INC.

## Responsibility for the Registration Document

*The Board of Lundin Gold is responsible for the contents of this registration document. The Board hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this registration document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.*

The Board of Directors of Lundin Gold Inc.

Vancouver, British Columbia, Canada

March 19, 2018

## Business Concept and Strategy

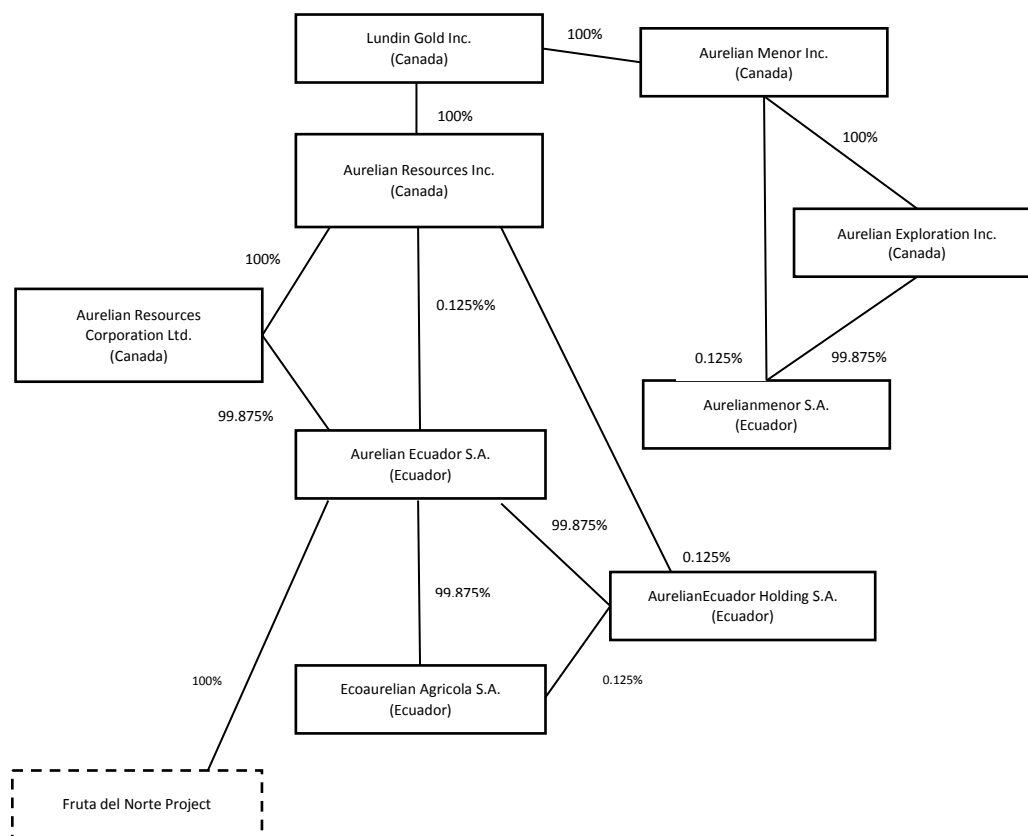
Lundin Gold's strategy is to identify, acquire and develop world-class precious metal assets, and to leverage its core team to unlock shareholder value. Lundin Gold's current focus is on developing the Fruta del Norte Project and progressing the Project to production.

## Legal Structure

Lundin Gold conducts its business through a number of subsidiaries, including eight active subsidiaries, as follows:

- Project Subsidiaries:
  - Aurelian Ecuador S.A. is the Company's major operating subsidiary in Ecuador and the entity that holds the concessions underlying Fruta del Norte Project. Aurelian Ecuador S.A. is owned by Lundin Gold's Canadian subsidiaries, Aurelian Resources Inc. and Aurelian Resources Corporation Ltd.
  - Ecoaurelian Agricola S.A. owns certain land rights related to the Fruta del Norte Project and is a subsidiary of Aurelianecuador Holding S.A. and Aurelian Ecuador S.A.
- Non-Project Subsidiaries
  - Aurelianmenor S.A. is the Company's subsidiary in Ecuador which holds Lundin Gold's exploration concessions that are unrelated to the Fruta del Norte Project. Aurelianmenor is a subsidiary of the Company's Canadian subsidiaries, Aurelian Menor Inc. and Aurelian Exploration Inc.

The following diagrams depict the corporate structure of Lundin Gold and its subsidiaries as at December 31, 2017, including the name, jurisdiction of incorporation and proportion of ownership interest in each.



## Employees

The table below sets out the number of employees of the Company by location for each of the last three financial years, including temporary positions where indicated.

Financial Year	Ecuador Permanent Positions	Ecuador Temporary Positions	Canada	Other	Total
2015	169	16	3	1	173
2016	181	87	8	0	276
2017	195	568	3	0	766

## Operational History

The Company was incorporated in British Columbia in 1986 and in 2002 was continued under the Canada Business Corporations Act (“CBCA”) as Fortress Minerals Corp.

## Developments since 2014

### 2014

On October 21, 2014 the Company filed an initial technical report on the mineral resource estimate at the Fruta del Norte Project prepared in accordance with NI 43-101. The report estimated Indicated Mineral Resources at 7.26mm oz (23.5mmt at 9.59 g/t Au) and Inferred Mineral Resources at 2.55mm oz (14.5mmt at 5.46 g/t Au).

On October 21, 2014 the Company entered into a share purchase agreement (the “**Share Purchase Agreement**”) to purchase 100% of the issued and outstanding shares of Aurelian Resources Inc., which holds a 100% interest in FDN, from Kinross (the “**Acquisition**”) for total consideration of USD 240 million comprising USD 150 million in cash and 26,156,250 Shares (the “**Share Consideration**”). The Share Consideration totaled USD 90 million based on an issue price of CAD 4.00 per Share and the noon rate published by the Bank of Canada on December 16, 2014. In order to fund the Acquisition, the Company brokered a private placement of 50,128,250 subscription receipts issued at a price of CAD 4.00 each, for gross proceeds of approximately CAD 200 million (the “**2014 Financing**”). At the same time, the Company’s name was changed to Lundin Gold Inc. and Lukas Lundin was appointed Chairman of the Board, and Ron Hochstein was appointed President and Chief Executive Officer.

The Company also completed the issuance of a non-interest bearing convertible loan note, convertible into Shares at CAD 4.00 per Share, in the principal amount of USD 35 million (the “**Note Offering**”). An aggregate of 10,060,000 Shares was issued for these convertible loan notes.

On December 19, 2014, the Company’s Shares commenced trading on the TSX under the trading symbol “LUG” and on the Main Market of Nasdaq Stockholm under the trading symbol “LUG” on December 22, 2014.

### 2015

In February 2015, the Company assembled an integrated engineering team for the preparation of an independent feasibility study for the Fruta del Norte Project (the “**Feasibility Study**”), led by Amec Foster Wheeler Americas Limited (“**Amec Foster Wheeler**”). Activity in support of the Feasibility Study commenced immediately, starting with a drill program focused on geotechnical, hydrogeology, metallurgical and civil geotechnical in the areas that are in proximity to the proposed plant and tailings facility.

The Feasibility Study progressed, including the field work, data analysis, engineering work and metallurgical test work. Environmental baseline studies, site fieldwork and document preparation in support of the Feasibility Study and the submissions in connection with the Environment Impact Assessment (“**EIA**”) for the Fruta del Norte Project also proceeded in 2015.

### 2016

In April 2016, Lundin Gold commenced an exploration drilling campaign on five regional targets near FDN. The campaign was completed early in August with 28 holes totaling 8,519 metres. The targets were located 15 to 20 km south of FDN and included the Rio Blanco, Emperador, Robles, Chanchito and El Arco targets. Through this drilling campaign, the Company determined that the Suarez Pull-Apart Basin (hosting FDN) extends much further south than was previously believed. The length of the basin was extended from 8 to 16 km with excellent targets, including favorable geochemistry, occurring at numerous targets along its edges.

On June 6, 2016, the Company announced the results of the Feasibility Study, which confirmed that FDN will support an economically viable and robust, high grade underground gold mine. The Company filed a technical report entitled, "*Fruta del Norte Project Ecuador NI 43-101 Technical Report on Feasibility Study*" dated June 15, 2016 with an effective date of April 30, 2016 (the "**Technical Report**").

Also in June 2016, the Company secured an USD 18 million credit facility (the "**2016 Facility**") from Zebra Holdings and Investments S.à.r.l., Luxembourg ("**Zebra**"). The proceeds of the 2016 Facility were used to initiate work that was identified as essential to the Company's Early Works program of the Fruta del Norte Project.

In June 2016, the Company submitted a Phase Change Application (the "**PCA**") for the La Zarza concession (host to the Fruta del Norte Project) to the Government of Ecuador (the "**GOE**"). On July 13, 2016, the PCA was approved by the GOE, thereby reclassifying the La Zarza concession from the economic evaluation phase to the exploitation phase under Ecuador's mining law.

Also in 2016, the Company completed an equity financing pursuant to which the underwriters purchased, on a bought deal basis, 17,250,000 Shares of the Company at a price of CAD 5.50 per common share (the "**2016 Financing**"). The total gross proceeds raised under the offering was CAD 94,875,000 (USD 72.6 million).

On October 13, 2016, the GOE approved the EIA for the Fruta del Norte Project. At the end of October 2016, the related environmental license (the "**Environmental Licence**") was issued.

Also in October, the Company awarded a service contract to G Mining Services Inc., pursuant to which Lundin Gold and G Mining Services Inc. formed an integrated project team to manage all aspects of the project, covering optimization of all areas of the project design and execution plan, basic engineering, detailed engineering, procurement, construction and commissioning.

On December 14, 2016, the Company signed the exploitation agreement (the "**Exploitation Agreement**"). The Exploitation Agreement, combined with existing laws and regulations, establishes the fiscal, operational and commercial terms and conditions for the development of FDN. On December 19, 2016, the Company signed the Investment Protection Agreement (the "**IPA**") with the GOE. The IPA provides further legal and tax stability to Lundin Gold in conjunction with the Exploitation Agreement.

## **2017**

In January 2017, Lundin Gold secured a USD 35 million credit facility (the "**2017 Facility**") from Zebra. The proceeds from the 2017 Facility were used for general corporate purposes and for the ongoing Early Works program. The outstanding balance under the 2017 Facility was fully repaid in July 2017.

On February 21, 2017, the Company awarded the mine development contract for FDN to a consortium comprising Ingenieria y Construcciones Mas Errazuriz Limitada y Filiales of Chile, and Sevilla y Martinez Ingenieros C.A. Semaica of Ecuador (together, the "**Consortium**"), responsible for the mine portals and soft tunnelling work and the development of the twin declines in preparation for operations. The Consortium mobilized to site and construction of the mine portals began on May 1, 2017 followed by the start of soft

tunnelling in September 2017. In December 2017, mine development transitioned from soft tunnelling to hard rock in both tunnels.

On May 30, 2017, the Company secured a project finance package of USD 400 to USD 450 million (the “**2017 Financing**”) with the Orion Mine Finance Group and Blackstone Tactical Opportunities (collectively “**Orion and Blackstone**”). Refer to “*Liquidity and Capital Resources*” section below.

In May 2017, the Company announced the start of construction of the mine development support facilities at the Fruta del Norte Project, as well as a project update based on advancing the design and estimates from the Feasibility Study. The update included a revised mine plan, updated capital and operating costs and a new execution plan based on a self-perform approach versus an engineering, procurement, construction and management (“**EPCM**”) approach.

Highlights of the project update, prepared by the Company and its consultants, compared to the Feasibility Study were as follows:

- Based on field investigations and improved mine design, the expected first gold production was moved forward several months, from first quarter 2020 to fourth quarter 2019;
- The mining rate is expected to ramp up quicker, over a twelve-month period, to an extraction rate of 3,500 tonnes per day (“**tpd**”) until 2022, when the extraction rate is planned to reach 3,600 tpd;
- Average annual gold production is again anticipated to exceed 300,000 ounces over 15 years (compared to 13 years in the Feasibility Study) at an average life of mine (“**LOM**”) total cash cost of USD 561/oz and a LOM all-in sustaining cash cost (“**AISC**”) of USD 609/oz compared to USD 553/oz and USD 623/oz respectively in the Feasibility Study;
  - LOM production is still expected to be approximately 4.5 million ounces of gold and 5.5 million ounces of silver;
  - Estimated capital cost for the Fruta del Norte Project, including contingency and pre-production costs and revenues, is USD 684 million, net of taxes, compared to USD 669 million in the Feasibility Study. This revised estimate includes the cost of mining equipment and the paste plant, estimated at USD 58 million, which was previously included in sustaining capital;
- Project economics show an improvement over the Feasibility Study (in the Table below, Feasibility Study numbers shown in brackets), at the same gold and silver price assumptions used in the Feasibility Study (USD 1,250/ounce of Au and USD 20/ounce of Ag):

	Pre-tax	After Tax
Net Present Value at a 5% discount rate (NPV)	\$1,323 million (\$1,283 million)	\$717 million (\$676 million)
Internal Rate of Return (IRR)	24.7% (23.8%)	16.3% (15.7%)
Capital payback (yrs)	3.1 (3.7)	4.0 (4.5)



Notes:

1. All figures are reported on a 100% equity project basis valuation. Capital payback is calculated based on start of commercial production.
2. Economic valuation is presented using a start date of July 1, 2017.

For information on the methodology used, see “*Fruta del Norte Project*”, “*Capital and Operating Costs*” below.

For information with respect to the key assumptions, parameters and risks associated with the results of the Feasibility Study for the Fruta del Norte Project, the Mineral Resource and Mineral Reserve estimates included therein and other technical information, please refer to the Technical Report which has been incorporated into this prospectus by reference and also filed on SEDAR at [www.sedar.com](http://www.sedar.com).

In October of 2017, the Company announced that long-lead time processing plant equipment had been ordered for the Fruta del Norte Project and that soft tunneling is well advanced. Additionally, the Company announced that detailed engineering contracts for the process plant, tailings facility and water management were awarded.

Lundin Gold also awarded an engineering, procurement and construction contract for the power transmission line from the Bomboiza substation to the Fruta del Norte Project. The draft EIA for the powerline was submitted to the Ministry of Environment in May 2017.

In November of 2017, the Company began an exploration drill program at the El Puma target (“**El Puma**”). El Puma is located approximately 12 kilometres south of the Fruta del Norte Project. The Company has planned 4,000 metres of diamond drilling under the program, which is expected to be completed in early 2018.

Soil sampling and two drill holes completed during the Company’s 2016 exploration drilling campaign indicate that El Puma has a similar epithermal geochemical signature to the Fruta del Norte deposit.

On December 14, 2017, the Company paid the second advanced royalty payment of USD 20 million to the GOE, under the terms of the Exploitation Agreement. To date, the Company has paid USD 45 million of the total USD 65 million to be paid.

***Current year 2018***

On January 10, 2018, the Company announced that soft tunneling was completed in December 2017 and that mine development is now into hard rock. The Company also announced further highlights including:

- Award of all major process plant equipment packages
- Mobile equipment packages, including underground mine scoop trams and haul trucks, have been awarded
- Process plant excavation is progressing ahead of schedule
- 1,000-person construction camp is nearing completion

- Approval of powerline EIA

#### *Mine Development*

The Company transitioned from soft tunneling to hard rock tunneling in December 2017, working through 77 metres of saprolite (soft clay) in the first decline and 69 metres in the second. Drilling and blasting in hard rock commenced on December 7th in the first decline and December 17th in the second. As of February 26, 2018, the advance in hard rock had reached 348 metres and 401 metres, in the Kuri and K'isa declines, respectively.

#### *Process Plant Equipment Procurement*

In October 2017, Lundin Gold awarded the long-lead time grinding equipment packages, including the SAG and ball mills (complete with motors) and the flotation and filtration packages to Outotec Chile S.A.

The gravity mill, CIL and detox tanks, and ADR plant and gold room packages were awarded to FLSmidth USA Inc. TelSmith Inc. will provide the crushing packages for both the process plant and aggregate quarry crushers. ABB Inc. has been awarded switchgear and substation equipment and transformers packages.

#### *Mobile Equipment*

Most of the mobile mine equipment orders have been placed. Importadora Industrial Agrícola S.A./Caterpillar will provide the underground mine scoop trams and trucks, as well as the surface earthworks and quarry equipment. Orders for the mine jumbos and bolters are expected to be awarded during the first quarter 2018.

#### *Powerline*

The EIA for the powerline received final approval at the end of 2017. Easement agreements have been reached with nearly all of affected landholders, and the Company expects the remaining easements to be obtained during the first quarter 2018. Detailed engineering and procurement is well underway, and the engineering, procurement and construction contractor is on track to begin building the powerline during the first quarter 2018.

#### *Major Earthworks*

Notwithstanding difficult ground conditions, site earthworks are on schedule. Earthworks on the process plant is 13% complete with concrete mill foundations planned to start this quarter.

The North Access Road is progressing well, and 38% of the road had been built as of the end of January. A second earthworks contractor was mobilized at El Pindal, where the North Access Road will link to the national highway system. Approximately six kilometers needs to be built to connect the North Access Road from either side.

#### *Construction Camp*

All other construction disciplines are actively working on the 1,000-person construction camp which is nearing completion, with over 60% of the units currently available for occupancy. Combined with the existing camp, there are more than 1,200 beds available. During the last month of 2017, approximately 800 people were at site, including contractors.

### *Exploration Earn-in*

On February 25, 2018, the Company announced that it had signed a binding heads of agreement with Newcrest Mining Limited ("**Newcrest**") to form a joint venture company to explore eight early stage concessions held by Lundin Gold. These concessions are to the north and south of Fruta del Norte and exclude the large block of concessions surrounding the Fruta del Norte deposit. Newcrest can earn up to a 50% interest in the joint venture company by spending USD 20 million over a five-year period.

Under the earn-in, Newcrest is committed to spend a minimum of USD 4 million over the next two years and has the option to spend a further USD 6 million over the following 18-month period to earn an initial 25% interest. By spending an additional USD 10 million within the five-year period, Newcrest can earn a further 25% interest. Newcrest will be the operator of the joint venture.

For information on financing and related information, see sections "*Liquidity and Capital Resources*" and "*Background and Conditions*" below.

## **Investments**

During the periods covered by the historical financial information in this prospectus, the Company has made the following material investments.

During the financial year ended December 31, 2017, the Company invested approximately USD 126.5 million in the Fruta del Norte Project of which mainly related to the construction and development of the Fruta del Norte Project and the second advance royalty payment.

During the financial year ended December 31, 2016, the Company invested approximately USD 59.4 million in the Fruta del Norte Project of which mainly related to the advancement of the Feasibility Study, environmental aspects, and the first advance royalty payment.

During the financial year ended December 31, 2015, the Company invested approximately USD 37.1 million in the Fruta del Norte Project of which approximately USD 36.1 million related to the advancement of the Feasibility Study and EIA, including the completion of comprehensive baseline studies, project site fieldwork and engineering and document preparation in support of the Feasibility Study.

## **Ongoing and Future Investments**

The Company is focused on advancing the Project on schedule through to first gold production in fourth quarter 2019. To achieve that goal, the following activities are planned over the next twelve months:

- Advancing detailed engineering of the process plant, tailings storage facility and site-wide water management.
- Completing the North Access and River roads.
- Complete the process plant earthworks, substantially complete the process plant concrete and start steel and equipment erection.
- Advancing underground hard rock development.
- Begin construction of the 42 km 230kV power line to connect the Project to the national grid.

- Approval of the Mountain Pass Quarry EIA and granting of the Environmental License.
- Awarding the contract for the design and supply of paste plant and water treatment plant.
- Start construction of the tailings storage facility diversion ditch and dam construction.

The ongoing activities, including commitments of USD 142 million, are expected to be funded by the 2017 Financing and the Private Placement (as defined below).

Exploration is focused on diamond drilling, which continues on El Puma. Other targets may be drill tested during 2018 depending on results and permitting. Mapping and geochemical sampling will continue on selected targets to aid drill targeting and prioritization.

During the next few months, the Company will also continue to work with its financial advisors to execute the final documentation of the Senior Debt Facility (as defined below) and, thereby, complete the funding for the construction of Fruta del Norte. For more information on financing, see sections “*Liquidity and Capital Resources*” and “*Background and Conditions*” below.

## **Property, Plant and Equipment**

As of December 31, 2017, the Company’s property, plant and equipment mainly consists of development costs, land and buildings as well as machinery and equipment related to the Fruta Del Norte Project. Lundin Gold’s properties in Ecuador consists of 27 metallic mining concessions and three materials concessions, covering an area of approximately 64,427 hectares. These concessions are registered in the name of the Company’s subsidiaries, Aurelian Ecuador S.A and Aurelianmenor S.A. For more information on the Company’s mineral properties, see “*The Fruta del Norte Project*”.

The use of the Company’s properties, plants and equipment is subject to licenses as well as leases, royalties and applicable environmental regulations and other encumbrances. See “*Legal and Supplementary Information*”.

# INDUSTRY OVERVIEW

*The following industry overview describes the Company's market in terms of size, development and prospects for future growth. The information contained in the section below originates from Lundin Gold, unless expressly stated otherwise. The Company has obtained this information from several sources, including industry publications and market surveys from third parties as well as publicly available information. Although the industry publications state that they are based on information obtained from several different sources and using various methods that may be deemed reliable, the information may not be correct and complete. Industry forecasts are by their nature subject to considerable uncertainty, and such forecasts may prove to be incorrect.*

Lundin Gold is engaged in the acquisition and development of precious metal assets. Lundin Gold's current focus is on the development of the Fruta del Norte Project and progressing the project to production. Since the Fruta del Norte Project is predominantly a gold-rich deposit, this section focuses on the global gold market.

## Gold Industry Overview

The Company routinely monitors the state of the gold industry and any related current trends. However, it recognizes that first delivery of gold at FDN is expected in the last quarter of 2019 and commercial production in the second quarter of 2020 and current industry conditions may not reflect the conditions that will be present at that time.

## Gold Demand

In 2017, total gold demand declined 7% to 131 million oz. from 140 million oz. in 2016. Investment inflows to exchange traded funds (ETFs), although positive, lagged the significant growth in 2016, which offset a slight increase in physical demand. Overall physical demand from the jewelry and technology sectors climbed from a seven year low in 2016 and was up 4% from 2016. Jewelry fabrication continued to be the largest source of physical demand and experienced its first increase in demand since 2013. Jewelry demand increased 4% over 2016 to 68.7 million oz. but the sector remains weak in terms of historical demand. The increase in 2017 demand was driven by recovery in India, the U.S. and China with increases in demand of 12%, 3% and 3%, respectively. These three markets together accounted for 95% of the overall increase in demand in this sector.

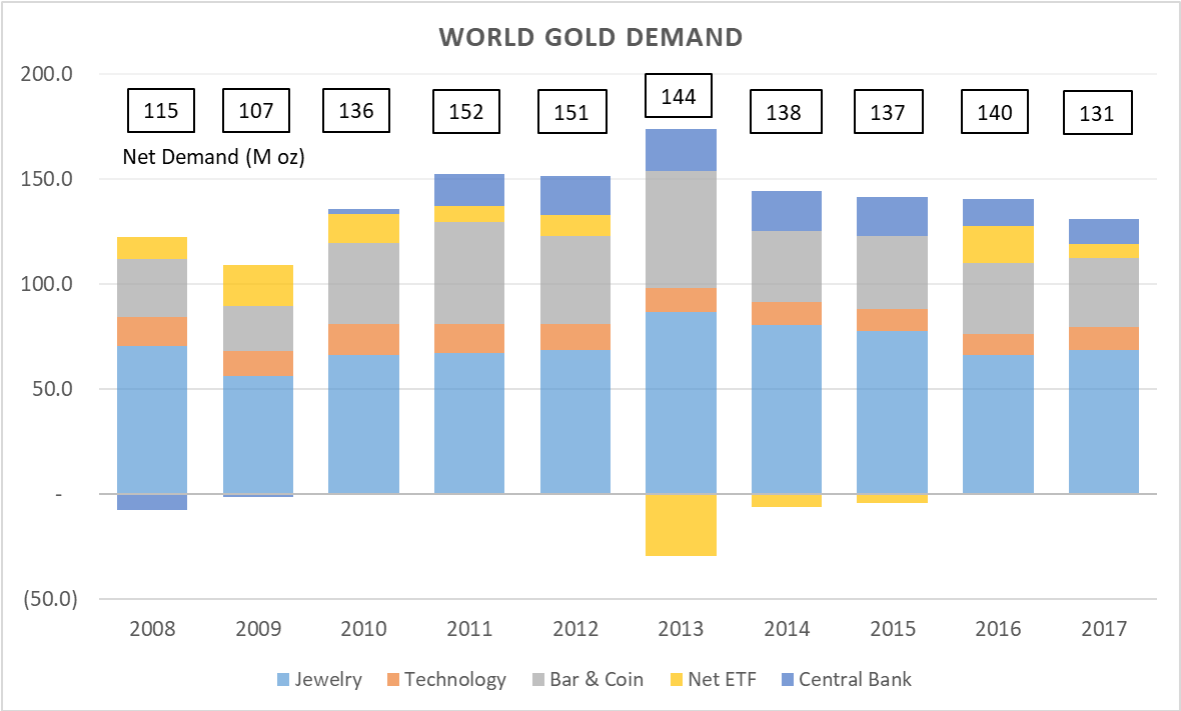
The other source of physical gold demand is in the technology, industrial and dentistry sectors. In this sector, demand for gold saw an overall gain of 3% to 10.7 million oz. in 2017. This represents the first year over year increase in this sector since 2010. The fourth quarter was particularly strong. Demand was up in the electronics and industrial sectors, offset by a decline in the much smaller dentistry sector. Overall, electronics makes up approximately 80% of the total demand. The wireless sector was the outperformer due to increasing number of 3D sensors embedded in smartphones, and the high level of wafer output among wireless chip manufacturers.

Investment demand was down 23% in 2017, from 51.3 million oz. in 2016 to 39.6 million oz. Annual inflows into gold-backed ETFs was down approximately 63% from a stellar 2016, when demand was the second highest

on record. In 2017, demand from ETFs was estimated at 6.5 million oz. versus 17.6 million oz. in 2016. Bar and coin investment was down 2% year over year. Weak coin demand accounted for most of the fall, with losses concentrated on the U.S., whereas bar demand was relatively stable. The U.S. recorded the largest drop in demand of any country, falling to its lowest level since 2007 of approximately 1.3 million oz.

In 2017, central banks made net purchases of 11.9 million oz. of gold, down 5% over 2016. 2017 was the eighth consecutive year of net central bank demand, but the lowest annual total since 2010. Growth in global central bank reserves were dominated by a small number of large purchasers including Russia, Turkey and Kazakhstan. Germany was the only significant seller.

The graph below illustrates the annual gold demand and sources of demand 2008-2017.



Source: World Gold Council

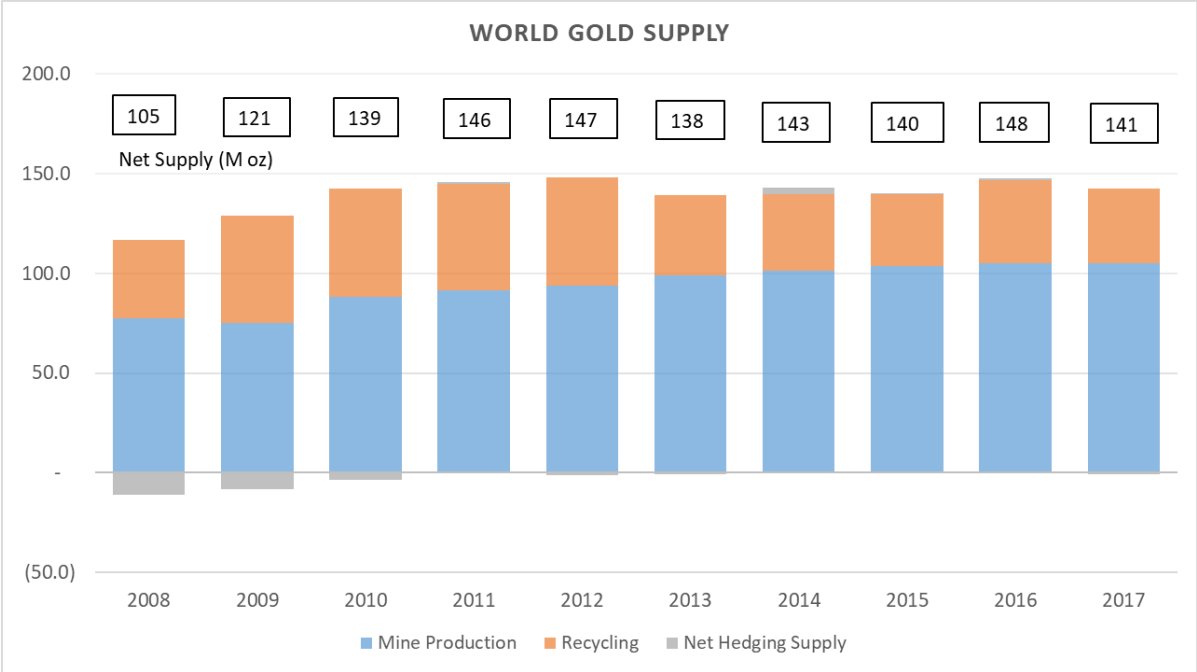
## Gold Supply

Gold production comes from two principal sources: mine supply and recycling of scrap supply. For 2017, a decline in the gold recycling sector drove total gold supply 4% lower from 148 million oz. to 141 million oz.

Mine production in 2017 increased marginally from 2016, to 105.1 million oz. from 104.9 million oz. The 2017 mine production represents the highest level of production to date. Offsetting the slight increase, was a drop in supply from recycling from 41.6 million oz. to 37.3 million oz. year over year, despite the gold price performing relatively well in many currencies in 2017.

Net producer hedging activity, another component of mine supply, decreased effective mine supply in 2017 by 1.0 million oz., bringing an end to three consecutive years of positive hedging activity. As of the end of 2017, the global hedgebook is estimated at approximately 7.1 million oz.

The following figure illustrates annual gold supply 2008-2017.



Source: WorldGold Council

## Markets and Outlook

In 2017, the overall gold market surplus increased 18.5% from 9.2 million oz. to 10.9 million oz. This represents the largest surpluses since 2009.

The price of gold has been relatively volatile over the last 10 years. The price of gold began in 2008 at \$833/oz., continuing a rising trend, which began to move at a more rapid pace in the third quarter of 2008. Gold reached a high of \$1,900/oz. in 2011. From 2012 to mid-2015 the price of gold depreciated to a low of \$1,080 per oz. reached in July 2015, before the price began to rebound. In mid-2016, the gold price had risen to \$1,370/oz., a level not seen since March 2014. From early July, through to the end of September, gold traded from \$1,310 to \$1,350/oz. In early October gold fell through the \$1,300 level, falling to \$1,250/oz. and continued to decline through to the end of the year, other than a brief rise from \$1,250 to \$1,300/oz. leading up to the U.S. election. Gold relinquished some of its gains following the election ending the year at \$1,146/oz.

In 2017, the gold price ended the year up 13% at \$1,291/oz. Based on annual averages the price of gold was up only 1%, from \$1,250.80 in 2016, to \$1,257.20 in 2017. Through most of the year the gold price was in the

\$1,200 to \$1,300/oz. range, testing \$1,300/oz. several times. In late August the price finally broke through the \$1,300/oz. level staying there until the end of September and then falling below \$1,300 for the remainder of the year. The highest peak in September was \$1,346/oz.

A chart illustrating the gold price for the period of 2008-2017 is shown below. On October 21, 2014, the day the Acquisition was announced, the price of gold was \$1,249/oz. On December 31, 2014, the price of gold was \$1,199/oz.



Source: World Gold Council

Looking forward, global mine supply is forecast to continue to decline due to lower production at more mature operations and a lack of new mines coming on stream. On the demand side, volatility in the gold price is expected, on account of the volatile political climate around the globe combined with potential downward pressure due to continued forecast interest rate increases in the United States in 2018. Forecasts also project continued dampened demand in the important Asian markets. Overall, demand is forecast to be flat to declining given the volatile and offsetting factors.

## Competition

The mining industry is intensely competitive in all its phases. Lundin Gold competes with many companies that have greater financial and technical resources than Lundin Gold for the acquisition of mineral properties, recruitment and retention of qualified employees and access to contractors, equipment suppliers, construction materials, drilling and other equipment required for exploration, development and production. Competition



could adversely affect Lundin Gold's future exploration and development of the Fruta del Norte Project or other projects it may acquire.

## **Industry Data and Information from Third Parties**

This prospectus contains historical market data and industry forecasts relating to the market in which the Company operates. The Company has obtained this information from several sources, including industry publications and market surveys from third parties as well as publicly available information. Although the industry publications state that they are based on information obtained from several different sources and using various methods that may be deemed reliable, the information may not be correct and complete. Industry forecasts are by their nature subject to considerable uncertainty, and may prove to be incorrect. Information from third parties has been correctly reproduced and, as far as the Board is aware and is able to ascertain through comparisons with other information published by the third party concerned, no information has been omitted in a way that would make the reproduced information incorrect or misleading.

# THE FRUTA DEL NORTE PROJECT

*Except as where stated otherwise, the information below is stated as of the Technical Report effective date. The information contained in this section has been derived from the Technical Report, is subject to certain assumptions, qualifications and procedures described in the Technical Report and is qualified in its entirety by the full text of the Technical Report. Reference should be made to the full text of the Technical Report. Other than tables 1-8 and Figure 1, which are reproduced herein, the remaining Figures and Tables are contained in the Technical Report.*

## Project Description and Location

The Fruta del Norte deposit is located within a 150 km long copper-gold metallogenic sub-province located in the Cordillera del Cóndor region. The nearest city to the Fruta del Norte Project area is Loja, the fourth-largest city in Ecuador. The Fruta del Norte Project is situated about 139 km east-northeast of Loja. Vehicular access from Loja to the Fruta del Norte site is via a 150 km long paved highway to the town of Los Encuentros. A 40 km long gravel road connects Los Encuentros to the Fruta del Norte Project site.

At the Technical Report effective date, Lundin Gold's mineral tenure holdings comprised 31 mining concessions that cover an area of approximately 74,855 ha. As of the date of this prospectus, Lundin Gold's properties in Ecuador consists of 27 metallic mining concessions and three materials concessions, covering an area of approximately 64,427 hectares. These concessions are currently registered in the name of the Company's subsidiaries, Aurelian Ecuador S.A and Aurelianmenor S.A. The Fruta del Norte deposit is hosted in the La Zarza concession.

At the Technical Report effective date, all of Lundin Gold's concessions in Ecuador were held in the name of Aurelian Ecuador S.A. ("**Aurelian Ecuador**") an indirect, wholly-owned subsidiary of Lundin Gold. In 2017, concessions not related to the Project were transferred to another Lundin Gold subsidiary, Aurelianmenor S.A. All of Lundin Gold's concessions were originally issued under Ecuador's old mining laws with a 30-year term. With the reformation of the country's mining laws in 2009, Lundin Gold's concessions were registered in the Mining Registry and now have different expiry dates, ranging from 21-23 years from the date of registration. The majority of the concessions form a large contiguous block that extends from the Nangaritza River eastward to the international border with Peru.

Under the current Mining Law, medium and large mining concession terms are divided into two stages: exploration and exploitation. The exploration stage is further subdivided into shorter phases based on the achievement of stipulated milestones. Obligations that must be met to retain the concessions include payment of annual conservation fees, completion of annual reports on exploration completed, and proposed investment plans. Any failure to achieve these milestones and successfully advance to the next stage by the deadline can result in a forfeiture of the concession. In the final stage of exploration, referred to as the economic evaluation stage, an application for exploitation can be made to the GOE. If successful, a concessionaire can then enter into an exploitation agreement with the GOE, and the concession term is the one negotiated under the agreement.

At the Technical Report effective date, four of Lundin Gold's metallic concessions, including Duque, Princesa, Emperador 1 and Emperadora, were required to advance to the economic evaluation stage or be surrendered by Lundin Gold. Subsequent to the date of the Technical Report, three of these (Princesa, Emperador 1, and Emperadora) were combined and renamed the Emperador Concession; this concession was then converted to a small mining concession, and therefore not subject to the requirement to advance to economic evaluation. Applications were made to formally return the Duque, Caballero, Caballero 1, Reina Isabel and Rey concessions. The remaining 22 metallic concessions need to advance to the economic evaluation stage by December 2018, be surrendered or be registered as small scale mining concessions.

Surface rights must be obtained to support mining project development either through the land acquisition or by an easement (agreed with the land titleholder or imposed by the Ministry of Mining). As of the Technical Report effective date, 61 public deeds for required surface rights have been signed, covering a collective area of approximately 4,145 ha. Since then one additional public deed has been signed, increasing the surface rights area to 1,145.4ha. At the Technical Report effective date, one public deed remained in negotiation for an area of approximately 40 ha.

At the Technical Report effective date, seven land easements were concluded; these cover areas including the access road and construction of surface infrastructure to support mining activities. The term granted is equivalent to the duration of the La Zarza concession term, or the term and extensions of the Exploitation Agreement between Aurelian S.A. and the GOE. Since then, all of the land easements required for the Project site have been obtained. The Company is currently negotiating easement rights required for construction of the power transmission line.

Lundin Gold concluded one concession easement agreement with Cóndor Gold S.A. ("**Cóndor Gold**") in 2017, to support construction and operation of the access road. The easement agreement is valid for as long as the underlying mining concessions held by Cóndor Gold remain current. In addition, subsequent to the Technical Report effective date an easement agreement was concluded with the Ecuadorian military to support construction of a road between the construction camp and the project site.

Lundin Gold holds seven water rights under a number of water tenures that collectively allow for 97.25 L/s of extraction. Six rights were granted for exploration purposes, and one water right allows for human consumption.

### **Agreements and Encumbrances**

A 1% net revenue royalty is payable in perpetuity on production from Lundin Gold's current mining concessions, including the La Zarza concession, under a royalty agreement dated November 16, 2007 among Lundin Gold's subsidiaries Aurelian Resources Inc., Aurelian Resources Corporation Ltd., Aurelian Ecuador S.A and two individuals, being Keith M. Barron and Patrick F.N. Anderson. See section "*Material Contracts*".

A 2% net smelter royalty is payable for any metallic minerals mined from the Rio Zarza/Val del Inca 1 concession acquired Cóndor Gold, pursuant to a net smelter royalty agreement dated August 4, 2017.

There are no other third-party royalties, back-in rights, payments, or other encumbrances on Lundin Gold's concessions in Ecuador

## **Significant Factors that May Affect Access, Title, or the Ability to Work**

During 2015, Lundin Gold, through Aurelian, and the GOE worked collaboratively to establish the fiscal terms and conditions for the development of the Fruta del Norte Project. At the start of 2016, Lundin Gold announced that it had completed negotiations with the GOE and had settled the key terms of the Exploitation Agreement for the Fruta del Norte Project.

Subsequent to the Technical Report effective date, the Company signed the Exploitation Agreement with the GOE on December 14, 2016. The key terms of the EA have been summarized later in this prospectus. Coincident with the signing of the Exploitation Agreement, Lundin Gold entered into the IPA with the GOE, the objective of which is to provide legal and fiscal stability and protection to Aurelian S.A. for its investment in the Fruta del Norte Project.

For a description of the key terms of the Exploitation Agreement and the Investment Protection Agreement, see *“Legal and Supplementary Information”*, *“Material Contracts”*.

## **History**

The Cordillera del Cóndor was first explored by Spanish conquistadors in the 1500s. There is evidence that pre-Columbians mined both hard rock and alluvial gold in the area. Spanish mining activity ceased about 1620, following conflict with local Indian tribes that had been enslaved to work in the mines. Artisanal alluvial miners began to prospect the Cordillera del Cóndor as early as 1935, both in Peruvian and Ecuadorian territory.

Companies involved prior to Lundin Gold’s project interest included Minerales del Ecuador S.A., from 1986-1992; Amlatminas S.A. from 1996-2002; Minera Climax del Ecuador (**“Climax”**), a subsidiary of Climax Mining Ltd. of Australia from 1996-1998; Aurelian Resources from 2003-2008; and Kinross from 2008-2014.

Completed activities have included stream sediment, rock chip, grab, soil and trench sampling, reconnaissance exploration, geological and structural mapping, ground and airborne geophysical surveys, genesis and modelling studies, core drilling, metallurgical testwork, project design studies, and preliminary marketing assessments. Kinross completed a pre-feasibility study in 2009 (**“2009 Kinross PFS”**), and a feasibility study in 2011 (**“2011 Kinross FS”**). Lundin Gold undertook the 2016 FS in 2015-2016, the results of which are documented in the Technical Report.

No commercial production has occurred from the Fruta del Norte Project; however, there have been periods of active artisanal mining within the Fruta del Norte Project boundaries.

## ***Regional, Local and Property Geology***

The Fruta del Norte deposit is located in the Cordillera del Cóndor region. The deposit is hosted by andesites of the Misahuallí Formation and feldspar porphyry intrusions. The Cordillera del Cóndor region consists of sub-Andean deformed and metamorphosed Palaeozoic and Mesozoic sedimentary and Mesozoic arc-related lithologies that formed between the eastern flank of the Cordillera Real, and west of the flat-lying strata of the Amazon basin. Intruding the sub-Andean rocks is a composite I-type batholith, the Zamora Batholith, which has an elongate north-northeast axis that parallels the Ecuadorian Andes for over 200 km, extending into northern Peru. The batholith is considered to be the plutonic expression of a Jurassic-aged, subduction-related, continental magmatic arc established on the western margin of the Amazon craton. In the area of the Fruta del

Norte deposit, the batholith consists of phases of monzonite, diorite and granodiorites with local porphyritic and aplitic dikes and breccia zones.

The Fruta del Norte deposit is an intermediate sulphidation epithermal gold-silver deposit measuring approximately 1,670 m along strike, 700 m down dip and generally ranging between 150 m and 300 m wide. The top of the deposit is located beneath approximately 200 m of post-mineralization cover rocks. The eastern and western limits of the deposit are defined by two faults that together form part of the Las Peñas fault system that is thought to control the gold–silver mineralization. The southern limit of the mineralization along the fault system has not been fully defined by exploration activities.

### ***Mineralization***

Mineralization is characterized by intense, multi-phase quartz-sulphide ± carbonate stockwork veining and brecciation over broad widths, typically between 100-150 m wide in the coherent central and northern parts of the system where the gold and silver grades are highest. Mineralized shoots are typically present within dilatant zones developed along inflections of vein strike or dip where the geometry permits maximum opening at the time of mineralization.

The mineralogy of Fruta del Norte consists of chalcedonic to crystalline quartz, manganese-carbonates, calcite, adularia, barite, marcasite, and pyrite, as well as subordinate sphalerite, galena, and chalcocopyrite, and traces of tetrahedrite and silver sulphosalts. The bulk of the gold is microscopic and associated with quartz, carbonates and sulphides. Much of the gold is free milling, but the mineralization is moderately refractory, with approximately 40% of the gold locked in sulphides. However, coarse visible gold is commonly observed. Individual gold grains range from discrete specks less than 0.1 mm in size to broccoli-like, arborescent crystals >10 mm across. Visible gold occurs in all mineralized zones, in quartz or carbonate, as well as within pyrite or silver sulphosalt clusters.

Exploration has delineated a number of additional epithermal-style targets and prospects.

In the opinion of the QPs, the knowledge of the deposit settings, lithologies, mineralization style and setting, ore controls, and structural and alteration controls on mineralization is sufficient to support Mineral Resource and Mineral Reserve estimation.

### ***Deposit Types***

The setting, alteration mineralogy and mineralization characteristics of the Fruta del Norte deposit are consistent with an intermediate sulphidation epithermal system. Some deposits with mostly low-sulphidation characteristics with respect to their alteration mineral assemblages have sulphide ore mineral assemblages that represent a sulphidation state between that of high-sulphidation and low-sulphidation deposits. Such deposits tend to be more closely spatially associated with intrusions, it has been suggested that intermediate sulphidation may be used for these deposits.

Intermediate-style epithermal systems are typically hosted in arc-related andesitic and dacitic rocks. Mineralization is silver- and base metal-rich and associated with Mn-carbonates and barite. Sulphide assemblages in intermediate-style epithermal systems typically comprise tennantite, tetrahedrite, hematite-pyrite-magnetite, pyrite, chalcocopyrite, and iron-poor sphalerite. Quartz can be massive or display comb

textures. Sericite is common as an alteration mineral, but the adularia, more typical of low sulphidation systems, is rare to absent. Fluid inclusions range from 3-5% to 10-20% sodium chloride.

The Fruta del Norte deposit and many prospects that have been identified in close proximity to the deposit are classified as intermediate sulphidation-style epithermal systems on the basis of:

- The abundance of manganese-rich carbonate at Fruta del Norte and the elevated base metal content (typically as iron-poor sphalerite and subsidiary tetrahedrite and chalcopyrite), are consistent with an intermediate sulphidation state;
- The extensional tectonic setting of mineralizing fluid emplacement and the affiliation with intermediate magma types also complements the classification in terms of redox states;
- Multiphase quartz-sulphide  $\pm$  carbonate stockwork veining and brecciation over broad widths. Veins typically exhibit classic space-filling epithermal textures including intricate crustiform-colloform banding, and cockade and bladed calcite textures;
- Mineralization comprises apparently free gold, refractory gold in sulphides, and is silver-rich;
- Alteration comprises silica-pyrite alteration that grades outward and downward to silica-illite-pyrite alteration, and then to a silica (quartz, chalcedony)-illite-pyrite ( $\pm$ marcasite), carbonate mineral assemblage; and
- Sulphide assemblages include hematite-pyrite-magnetite and pyrite. Arsenopyrite, chalcopyrite, sphalerite, and galena have been noted.

Exploration programs that have used epithermal-style deposits as the geological model target have shown success in the Fruta del Norte area, having discovered the Fruta del Norte deposit and a number of prospects.

Two prospects have been identified that may be indicative of porphyry-style mineralization, and a porphyry model is also applicable as an exploration geological model target in the wider project area.

## Exploration

### *Kinross Exploration Grid*

The Kinross exploration grid consisted of a north-south cut baseline with 100 m spaced east-west cut lines. The grid is based on UTM coordinates. The datum used in the survey network was originally the PSAD56 (Provisional South American) system applied to Zone 17S. Most data have been subsequently projected to UTM Zone 17S WGS84 using the EGM96 geoid to reference elevation. As part of the 2009 Kinross PFS 159 of the then-total of 165 drill hole collars were re-surveyed. In addition, Leiva Engineering of Quito (“Leiva”) duplicated the northings and eastings of 25 road monuments and some of the old drill hole collars that had been surveyed by Kinross. It was found that the Kinross surveys corrected to an ellipsoid surface as opposed to EGM96 mean sea level; this resulted in the Leiva surveys having a 20 m difference from those of Kinross. As the 2009 Kinross PFS modelling efforts had begun using the ellipsoidal-corrected elevations, new infill-hole Z-coordinates used a 20 m constant addition to stay consistent with the original database. All initial collar coordinates have been recalculated in the EGM96 system. Leiva also established additional regional geodetic points in the Colibrí and Emperador concessions.

### ***Ground Control Points***

A ground control point at Las Peñas camp was established, guaranteeing a fixed “zero point” designated as GCP-01 (Ground Control Point-01). An Instituto Geográfico Militar (“IGM”) tie-in was set up on IGM point Los Encuentros-1 located 17.59 km west-northwest of Las Peñas, established (by the IGM) at Escuela Gabriela Mistral, in the village of Los Encuentros, Zamora. The Los Encuentros-1 data were purchased from the IGM in Quito. A tie-in to the International GPS System was performed by the AUSPOS processing engine of the University of New South Wales, Australia.

### ***LiDAR Surveys***

In February 2008, Aurelian contracted Network Mapping UK to conduct a light detection and ranging (“LiDAR”)/orthophotographic survey of a priority area in the Fruta del Norte Project covering 402 km<sup>2</sup>. An integral part of the LiDAR survey was the establishment of an independent survey network using long (>1 hour) static observation sessions using a dual frequency differential receiver.

A digital terrain model survey set was acquired from IGM in 2005 that covers an area of 79.8 km<sup>2</sup>. LiDAR data were acquired in February 2008 from a helicopter-mounted scanner. In 2010, Kinross commissioned Walsh Consultants (“Walsh”) to reprocess the LiDAR data with the purpose of reconstituting contours with corrected elevations. The LiDAR topography, orthophotos, Kinross survey and Leiva surveys have good agreement in northings and eastings; however, Walsh used the ellipsoidal-corrected elevations as a base reference.

### ***Database Re-projection***

The 2010 exploration grid was based on UTM Zone 17S coordinates using the PSAD56 datum. All data has since been re-projected to UTM Zone 17S using the EGM96 geoid to reference elevation. In 2010, Kinross retained Tetra Tech Wardrop (“Wardrop”) to assess the impact of implementing a new datum on collar coordinates, and on the subsequent translation of the geological interpretation (wireframes) to the new datum. Wardrop’s assessment included various comparisons of re-surveyed holes and a visual verification of the corrected database with the LiDAR produced surface. No significant offsets were noted between the corrected data set and the LiDAR surface. Geological wireframe translation was based on the average offset from the drill hole coordinates.

### ***Geological Mapping***

Geological and structural mapping have been completed from regional (1:25,000 scale) to prospect scale (1:2,000). Mapping results were used to identify areas of quartz veining, silicification and sulphide outcrop that warranted additional work. Data from remote sensing, geophysics, geological mapping and drilling were integrated to prepare an interpretation of the regional fault configurations. Analysis of Radarsat data showed that major topographic lineaments and regional geological contacts commonly trend north to south and northeast to southwest. The gaps in Cretaceous cover depicted from Radarsat are interpreted to coincide with pre- and/or post-Cretaceous fault zones. Geophysical data also defined a north-south-oriented fabric in proximity to Fruta del Norte. A more complex picture of lineament configurations was revealed from high-resolution Ikonos images where drainage patterns, in particular, showed systematically corrugated traces that may reflect localized offsets of the regional fault/lineament fabric.

### ***Geochemical Sampling***

Approximately 27,489 surface samples had been taken over the entire project area to the end of April 2016. Surface sampling was used as a first-pass exploration tool to identify areas of geochemical anomalies; some of these anomalies remain to be followed up.

Soil (6,252 samples), stream sediment (3,266 samples) and channel, adit, panel, pit, grab and rock sampling (3,015 samples) were collected between 1997 and 2007 by Aurelian and its predecessor companies to evaluate mineralization potential and generate targets for core drilling.

The soil geochemical surveys are very effective in outlining new areas of interest, while rock samples (boulders and outcrop) help to evaluate the potential of these areas, and define targets for future drilling.

Five key targets, previously identified by their geochemical anomalies are planned to be drilled in 2016 in the Princesa, Emperador 1, and Emperadora concessions, based on additional work done by Lundin Gold. These areas of interest were anomalous to various extents in arsenic, antimony, gold, and/or mercury amongst other elements, all of which were key indicators of blind mineralization at Fruta del Norte.

### ***Geophysics***

Ground geophysical programs completed to date within the Fruta del Norte Project area include gradient array, pole-dipole array IP resistivity and chargeability surveys. These have been effective in identifying intrusive rocks, faults, basin fill materials, zones of silicification, and pyrite-rich zones at depth. These methods are particularly effective at the regional level to help define geological and structural context in areas of interest. Because of the thick tropical vegetation and the very limited outcrop exposure in the Fruta del Norte Project area, Induced Polarization (“IP”) has been very useful in defining the local geological context in order to help to better understand target areas. In addition, IP surveys are mainly used to identify zones of resistivity which can be related to hydrothermal alteration (silicification), and zones of chargeability which can be related to the presence of sulphides. The airborne geophysical program completed to date has included high-sensitivity airborne aeromagnetic and radiometric surveys. Both magnetic and radiometric data are useful at the regional scale to identify areas of interest, major boundaries which can be related to faults, or define geological domains, and large scale targets. Zones of anomalously low magnetic signature can be associated with hydrothermal alteration when hydrothermal fluids destroy magnetic minerals in the rocks. Zones of anomalously high radiometric values (gamma-rays) may be related to potassic alteration (clays).

### ***Pits and Trenches***

Trenching was performed by Climax in 1996-1997 to evaluate areas of artisanal mine workings in the Castillo and Bonza-Las Peñas areas. These trenches were later re-opened by Aurelian. All trenches were geologically mapped and channel sampled. In 2016, new trenching was performed by Lundin Gold on the Emperador and Robles targets. In the case of the Emperador target, the intent was to better expose the sinter discovered in outcrop in 2015 in the principal target area. In the case of the Robles target, trenching was performed to follow up on highly gold-anomalous surface outcrop samples.



## ***Petrology, Mineralogy, and Research Studies***

### *Kinross and Aurelian Studies*

Preliminary microprobe studies were completed to support gold fineness assessments. Mineralogical studies were commissioned during 2007 to verify minerals associated with veining, in particular to determine the presence of adularia. Samples of hydrothermal minerals (molybdenite, marcasite and adularia) and igneous units were selected and submitted to the Colorado State University for radiometric isotope dating by rhenium/osmium ratios and to the University of British Columbia for dating by argon-argon and uranium/lead methods ( $Ar^{40}/Ar^{39}$ , U/Pb). Extensive mineralogical and mineral department studies were also completed as part of the 2009 Kinross PFS and the 2011 Kinross FS.

### *SRK Alteration Study*

SRK conducted an alteration study and associated modelling exercise during 2015 to:

- Characterize the extent of the degradation zones within the Suárez Formation conglomerate; postulate causes;
- Characterize zones of hydrothermal sericite and clay minerals within and surrounding the gold mineralization; extrapolate for exploration vectoring in other concession areas; and
- Quantify total clay contents within the gold mineralization using a suite of X-ray mineral liberation clay quantification analyses.

SRK conducted a degradation survey involving graphic logging of the Suárez Formation conglomerate intercepts and collection of associated infra-red spectra. Data was collected at a spacing of one spectrum per box for the entire length of 83 historical drill holes. Graphic logging data were compiled into a digital database, and a comparison of current and historical core box photographs was completed in PowerPoint format for 58 of the 83 drill holes examined during the degradation survey.

An inspection of drill core indicates that degradation within the Suárez Formation conglomerate is inhomogeneous and does not involve significant volume increase through the production of swelling clays. Degradation is strongest in intervals that are observed or interpreted as containing disseminated pyrite. It is interpreted that the pyrite breakdown upon exposure to air or water leads to the generation of sulphuric acid, which promotes acid attack and further breakdown of pyrite and clay minerals.

The products of core degradation include the residual (i.e. pre-existing) clay minerals paragonite, illite, and minor smectite, and an enhanced concentration of fine-grained silica. The fine-grained silica is interpreted to be amorphous silica that becomes concentrated upon destruction of the smectite. Silicification in the lower parts of the Suárez conglomerate prevents degradation.

The speed of reactions that lead to degradation of the Suárez Formation conglomerate is uncertain. Systematic monitoring and collection of photographs and infrared spectra from the Suárez Formation conglomerate sections of 2015 MET1 holes is necessary in order to determine the speed of degradation.

### ***Exploration Potential***

Exploration along the Las Peñas fault zone remains the first priority in the region, since the discovery of the Fruta del Norte gold-silver deposit. Exploration in 2011 continued to focus on the Las Peñas fault zone, more

specifically in the La Zarza, Princesa, Sachavaca and Colibrí concessions where epithermal (and possibly mesothermal) systems were targeted.

Since acquiring Aurelian S.A. from Kinross in 2014 to the Technical Report effective date, Lundin Gold exploration work mainly focused on concessions outside of La Zarza and included prospecting, geological mapping, trenching, rock sampling and associated geochemistry, as well as a geophysical survey of key exploration targets. Among epithermal targets selected for further exploration within the La Zarza concession are the FDN SW, Alejandro and Fruta del Norte East targets, all of which have received some previous work.

Additionally, although historically not a principal commodity focus for Aurelian, stand-alone, porphyry-hosted deposits, both associated with and proximal to the Las Peñas fault zone, provided secondary tier objectives for future exploration programs. Porphyry-related targets include the Tranca-Loma, Sandia and Papaya targets.

Since the Technical Report effective date, expanded geochemical sampling, geological mapping and geophysical surveys continue to identify a number of anomalies, a portion of which have been drill tested. Exploration programs conducted are appropriate to the work phase conducted at the time. The methods used were adequate for the models used of epithermal- and porphyry-style deposits, and the results were instrumental in properly outlining the extent of the mineralization and defining the Fruta del Norte deposit and other prospects. There is considerable remaining exploration potential within the Fruta del Norte Project area.

## **Drilling**

At the Technical Report date, drilling completed within the Fruta del Norte Project area to 1 December 2015 totaled 479 core holes (171,831.03 m). Within these programs, the drill campaigns completed on the La Zarza concession between 1997 and 1 December 2015 consisted of 438 holes (162,200 m) completed at the Fruta del Norte deposit, on areas with potential to host infrastructure, and on a number of exploration prospects within the La Zarza concession. A total of 284 holes (126,708 m) were completed at the Fruta del Norte deposit. No drilling occurred on the Fruta del Norte Project between 1 December 2015 and 25 April 2016.

Drilling has been by core methods. Core sizes drilled include HQ (63.5 mm core diameter) and NQ-sized core (47.6 mm) for exploration purposes, and lesser diameter HQ3-NQ3 (for geotechnical purposes), NTW (56 mm) and BTW (42 mm) core sizes.

Following arrival at camp, the core was photographed, recovery was measured, and the core was geotechnically logged. Lithological logging followed with the geologist recording a detailed description of the lithology, texture, alteration, mineral assemblage and intensity and level of oxidation/weathering. A graphic log column with a sketch of the geology was also included.

Drill recoveries were acceptable. Lower recoveries during the 2015 drilling (with respect to previous programs) may in part be due to the number of the 2015 drill holes drilled to the west of the Fruta del Norte deposit, and others drilled outside the Fruta del Norte deposit to better define known fault zones where lower core recovery and drill hole problems could be expected.

During the 2005 to 2007 drill programs, drill hole collars were located by professional Ecuadorian surveyors using a Total Station survey instrument. During the same programs, the existing Climax drill collars were surveyed, where they could be located. Drill holes completed since 2009 were surveyed by Aurelian-Kinross or

Lundin Gold personnel using Total Station survey instruments. As part of the quality assurance and quality control (“QA/QC”) process, at the end of the Lundin Gold drill program the local engineering firm Leiva was contracted to survey the drill collars using differential double frequency GPS equipment.

Core holes from the Climax programs were surveyed by either acid tests or Tropari tests. The initial Aurelian-Kinross programs used a Sperry Sun or Tropari single shot survey instrument taking a measurement every 50 m, or a Flexit digital multi-shot survey instrument with a reading every 30 m down the drill hole. Later programs used Flexit and Reflex digital multi-shot survey instruments. For the 2015 Lundin Gold drilling program, a Reflex EZ-TRAC digital down hole survey instrument was used.

The deposit was systematically drilled out on 50 m to 100 m sections between lines 2500N and 3900N. The grade and mineralization intensity characteristics clearly delineated zones of high grade and high tonnage mineralization in the north versus more disperse, albeit locally high grade mineralization, in the south. Infill drilling on 50 m centres was focused over 300 m of strike between 3300N and 3600N. The drilling tactic typically involved fan drilling from the pad collar to facilitate between 50 m and 25 m infill drilling before stepping out across strike to define the up or down dip geometry. Even though the majority of Aurelian core holes were drilled with an easterly (approximately 090°) azimuth and the dominant dip of the mineralized system is west, no single method or percentage adequately describes the complex relationship between down hole (core) length and the true width of the intersected mineralized zones. Drill hole inclinations vary significantly (from -45° to -84°) and the mineralized zones have variable dips from moderate to steep westerly to steep easterly dips. Therefore, most drill holes intersect the mineralized zones at an angle, and the drill hole intercept widths reported for the Fruta del Norte Project are greater than true widths.

The density determination methodology consisted of the water-displacement method. Measurements were made from every hole at an interval rate of approximately 50 m in unmineralized rock and every 20 m in the mineralized system. Rock density is relatively constant within specific lithologies and shows only minimal variation between different lithological groups.

During the Climax drill program, core was sawn in half and sampled at 2 m intervals, regardless of geology. Each sample consisted of 2 m composites of half core, with the exception of the first and last intervals in each hole. Aurelian-Kinross and Lundin Gold core was sampled using the following criteria:

- Maximum sample length of 2 m in un-mineralized lithologies;
- Maximum sample length of 1 m in mineralized lithologies;
- Smaller samples may be selected around high-grade, visible gold-bearing veins; and
- Minimum sample length of 20 cm.

Drill core was split along the long axis using core saws. Areas of very soft rock were cut using a machete and sections of very broken core were sampled using spoons. The right hand side of the core was always sampled.

## **Sampling, Quality Control Measures and Data Verification Procedures**

### ***Sample Preparation Methods and Quality Control Measures Employed Before Dispatch***

A number of independent laboratories were used during the core drilling exploration and delineation phases. Sample preparation facilities included ALS Quito, Inspectorate Quito, and SGS Santiago; analytical facilities included ALS Vancouver, ALS Lima, Inspectorate Lima, SGS Toronto, and SGS Antofagasta. Sample preparation included drying the sample, crushing to initially >70% passing 2 mm, and later changed to 90% passing, then pulverizing to better than 85% (90%) passing 75 µm in the initial programs, which changed to pulverizing to better than 90% passing 100 µm.

The quality control (“QC”) program implemented has varied considerably over time in terms of the frequency of insertion and the source of the certified reference materials (“CRMs”) or standard reference materials (“SRMs”). Programs typically included submission of blank samples, CRMs/SRMs, field and reject duplicates and pulp check assaying. Ongoing monitoring of the program was performed by the operators, with spurious results being investigated and changes implemented when required.

The quantity and quality of the lithological, geotechnical, collar and downhole survey data collected in the exploration and infill drill programs conducted by Aurelian-Kinross and Lundin Gold are sufficient to support Mineral Resource and Mineral Reserve estimation. Sample collection, sample preparation, analytical methods and sample security for all Aurelian-Kinross and Lundin Gold drill programs are in line with industry-standard methods for epithermal gold-silver deposits and can support Mineral Resource and Mineral Reserve estimates.

During the Lundin Gold programs, drill core was delivered to the camp where it was labelled, photographed, logged and sampled under the supervision of staff geologists.

After the geologist marked out the sample intervals, drill core was split. The following standard sampling procedures were employed:

- After cutting, half the core was placed in a new plastic sample bag and half was returned to the core box;
- Samples were clearly and securely bagged and tagged and QC samples inserted into the sequence; and
- Batches of core samples were bagged, tagged, and packed in plastic buckets for shipment.

### ***Sample Shipment and Security***

Once ready for shipment, a list of sample batches and included samples were sent via electronic mail to camp administration and logistics, to the sample preparation laboratory, and to camp security, before the sample batches left camp. The Las Peñas camp has 24-hour security, which includes monitoring of the core shed area. Drilling samples were then transported from camp overland by a transport company truck directly to Quito where the custody of the samples was transferred to laboratory personnel. During transport camp security maintained communication with the transport company driver in order to track the progress and safety of the transport truck.

No Aurelian, Kinross or Lundin Gold personnel conducted any sample preparation. Preparation and analysis of Fruta del Norte samples were completed at independent laboratories.

### *Assaying and Analytical Procedures*

Pulp reject samples were submitted to Inspectorate in Lima and SGS in Toronto from 2006 to 2008, and to Inspectorate in Lima during 2015. Check assays prior to 2015 were not supported through the inclusion of blank and CRM samples with sample submissions. As of 2015, CRM samples were included in the check assay sample batches.

The results of the secondary and tertiary laboratory testing were analyzed using basic statistics, scatter, quantile-quantile, and percent relative difference plots, separately for each primary laboratory, and considering the method type employed, for both gold and silver.

The results of the check assay review demonstrate overall good correlation of the ALS Vancouver laboratory with results from both Inspectorate Lima and SGS Toronto. A slight high bias is observed between the primary laboratory and SGS Toronto at grades above approximately 5 g/t Au and Inspectorate Lima above approximately 18 g/t Au. The Inspectorate Lima data set is less scattered than SGS Toronto.

The original ALS Lima gold results were compared with the results from the secondary and tertiary laboratories, considering the analytical method employed at the primary laboratory. The results indicate an improvement in correlation with the adoption of method code AU-AA24 (fire assay with atomic absorption spectroscopy finish) from method code ICP22 (fire assay with inductively-coupled plasma-atomic emission spectroscopy or “**ICP-AES**” finish) by ALS Lima; however, both methods compare well, particularly below 10 g/t Au. The slight positive bias observed in the ALS Vancouver laboratory remains present in the ALS Lima laboratory, where assays were finished using ICP-AES. Following the ALS Lima method code switch to AU-AA24, the bias is no longer present.

Comparative statistics of the silver assay results demonstrated mixed results, depending on the assay method employed. During 2006, a small number of pulp reject samples were submitted to Inspectorate Lima for four-acid digestion and to SGS Toronto using method code FA-ICP-OES, in addition to the standard method codes. The SGS Toronto FA-ICP-OES results are particularly poor; however, the laboratory utilizes a separate analytical technique that differs from the standard technique. Good correlation exists between ALS Vancouver with both Inspectorate Lima and SGS Toronto, although ALS Vancouver results assay slightly higher than Inspectorate Lima. This bias was reduced to a negligible amount following the 2007 switch to ALS Lima as the primary assaying facility.

### ***Quality Assurance and Quality Control***

The quantity and quality of the lithological, geotechnical, collar and downhole survey data collected in the exploration and infill drill programs conducted by Aurelian-Kinross and Lundin Gold are sufficient to support Mineral Resource and Mineral Reserve estimation. Sample collection, sample preparation, analytical methods and sample security for all Aurelian-Kinross and Lundin Gold drill programs are in line with industry-standard methods for epithermal gold-silver deposits and can support Mineral Resource and Mineral Reserve estimates.

At the end of the 2009 and 2010 infill programs, Aurelian-Kinross site personnel compiled and checked all certificates against the database for all elements. The comparison showed no errors. Kinross also did a manual 5% check of the 2010 drill assay data on site in June 2010. No errors were identified.

RPA performed database audits in support of Mineral Resource estimates in 2009, 2014, 2015, and 2016, and in support of compilation of a technical report in 2014. Data verification activities included detailed reviews of

the standard operating protocols, drill hole spacings, core diameters used, how the final collar coordinates were determined, down hole surveying procedures, drill core logging protocols, core recovery, collection of bulk density data, sample layout, sample preparation and sample security procedures, and QA/QC protocols. During site visits in 2009, 2014, and 2016, RPA reviewed drill core from numerous drill holes and compared observations with assay results and descriptive log records made by Aurelian-Kinross geologists. In addition to reviewing core, RPA examined outcrops, drill rigs, sampling procedures and other general exploration protocols. RPA is of the opinion that database verification procedures for the Fruta del Norte Project comply with industry standards and are adequate for the purposes of Mineral Resource and Mineral Reserve estimation.

## **Mineral Processing and Metallurgical Testing**

Metallurgical testwork commenced in 2006. Initial testwork and project design by Aurelian-Kinross focused on a pressure oxidation (“**POX**”) flowsheet. Prior to the 2015-2016 metallurgical programs, Kinross conducted a metallurgical program to assess the potential of a flowsheet to produce a saleable concentrate in conjunction with the production of doré from cyanidation of a gravity concentrate and flotation tailings. This work assessed the differences between a gravity, flotation, leach (“**GFL**”) versus a gravity, leach, flotation (“**GLF**”) flowsheet. The outcome of the testwork indicated that the GFL flowsheet was the preferred option due to improved metal recoveries and lower capital and operating costs. Amec Foster Wheeler reviewed the Kinross data and, due to the capital costs associated with a POX plant, concurred with the GFL flowsheet approach. As a result, much of the initial POX-related testwork is not relevant to the current design.

During the 2016 FS, the Early MET, Fruta del Norte MET1 (“**MET1**”) and Fruta del Norte MET4 (“**MET4**”) testwork programs were carried out under the supervision of Amec Foster Wheeler. Metallurgical testwork programs were completed at SGS Minerals S.A. in Santiago, Chile for Met 1 and at SGS Lakefield in Ontario, Canada, for Early MET and MET4 programs. The results of each testwork program were independently reported by each SGS laboratory. While the Early MET program provided early confirmation of the GLF flowsheet, the MET1 and MET4 programs provide the basis of the new design.

Physical characterization testwork was carried out on selected drill core intervals for both the MET1 and MET4 programs. The characterization work included semi-autogenous grind (“**SAG**”) comminution (“**SMC**”) testing and Bond ball mill work indices. In total, 24 MET1 and 14 MET4 samples were submitted for SMC testing and representative samples of each MET1 composite were submitted for Bond ball mill work indices. Based on the individual SMC results, the orebody can be classified as moderately hard in comparison to the Julius Kruttschnitt Mineral Research Centre database. These results remain consistent with the previous testwork programs and historical data on the deposit.

Both MET1 (composite and variability) and MET4 samples were submitted to gravity concentration using laboratory scale Knelson concentrators. The Knelson concentrator feed size was approximately 150 µm for both MET1 and MET4 programs. The amount of gold that potentially can be recovered by gravity in this deposit is considered high, as supported by the global recovery results of the gravity testwork and automated scanning electron microscopy of the head feed. Of note is the additional recovery of silver, suggesting that a large proportion of free gold is in the form of electrum. Leaching characteristics of the gravity concentrates were also investigated. Gold extraction rates were found to be consistent with industry norms. MET1 and MET4

composite samples tested achieved between 94% and 98% leached gold recovery from the gravity concentrates produced.

A sulphide flotation test program was developed for the production of a gold- and silver-rich concentrate, knowing that flotation tailings would be subsequently cyanide leached. The objective of the flotation circuit was to recover fine free gold and gold associated sulphides to produce a saleable concentrate. During the MET1 program each variability sample was subjected to an open circuit flotation test to determine the optimal flotation conditions. Subsequently, the MET1 composite sample and MET4 sample were submitted to locked cycle test at the optimal conditions, using the same flowsheet. All samples tested reported only moderate gold recoveries. The overall flotation process requires lengthy residence time and relatively high reagent dosage as a result of the middlings gold being a combination of sulphide and quartz associations. Analysis of the flotation tailings indicates, fine free gold, gold associated sulphide and gold associated quartz occlusions, which cannot be recovered by conventional sulphide flotation. Final concentrates showed reasonable gold and silver grades, with mid-level impurities. Overall, the concentrates produced are considered suitable for sale to a smelter for further processing.

Bottle roll leaching tests were performed on each variability and composite sample (including MET4). During the MET1 composite testing, kinetic studies were carried out using air and oxygen injection methods. In addition a pre-oxidation stage was tested to determine the optimal leaching conditions. Kinetic testing of each composite showed negligible difference between using air, oxygen and pre-oxidation. Ultimate leach recoveries between 51.3% and 64.4% were obtained after 24 hours of leaching. The MET4 program leaching results confirmed the ultimate recoveries obtained in the MET1 program. Cyanide consumption during the leach tests was low due to the recovery of sulphides to the concentrate during the flotation stage.

Additional testwork in support of the plant and process design included cyanide detoxification testing, using the Inco SO<sub>2</sub>/air process, and settling testwork on detoxified MET1 tailings composite samples to determine the optimal flocculant dosage and corresponding settling rate.

The metallurgical testwork completed to-date is based on samples which adequately represent the variability of the proposed mine plan.

Gold recovery relationships were developed for the flotation circuit (grade/recovery curves) and for the total number of gold units reporting as doré (via gravity recovery and flotation tailings carbon-in-leach (“CIL”). All recovery relationships are bounded by the condition of the Au -S ratio of the flotation feed  $\leq 10$  g/t Au:% S. The boundary was checked against the monthly reported grades and resulting Au-S ratios of the feasibility study mine plan. All monthly values reported in the mine plan were found to fit within this boundary.

Current recovery estimates are based on the MET program testwork results. The LOM plan (“LOMP”) average gold metallurgical recovery is set at 91.7%. Actual gold recoveries are expected to range between 91.4-92.1%, peaking in 2023 when high-grade ore is processed, then reducing until 2031. The recovery projections increase again for the last two years of operations.

The two products of the plant, the concentrate and the doré, are considered saleable without major penalties. The level of arsenic and mercury in the flotation concentrate is expected to be able to be maintained at acceptable levels.

## Mineral Resource Estimates

### *Quantity and Quality of Minerals in Resource Estimate*

A total of 246 drill holes support the estimate. There was no drilling on the Fruta del Norte Project in the years 2013 to 2014 inclusive. Assay results from the 2015 drilling were not available at the time of the resource estimate update. Therefore, the most recent drill holes used to estimate Mineral Resources were drilled in 2012, and the effective date of the current Mineral Resource model is 1 December, 2015.

Forty-nine holes totalling 12,529 m were drilled in 2015 for various purposes including geotechnical, metallurgical, and structural geology. Assay data for these holes were not available at the time of resource grade interpolation and therefore were not included in the estimates. Subsequent to the completed estimate, RPA has tested these new data against the block model and has confirmed that these holes have no significant effect on the Mineral Resource estimate results.

Mineral Resources are summarized in Table 1 and have been classified using the 2014 Canadian Institute of Mining and Metallurgy Definition Standards for Mineral Resources and Mineral Reserves (the “**2014 CIM Definition Standards**”).

Mineral Resources are reported inclusive of Mineral Reserves at a block cut-off grade of 3.5 g/t Au, assuming underground mining methods. Silver was not included in the cut-off grade calculation due to its relatively low grade and small contribution to the value of the mineralization.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table - 1: Summary of Mineral Resources Inclusive of Mineral Reserves

Category	Tonnage (Mt)	Grade (g/t Au)	Contained Metal (Moz Au)	Grade (g/t Ag)	Contained Metal (Moz Ag)
Indicated	23.8	9.61	7.35	12.9	9.89
Inferred	11.6	5.69	2.13	10.8	4.05

Notes:

- (1) The QP for the estimate is Mr. David Ross, P.Geo., an employee of RPA. The estimate has an effective date of 31 December 2015.
- (2) Mineral Resources are reported inclusive of Mineral Reserves; Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
- (3) Mineral Resources are reported at a cut-off grade of 3.5 g/t Au; which was calculated using a long-term gold price of USD1,500/oz.
- (4) Mineral Resources are constrained within underground mineable shapes that assume a minimum thickness of 2 m; metallurgical recovery of 94%; total operating costs of USD145/t milled (mining cost of USD60/t milled; process costs of USD35/t milled; G&A costs of USD15/t milled; surface infrastructure costs of USD28/t milled; concentrate transport and treatment costs of USD7/t milled); royalties of USD71/oz and selling costs of USD65/oz.
- (5) Numbers may not sum due to rounding.



### ***Key Assumptions, Parameters and Methods Used to Estimate***

Factors which may affect the Mineral Resource estimates include: metal price and exchange rate assumptions, changes to the assumptions used to generate the cut-off grade value, changes in local interpretations of mineralization geometry and continuity of mineralization zones, density and domain assignments, changes to design parameter assumptions that pertain to stope designs, changes to geotechnical, mining and metallurgical recovery assumptions, assumptions as to the continued ability to access the site, retain mineral and surface rights titles, obtain environmental and other regulatory permits, and obtain the social licence to operate.

Logged rock types were grouped into one of 13 lithological units. These units were then divided into four main geological domains based on lithology, alteration and grade criteria. Each domain is distinctive in mineralogical, textural and geochemical character as well as in gold distribution.

The four zones are believed to represent distinct hydrothermal events starting with the Xp\_Ip domain, which is associated with late porphyry events. This was followed by the silica-(arsenopyrite)-marcasite alteration associated with hydrothermal brecciation (Xh) in the up-flow zone centred on section 3400N and “mushrooming” out below the Suárez Formation unconformity. The later-stage quartz-carbonate phase (Vn) appears to have formed in the northern section of the deposit, wrapping partially around a flexure in the feldspar porphyry contact. Xh and Vn were grouped together for resource domaining purposes.

Leapfrog and GEMS software were used to build the wireframe models representing the domains. Given the selected block size of 4 m by 10 m by 10 m, a 2 m composite was selected for grade interpolation purposes.

The Fruta del Norte metal capping review consisted of disintegration analysis of the composite values in conjunction with histogram, log probability, and mean variance plots. In order to preserve the grades within the high-grade zones with intense veining of domain Xh\_Vn, composites were left uncapped, and instead a restricted search for gold values greater than 60.0 g/t was applied. A capping value was applied to the silver grades for this domain.

The resource database includes 3,511 density measurements. Density data were reviewed by lithology and alteration type. The average values were assigned to the block model to convert volumes to tonnes.

Variography was carried out within a 450 m long segment of the deposit with closely-spaced drilling, between northings 9,583,300N and 9,583,750N.

Grade interpolations for gold and silver were performed using the ordinary kriging algorithm and using search strategies individually adapted to each domain. The search ellipses generally have the same orientations, striking north-northeast, dipping west, and plunging north-northeast. A two-pass approach was used, with the first pass search ranges approximately equivalent to the variogram ranges at 80% of the sill. The first pass used a minimum of two drill holes. The second pass used a larger search with a one drill hole minimum. Both hard and soft boundaries were used, based on various contact analyses and the geological interpretation. Pass 1 applied a hard boundary between domains. Pass 2 used a soft boundary between domains. The interpolation parameters for silver were similar to those for gold.

Mineral Resources were classified into the Indicated or Inferred categories based on drill hole spacing and the apparent continuity of mineralization. Variography has suggested a range of 35 m at 75% of the total sill. Infill drilling in 2010 was designed at 35 m spacing. In general, areas of 35 m spacing or shorter were classified into the Indicated category. Other factors that were taken into consideration include the search distance to the

nearest composite, estimation by the first pass search ellipse, visual examination and general considerations of drill fan spacings. Parts of the Xh\_Vn and Xp\_lp domains were classified as Indicated Mineral Resources. All of the M\_South domain was classified as Inferred Mineral Resources. Due to the lack of exposures of mineralization for inspection on the surface or underground, there are no Measured Mineral Resources at this time.

## Mineral Reserve Estimates

### *Quantity and Quality of Minerals in Reserve Estimate*

The resource block model was provided by RPA and consisted of density, grades, rock types (geometallurgical resource domains), resource category and other impurities.

The geotechnical block model was developed by SRK Consulting (Canada) Inc. (“SRK”). It utilized assessments of lithology, alteration and structure to model three domains that encompassed Poor, Fair-Poor, and Good-Fair rock mass conditions. This model was built in Leapfrog.

The Mineral Reserve block model was prepared by combining the resource block model and the geotechnical block model.

The models were imported by NCL Ingeniería y Construcción SpA (“NCL”) via ASCII files into DESWIK software. Validation was carried out with 99.9% of the original block model data for Indicated and Inferred Resources in terms of tonnes, gold ounces and silver ounces. The Inferred Mineral Resources grades were set to zero for the purposes of Mineral Reserves estimation.

The mining methods for Fruta del Norte will be long-hole transverse stoping (“TS”) with paste backfill in Fair to Good ground, and drift and fill (“D&F”) stoping with cemented rock fill in Poor ground. Dilution was applied following the geotechnical recommendations. The shape optimizer from DESWIK was used to determine practical mining shapes. The deposit was divided into horizons that were classified both vertically and by mining method.

The dilution material for the TS primary stopes was estimated using the resource block model; dilution material for lateral stopes was assumed to be zero grade on one side and the grade from the resource block model on the other side. The total maximum dilution reaches 16.9% (sill pillar starting stope); for scheduling and reporting purposes the waste dilution is applied (a maximum of 7.7% in sill pillar lateral stopes) so as not to duplicate tonnage because of the stope arrangement. The grade dilution factor applied for TS stopes is a factor by which grades are adjusted because of dilution; in this case the waste reduces the grades because it adds no content for the following elements: gold, silver, mercury, lead, sulphur and antimony. The D&F dilution estimate includes the primary, secondary and tertiary drifts. A grade dilution factor of 95.3% was used for D&F.

Overall, in primary TS stopes, the total mining losses are estimated to be 8.8%, resulting in a mining recovery factor of 91.2%. In secondary TS stopes, the total mining losses are estimated to be 11.9%, resulting in a mining recovery factor of 88.1%. Sill pillar recovery is assumed to be 50%, and for D&F, recovery was assumed to be 100%.

The final LOMP weighted-average dilution applied in the estimation (including TS, D&F and development) is 5.63%. The final LOMP weighted-average mining recovery applied to the estimate is 90.9%.

Two different cut-off grades (“**COG**”) have been used, the breakeven COG (“**BECOG**”) and the mill COG (“**MCOG**”). The BECOG is one of the key parameters needed for mine and stope design. The estimate of BECOG considers mining, processing, royalties and overhead operating costs. The MCOG is applied after the stopes and the accesses are defined, because at this stage there could be some low-grade material that has to be mined and hauled to surface. A decision has to be made whether to send this material to the process plant or to the waste dump. If the material has sufficient grade to pay for processing and other surface costs, it is assumed to be sent to the process plant (the mining cost is considered a sunk cost). A BECOG of 4.7 g/t Au was used for TS and an elevated BECOG of 6.8 g/t Au was used for D&F. A MCOG value of 2.7 g/t Au, excluding the mining costs, was used where production development was already built.

Mineral Reserves have been classified using the 2014 CIM Definition Standards and are summarized in Table 2.

Table -2: Probable Mineral Reserves Statement

Material Source	Tonnes (kt)	Au (g/t)	Au (koz)	Ag (g/t)	Ag (koz)
Long-Hole Stope	8,404	8.97	2,423	10.4	2,813
Drift & Fill	5,533	11.15	1,984	16.9	3,003
Development >4.7 g/t	1,158	9.70	361	11.6	434
Development >2.7 g/t	394	3.72	47	7.4	94
<b>Total</b>	<b>15,490</b>	<b>9.67</b>	<b>4,816</b>	<b>12.7</b>	<b>6,344</b>

Notes:

- (1) The QP for the Mineral Reserve estimate is Mr. Alejandro Sepúlveda, RM CMC an NCL employee.
- (2) Mineral Reserves have an effective date of 30 April 2016. All Mineral Reserves in this table are Probable Mineral Reserves. No Proven Mineral Reserves were estimated
- (3) Mineral Reserves were estimated using a USD1,250/oz gold price. Mining cost assumptions for TS USD61.0/t; mining costs for D&F stoping USD80/t. Other costs and factors common to both mining methods were process and other costs USD75.80/t, dilution factor of 10%, concentrate transport and treatment charges of USD6.70/t. A royalty of USD71.10/oz/t Au and a gold metallurgical recovery of 93.9% was assumed.
- (4) Gold cut-off grades were 4.7 g/t for TS and 5.3 g/t (elevated to 6.8 g/t) for the D&F.
- (5) Silver was not used in the estimation of cut-off grades but is recovered and contributes to the revenue stream. The average silver metallurgical recovery is 81.6%. The silver price assumption was USD20/oz.
- (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.

*Key Assumptions, Parameters and Methods Used to Estimate*

The process plant feed will start in February 2020. Throughput was set at 3,320 t/d for three years, and then will reach 3,500 t/d.

### *Factors That May Affect the Mineral Reserve Estimate*

Factors that may affect the Mineral Reserves include:

- Long-term commodity price assumptions;
- Long-term exchange rate assumptions; and
- Long-term consumables price assumptions.

Other factors that can affect the estimates include changes to the Mineral Resources input parameters, constraining stope designs, cut-off grade assumptions, geotechnical and hydrogeological factors, metallurgical and mining recovery assumptions, and the ability to control unplanned dilution.

### ***Mining Methods***

The following key considerations influenced the mine design:

- The Fruta del Norte Project is located in an environmentally sensitive area. Although an open pit mining method or a caving method might be possible, the subsequent impacts were assessed not to be feasible. Hence, selective underground mining was considered for the 2016 FS;
- The host rock for the deposit appears competent but the resource zone is less competent with a small portion in Poor rock (less than 10%). Geomechanically, the rock mass quality varies from Poor to Fair (RMR range 40 to 55) with the intact rock strength averaging 60 MPa. The deposit is also relatively close to surface (within 140 m of surface in some locations);
- Given the variable conditions likely to be encountered, a range of methods and or support regimes was considered appropriate for Fruta del Norte. The primary methods of extraction selected are TS in the better ground conditions and D&F in the more challenging areas;
- Incorporation of backfill to reduce the risk of geotechnical failure and maximize extraction; and
- Consideration of dewatering requirements and proximity of the Machinaza River.

### *Geotechnical Considerations*

The faults present in the 2015-2016 structural model form a complex network of west–northwest- to northeast-trending, moderate dipping to sub-vertical faults that variably truncate and offset lithology and gold mineralization. Faults generate the widest zones of gouge and breccia where they cross the Suárez Formation. In comparison, faults have well defined margins where they cross the Misahuallí Formation. The West, Central, and portions of the East Fault are significant fault structures that represent a risk to the stability of an open stoping method and subsequently these areas are considered suitable only for a limited man-entry mining method such as D&F where conditions can be well controlled.

Degradation of Suárez Formation conglomerate results in difficult mining conditions that can be mitigated through extraordinary ground support (full shotcrete lining and invert) which will be a high mining cost with slow advance rates. The mine layout has been optimized to avoid intersecting the Suárez Formation.

Stress measurements are not currently available for Fruta del Norte. In the absence of this information, a stress regime based on SRK's evaluation of the structural geological setting and the World Stress Map have been used

to provide a range of estimates. The ground stress is relatively low based on the shallow depth, and rock damage due to higher mining induced stress concentrations is only anticipated in high extraction or sequence closure areas, and weaker rock mass areas. However, reduction in the mining stresses around excavations is likely to adversely affect the stability of large open span areas. Tensile failure and gravity induced unravelling are foreseen as the main failure mechanisms.

The Fruta del Norte deposit is in a structurally complex, clay-altered, porphyry environment, adjacent to a river. Rock mass conditions in the infrastructure and production areas vary from Poor to Fair quality (RMR 20 to 60) with the poorest conditions present within major structures that run longitudinally through and bound to the deposit. Outside of these fault areas, rock mass conditions are generally Fair (RMR 40 to 60; intact rock strength 50 to 70 MPa); however, localized zones of Poor ground potentially associated with secondary structures or locally elevated alteration intensity are present throughout the planned mining area.

Excavation stability assessments were completed using industry-accepted empirical relationships, with reference to analogue operational mines where possible. The rock mass conditions in the Poor to Fair and Good domains are considered suitable for open stoping mining methods. The ground conditions within the Poor domain (and crown pillar area) are considered suitable only for a limited man-entry method.

Ground support design considers industry-standard empirical guidelines and SRK's experience in variable ground conditions. Compromises have been made in the extraction sequence as a result of the need to balance grade and production profiles, extraction of wide orebody areas, and other geotechnical constraints. Ultimately several aspects of the sequence may not be geotechnically optimal, and additional design may be required.

#### *Groundwater*

Groundwater is expected to inflow into the underground mine from the fractured bedrock around the mine itself and from geological structures. The total groundwater inflow will not be large compared with many other mines around the world, and could be dealt with by in-mine pumping, but the combination of the water with poor ground conditions and the mining methods could have an influence on mining productivity. Rock within the mining area is potentially acid-generating ("**PAG**"); hence, water that flows through the mine is assumed to need treatment before being discharged to the environment.

Groundwater inflow risks and potential effects will be managed in multiple ways, including cover and probe drilling, localized grouting, dewatering wells, and underground drainage galleries. As mine development proceeds, the groundwater system will start to drain down, but since the geological units only have moderate hydraulic conductivity and flow will be fracture controlled, it is expected that drainage performance will be highly variable over different parts of the mine. The combination of dewatering wells and drainage galleries with drain holes provides flexibility and some degree of redundancy to reduce the risk of areas not being sufficiently dewatered prior to production mining.

#### *Water Management*

All the water flow generated in the mine (infiltrated, industrial and paste fill water) will be managed in a single dewatering system. The system assumes that water flows running on ramps, declines and drifts is collected by gravity in a sump on each production level. Where gravity flow is not possible, a sump pump will be used to conduct water to the sumps.

### *Mine Designs*

SRK recommended TS where there is no Poor domain rock quality. The recommended dimensions for TS are 12 m wide x 20 m long x 25 m high.

For excavations within the Poor ground a D&F method is recommended. Dimensions for this method are 4.0 m wide x 4.0 m high.

The crown pillar will be from the 1240 L (south area of the mine) to the 1270L (north area of the mine). Because of instability risk associated mainly with the rock quality, the mining method for these areas will be D&F.

A sill pillar was included between the TS horizons 1080L and 1170L at 1155L, which allows for earlier production. The mining method for this sill pillar will be TS with a stope height of 15 m (instead of the 25 m to be used in the regular stopes).

Twin declines will be constructed, and will use a spiral to gain depth to maximize the distance from the surface, so that a vertical distance of approximately 155 m below the Machinaza River can be obtained. The mine ramp will be located central to, and will be approximately 50 m offset from, the main workings to the east of the deposit. The ramp configuration will enable haulage trucks to achieve higher average haul speeds and maintain safety standards. The ramp will be developed nominally at a -15% gradient.

Levels will be developed to access the strike extents of the deposit and connect the development to the return air raise (“**RAR**” in the north) and fresh air raise (“**FAR**” in the south) in order to establish flow-through ventilation.

Stope cross-cuts are required to access sill development from the haulage drifts, as well as connecting sill development within a given stope line separated by waste. Development will be centrally located within a given stope. The top development in a stope will initially serve as the drill horizon for the stope below, and then as the mucking horizon for the stope above. The bottom development in a stope will serve as the mucking horizon for the stope above.

### *Mine Operating Assumptions*

An experienced, qualified mining contractor will be required to develop the declines. Contract mining will continue until the critical underground infrastructure has been constructed. The contractor will then demobilize. There will be a transition period as owner mining equipment is introduced when access to additional ventilation and the mineralized zone is reached. Owner mining will eventually operate both development and production equipment.

### *Ventilation*

The ventilation system proposed is a mechanical exhaust ventilation system (pull) where fresh air will enter by suction. The mine ventilation system will consist of the FAR and RAR. The raises will have a diameter of 5 m; the RAR will have an overall length of 290 m, and the FAR will have an overall length of 345 m. The remaining sections of the mine ventilation system will consist of the two declines, the mine ramp and the internal raises connecting levels.

### *Production Plan*

Criteria and assumptions used in preparing the production plan include:

- The production plan has been developed on a monthly basis from Year 2017 to Year 2022 and annually thereafter;
- The mine will operate 360 d/a with five days allowed for delays due to weather conditions;
- The plant is scheduled to operate 365 d/a;
- Production will be a combination of TS and D&F methods; and
- The process plant is designed to treat 3,500 t/d.

### *Backfill*

The following backfill capacities and strength targets were set:

- The paste plant has been designed to cater for a nominal throughput of 70 m<sup>3</sup>/h and will operate at an average utilization rate of approximately 60%;
- The nominal design production rate of the cemented rock fill (“CRF”) plant is 180 m<sup>3</sup>/h;
- Main pour target strength of 300 kPa after 14 days with a plug pour target strength of 434 kPa after three days; and
- CRF target strength of 3 MPa to 5 MPa after seven days.

The paste plant will be a batch-type backfill plant. All tailings leaving the process plant will be thickened to about 55% solids. When no paste fill is required underground, the entire tailings stream will be pumped to the TSF. When paste fill is scheduled for underground, approximately half of the tailings stream will be pumped 3.4 km to the paste plant for further dewatering. Excess process water will be pumped back from the paste plant to the process plant using a second pipeline.

### *Underground Infrastructure Facilities and Services*

It is proposed to keep material handling as simple as possible, relying on mobile equipment for transport instead of permanent infrastructure and facilities. Minimal storage will be developed underground. Haul trucks will be repaired in a surface maintenance facility. Load-haul-dump vehicles (“LHDs”), drills, explosive carriers and scissor trucks will be repaired/maintained underground or driven/hailed to the surface shop for major work. Most of the mobile equipment, trucks and LHDs, and vehicles parked on surface will be fuelled from the surface facility. The rest of the fleet will be fuelled by the fuel/service vehicles or at the underground service facility. The radio communication system is based on laying leaky cable feeder antenna. A fibre-optic network will provide a communication highway for control systems and data management inside the mine. The air compressor system will consist of two compressors in operation and one on standby. Explosive and detonator magazines will be located on a selected level underground.

### *Mining Equipment*

Mine operations will use the same equipment for development for TS and for D&F. Drilling, support, loading and hauling equipment are the same for both methods. Different equipment is required for loading for production because TS is 5 m wide x 5 m high and D&F is only 4 m wide x 4 m high. A maximum of four 10 yd<sup>3</sup> LHDs, four 12 yd<sup>3</sup> LHDs and nine 45 t trucks will be required for production and development. Additional equipment will include a rammer-jammer, jumbos and explosive loaders. Support equipment will include a scissor lift, crew and rescue vehicles, shotcrete sprayer and transmixer, jacklegs, scaler, boom truck, telehandler, core drill, Kubota tractors, rock breaker, dozer, grader, fuel and lube truck, and a front-end loader.

## **Processing and Recovery Operations**

### ***Recovery Methods***

The Fruta del Norte process plant feed will contain gold in the following forms:

- Fine free gold;
- Coarse free gold;
- Gold contained in sulphides (refractory); and
- Gold contained in other forms (e.g. silicates).

The GFL flowsheet was selected for the Fruta del Norte Project because of the nature of the gold in the plant feed. The up-front gravity circuit is essential to recover the coarse free gold and small amounts of fine free gold. The gravity circuit will reduce spikes in coarse gold content in the feed, ensuring that the flotation feed grade stays relatively uniform. The flotation circuit is capable of recovering the gold associated in sulphides (pyrite). The flotation circuit will reduce spikes in sulphide gold grade and provide a consistent feed to the CIL circuit. Typically, CIL circuits function best on a uniform feed; this can be provided by the combined gravity and the flotation circuits.

Run-of-mine (“**ROM**”) ore will be transported to ROM stockpiles. Feed will be reclaimed from the pile, transferred to an apron feeder, processed through a jaw crusher and the product conveyed to the coarse ore stockpile. Ore will be recovered from the stockpile to feed the primary SAG mill. Oversize from the SAG mill discharge screen will be recycled back to the SAG feed. The SAG circuit product will be fed to a cyclone cluster which will be in closed circuit with the gravity concentrators and ball mill. Oversize from the gravity concentrator feed screen will be fed into the ball mill discharge which is pumped to the cyclone feed. Undersize will feed the gravity concentrators. Gravity concentrate will report to the intensive leach reactor and the gravity concentrator tailings will return to the cyclone feed.

The intensive leach reactor (“**ILR**”) will produce pregnant solution which will be directed to electro-winning cells to produce a gold-silver precipitate. After washing, the barren slurry will report to the flotation regrind circuit.

The overflow from the grinding cyclones will report to the flotation circuit. The flotation circuit will consist of three stages of flotation and regrind. Rougher and scavenger concentrate combined with ILR barren slurry will be directed to a regrind mill in closed circuit with a cyclone cluster. Final concentrate from the third cleaning



stage of the flotation circuit will be thickened, filtered and bagged as product. Overflow from the concentrate thickener will be recycled to the process water tank.

Flotation tailings will be thickened and then report to the leach circuit while the thickener overflow will be recycled to the process water tank. The thickener underflow slurry will continue through pH conditioning before reporting to a series of CIL tanks where the slurry is leached with cyanide. Discharge from the leach train will report to cyanide destruction.

The loaded carbon generated from the CIL tanks will be pumped to the carbon elution and regeneration circuit. Once gold has been eluted, the carbon will be sent to regeneration. After quenching and screening to remove small particles, the reactivated carbon will be reintroduced to the CIL circuit.

Gold eluate will be sent to electro-winning cells using stainless steel cathodes to produce a gold-silver sludge. This is combined with sludge from the separate ILR electro-winning cell, filtered and dried. It is then mixed with fluxes and smelted to produce gold-silver doré.

Slurry discharged from the CIL tanks will report to cyanide destruction. A two-stage Inco SO<sub>2</sub>/air process will be employed with the addition of lime. Sulphur dioxide will be provided as sodium metabisulphite. Slurry discharged from cyanide destruction will report to the tailings thickener. Underflow from the thickener will be sent to the tailings storage facility (“TSF”) and/or the paste backfill plant. Overflow from the thickener will be recycled back to the process water tank.

The process control system (“PCS”) will have redundancy and will allow dependable, simple and effective control of the plant processes. The PCS will monitor and act over continuous analogue loops, on/off valves, motors, variable frequency drives and programmable logic controllers. The PCS will also signal alarms for abnormal conditions and store process data.

The surface operation areas will be maintained by an in-house maintenance crew. The maintenance team will be shared by the surface operations areas including the process plant, paste backfill plant, cemented rock fill plant, water treatment plants, tailings storage facility and operations buildings.

The concentrate production rate is expected to be 160 t/d at a feed rate of 3,320 t/d and 140 t/d at a feed rate of 3,500 t/d. The actual concentrate quality could vary from month to month based on ore variability, mine planning and sequencing as well as the geometallurgy.

The total gold expected to be produced as doré varies from 90 koz to 145 koz per year during steady state, and is 1,323 koz during the LOM. The doré is expected to contain above 98% precious metals with the remainder made up of base metals and impurities. The precious metals portion is expected to contain approximately 70% gold and 30% silver.

## **Infrastructure, Permitting and Compliance Activities**

### ***Infrastructure and Logistic Requirements for the Fruta del Norte Project***

#### ***Access***

The planned route to access the Fruta del Norte site is by the Troncal Amazonica road to Los Encuentros and from this point to the Fruta del Norte Project site by a new main access road (a section of public road near the El Pindal village, and another section of road through the Ecuadorean jungle). After km 15, the new 22 km road

will be used exclusively for access to the Fruta del Norte Project site. The access control facility will be located at km 15.

The main port for international cargo arrival will be Guayaquil. The Port of Bolivar may be used as an alternative.

#### *On-site Infrastructure*

On-site non-process services such as the camp, greenhouse, sewage treatment plant and mobile equipment will support the operation. There will be fresh water, domestic water and process water systems and a fire detection and protection system. The utilities and services include compressed air supply and distribution, process control system, closed circuit television system, supervisory control and data acquisition system, waste management systems and fuel storage and distribution. Mobile equipment for maintenance, operations services and transportation includes tractors and loaders for stockpile rehandling, mobile cranes, buses and utility vehicles.

#### *Camps and Accommodation*

The permanent camp facilities will be located close to the main access control to the Fruta del Norte Project site, at an altitude below 1,500 masl. The permanent camp will have a peak accommodations capacity of approximately 830 persons. The temporary camp will be located alongside the permanent camp and will provide 1,184 beds in tents. The temporary camp will have only accommodation, toilets, and showers; other services will be provided from the permanent camp. The temporary camp will be closed when operations manpower reaches steady-state.

#### *Off-site Facilities*

In order to reduce the impact of the Fruta del Norte Project footprint, some support facilities are planned be located off the main project site. For the purpose of the 2016 FS, the off-site facilities are considered to be located 12 km from the main project site; however this location is conceptual, and the final site location will be determined during future project stages. These facilities include a guard house, light vehicle shop, warehouse and laydown area, and an office building. Lundin Gold has also established administration offices in Quito and in Los Encuentros. These existing offices provide administrative and logistics support to the Fruta del Norte Project, and are not part of the Fruta del Norte Project capital costs.

#### *Power*

The Ecuadorian electrical system is based on a high quality electricity service matrix, the distribution system is called the Sistema Nacional de Distribución (“SND”, National Distribution System). The SND is controlled by CELEC EP Transelectric, a government institution in charge of power transmission and distribution. The Fruta del Norte Project site is located within the supply concession area of the Empresa de Energia Regional del Sur (“EERSA”, Regional Electric Company of the South). SND has no substation near to the Fruta del Norte Project with sufficient capacity or reliability to feed the Fruta del Norte Project. Lundin Gold is participating in a public infrastructure investment to reinforce the SND matrix in the area, and is contributing to the installation of a transmission line between Taday and Bomboiza. The overall project power requirements are expected to be met via a 230 kV double circuit transmission line from the Bomboiza substation. The contract for this substation has been awarded and it will be built at the same time as the Taday-Bomboiza transmission line. The

Bomboiza substation will be situated approximately 50 km away from the Fruta del Norte site. A transmission line will be built from the Bomboiza substation to a new substation at El Pindal, near Los Encuentros. This system will be a public transmission line and substation, owned and operated by CELEC EP Transelectric, with installation paid for by Lundin Gold. From the El Pindal substation, a single-circuit, 230 kV dedicated transmission line will be built to feed the Fruta del Norte Project. It is planned to build the Fruta del Norte main substation on the process area platform. This substation will step down the power to 13.8 kV, and will distribute power throughout the plant site at this voltage. The annual average power demand is estimated to be approximately 222,000 MWh.

#### *Communications*

The communications system for the Fruta del Norte Project will consist of a fibre-optic network infrastructure, telephony system, radio communications, mobile telephony, and satellite communications. The data management system will be connected to the communications systems.

### ***Environmental, Permitting and Social Considerations***

#### *Baseline Studies*

The physical (abiotic), biotic, social, economic, and cultural baseline has been characterized for the Fruta del Norte Project using primary information gathered in the field, and secondary information from official sources such as Government records. Field studies and data gathering for the baseline studies were undertaken between 2008 and 2016.

#### *Mine Waste Stockpile Design*

As part of the underground development at Fruta del Norte approximately 2.03 Mt of waste material will be generated. Of this, approximately 1.29 Mt (64%) will be returned underground as part of the backfill management strategy. The remaining 0.74 Mt of material will need to be permanently stored on surface. An area to the south of the process plant has been allocated to accommodate waste from the underground mine. Two different types of waste will be produced:

- Potentially acid rock drainage or potentially acid generating; and
- Non-potentially acid generating.

#### *Ore and Low Grade Stockpiles*

There are three types of stockpiled material based on grade:

- High grade (>7 g/t Au): almost never stockpiled;
- Medium grade (4.7 g/t Au to 7 g/t Au): maximum 30,000 t; and
- Low grade (2.7 g/t Au to 4.7 g/t Au): maximum 170,000 t late in the mine life (Year 2033).

The area allocated for these stockpiles is close to the crusher station at the process plant. Stockpiled material will be consumed by the time the mine closes.

### *Tailings Storage Facility*

The facility will be located in the uppermost portion of the valley, to minimize the catchment area and to maximize the separation distance from the Zarza River downstream. The tailings dam will be an earth-and-rock-fill structure constructed with a maximum dam height of 63 m measured at the dam centre line. The ultimate dam will have a crest width of 6 m and a length of 700 m at final grade. A starter dam will be initially constructed to store start-up water for the mill and create sufficient storage for the tailings in the first year of operation, and to safely contain the probable maximum flood (“**PMF**”). The TSF dam will be raised continuously throughout the service life until reaching the ultimate elevation. Each dam raise will be completed at least one year before the maximum tailings pond elevation required each year; currently dam raises are contemplated at Years 0, 2, 5, 10 and 14 (ultimate). A total of 12.15 Mt of GFL tailings will be pumped to the TSF at 55% solids over the mine life. Excess water will be reclaimed to the mill by a floating barge. The sludge produced from the treatment of contact water from the mine at the water treatment plant (“**WTP**”) will be delivered at a rate of 4 m<sup>3</sup>/h and stored in the TSF. Sediments removed from ponds located in the mine infrastructure area will also be stored in the TSF and will be delivered at a rate of 8 m<sup>3</sup>/h. The TSF design incorporates sufficient dam freeboard at all times during operations to accommodate the sloping tailings beach and to contain the PMF and any excess water volumes in the tailings basin without discharge. Diversions will be constructed on the east side of the TSF catchment to divert non-contact water. These channels will be lined to limit erosion and are designed to convey peak catchment runoff from the 1:100 year storm event.

### *Hollín Borrow Pit*

At the Technical Report effective date, it was proposed that Lundin Gold would exploit the Hollín Borrow Pit to provide aggregate materials for construction and mine backfill, from construction through to mine closure. Since then, the Company has undertaken a re-evaluation of the plan to mine materials from the Hollín Borrow Pit and is currently reviewing a number of different options.

### *Waste Management*

The waste management centre (“**WMC**”) was sized to receive waste during operations and manage the waste temporarily until final disposal by an authorized contractor. The WMC is designed to handle waste from one month of operations.

### *Water Management*

Four main types of water will need to be managed during construction and operations:

- Non-contact water: Water (either runoff from precipitation or flowing in natural streams) whose quality is not impacted by the Fruta del Norte Project infrastructure and activities;
- Unaffected contact water: Water that is likely to have had a sediment load increase but not subject to chemical/biological impact requiring treatment other than total suspended solids (“**TSS**”) removal in order to meet water quality regulations. Requires TSS removal only, prior to discharge to a natural water course; no water treatment plant is required;
- Affected contact water: Water that must be sent to a water management pond and a water treatment plant prior to being discharged to the environment; and

- Neutral water: Groundwater collected above the orebody at the underground mine. Requires TSS removal and/or primary treatment only (depending on the quality parameters) prior to being discharged.

Six water treatment plants are planned, and will include:

- Two domestic water treatment plants: one will be located at the camp site and the other at the process plant;
- A sewage treatment plant will be located at the camp site. The process plant sewage will be managed using septic tanks;
- A main effluent water treatment plant that will be located at the process plant site and will treat most of the affected contact water from the site;
- The Hollín Borrow Pit water treatment plant that will be located close to the aggregate plant and will treat affected contact water from the borrow pit area; and
- An existing plant at the site will be used during the first year of mine dewatering; it then will be moved to the mine portal area.

Four water management work types are proposed:

- Diversion works: To divert non-contact storm water to prevent it from reaching the site during the construction and operations phases of the Fruta del Norte Project. These comprise riprap interception works, lined channels and creek riprap discharge works. They also include slope drainage systems for mass earthworks;
- Contact water works: To manage affected and unaffected water during the construction and operations phases. These comprise sumps, water management ponds, chutes (steep slope conduits), energy dissipaters, water treatment plants, pumping systems and emergency discharge works to natural water courses;
- Neutral water works: To deal with groundwater from the dewatering wells above the deposit. These comprise a pumping system, a water management pond and a discharge to the Machinaza River; and
- Secondary and minor drainage networks: To be located within the facilities for non-contact and contact water, including small sumps, downspouts, and minor collecting pipes. These works have not been designed at the feasibility level.

A water balance model and a water quality model were developed in support of a water management plan (“WMP”) for the site:

- The purpose of the site-wide water balance model was to simulate the water management plan for the mine site. The model tracks water from the sources, through collection and conveyance systems, usage, storage, treatment and discharge to the environment. The results of the water balance model demonstrate that the proposed water management plan at the site is feasible; and

- The purpose of the site-wide water quality model was to simulate the water quality elements of the project, identifying sources of loading, assessing the mixing of different inflows and estimating the resulting water quality concentrations in each flow. The water quality results determined which water flows met discharge requirements and which flows did not meet discharge requirements and will require water treatment. Water quality parameters requiring treatment in each flow component were identified. The water quality model focused on parameters of concern identified from the surface water quality assessment (aluminium, arsenic, copper, cobalt, cyanide, iron, magnesium, potassium, manganese, lead, selenium and zinc) as well as sulphate and total dissolved solids. The results of the water quality model demonstrate that the proposed WMP for the site is feasible and will meet regulatory requirements for discharge to the receiving water bodies.

The general purpose of the WMP was to outline an integrated water management strategy to be followed at the Fruta del Norte site during the design, construction, and operations phases, and to demonstrate a feasible, rational, sustainable, and environmentally-friendly plan to deal with both surface water and groundwater.

#### *Closure Plan*

Closure planning has been undertaken to a conceptual level, and will be continually updated throughout the Fruta del Norte Project life. The conceptual closure plan has been developed in accordance with Article 125 of the Ecuadorian Environmental Regulations for Mining Activities (“**RAAM**”) and Title X of the Mining Safety Regulations. The closure activities will cover closure aspects related to environmental factors such as soil, air and water that are directly related to the community health and safety. Aspects related to economic and cultural dynamics of the communities have not been considered in the current conceptual plan. The definitive Closure Plan must be presented two years prior to cessation of operations. Under RAAM, mine closure monitoring should last for at least five years after the mining operations are complete. The closure cost estimate in the conceptual Closure Plan is USD28.8 million.

#### *Permitting*

Permitting requirements were evaluated by project phase, including before construction (16 permits), the most important being the updated environmental licence, during construction (six permits), and before operations (three permits). The Environmental Design Criteria, updated through October, 2015, are based on Ecuadorian law, quality criteria and regulations, as well as international standards such as those issued by the International Finance Corporation, the World Bank, the World Health Organization, the International Cyanide Management Code, the International Network on Acid Prevention, and the International Council of Mining and Metals.

#### *Social Considerations*

The Fruta del Norte Project’s indirect influence is expected to extend to some neighbouring communities, including the parish of Los Encuentros and two communities from neighbouring parishes. Los Encuentros is a rural parish located in Yantzaza county, characterized by the existence of one main population centre (the parish seat and home of the parish government) where the population has consolidated. There are also several scattered population centres, known as communities, neighborhoods and sectors. Some cultural sites have been recorded in the study area, but the Fruta del Norte Project is not expected to impact any cultural heritage, and strict archaeological protocols are in place in consultation with the National Cultural Patrimony Institute. Although perceptions of artisanal mining are low, the community is very supportive of the Fruta del

Norte Project, and the primary concern is access to employment. There is currently no large-scale mining in Ecuador. A community relations program has been defined based on the Community Development Support Program (“**PADC**”, Plan de Apoyo a Desarrollo de la Comunidad) which seeks to implement corporate responsibility strategies, to maintain a social licence with the communities, and to comply with socio-environmental legislation applicable to Aurelian’s operations. The PADC is based on the principles of community participation, sustainable development and human development.

## Capital and Operating Costs

### *Capital Cost Estimates*

The methodology used in the development of the capital cost estimate and the level of engineering definition result in the estimate having an accuracy of  $\pm 10\%$  to  $\pm 15\%$  including the contingency based on the 80% confidence level. The estimate combined inputs from Amec Foster Wheeler, KCB, Lundin Gold, NCL, and Paterson and Cooke (“**P&C**”). The cost estimate was divided into capital costs (direct, indirect and owner’s costs, and contingency) and sustaining and closure costs:

- Direct costs: costs for productive works and permanent infrastructure. Includes productive infrastructure, services and equipment required for the extractive process;
- Indirect costs: costs needed to support the construction of the facilities included in the direct costs. Includes engineering, procurement and contract management (“**EPCM**”) services, EPCM temporary facilities (infrastructure) and construction management, construction camp and associated services, capital spare parts, freight and logistics;
- Owner’s costs: costs associated with Lundin Gold’s project administration, geological studies, support infrastructure, safety and environmental, community relations, administration and finance, human resources and others; and
- Contingency: includes variations in quantities, differences between estimated and actual equipment and material prices, labour costs and site specific conditions. Also accounts for variation resulting from uncertainties that are clarified during detail engineering, when basic engineering designs and specifications are finalized,
- Sustaining and closure costs
  - Capital expenditures after the start of operations include costs for the tailings dam wall growth, mine and other equipment replacement and the paste fill plant, plus closure costs. These costs are included in the financial analysis in the year in which they are incurred. The capital cost estimate includes construction activity costs to Q1 2020. Costs after this are classified as sustaining capital.

The initial Implementation Phase capital cost, as displayed in Table 3, is estimated to be USD668.7 million. The sustaining capital is estimated to be USD291.9 million.

Table - 3: Implementation Phase Capital Cost Summary by Area

Description	Amount (USD M)	% of Total
Underground mine	120.5	18.0
Ore handling	7.5	1.1
Process plant	74.3	11.1
Tailings/ reclaim water facilities	30.8	4.6
On-site infrastructure	121.4	18.2
Off-site infrastructure	71.2	10.6
Aggregate borrow pit	0.4	0.1
Indirect costs	126.1	18.9
Owners' costs	49.3	7.4
Contingency	67.3	10.1
<b>Total Cost</b>	<b>668.7</b>	<b>100.0</b>

Note:

- (1) Totals may not sum due to rounding

### ***Operating Cost Estimates***

The operating cost estimate was based on Q1 2016 assumptions. The estimate combined inputs from Amec Foster Wheeler, KCB, Lundin Gold, NCL, and P&C, and has an overall accuracy of  $\pm 10\%$ . The operating cost estimate is inclusive of site costs during the operational period (commencing once the commissioning with load/performance testing certificates are signed) until site closure. Variable costs were based on a mine plan provided by NCL. The overall life of mine operating cost estimate is USD118/t, and includes base costs, non-recoverable taxes and leasing. Operating costs are estimated at USD414/oz Au, including all site costs. Mining costs are the greatest contributors to the overall operating cost, followed, in order of contribution, by process, general and administrative (“G&A”) and surface infrastructure costs, as displayed in Table 4.

Table - 4: Operating Cost Summary

Area	LOM USD (million)	Total USD/tonne	USD/oz Au
Mining	934.4	60.30	211.50
Process	516.9	33.40	117.00
Surface Infra.	142.8	9.20	32.30
G&A	234.2	15.10	53.00
<b>Total</b>	<b>1,828.3</b>	<b>118.00</b>	<b>413.80</b>



Table - 5 Operating Statistics

	Units	Year 1	Year 2	Year 3	Avg. Y1-10	LOM
<b>Metal Production</b>						
Au recovered	koz	149	308	390	345	4,418
Ag recovered	koz	141	329	431	389	5,177
<b>AISC Costs and Profit Margins per oz payable</b>						
Au price	USD/oz	1,250	1,250	1,250	1,250	1,250
Cash cost sub-total (operating cost)	USD/oz	823.82	585.78	473.08	541.78	552.56
Sustaining and closure costs	USD/oz	701.12	63.77	35.86	102.92	70.87
AISC costs/oz Au payable	USD/oz	1,524.94	649.55	508.94	644.70	623.43
Operating Margin/oz Au payable	USD/oz	-274.94	600.45	741.06	585.52	626.57

### ***Economic Analysis***

The Fruta del Norte Project has been evaluated using a discounted cash flow analysis. Cash inflows consist of annual revenue projections. Cash outflows include capital expenditures (including the three years of pre-production costs), operating costs, taxes, and royalties. These are subtracted from the inflows to arrive at the annual cash flow projections. Cash flows are taken to occur at the mid-point of each period.

To reflect the time value of money, annual net cash flow projections are discounted back to the Fruta del Norte Project valuation date using 5% to produce the base case. The discount rate appropriate to a specific project depends on many factors, including the type of commodity; and the level of project risks (e.g. market risk, technical risk and political risk). The discounted, present values of the cash flows are summed to arrive at the Fruta del Norte Project's net present value ("**NPV**").

In addition to the NPV, the internal rate of return ("**IRR**") and the payback period are also calculated. The IRR is defined as the discount rate that results in an NPV equal to zero. The payback period is calculated as the time required to achieve positive cumulative cash flow for the Fruta del Norte Project.

The financial model includes consideration of metal prices, transport costs, royalties and taxes, and working capital. An amount of USD430 million of historical costs is considered in the financial model. These historical costs provide a shield against taxes and profit-sharing expenses.

The after-tax NPV at a 5% discount rate over the estimated mine life is USD676 million. The after-tax IRR is 15.7%. The after-tax payback of the initial capital investment is estimated to occur 4.5 years after the start of production. A summary of the financial analysis is presented in Table 7, with the base case discount rate highlighted. The life of mine all-in sustaining cost ("**AISC**") per ounce of gold is USD623.

Table - 6: Key Outcomes

Project economics at a gold price of USD 1,250/oz and a silver price of USD 20/oz					
Item		Units	Pre-tax	After-tax	
NPV <sub>5</sub>		USD million	1,283	676	
IRR		Percent	23.8	15.7	
Capital payback after commencement of production		Years	3.7	4.5	
Cashflow (USD million)					
	2020	2021	2022	Average Years 1-10	Life-of-Mine
Doré revenue	62	121	151	133	1,669
Concentrate revenue	117	247	314	280	3,631
Total revenue	179	368	465	414	5,301
Operating costs	107	151	149	147	1,961
Operating profit	72	216	316	267	3,339
Taxes and royalties	16	(6)	16	59	914
Capital cost estimate	139	16	11	28	975
Changes in working capital	46	8	11	6	—
Cash flow (after tax)	(129)	198	279	174	1,449

Table - 7: Financial Analysis Summary (base case is highlighted)

Indicator	Units	LOM Value
<b>Pre Tax</b>		
NPV 4%	USD million	1,452
NPV 5%	USD million	1,283
NPV 8%	USD million	879
NPV 10%	USD million	675
Payback period from start of production	Years	3.7
IRR	%	23.8
<b>After Tax</b>		
NPV 4%	USD million	791
<b>NPV 5%</b>	<b>USD million</b>	<b>676</b>
NPV 8%	USD million	402
NPV 10%	USD million	264
Payback period from start of production	Years	4.5
IRR	%	15.7

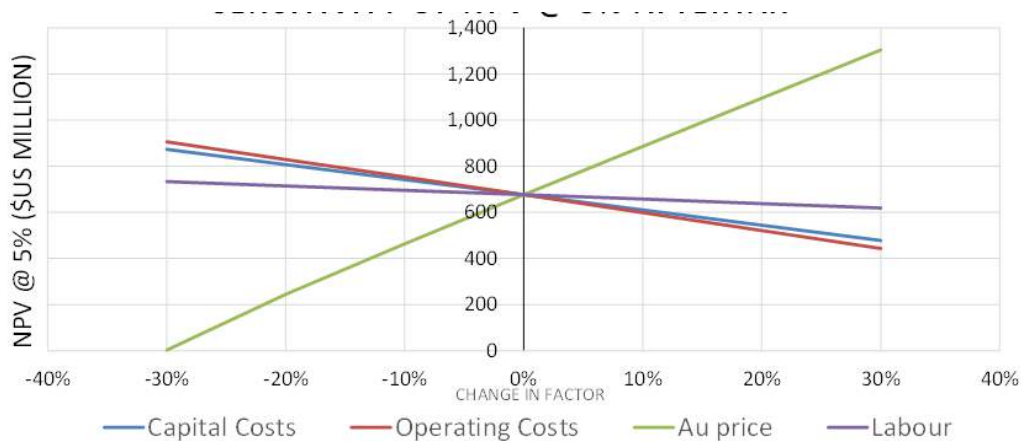
#### Sensitivity Analysis

A sensitivity analysis was performed on the base case NPV after taxes to examine the sensitivity to gold price, operating costs, capital costs and labour costs. In the pre-tax and after-tax evaluations, the Fruta del Norte Project is most sensitive to changes in gold price, less sensitive to changes in operating costs, and least sensitive to capital cost and labour cost changes. Figure 1 shows the results of the after-tax analysis. The gold grade is not presented in the sensitivity graph because the impact of changes in the gold grade mirrors the impact of changes in the gold price.

Table – 8 Sensitivity Analysis

Sensitivity analysis (USD 100/oz variation from the base case gold price; silver held at USD 20/oz)				
Item	Units	USD 1,150/oz Au	Base Case USD 1,250/oz Au	USD 1,350/oz Au
NPV <sub>5</sub>	USD million	506	676	844
IRR	Percent	13.4	15.7	17.8
Payback	Years	5.0	4.5	4.2

Figure - 1: After-Tax Sensitivity Analysis (NPV 5%)



Note:

- (1) Figure prepared by Amec Foster Wheeler, 2016.

*Execution Plan*

The Fruta del Norte Project schedule entails significant project activity durations, some of which may run concurrently, including a duration of 11 months for the engineering, procurement, contracting and preliminary construction of Early Works, 12 months for the construction of the access road and bridge over the Zamora River, 34 months for construction of the twin declines, six months to develop the aggregate borrow pit and plant, nine months for the mass earthworks and 20 months for the construction of the process plant and facilities.

The implementation strategy for the Fruta del Norte Project is dictated by the duration of the construction of the twin declines, which will provide access to the deposit; the estimated duration for this construction is 34 months. It is possible to build all the surface facilities including the process plant and associated infrastructure during this period. Therefore, the construction of the mine access is the critical path and the Early Works to expedite the construction of the access are also critical. The objective of the Early Works is to build access and platforms for the start of construction of the portals and declines, and to provide support facilities. The Early Works have been given special attention in the execution plan because they will need to start very soon after approval of the 2016 FS, if the proposed project schedule is to be met.

**Recommendations and Conclusions**

Under the assumptions utilized in the Technical Report, the Fruta del Norte Project returns a positive economic outcome. Additional permit grants by the GOE will also be required. A two-phase work program is proposed for the Fruta del Norte Project. Phase 1 is designed to provide information to support the Early Works and complete the construction phases associated with the Early Works. Phase 2 comprises additional data collection in specific technical disciplines and will support basic engineering and refinement of the capital cost estimates. The work phases can be carried out in parallel. As information from a discipline area becomes available, it will be reviewed to determine if any revisions to the existing project assumptions, Early Works or

project schedule may be required. The Phase 1 program is estimated at USD 32.7 million; Phase 2 is provisionally estimated at approximately USD 7.9–USD 13.7 million.

### ***Phase 1: Early Works***

The main objective of the Early Works program is to provide the infrastructure, services and facilities to support the start of construction of the mine twin declines. The scheduled start for the decline construction is May, 2017. The Early Works field programs consist mainly of infrastructure, environmental and preliminary civil works such as the construction of access and on-site roads, platforms, water management infrastructure, the expansion of the existing Las Peñas camp, biotic rescue, archeological rescue, deforestation, survey, geotechnical drilling and tendering of the portal construction and mine contractor contracts. In addition to the field work, basic engineering of the process plant and surface infrastructure will also be undertaken.

The Early Works programs began subsequent to the Technical Report effective date, in September 2016, and are anticipated to be completed in July 2017. The Early Works are split for estimation purposes between planning for project development and basic engineering-related Early Works activities, and Early Works in support of mine access and implementation:

- Planning and engineering services for Early Works and contracts: drawings; bids; contract awards; engineering support, construction management; early contracts to support project implementation, including the access road; bridge over the Zamora River; construction camp. Since the Technical Report effective date, Lundin Gold has awarded a service contract to G Mining. Pursuant to this agreement, Lundin Gold and G Mining have formed an integrated project team to manage all aspects of the project, covering optimization of all areas of the project design and execution plan, basic engineering, detailed engineering, procurement, construction and commissioning.
- Early Works in support of portal mine access construction: surveys; geotechnical; biotic rescue; storage areas for forest products and topsoil; contractor mobilization; expanding the exploration camp; laydown areas; road construction and upgrades; mine portal platforms; water management infrastructure.

### ***Phase 2: Additional Data Collection***

#### *Hydrogeology*

Recommendations for future hydrogeology work include:

- Complete large-scale (minimum one month duration at maximum possible pumping rate) pumping tests at two of the proposed dewatering well locations;
- Collect additional water samples from the pumping tests and confirm water quality for discharge to the Machinaza River;
- Conduct hydraulic testing in any planned geotechnical drill holes;
- Re-calibrate the groundwater numerical model based on results of the pumping tests and revise estimates of groundwater inflow;

- Revise design of dewatering wells based on results of the pumping tests;
- Optimize the underground groundwater management plan based on results of the re-calibrated groundwater model and any updates to the mine plan; and
- Continue monitoring existing groundwater instrumentation and collection of groundwater samples.

#### *Geotechnical*

Recommendations for future geotechnical work include:

- Complete early works drilling to complete investigations at the North Portal box-cut and decline, North Decline spiral area, and North and South ventilation shafts;
- Further optimization of the global mine extraction sequence to reduce areas with longer duration temporary access excavation;
- Implement the underground cover drilling program as the twin declines are advanced to verify geotechnical and hydrogeological conditions under the Machinaza River, at the base of the North and South shafts, workshop location, and east infrastructure areas;
- Update ground support designs based on the results of underground cover drilling program; and
- Complete in situ stress testing during the early construction phases to verify assumptions made on the pre-mining stress field, and adjust design if required.

#### *Process*

Recommendations in support of further flowsheet development include:

- The application of centrifugal gravity concentration to either the flotation rougher concentrate or the cleaner scavenger tailings to improve the recovery of fine free gold. The recovered fine gold could be added to the intensive leach reactor to produce doré or the final flotation concentrate, resulting in a higher-grade product; and
- The foundation recommendations for the process plant are still at the feasibility stage because drilling has not been done in the deepest part of the excavation to confirm that the soil profile is as expected.

#### *Tailings Management*

Recommendations in support of TSF design and tailings management include:

- Hydrogeological study of the TSF area to judge whether high groundwater pressures can result from blinding of the upper elevations by the tailings deposit;
- Establish monthly monitoring of all major streams in the tailings area;
- Investigations along the upstream toe of the dam for the detailed design of the cut-off trench and upstream toe of the starter dam;
- Review the potential for alternative geosynthetic filters for the dam;
- Compaction test fill to establish the true compaction characteristics of the saprolite;

- Investigation of the sorption capacity of the saprolite clays in the TSF basin;
- Geotechnical investigations to confirm undrained shear strength of foundation materials with depth; and
- Preparation of lining system sequencing, construction drawings and specifications.

#### *On-Site Infrastructure and Services*

Recommendations in support of on-site infrastructure and services include:

- Further field investigations should be executed in the next phase of the Fruta del Norte Project to confirm the geotechnical and hydrogeological conditions on the northern side of the process plant site and to investigate other on-site facilities including the paste plant, aggregate crushing plant, temporary camp sites, soil stripping stockpiles and Hollín Borrow Pit waste dump; and
- The layout and size of the paste plant presents an opportunity for improvement.

# MINING IN ECUADOR

Ecuador is a Spanish-speaking democratic republic located in western South America, bordered by Colombia to the north and Peru to the east and south. It has a population of approximately 16 million. Since the election of President Correa in 2007, national poverty rates have been reduced from 38% (pre-Correa) to 22.5% in 2014, with unemployment reduced from 7.7% in 2006 to 4.3% in 2015 (vs. 5.8% in Chile, 6.6% in Peru, 7.6% in Brazil, 8.6% in Colombia).

Ecuador's real GDP-growth slipped to -0.6% in 2015 and is estimated to have slipped further to -2.6% in 2016, due to the slide in the oil price and the strength of the U.S. dollar. Ecuador adopted the U.S. dollar as its official currency in 2000. The strength of the U.S. dollar has made Ecuador's exports of bananas, shrimp, cocoa and flowers less competitive against those of countries such as Colombia and Peru, which have seen their national currencies depreciate against the U.S. dollar. Ecuador is an OPEC member with over 50% of national export value and 40% of public sector revenues from petroleum. The GOE continues to prop up the country's growth by continued high levels of public spending to stimulate the economy and develop national and social infrastructure.

Ecuador holds South America's third-largest oil reserves and untapped copper and gold resources, similar to Chile and Peru (the world's top producers). Several large international players have operations or hold concessions in Ecuador, including Repsol, Synopec and Agip, among others, with the majority of petroleum production coming from the state oil company (60-70%). The reliance on oil has been cited by the GOE as a problem, while the increase in mining sector activity is viewed as an avenue for diversification and a source of foreign direct investment. Over the past two years, the GOE has made significant efforts to encourage foreign direct investment and access to global capital markets, through various policy reforms. Due to the continued decline in oil prices and strength of the U.S. dollar, the economy continues to have limited growth or is in a recession, depending on government statistics. The unemployment rate has started to rise.

A national election was held in February 2017. Based on the inconclusive results, a run-off election was held in April 2017 with candidates from Alianza Pias, the incumbent party, and CREO. The election was won by Alianza Pias and in May 2017, Lenin Moreno was inaugurated as President of Ecuador, succeeding Rafael Correa. The policies of Lenin Moreno's government affecting the mining industry have remained consistent, to date, with the previous administration.

In February 2018, a National Referendum was held which dealt with many different issues. One of the questions was focused on mining. The question related to a ban on metallic mining in protected areas, intangible zones or urban centers. Under the existing Mining Law, mining in these same areas was, in principle, also forbidden. Companies could take out concessions for exploration in protected areas, intangible zones or urban centers; in the case of a major discovery, the concession holder could seek a special approval for exploitation from the National Assembly. With the results of the referendum, it is now explicit that no mining activity may be undertaken in the specified areas/zones. This question had no impact on Fruta del Norte as Fruta del Norte is not located within protected areas, intangible zones or urban centers.

Starting in 2012, President Correa's administration has worked to revise the mining laws and agreements with foreign mining companies and encouraged investment in the mining sector. In 2014, Wood Mackenzie, a



global energy, metals and mining research and consultancy group, was commissioned by the GOE to compare Ecuador’s mining policy to those of other prominent Latin American mining jurisdictions and make recommendations for potential improvements. Its advice culminated in amendments to the country’s mining laws, outlined below.

Under current Ecuadorian mining law, there are three stages of development prior to the Exploitation stage, each with a maximum statutory period, including:

- i) Initial Exploration (48 months);
- ii) Advanced Exploration (48 months); and
- iii) Economic Evaluation (24 months with potential to extend for an additional 24 months).

During the Economic Evaluation stage, a company may commence the negotiation of an exploitation agreement in order to obtain an exploitation permit, and it can voluntarily enter into an investment protection agreement with the GOE. The exploitation agreement defines fiscal terms, establishes mining rights and title to concessions and sets out the concessionaire’s and the GOE’s respective obligations. The investment protection agreement is focused on the legal framework, contractual rights, tax incentives and guarantees.

**Lundin Gold’s Mining Terms**

For information on the Company’s mining terms, see “Legal and Supplementary Information”, “Material Contracts” and “Licenses”.

**Other Taxes**

Below is a summary of the additional payments and taxes expected to be required in connection with the Fruta del Norte Project under Ecuadorian law and legal and tax stability granted to the Company under the IPA.

Income Tax	The mining concessionaire will be subject to 22% corporate income tax on its gross income less deductible costs, including operating expenses and certain investments and fiscal charges applicable to revenues and pre-tax profits (see below), including transfer pricing adjustments.
Profit Sharing Contributions	The mining concessionaire must make a total profit sharing payment equal to 15% of its pre-tax income, less deductible costs. Of this amount, 3% is distributed to the mining concessionaire’s employees and 12% is paid to the GOE, to be used for social investment projects involving health, education and housing through local organizations in the area surrounding the Fruta del Norte Project.  Profit sharing payments are a deductible expense for income tax purposes.

Value Added Tax	<p>The mining concessionaire must pay VAT on goods and services purchased within Ecuador or imported from abroad, subject to certain exclusions for items such as Ecuadorian payroll, fuel, power, food and medicines.</p> <p>The standard rate of VAT is 12%. VAT paid by the Company after January 1, 2018 will be refunded once the Company begins to generate export sales.</p> <p>VAT paid on acquisitions of goods and services that has not been offset as a tax credit or refunded will be credited against Sovereign Adjustment liabilities.</p>
Royalty	<p>The mining concessionaire is subject to a 5% net smelter royalty from production.</p> <p>In accordance with the Exploitation Agreement, an advance royalty payment of USD 25 million was paid upon signing of the Exploitation Agreement in December 2016. This payment was followed by a subsequent advance royalty payment of USD 20 million on the first anniversary of the execution of the Exploitation Agreement. The third and final advance royalty payment of USD 20 million will be paid in December 2018.</p> <p>The advance royalty payments totaling USD 65 million are deductible against future royalties payable 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.</p>
Windfall Tax	<p>Windfall Tax will be calculated in the event that market prices exceed a stipulated base price for gold and for silver. The GOE will tax the difference between net smelter revenue and what revenue would be using the base price at a rate of 70%. The base price, which will be determined on a monthly basis, will be equal to the trailing 10-year average of the daily price of gold or silver, escalated by the U.S. Consumer Price Index, plus one standard deviation.</p> <p>Windfall Tax will not be applicable until the Company has recouped the cumulative investment in the Fruta del Norte Project from its inception until the start of production, plus four years.</p>

Sovereign Adjustment	To the extent that the GOE's cumulative benefit falls below 50%, Aurelian S.A. will be required to pay an annual sovereign adjustment. Each year, the benefits to Aurelian S.A. will be calculated as the net present value of the actual cumulative free cash flows of the Fruta del Norte Project from its inception. The GOE's benefit will be calculated as the present value of the cumulative sum of taxes paid including corporate income taxes, royalties, Windfall Tax, labour profit sharing paid to the State, non-recoverable value-added tax, and any previous sovereign adjustment payments.
Other Taxes	The mining concessionaire is also subject to other taxes common to businesses operating in Ecuador including customs duties, capital outflow tax, municipal fees and property tax.

### 2015 Tax Amendments

The GOE enacted various amendments to Ecuador's income tax laws and regulations, including the introduction of the taxation of capital gains, under the law titled *Organic Law for Production Incentives and Prevention of Tax Fraud* (the “**2015 Tax Reform**”), which enactment became effective on December 29, 2014.

The 2015 Tax Reform includes provisions for a capital gains tax on the profits derived from the direct or indirect sale of shares, ownership interests, other rights to capital representation, or other rights, that allow for exploration, exploitation, concession or similar activities by companies either domiciled or with permanent establishments in Ecuador.

## SELECTED FINANCIAL INFORMATION

The information below should be read together with sections “Comments to the Financial Information” and “Capital Structure, Indebtedness and Related Information”, the Company’s audited consolidated financial statements for the years 2017, 2016 and 2015.

The selected financial information set out below for the financial years 2017 and 2016 has been extracted from the Company’s audited consolidated financial statements for the same years. The financial information for the year 2015 has been extracted from the Company’s audited consolidated financial statements for the year 2016. These consolidated financial statements have been prepared in compliance with IFRS.

### Income Statements

(Expressed thousands of in USD)

	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015
<b>EXPENSES</b>			
Project evaluation	-	33,964	36,145
Exploration	6,433	8,259	939
Depreciation	73	26	23
Corporate social responsibility	532	682	2,000
Investor relations	271	896	555
Municipal taxes	585	521	496
Office and general	2,120	1,876	2,129
Professional fees	4,468	3,603	2,305
Regulatory and transfer agent	235	171	170
Salaries and benefits	2,931	3,602	3,270
Stock-based compensation	2,369	2,208	1,694
Travel	720	1,000	899
<b>Loss before other items</b>	<b>20,737</b>	<b>56,808</b>	<b>50,625</b>
<b>OTHER ITEMS</b>			
Other expense (income)	2,369	6,006	(5,300)
Derivative loss	18,034	-	-
<b>Net loss</b>	<b>41,140</b>	<b>62,814</b>	<b>45,325</b>
<b>OTHER COMPREHENSIVE LOSS (INCOME)</b>			
Currency translation adjustment	(177)	825	7,644
Other	163	(20)	89
Comprehensive loss for the year	41,126	63,619	53,058

## Balance Sheets

(Expressed in thousands of USD)

	Dec 31 2017	Dec 31 2016	Dec 31 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	35,018	8,503	21,360
Other current assets	12,726	707	608
	<b>47,744</b>	<b>9,210</b>	<b>21,968</b>
<b>Non-current assets</b>			
Property, plant and equipment	142,598	7,822	8,557
Mineral properties	246,387	236,874	236,874
Advance royalty	45,000	25,000	-
<b>TOTAL ASSETS</b>	<b>481,729</b>	<b>278,906</b>	<b>267,399</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	20,950	8,188	5,652
	<b>20,950</b>	<b>8,188</b>	<b>5,652</b>
<b>Non-current liabilities</b>			
Long-term debt	217,940	-	-
Reclamation provisions	7,990	974	867
<b>TOTAL LIABILITIES</b>	<b>246,880</b>	<b>9,162</b>	<b>6,519</b>
<b>EQUITY</b>			
Share capital	460,856	456,750	386,676
Equity-settled share-based payment reserve	9,547	7,422	5,013
Accumulated other comprehensive loss	(11,364)	(11,378)	(10,573)
Deficit	(224,190)	(183,050)	(120,236)
	<b>234,849</b>	<b>269,744</b>	<b>260,880</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>481,729</b>	<b>278,906</b>	<b>267,399</b>

## Cash Flow Statements

(Expressed in thousands of USD)

	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015
Net cash used for operating activities	(28,475)	(57,391)	(43,237)
Net cash provided by financing activities	181,513	69,848	20
Net cash used for investing activities	(126,549)	(25,395)	(3,715)
Effect of foreign exchange on cash balances	26	81	(2,628)
<b>Net increase/(decrease) in cash during the year</b>	<b>26,515</b>	<b>(12,857)</b>	<b>(49,560)</b>
Cash, beginning of year	8,503	21,360	70,920
<b>Cash, end of year</b>	<b>35,018</b>	<b>8,503</b>	<b>21,360</b>

## Key Financial and Performance Data

The financial data below has been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

(Expressed in USD, except share amounts)

	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015
Basic and diluted net loss from continuing operations (per Share)	0.35	0.58	0.45
Basic and diluted net loss from discontinued operations (per Share)	0.00	0.00	0.00
Basic and diluted net loss (per Share)	0.35	0.58	0.45
Weighted average basic Shares outstanding	119,174,612	108,675,136	101,219,763
Weighted average diluted Shares outstanding	119,174,612	108,675,136	101,219,763

# COMMENTS TO THE FINANCIAL INFORMATION

The information below should be read together with sections “Selected Financial Information” and “Capital Structure, Indebtedness and Related Information”, the Company’s audited consolidated financial statements for the years 2017, 2016 and 2015.

## Operating Loss

The Company historically has only operated in the evaluation and exploration phase and therefore, has never generated production revenue. The only income generated by the Company is interest income on its cash deposits.

## Project Evaluation and Other Operating Expenditures

### *January - December 2017 compared to January - December 2016*

Lundin Gold’s project evaluation, exploration and general and administration expenses for the year ended December 31, 2017, were USD 20.7 million compared to USD 56.8 million in the corresponding period 2016. The decrease is mainly a result of the commencement of capitalization of expenses relating to the development of the of the Fruta del Norte which started in the first quarter of 2017.

### *January - December 2016 compared to January - December 2015*

Lundin Gold’s project evaluation, exploration and general administration expenses for the year ended December 31, 2016 were USD 56.8 million compared to USD 50.6 million for the comparable period in 2015. The increased expenses are mainly a result of an increase in exploration expenditures of USD 5.3 million. The increase in exploration expenditures were driven by the start of exploration drilling in April 2016.

### *January - December 2015 compared to January - December 2014*

Lundin Gold’s project evaluation, exploration and general and administration expenses for the year ended December 31, 2015 were USD 50.6 million as compared to USD 5.3 million for the comparable period in 2014. The increased expenses are mainly a result of project evaluation expenditures of USD 36.1 million incurred on the Feasibility Study and at the Fruta del Norte Project. This included approximately 14,000 metres of drilling to support mine and civil engineering, metallurgical test programs and site and environmental costs.

## Net Loss for the Year

### *January - December 2017 compared to January - December 2016*

The net loss for the year ended December 31, 2017 was lower than that of the corresponding 2016 period due to the commencement of capitalization of expenses and one-time costs incurred in 2016 noted below, which was offset by a derivative loss of USD 18.0 million from the fair value revaluation of the Company’s long-term debt.

### *January - December 2016 compared to January - December 2015*

The loss during the year ended December 31, 2016 of USD 62.8 million was higher compared to the same period 2015 of USD 45.3 million. This was a result of an increase in exploration expenditures of USD 5.3 million in 2016 compared to USD 0.9 million in 2015. Professional fees increased by USD 1.3 million due to an increase

in corporate activities relating to negotiations with the Government of Ecuador on the EA and IPA. The Company was also required to pay USD 3.9 million due to a one-time mandatory contribution to the Government of Ecuador for the earthquake relief efforts. A law passed by the Government of Ecuador in response to an earthquake in the provinces of Manabí and Esmeraldas in Ecuador on April 16, 2016 established a mandatory one-time levy was based on 0.9% of the book value of the equity interest held in Ecuadorian companies by non-resident entities and is not deductible for income tax purposes.

In addition, the Company incurred USD 2.8 million to settle a legal dispute against the Company relating to a net smelter royalty on a Russian gold project previously held by the Company. Lastly, in 2016, the Company generated a gain on account of foreign exchange of USD 5.2 million. This gain was generated by the substantial holdings of U.S. dollars at the parent company level. As the functional currency of the parent company is the Canadian dollar, a strengthening of the U.S. dollar against the Canadian dollar during the year ended December 31, 2015 generated a gain in terms of Canadian dollars. The foreign exchange gain was less in 2016.

#### ***January - December 2015 compared to January - December 2014***

The loss during the year ended December 31, 2015 of USD 45.3 million was higher compared to the previous year ended 2014 of USD 0.7 million. This was a result of project evaluation expenditures of USD 36.1 million incurred on the Feasibility Study and at the Fruta del Norte Project. General and administrative expenses were higher by USD 10.5 million as the Company increased its personnel and its activities in Ecuador to support the development of the Fruta del Norte Project and donated USD 2.0 million to the Lundin Foundation, a registered Canadian non-profit organization. The Lundin Foundation is carrying out economic development, training and small business development programs in Ecuador in conjunction with the Company. These expenses are offset by a gain on account of foreign exchange of USD 5.2 million. The gain is generated by the substantial holdings of U.S. dollars at the parent company level. As the functional currency of the parent company is the Canadian dollar, a strengthening of the U.S. dollar against the Canadian dollar during the year ended December 31, 2015 generates a gain in terms of Canadian dollars.

## **Cash Flow**

#### ***January - December 2017 compared to January - December 2016***

As at December 31, 2017, the Company had cash of USD 35.0 million and a working capital of USD 26.8 million compared to cash of USD 8.5 million and a working capital balance of USD 1.0 million at December 31, 2016. The change in cash was primarily due to proceeds from the 2017 Financing, offset by costs incurred for the development of the Fruta del Norte Project of USD 126.5 million and exploration expenditures of USD 6.4 million.

#### ***January - December 2016 compared to January - December 2015***

As at December 31, 2016, the Company had cash USD 8.5 million and a working capital balance of USD 1.0 million compared to cash of USD 21.4 million and a working capital balance of USD 16.3 million at December 31, 2015. The USD 12.9 million decrease in cash was due primarily to USD 57.4 million used in operating activities relating to project evaluation expenses on FDN. The Company also paid its first advance royalty payment of USD 25 million upon signing of the Exploration Agreement. The balance of the payments will be



due in two equal disbursements of USD 20 million on the first and second anniversary of signing. This decrease was offset by cash provided by financing activities of USD 69.7 million mainly from an equity financing.

#### ***January - December 2015 compared to January - December 2014***

As at December 31, 2015, the Company had cash of USD 21.4 million and a working capital surplus of USD 16.3 million compared to cash of USD 70.9 million and a working capital surplus of USD 66.0 million at December 31, 2014. The decrease in cash of USD 49.5 million was due primarily to cash used in operating activities of USD 43.2 million and cash used in investing activities of USD 3.7 million. In addition, as a result of holding significant cash resources in Canadian dollars as at December 31, 2014 and the effect of the subsequent decline in the Canadian dollar relative to the U.S. dollar, a negative foreign exchange impact of USD 2.6 million was recorded during the year ended December 31, 2015.

Net cash used in operating activities of USD 43.2 million during the year ended December 31, 2015 was primarily driven by project evaluation expenses incurred relating to the Feasibility Study of the Fruta del Norte Project offset by changes in working capital items. Net cash provided by financing activities was due to proceeds received from the exercise of stock options offset by the settlement of accounts payable and accrued liabilities relating to the private placement which was completed during the fourth quarter of 2014. Net cash used in investing activities of USD 3.7 million was due to the settlement of accounts payable and accrued liabilities relating to the Acquisition of Aurelian and other property, plant and equipment expenditures.

#### **Significant Changes in Company's Financial Position and Operating Results After December 31, 2017**

On January 17, 2018, the Company announced that it had drawn the final USD 110 million under the Prepay Loan and Stream Loan (as defined below). The funds are used to support the ongoing development of the Project. Also see sections "*Liquidity and Capital Resources*" and "*Background and Conditions*" below.

## **Liquidity and Capital Resources**

#### ***The Private Placement***

On February 25, 2018, the Company announced the Private Placement (as defined below). See "*Background and Conditions*" for more information.

#### ***The Senior Debt Facility***

On January 22, 2018, the Company announced that it has received commitments from a syndicate of five senior lenders (the "**Senior Lenders**") for a senior secured project finance facility (the "**Senior Debt Facility**") of USD 300 million to fund the development and construction of the Project.

The Senior Lenders are ING Capital LLC, Société Générale, Caterpillar Financial Services Corporation (Cat Financial), The Bank of Nova Scotia and KfW IPEX-Bank GmbH.

The Senior Debt Facility will include two tranches: Tranche A of USD 100 million, to be guaranteed by an export credit agency ("**ECA**") satisfactory to the Senior Lenders, and Tranche B of USD 200 million. The term of the

Senior Debt Facility will be eight and a half years. There are no mandatory requirements for gold hedging associated with the Senior Debt Facility.

The Senior Debt Facility is subject to completion of definitive documentation, which will include customary project finance terms, fees and conditions, a comprehensive intercreditor agreement and completion of ongoing due diligence.

### ***2017 Financing***

On May 30, 2017, the Company announced the 2017 Financing with Orion and Blackstone. The 2017 Financing provides the foundation for the development of the Fruta del Norte project and is comprised of a gold prepay credit facility for USD 150 million (the “**Prepay Loan**”), a stream loan credit facility of USD 150 million (the “**Stream Loan**”) and participation of USD 100 to USD 150 million to future equity financings required to fund the Project.

Pursuant to the 2017 Financing, the Company, together with Aurelian and other subsidiaries related to the Project (collectively, the “**Project Subsidiaries**”), are subject to a number of non-financial covenants while amounts remain outstanding. The Prepay and Stream Loans are secured by way of a first ranking charge over the Project Subsidiaries’ assets, pledges of the shares of the Project Subsidiaries and guarantees of the Company and the Project Subsidiaries.

To date, the full amount of the Prepay Loan and Stream Loan totaling USD 300 million has been advanced.

### ***Gold Prepay Credit Facility***

The Prepay Loan is a senior secured loan facility of USD 150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance.

The Prepay Loan is amortized and repayable over 19 quarters starting December 31, 2020. The quarterly payments are equivalent to the value of 11,500 oz. of gold based on the gold spot price at the time of the payment date. The excess of the quarterly repayments over the principal and interest components, if any, is a variable additional charge (the “**Finance Charge**”). If the average gold price in the fiscal quarter prior to repayment date is greater than USD 1,436 or less than USD 1,062, then the repayments are reduced or increased by 15%, respectively. In addition, the Company has an option to defer the quarterly instalments for up to four (4) quarters by increasing the gold equivalent deliveries by 1,000 oz. for each deferred quarter.

### ***Stream Loan Credit Facility***

The Stream Loan is a senior secured loan facility of USD 150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance.

The Stream Loan is repayable in variable monthly instalments equivalent to the value of 7.75% of gold production less USD 400 per oz. (the “**Gold Base Price**”) and 100% of the silver production less USD 4 per oz. (the “**Silver Base Price**”) upon the start of commercial production at the Fruta del Norte Project, up to a maximum of 350,000 oz. of gold and six million oz. of silver. The Gold Base Price and Silver Base Price will increase by 1% per annum starting on the third anniversary of the commercial production date. The excess of the monthly repayments over the principal and interest components, if any, will be a Finance Charge. The

monthly gold and silver quantities and associated maximum deliverable ounces are subject to increase by set percentages if commercial production is not achieved by December 31, 2020 until October 1, 2021. In addition, the Company has the option to repay (i) 50% of the remaining Stream Loan on June 30, 2024 for USD 150 million and / or (ii) the other 50% of the remaining Stream Loan on June 30, 2026 for USD 225 million.

### ***Equity Commitment***

Orion has agreed to participate in future equity financings of Lundin Gold, in an aggregate amount of not less than USD 100 million and not more than USD 150 million, as and when initiated by the Company and subject to minimum financing thresholds. The participation in future equity financings is being satisfied by Orion through its subscription for New Shares equal to USD 100 million under the Private Placement. See “*Background and Conditions*” for more information.

### ***Offtake Commitment***

Orion and Blackstone have 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.

The Company has elected to classify each component of the 2017 Financing as a financial liability measured at fair value.

## **2016 Financing**

On June 27, 2016, the Company entered into an agreement with a syndicate of underwriters (the “**Underwriters**”), pursuant to which the Underwriters agreed to purchase, on a bought deal basis, 15,000,000 Shares of the Company at a price of CAD 5.50 per common share, for aggregate gross proceeds of CAD 82,500,000 (the “**2016 Financing**”) in two tranches. The Underwriters were granted an over-allotment option, exercisable in whole or in part, to purchase up to an additional 2,250,000 Shares, representing 15% of the number of Shares sold under the 2016 Financing, also at a price of CAD 5.50 per share.

The net proceeds of the 2016 Financing were used to fund the Early Works program at the Fruta del Norte Project, basic engineering and optimization of capital cost estimates at the Fruta del Norte Project and general corporate purposes. An aggregate of USD 8 million from the closing of the first tranche of the offering on July 19, 2016 was used to repay in full amounts owing under the 2016 Facility.

## **Short Term Facilities 2016 and 2017**

### ***Short-Term Credit Facility 2017***

On January 16, 2017, the Company obtained a USD 35 million unsecured short-term credit facility from Zebra (the “**2017 Facility**”). All amounts outstanding under the 2017 Facility were repaid in full on July 14, 2017. The Company issued an aggregate of 60,000 Shares on January 16, 2017 as consideration for the 2017 Facility in lieu of fees. No interest was payable in cash during the term of the 2017 Facility. The Company also issued 187,867 Shares as consideration for amounts drawn under the 2017 Facility. The value of all Shares issued in the amount of USD 1,064,048 was capitalized to property, plant and equipment.

### **2016 Facility**

In June 2016, the Company secured a short-term USD 18 million credit facility (the “**2016 Facility**”) from Zebra. The 2016 Facility was evidenced by a debenture, which was unsecured and was due on the earlier of the closing of a financing by the Company or August 31, 2016 (the “**Maturity Date 2016**”). No interest was payable during the term of the debenture. Any amount of the 2016 Facility remaining unpaid and outstanding on or after the Maturity Date 2016, however, would bear interest at a rate of 5.00% per annum until repaid in full. The principal proceeds from the 2016 Facility were used for general corporate purposes and advancement of its Early Works program at the Fruta del Norte Project.

The Company issued an aggregate of 20,000 Shares on June 9, 2016 as consideration for the 2016 Facility in lieu of fees. The Company was also required to issue an additional 1,700 Shares per month for each USD 1 million of the 2016 Facility drawn down and outstanding until the Maturity Date 2016.

All amounts outstanding under the 2016 Facility were repaid in full on July 22, 2016 and an aggregate of 9,974 Shares were issued on August 2, 2016 in respect of amounts outstanding in July.

## **Commitments**

The Company has committed to payments under various leases and other commitments. Excluding spending amounts which may be required to maintain the Company’s mineral properties in good standing, the future minimum payments as of December 31, 2017 were as follows:

(Expressed in thousands of USD)	<b>Advance Royalty USD</b>	<b>Development costs USD</b>	<b>Total USD</b>
2018	20,000	83,427	103,427
2019-2020	-	38,491	38,491
Total	20,000	121,918	141,918

## **Other Information**

As of the date of this prospectus and other than as disclosed in this prospectus, the Company is not aware of any measures, such as public, tax policies, monetary policies or other political and/or policy measures which, directly or indirectly, has had or could have a material effect on the Company’s business.

There has been no significant change to the Company’s financial position or as regards its position on the market since the most recent financial report was made public on February 15, 2018 other than as disclosed in this prospectus.

# FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, cash equivalents and receivables, which are categorized as loans and receivables, and accounts payable and accrued liabilities, which are categorized as financial liabilities at amortized cost. The fair value of these financial instruments other than cash, approximates their carrying values due to the short-term nature of these instruments. In addition, the Company has long-term debt all of which have been classified as financial liabilities measured at fair value.

## Currency Risk

The Company is a Canadian and its capital is raised in CAD, with foreign operations in Ecuador. Expenditures in Ecuador are primarily denominated in USD. 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 USD.

## 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.

## 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.

## 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 which monitors 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. Refer to "*Liquidity and Capital Resources*" section above.

## Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for 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 metal substitutes, inflation and political and economic conditions. The Company has not hedged the price of any commodity at this time.

The fair value of long-term debt which is accounted for at fair value through profit or loss is impacted by fluctuations of commodity prices.

# BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND AUDITOR

## Board of Directors

As of the date of this prospectus, the Board of the Company is comprised of eight (8) directors.

The following table sets forth information with respect to the directors of Lundin Gold, including the date they first became a director of Lundin Gold, current positions with Lundin Gold and the members of each of the five committees of the Board: Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, Environment Health and Safety Committee and Project Advisory Committee

<u>Name</u>	<u>Director since</u> <sup>(1)</sup>	<u>Position</u>
Lukas H. Lundin	May 23, 2008	Chairman & Director
Ron F. Hochstein	June 10, 2004	President, CEO & Director
Ian W. Gibbs	June 10, 2005	Director
Paul McRae	December 12, 2014	Director
Pablo J. Mir	December 12, 2014	Director
Carmel Daniele	January 8, 2015	Director
Ashley Heppenstall	May 13, 2015	Director
Chantal Gosselin	March 16, 2017	Director

Notes:

(1) The term of office of each of the directors will expire at the next Annual General Meeting of the Shareholders to be held in 2018

### **Lukas H. Lundin**, *Chairman and Director*

Born in 1958, Lukas Lundin graduated from the New Mexico Institute of Mining and Technology (engineering) in 1981. In 1982, Mr. Lundin headed International Petroleum Corporation's oil and gas operations and was based in Dubai, U.A.E. for 12 years. From 1990 to 1995, he was President of International Musto Exploration Limited and was responsible for Musto's acquisition of the Bajo de la Alumbrera deposit. His uninhibited pursuit of highly prospective properties around the world has resulted in numerous resource discoveries, including the multi-million ounce Veladero gold discovery. Mr. Lundin has also led several companies through highly profitable business acquisitions and mergers such as Lundin Mining Corporation's USD 3.3 billion merger with EuroZinc Mining, the USD 2 billion sale of Tanganyika Oil Company Ltd. and most recently the USD 9.2 billion sale of Red Back Mining Inc. He currently sits on the Board of a number of publicly traded companies. Mr. Lundin is Chairman of the Board of Lundin Gold, a position he has held since 2014.

Mr. Lundin is currently a director and/or officer of the following companies:

- Denison Mines Corp.
- Filo Mining Corp.
- International Petroleum Corporation
- Lucara Diamond Corp.
- Lundin Mining Corporation
- Lundin Petroleum AB
- NGEx Resources Inc.

During the past five years, Mr. Lundin has been, but is no longer a director and/or officer of the following companies:

- Sirocco Mining Inc.
- Vostok Nafta Investment Ltd.
- Newmarket Gold Inc.

**Ron F. Hochstein, *President, CEO and Director***

Ron Hochstein, P.Eng., has a wealth of experience in the mining industry. Mr. Hochstein has worked for the Lundin family directly and as a consultant for over twenty years. Prior to becoming President and Chief Executive Office of Lundin Gold, Mr. Hochstein served as President and Chief Executive Officer of Denison Mines Corp., a Canadian uranium exploration and development company, for seven years, having joined a predecessor company to Denison in 1999. Earlier in his career, Mr. Hochstein was a Project Manager with Simons Mining Group and worked at Noranda Minerals as a metallurgical engineer. Mr. Hochstein is a Professional Engineer and holds an M.B.A. from the University of British Columbia and a B.Sc. from the University of Alberta. Mr. Hochstein became President and Chief Executive Officer in 2014 and was instrumental in the acquisition of Fruta del Norte. Mr. Hochstein is currently a director and/or officer of the following companies:

- Denison Mines Corp.
- Sprott Resources Holdings Inc.

During the past five years, Mr. Hochstein has been, but is no longer a director and/or officer of the following companies:

- RB Energy Inc.
- Sirocco Mining Inc.
- Rockgate Capital Corp.
- International Enexo Ltd.
- Uranium Participation Corporation
- Great Western Minerals Group Ltd.
- Energy Fuels Inc.

- Sprott Resources Corp.

**Carmel Daniele, Director**

Ms. Daniele is the founder and Chief Investment Officer of CD Capital UK Ltd., the fund manager of a number of private equity and mining funds, since 2006. Ms. Daniele has over 25 years of natural resources investment experience, 10 years of which were spent with Newmont Mining/Normandy Mining where she acquired various companies including LaSource SAS (a joint venture between BRGM and Normandy Mining). As Senior Executive (Corporate Advisory) at Newmont Ms. Daniele structured cross-border mergers and acquisitions including the USD 24 billion three-way merger between Franco-Nevada, Newmont and Normandy Mining to create the largest gold company in the world. Post-merger, Ms. Daniele structured the divestment of various non-core mining assets around the world for the merchant banking arm of Newmont. Ms. Daniele started off her career at Deloitte Touche Tohmatsu where she spent 8 years in various corporate finance roles including international taxation, audit, accounting & reconstructions. Prior to the founding of CD Capital UK Ltd., Ms. Daniele spent a year and a half as an investment advisor to a London based Special Situations Fund on sourcing and negotiating natural resource private equity investments. Ms. Daniele holds a Master of Laws (Corporate & Commercial) and Bachelor of Economics from the University of Adelaide and she is a Fellow of the Institute of Chartered Accountants

Ms. Daniele is currently a director and/or officer of the following companies:

- Prairie Mining Ltd.

**Ian W. Gibbs, Director**

Mr. Gibbs is a Canadian Chartered Accountant and a graduate of the University of Calgary where he obtained a Bachelor of Commerce degree. He has held a variety of prominent positions within the Lundin Group of Companies and he currently serves as Chief Financial Officer of Africa Oil Corp., a TSX and Nasdaq Stockholm listed Canadian oil and gas company with assets in Kenya and Ethiopia. Since 2004, Mr. Gibbs has been the Chief Financial Officer of several TSX-V and TSX Listed international oil exploration and production companies including Valkyries Petroleum Corp. and Tanganyika Oil Company Ltd. and has been actively involved in the day to day operation of these companies with operations in Russia, Syria, Egypt, Kenya, Ethiopia and Puntland (Somalia). Prior to 2004, Mr. Gibbs spent several years working in Russia and Kazakhstan in the upstream oil and gas industry. As CFO of Tanganyika Oil, in 2008, he played a pivotal role in the CAD 2 billion acquisition by Sinopec International Petroleum. Prior to Tanganyika Oil, Mr. Gibbs was CFO of Valkyries Petroleum which was the subject of a CAD 750 million takeover.

Mr. Gibbs is currently a director and/or officer of the following companies:

- Africa Energy Corp.
- Africa Oil Corp.

During the past five years, Mr. Gibbs has been, but is no longer a director and/or officer of the following companies:



- Petro Vista Energy Corp.

**Chantal Gosselin, Director**

Ms. Gosselin is a Corporate Director who brings over 25 years of combined experience in the mining industry and capital markets. Her exposure to the financial markets is extensive. Until 2013, she served as Vice President and Portfolio Manager at Goldman Investment Counsel. Prior to that, she has held the position of Senior Mining Analyst at Sun Valley Gold LLP along with other analyst positions earlier in her career. Ms. Gosselin held various mine-site management positions in Canada, Peru and Nicaragua, giving her first-hand experience in underground mine development and production. Ms. Gosselin has a Master of Business Administration from Concordia University and a Bachelor of Science (Mining Engineering) from Laval University and has completed the Institute of Corporate Directors program.

Ms. Gosselin is currently a director and/or officer of the following companies:

- Peregrine Diamonds Limited
- Wheaton Precious Metals Corp.

During the past five years, Ms. Gosselin has been, but is no longer a director and/or officer of the following companies:

- Avala Resources Ltd.

**Ashley Heppenstall, Director**

Mr. Heppenstall is the Lead Director of the Board of Lundin Gold. Mr. Heppenstall previously served as the President, Chief Executive Officer and Finance Director of Lundin Petroleum AB. Early in his career, Mr. Heppenstall worked in the banking sector where he was involved in project financing of oil and resource sector businesses. Since 1993 Mr. Heppenstall has worked with public companies associated with the Lundin family. In 1998 he was appointed Finance Director of Lundin Oil AB. Following the acquisition of Lundin Oil by Talisman Energy in 2001, Lundin Petroleum was formed and Mr. Heppenstall was appointed President and Chief Executive Officer in 2002 until his retirement in 2015. Mr. Heppenstall obtained a degree in Mathematics from Durham University.

Mr. Heppenstall is currently a director and/or officer of the following companies:

- Africa Energy Corp.
- Etrion Corp.
- Filo Mining Corp.
- International Petroleum Corporation
- ShaMaran Petroleum Corp.
- Lundin Petroleum AB

**Paul McRae, Director**

Mr. McRae has a distinguished global reputation in project and construction management in the mining industry for both surface and underground projects of all scales and complexities. He was most recently responsible for the successful development of Lundin Mining Corporation's Eagle Mine in Northern Michigan. His track record includes on time/on budget project management of major underground investments for INCO including McCreedy East, Garson and Birch Tree projects, serving as Project Manager on the highly successful De Beers Victor Project in Northern Canada, and leadership of numerous other projects from conceptual through construction phases in Australia, Canada, Spain, Portugal, and South America, over a career spanning more than 40 years. Mr. McRae served as a Project Manager at Amec Corp., a British multinational consultancy, engineering and project management company from 2009-2011. He is currently the Senior Vice-President of Lundin Mining Corporation, a diversified base metals mining company, a position he has held since 2012.

Mr. McRae is currently a director and/or officer of the following companies:

- Lundin Mining Corporation
- Bluestone Resources Inc.
- Filo Mining Corp.

During the past five years, Mr. McRae has been, but is no longer a director and/or officer of the following companies:

- Southern Hemisphere Mining Ltd.

**Pablo J. Mir, Director**

Mr. Mir practices in the area of natural resources law with a focus on mining. He is a senior partner of the Chilean law firm Bofill Mir & Alvarez Jana, one of the largest in Chile, where he leads the natural resources practice. Mr. Mir has advised international mining companies on the exploration, development, construction, and acquisitions of mining projects located in Chile, Argentina, Ecuador and Peru. He has been recognized by specialized legal publications as one of the top mining lawyers in Latin America. Mr. Mir has served as counsel to several equity financings for mining projects located in Chile and Argentina, including the listing process in the TSX, ASX and AIM markets. Mr. Mir received his Law Degree from Universidad de Chile and was admitted to practice in 1989.

Mr. Mir is currently a director and/or officer of the following companies:

- Filo Mining Corp.

During the past five years, Mr. Mir has been, but is no longer a director and/or officer of the following companies:

- RB Energy Inc.
- Sirocco Mining Inc.
- Salares Lithium Inc.

- Albion Petroleum Ltd.

## Executive Officers

<u>Name</u>	<u>Since</u>	<u>Position</u>
Ron F. Hochstein	2015	President & CEO
Alessandro Bitelli	2016	Executive Vice President, CFO
Sheila Colman	2015	Vice President, Legal and Corporate Secretary
David Dicaire	2016	Vice President, Projects
Nathan Monash	2015	Vice President, Business Sustainability
Iliana Rodriguez	2016	Vice President, Human Resources
Chester See	2016	Vice President, Finance

### **Ron Hochstein**, *President, CEO and Director*

Biography: See above under “*Board of Directors*”.

### **Alessandro Bitelli**, *Executive Vice President, CFO*

Mr. Bitelli brings over 30 years of experience in the resource industry and in public accounting to Lundin Gold, having worked both in North America and Europe. Mr. Bitelli was a member of the senior management team at the Lundin Group of Companies until January 2016 and most recently was Chief Financial Officer of Orca Gold Inc. Prior to that, Mr. Bitelli served as Chief Financial Officer for Red Back Mining Inc., a gold mining company with two African operations that traded on the TSX until its USD 8.9 billion takeover in 2010.

Mr. Bitelli is currently a director and/or officer of the following companies:

- Filo Mining Corp.
- Group Eleven Resources Corp.

During the past five years, he has been, but is no longer a director and/or officer of the following companies:

- Chief Financial Officer, Orca Gold Inc.
- Chief Financial Officer, RB Energy Inc.
- Chief Financial Officer, Red Back Mining Inc.
- Chief Financial Officer, Sirocco Mining Inc.

**Sheila Colman, Vice President, Legal and Corporate Secretary**

Ms. Colman joined Lundin Gold as Vice President, Legal and Corporate Secretary in February 2015 and is responsible for overseeing Lundin Gold's legal affairs. Ms. Colman formerly served as Vice President and Corporate Secretary of Denison, another Lundin Group company. Ms. Colman was employed at Denison from 2004 to 2007 and then again from 2009 to 2015. Ms. Colman has 20 years of business focused legal experience, regularly advising on range of areas from corporate and commercial transactions, financings and strategic relationships to board activities, compliance and corporate governance. Ms. Colman graduated from Queen's University with a B.A.(H) in 1990 and then received her LL.B. from Queen's University in 1993. She is a member of both the British Columbia and Ontario Bars.

Ms. Colman is currently not a director and/or officer of any other companies. During the past five years, she has been, but is no longer a director and/or officer of the following companies.

- General Counsel and Corporate Secretary, Denison
- Corporate Secretary, Uranium Participation Corporation

**David Dicaire, Vice President, Projects**

Mr. Dicaire has over 35 years of experience in the mining, engineering and construction industry on a variety of global projects leading both the Owners and EPCM teams. Prior to joining Lundin Gold, Mr. Dicaire was employed by Freeport-McMoRan Inc. as the Project Director for the highly successful USD 4.6 billion Cerro Verde Expansion Project in Peru. Prior to moving to Freeport, Mr. Dicaire was the General Manager, Project Development for South America for Xstrata Copper (now Glencore plc) based in Santiago, Chile. Mr. Dicaire's experience covers all facets of project management for all types of mining projects ranging from running EPC/EPCM projects down to pre-feasibility studies.

**Nathan Monash, Vice President, Business Sustainability**

Mr. Monash has extensive experience within the mining industry in the implementation of sustainable development strategies and the local and national level. He spent several years leading AngloGold Ashanti's sustainability efforts in the Americas, where he developed new sustainability approaches and governance structures and advised operations on community relations, local government relations, human rights and communications. In addition, Mr. Monash worked with Rio Tinto Alcan where he integrated sustainable development principles across Rio Tinto Alcan's business development practice. As well, Mr. Monash spent several years with the World Economic Forum where he worked closely with leaders from business, academia, and government to identify and address key economic, social, and environmental issues facing the sector. Mr. Monash also worked with International Finance Corporation (IFC, part of the World Bank Group) guiding extractive industry clients on the structure and implementation of sustainable development strategies.

Mr. Monash is currently not a director and/or officer of any other companies. During the past five years, he has been, but is no longer a director and/or officer of the following companies:

- Vice President, AngloGold Ashanti

**Iliana Rodriguez, Vice President, Human Resources**

Ms. Rodriguez has over 20 years of experience in Human Resources working in multi-cultural environments and diverse industries in South America, United States, Middle East and Africa. She previously held the position Human Resources Director for Lundin Gold and has been a key member of the management team involved in the start-up of operations in Ecuador. Prior to joining Lundin Gold, Iliana held various management positions with Kinross Gold Corporation and Occidental Oil & Gas Corporation. Iliana has recognized experience in developing and implementing human resources systems and strategies focused on business development, management of organizations with diverse cultural backgrounds, nationalization of the workforce through articulated training and succession plans. Iliana's education is in Human Resources Management and holds an MBA, with a major in Human Resources, from Universidad San Francisco de Quito.

**Chester See, Vice President, Finance**

Mr. See joined the Company right after also becoming CFO at NGEx. He comes previously from Lucara, where he served as Financial Controller since 2011. During his career he has held positions of increasing responsibility in a number of publicly traded companies, including three years at Western Coal Corp., where he served as Manager, Financial Reporting & Treasury at the time of its CAD 3.3 billion acquisition by Walter Energy Ltd. in 2011. Prior to his involvement in the mining industry, Mr. See spent three years in public accounting with PricewaterhouseCoopers working with a diverse client base both in Canada and internationally. He is a graduate of the University of British Columbia with a Bachelor of Commerce (Accounting) and is a member of the Institute of Chartered Professional Accountants of British Columbia.

Mr. See is currently not a director and/or officer of any other companies. During the past five years, he has been but is no longer a director and/or officer of the following companies:

- Chief Financial Officer, NGEx Resources Inc.

## **Other Information Regarding the Board of Directors and Executive Officers**

There are no family ties between any members of the Board or executive officers of Lundin Gold. All members of the Board and executive officers can be reached via the Company at Suite 2000 – 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3E8.

As at March 12, 2018 the following directors and officers held Shares and options in Lundin Gold:

<b>Insider</b>	<b>Shares</b>	<b>Options</b>
Lukas H. Lundin	307,084	296,000
Ron F. Hochstein	52,500	952,000
Carmel Daniele	Nil	Nil
Ian W. Gibbs	12,500	237,000
Chantal Gosselin	8,000	37,000
Ashley Heppenstall	150,000	229,000
Paul McRae	1,375	257,000
Pablo J. Mir	46,660	237,000

Alessandro Bitelli	10,000	310,000
Sheila Colman	Nil	181,000
David Dicaire	350	186,000
Nathan Monash	Nil	281,000
Iliana Rodriguez	Nil	163,000
Chester See	10,000	469,500

## Cease Trade Orders, Bankruptcies, Penalties or Sanctions

The following information has been furnished by the directors or executive officers. No director or executive officer is, or, within the five years before the date of this prospectus has been, a director, chief executive officer or chief financial officer of any issuer that:

- (a) while such person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the issuer access to any exemptions under securities legislation, for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after such person ceased to be a director, chief executive officer or chief financial officer, in the issuer being the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days.

Other than as disclosed below, no director or executive officer is or has been within the five years before the date of this prospectus, a director or executive officer of any issuer that, while that person was acting in such capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets.

On October 13, 2014, RB Energy Inc., (“**RBI**”), a company pursuant to which Ron Hochstein and Pablo Mir were directors during the period January 31, 2014, to October 3, 2014, announced that, among other things, the Board of Directors of RBI has approved a filing on October 14, 2014, for an Initial Order to commence proceedings under the Companies’ Creditors Arrangement Act (the “**CCAA**”) from the Quebec Superior Court. On October 15, 2014, RBI further announced that the Quebec Superior Court issued an Amended and Restated Initial Order in respect of RBI and certain of its subsidiaries under the CCAA. RBI was under the protection of the Court and KPMG LLP was appointed monitor under the Court Order. The TSX de-listed RBI’s common shares effective at the close of business on November 24, 2014 for failure to meet the continued listing requirements of the TSX. Since that time, RBI’s common shares have been suspended from trading. On May 8, 2015, RBI announced that the Court appointed a receiver, Duff & Phelps Canada Restructuring Inc., under the Bankruptcy and Insolvency Act, and terminated the CCAA proceedings.

On January 31, 2014, Mr. Lukas Lundin, resigned as a director of Sirocco Mining Inc. (“**Sirocco**”), at which time Sirocco was financially solvent. Pursuant to a plan of arrangement completed on January 31, 2014, Canadian Lithium Corp. acquired Sirocco. The final step in the plan of arrangement transaction was the amalgamation of Canadian Lithium Corp. and Sirocco to form RBI. On October 13, 2014, RBI announced that, among other things, the Board of Directors of RBI has approved a filing on October 14, 2014, for an Initial Order to

commence proceedings under the CCAA. Please refer to the above paragraph for further information regarding RBI and the CCAA proceedings.

On May 8, 2015, following the appointment of a receiver by the court, Mr. Bitelli was terminated from his role as Chief Financial Officer of RBI. Prior to such date, RBI announced on October 13, 2014 that, among other things, the Board of Directors of RBI approved a filing on October 14, 2014, for an Initial Order to commence proceedings under the CCAA. Please refer to the above for further information regarding RBI and the CCAA proceedings.

#### **Penalties or Sanctions**

No director or executive officer has within the five years before the date of this prospectus:

- (a) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer; or
- (b) been convicted in relation to fraudulent offences.

#### **Conflicts of Interest**

To the Company's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among Lundin Gold and its directors, officers or other members of management as a result of their outside business interests except that certain directors and officers serve as directors and officers of other companies (see above under "*Board of directors*"), and therefore it is possible that a conflict may arise between their duties to Lundin Gold and their duties as a director or officer of such other companies.

The directors of Lundin Gold are required by-law to act honestly and in good faith with a view to the best interests of Lundin Gold and to disclose any interests that they may have in any material contract or material transaction. If a conflict of interest arises at a meeting of the Lundin Gold Board, any director in a conflict is required to disclose his or her interest and abstain from voting on such matter. The directors and officers of Lundin Gold are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest in respect of Lundin Gold and are required to comply with such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

### **Interest of Management and Other in Material Transactions**

Other than as set out herein, to the best of the Company's knowledge, no director, executive officer or person or company that beneficially owns or controls or directs, directly or indirectly, more than 10 per cent of any class or series of the Company's outstanding voting securities, or any associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the first quarter of 2018, that has materially affected or is reasonably expected to materially affect the Company., except as follows:

- Lorito and Zebra, who report their shareholdings as joint actors, acquired 4,000,000 pursuant to the 2016 Financing. Zebra also acquired a further 39,267 Shares pursuant to the 2016 Facility and 247,867 Shares pursuant to the 2017 Facility. As of the date hereof, Zebra and Lorito own or control 35,902,608 Shares representing approximately 30.02% of the issued and outstanding Shares. Pursuant to the Private Placement, Zebra has agreed to acquire 8,083,141 Shares and Lorito has agreed to acquire 3,464,203 Shares. After the completion of the Private Placement, Lorito and Zebra will own approximately 22.27% of the issued and outstanding Shares.

## Auditors

PricewaterhouseCoopers LLP, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada, V6C 3S7, has audited the financial information for the years ended December 31, 2015, 2016 and 2017. Mr. Ken Scott, Chartered Professional Accountant and member of the Chartered Professional Accountants of British Columbia, is the Company's lead partner at PwC. PwC were appointed as auditors effective January 5, 2015. On the same day, Davidson & Company LLP, 609 Granville St. #1200, Vancouver, BC V7Y 1G6, previous auditors of the Company resigned.

Apart from the above, no auditor has resigned, been removed or not been re-appointed during the period covered by the historical financial information in this prospectus.

For information regarding the Company's Audit Committee, please see "Corporate Governance" below.

## Compensation, Pension and Benefits

### Statement of Executive Compensation

The Corporation had five Named Executive Officers ("NEOs") in 2017, as set out on the table below.

NEO	Position during 2017	Basis
Ron F. Hochstein	President and Chief Executive Officer	The Chief Executive Officer qualifies as an NEO under Canadian securities laws.
Alessandro Bitelli	Executive Vice President and Chief Financial Officer	The Chief Financial Officer qualifies as an NEO under Canadian securities laws.
David Dicaire	Vice President, Projects	Mr. Dicaire was one of the three most highly compensated executive officers, excluding the CEO and the CFO, at the end of the year.
Nathan Monash	Vice President, Business Sustainability	Mr. Monash was one of the three most highly compensated executive officers, excluding the CEO and the CFO, at the end of the year.
Iliana Rodriguez	Vice President, Human Resources	Ms. Rodriguez was one of the three most highly compensated executive officers, excluding the CEO and the CFO, at the end of the year.

### Summary Compensation Table

The table below is a summary of base salary, incentive-based awards and other compensation awarded to the NEOs in the last financial year. None of the NEOs received any share-based awards or any non-equity awards



under a long-term incentive plan. The Company does not have any defined benefit or actuarial plans for active employees.

Name and Principal Position	Year	Salary (USD)	Option-based awards <sup>1</sup> (USD)	Non-equity Annual Incentive Plans (USD)	All other compensation <sup>2</sup> (USD)	Total compensation (USD)
Ron F. Hochstein <sup>3</sup> President and CEO	2017	358,078	357,404	-	65,217	780,699
Alessandro Bitelli <sup>3</sup> Executive Vice President & Chief Financial Officer	2017	269,521	280,521	-	-	550,042
David Dicaire Vice President, Projects	2017	300,000	168,312	-	141,931	610,243
Nathan Monash Vice President, Business Sustainability	2017	235,000	130,910	-	106,040	471,950
Iliana Rodriguez Vice President, Human Resources	2017	230,888	135,065	35,069	69,996	471,018

Notes to Summary Compensation Table:

- The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the determinations used for financial statement purposes. The Corporation selected the Black-Scholes model given its prevalence of use within North America. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized. The Black-Scholes option pricing model incorporates the following assumptions:

	2017
Risk-free interest rate	1.10%
Expected stock price volatility	61.85%
Expected life	5 years
Expected dividend yield	-
Weighted-average fair value per option granted (CAD)	\$2.71

- Except as disclosed, perquisites have not been included as they do not reach the prescribed threshold of the lesser of CAD 50,000 and 10% of total salary for the financial year. In 2017, All Other Compensation includes amounts paid pursuant to the Corporation's Expat Compensation Policy (the "**Expat Policy**"). The Expat Policy provides compensation to employees who relocate to Ecuador to offset the impact of the relocation and compensate for a portion of the living expenses incurred in Ecuador.
- Compensation was paid in CAD and translated into USD using average annual exchange rates of 1.2986 for 2017 as provided by the Bank of Canada.

## Incentive Plan Awards

The Company employs two forms of incentive plans to award its employees for individual and Lundin Gold performance, namely option-based awards and non-equity based awards in the form of cash bonuses. The Company does not have a share-based incentive plan.

### Outstanding Option-Based Awards

The following table sets out for each NEO the number and value of options outstanding on December 31, 2017.

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (CAD)	Option Expiration Date	Value of Unexercised In-the-money Options (CAD) <sup>1</sup>
Ron F. Hochstein	172,000	5.15	February 27, 2022	Nil
	300,000	4.13	February 23, 2021	120,000
	400,000	4.00	February 23, 2020	212,000
	80,000	3.75	May 26, 2019	62,400
Alessandro Bitelli	135,000	5.15	February 27, 2022	Nil
	175,000	5.79	August 2, 2021	Nil
David Dicaire	81,000	5.15	February 27, 2022	Nil
	105,000	5.84	June 7, 2021	Nil
Nathan Monash	63,000	5.15	February 27, 2022	Nil
	123,000	4.13	February 23, 2021	49,200
	95,000	3.69	April 9, 2020	79,800
Iliana Rodriguez	65,000	5.15	February 27, 2022	Nil
	48,000	4.13	February 23, 2021	19,200
	50,000	3.75	May 14, 2020	39,000

Notes:

1. Calculated using the closing price of the Shares on the TSX on December 31, 2017 of CAD 4.53 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Shares on the date of exercise.

### Incentive Plan Awards - Value Vested or Earned During the Year

The table below sets out information concerning the value of incentive plan awards, including option-based and non-equity incentive plan compensation, vested or earned during the financial year ended December 31, 2017 for each NEO.

Name	Option-based awards – Value vested during the year <sup>1</sup> (CAD)	Non-equity incentive plan compensation – Value earned during the year (USD)
Ron F. Hochstein	142,000	Nil
Alessandro Bitelli	Nil	Nil
David Dicaire	Nil	Nil
Nathan Monash	54,660	Nil
Iliana Rodriguez	25,260	Nil

Notes:

1. Calculated using the closing price of the Shares on the TSX on December 31, 2017 of CAD 4.53 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Shares on the date of exercise.

### ***Defined Benefits Plans***

Lundin Gold does not have a defined benefits pension plan.

### ***Defined Contribution Plans***

Lundin Gold does not have a defined contribution plan.

### ***Deferred Compensation Plans***

Lundin Gold does not have a deferred compensation plan.

## **Directors' Compensation**

### ***Director Compensation Table***

Other than as set forth under the section "Summary Compensation Table" there were no fees paid to directors in their capacity as directors of the Company or its subsidiaries, in their capacity as members of the Board or of a committee of the Board of its subsidiaries, or as consultants or experts, during the Company's most recently completed financial year ended December 31, 2017, and except as set forth herein there are no service contracts between any director of the Board and the Company or any of its subsidiaries providing for benefits upon termination of employment.

The table below sets out what Lundin Gold paid to its current non-employee directors in cash and equity in 2017.

	<b>Total Fees (USD)<sup>1</sup></b>	<b>Option-based awards (USD)<sup>2</sup></b>	<b>Total (USD)</b>
Carmel Daniele <sup>3</sup>	36,097	-	36,097
Ian Gibbs	53,904	76,883	130,787
Chantal Gosselin	33,874	88,542	122,416
Ashley Heppenstall	62,366	101,819	164,185
Lukas Lundin	46,204	116,364	162,568
Paul McRae	46,013	76,883	122,896
Pablo Mir	34,653	76,883	111,536

Notes to Director Compensation:

1. Compensation was paid in CAD and translated into USD using an average annual exchange rate of 1.2986 for 2017 as provided by the Bank of Canada.
2. The Corporation used the Black-Scholes option pricing model for determining the fair value of stock options issued at grant date. These amounts do not represent actual amounts received by the directors as any gain, if any, will depend on the market value of the shares on the date that the option is exercised. See Note 2 of the Summary Compensation Table for the assumptions underlying the Black-Scholes option pricing model.
3. Ms. Daniele directed the Corporation to pay cash compensation owing to her as a director to CD Capital, the Shareholder who she represents on the Board. Ms. Daniele is not permitted to receive options from Lundin Gold due to internal restrictions at CD Capital.

### **Directors' Outstanding Option-based Awards**

The table below sets out for each non-employee director all option-based awards outstanding at the end of 2017. As at December 31, 2017, a portion of these option-based awards has vested.

<b>Name</b>	<b>Number of securities underlying unexercised options (#)</b>	<b>Option exercise price (CAD)</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money options<sup>1</sup> (CAD)</b>
Carmel Daniele <sup>2</sup>	Nil	-	-	N/A
Ian W. Gibbs	37,000	5.15	February 27, 2022	Nil
	60,000	4.13	February 23, 2021	24,000
	60,000	4.00	February 23, 2020	31,800
	80,000	3.75	May 26, 2019	62,400
Chantal Gosselin	37,000	5.94	March 16, 2022	Nil
	49,000	5.15	February 27, 2022	Nil
Ashley Heppenstall	100,000	4.13	February 23, 2021	40,000
	80,000	3.75	May 14, 2020	62,400
	56,000	5.15	February 27, 2022	Nil
Lukas Lundin	60,000	4.13	February 23, 2021	24,000
	60,000	4.00	February 23, 2020	31,800
	120,000	3.75	May 26, 2019	93,600
	37,000	5.15	February 27, 2022	Nil
Paul McRae	100,000	4.13	February 23, 2021	40,000
	120,000	4.00	February 23, 2020	63,600
	37,000	5.15	February 27, 2022	Nil
Pablo J. Mir	100,000	4.13	February 23, 2021	40,000
	100,000	4.00	February 23, 2020	53,000
	37,000	5.15	February 27, 2022	Nil

Notes:

1. Calculated using the closing price of the Shares on the TSX on December 31, 2017 of CAD 4.53 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Shares on the date of exercise.
2. Ms. Daniele is not permitted to receive options from Lundin Gold due to internal restrictions at CD Capital.

### **Directors' Incentive Plan Awards - Value Vested or Earned During the Year**

The following table sets out for each non-employee director the value of the Company's option-based equity plan compensation vested or earned during the financial year ended December 31, 2017. The Company does not have non-equity incentive plan compensation for directors.

<b>Name</b>	<b>Option-based awards Value vested during the year<sup>1</sup> (CAD)</b>
Carmel Daniele <sup>2</sup>	-
Chantal Gosselin	Nil
Ian Gibbs	23,100
Ashley Heppenstall	43,200

Name	Option-based awards Value vested during the year <sup>1</sup> (CAD)
Lukas Lundin	23,100
Paul McRae	43,800
Pablo Mir	38,500

Notes:

1. Calculated using the closing price of the Shares on the TSX on December 31, 2017 of CAD 4.53 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Shares on the date of exercise.
2. Ms. Daniele is not permitted to receive options from Lundin Gold due to internal restrictions at CD Capital.

## Securities Authorized for Issuance under Equity Compensation Plan

Lundin Gold has implemented a share option plan, which was approved by the Shareholders in 2014 and amended in 2017 (the “**Stock Option Plan**” or the “**Plan**”).

The purpose of the Stock Option Plan is to attract, retain and motivate the Company’s directors, officers, key employees and consultants and to align their interests with those of the Company and its shareholders. The Compensation Committee administers grants under the Stock Option Plan. All grants are subject to the approval of the Board.

The Stock Option Plan is a rolling stock option plan, reserving an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options.

Below are the key provisions of the Stock Option Plan:

- The Company’s directors, officers, employees and consultants of the Company are eligible to participate under the Stock Option Plan.
- Subject to any permitted extension due to blackout, options cannot have a term of over ten years; however, the Board has adopted a practice of granting options with five year terms, with 20% vesting on the six month anniversary, 30% on the first anniversary and the remainder on the second anniversary from the grant date. Under the terms of the plan, any vesting schedule is within the discretion of the Board. The Compensation Committee takes into account previous grants when it considers new grants of options.
- Grants are typically done annually. The Board fixes the exercise price of an option at the time of the grant at the TSX closing price of Shares on the trading day immediately before the date of the grant, and the exercise price cannot be lower than this price.
- If a director, officer, employee or consultant leaves the Company, all of their options will expire 30 days after they cease to be a director or employee. In certain cases, individual employment agreements may vary expiry periods upon a Change of Control. If termination is for just cause, however, all options terminate immediately upon notice.

- If a director, officer, employee or consultant dies, their legal representatives may exercise the options held by the participant, within a period after the date of the participant's death as determined by the Board, provided that no option may remain outstanding for any period which exceeds the earlier of (i) the expiry date of such option; and (ii) 12 months following the date of death of the participant, but only to the extent the options were by their terms exercisable on the date of death.
- The Stock Option Plan provides that options granted to a consultant will terminate 30 days after the consultant agreement terminates.
- There are certain limits under the Plan
  - No more than 10% of total Shares issued and outstanding can be reserved for issuance to insiders at any one time under the Stock Option Plan and any other security based compensation arrangement
  - No more than 10% of total Shares issued and outstanding can be issued to all insiders in a one year period under the Stock Option Plan and any other share compensation arrangement.
  - No more than 5% of total Shares issued and outstanding can be issued to any one insider (or an associate of such insider) in a one-year period under the Stock Option Plan.
  - No more than 5% of total Shares issued and outstanding can be reserved for issuance to any one person in a one-year period under the Stock Option Plan.
- Options cannot be transferred to another person.
- The following kinds of changes require Shareholder approval under the terms of the Stock Option Plan:
  - any change to the number of Shares that can be issued under the plan
  - any amendment to the insider participation limits in the Plan
  - any change that increases the number of categories of people who are eligible to receive options, if it could increase the participation of insiders
  - the addition of any form of financial assistance or any amendment to a financial assistance provision which is more favourable to participants
  - the addition of a cashless exercise feature which does not provide for a full deduction of the number of underlying Shares from the plan reserve
  - the addition of a deferred or restricted share unit or any other provision which results in Shares being received while no consideration is received by Lundin Gold
  - any amendment to the amending provisions of the Plan
  - any amendment that would alter the transferability of options
  - any amendment which varies exercise prices if the price is reduced or permits an extension of options beyond the original expiry date of outstanding options

- a discontinuance of the Plan
- any other amendment that could lead to significant dilution in the Company's outstanding Shares or could provide a benefit to optionees, particularly insiders, at the expense of the Company or its existing Shareholders
- The Board has the power, subject to regulatory approval where required, to make a limited number of changes to the Stock Option Plan, without shareholder approval, including amendments of a house keeping nature, changes to the vesting provisions of an option, a change to the termination provisions of an option provided that the extension does not go beyond the original expiry date of the option and add a cashless exercise feature that provides for a full deduction of Shares from the plan reserve.

The key changes approved in 2017 are:

- The number of Shares issuable under the Stock Option Plan to Non-Employee Directors is capped at 1% of the Company's issued and outstanding capital (non-diluted).
- The award value of all equity-based compensation to any Non-Employee Director is capped at CAD 150,000 per year (and only CAD 100,000 may be awarded in Options).
- Grants under the Plan are subject to the Company's Claw-Back Policy.

# CORPORATE GOVERNANCE

## Canadian Corporate Governance Code

The Company discloses its corporate governance practices pursuant to the disclosure requirements in National Instrument 58-101 - *Disclosure of Corporate Governance Practices* that apply to issuers listed on the TSX and the Company's governance practices are made with reference to National Policy 58-201 - *Corporate Governance Guidelines* (hereinafter, both collectively the "**Governance Guidelines**"). The Governance Guidelines are initiatives of the Canadian Securities Administrators ("**CSA**").

The *Governance Guidelines* are not intended to be prescriptive but are to be used as guidelines in developing corporate governance practices and they deal with matters such as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members and other items dealing with sound corporate governance practices. The National Instrument 58-101 - *Disclosure of Corporate Governance Practices* requires that, if management of an issuer solicits proxies from its shareholders for the purpose of electing directors, specified disclosure of its corporate governance practices must be included in its management information circular.

Since the Company is not a Swedish limited liability company (Sw. *aktiebolag*), it is not subject to the rules in the Swedish Companies Act. The Company is subject to the Swedish Code of Corporate Governance, which however states that the Company may apply the corporate governance code in force in the country where the Company has its registered office, provided that the Company states which corporate governance code or corporate governance rules it applies and its reasons for doing so. As indicated above, the Company is required to comply with the corporate governance code of its country of incorporation as described above.

The Board recognizes the importance of corporate governance to the effective management of the Company and to the protection of its employees and shareholders. The Company's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Company are effectively managed so as to enhance Shareholder value. The Board fulfills its mandate directly and through its committees at regularly scheduled meetings or as required. Frequency of meetings may be increased, and the nature of the agenda items may be changed depending upon the state of the Company's affairs and in light of opportunities or risks which may arise.

The Company believes that its corporate governance practices have been, and continue to be, in compliance with applicable Canadian requirements. The Company continues to monitor developments in Canada with a view to further revising its governance policies and practices, as appropriate.

Further details regarding rules in relation to corporate governance are set forth in "*Summary of Shareholder Rights*".

## Standing Committees of Lundin Gold

To assist the Board with its responsibilities, the Board has established five standing committees: the Audit Committee, the Compensation Committee, the Environment, Health and Safety Committee, the Corporate



Governance and Nominating Committee and the Project Advisory Committee. Each of the standing committees has a written mandate and reviews its mandate annually.

## **Audit Committee**

The Audit Committee oversees the accounting and financial reporting processes of the Company and its subsidiaries and all audits and external reviews of the financial statements of the Company, on behalf of the Board, and has general responsibility for oversight of internal controls, and accounting and auditing activities of the Company and its subsidiaries. The Audit Committee reviews, on a continuous basis, any reports prepared by the Company's auditor relating to the Company's accounting policies and procedures, as well as internal control procedures and systems. The Audit Committee is also responsible for examining all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same.

All auditing services and non-audit services to be provided to the Company by the Company's auditor are preapproved by the Audit Committee, and the Audit Committee reviews the independence of the Company's external auditor. The Audit Committee also oversees the annual audit process, the quarterly review engagements, the Company's internal accounting controls, the Code, the Anti-Bribery Policy and the Whistleblower Policy. The Audit Committee recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders.

The Audit Committee is required to meet *in camera* without management present at every Audit Committee meeting with the external auditor.

Members:

- Ian Gibbs (Chair)
- Chantal Gosselin
- Ashley Heppenstall

## **Compensation Committee**

The Compensation Committee is responsible for the Company's executive compensation policy. The Compensation Committee evaluates the CEO's performance and establishes both the elements and amounts of the CEO's compensation. The Compensation Committee, in conjunction with the Board, also reviews management's recommendations for, and approves the compensation of, the other officers of the Company and determines the general compensation structure, policies and programs of the Company, including the extent and level of participation in incentive programs. The Compensation Committee reviews and approves the executive compensation disclosure included in the Company's information circular each year. The Compensation Committee is also responsible for overseeing compensation risk and talent and succession risk. The Board has adopted an executive officer succession policy to help Lundin Gold prepare for a change in leadership, either planned or unplanned, to ensure the stability and accountability of the Company. This policy is administered and periodically reviewed by the Compensation Committee. The Compensation Committee has also been mandated to review the adequacy and form of the compensation of directors and to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director.

Members:

- Ian Gibbs (Chair)
- Chantal Gosselin
- Ashley Heppenstall

## **Environment, Health and Safety Committee**

The mining industry, by its very nature, can have an impact on the natural environment and can involve certain risks to employees. As a result, environmental planning and compliance and safety programs must play a very important part in the operations of any company engaged in these activities. The Company takes these issues seriously and has established the Environment, Health and Safety Committee to oversee the Company's efforts to act in a responsible and concerned manner with respect to matters affecting the environment, health and safety and its stakeholders. Due to the nature of the Company's business, the Board determined that it was appropriate that a member of management sit on the Environment, Health and Safety Committee to ensure that technical expertise is properly brought before the Committee. The fact that a majority of the members are not independent is balanced by the fact that the key recommendations of the Committee are considered by the full Board.

Members:

- Paul McRae (Chair)
- Ron Hochstein
- Pablo Mir

## **Corporate Governance and Nominating Committee**

Members of the Corporate Governance and Nominating Committee must be independent.

This Committee is responsible for Lundin Gold's approach to corporate governance, monitoring the regulatory environment, and recommending changes to the Corporation's practices when appropriate. The Corporate Governance and Nominating Committee also annually reviews and makes recommendations to the Board with respect to: (i) the size and composition of the Board; (ii) the independence of Board members; (iii) the composition of the committees of the Board; (iv) the effectiveness and contribution of the Board, its committees and individual directors, having reference to their respective mandates, charters and position descriptions; (v) compliance with and amendments to the Board mandates, policies and guidelines; and (vi) the Board's compliance with the Canadian Corporate Governance Guidelines found in National Policy 58-201. The Corporate Governance and Nominating Committee also reviews the Corporation's disclosure of its corporate governance practices in the Corporation's Circular each year.

The Corporate Governance and Nominating Committee oversees the effective functioning of the Board and the relationship between the Board and management. The Corporate Governance and Nominating Committee ensures that the Board can function independently of management as required, makes recommendations with respect to the appointment of a Lead Director, identifies individuals qualified to become new Board members, maintains director candidacy questionnaires for the assessment of potential new Board members, and recommends to the Board the director nominees at each annual meeting of shareholders and, with the

assistance of the Board and where necessary, develops a comprehensive orientation and education program for new recruits to the Board.

In identifying possible nominees to the Board, the Corporate Governance and Nominating Committee considers the competencies and skills necessary for the Board as a whole, the skills of existing directors and the competencies and skills each new nominee will bring to the Board, as well as whether or not each nominee will devote sufficient time and resources to the Board and whether he or she is independent within the meaning of the Governance Guidelines.

Members:

- Ashley Heppenstall (Chair)
- Ian Gibbs
- Carmel Daniele

## **Project Advisory Committee**

The Project Advisory Committee is responsible for overseeing Lundin Gold's approach to develop the Project, monitoring the progress of the Project and recommending changes in the Project's management and plans. This Committee regularly reports to the Board on Project matters and acts as a liaison between the Board and the management team.

Due to the nature of the Project, the Board determined that it was appropriate that a member of management sit on the Project Advisory Committee to ensure that all critical Project information is properly brought before the Committee.

Members:

- Paul McRae (Chair)
- Ron Hochstein
- Chantal Gosselin

# SHARE CAPITAL AND RELATED ISSUES

## The Share Capital

Lundin Gold is authorized to issue an unlimited number of Shares. As of the date of this prospectus, there are 119,666,940 Shares outstanding. The Shares have no par value. The Shares have been issued under the CBCA and are denominated in CAD.

The Company and its subsidiaries hold no Shares on its own account.

## Historic Share Capital

The changes in the Company's share capital from January 1, 2015 to December 31, 2017 are outlined in the table below.

Date	Event	Issued Shares	Attributed value CAD
<b>January 1, 2015</b>	<b>Balance as at January 1, 2015</b>	101,176,268	-
2015	Stock options exercised	84,000	3.92 (weighted average price per Share)
<b>December 31, 2015</b>	<b>Balance as at December 31, 2015</b>	<b>101,260,268</b>	-
June 9, 2016	Share consideration for 2016 Facility	20,000	5.70 per Share
July 8, 2016	Share consideration for 2016 Facility	9,293	5.53 per Share
2016	Equity financing, net	17,250,000	5.50 per Share
August 2, 2016	Share consideration for 2016 Facility	9,974	5.61 per Share
2016	Stock options exercised	136,000	5.61 (weighted average price per Share)
<b>December 31, 2016</b>	<b>Balance as at December 31, 2016</b>	<b>118,685,535</b>	-
2017	Share consideration for the 2017 Facility	247,867	See "Liquidity and Capital Resources", "Short-term Credit Facility"
August 4, 2017	Share consideration for mining concession	430,938	In total USD 1,600,000
2017	Stock options exercised	302,500	4.01 (weighted average price per Share)
<b>December 31, 2017</b>	<b>Balance as at December 31, 2017</b>	<b>119,666,840</b>	-

As at December 31, 2017 there were 4,625,500 stock options outstanding (3,834,500 as per December 31, 2016) against 119,666,840 shares outstanding as per the same date (representing a dilution of up to 3.9%). As per the same date, there were no convertible securities, exchangeable securities or securities with warrants outstanding (and none as per December 31, 2016).

During the period January 1, 2015 – December 31, 2017 less than ten (10) percent of the capital has been paid for with other assets than cash.

## Significant Share Ownership

The Shares carry one vote per Share. To the knowledge of the directors and officers of the Company<sup>(1)</sup>, shareholders carrying 10 per cent or more of the voting rights attached to all outstanding Shares as of March 12, 2018 were:

Name	Number of Shares	% of Shares
Kinross Gold Corporation	20,656,250	17.26%
Lorito <sup>(2)</sup>	5,009,167	4.186%
Zebra <sup>(2)</sup>	30,911,441	25.831%

Notes:

(1) This information was obtained from publicly disclosed information and has not been independently verified by the Company.

(2) Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settlor was the late Adolf H. Lundin. Together, Lorito and Zebra hold a total of 35,920,608 Shares, which represents approximately 30.02% of the current outstanding Shares

## Control of Lundin Gold

As at the date hereof, Zebra and Lorito, who report their security holdings as joint actors, is a control person of Lundin Gold. The Private Placement, if completed, will materially affect control of the Company, since Newcrest will hold approximately 27% of the issued and outstanding Shares upon closing, thereby becoming the largest shareholder of the Company and a control person. Zebra and Lorito will remain a control person, holding approximately 22% of the Shares after the Private Placement. As long as these shareholders maintain their significant positions in Lundin Gold, they will have the ability to exercise influence with respect to the affairs of Lundin Gold and significantly affect the outcome of matters upon which shareholders are entitled to vote.

As a resulting of the holdings in the Company of control persons, there is a risk that the Company's securities are less liquid and trade at a relative discount compared to circumstances where these persons did not have the ability to influence or determine matters affecting Lundin Gold. Additionally, there is a risk that their significant interests in Lundin Gold discourages transactions involving a change of control of Lundin Gold, including transactions in which an investor, as a holder of the Company's securities, would otherwise receive a premium for its Company's securities over the then-current market price.

Apart from the Governance Guidelines and the CBCA and other generally applicable rules and regulations, there are no measures in place to ensure that the control referred to above, is not misused.

## **Dividend Policy**

Lundin Gold has not declared dividends during the periods covered by historical financial information in this prospectus and does not have a dividend policy in place and does not expect to declare dividends. The holders of Shares shall be entitled to receive such dividends as may be declared by the Lundin Gold Board from time to time.

# LEGAL AND SUPPLEMENTARY INFORMATION

## Incorporation and Legal Form of Business

### *Name and Incorporation*

The legal and commercial name of the Company is Lundin Gold Inc. (the Company changed its name from Fortress Minerals Corp. to Lundin Gold Inc., in 2014). The Company was continued under the CBCA in July 2002 under incorporation number 405633-7.

The head office is located at Suite 2000, 885 W. Georgia Street, Vancouver, British Columbia, Canada and the registered and records office of Lundin Gold are located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3, Canada. Lundin Gold is a reporting issuer in British Columbia and Alberta and in Ontario.

### *Articles of Continuance and By-Laws*

The articles of continuance and the by-laws of the Company do not restrict the business that the Company can carry on. The articles of the Company provide that the Company shall have a minimum of three and a maximum of fifteen directors. The Company's articles and by-laws do not include any provisions regarding actions necessary to change the rights of holders of the Shares, which are more significant than those required by law. Each Share entitles the holder to receive notice of and attend all meetings of shareholders with each Share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. There are no provisions in the Company's articles or by-laws that would have an effect of delaying, deferring or preventing a change in control of the Company or which govern the ownership threshold above which shareholder ownership must be disclosed. There are no conditions in the Company's articles or by-laws governing changes in the capital, which conditions are more stringent than required by law.

The holders of Shares are entitled to dividends if, as and when declared by the Board. There are no fixed dates on which entitlement to any dividends arises. There is no time limit after which the dividend entitlement lapses, other than as prescribed by generally applicable statutes of limitation.

The Shares are entitled, upon liquidation, dissolution or winding up of the Company, to receive the remaining assets of the Company available for distribution to shareholders.

The Company's articles and by-laws do not include any provisions regarding redemption of Shares. Nor any reserves or sinking fund provisions, or provisions pursuant to which a holder of a Share is liable to further capital calls by the Company. There are no provisions in the articles or by-laws of the Company discriminating against (or favouring) any existing or prospective holder of Shares as result of a holder owning a substantial number of Shares.

The Company's articles and by-laws do not include any provisions regarding actions necessary to change the rights of holders of the Shares, which are more significant than those required by law.

## Related Party Transactions

During the year ended December 31, 2017, the Company paid USD 0.4 million to Namdo Management Services Ltd. (“**Namdo**”), a private corporation associated with an officer of the Company. The Company occupies office space in the Namdo offices for the Company’s management, investor relations personnel and support staff. Namdo charges a service fee and recovers out of pocket expenses related to the Company. During the same period, the Company paid USD 0.1 million to Bofill Mir & Alvarez Jana Abogados (“**BMAJ**”), a law firm which provides legal services to the Company and of which a director of the Company is a partner. The Company also paid USD 0.1 million to Lundin S.A. Lundin S.A. is associated with a director of the Company and provides administrative and office services pursuant to an agreement.

The Company also obtained the 2017 Facility (see “*Comments to Financial Information*”, “*Short-term Credit Facility 2017*”).

During the year ended December 31, 2016, the Company paid USD 0.3 million to Namdo for management services described above, USD 0.1 million to BMAJ for the legal services described above, and USD 0.1 million to Lundin S.A administrative and office services pursuant to an agreement.

The Company also obtained the 2016 Facility (see “*Comments to Financial Information*”, “*2016 Facility*”).

During the year ended December 31, 2015, the Company paid USD 0.3 million to Namdo for management services described above. During the same period, the Company paid USD 0.1 million to BMAJ for the legal services described above.

During the year ended December 31, 2014, the Company paid USD 0.3 million to Namdo for management services described above.

## Material Contracts

### ***1% Net Revenue Royalty***

A 1% net revenue royalty is payable on production from the Company’s concessions to a third party.

### ***Exploitation Agreement***

The Exploitation Agreement, combined with existing laws and regulations, establishes the fiscal terms and conditions for the development of the Fruta del Norte Project and its completion marks a key milestone in the Project plan.

Key contract terms that have been agreed to in the Exploitation Agreement are as follows:

- Through its wholly owned subsidiary in Ecuador, Lundin Gold has negotiated the right to develop and produce gold from the Fruta del Norte Project for 25 years, which may be renewed.
- The Company and the GOE have agreed to an advance royalty payment of USD 65 million, USD 25 million of which was paid upon execution of the Exploitation Agreement. The balance is payable in two equal disbursements of USD 20 million, the first of which was paid on the first anniversary and the second of which will be paid on the second anniversary of the execution of the Exploitation Agreement.



- Lundin Gold has agreed to pay the GOE a royalty equal to 5% of net smelter revenues from production. The advance royalty payment is deductible against future royalties payable. It will be deductible against the lesser of 50% of the royalties payable or 20% of the total advance royalty payment.
- The Windfall Tax will be calculated in the event that market prices exceed a stipulated Base Price for gold and for silver. The GOE will tax the difference between net smelter revenue and what revenue would be using the Base Price at a rate of 70%. The Base Price, which will be determined on a monthly basis, will be equal to the trailing 10-year average of the daily price of gold or silver, escalated by the U.S. Consumer Price Index, plus one standard deviation.
- The Windfall Tax will not apply until the Company has recouped all of the cumulative investment in the development of the Fruta del Norte Project since its inception plus the present value of the actual cumulative investment incurred from signing of the exploitation agreement until the start of production, plus four years.
- The GOE's share of cumulative benefits derived from the Fruta del Norte Project will not be less than 50%. To the extent that the GOE's cumulative benefit falls below 50%, the Company will be required to pay an annual Sovereign Adjustment. Each year, the benefits to the Company will be calculated as the net present value of the actual cumulative free cash flows of the Fruta del Norte Project subsequent to the signing of the exploitation agreement, net of the cumulative investment incurred in the development of the Project from its inception until the date of the Agreement. The GOE's benefit will be calculated as the present value of cumulative sum of taxes paid including corporate income taxes, royalties, Windfall Tax, labour profit sharing paid to the State, non-recoverable VAT, and any previous Sovereign Adjustment payments.
- A mechanism for correcting any economic imbalance to these key terms which are the result of changes in taxes, laws and regulations as provided under the agreement.

### ***Investment Protection Agreement***

The IPA provides further legal and tax stability to Lundin Gold. Key Benefits under the IPA are

- Income tax rate fixed at 22%.
- Exemption from the capital outflow tax of 5% on payments of principal and interest to financial institutions outside of Ecuador.
- The ability to obtain benefits granted by the Government of Ecuador through future investment protection agreements with other investors in similar projects in Ecuador.
- No restrictions to transfer or assign all or part of the investment, including the right to assign its rights to any financing parties.

Other benefits granted to the Company include no restriction to:

- produce and sell minerals;

- import and export goods; and
- establish, maintain, control, or transfer funds abroad, provided statutory remittances and obligations have been met.

#### ***Gold Prepay Credit Facility***

On May 30, 2017, Aurelian Ecuador entered into the Prepay Loan with Orion and Blackstone to provide a secured loan facility of USD 150 million. See “*Liquidity and Capital Resources*” for a summary of the Prepay Loan terms.

#### ***Stream Loan Credit Facility***

On May 30, 2017, Aurelian Ecuador entered into the Stream Loan with Orion and Blackstone to provide a secured loan facility of USD 150 million. See “*Liquidity and Capital Resources*” for a summary of the Stream Loan terms.

#### ***Investment Agreement***

On May 30, 2017, the Company and Orion entered into an investment agreement (the “**Investment Agreement**”) whereby Orion has committed to participate in future equity financings of Lundin Gold on certain terms. See “*Liquidity and Capital Resources*” for a summary of the Investment Agreement terms.

#### ***Offtake Agreement***

On May 30, 2017, Aurelian Ecuador and Orion and Blackstone entered into an offtake agreement (the “**Offtake Agreement**”), whereby Orion and Blackstone have been granted the right to purchase 50% of Fruta del Norte gold production, up to a maximum of 2.5 million oz. See “*Liquidity and Capital Resources*” for a summary of the Offtake Agreement terms.

#### ***Guaranty***

On May 30, 2017, Lundin Gold, Aurelian Ecuador Holding Inc., Ecoaurelian Agricola S.A., Aurelian Resources Inc. and Aurelian Resources Corporation Ltd. (collectively, the “**Guarantors**”) and Orion and Blackstone entered into a guaranty (the “**Guaranty**”), whereby the Guarantors guarantee the obligations of Aurelian Ecuador in connection with the 2017 Financing. The Guaranty is joint and several and unlimited in recourse except in respect of Lundin Gold, against whom the Guaranty is limited in recourse automatically after the later of project completion or commercial production to the extent liability is required to permit Orion and Blackstone to realize upon the assets pledged by Lundin Gold pursuant to the 2017 Financing.

Key negative covenants for each Guarantor include (i) no transfers of equity interests whereby any of the equity interests in Aurelian Ecuador or any guarantor would directly or indirectly become the property of any other person, (ii) no dispositions of assets except as permitted in the Guaranty, (iii) no restricted payments such as payments of dividends or distributions except as permitted in the Guaranty, (iv) no incursion of debt except as specifically permitted in the Guaranty, (v) no further encumbrances on any of any Guarantor’s property except as specifically permitted in the Guaranty, (vi) no purchases or dispositions with any related party other than another Guarantor, (vii) no actions that would make it impractical for Aurelian Ecuador to deliver refined gold pursuant to the Offtake Agreement, (viii) other than Lundin Gold, no conducting business or engaging in activities other than (a) holding of capital stock of another obligor and other assets as held on

the closing date, (b) performing its obligations under the financing documents and other transaction documents, (c) making equity investments in the other obligors provided certain conditions are met and (d) maintaining deposit accounts permitted or required pursuant to the terms of the security documents.

### ***Private Placement Subscription Agreements***

On February 25, 2018, Lundin Gold entered into subscription agreements with Newcrest, Orion and the Lundin Family Trust, providing for the aggregate issuance of 93,497,140 New Shares. See “*Background and Conditions*” for a summary of the key terms of each subscription agreement.

## **Licenses**

On October 13, 2016, the Company announced the completion and approval of the Environmental Impact Study by the Government of Ecuador for its Fruta del Norte Project.

At the end of October 2016, the related Environmental License was issued. The Environmental License covers all of the planned activities for the construction and operations phases of the Project and also includes conceptual closure plans. The closure plan will need to be updated and approved, however, two years prior to closure commences. The Environmental License is not subject to renewal; its term runs until the Project is complete.

At the beginning of 2018, the Company’s Powerline environmental license was issued. . Preparation of the EIA for the new Mountain Pass Quarry was completed and submitted in October 2017.

The Company also continues to pursue the issuance of industrial and domestic water permits.

Lundin Gold’s exploration and development activities and its operations depend on its ability to obtain, sustain or renew various mineral rights, licenses, permits, authorizations and regulatory approvals from various governmental and quasi-governmental authorities. See “*Risk Factors*” above.

The Company does not depend on any licenses other than what is referred to above for its operations as currently conducted, nor is the Company dependent on any patents or new manufacturing processes.

## **Legal Proceedings**

The Company has not in the past 12 months been involved in any governmental, legal or arbitrational proceedings which have had, or may have, significant effect on the Company’s financial position or profitability, nor is the Company aware of any such pending or threatened proceeding.

## **Environmental Protection**

Lundin Gold is subject to the Ecuadorian national body of environmental laws and regulations. The laws and regulations in Ecuador that are applicable to Lundin Gold prohibit the release or discharge of hazardous substances to the environment. Lundin Gold is expected to develop and implement processes and procedures to respond to incidents involving hazardous substances, such as spills, releases and discharges. Failure to comply with these laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Parties engaged in mining operations or in the exploration or development of mineral properties may also be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, and that fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Lundin Gold is required to put in place a guarantee and insurance policies for compliance with environmental legislation in Ecuador. Ongoing environmental management activities, including reclamation, associated with exploration stage activities will be capitalized to exploration in the period incurred. The amounts recorded for reclamation costs are estimates unique to a property based on estimates provided by independent consulting engineers and Lundin Gold's assessment of the anticipated timing of future reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could affect the extent of reclamation and remediation work required to be performed by Lundin Gold. Any such changes in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Lundin Gold is also subject to periodic monitoring by government agencies and will routinely monitor and update its environmental management plans.

## **Environmental Issues**

### ***Reclamation Obligations***

Reclamation requirements are designed to minimize long-term effects of mining exploitation and exploration disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance land forms and vegetation. Lundin Gold is subject to such requirements in connection with its activities at the Fruta del Norte Project and may be liable for actions and activities and disturbances caused by artisanal and illegal miners on the Company's property. Any significant environmental issues that may arise, however, could lead to increased reclamation expenditures and could have a material adverse impact on Lundin Gold's financial resources. Furthermore, environmental hazards may exist on the properties in which Lundin Gold holds interests which are unknown to Lundin Gold at present and which have been caused by previous or existing owners or operators of the properties.

There is a risk that closure estimates prove to be inaccurate. The amounts recorded for reclamation costs are estimates unique to a property based on estimates provided by independent consulting engineers and Lundin Gold's assessment of the anticipated timing of future reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could affect the extent of reclamation and remediation work required to be performed by Lundin Gold. Any such changes in future costs could materially impact the amounts charged to operations for reclamation and remediation.

### ***Artisanal Mining***

Previous mining by illegal and artisanal miners has occurred in the area surrounding the Fruta del Norte Project and occurs today on a more limited basis. Activity by artisanal and illegal miners could lead to interference with Lundin Gold's operations and could result in conflicts. These potential activities could cause damage to the Fruta del Norte Project, including pollution, environmental damage, fires, or personal injury or death, for which Lundin Gold could potentially be held responsible. The presence of artisanal and illegal miners can lead to project delays and disputes regarding the development or operation of gold deposits. Artisanal and illegal mining can also result in mine stoppages, environmental issues and could have a material adverse effect on Lundin Gold's results of operations or financial condition.

## DEFINITIONS

In this prospectus all units are SI metric unless otherwise noted and the following abbreviations, words and phrases have the following meanings unless the context otherwise requires:

<b>“Acquisition”</b>	means the acquisition in 2014 of a 100% interest in the Fruta del Norte Project through the acquisition of all of the issued and outstanding shares of Aurelian from Kinross
<b>“Ag”</b>	means silver
<b>“AIM”</b>	means the market, formerly known as the Alternative Investment Market, which is a sub-market of the London Stock Exchange
<b>“AISC”</b>	means the life of mine all-in sustaining cost
<b>“ALS Chemex”</b>	means ALS Chemex Laboratories
<b>“Amec Foster Wheeler”</b>	means, collectively, Amec Foster Wheeler Americas Ltd. and Amec Foster Wheeler E&C Services Inc.
<b>“ASX”</b>	means the Australian Securities Exchange
<b>“Au”</b>	means gold
<b>“Aurelian”</b>	means the Company’s wholly owned subsidiary Aurelian Resources Inc., a corporation existing pursuant to the laws of Canada
<b>“Aurelian Ecuador”</b>	means Aurelian Ecuador S.A., a corporation existing pursuant to the laws of Ecuador
<b>“Aurelian Resources”</b>	means Aurelian Resources Corporation Ltd., a corporation existing pursuant to the laws of Ontario
<b>“BECOG”</b>	means the breakeven cut-off grade
<b>“BMAJ”</b>	means Bofill Mir & Alvarez Jana Abogados
<b>“Board”</b>	means the board of directors of the Company, as constituted from time to time
<b>“CAD”</b>	means Canadian dollar
<b>“Canadian Tax Act”</b>	means the Canadian Income Tax Act
<b>“Canadian Tax Proposals”</b>	means all specific proposals to amend the Canadian Tax Act and the Canadian Tax Regulations that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof
<b>“Canadian Tax Regulations”</b>	means the current provisions of the Canadian Tax Act and the regulations thereunder
<b>“Capital Outflow Tax”</b>	means the 5% tax on all transfers of cash overseas

<b>“CBCA”</b>	means the Canada Business Corporations Act
<b>“CCAA”</b>	means the Canadian Companies’ Creditors Arrangement Act
<b>“CD Capital”</b>	means CD Capital Natural Resources Fund II (Master) L.P.
<b>“CELEC EP Transelectric”</b>	means a government institution in charge of power transmission and distribution
<b>“CEO”</b>	means Chief Executive Officer of Lundin Gold
<b>“CFO”</b>	means Chief Financial Officer of Lundin Gold
<b>“CIL”</b>	means carbon-in-leach
<b>“CIM”</b>	means the Canadian Institute of Mining, Metallurgy and Petroleum
<b>“2014 CIM Definition Standards”</b>	means the 2014 Canadian Institute of Mining and Metallurgy Definition Standards for Mineral Resources and Mineral Reserves
<b>“Climax”</b>	means Minera Climax del Ecuador which is a subsidiary of Climax Mining Ltd. of Australia
<b>“Code”</b>	means a written Code of Business Conduct and Ethics for directors, officers and employees, adopted by Lundin Gold
<b>“COG”</b>	means cut-off grade
<b>“Company” or “Lundin Gold”</b>	means Lundin Gold Inc., corporation number 405633-7 and/or any of its subsidiaries as applicable. Prior to the name change the Company’s name was Fortress Minerals Corp.
<b>“Cóndor Gold”</b>	means Cóndor Gold S.A.
<b>“Consortium”</b>	means the consortium comprising Ingenieria y Construcciones Mas Errazuriz Limitada y Filiales of Chile, and Sevilla y Martinez Ingenieros C.A. Semaica of Ecuador
<b>“Convention”</b>	means the Sweden-Canada Income Tax Convention (1996)
<b>“COT”</b>	means the Capital Outflow Tax
<b>“CRF”</b>	means cemented rock fill
<b>“CRM”</b>	means certified reference material
<b>“CSA”</b>	means Canadian Securities Administrators
<b>“D&amp;F”</b>	means drift and fill
<b>“Early Works”</b>	means the early works program described in <i>“Fruta del Norte Project”</i> , subsection <i>“Recommendations And Conclusions”</i> .
<b>“Ecoarelian”</b>	means Ecoarelian Agrícola S.A., a corporation existing pursuant to the laws of Ecuador

<b>“EERSA”</b>	means Empresa de Energia Regional del Sur
<b>“EIA”</b>	means Environmental Impact Assessment
<b>“Elements”</b>	means the disclosure requirements of which summaries are comprised
<b>“El Puma”</b>	means the El Puma target located approximately 12 kilometers south of the Fruta del Norte Project
<b>“Environmental Licence”</b>	means the environmental licence issued at the end of October 2016
<b>“Environment, Health and Safety Committee”</b>	means the committee established by the Company
<b>“EPCM”</b>	means an engineering, procurement and contract management approach
<b>“Exploitation Agreement”</b>	means the exploitation agreement for the Fruta del Norte Project negotiated between Aurelian and the GOE
<b>“2016 Facility”</b>	means the USD 18 million short-term credit facility from Zebra, which has been repaid in full
<b>“2017 Facility”</b>	means the USD 35 million short-term credit facility from Zebra in 2017, which has been repaid in full
<b>“FAR”</b>	means fresh air raise
<b>“2014 Financing”</b>	means the equity financing completed in 2014
<b>“2016 Financing”</b>	means the equity financing completed in 2016
<b>“2017 Financing”</b>	means the project finance package of USD 400 to USD 450 million with the Orion and Blackstone
<b>“Finance Charge”</b>	means the variable additional charge under the Prepay Loan
<b>“Fruta del Norte Project”, “Project” or “FDN”</b>	means the Fruta del Norte Project as set out in the Technical Report
<b>“FS”, “2016 FS” or “Feasibility Study”</b>	means the feasibility study announced by the Company on June 6, 2016
<b>“g/t”</b>	means grams per tonne
<b>“GEMS”</b>	means Dassault Systèmes GEOVIA GEMS
<b>“GFL”</b>	means gravity flotation leach
<b>“GLF”</b>	means gravity leach flotation
<b>“GFMS Gold Survey”</b>	means the gold survey conducted by GFMS
<b>“GFMS Limited” or “GFMS”</b>	means Gold Fields Mineral Services Ltd. which is an independent, London-based precious metals consultancy and research company



<b>“GOE”</b>	means the Government of Ecuador
<b>“Gold Base Price”</b>	means the Gold Base Price defined in the Stream Loan
<b>“Governance Guidelines”</b>	means, collectively, National Instrument 58-101 - <i>Disclosure of Corporate Governance Practices</i> that apply to issuers listed on the TSX and the Company’s governance practices are made with reference to National Policy 58-201 - <i>Corporate Governance Guidelines</i>
<b>“GPS”</b>	means global positioning system
<b>“Guarantors”</b>	means Lundin Gold, Aurelian Ecuador Holding Inc., Ecoaurelian Agricola S.A., Aurelian Resources Inc. and Aurelian Resources Corporation Ltd.
<b>“Guaranty”</b>	means the guaranty entered into on May 30, 2017, by the Guarantors and Orion and Blackstone, whereby the Guarantors guarantee the obligations of Aurelian Ecuador in connection with the 2017 Financing
<b>“ha”</b>	means hectare
<b>“ICP-AES”</b>	means inductively coupled plasma - atomic emission spectroscopy
<b>“IFRS”</b>	means the International Financial Reporting Standards as issued by the International Accounting Standards Board
<b>“IGM”</b>	means Instituto Geográfico Militar
<b>“ILR”</b>	means intensive leach reactor
<b>“Indemnifiable Person”</b>	means a director or officer, a former director or officer, or another individual who acts or acted at the corporation’s request as a director or officer, or an individual acting in a similar capacity, of another entity that a corporation may indemnify against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the corporation or other entity
<b>“Indicated Mineral Resources”</b>	means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed
<b>“Inferred Mineral Resources”</b>	means that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and

	sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
<b>“Inspectorate”</b>	means Inspectorate Services
<b>“Internal Alert Policy”</b>	means the Policy and Procedures for the Receipt, Retention and Treatment of Complaints Regarding Accounting or Auditing Matters established by the Audit Committee of Lundin Gold
<b>“Investment Agreement”</b>	means the investment agreement entered into on May 30, 2017, by the Company and Orion whereby Orion has committed to participate in future equity financings of Lundin Gold on certain terms
<b>“Investment Protection Agreement” or “IPA”</b>	means an investment protection agreement between Lundin Gold, the Coordinating Ministry of Production and MCPEC
<b>“IP”</b>	means Induced Polarization
<b>“IRR”</b>	means the internal rate of return which is equal to the discount rate that results in an NPV equal to zero
<b>“KCB”</b>	means Klohn Crippen Berger Ltd.
<b>“Kinross”</b>	means Kinross Gold Corporation
<b>“Kinross GOE Agreement”</b>	means the transactional agreement entered into among the GOE, Aurelian Ecuador, Aurelian Resources, Aurelian and Kinross as described herein
<b>“2011 Kinross FS”</b>	means the Kinross feasibility study in 2011
<b>“2009 Kinross PFS”</b>	means the Kinross pre-feasibility study in 2009
<b>“km”</b>	means kilometer
<b>“kPa”</b>	means kilopascal
<b>“L”</b>	means litre
<b>“Leiva”</b>	means Leiva Engineering of Quito
<b>“LHDs”</b>	means load-haul-dump vehicles
<b>“LiDAR”</b>	means light detection and ranging
<b>“LOMP”</b>	means the LOM plan
<b>“Lorito”</b>	means Lorito Holdings S.à.r.l., a private corporation owned by a trust whose settlor was the late Adolf H. Lundin
<b>“Lundin Family Trust”</b>	means Zebra and Lorito
<b>“m”</b>	means meter
<b>“M&amp;I”</b>	means Measured and Indicated Resources

<b>“masl”</b>	means meters above sea level
<b>“Maturity Date 2016”</b>	means the date that the 2016 Facility was due
<b>“MCOG”</b>	means mill cut-off grade
<b>“MET1”</b>	means Fruta del Norte MET1
<b>“MET4”</b>	means Fruta del Norte MET4
<b>“Mineral Reserves”</b>	means the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. Mineral Reserves are classified into proven and probable categories
<b>“Mineral Resources”</b>	means a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge
<b>“Mining Registry”</b>	means the mining registry of Ecuador
<b>“Mining Regulations”</b>	means the mining regulations of Ecuador
<b>“MPa”</b>	means megapascal
<b>“Mt”</b>	means megatonne
<b>“MWh”</b>	means megawatt hour
<b>“N/A”</b>	means not applicable
<b>“Namdo”</b>	means Namdo Management Services Ltd., a private corporation associated with an officer of the Company
<b>“National Instrument 43-101” or “NI 43-101”</b>	means National Instrument 43-101 “Standards of Disclosure for Mineral Projects” adopted by the CSA
<b>“Nasdaq Stockholm”</b>	means the main market operated by NASDAQ Stockholm AB
<b>“NCL”</b>	means NCL Ingeniería y Construcción SpA
<b>“NEO”</b>	means Named Executive Officer
<b>“Newcrest”</b>	means Newcrest Canada Inc, part of the Newcrest Mining Limited group
<b>“New Shares”</b>	means the common shares offered by way of the Private Placement
<b>“NGO”</b>	means nongovernmental organization
<b>“NI 52-110”</b>	means National Instrument 52-110 of the Canadian Securities

Administrators

<b>“Note Offering”</b>	means the Company’s 2014 issuance of a non-interest bearing convertible loan note, convertible into Shares at CAD 4.00 per Share, in the principal amount of USD 35 million
<b>“Notice Amount”</b>	means the quantum of notice of termination or payment in lieu under each executive employment agreement with the Company which provides protection to the employee in the event of termination without cause
<b>“NPV”</b>	means Net Present Value
<b>“Offtake Agreement”</b>	mean the offtake agreement entered into on May 30, 2017, by Aurelian Ecuador and Orion and Blackstone, whereby Orion and Blackstone have been granted the right to purchase 50% of Fruta del Norte gold production, up to a maximum of 2.5 million oz.
<b>“Orion”</b>	means Orion Co-V Holdings Pte Ltd, part of the Orion Mine Finance Group
<b>“Orion and Blackstone”</b>	means, collectively, Orion Mine Finance Group and Blackstone Tactical Opportunities
<b>“P&amp;C”</b>	means Paterson and Cooke
<b>“PADC”</b>	means the Community Development Support Program (Plan de Apoyo a Desarrollo de la Comunidad)
<b>“PAG”</b>	means potentially acid-generating
<b>“Pareto”</b>	means Pareto Securities AB, Swedish reg. no. 556206-8956
<b>“PCA”</b>	means Phase Change Application
<b>“PCS”</b>	means process control system
<b>“PFS”</b>	means pre-feasibility study
<b>“Phelps Dodge”</b>	means Phelps Dodge Exploration Corporation
<b>“PMF”</b>	means probable maximum flood
<b>“POX”</b>	means pressure oxidation
<b>“Preference Shares”</b>	means the unlimited number of preference shares without nominal or par value issued by Lundin Gold
<b>“Prepay Loan”</b>	means the gold prepay credit facility for USD 150 million
<b>“Private Placement”</b>	means the USD 400 million equity private placement financing the subscribers to which are Newcrest, Orion and the Lundin Family Trust
<b>“Profit Sharing Contributions”</b>	means a profit sharing payment equal to 15% of its pre-tax income, less deductible costs, that must be paid by the mining concessionaire

<b>“Project Subsidiaries”</b>	means Aurelian Ecuador S.A., Aurelian Resources Inc. and Aurelian Resources Corporation Ltd., and Ecoaurelian Agricola S.A., Aurelian Ecuador Holding S.A. and Aurelian Ecuador S.A
<b>“Purchaser GOE Agreement”</b>	means the transaction agreement entered into among the GOE, Aurelian Ecuador, Aurelian Resources, Aurelian and the Company
<b>“PwC”</b>	means PricewaterhouseCoopers LLP
<b>“QA/QC”</b>	means quality assurance / quality control
<b>“Qualified Person” or “QP”</b>	means a qualified person within the meaning of National Instrument 43-101
<b>“RAAM”</b>	means the Ecuadorian Environmental Regulations for Mining Activities
<b>“RAR”</b>	means return air raise
<b>“RBI”</b>	means RB Energy Inc.
<b>“Repsol”</b>	means Repsol S.A.
<b>“Rights”</b>	means various mineral rights, licenses, permits, authorizations and regulatory approvals obtained by Lundin Gold from various governmental and quasi-governmental authorities
<b>“RMR”</b>	means rock mass rating
<b>“ROM”</b>	means run-of-mine
<b>“RPA”</b>	means Roscoe Postle Associates Inc.
<b>“SAG”</b>	means semi-autogenous grind
<b>“SEDAR”</b>	means the System for Electronic Document Analysis and Retrieval (SEDAR), a filing system developed for the CSA which is available on <a href="http://www.sedar.com">www.sedar.com</a>
<b>“SEK”</b>	means Swedish kronor
<b>“Senior Debt Facility”</b>	means the senior secured project finance facility of USD 300 million with the Senior Lenders
<b>“Senior Lenders”</b>	means ING Capital LLC, Société Générale, Caterpillar Financial Services Corporation (Cat Financial), The Bank of Nova Scotia and KfW IPEX-Bank GmbH
<b>“SFSA”</b>	means the Swedish Financial Supervisory Authority
<b>“SGS”</b>	means SGS Canada Inc.
<b>“Share Consideration”</b>	means the share consideration for the Acquisition
<b>“Share Purchase Agreement”</b>	means the sale and purchase agreement dated October 21, 2014 among Kinross, Aurelian, and Lundin Gold, a copy of which is available on the

	Company's SEDAR profile
<b>"Shares"</b>	means the common shares of Lundin Gold Inc.
<b>"Silver Base Price"</b>	means the Silver Base Price defined in the Stream Loan
<b>"Sirocco"</b>	means Sirocco Mining Inc.
<b>"SMC"</b>	means semi-autogenous grind comminution
<b>"SND"</b>	means Sistema Nacional de Distribución (National Distribution System)
<b>"Sovereign Adjustment"</b>	means a payment that Aurelian will be required to make if the GOE's cumulative benefit falls below 50%
<b>"Sperry Sun"</b>	means Sperry Sun Drilling Company
<b>"SRK"</b>	means SRK Consulting (Canada) Inc.
<b>"SRM"</b>	means standard reference materials
<b>"Stock Option Plan"</b>	means the share option plan implemented by Lundin Gold which was approved by the Shareholders in 2014, as amended 2017
<b>"Stream Loan"</b>	means the stream loan credit facility of USD 150 million
<b>"2015 Tax Reform"</b>	means various amendments to Ecuador's income tax laws and regulations, including the introduction of the taxation of capital gains, under the law titled <i>Organic Law for Production Incentives and Prevention of Tax Fraud</i>
<b>"Technical Report"</b>	means the technical report titled, "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. The firms and consultants who are providing Qualified Persons (" <b>QPs</b> ") responsible for the content of the Technical Report, which is based on the Feasibility Study and supporting documents prepared for the FS, are, in alphabetical order, Amec Foster Wheeler Americas Ltd. and Amec Foster Wheeler E&C Services Inc. (collectively, " <b>Amec Foster Wheeler</b> "), Klohn Crippen Berger Ltd. (" <b>KCB</b> "), MM Consultores, NCL and Roscoe Postle and Associates Inc. (" <b>RPA</b> "). The QPs responsible for the Technical Report are as follows: Mr. Ignacy (Tony) Lipiec, P.Eng., Director, Process Engineering, Amec Foster Wheeler; Ms. Juleen Brown, MAusIMM CP, Mining Sector Lead - Environment, Amec Foster Wheeler; Mr. Simon Allard, P.Eng., Principal Consultant and Study Manager, Amec Foster Wheeler; Mr. Charles Masala, P.Eng., Associate Water Resources Engineer, Amec Foster Wheeler; Ms. Stella Searston, RM SME, Principal Geologist, Amec Foster Wheeler; Mr. Bryan D. Watts, P.Eng., Chairman and Principal, KCB; Mr. Alejandro Sepúlveda, RM CMC, Principal and Project Director, NCL; Mr. Anthony (Tony) R. Maycock, P.Eng., MM Consultores; and Mr. David A. Ross, P.Geo., Director, Resource Estimation, Principal Geologist, RPA
<b>"The Equator Principles"</b>	means a risk management framework used by financial institutions for

	determining, assessing and managing environmental and social risk in projects
<b>“Total Station”</b>	means an electronic/optical instrument used for surveying
<b>“tpd”</b>	means tonnes per day
<b>“Tropari”</b>	means a single-shot, micro-mechanical borehole surveying instrument operated by a timing device
<b>“TS”</b>	means transverse stoping
<b>“TSF”</b>	means tailings storage facility
<b>“TSS”</b>	means total suspended solids
<b>“TSX”</b>	means the Toronto Stock Exchange
<b>“TSX-V”</b>	means the TSX Venture Exchange
<b>“TSX Company Manual”</b>	means a document containing the original listing requirements and ongoing listing requirements of the TSX
<b>“UN”</b>	means United Nations
<b>“Underwriters”</b>	means a syndicate of underwriters led by GMP Securities L.P. in the 2016 Financing
<b>“USD”</b>	means U.S. dollar
<b>“U.S.”</b>	means the United States of America
<b>“UTM”</b>	means Universal Transverse Mercator coordinate system
<b>“VAT”</b>	means value added tax
<b>“Vn”</b>	means quartz carbonate phase
<b>“Walsh”</b>	means Walsh Consultants
<b>“Wardrop”</b>	means Tetra Tech Wardrop
<b>“Windfall Tax”</b>	means an extraordinary revenue tax that will be calculated in the event that market prices exceed a stipulated base price for gold and for silver
<b>“WMC”</b>	means waste management centre
<b>“WMP”</b>	means water management plan
<b>“World Economic Forum”</b>	means a Swiss nonprofit foundation aimed at creating global public-private cooperation
<b>“World Stress Map”</b>	means a global database of recent tectonic stress in the Earth’s crust
<b>“Zebra”</b>	means Zebra Holdings and Investments S.à.r.l., Luxembourg, a private corporation owned by a trust whose settlor was the late Adolf H. Lundin

## Conversion Table

In this prospectus, metric units may be used with respect to Lundin Gold's various mineral properties. Conversion rates from imperial measures to metric units and from metric units to imperial measures are provided in the table set out below.

<u>Imperial Measure</u>	=	<u>Metric Unit</u>	<u>Metric Unit</u>	=	<u>Imperial Measure</u>
2.47 acres		1 hectare	0.4047 hectares		1 acre
3.28 feet		1 meter	0.3048 meters		1 foot
0.62 miles		1 kilometer	1.609 kilometers		1 mile
2.2 pounds		1 kilogram	0.454 kilograms		1 pound
0.032 ounces (troy)		1 gram	31.1 grams		1 ounce (troy)
2,204.60 pounds		1 tonne	1 tonne		2,204.60 pounds



## DOCUMENTS INCORPORATED BY REFERENCE

The following documents form part of the prospectus and are incorporated by reference:

- The Company's audited consolidated financial statements for the financial year ended December 31, 2015;
- The Company's audited consolidated financial statements for the financial year ended December 31, 2016;
- The Company's audited consolidated financial statements for the financial year ended December 31, 2017;
- Pages 4 to 10 of the Company's management's discussion and analysis for the financial year ended December 31, 2015;
- Pages 5 to 11 of the Company's management's discussion and analysis for the financial year ended December 31, 2016;
- Pages 4, 5 and 9 to 12 of the Company's management's discussion and analysis for the financial year ended December 31, 2017.

The above-listed documents are available for inspection in electronic format at [www.lundingold.com](http://www.lundingold.com) during the life of this prospectus.

### Documents Available for Inspection

During the life of this prospectus, the following documents are available in electronic format for inspection on [www.lundingold.com](http://www.lundingold.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

- The Technical Report
- The Company's constitutional documents: Articles of continuance, certificate of continuance, articles of amendment, certificate of amendment and by-laws; and
- Documents relating to corporate governance issues.

During the life of this prospectus, the historical financial information (or copies thereof) of the Company and its subsidiaries for each of the three financial years preceding the publication of this prospectus (2017, 2016, 2015) are available for inspection at the Company's registered office (address below).

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## RISK FACTORS

*An investment in securities involves a significant degree of risk. The Company's business, operating results or financial position may be adversely affected by a number of risk factors which are beyond the control of the Company. The Company is exposed to a number of risks inherent in mining exploration and development. Risk factors deemed to be of particular significance to the future prospects of the Company are described below. The risk factors described below are not exhaustive. The Company's business, operating results and financial position may also be materially adversely affected by other risks and uncertainties which are currently unknown to the Company, or which are currently not viewed as material. Further, risks are not ranked according to degree of importance. Nor do they indicate how significant the impact could be on the Company's operations.*

*This description of risks below is intended to describe some of the risks associated with the Shares in their capacity as financial instruments. A description of the risks associated with the Company and its operations can be found in "Risk Factors" in the Registration Document.*

### Risks Relating to an Investment in the Shares

#### ***The Market Price for the Shares is Volatile***

Securities of mineral companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic conditions, and market perceptions of the attractiveness of particular industries or sectors. The price of the Company's Shares is also likely to be significantly affected by short-term changes in gold prices, other mineral prices, currency exchange fluctuations, or its financial condition or results of exploration activities on its projects. Other factors unrelated to the performance of the Company that may have an effect on the price of the Company's Shares include: the extent of analyst coverage available to investors may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Company's Shares may affect an investor's ability to trade significant numbers of Shares of the Company; the size of the Company's public float and whether it is included in market indices may limit the ability of some institutions to invest in the Company's Shares; and, a substantial decline in the price of the Shares of the Company that persists for a significant period of time could cause the Company's Shares to be delisted from an exchange, further reducing market liquidity. If an active market for the Shares of the Company does not continue, the liquidity of an investor's investment may be limited, and the price of the Company's Shares may decline. If an active market does not exist, investors may lose their entire investment in the Company. As a result of any of these factors, the market price of the Company's Shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

***Sales of a Significant Number of our Shares in the Public Markets, or the Perception of Such Sales, Could Depress the Market Price of the Shares***

Sales of a substantial number of our Shares or other equity-related securities in the public markets by the Company or its significant shareholders could depress the market price of the Shares and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our Shares or other equity-related securities would have on the market price of our Shares. The price of our Shares could be affected by possible sales of our Shares by hedging or arbitrage trading activity. If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

***Dilution***

Future sales or issuances of equity securities could decrease the value of the Shares, dilute shareholders' voting power and reduce future potential earnings per Lundin Gold Share.

Lundin Gold may sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Shares) and may issue additional equity securities to finance Lundin Gold's operations, development, exploration, acquisitions or other projects. The size of future sales cannot be predicted and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in earnings per share.

***Risks Related to the Stock Market***

A prospective investor should be aware that an investment in the Shares is highly speculative and is associated with a high degree of risk, and that the price of the Shares may not develop favorably. The share prices of publicly-traded companies can be highly volatile. The price at which the Shares may be quoted and the price which investors may realize for their Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect the industry as a whole, or listed companies generally. In addition to the Company's performance, such factors may include the economic climate, market interest rates, capital flows, political uncertainties and market and behavioral psychology, as well as substantial future sale of Shares. The Company is unable to predict or exercise control over these factors. Thus, a potential investor should be aware of the risk that the trading price of the Shares can decline.

***Risks Related to Illiquid Trading***

It is not possible to anticipate the degree to which investors' interest in Lundin Gold will lead to active trading in its Shares or how trading in the Shares will function in the future. Should active and liquid trading not be sustained, holders of Shares may experience difficulties in selling Shares, either momentarily, or completely. If there is not a sufficient number of holders of Shares traded on Nasdaq Stockholm, the Company may not be able to comply with the listing requirements of Nasdaq Stockholm, requiring that there shall be sufficient liquidity in order to facilitate orderly trading and an efficient price formation process.

### ***Risks Related to Dividends***

No dividends on the Shares have been paid by the Company to date. The mining and exploration industry is capital intensive and the Company's profits may need to be accumulated and used to reinvest in the Company's operations. Hence, the Company may not be able to pay dividends to its shareholders or holders of Shares now or in the future. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including operating results, financial condition, and current and anticipated cash needs.

Upon payment of dividends, if any, the Company intends to administer the payments to holders of Shares listed on Nasdaq Stockholm through Euroclear Sweden AB ("**Euroclear**"). However, the methodology for providing payment of dividends through Euroclear has not yet been established and no agreement with Euroclear regarding administration of dividend has been entered into. The lack of agreement with Euroclear does not deprive holders of Shares to be listed on Nasdaq Stockholm the right to receive dividend, but may cause delays and other problems in relation to the administration of the dividend.

### ***Exchange Rate Fluctuations***

Should the Company pay dividends in respect of the Shares, such dividends will be paid in CAD. However, holders of Shares registered with Euroclear will receive dividend distributions in SEK. Any depreciation of CAD in relation to SEK could reduce the value of the investment or of any dividends, and any appreciation of CAD could increase the value in any such investment or dividends. Furthermore, the holding of Shares registered with Euroclear by an investor whose principal currency is not SEK would expose the investor to additional foreign currency exchange rate risk.

### ***Control of Lundin Gold***

As at the date hereof, Zebra and Lorito, who report their security holdings as joint actors, is a control person of Lundin Gold. The Private Placement, if completed, will materially affect control of the Company, since Newcrest will hold more than 27% of the issued and outstanding Shares upon closing, thereby becoming the largest shareholder of the Company and a control person. Zebra and Lorito will remain a control person, holding over 22% of the Shares after the Private Placement. As long as these shareholders maintain their significant positions in Lundin Gold, they will have the ability to exercise influence with respect to the affairs of Lundin Gold and significantly affect the outcome of matters upon which shareholders are entitled to vote. As a result of the holdings of control persons in the Company, there is a risk that the Company's securities are less liquid and trade at a relative discount compared to circumstances where these persons did not have the ability to influence or determine matters affecting Lundin Gold. Additionally, there is a risk that their significant interests in Lundin Gold discourages transactions involving a change of control of Lundin Gold, including transactions in which an investor, as a holder of the Company's securities, would otherwise receive a premium for its Company's securities over the then-current market price.

# BACKGROUND AND CONDITIONS

## Background and Reasons for the Admission to Trading of Additional Shares on Nasdaq Stockholm

The Shares are listed on the TSX with a secondary listing on Nasdaq Stockholm under the symbol “LUG” and ISIN code CA5503711080.

On February 25, 2018, the Company announced a USD 400 million equity private placement financing (the “**Private Placement**”). Subscribers to the Private Placement include Newcrest Mining Limited (“**Newcrest**”), Orion Mine Finance Group (“**Orion**”) and Zebra and Lorito (the “**Lundin Family Trust**”) at a weighted average subscription price of CAD 5.44 per Share. This is equivalent to an 13% premium to the February 23, 2018 closing price of CAD 4.81. The Private Placement, coupled with the Senior Lenders’ commitments for the Senior Debt Facility, substantially completes the funding requirements, based on current estimates, for the Fruta del Norte.

Newcrest and the Lundin Family Trust have agreed to subscribe for USD 250 million and USD 50 million, respectively, at a price of CAD 5.50 (USD 4.33 at a CAD/USD foreign exchange of 1.27) per Share. Orion has agreed to subscribe for USD 100 million at a price of CAD 5.25 (USD 4.13) per Share. Upon closing of the Private Placement, Newcrest will own 27.1% of Lundin Gold’s outstanding Shares, the Lundin Family Trust will own 22.3% and Orion will own 11.4%. The Company will be issuing an aggregate of 93,497,140 New Shares pursuant to the Private Placement, which represents 78.1% of its current issued and outstanding Shares.

The Private Placement, if completed, will materially affect control of the Company under TSX rules, since Newcrest, at the closing of the Private Placement, will hold greater than 20% of the issued and outstanding shares and become the largest shareholder of the Company, and therefore required shareholder approval under TSX rules. The Company has obtained such approval through the solicitation of written consents in a form acceptable to the TSX. The threshold for approval by way of consent is approval by beneficial shareholders owning, in the aggregate, more than 50% of the outstanding shares.

The Private Placement is expected to close on March 26, 2018 and is subject to regulatory and other customary approvals, including TSX approval and the approval and registration, and subsequent disclosure, of this listing prospectus with the SFSA in accordance with the Swedish Financial Instruments Trading Act (1991:980).

The Company intends to use the net proceeds of the Private Placement for the development and construction of the Fruta del Norte Project and for general working capital purposes. The Company’s total expenses for the share issue under the Private Placement are estimated to USD 4.5 million.

The Company has prepared this prospectus by way of three separate documents (the summary, the registration document and the securities note). The word “prospectus” refers to summary, the registration document and the securities note jointly.

## **Subscription Agreements: Newcrest, Orion and the Lundin Family Trust**

Both Newcrest and Orion have been granted certain rights in connection with each of their subscriptions. The Company has agreed to grant Newcrest the right to nominate two directors to the Company's board, so long as Newcrest owns more than 20% of Lundin Gold's Shares, and one director so long as it owns between 10% and 20% of the Company's Shares. Provided Newcrest owns more than 15% of Lundin Gold's Shares, it will have the right to assign three staff members to the Project. Similarly, Orion will have the right to appoint one director to Lundin Gold's board of directors, subject to maintaining more than a 10% interest in the Company's Shares.

Both Newcrest and Orion have been granted the right to maintain their pro rata interests in the Company if Lundin Gold issues any Shares or convertible securities subject to each maintaining a 10% ownership in the Company. Newcrest has also been granted demand and piggy-back registration rights which apply upon the occurrence of certain events and subject to Newcrest maintaining an interest of at least 15% in the Company.

Until the earlier of Newcrest's ownership falling below 15% and the commencement of commercial production, the Company has agreed with Newcrest not to (i) solicit any amalgamation, merger, arrangement, corporate reorganization (excluding internal), acquisition, share or asset purchase or other business transaction involving the Company or any of its subsidiaries (an "M&A transaction" other than one involving the issuance of less than 10% of the outstanding Shares (a "de minimus transaction") or (ii) enter into any agreement with respect to any M&A transaction, other than a de minimus transaction or a Change of Control Transaction (being the acquisition of more than 50% of the Company's outstanding Shares).

Newcrest has agreed to a standstill provision which restricts it from acquiring Lundin Gold's Shares beyond a 32% ownership for a period of eight years. The standstill falls away in certain situations including but not limited to: a takeover bid for Lundin Gold by either a third party or by Newcrest; another strategic investor subscribing for more than a 10% interest in the Company; a significant M&A transaction not supported by Newcrest; certain significant changes in the Lundin Family Trust's ownership of Lundin Gold; and Lundin Gold defaulting on its financing agreements.

The Lundin Family Trust has entered into customary subscription agreements with the Company.

## **Information on the Admission to Trading of Additional Shares**

The New Shares will be listed on Nasdaq Stockholm under the symbol "LUG" and ISIN code CA5503711080. On Nasdaq Stockholm, the Shares will be traded and settled in SEK. The estimated first day of trading on Nasdaq Stockholm is on or about March 26, 2018.

**Note that this prospectus does not comprise an offer to purchase, subscribe for or sell Shares in Lundin Gold.**

## **Registration with Euroclear**

Only Shares registered in the local central securities depository system with Euroclear will be subject to trading on Nasdaq Stockholm following the admission to trading of the New Shares. Holders of Shares listed on the TSX are entitled to register those Shares in the depository system at Euroclear in order to trade their securities on

Nasdaq Stockholm and vice versa. In order to trade Shares on Nasdaq Stockholm, holders of Shares are advised to contact their nominees or their bank. No physical share certificates in Lundin Gold are or will be issued to holders through the Euroclear System. All Shares traded on Nasdaq Stockholm will be affiliated to Euroclear and will not be represented by physical share certificates.

## **Conditions for the Admission to Trading of additional Shares**

The admission to trading of the New Shares on Nasdaq Stockholm is conditional the approval and registration with the Swedish Financial Supervising Authority of this prospectus, and the subsequent publication of the prospectus.

## **Market Maker**

The Company has appointed Pareto as market maker in conjunction with the admission to trading of the Shares on Nasdaq Stockholm. This appointment as market maker will continue as such in conjunction with the admission to trading on Nasdaq Stockholm with the objective to promote a good liquidity in the Shares on this market. Under the agreement, Pareto will place bid and offer prices corresponding to a value of SEK 30,000 on each side. The maximum difference between the bid and the offer price shall be four per cent. If the share price volatility is considered high, the market maker has the right to pursue the service according to the minimum requirements set by Nasdaq Stockholm during the rest of the trading day. The assignment is on an on-going basis.

## **Industry Data and Information from Third Parties**

This prospectus contains historical market data and industry forecasts relating to the market in which the Company operates. The Company has obtained this information from several sources, including industry publications and market surveys from third parties as well as publicly available information. Although the industry publications state that they are based on information obtained from several different sources and using various methods that may be deemed reliable, the information may not be correct and complete. Industry forecasts are by their nature subject to considerable uncertainty, and may prove to be incorrect. Information from third parties has been correctly reproduced and, as far as the Board is aware and is able to ascertain through comparisons with other information published by the third party concerned, no information has been omitted in a way that would make the reproduced information incorrect or misleading.

## **Other**

As far as the members of the Board are aware, no physical or legal persons involved in the admission to trading of the New Shares on Nasdaq Stockholm have financial or other relevant interests that are of importance to the admission to trading, other than as described herein.



## **Responsibility for the Prospectus**

*The Board of Lundin Gold is responsible for the contents of this prospectus. The Board hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.*

*The Board consists of Lukas H. Lundin, Ron F. Hochstein, Ian W. Gibbs, Paul McRae, Pablo J. Mir, Carmel Daniel, Ashley Heppenstall and Chantal Gosselin*

The Board of Directors of Lundin Gold Inc.

Vancouver, British Columbia, Canada

March 19, 2018

# CAPITAL STRUCTURE, INDEBTEDNESS AND RELATED INFORMATION

The tables below set out the Company's capitalization and net financial indebtedness as of December 31, 2017 both on an actual basis and on an adjusted basis to show the estimated effects of the Private Placement. This information should be read together with sections "Selected financial information" and "Comments to the financial statements" and the Company's audited financial statement for the years 2017, 2016 and 2015.

The information below has been prepared by the Company specifically for this prospectus and has not been audited. The figures in the first column in the tables below are based on the Company's audited consolidated financial statements for the year ended December 31, 2017, whereas the "pro forma" columns have been adjusted to show the estimated effects of the Private Placement as if the Private Placement had taken place as at December 31, 2017. Investors are cautioned that the "pro forma" figures included in the tables below are estimates which are associated with significant uncertainties.

## Capitalization and Net Indebtedness

USD (thousand)		
Shareholders' equity and debt capital	As at December 31, 2017	Pro forma inclusive of the Private Placement
Guaranteed and secured	-	-
Unguaranteed/unsecured	-	-
<b>Total current debt</b>	-	-
Guaranteed and secured	217,940	217,940
Unguaranteed/unsecured	-	-
<b>Total non-current debt</b>	<b>217,940</b>	<b>217,940</b>
Share capital	460,856	860,856
Equity-settled share-based payment reserve	9,547	9,547
Accumulated other comprehensive loss	(11,364)	(11,364)
Deficit	(224,190)	(224,190)
<b>Total shareholders' equity</b>	<b>234,849</b>	<b>634,849</b>
<b>TOTAL EQUITY AND DEBT</b>	<b>452,789</b>	<b>852,789</b>

## Indirect and Contingent Liabilities

As of December 31, 2017 the Company had no indirect and contingent liabilities.

## Net Interest-Bearing Indebtedness

USD (thousand)

Net financial debt or net financial assets	As at December 31, 2017	Pro forma inclusive of the Private Placement
A. Cash	35,018	435,018
B. Cash equivalents	-	-
C. Trading securities	-	-
<b>D. Liquidity (A + B + C)</b>	<b>35,018</b>	<b>435,018</b>
<b>E. Current financial receivables</b>		
F. Current bank debt	-	-
G. Current portion of non-current debt	-	-
H. Other current financial debt	-	-
<b>I. Total current financial debt (F + G + H)</b>	<b>-</b>	<b>-</b>
<b>J. Net current financial liabilities (I – E – D)</b>	<b>(35,018)</b>	<b>(435,018)</b>
K. Non-current bank loans	-	-
L. Bonds issued	-	-
M. Other non-current loans	217,940	217,940
<b>N. Non-current financial debt (K + L + M)</b>	<b>217,940</b>	<b>217,940</b>
<b>O. Net financial liabilities (assets) (J + N)</b>	<b>182,922</b>	<b>(217,078)</b>

## Working Capital

As at the date of this prospectus, the Company's existing working capital, excluding the proceeds from the Private Placement, is not expected to be sufficient to fully fund its present requirements for the next twelve months without curtailing the current level of activities. The Company has estimated that it will need approximately USD 200 to 250 million before the end of 2018 of additional funding to fully fund its present requirements during the next twelve months. Pursuant to the Private Placement, the Company is expected to receive gross proceeds of USD 400 million. In the Company's opinion, the gross proceeds are expected to be sufficient to fully fund its present requirements for the next twelve months.

The Company has no reason to believe that the Company will not receive the expected proceeds from the Private Placement, but if so the Company would have to pursue various financing transactions or arrangements, including equity financing, debt financing, stream financing, joint venturing or other means. The Company believes that such financing transactions and arrangements will provide the Company sufficient resources for its present requirements for the next twelve months. However, there can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Lundin Gold. Moreover, Lundin Gold may not be successful in locating suitable financing when required or at all. A failure to raise capital when needed would delay the development of the Fruta del Norte Project and would potentially have a material adverse effect on Lundin Gold's business, financial condition and results of operations, including a curtailment of the Company's activities.

# THE SHARES

## Registration of Shares

Shares held through the Euroclear system are in uncertificated form. Shares issued outside of the Euroclear system are in both certificated and uncertificated form and certificated Shares are in registered form. The Company's registrar and transfer agent in Canada is Computershare Investor Services Inc., 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

## Liquidation

In the event of the dissolution, liquidation, or winding up of Lundin Gold, holders of Shares are entitled to share ratably in any assets remaining after the satisfaction in full of the prior rights of creditors, including holders of Lundin Gold's indebtedness, and the payment of the aggregate liquidation preference of any Lundin Gold preferred shares then outstanding.

## Voting

Holders of Shares are entitled to receive notice of and attend all annual and special meetings of the shareholders and to one vote for each Lundin Gold Share held on all matters voted on by shareholders, including the election of directors.

## Dividends

Holders of Shares are entitled to receive any dividends declared and payable by Lundin Gold. There are no fixed dates on which entitlement to any dividends arises. There is no time limit after which the dividend entitlement lapses, other than as prescribed by generally applicable statutes of limitation.

Also see *"Risk Factors"*, *"Risks Related to Dividends"*.

## Preference Shares

Lundin Gold is authorized to issue an unlimited number of preference shares (the **"Preference Shares"**) without nominal or par value. The Preference Shares may be issued from time to time in one or more series, each consisting of a number of Preference Shares as determined by the Board which also may fix, subject to the restrictions set out below, the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preference Shares. The Preference Shares of each series shall, with respect to payment of dividends and distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up of Lundin Gold rank on parity with the Preference Shares of every other series and shall be entitled to preference over the Shares and the shares of any other class ranking junior to the Preference Shares. The Preference Shares of any series may be purchased for cancellation or made subject to redemption as determined by the Board. The holders of Preference Shares shall be entitled to notice of meetings called for the purpose of authorizing the dissolution of Lundin Gold or the sale, lease or exchange of substantially all of its

assets but shall not be entitled to vote thereat, except as provided by applicable law. No Preference Shares are outstanding as of the date of this prospectus.

## **Other Information Regarding the Shares**

There is no restriction on the free transferability of the Shares. The Shares are not subject to any offer made under mandatory takeover bids and/or squeeze-out and sell-out rules. The Shares have not been subject to any public takeover bids by third parties in the last financial year or the current financial year.

## SUMMARY OF SHAREHOLDER RIGHTS

*The following is a summary of the rights of shareholders in Lundin Gold based upon current Canadian legislation, and the Company's current articles of continuance and by-laws. It also sets out certain differences between Canadian corporate law and Canadian corporate governance principles compared to Swedish corporate law (in those parts applicable on companies whose shares are subject to trading on a regulated market) and Swedish corporate governance principles. As noted in the section "Corporate Governance", the Company is not required to comply with Swedish corporate governance rules.*

*The summary is of a general nature only. It is not an exhaustive account of the aforementioned corporate documents. It is neither an exhaustive review of the aforementioned corporate documents nor of all potentially relevant differences between Canadian and Swedish law or corporate governance requirements, material or not.*

### The Business of Lundin Gold

#### Canada

The articles of continuance and the by-laws do not restrict the business that the Company can carry on.

#### Sweden

Under the Swedish Companies Act, the objectives of a Swedish company must be set out in the articles of association. These objectives set out the limits within which the company can operate.

### Shares

#### Canada

The Shares have been issued in accordance with the CBCA. The capital structure of the Company is composed of an unlimited number of common shares without par value and an unlimited number of preference shares issuable in series. The Shares are denominated in CAD.

#### Sweden

Under the Swedish Companies Act, a company may issue different classes of shares only if such share classes are specified in a company's articles of association. The articles shall also contain limitations on the minimum and maximum number of shares of each share class.

### Voting Rights

#### Canada

Under the CBCA, a corporation is required to prepare a list of shareholders entitled to vote as of the record date that shows the number of shares held by each shareholder; the by-laws of the Company only require this when the Company has more than 15 shareholders entitled to vote at the meeting. A registered shareholder

can either attend the meeting and vote him or herself or appoint someone else to vote his or her shares (a “**proxy holder**”). A shareholder appoints a proxy holder to attend and act on the shareholder’s behalf at a meeting of shareholders by giving the proxy holder a completed and executed form of proxy. A proxy holder is required to vote the shares in accordance with the shareholder’s instructions.

A non-registered shareholder has beneficial ownership of the shares, but a bank, trust company, securities broker, financial institution or other intermediary (an “**intermediary**”) is the registered holder that holds the shares on behalf of the beneficial owner. The intermediary cannot vote the shares registered in its name unless it receives written voting instructions from the beneficial owner. If the beneficial owner requests and provides an intermediary with appropriate documentation, the intermediary must appoint the beneficial owner or nominee of the beneficial owner as proxy holder.

Unless the by-laws otherwise provide, any meeting may be held entirely by means of a telephonic, electronic or other communication facility, provided the corporation makes available such a communication facility that permits all participants to communicate adequately and it is in accordance with the regulations under the CBCA.

## **Sweden**

Under the Swedish Companies Act, all shares carry one vote unless different share classes with different voting rights are provided for in the articles of association of the company. No share may however have a voting right which exceeds ten times the voting rights of any other share.

Shareholders registered in the share register as of the record date for a general meeting are entitled to vote at such general meeting (in person or by appointing a proxy holder). Shareholders with shares registered through a nominee must request to be temporarily registered as a shareholder of record on the record date in order to participate in a general meeting. The share register is kept by Euroclear and the record date for a general meeting shall be the fifth business day prior to the date of the meeting. Shareholders must also, if provided for in the articles of association, give notice of their intention to attend the shareholders’ meeting.

## **Shareholder Meetings**

### **Canada**

Under the CBCA, the board of directors of a corporation shall call an annual meeting of shareholders not later than fifteen months after holding the last preceding annual meeting but no later than six months after the end of the corporation’s preceding financial year. Meetings of shareholders can be held at any place in Canada, and may be held at a place outside of Canada if the place is specified in the articles or all shareholders entitled to vote at the meeting agree that the meeting is to be held at that place.

Special meetings of shareholders may be called by the board at any time or by a court upon the application of a director or shareholder entitled to vote at a meeting. The holders of not less than five per cent of the issued shares may also requisition the board of directors to call a meeting of the shareholders for the purposes stated in the requisition and subject to certain exemptions, on receiving the requisition, the board of directors shall

call a meeting of shareholders. If the board of directors fail to do so within 21 days, any shareholder who signed the requisition may call the meeting.

Under the CBCA, shareholder action without a meeting may only be taken by written resolution signed by all shareholders who would be entitled to vote thereon at a meeting.

## **Sweden**

Under the Swedish Companies Act, the board of directors is responsible for convening general meetings but holders of not less than 10 per cent of all shares in the company may request that an extraordinary general meeting is convened. If so requested, the board has two weeks to issue a notice to convene the general meeting failing which the shareholder can request that the Swedish Companies Registration Office convenes the meeting. General meetings shall be held in the municipality in which the board of directors holds its registered office or in another municipality in Sweden if specified in the articles of association.

The general meeting shall be opened by the chairman of the board or such person as the board has decided. Moreover, the Swedish corporate governance code stipulates that the chairman of the board of directors together with a quorum of directors, as well as the chief executive officer, shall attend general meetings. The chairman of the general meeting shall be nominated by the nomination committee and elected by the general meeting.

Minutes from general meetings shall be available on the company's website no later than two weeks after the meeting.

## **Notices**

### **Canada**

Under the CBCA, at least 21 days, and not more than 60 days prior to the meeting date (at least 21 days and not more than 50 days, under the by-laws of the Company), the directors of a corporation shall provide notice of the time and place of a meeting of shareholders to each shareholder entitled to vote at the meeting, each director and the auditor of the corporation. Subject to certain exceptions, the management of a corporation shall concurrently send a form of proxy in prescribed form to each shareholder who is entitled to receive notice of the meeting.

### **Sweden**

Under the Swedish Companies Act, a general meeting of shareholders must be preceded by a notice. The notice of the annual general meeting of shareholders must be given no sooner than six weeks and no later than four weeks before the date of the meeting. In general, notice of extraordinary general meetings must be given no sooner than six weeks and no later than three weeks before the meeting. The notice shall be announced in a press release, published in the Swedish Official Gazette and on the company's website. The company must also publish in a daily newspaper with nationwide circulation a short form message containing information regarding the notice and where it can be found. The notice shall include an agenda listing each item that the meeting is to resolve upon.



Pursuant to the Swedish corporate governance code, a company shall, as soon as the time and venue of a general meeting have been decided publish such information on the company's website. With respect to annual general meetings, such publication shall be made no later than in conjunction with the third quarterly report.

## Record Date

### Canada

The record date for voting or to receive notification of a meeting of shareholders is set by the board. The Company is required to send a notification of meeting and record dates to all depositories, the securities regulatory authority and each exchange in Canada on which the securities of the Company are listed at least 25 days before the record date for the meeting. Such notice is typically given by filing on SEDAR a notice of record date and meeting date. Under the CBCA, the record date must not be fewer than 21 days and not more than 60 days before the date of the meeting. Under Canadian Securities laws, the record date for notice of the meeting shall be no fewer than 30 days and no more than 60 days before the meeting date. Under the by-laws of the Company the record date shall be no fewer than 21 days and no more than 50 days before the meeting date.

### Sweden

Under the Swedish Companies Act the record date for a general meeting is the fifth business day (*i.e.* not a holiday) prior to the date of the meeting.

## Issue of Shares

### Canada

Under the TSX Company Manual, a listed company must receive TSX approval for any transaction involving the issuance or potential issuance of any shares other than unlisted, non-voting, non-participating shares. The TSX will generally require shareholder approval before approving a transaction that materially affects the control of the listed company or that has not been negotiated at arm's length and provides consideration to insiders in aggregate of 10% or greater of the market capitalization of the listed company during any six-month period. For other transactions, the TSX's decision as to whether to require shareholder approval will depend on the particular fact situation having specific regard to the factors listed above.

Under the CBCA:

- 1) subject to the Company's Articles and by-laws and any unanimous shareholder agreement shares may be issued at such times and to such persons and for such consideration as the board of directors may determine;
- 2) shares issued by a corporation are non-assessable, and the holders are not liable to the corporation or to its creditors in respect thereof; and

- 3) a share shall not be issued until the consideration for the share is fully paid in money or in property or past services that are not less in value than the fair equivalent of the money that the Company would have received if the share had been issued for money.

## **Sweden**

Under the Swedish Companies Act, resolutions on new share issues are as a main rule passed by the shareholders at a general meeting. A general meeting may also authorize the board of directors to issue new shares for period no longer than until the next annual general meeting. Furthermore, the board of directors may also resolve to issue new shares without such authorization, provided that the resolution is conditioned upon the shareholders' approval at a general meeting.

New shares may be issued against payment in cash, in kind or by way of set-off.

When issuing new shares the limitations on maximum number of shares and share capital set out in the company's articles of association need to be adhered to, unless a general meeting decides to amend the articles.

## **Pre-emption Rights**

### **Canada**

Under the CBCA, if the articles of a corporation so provide, no shares of a class are to be issued unless the shares have first been offered to the shareholders holding shares of that class, and those shareholders have a pre-emptive right to acquire the offered shares in proportion to their shareholdings of that class, at the price and on the terms as those shares are to be offered to others. However, despite what is provided for in the articles, no pre-emptive rights exist in respect of shares issued for consideration other than money, as a share dividend or pursuant to the exercise of conversion privileges, options or rights previously granted by the corporation.

The Articles of the Company do not contain any pre-emption rights.

### **Sweden**

Under the Swedish Companies Act, shareholders have pre-emption rights (Sw. *företrädesrätt*) to subscribe for new shares issued in proportion to their shareholdings as of a certain record date for the new share issue. Pre-emption rights to subscribe for new shares do not apply in respect of shares issued for consideration in kind or shares issued pursuant to convertibles or warrants previously granted by the company. The pre-emption rights to subscribe for new shares may also be set aside by a resolution passed by two thirds of the votes cast and shares represented at the general meeting resolving upon the issue. The corresponding majority threshold applies to a decision by a general meeting to authorize the board to decide upon new share issues with deviation from shareholders' pre-emption rights.

## **Dividends**

### **Canada**

Under the CBCA, a corporation may pay a dividend in money or property or by issuing fully paid shares of the corporation. A corporation shall not declare or pay a dividend if there are reasonable grounds for believing that: (a) the corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

### **Sweden**

Under the Swedish Companies Act, payments of dividends require a shareholder resolution at a general meeting. A resolution to pay dividends may, with some exceptions, not exceed the amount recommended by the board of directors. Dividends may only be made if, after the payment of the dividend, there is sufficient coverage for the company's restricted equity and the payment of dividends is justified, taking into consideration the equity required for the type of operations, the company's need for consolidation and liquidity as well as the company's financial position in general. Each shareholder appearing in share register as of the record date for the dividend is entitled to receive the dividend distribution. Dividends are normally distributed to the shareholders through Euroclear.

## **Distribution of Assets on Liquidation**

### **Canada**

Under the CBCA, a company may apply to the court to supervise a voluntary liquidation. After the final accounts have been approved by the court, the liquidator will distribute any remaining property of the corporation, after the discharge of its obligations, among the shareholders according to their respective rights.

### **Sweden**

Under the Swedish Companies Act, a company can enter into voluntary liquidation following a resolution by simple majority vote among the shareholders at a general meeting. All shares carry equal rights in a liquidation unless otherwise provided for in articles of association.

The Swedish Companies Act also stipulates that a company shall enter into compulsory liquidation in a capital deficiency situation and in certain other situations.

## **Certain Extraordinary Corporate Actions**

### **Canada**

Under the CBCA, certain extraordinary corporate actions, such as certain amalgamations, continuances, and sales, leases or exchanges of all or substantially all of the property of a corporation other than in the ordinary course of business, and other extraordinary corporate actions such as liquidations, dissolutions and (if ordered by a court) arrangements, are required to be approved by special resolution. A special resolution is a resolution passed at a meeting by not less than two-thirds of the votes cast by the shareholders who voted in respect of

that resolution or a resolution signed by all of the shareholders entitled to vote on that resolution. In certain cases, a special resolution to approve an extraordinary corporate action is also required to be approved separately by the holders of a separate class or series of shares.

## **Sweden**

Under the Swedish Companies Act, a statutory merger requires a shareholder resolution passed at a general meeting. The majority requirements for a valid resolution depends on the type of companies involved, however not less than two-thirds of the votes cast and the shares represented at the meeting. The consideration to the shareholders of the transferor company or companies shall consist of shares in the transferee company or of cash. More than half of the aggregate value of the consideration shall consist of shares.

A voluntary liquidation requires a resolution passed at a shareholders meeting supported by more than half of the votes cast, unless otherwise provided in the articles of association of the company. A material change of the operations conducted by the company may require a change of the company's objects and purposes in the articles of association, see section "*Amendment to the Articles or By-laws*" below.

## **Restrictions on Change of Control**

### **Canada**

The Company does not have any shareholder rights plans in effect.

### **Sweden**

Not applicable for Swedish companies with shares listed on a regulated market.

## **Mandatory Takeover Bids/ Squeeze-out Rules**

### **Canada**

The CBCA contains the procedural requirements for going-private transactions and Canadian securities laws govern take-over bids. Under the CBCA, if a take-over bid is accepted by not less than ninety per cent of the shares of any class of shares to which the take-over bid relates (within 120 days after the date of a take-over bid), other than shares held at the date of the take-over bid by or on behalf of the offeror or an affiliate, or associate of the offeror, the offeror is entitled to acquire the shares held by any dissenting offerees.

If the acquiring company elects to proceed by way of take-over bid but fails to acquire the requisite percentage of the shares to permit a force-out of the minority, the company may implement a second-step transaction to squeeze out the minority by calling a shareholder meeting to approve a share reorganization or amalgamation of the target.

### **Sweden**

Swedish rules regarding takeover bids and mergers are based on a combination of legislation and stock exchange rules. Among the prevailing principles are that all holders of the same class of securities in an offeree company must be treated equally, and if a person acquires control of a company, other holders of securities are to be protected, and further that holders of securities in an offeree company are to be given sufficient time

and information to reach a well-founded decision regarding the offer (including a comprehensive offer or merger document approved by the SFSA).

Under Swedish law an obligation to launch a mandatory takeover bid applies when a party becomes the owner of 30 per cent or more of the votes in a company with shares listed on a regulated market.

Under the Swedish Companies Act, a shareholder holding more than 90 per cent of the shares in a company is entitled, on a compulsory basis, to buy-out the remaining shares from the other shareholders in the company. On the other hand, a minority shareholder is also, in such situation, entitled to demand that the majority shareholder purchases his or her shares.

## **Redemption Provisions**

### **Canada**

Under the CBCA, a corporation may liquidate and dissolve by special resolution of the shareholders or, where the corporation has issued more than one class of shares, by special resolutions of the holders of each class whether or not they are otherwise entitled to vote.

After giving the appropriate notice and adequately providing for the payment or discharge of all its obligations, the Company will distribute its remaining property, either in money or in kind, among its shareholders according to their respective rights.

Subject to the conditions in the CBCA and a corporation's articles, a corporation may purchase or otherwise acquire shares issued by it. A corporation shall not make any payment to purchase or otherwise acquire shares issued by it if there are reasonable grounds for believing that (a) the corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the corporation's assets would after the payment be less than the aggregate of its liabilities and stated capital of all classes. Notwithstanding this fact, a corporation may purchase or otherwise acquire shares issued by it to, among other things, satisfy the claim of a dissenting shareholder.

Subject to a corporation's articles, a corporation may purchase or redeem any redeemable shares issued by it at prices not exceeding the redemption price thereof stated in the articles or calculated according to a formula stated in the articles. A corporation shall not purchase or redeem any redeemable shares issued by it if there are reasonable grounds for believing that (a) the corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the corporation's assets would after the payment be less than the aggregate of (i) its liabilities, and (ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or before the holders of the shares to be purchased or redeemed, to the extent that the amount has not been included in its liabilities.

A listed company on the TSX can file a Notice of Intention to Make a Normal Course Issuer Bid with the TSX seeking approval for the company to purchase its listed securities on the secondary market where the purchases do not, (a) when aggregated with all other purchases by the listed issuer during the same trading day, equal more than the greater of: (i) 25 per cent of the average daily trading volume of the listed securities

of that class; and (ii) 1,000 securities; and (b) over a 12-month period, commencing on the date specified in the notice of the normal course issuer bid, do not exceed the greater of (i) 10 per cent of the public float on the date of acceptance of the notice of normal course issuer bid by TSX, or (ii) 5 per cent of such class of securities issued and outstanding on the date of acceptance of the notice of normal course issuer bid by TSX, excluding any securities held by or on behalf of the listed issuer on the date of acceptance of the notice of normal course issuer bid by TSX.

### **Sweden**

Under the Swedish Companies Act, a company with shares listed on a regulated market is permitted to repurchase a maximum of 10 per cent of all outstanding shares in the company. A resolution to repurchase shares must be taken either by a qualified majority vote among the shareholders at a general meeting or, following authorization from the general meeting with same majority vote, by the board of directors.

A general meeting may also resolve upon the redemption of the Shares through which the share capital of the company will be reduced. This is a more formal and complex process, which as a main rule involves also notice to the company's creditors.

## **Amendments to the Articles or By-laws**

### **Canada**

Under the CBCA, any amendment to the articles generally requires approval by special resolution, which is a resolution passed by a majority of not less than two-thirds of the votes cast by the shareholders who voted in respect of that resolution or a resolution signed by all of the shareholders entitled to vote on that resolution. The CBCA provides that unless the articles or by-laws, or a unanimous shareholder agreement, otherwise provide, the board of directors may, by resolution, make, amend or repeal any by-laws that regulate the business or affairs of a corporation. Where the board of directors make, amend or repeal a by-law, they are required under the CBCA to submit the by-law, amendment or repeal to the shareholders at the next meeting of shareholders, and the shareholders may confirm, reject or amend the by-law, amendment or repeal by an ordinary resolution, which is a resolution passed by a majority of the votes cast by shareholders entitled to vote on the resolution.

### **Sweden**

Under the Swedish Companies Act, an amendment of the articles of association requires a shareholder resolution at a general meeting. The majority requirement for a valid resolution depends on the type of alteration. However, not less than two-thirds of the votes cast and of the shares represented at the meeting will be required. The board of directors is not allowed to make amendments to the articles of association. Any amendment to the articles will have to be registered with the Swedish Companies Registration Office.

# Directors and the Board of Directors

## Number of Directors

### Canada

Under the CBCA, a distributing corporation must have no fewer than three directors, at least two of whom are not officers or employees of the corporation or its affiliates and at least 25 per cent of the directors must be resident Canadians. However, if a corporation has less than four directors, at least one director must be resident Canadian. The directors are elected at the annual meeting of the Company shareholders for a term expiring no later than the close of the third annual meeting of shareholders following the election. Under the CBCA, the directors may also, if the articles so provide, appoint one or more additional directors, who shall also hold office for a term expiring at the end of the next annual meeting, provided that the total number of directors so elected shall not exceed one third of the number of directors elected at the previous annual meeting.

The TSX requires that all TSX-listed issuers permit security holders of each class or series to vote on the election of all directors to be elected by such class or series at each annual meeting of holders of listed securities.

The articles of the Company provide that the Company shall have a minimum of three and a maximum of fifteen directors.

### Sweden

Under the Swedish Companies Act, a public company shall have a board of directors consisting of at least three board members and the chairman of the board may not be the managing director of the company. More than half of the directors shall be resident within the European Economic Area (unless otherwise approved by the Swedish Companies Registration Office). The actual number of board members shall be determined by a shareholders' meeting, within the limits set out in the company's articles of association.

Under the Swedish corporate governance code, not more than one director may also be a senior executive of the relevant company or a subsidiary. In addition, a majority of board members shall be independent of the company and its management and two of these members shall also be independent of major shareholders in the company.

## Nomination, Appointment and Removal of Directors

### Canada

Under the CBCA, the shareholders of a corporation may remove any director or directors from office by an ordinary resolution which is passed by a majority of the votes cast by the shareholders entitled to vote on the resolution. However, there are a couple of exceptions. Where the holders of any class or series of shares of a corporation have an exclusive right to elect one or more of the directors such that a director so elected may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series. In addition, where the articles provide for cumulative voting, a director may not be removed if the number of votes cast in

favor of his removal is greater than the product of the number of directors required by the articles and the number of votes cast against the motion.

Additionally, the TSX requires that each director of a TSX-listed issuer must be elected by a simple majority of the votes cast (*i.e.*, more votes “for” than votes “withheld”) with respect to his or her election, other than at contested meetings. TSX-listed issuers are required to adopt a majority voting policy which provides that, among other things, any director must immediately tender his or her resignation to the board of directors if he or she is not elected by at least a majority of the votes cast with respect to his or her election. Each TSX-listed issuer that adopts a majority voting policy must annually describe the policy in the information circular sent to shareholders for the annual meeting and for any meeting at which directors are being elected.

The Board has adopted a majority voting policy that provides that each director of the Company must, subject to certain provisions, be elected by the vote of a majority of the Shares, represented in person or by proxy, at any meeting for the election of directors. In addition, the Company’s by-laws provide for an advance notice requirement for nominations of directors by shareholders.

## **Sweden**

Under Swedish law, the board of directors shall, except for any employee representatives, be elected by the annual general meeting of shareholders, unless the articles of association provide otherwise. The members of the board of directors are usually elected for the period until the end of the next annual general meeting of shareholders, unless a longer term of up to four financial years is set out in the articles of association. It is possible for a board member to be re-elected for a new term of office.

Companies to which the Swedish corporate governance code applies shall have a nomination committee. In addition to nominating directors, the nomination committee shall nominate the chairman of the board of directors and the auditors and shall also propose fees to each director and to the auditors. The nomination committee’s proposals are to be presented in the notice of the general meeting and on the company’s website. At the same time, the nomination committee is to issue a statement on the company’s website explaining its proposals and providing more information about the candidates proposed for election or re-election.

Under the Swedish corporate governance code, the annual general meeting of shareholders shall either appoint the members of a nomination committee or pass a resolution specifying how the members are to be appointed. The nomination committee shall have at least three members, the majority of which shall be independent of the company and its management. One of the independent members shall also be independent of the company. One of the independent members shall also be independent of the largest shareholder. The chief executive officer and other senior executives may not be members of the nomination committee.

## **Remuneration**

### **Canada**

The CBCA provides that, subject to a corporation’s articles, by-laws or any unanimous shareholder agreements, the directors may fix the remuneration of the directors, officers, and employees of the corporation. According



to the by-laws of the Company, the directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for reasonable travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof.

## **Sweden**

Under the Swedish Companies Act, the remuneration to the board of directors shall be determined by the annual general meeting of shareholders, specifying the amount for each director. For companies complying with the Swedish corporate governance code, the nomination committee's proposal to the annual general meeting of shareholders shall include a proposal regarding the remuneration to each member of the board.

The annual general meeting of shareholders shall establish guidelines for the remuneration of the board and executive management. In addition, the board of directors shall, pursuant to the Swedish corporate governance code, have a remuneration committee. The remuneration committee shall prepare the board of directors' resolutions regarding executive compensation and shall also monitor and evaluate the company's principles and levels of remuneration to the executive management, including programs for variable compensation. The code also stipulates that variable compensation paid in cash to the executive management shall be subject to predetermined limits regarding the total outcome. Furthermore, all share and share-price related incentive schemes for the executive management shall be approved by a general meeting.

## **Powers of the Board of Directors**

### **Canada**

Directors of corporations governed by the CBCA have fiduciary obligations to the corporation. Under the CBCA, directors are under a duty of care to act honestly and in good faith with a view to the best interests of the corporation as well as a duty to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The board is generally responsible for managing, or supervising the management of, the business of the Company. More specific powers and duties of the board are contained in separate provisions of the CBCA and the Company's by-laws.

### **Sweden**

Under the Swedish Companies Act, the board of directors is responsible for the organization of the company and shall monitor the financial situation of the company and the group. The board shall appoint a managing director and issue instructions to such director setting out the responsibilities of the board and managing director. The board shall also issue instructions in reporting obligations in order for the board to fulfill its duties.

The managing director is responsible for the day-to-day management of the company in accordance with law, which normally includes appointing the other senior executives. The managing director shall be resident within the European Economic Area (unless otherwise approved by the Swedish Companies Registration Office).

# Right to Indemnification

## Canada

Under the CBCA, a corporation may indemnify a director or officer, a former director or officer, or another individual who acts or acted at the corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity (an "**Indemnifiable Person**"), against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the corporation or other entity. The corporation may not indemnify an individual unless (a) he or she acted honestly and in good faith with a view to the best interests of the corporation or, as the case may be, to the best interests of the other entity for which the individual acted as directors or officer or in a similar capacity at the corporation's request; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful.

A corporation may, with the approval of a court, also indemnify an Indemnifiable Person or advance him or her money in respect of derivative actions—actions by or on behalf of the corporation or entity to procure a judgment in its favor—to which such person is made a party because of the individual's associations with the corporation or other entity against all costs, charges and expenses reasonably incurred in connection with the action if the individual fulfills the conditions set out in (a) and (b) above.

The CBCA also creates an independent statutory right of indemnification. An Indemnifiable Person is entitled to recover costs of defending an action or proceeding brought against him or her as a result of that person's association with the corporation or other entity if the individual was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done, and fulfills the conditions set out in (a) and (b) above.

The CBCA also allows a corporation to advance moneys to a director, officer or other individual for the costs, charges, expenses of a proceeding mentioned above. The individual is required to repay the moneys if the individual does not fulfill the conditions noted in (a) and (b) above.

## Sweden

The Swedish Companies Act does not contain any specific provisions requiring that the articles of association provide for indemnification of board members, officers or other persons. Instead, Swedish companies can have professional indemnity insurance in place for its board members and officers.

The annual general meeting of shareholders shall resolve on the discharge of the board of directors and managing director from liability. An action for damages on behalf of the company may be available in certain circumstances against a founder, board member, managing director, auditor or shareholder of the company. Such an action may be instituted where at a general meeting of shareholders the majority, or a minority comprising the owners of at least one-tenth of all shares, has supported the proposal that such an action be instituted. The action for damages in favor of a company may also be conducted by owners (in their own name) of at least one-tenth of all shares.

# Shareholder Remedies and Special Audit Rights

## Canada

The most common shareholder remedies under the CBCA are the oppression remedy, derivative actions, dissent rights and court-appointed inspections.

### *Oppression Remedy*

A “complainant” has the right to apply to a court for an order under the oppression provisions of the CBCA, and if the court is satisfied that in respect of a corporation or any of its affiliates (a) any act or omission of the corporation or any of its affiliates effects a result, (b) the business or affairs of the corporation or any of its affiliates are or have been carried on or conducted in a manner, or (c) the powers of the directors of the corporation or any of its affiliates are or have been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any security holder, creditor, director or officer, the court may make an order to rectify the matters complained of. A “complainant” means (a) a registered holder or beneficial owner, and a former registered holder or beneficial owner, of a security of a corporation or any of its affiliates, (b) a director or an officer or a former director or officer of a corporation or any of its affiliates, (c) the director appointed under the CBCA, or (d) any other person who, in the discretion of a court, is a proper person to make an application.

In connection with such an application, the court may make any interim or final order it thinks fit including, without limiting the generality of the foregoing, an order: (a) restraining the conduct complained of; (b) appointing a receiver or receiver-manager; (c) to regulate a corporation’s affairs by amending the articles or by-laws or creating or amending a unanimous shareholder agreement; (d) directing an issue or exchange of securities; (e) appointing directors in place of or in addition to all or any of the directors then in office; (f) directing a corporation, or any other person, to purchase securities of a security holder; (g) directing a corporation, or any other person, to pay a security holder any part of the monies that the security holder paid for securities; (h) varying or setting aside a transaction or contract to which a corporation is a party and compensating the corporation or any other party to the transaction or contract; (i) requiring a corporation, within a time specified by the court, to produce to the court or an interested person financial statements in the form required by the CBCA or an accounting in such other form as the court may determine; (j) compensating an aggrieved person; (k) directing rectification of the registers or other records of a corporation; (l) liquidating and dissolving the corporation; (m) directing an investigation to be made; and (n) requiring the trial of any issue. However, a corporation may not make a payment to a shareholder pursuant to (f) or (g) above if there are reasonable grounds for believing that the corporation is or would after that payment be unable to pay its liabilities as they become due or the realizable value of the corporation’s assets would thereby be less than the aggregate of its liabilities.

### *Derivative Actions*

A complainant may apply to a court for leave to bring an action in the name and on behalf of a corporation or any of its subsidiaries or to intervene in an action to which any such body corporate is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the body corporate. In connection with an action brought or intervened in, the court may at any time make any order it thinks fit including, without

limiting the generality of the foregoing, an order: authorizing the complainant or any other person to control the conduct of the action; giving directions for the conduct of the action; directing that any amount adjudged payable by a defendant in the action shall be paid, in whole or in part, directly to former and present security holders of the corporation or its subsidiary instead of to the corporation or its subsidiary; and requiring the corporation or its subsidiary to pay reasonable legal fees incurred by the complainant in connection with the action. No action may be brought and no intervention in an action may be made unless the court is satisfied that the complainant is acting in good faith and it appears to be in the interests of the corporation or its subsidiary that the action be brought, prosecuted, defended or discontinued.

### ***Dissent Rights***

In certain circumstances, shareholders of a CBCA company are entitled to dissent from some fundamental action undertaken by the company and demand to be paid fair value for their shares. Examples of these circumstances include an amalgamation, a sale of all or substantially all of the company's assets, or a resolution of the company to alter its articles to add, change or remove any restriction on the business or businesses that the company may carry on. Procedures for dissenting are complex and failure to strictly comply with the procedures may result in the loss of all dissent rights. If the procedures are followed, the dissenter, in addition to any other rights he or she may have, is entitled to be paid by the company the fair market value of the shares in respect of which the dissenter dissents. In the event that the parties cannot agree on what constitutes fair market value, either the corporation or the dissenter can apply to court to determine the appropriate fair market value.

### ***Inspections***

A security holder or the director appointed under the CBCA may apply to a court having jurisdiction in the place where the corporation has its registered office for an order directing an investigation to be made of the corporation and any of its affiliated corporations. If, on an application, it appears to the court that (a) the business of the corporation or any of its affiliates is or has been carried on with intent to defraud any person, (b) the business or affairs of the corporation or any of its affiliates are or have been carried on or conducted, or the powers of the directors are or have been exercised in a manner that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of a security holder, (c) the corporation or any of its affiliates was formed for a fraudulent or unlawful purpose or is to be dissolved for a fraudulent or unlawful purpose, or (d) persons concerned with the formation, business or affairs of the corporation or any of its affiliates have in connection therewith acted fraudulently or dishonestly, the court may order an investigation to be made of the corporation and any of its affiliated corporations. In connection with an investigation, the court may make any order it thinks fit, including, without limiting the generality of the foregoing, an order to: investigate; appoint an inspector; authorize an inspector to enter any premises in which the court is satisfied there might be relevant information, and examine anything and make copies of any document or record found on the premises; require any person to produce documents or records to the inspector; and require an inspector to make an interim or final report to the court. In addition to the powers set out in the order appointing the inspector, an inspector appointed to investigate a corporation may furnish to, or exchange information and otherwise cooperate with, any public official in Canada or elsewhere who is authorized to exercise investigatory powers and who is investigating, in respect of the corporation, any allegation of improper conduct that is the same as or similar to the conduct described above.

## Sweden

### *Special Examination*

Under the Swedish Companies Act, a shareholder may submit a proposal for an examination through a special examiner. The proposal shall be submitted to an annual general meeting, or to any general meeting for which the matter is included in the notice to attend the general meeting. The scope of the examination shall be defined in the proposal, and may relate to the company's management and accounts during a specific period of time in the past, or certain measures or circumstances within the company. If the proposal is supported by owners of at least one-tenth of all shares, or at least one-third of the shares represented at the general meeting, the Swedish Companies Registration Office shall appoint one or more examiners. The Swedish Companies Registration Office shall give the company's board of directors the opportunity to submit its comments prior to the appointment of a special examiner. The examiner shall submit a report regarding the examination, which shall be made available to the shareholders and presented at the general meeting. Persons who are no longer shareholders, but who were included in the voting register prepared for the general meeting at which the issue of the appointment of a special examiner was addressed, shall also have the right to read the report.

### *Minority Shareholder's Auditor*

A shareholder may propose that a minority shareholders' auditor shall be appointed. The proposal shall be submitted to a general meeting at which the election of auditors is to take place, or at a general meeting where the proposal is included in the notice to attend the general meeting. The Swedish Companies Registration Office shall appoint such auditor upon the request of any shareholder, if the proposal is supported by at least one-tenth of all shares in the company, or at least one-third of the shares represented at the general meeting. The company's board of directors shall be afforded the opportunity to comment prior to the appointment of an auditor. The appointment shall relate to the period of time up to and including the next annual general meeting. The auditor shall participate in the audit together with other auditors.

## Financial Statements, Auditor's Reports, Auditors and Audit Committee

### Canada

Under the CBCA, the board of directors of the Company must place before the shareholders at every annual meeting (a) comparative financial statements as prescribed relating separately to (i) the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting and (ii) the immediately preceding financial year; (b) the report of the auditor, if any, and (c) any further information respecting the financial position of the Company and the results of its operations required by the articles, the by-laws or any unanimous shareholder agreement. Furthermore, shareholders of a distributing corporation must appoint an independent auditor by ordinary resolution at each annual meeting.

Reporting issuers that are listed on the TSX are required to prepare and file on SEDAR its annual financial statements and annual management discussion and analysis along with the report of the auditor, if any, on or before the earlier of (a) the 90th day after its financial year-end; and (b) the date of filing, in a foreign

jurisdiction, its annual financial statements for the most recently completed financial year. Reporting issuers that are listed on the TSX are required to prepare and file on SEDAR its quarterly financial statements and interim management discussion and analysis on or before the earlier of (a) the 45th day after the interim period and (b) the date of filing, in a foreign jurisdiction, its interim financial statements for the most recently completed interim period.

Under the CBCA, a distributing corporation must, and all other CBCA corporations may, have an audit committee composed of not less than three directors, a majority of whom are not officers or employees of the corporation. The Audit Committee is appointed by the board pursuant to provisions of the CBCA and the bylaws of the Company. The primary responsibility for the Company's financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the board. The Audit Committee is a standing committee of the Board established to assist it in fulfilling its responsibilities in this regard and must review any financial statements prior to their approval by the Board. The Audit Committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.

## **Sweden**

Under the Swedish Companies Act, the annual general meeting shall adopt the balance sheet and the profit and loss statement. Further, it makes decisions in respect of the disposition of the company's profit or loss (such as payment of dividends). Swedish companies with shares listed on a regulated market are required to make their annual reports public not later than four months after the end of each financial year.

The annual report, together with the auditor's report, must be presented at the annual general meeting which according to the Swedish Companies Act is to be held within six months after the end of the financial year.

Auditors are appointed by a general meeting of shareholders, whereby a registered accounting firm may be appointed as auditor. The Swedish corporate governance code requires that the board of directors shall at least once annually meet the company's auditor without any member of the executive management present.

Companies with shares listed on a regulated market must have an audit committee, unless the assignments of such committee are carried out by the board of directors. The audit committee shall (i) monitor the company's financial reporting; (ii) monitor the efficiency of the company's internal control, internal audit and risk management; (iii) keep itself informed regarding the audit of the annual report and consolidated financial statements; (iv) review and monitor the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with services other than auditing services; and (v) assist in the preparation of a proposal to the general meeting for a resolution regarding the election of auditors.

## **Corporate Governance Reports and Website**

### **Canada**

If management of a company listed on the TSX solicits a proxy from a security holder of the company for the purpose of electing directors to the company's board of directors, the company must provide corporate

governance information in its management information circular (usually referred to as a proxy circular). The circular is distributed together with the notice of the relevant shareholders' meeting and is filed on SEDAR. There is no requirement to include the management information circular on the company's website, unless the company is relying on certain notice-and-access provisions in National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, nor is there a requirement to have the management information circular reviewed by the company's auditors. The content of the management information circular is regulated by Canadian securities laws, and the circular must, among other things, include a discussion of the Company's compliance with the Canadian corporate governance principles.

The Company may include information useful to investors on its website; however, all such information must comply with relevant securities laws regarding permitted, required and restricted disclosure.

## **Sweden**

Swedish companies with shares listed on a regulated market are obliged by law to prepare an annual corporate governance report, with information about, among other things, the key elements of the internal control systems, information about major shareholders, information about the board of directors and its committees and any mandates for the board of directors to issue new shares or acquire treasury shares. Some listed companies must include information on the diversity policy applicable to the company's board of directors, for example with respect to age, gender, education and professional background. All companies of a certain size must produce a sustainability report containing information on issues such as environmental impact, social conditions, human resources, respect for human rights and anti-corruption measures.

The Swedish corporate governance code requires that a company states which rules of the Swedish corporate governance code it has not complied with and to explain the reasons for each case of non-compliance, and describe the solution it has adopted instead. A company must also have a section on its website devoted to corporate governance matters, where the company's ten most recent corporate governance and sustainability reports are to be posted, together with, among other things, the articles of association, information about upcoming shareholders' meetings and minutes from general meetings held during the past three years.

## **Company's Obligation to Disclose Changes in its Share Capital**

### **Canada**

The Company is required to file a report with the TSX within ten days of the end of each month in which any change to the number of outstanding or reserved listed securities has occurred (including a reduction in such number that results from a cancellation or redemption of securities).

### **Sweden**

The Company is required, under Swedish law, to report any changes in the number of shares or votes. Such disclosure shall be made on the last trading day of the calendar month in which the increase or decrease of shares or votes occurred.

## **Distribution of Information to the Canadian and Swedish Markets**

The content and format of the disclosure obligations of Canadian reporting issuers is mandated under National Instrument 51-102 - *Continuous Disclosure Obligations* and other regulations under Canadian securities laws, as well as the regulations applicable to TSX-listed issuers. The CSA have implemented National Policy 51-201 - *Disclosure Standards* to provide guidance on “best disclosure” practices in order that everyone investing in securities will have equal access to information that may affect their investment decisions. Canadian securities legislation prohibits a reporting issuer from selective disclosure or informing any person or company in a special relationship with a reporting issuer, other than in the necessary course of business, of a material fact or a material change before that material information has been generally disclosed. Securities legislation also prohibits anyone in a special relationship with a reporting issuer from purchasing or selling securities of the reporting issuer with knowledge of a material fact or material change about the issuer that has not been generally disclosed.

The Company is subject to the rules on disclosure of the Nasdaq Rulebook and to certain rules on disclosure in the Swedish Securities Market Act (2007:528). Financial reports and press releases will be published on the Company’s website at [www.lundingold.com](http://www.lundingold.com) and by its news distributors. Financial reports and press releases are also filed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the SFSA’s website [www.fi.se](http://www.fi.se). The information will be in English only.

### **Swedish Insider Reporting Rules**

In addition to any reporting requirements under applicable Canadian laws, persons holding an insider position (“persons discharging managerial responsibilities”) and their closely associated persons are required to report their transactions of shares and other financial instruments to the SFSA within three days from the transaction. Such reporting shall be made in accordance with the Market Abuse Regulation. These reports are publicly available on the SFSA’s website [www.fi.se](http://www.fi.se). In addition, the same act stipulates a trading ban for persons within the company who discharges managerial responsibilities, during the thirty days preceding the publication of the Company’s ordinary quarterly interim reports (including the day of publication).

Furthermore, the Company (as well as any other holder) must publish information on any acquisitions or transfers resulting in the portion of the shares or votes in the Company held by the Company itself reaching, exceeding or falling below 5, 10, 15, 20, 25, 30, 50, 66 2/3, or 90 per cent of the aggregate number of shares or voting rights in the Company. The Company is also subject to additional disclosure rules of Nasdaq Stockholm.



## CERTAIN TAX MATTERS

*The following is a summary of certain tax issues that may arise as a result of holding Shares in the Company. The summary is based on Swedish tax legislation currently in force and is intended only as general information for shareholders, who are resident or domiciled in Sweden for tax purposes, if not otherwise stated.*

*The summary does not cover situations where Shares are held as current assets in business operations or by a partnership. Furthermore, the summary does not cover special regulations governing tax exempt capital gains, shareholding in companies that are, or have previously been, closely held companies or on Shares acquired on the basis of such holdings, or other specific situations and rules. The summary also does not cover tax issues related to holdings in unlisted shares. The summary is not applicable to shareholders that have ever been resident in Canada for Canadian tax purposes, carried on business or maintained a permanent establishment in Canada or performed independent personal services in Canada from a fixed base situated in Canada, each as defined in the Sweden-Canada Income Tax Convention (1996). **Each shareholder is recommended to consult a tax adviser for information on the specific tax consequences that may arise as a result of holding Shares in the Company, including the applicability and effect of foreign or other rules, tax treaties or from foreign exchange rate fluctuations between currencies which may be applicable.***

### Individuals

#### **Capital Gains Taxation**

Individuals who sell their shares are subject to capital gains tax. The current tax rate is 30 per cent of the gain. The capital gain is calculated to equal the difference between the sales proceeds, after deduction for sales expenses, and the shares' acquisition cost for tax purposes. The acquisition cost is determined according to the "average cost method". The "average cost method" is calculated by dividing the total cost of the same type and class of shares by the total number of shares in that same type and class with respect to changes in the holding. Alternatively, "the standard rule" according to which the acquisition cost is deemed to be equal to 20 per cent of the net sales price may be applied on the disposal of listed shares.

Capital losses on listed shares are fully deductible against taxable capital gains on shares during the same fiscal year. The loss is also deductible against gains on other listed securities that are taxed in the same manner as listed shares (except for shares in mutual funds containing only Swedish receivables (Sw. *räntefonder*)). A loss in excess of the abovementioned gains is deductible with 70 per cent against any other taxable income from capital.

If an overall deficit arises in the income from capital category, a reduction of tax on income from employment and from business, as well as real estate tax, is allowed. The tax reduction amounts to 30 per cent of any deficit not exceeding SEK 100,000 and 21 per cent of any deficit in excess of SEK 100,000. Deficits may not be carried forward to a later fiscal year.

### ***Dividend Taxation***

In general, dividends on listed shares are taxed in Sweden at a rate of 30 per cent as income from capital for individuals resident in Sweden for tax purposes.

Additionally, dividends paid or credited (or deemed to be paid or credited by a company resident in Canada, such as the Company) to a non-resident of Canada are generally subject to Canadian withholding tax. See “*Certain Canadian Federal Income Tax Considerations for Non-Residents of Canada*” below.

Canadian withholding tax levied can be credited from Swedish tax to the extent Swedish tax is attributable to foreign income (overall credit). Any tax actually withheld exceeding the applicable treaty rate (in general 15%) can however not be credited against Swedish tax. If Canadian tax has been withheld in excess of the applicable treaty rate, for instance because the available information regarding the tax residency of the recipient was not deemed sufficient, the tax payer is referred to apply for a refund of such excess tax from the Canadian Revenue Service.

If the Canadian withholding tax should exceed the Swedish tax attributable to foreign income one year, the credit may, subject to certain limitations, be carried forward for up to five years. Alternatively, the foreign tax may be deducted as a cost for the recipient.

## **Limited Liability Companies**

### ***Capital Gains***

As a main rule, Swedish limited companies (Sw. *aktiebolag*) are taxed on all income as income from business activities at a flat rate of 22 per cent, including capital gains on listed shares. Regarding the calculation of a capital gain or loss and the acquisition cost, see “Individuals.”

A capital loss on shares incurred by a corporate shareholder may be offset only against gains on shares or other securities that are taxed in the same manner as shares. Such capital losses may, under certain circumstances, also be deductible against capital gains on such securities within the same group of companies, provided the requirements for group contributions (Sw. *koncernbidrag*) are met. Capital losses on shares or other such securities, which have not been deducted from capital gains within a certain year, may be carried forward and be offset against similar capital gains in future years without any limitation in time.

Capital gains on listed shares held as non-stock items in limited liability companies, including foreign equivalents, are tax-exempt (and capital losses on such shares are non-deductible) provided that the holding represents at least 10 per cent of the voting rights of all shares. Exemption is also available provided the holding is conditioned by the shareholder’s (or affiliated company’s) business operations. Capital gains on listed shares are only tax-exempt if they are held at least one year from the day any of the above holding requirements were met.

### ***Dividend Taxation***

In general, dividends on shares to limited liability companies are taxed in Sweden at a rate of 22 per cent as ordinary income from business activities.

Dividends on listed shares held as non-stock items in limited liability companies, including foreign equivalents, are tax exempt provided that the holding represents at least 10 per cent of the voting rights of all shares or the holding is conditioned by the shareholder's, or an affiliated company's, business operations. However, if the shares are sold or otherwise cease to be entitled to the tax exemption within a year from when the abovementioned requirements for tax exemption were first met, taxation of the dividends is triggered. I.e. there is in practice a one-year holding requirement for tax exemption. A dividend on shares that cease to be entitled to the tax exemption may therefore be subject to tax in a different fiscal year than the year the dividend was actually received.

Additionally, dividends paid or credited (or deemed to be paid or credited by a company resident in Canada, such as the Company) to a non-resident of Canada are generally subject to Canadian withholding tax. See section "*Certain Canadian Federal Income Tax Considerations for Non-Residents of Canada*" below.

Canadian withholding tax levied can be credited from Swedish tax to the extent Swedish tax is attributable to foreign income (overall credit). Any tax actually withheld exceeding the applicable treaty rate (5-15%) can however not be credited against Swedish tax. If Canadian tax has been withheld in excess of the applicable treaty rate, the tax payer is referred to apply for a refund of such excess tax from the Canadian Revenue Service.

If the Canadian tax should exceed the Swedish tax attributable to foreign income one year, the credit may, subject to certain limitations, be carried forward for up to five years. Alternatively, the foreign tax may be deducted as a cost for the recipient.

## **Certain Tax Issues for Shareholders who are not Tax Resident in Sweden**

Individual shareholders who are not resident or domiciled in Sweden for Swedish tax purposes are generally not subject to tax in Sweden for capital gains realized upon the sale or other disposal of shares. Shareholders may, however, be subject to taxation in their country of domicile and elsewhere.

For corporate shareholders, if shares are attributable to a permanent establishment in Sweden, the rules concerning tax-exempt dividends and capital gains described above are applicable with certain limitations.

Under a domestic Swedish tax provision, non-Swedish tax resident individuals may be subject to Swedish capital gains taxation upon a sale or other disposal of shares in non-Swedish corporate entities if the shares were acquired during their tax residency in Sweden if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during the previous ten calendar years preceding the year of disposal. The applicability of this provision may, however, be limited by an applicable tax treaty between Sweden and other countries. In the treaty between Sweden and Canada, this time period is limited to six years.

Foreign legal entities are not liable for Swedish tax on dividends or capital gains upon a sale or other disposal of shares, provided that the shares are not pertaining to a permanent establishment in Sweden.

## Certain Canadian Federal Income Tax Considerations for Non-residents of Canada

The following summary describes, as of the date hereof, the principal Canadian federal income tax consequences under the Income Tax Act (Canada) (the “**Canadian Tax Act**”), generally applicable to a holder (a “**Holder**” in this section), who, for the purposes of the Canadian Tax Act, and at all relevant times, (i) is not (and is not deemed to be) resident in Canada for the purposes of the Canadian Tax Act and any applicable income tax treaty or convention, (ii) acquires and holds Shares as capital property, (iii) deals at arm’s length with, and is not affiliated, with the Company, and (iv) who will not use or hold, and is not deemed to use or hold the Shares in carrying on a business in Canada, has never carried on business or maintained a permanent establishment in Canada or performed independent personal services in Canada from a fixed base situated in Canada. The Shares will generally be considered to be capital property for this purpose unless either the Holder holds (or will hold) such Shares in the course of carrying on a business of trading or dealing in securities, or the Holder has acquired (or will acquire) such Shares in a transaction or transactions considered to be an adventure or concern in the nature of trade. In addition, this discussion does not apply to a Holder that carries on or is deemed to carry on, an insurance business in Canada and elsewhere or to an “authorized foreign bank,” as defined in the Canadian Tax Act, if those provisions were law. Any such Holder to which this summary does not apply should consult its own tax advisor.

This summary is based upon the current provisions of the Canadian Tax Act and the regulations thereunder (the “**Canadian Tax Regulations**”), the Sweden-Canada Income Tax Convention (1996) (the “**Convention**”) as in effect on the date hereof, and counsel’s understanding of the administrative and assessing policies and practices of the Canada Revenue Agency published in writing prior to the date hereof. The summary also takes into account all specific proposals to amend the Canadian Tax Act and the Canadian Tax Regulations that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Canadian Tax Proposals**”), and assumes that all such Canadian Tax Proposals will be enacted in the form proposed. No assurance can be given that the Canadian Tax Proposals will be enacted in the form proposed or at all. This summary does not otherwise take into account or anticipate any changes in law, administrative policy or assessing practice, whether by way of legislative, regulatory, judicial or administrative action or interpretation, nor does it address any provincial, territorial or foreign tax considerations.

**This summary is not exhaustive of all possible Canadian federal income tax considerations of holding Shares. The summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business, or tax advice to any prospective Holder. Holders should consult their own tax advisors as to the Canadian federal tax consequences, and the tax consequences of any other jurisdiction, applicable to them having regard to their own particular circumstances.**

### *Currency Conversion*

For purposes of the Canadian Tax Act, all amounts relating to the acquisition, holding or disposition of the Shares (including adjusted cost base, proceeds of disposition, and dividends) must generally be expressed in Canadian dollars. Amounts denominated in any other currency must be converted into Canadian dollars

generally based on the exchange rate quoted by the Bank of Canada) on the date such amounts arise or such other rate of exchange as is acceptable to the Minister of National Revenue (Canada).

### ***Dividends on Shares***

Canadian withholding tax at a rate of 25 per cent (subject to reduction under the provisions of any applicable income tax treaty or convention) will be payable on the gross amount of dividends on the Shares paid or credited, or deemed to be paid or credited, to a Holder. The Canadian withholding taxes will be deducted directly by the Company or its paying agent from the amount of the dividend otherwise payable and remitted to the Receiver General of Canada. The rate of withholding tax applicable to a dividend paid on the Shares to a Holder who is a resident of Sweden for purposes of the Convention, who is entitled to the benefits of the Convention, and who beneficially owns the dividend will generally be reduced to 15 per cent or, if such a Holder is a company that controls directly at least ten per cent of the voting power, or that holds directly at least 25 per cent of the Company's capital, to 5 per cent. The rate of withholding tax on dividends may also be reduced under certain other bilateral income tax treaties or conventions to which Canada is a signatory. The treaty rate is only applied if sufficient information regarding the tax residency of the shareholder is available.

### ***Dispositions of Shares***

A Holder will not be subject to tax under the Canadian Tax Act in respect of any capital gain realized by such Holder on a disposition, or deemed disposition, of the Shares unless the Shares constitute "taxable Canadian property," as defined in the Canadian Tax Act, of the Holder at the time of disposition and the holder is not entitled to an exemption under any applicable income tax treaty or convention. As long as the Shares are then listed on a "designated stock exchange" (which currently includes the TSX and the Nasdaq Stockholm), the Shares generally will not constitute taxable Canadian property of a Holder, unless (a) at any time during the 60-month period preceding the disposition: (i) one or any combination of (A) the Holder, (B) persons not dealing at arm's length with such Holder, and partnerships in which the Holder or a person described in (B) holds a membership interest directly or indirectly through one or more partnerships, owned 25 per cent or more of the Company's issued shares of any class or series; and (ii) more than 50 per cent of the fair market value of the Shares was derived, directly or indirectly, from a combination of real or immovable property situated in Canada, "Canadian resource properties," as such term is defined in the Canadian Tax Act, "timber resource properties," as such term is defined in the Canadian Tax Act, or options in respect of interests in, or for civil law rights in, any such properties whether or not the property exists, or (b) the Shares are otherwise deemed to be taxable Canadian property. If the Shares are considered taxable Canadian property to a Holder, an applicable income tax treaty or convention may in certain circumstances exempt that Holder from tax under the Canadian Tax Act in respect of the disposition or deemed disposition of the Shares. Under the Convention, a holder who, for purposes of the Convention is at all times a resident of Sweden and is entitled to the benefits of the Convention would not be subject to Canadian taxation on capital gains from the sale of Shares listed on the TSX. Holders whose Shares are, or may be, taxable Canadian property should consult their own tax advisors for advice having regard to their particular circumstances.

As long as the Shares are listed at the time of their disposition or deemed disposition on a "recognized stock exchange" (which currently includes the TSX and the Nasdaq Stockholm), as defined in the Canadian Tax Act, a Holder who disposes of Shares that are taxable Canadian property will not be required to satisfy the obligations imposed under section 116 of the Canadian Tax Act and, as such, the purchaser of such shares will not be

required to withhold any amount on the purchase price paid. An exemption from such requirements may also be available in respect of such disposition if the Shares are “treaty-exempt property,” as defined in the Canadian Tax Act.

***A Holder whose Shares are taxable Canadian property should consult their own tax advisors.***

# DEFINITIONS

<b>“Board”</b>	means the board of directors of the Company, as constituted from time to time
<b>“CAD”</b>	means Canadian dollar
<b>“Canadian Tax Act”</b>	means the Canadian Income Tax Act
<b>“Canadian Tax Proposals”</b>	means all specific proposals to amend the Canadian Tax Act and the Canadian Tax Regulations that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof
<b>“Canadian Tax Regulations”</b>	means the current provisions of the Canadian Tax Act and the regulations thereunder
<b>“Capital Outflow Tax”</b>	means the 5% tax on all transfers of cash overseas
<b>“CBCA”</b>	means the Canada Business Corporations Act
<b>“CEO”</b>	means Chief Executive Officer of Lundin Gold
<b>“CFO”</b>	means Chief Financial Officer of Lundin Gold
<b>“Company” or “Lundin Gold”</b>	means Lundin Gold Inc., corporation number 405633-7 and/or any of its subsidiaries as applicable. Prior to the name change the Company’s name was Fortress Minerals Corp.
<b>“Convention”</b>	means the Sweden-Canada Income Tax Convention (1996)
<b>“Euroclear”</b>	means Euroclear Sweden AB, Swedish Reg. No. 556112-8074
<b>“Fruta del Norte Project”, “Project” or “FDN”</b>	means the Fruta del Norte Project as set out in the Technical Report
<b>“Holder”</b>	means in section <i>“Certain Canadian Federal Income Tax Considerations for Non-residents of Canada”</i> a party that holds a share in accordance with the Canadian Tax Act
<b>“Kinross”</b>	means Kinross Gold Corporation
<b>“Lorito”</b>	means Lorito Holdings S.à.r.l., a private corporation owned by a trust whose settlor was the late Adolf H. Lundin
<b>“Lundin Family Trust”</b>	means Zebra and Lorito
<b>“Newcrest”</b>	means Newcrest Canada Inc, part of the Newcrest Mining Limited group
<b>“Nasdaq Stockholm”</b>	means the main market operated by NASDAQ Stockholm AB
<b>“New Shares”</b>	means the common shares offered by way of the Private Placement

<b>“Private Placement”</b>	means the USD 400 million equity private placement financing the subscribers to which are Newcrest, Orion and the Lundin Family Trust
<b>“Orion”</b>	means Orion Co-V Holdings Pte Ltd, part of the Orion Mine Finance Group
<b>“Preference Shares”</b>	means the unlimited number of preference shares without nominal or par value issued by Lundin Gold
<b>“PwC”</b>	means PricewaterhouseCoopers LLP
<b>“SEDAR”</b>	means the System for Electronic Document Analysis and Retrieval (SEDAR), a filing system developed for the CSA which is available on <a href="http://www.sedar.com">www.sedar.com</a>
<b>“SEK”</b>	means Swedish kronor
<b>“SFSA”</b>	means the Swedish Financial Supervisory Authority
<b>“Shareholders”</b>	means the shareholders of Lundin Gold
<b>“Shares”</b>	means the common shares of Lundin Gold Inc.
<b>“TSX”</b>	means the Toronto Stock Exchange
<b>“USD”</b>	means U.S. dollar
<b>“U.S.”</b>	means The United States of America
<b>“Zebra”</b>	means Zebra Holdings and Investments S.à.r.l., Luxembourg, a private corporation owned by a trust whose settlor was the late Adolf H. Lundin



# ADDRESSES

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<b>Transfer agent</b>	Computershare Investor Services Inc. 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9