

LUNDINGOLD

TSX, NASDAQ STOCKHOLM: LUG

Sustainability Report 2018



BUILDING A LEADING GOLD COMPANY THROUGH RESPONSIBLE MINING



About us

About Lundin Gold

Lundin Gold Inc. (Lundin Gold or the Company) is a Canadian mining company listed on the Toronto Stock Exchange and Nasdaq Stockholm. The Company is a member of the Lundin Group of Companies and headquartered in Vancouver, Canada. Lundin Gold is developing its wholly-owned Fruta del Norte underground mining project (the Project) in southeast Ecuador. This Project is one of the highest-grade and largest gold mining developments currently under construction. Lundin Gold is a member of the UN Global Compact and supports the UN Sustainable Development Goals.

About this Report

This is Lundin Gold's third sustainability report and was prepared in accordance with the GRI Standards, Core option, and selected GRI G4 Mining and Metals Sector Disclosures. This report also serves as our second Communication of Progress in implementing the principles of the UN Global Compact. The focus of this report is the Fruta del Norte Project, our principal asset, and covers the period from January 1 to December 31, 2018, unless noted otherwise. The GRI and UN Global Compact Index for this report are available on our website: <https://lundingold.com/>. Please read also the cautionary note about forward looking information and statements presented at the end of this report. Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. We welcome your comments and questions via email to ec.comunicaciones@lundingold.com.

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INVESTOR RELATIONS:

Sabina Srubiski – info@lundingold.com

CORPORATE RESPONSIBILITY:

ec.comunicaciones@lundingold.com



www.lundingold.com

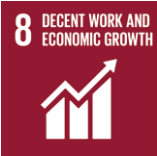











Contents

• About Us	2	Community Health.....	19
About Lundin Gold.....	2	Dairy Farming and Agriculture.....	20
About this Report.....	2	Community and Road Infrastructure.....	22
Credits.....	2	Artisanal Mining.....	22
• Performance Summary Infographic	4	Security and Community.....	23
• Message from President and CEO, Ron Hochstein	6	Grievances.....	23
• Operations and Exploration	8	• Our People	25
Fruta del Norte.....	8	Human Resources.....	25
Project Financing.....	9	Health and Safety.....	32
Exploration.....	9	Health and Well-Being.....	32
• Corporate Governance	10	• Environmental Stewardship	33
Key Corporate Policies.....	10	Construction Footprint.....	33
Board Membership.....	10	Biodiversity Conservation.....	34
Board Committees.....	11	Managing Water Quality.....	36
Memberships and Commitments.....	11	Greenhouse Gas Emissions.....	38
Responsible Mining Policy.....	12	• Archaeological Resources	40
• Engagement and Partnerships	13	• Economic Responsibility	42
UN Global Compact.....	13	Economic Benefits.....	42
UN Sustainable Development Goals.....	13	Procurement Practices.....	43
Community Roundtables.....	14	Inclusive Supply Chain.....	44
Academic Institutions.....	16	• Our Material Topics	47
Supporting Schools and Students.....	16	Lundin Gold’s Material Topics 2018.....	48
Indigenous People.....	19	• Forward Looking Statement	51


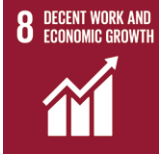

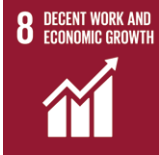



Performance Summary Infographic

2018 Performance Summary and 2019 Goals

	2018	2019 GOALS	Key UN SDGs
Construction	<ul style="list-style-type: none"> On schedule and on budget, over 1,600 employees and contractors 	<ul style="list-style-type: none"> Begin mine production, powerline connected to national grid, tailings storage facility completed, commence process plant commissioning, first gold production 	 
Corporate Governance	<ul style="list-style-type: none"> Strong governance framework further strengthened through UN Global Compact membership 	<ul style="list-style-type: none"> Ongoing engagement with UN Global Compact Roundtables 	 
Social License	<ul style="list-style-type: none"> Maintained social license Successful Community Roundtables: <ul style="list-style-type: none"> 1,222 participants in 2018 31 community projects in progress or completed since mid-2016 Collaboration with academic institutions, NGOs and other development partners Encountered bridge blockade 	<ul style="list-style-type: none"> Seek to create new opportunities so as to reduce the social impacts of the transition from construction to operations for the communities that are closest to FDN Clear, positive and measurable impacts in local communities due to Lundin Gold's community investment 	 
Community & Economic Development	<ul style="list-style-type: none"> Paid \$20 million advance royalties Local hiring and procurement: <ul style="list-style-type: none"> 54% local workers (Rings 1-3)* 91% workers from Ecuador 9% of Lundin Gold's 2018 procurement was within the province of Zamora Chinchipe and 59% within Ecuador \$5.94M in community development and capacity building <ul style="list-style-type: none"> Adult education Nexo Entrepreneur Incubator Takataii (farming incubator) APEOSAE coffee, cacao and plantains program Ecolac dairy sector program 	<ul style="list-style-type: none"> Successful integration of existing and local community trainees into the FDN workforce, thus bolstering the local economy Successful integration of existing and new local suppliers as FDN transitions from construction to operations 	   

*See page 25

2018 Performance Summary and 2019 Goals

	2018	2019 GOALS	Key UN SDGs
Transition to Operations	<ul style="list-style-type: none"> Capacity building and support <ul style="list-style-type: none"> Training for 200 local individuals as mine and process plant operators Developed transition strategy 	<ul style="list-style-type: none"> Successful completion of the training for operations program (PCOM by its Spanish acronym) Successful ramp-up of the transition strategy 	 
Health & Safety	<ul style="list-style-type: none"> 3.5 million hours worked without lost time injuries TRIR: 0.43 	<ul style="list-style-type: none"> Integrate lessons learned from March 2019 fatality TRIR Goal: 0.7 	 
Environmental Stewardship	<ul style="list-style-type: none"> Approximately 139,000 m³ of water used, achieved over 97 percent treatment compliance, reduced food waste by 33 tons, continued flora and fauna rescue, partnership agreement with Conservation International- Ecuador, no significant spills, fees or fines 	<ul style="list-style-type: none"> Implement community-based water monitoring, launch biodiversity offset program, complete cyanide management plan aligned with International Cyanide Management Code, no significant spills, fees or fines 	 
Human Rights	<ul style="list-style-type: none"> Joined UN Global Compact, aligned security and training with VPSHR, continued support for artisanal miners, recorded no infringements or grievances related to labour or indigenous rights, or discrimination 	<ul style="list-style-type: none"> Ongoing engagement with the UN Global Compact Consolidation of the VPSHR program for all security personnel Continuous improvement in the Lundin Gold Grievance Mechanism 	 

Abbreviations: TRIR – Total Recordable Incident Rate, UN – United Nations, SDG – UN Sustainable Development Goals, VPSHR – Voluntary Principles for Security and Human Rights

Message from Ron Hochstein, President and CEO



Over the course of 2018, Lundin Gold has made great strides towards fulfilling our vision of developing the Fruta del Norte (FDN) project while doing our best to meet our fundamental principles: working safely, environmental stewardship and respect. Each year, our sustainability report offers an opportunity to reflect upon our successes and to identify ways we can improve.

Project Progress

In 2018, the construction of the Project hit its stride, as we stayed on track to produce first gold before the end of 2019. Great progress was achieved in the underground declines leading to the deposit. Surface construction – both on-site and off-site – was well advanced by the end of the year. FDN’s development proceeds on budget and on schedule. At the end of 2018, Lundin Gold employed 1,624 people, 54 percent of whom were from the province of Zamora Chinchipe.

Safety Culture

Strengthening our culture of safety is a top priority in every activity we undertake. In 2018, we continued to build upon our safety initiatives, such as our visible leadership program, to ensure a safe environment for all employees, contractors and visitors. Throughout the year, we saw the fruit of these efforts, with a total recordable incident rate of 0.4 at the Project for the construction phase as of 31 December 2018 (see section *Our People*).

It is with great sadness that we mourn the loss of Cristian Ochoa, a Lundin Gold employee who was killed by a landslide on the Project in March 2019. We will honour Cristian’s memory by remaining steadfast in our commitment to continuous improvement in our safety practices.

Environmental Stewardship

As the construction of FDN reaches its peak of activity, we are keenly aware of our environmental stewardship. Over the past year we have further implemented our water management strategy for the construction phase (see section *Environmental Stewardship*) and we are preparing for the operational phase of FDN by implementing leading environmental practices as defined in the International Finance Corporation’s Performance Standards. In keeping with this commitment, we furthered our partnership with Conservation International Ecuador to implement our jointly-developed biodiversity strategy. The objective of this program is to ensure no net biodiversity loss due to the development and operation of FDN.

Engagement and Partnerships

Lundin Gold, through the construction of FDN, is leading the development of a responsible mining industry in Ecuador. As such, we have prioritized engagement with local, national, and international stakeholders. Through a structured roundtable dialogue process (see section *Engagement and Partnerships*), we have jointly identified local development priorities and have sought new partnerships to achieve these shared objectives.

In March 2018, Lundin Gold became a Participant of the UN Global Compact and has committed to implementing, disclosing and promoting its principles of human rights, labour, anti-corruption and environmental responsibility. This sustainability report serves as our second Communication of Progress.

Education and Training

Creating new job opportunities within local communities has long been a priority of Lundin Gold. With this in mind, we have implemented a series of education and training programs with our close partner, the Lundin Foundation (see section *Our People and Economic Responsibility*). In early 2018, our previously reported accelerated high school program was successfully completed. I was honored to participate in the graduation ceremony for 210 local community members. For each of these students – some of whom are starting their professional careers and others that are already retired – this was a life-changing experience. Surveys subsequent to the program highlighted that the vast majority of the participants believe that the program will serve them well as they progress on their chosen career paths.

In 2018, we also rolled out our professional training program, which forms part of a broader strategy to mitigate the community-level impacts of the transition from construction to operations. This innovative program, which will run principally in 2019, will facilitate the placement of local community members in technical and long-term positions both in the underground mine and in the process plant at FDN. I look forward to providing an update on the success of these programs in our 2019 report.

Lundin Gold firmly believes that for mining to be successful in Ecuador, local communities also must thrive. 2018 saw important progress in prominent community investment projects (see section *Engagement and Partnerships*). Just one example is our new partnership with *Enseña Ecuador*, an NGO devoted to improving the quality of education in under-served communities. This program, which was not previously available in the province of Zamora Chinchipe, commenced in September and initial results are quite encouraging.

Local Procurement

The roundtable process has long underscored the importance of Lundin Gold's local procurement efforts. As highlighted in previous reports, Catering Las Peñas (CLP) continues to be a leading example of how targeted support creates economic opportunities well beyond a mine site. CLP has grown with the construction phase of FDN, and at year's end was the third largest employer in the province of Zamora Chinchipe. Moreover, Lundin Gold's broader local procurement averaged more than \$2.3 million per month in the province over the course of the year.

Outlook

Lundin Gold's experience has highlighted the multi-faceted nature of developing a modern mine. We remain committed to developing creative partnerships to address societal challenges and to reporting to stakeholders our progress. As always, we are grateful for your feedback and have provided contact information within the report.

As FDN transitions to operations in 2019, our dedication to our fundamental principles is unwavering. Through the responsible development of Ecuador's first large-scale gold mine, we will demonstrate the tangible benefits that this industry can bring to local communities and to the nation as a whole.

Sincerely,



Ron Hochstein



Fruta del Norte

Since acquiring Aurelian Ecuador S.A. in December 2014, we have remained focused on the responsible development of the Fruta del Norte underground gold mining project (the Project) in Ecuador. Overall, the Project remains on schedule and on budget to deliver first gold production in the fourth quarter of 2019.

At the end of 2018, site-wide infrastructure completed and in use included the 1,000-person construction camp and kitchen, feeding on average 1,500 people per day, the mobile equipment maintenance shop, the mine compressor station, the mine fuel station, and other facilities.

The two tunnel declines named *K'isa* (which means fruit in the *Kichwa* language) and *Kuri* (which means gold in the *Shuar* language) have progressed well and we reached the ore body ahead of schedule. The north access road, which significantly improves our logistics and shortens the distance to the national highway system, was also completed.

The erection of process plant mechanical equipment, such as grinding mills and carbon-in-leach tanks, started in the fourth quarter of 2018. The majority of process plant equipment has been delivered with the remainder in transit from factories. The 42-kilometre power transmission line connecting the Project to the national grid progressed to approximately 22 percent completion at the end of 2018.

The mine operating equipment fleet also started to arrive in the fourth quarter of 2018. Over 200 mining and process plant operator trainees commenced our tailored training program, and we celebrated the graduation of the first training cohort in March 2019 (see *Economic Responsibility*).

2018 FDN PROJECT MILESTONES (DEC 31, 2018)



Total of 4.5 kilometres of underground mine development achieved



K'isa decline is complete and mine development crews now working on multiple production levels, advancing towards first stope in the second quarter of 2019



Overall engineering 85 percent complete and Project construction 45 percent complete



Company committed 70 percent of its capital expenditure



Majority of large process plant mechanical equipment now on site



Powerline 22 percent complete



Mountain Pass Quarry Exploitation Agreement signed



More than three million hours worked without a lost time incident

Project Financing

We successfully financed the Fruta del Norte project with a project financing package of \$300 million in May 2017, comprised of the gold prepay and stream credit facilities, a \$400 million private placement in March 2018, and a senior debt facility of \$350 million secured in July 2018.

In 2018, we also completed an updated mine plan and re-estimate of the Project's capital and operating costs. This resulted in an increase in the Project's net present value (NPV 5%, \$786 million from \$717 million) and internal rate of return (IRR, 17.5 percent from 16.3 percent). The new capital cost estimate increased only marginally by \$8.0 million to \$692 million. At the same time, the estimated all-in, life of mine sustaining cost dropped from \$609 to \$583 per ounce of gold.

Exploration

During the reporting period, we signed an earn-in agreement with Newcrest, one of the world's largest gold mining companies, to form a joint venture and explore eight early stage concessions not adjacent to Fruta del Norte. Newcrest can earn up to a 50 percent interest in the joint venture company by spending \$20 million over a five-year period.

Diamond drilling was completed at the El Puma target located in the southern Suarez Basin, with a total of 6,245 metres in six drill holes. Other exploration activities focused on mapping and sampling geochemical anomalies to develop them into drill targets. We also conducted geophysical surveys.



We value accountability, and honest and ethical behaviour. We recognize the importance of good corporate governance to the long-term and successful management of Lundin Gold. We fully comply with or exceed the governance guidelines of the Canadian Securities Administrators. Since March 2018, we are a Participant of the United Nations Global Compact to demonstrate our commitment to implement, disclose and promote its human rights, labour, environment and anti-corruption principles.

Key Corporate Policies

As part of the Company's corporate governance framework, our board of directors has implemented a series of policies which include:

- Code of Business Conduct and Ethics
- Anti-Bribery Policy
- Corporate Disclosure Policy
- Sanctions and Anti Money Laundering Compliance Policy
- Whistleblower Policy
- Responsible Mining Policy

These policies are available at www.lundin角度.com

Board

Lundin Gold is governed by a board of directors with extensive expertise in mine construction and operations. Our board is responsible for overseeing the management of the business and affairs of Lundin Gold and the decision-making authority on material economic, environmental, and social topics

as they relate to Lundin Gold’s activities. This includes matters associated with our Responsible Mining Policy. On December 31, 2018, Lundin Gold’s board comprised of ten directors, the majority of whom are independent, as defined by the Canadian Securities Administrators.

As the end of 2018, two out of our ten directors (20 percent) are women. The board composition, independence, gender, tenure, other board memberships, competencies, shareholder representation, and attendance performance are detailed in the Management Information Circular, available at www.lundin角度.com.

Board Committees

The five standing committees of the board include:



Each committee has a formal mandate or charter, which is reviewed annually and available at www.lundin角度.com. All material community issues and other recommendations emerging from the environment, health and safety committee are considered by the full board.

Memberships and Commitments

Lundin Gold or its subsidiary, Aurelian Ecuador S.A., is a member of the following organizations in Ecuador:

- Ecuadorian Chamber of Mining (our CEO serves on the board)
- Ecuadorian Consortium for Social Responsibility (CERES by its Spanish acronym – our VP, Business Sustainability serves as an alternate on the board)
- Ecuadorian-Canadian Chamber of Commerce (our CEO served on the board)



We have also adopted or endorsed other international charters, principles or initiatives listed below:

- United Nations Global Compact (joined March 2018)
- United Nations Guiding Principles on Business and Human Rights
- IFC Performance Standards on Social and Environmental Sustainability
- GRI Standards for Sustainability Reporting

We comply with the Canadian Extractive Sector Transparency Measures Act (ESTMA) and publish our payments to governments as summarized in the Economic Responsibility section. Over the course of 2018, we reviewed our security practices and aligned these further with the Voluntary Principles on Security and Human Rights, as detailed in the Community and Security section of this report. As we prepare for gold production during the fourth quarter of 2019, we continue to develop our cyanide management plan that is consistent with the International Cyanide Management Code.

Responsible Mining Policy

Lundin Gold, including its subsidiaries, is committed to responsible mining, which means we are committed to operating our facilities according to these fundamental principles:



Working Safely



Environmental Stewardship



Respect in each of our activities

Lundin Gold believes that transparent and sustainable practices and being a good corporate citizen are central to the long-term success of our business. We seek to create enduring relationships with local communities and stakeholders and to address social challenges that are priorities both for communities and for the business through partnerships. By doing so, we help to create value for a range of stakeholders. Lundin Gold's commitment to responsible mining is manifested by:

- 1 Committing to achieving zero harm. We strive to ensure that the health and safety of our employees and contractors are first and foremost in everything we do. As a leader in health and safety, Lundin Gold promotes the well-being of people in our host communities.
- 2 Identifying and taking steps to reduce the potential for accidents and emergency situations, and implementing emergency response plans to protect the health and safety of our workers, contractors, the public and the environment.
- 3 Undertaking Company business activities ethically and transparently, in accordance with our *Code of Business Conduct and Ethics*.
- 4 Voluntarily adopting and integrating internationally accepted good practice for the mining industry and seeking alliances with external entities so as to improve our performance.
- 5 Providing training to assist with meeting these responsible mining objectives and ensuring that adequate resources to meet these objectives are available.

- 6 Striving to meet or exceed legal requirements in fulfilling the commitments of this Policy and expecting our employees and our contractors to do the same.
- 7 Setting annual objectives and targets to continually improve our health, safety and environmental management and performance, as well as for stakeholder engagement and positive community outcomes.
- 8 Designing, developing and operating Company facilities with the goal of minimizing their overall environmental impact and taking into account their eventual closure. We are committed to the efficient use of water, energy and other resources and to responsibly managing the Company's waste. Lundin Gold contributes to the conservation of biodiversity by meeting or exceeding the legal requirements for species preservation and by promoting research, partnerships and responsible land management practices.
- 9 Assessing the risks and impacts of Company operations and integrating these considerations into planning and operational decision-making processes. We strive for continuous improvement in our health, safety, environmental performance and community outcomes.
- 10 Being accountable to stakeholders and developing relationships based on mutual trust and respect.
- 11 Working closely with host communities and partners to provide lasting benefits in the form of sustainable programs that enhance the quality of life where Lundin Gold operates.
- 12 Treating people with dignity and respecting all internationally-recognized human rights.
- 13 Respecting the rights, interests, concerns, traditional land uses and cultural activities of indigenous peoples.
- 14 Developing and implementing corporate governance processes to underwrite our responsible mining commitments.
- 15 Conducting regular audits to assess and ensure compliance with this policy and developing processes for preventing non-conformance and adopting corrective actions. We report our progress quarterly to the Board of Directors.



UN Global Compact

In March 2018, we became a participant to the United Nations Global Compact. As part of this, we commit to:

- Integrate the UN Global Compact and its ten principles into our strategies, culture and operations, including in subsidiaries and our supply chain
- Advocate the UN Global Compact and the Ten Principles via available communication channels
- Communicate annually with our stakeholders on efforts to implement the UN Global Compact principles

This sustainability report serves as our Communication of Progress.

UN Sustainable Development Goals

In 2015, Ecuador, Canada and other countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). We support the SDGs and, throughout this sustainability report, identified those which are closely linked to and supported by our operations and activities.

During 2018, the Global Compact Ecuador network launched the “Leaders for the SDGs” initiative. As part of this effort, working groups for each of the 17 SDGs were established to discuss and share lessons on how companies and other organizations are contributing to the implementation of the SDGs in Ecuador.

We are participating in the following three SDG working groups in Ecuador:

- **SDG5:** Achieve gender equality and empower all women and girls
- **SDG9:** Build resilient infrastructure, promote sustainable industrialization and foster innovation
- **SDG11:** Make cities and human settlements inclusive, safe, resilient and sustainable

We expect that our participation in these working groups will help us further improve our policies and practices related to gender equality, circular economy, and sustainable cities.

Community Roundtables

In mid-2016, we initiated the development of structured Community Roundtables. This on-going engagement platform seeks to generate a shared vision of the risks and opportunities related to the Fruta del Norte project within its regional context, and develop collaborative actions and improvements. It is important to note that, while we promoted the idea of the roundtables, we neither control nor dictate the direction of these facilitated engagement spaces. In 2018, local community participants continued to prioritize eight roundtable topics, as depicted on the right.



Community Roundtable Themes in 2018



Inter-institutional Coordination



Agro-economic Development



Environmental Responsibility



Road Safety & Infrastructure



Promotion of Community Ethics & Cultural Values



Opportunities for Local Businesses



Employment & Capacity Building



Tourism Development

The roundtable meetings are convened approximately every six weeks by the local government of the Los Encuentros Parish. The key activities and publications emerging from the roundtables are available in Spanish at <https://medium.com/mesas-temáticas-los-encuentros>. The success of the roundtables can be measured by the growing number and perception of participants, improved collaboration, and numerous projects implemented, as illustrated overleaf.

Village Doctor Initiative

One cross-sectoral project which emerged from the Community Roundtables includes the “Village Doctor” initiative (*Médico del Barrio*). This is the first private-public partnership of its kind in Ecuador. Lundin Gold contributes reliable transportation so that the Ministry of Public Health can deliver its medical outreach program to vulnerable groups in remote regions in our Project’s area of influence. As part of this outreach, medical health care professionals were able to visit 26 remote communities / neighbourhoods which have very limited access to health care: *Muchime, San Andrés, Quiringue, Mercadillo, Reina del Cisne, El Padmi, La Centza, La Delicia, Nankais, Santa Lucía, El Pindal y Achunts, El Zarza, Jardín del Cóndor, San Antonio, Las Peñas, Tiuccha, Wachapa, Santa Verónica, San Luis, Numbaime, Nungui, Shacay, Mirador, Pincho, Playón, and Río Blanco.*



Community Roundtables Results

	2016*	2017	2018	Total
Proposals	3	23	21	47
Under Review	0	1	2	3
Rejected	0	4	9	13
Approved	3	18	10	31
In Progress	0	3	8	11
Completed	3	15	2	20

*The roundtables were constituted in mid-2016

Perception Survey about Roundtables

% of respondents agree that Roundtables provide:	2017	2018
A respectful dialogue space*	N/A	80
Coordination among different stakeholders*	N/A	73
Planning for development*	N/A	73
A mechanism that contributes to solve local issues	69	77

* Survey questions added in 2018, N/A – not available

In June 2018, the Ford Foundation, an independent, nonprofit grant-making organization, agreed to work with the Roundtables and establish regional monitoring and innovation centres, develop monitoring and evaluation systems to measure impacts, and disseminate lessons learned. The Ford Foundation’s objective is to identify the key success factors of the Roundtables and replicate the model in other parts of Latin America where the extractive industries are active.

We – and others involved in the Community Roundtables – have responded to the growing interest in this proactive engagement model by sharing key success factors and lessons learned at numerous events in Ecuador and abroad. In 2018, various stakeholders involved in this process made presentations during the Prospectors and Developers Association of Canada (PDAC) conference in Toronto, the International Finance Corporation Sustainability Exchange in Washington D.C., and the ExpoMinas in Quito, among others.

Key Roundtable Statistics

	2016*	2017	2018	Total
Number of Sessions	3	8	6	17
Number of Participants	445	1,463	1,222	3,130

* The roundtables were constituted in mid-2016

Academic Institutions

We consider academic institutions to be key stakeholders in the development of a responsible mining industry in Ecuador. In 2018, we continued to expand our relationship and collaboration with the academic community in Ecuador.

We initiated or responded to invitations for dialogue by visiting academic institutions to present and discuss our sustainability strategy, invited and received students and teachers at the Fruta del Norte project, and supported joint projects undertaken with academia aimed at promoting sustainable development in Zamora Chinchipe.

Prominent engagements and initiatives explored or implemented in 2018 are highlighted below.

Polytechnic School of Guayaquil (ESPOL - Escuela Superior Politécnica del Litoral)



ESPOL is a public university located in Guayaquil. ESPOL students delivered training in Yantzaza on topics ranging from financial education to maintenance of machinery. We are also exploring a project focused on improving the practices of artisanal miners operating within our concession areas. We expect to formalize our collaboration with ESPOL through a framework co-operation agreement in 2019.

Technical Particular University of Loja (UTPL - Universidad Técnica Particular de Loja)

UTPL has already developed and delivered a series of training programs, ranging from local planning and development to community-based water quality monitoring. In 2018, UTPL's students and faculty provided training and support to entrepreneurs in the Project area.

University of the Americas (UDLA - Universidad de Las Américas)

UDLA is a private university in Quito. In 2018, we started exploring collaboration opportunities related to the hospitality and tourism sectors, which provides also linkages with the Shuar indigenous communities' plans to develop ecological and cultural tourism.

In 2018, we continued to welcome visitors from academia to the Fruta del Norte project, initiated dialogue and started exploring collaboration opportunities with numerous other prominent academic institutions in Ecuador beyond those noted above. These include the **University of Azuay** (UDA - *Universidad del Azuay*) in Cuenca, **Regional Amazon University** (IKIAM - *Universidad Regional Amazónica*) in Tena, **Polytechnic Superior School of Chimborazo** (ESPOCH - *Escuela Superior Politécnica de Chimborazo*), **Santa María University** (USM - *Universidad Santa María*) in Guayaquil, **San Francisco University of Quito** (USFQ - *Universidad San Francisco de Quito*), **Central University of Ecuador** (UCE - *Universidad Central del Ecuador*) in Quito, **Amazon State University** (UEA - *Universidad Estatal Amazónica*) in Zamora Chinchipe, and **National University of Loja** (UNL - *Universidad Nacional de Loja*).

Supporting Schools and Students

In order to support students and their schools in our Project area, we engaged with two NGOs. Their activities are designed to improve the educational system and outcomes for students in Los Encuentros and are summarized overleaf. One notable success is the work of Junior Achievement. Remarkably, in 2018, over 70 high school students from the *Unidad Educativa 10 de Noviembre* in Los Encuentros successfully passed their university entrance exams. In 2015, prior to the availability of these programs, only one student successfully passed the same university entrance exam.

Enseña Ecuador

This NGO seeks to transform the educational ecosystem in rural areas of Ecuador (<http://ensenaecuador.org>), and is part of Teach for All, an international NGO network. In 2018, we signed an agreement with Enseña Ecuador to support the **Zamora Effect** (*Efecto Zamora*) initiative, which is designed to place seven graduate volunteer teachers for a period of two years in the rural school of Los Encuentros and in the community of Chicaña. Through their efforts, as well as monitoring, evaluation and support to approximately 30 existing teachers through the **Teacher Connection** (*Conexión Docente*) program, Enseña Ecuador aims to improve the academic progress of students in Los Encuentros.



Junior Achievement Ecuador (JAE)

JAE is the Ecuadorian chapter of Junior Achievement Worldwide (<https://www.jaworldwide.org/>). Since 2015, JAE has been collaborating with Lundin Gold on several initiatives focused on students: developing entrepreneurial skills; supporting teachers and parents; preparing students for university entrance exams; and working with students from Los Encuentros to tackle high university drop-out rate.



Photo: JAE

The school system and students in Los Encuentros are also active participants in the community health initiative established with help of Kimirina, a community organization that seeks to reduce HIV infection levels and empower vulnerable or stigmatized individuals and groups.

Adult Education

In 2018, we continued our cross-sectoral partnership to offer a series of multi-year educational, training and up-skilling, and certification programs. These programs were developed in response to critical educational and training gaps identified at the Community Roundtables as key barriers to our local hiring and inclusive procurement strategies.

These programs were developed and implemented in collaboration with the Lundin Foundation, the **Centre for Development and Innovation for Industry and Mining** (CIMA - *Centro de Innovación y Desarrollo para la Industria y Minería*), the **Entrepreneurship Centre** (Prendho - *Centro de Innovación*) and **Business Development and Social Foundation** (FEDES - *Fundación para el Desarrollo Empresarial y Social*), which are both part of the **Technical Particular University of Loja** (UTPL - *Universidad Técnica Particular de Loja*), Ecuador's **Ministry of Mining** (today part of the Ministry of Energy and Non-Renewable Resources) and **Ministry of Education, Fe y Alegría** (an NGO focused on offering educational opportunities to the poorest sectors of society), and others.

Through *Fe y Alegría*, for example, we offered an innovative and accelerated high school diploma program for adults in Los Encuentros and the Las Peñas camp. In March 2018, 210 participants successfully graduated from the program. From on-line surveys of graduates (61 percent response rate), we learned that 94 percent felt that embarking on the accelerated high school diploma program was a good or very good investment of their time and effort. Also, 45 percent felt their economic situation was better or much better compared to one year earlier.



Nexo Program

Nexo is an entrepreneurial capacity building program, now operating in its second year. Similar to a business incubator, Nexo provides training and mentoring opportunities for local entrepreneurs involved in activities ranging from the hospitality to transportation. Through Nexo and other programs we have been supporting, we enabled more local entrepreneurs to join our supply chain, increase their sales, and diversify their customers and markets.

In 2018, 26 local companies took advantage of 41 different courses and workshops delivered by the Nexo program on topics ranging from financial management to improving organizational structure and effectiveness. Overall, Nexo delivered 603 hours of training reaching more than 1,000 members of the community and provided an additional 764 hours of technical assistance to companies to help them achieve their business goals.

Through the Nexo program, the Lundin Foundation provided also financial support to local companies with an interest in obtaining the certification needed to become one of our suppliers. In 2018, 26 local companies obtained their certifications.



Indigenous People



Inauguration of the Cultural Interpretation Centre

Important stakeholders for our operations include the indigenous peoples who live in the broad area around Fruta del Norte. Our engagement is primarily with the Shuar and, to a lesser extent, the Saraguro indigenous peoples. Though many live within mixed communities, there are several indigenous communities close to the town of Los Encuentros, and approximately 40 kilometres from the Fruta del Norte project on one of the existing roads that links the community to the Project.

In January 2017, we signed an updated framework agreement with the Shuar Federation of Zamora Chinchipe. We committed to work with the Federation to address economic development, institutional strengthening, the promotion of customs and traditions, and capacity building. Specific projects and activities we have supported include cross-cultural engagement, training, and the promotion of the Shuar culture and language.

Tangible outcomes of our engagements include the renovated and updated Cultural Interpretation Centre of the Shuar Nation of Zamora Chinchipe. This centre, located in the Timbara Parish on ancestral indigenous territory, was inaugurated in June 2018. Building on this effort, we also supported the development the Tsanka Nunka Cultural Tourism Consortium, which was

formally launched in January 2019 to promote the tourism potential of the Shuar culture. The consortium is formally between the Shuar Federation of Zamora Chinchipe and the Lundin Foundation, a registered Canadian non-profit organization supported by the Lundin Group of Companies (to which we belong), and includes the participation of academic institutions and Lundin Gold. The Canadian Embassy has also provided advisory support.

A key priority for the Shuar Federation is the promotion of educational and job opportunities associated with mining. As such, we worked closely with the Federation to increase Shuar participation in our training and recruitment programs. In 2018, for example, we worked with the Federation to identify Shuar candidates for training programs for future operators at the operating mine and its processing plant. The results of this effort can be seen below and additional details about this training is provided in the *Economic Responsibility* section of this report.

Shuar Participating in Operators Training Program

	Shuar	Total
Cohort 1	12	111
Cohort 2	4	111

Potential candidates tested for positions between May-Dec 2018: 1,864

In 2018, we translated our grievance mechanism into Shuar language and expect to distribute the relevant information in 2019. We did not record any incidents of violations involving rights of indigenous people during the reporting period.

Community Health

In 2018, we continued our collaboration with Kimirina, an NGO that seeks to reduce HIV infection rates in local communities. Kimirina addresses the root causes of a number of social challenges and empowers vulnerable or stigmatized individuals and groups. During the reporting period, Kimirina established a working group and a continuous presence in Los Encuentros, and collected baseline data related to drug and alcohol use, domestic violence and education on sexual and reproductive health. Visiting 19 communities / neighbourhoods in Los Encuentros, Kimirina's team developed a better understanding of the specific context and challenges of each area.



Campaign to reduce alcohol use

Kimirina's outreach programs targeted families and their children preparing for the Sacraments, reaching a total of 630 individuals. Kimirina also prepared and assisted a group of 63 students to become peer educators. They carried out open houses, information and training events, and offered their messages through theatre productions.

Kimirina also offered direct assistance in 167 cases. These ranged from students with school-related disciplinary measures to supporting families with their specific concerns.

The planned activities for 2019 include further capacity building aimed at risk prevention among youth, developing information campaigns for adults and those involved in the education system to help improve the quality of family relations, and establishing a supportive assistance network.

Dairy Farming and Agriculture

Recognizing the local importance of dairy farming and agriculture, as well as the opportunity these activities present for economic diversification and employment, we continue to work with the Lundin Foundation on the following three initiatives designed to improve local livelihoods.

Takataii Farm Initiative

Working with the Lundin Foundation and Catering Las Peñas, one of our strategic business partners, we support the Takataii agricultural development initiative. This initiative assists farmers with their production and marketing of agricultural products, ranging from lettuce to watermelons. Through Takataii, eight agricultural production groups comprising 72 families were formed to receive technical assistance, marketing support, and seed capital in form of advanced purchase of produce. In 2018, Takataii recorded over \$70,000 in sales to Catering Las Peñas.



Ecolac Dairy Processing

This dairy processing and marketing company provides market access to over 100 local dairy farmers in the province of Zamora Chinchipe. With technical assistance, finance and managerial support from the Lundin Foundation, Ecolac has increased the productive capacity of these local dairy farmers. By the end of 2018, Ecolac collected and marketed almost 1.5 million litres of milk from all its operations in the province of Zamora Chinchipe of which approximately 190,000 litres came from the 15 participating producers in Los Encuentros. Though monthly production levels have remained stable at a historically high level of 140,000 litres, the annual sales in 2018 decreased by approximately two percent when compared to 2017. This is attributed to poor weather, maintenance and improvements needed in some of Ecolac's milk collection centres. Average monthly income reached \$578 in 2018, which represents an increase of approximately 6.5 percent compared to the previous year.



APEOSAE Cooperative



The Association of Small Organic Agricultural Exporters of the Southern Ecuadorian Amazon (*Asociación de Pequeños Exportadores Agropecuarios Orgánicos del Sur de la Amazonía Ecuatoriana* or APEOSAE) is a cooperative of organic coffee, cocoa and plantain producers from the Zamora Chinchipe province. In 2018, the Lundin Foundation continued providing technical assistance and financing to strengthen their production and management capacity, and secure sustainable commercial alliances with established Ecuadorian companies.

Although APEOSAE's 2018 sales increased by almost 30 percent compared to previous year, reaching a total of more than \$396,000, the total income of the cooperative was down by approximately two percent compared to 2017. This was largely due to reduction of funding from international cooperation agencies, depreciation and other factors. APEOSAE reduced its annual loss by approximately 17 percent compared to 2017, and closed 2018 with a loss of almost \$93,000.

Despite its challenges, APEOSAE has made positive changes in its management strategy as the Foundation provides support to further improve its corporate governance and cost analysis to allow for more accurate forecasting and improved budgeting.

Community and Road Infrastructure

In 2018, we completed a new site access road. It bypasses several small communities, reducing noise, dust and other traffic risks, and shrinks the distance to the Fruta del Norte project by over 20 kilometres. Communities along the previous access road highlighted their concern that we would no longer maintain this road. We also witnessed a bridge blockade in Los Encuentros which lasted five days.

In our dialogue with the community, we continued to highlight our commitment to maintaining approximately 100 kilometres of roads and bridges in the Los Encuentros Parish. This includes the original site access road, which continues to serve our exploration activities. We also signed an agreement to continue to work with the local communities and government agencies to maintain and improve the existing bridge in Los Encuentros.



Aerial view of the North Access Road (NAR)

Artisanal Mining

The general region in which we operate has a history of artisanal mining, which contributes to local employment and livelihoods. Therefore, we continue to pursue a co-existence strategy.

We provide assistance to those artisanal miners that seek to formalize their operations and which do not adversely affect our operations. When artisanal miners seek to operate in an area that would interfere with our activities, we work with them to identify viable alternative areas within our concessions. Additionally, we support artisanal miners to obtain their required environmental certificates.

During the reporting period, we explored collaboration and capacity building initiatives involving the academic community and other stakeholders for the benefit of artisanal miners (see *Academic Institutions* section). The objective of this effort is to improve the environmental performance and profitability of artisanal miners operating within our concession areas. We expect to implement these initiatives in 2019.

During 2018, on most of our concessions, we noted an increased number of informal and illegal artisanal miners voluntarily vacating their operations following government agency inspections, and a significant reduction of impoundments, disabling, or destruction of artisanal mining equipment or camps by authorities. We recorded no artisanal mining-related grievances during the reporting period.

Nevertheless, we did see an increase in illegal small-scale mining activities on some of our concessions far to the south of Fruta del Norte. We followed our standard procedure by issuing formal complaints to ARCOM (*Agencia de Regulación y Control Minero*), which is responsible for artisanal mining.

Artisanal and Small-Scale Mining (ASM) Activities within Our Concession Areas

	2016	2017	2018
Formalized ASM with contracts with Lundin Gold	20	21	19
Voluntary departure of informal ASM after authority inspections	42	25	38
Complaints filed by Lundin Gold against informal ASM	12	17	19
Number of impoundments, disabling, or destruction of ASM equipment or camps by authorities	11	10	2
Number of peaceful removals of artisanal miners by authorities	1	25	6
Grievances lodged with Lundin Gold related to ASM	1	1	0

Security and Community

Our security program is designed to protect people, assets and operations while respecting human rights and local communities. We have aligned our security program with our Responsible Mining Policy and incorporated elements of the Voluntary Principles on Security and Human Rights, the United Nations Guiding Principles on Business and Human Rights, and other international security standards or best practices. Our induction and training materials continue to emphasize our commitment to respectful engagement and international human rights.

In 2018, the security program was further aligned with the Voluntary Principles on Security and Human Rights and 100 percent of the Project's security team - including the entire subcontracted security force - received related training. In addition, the power line construction team, a third-party entity, was also trained on the Voluntary Principles on Security and Human Rights. We plan to deliver this training to the team that will construct a new bridge over the Zamora river, also a third-party entity, in early 2019.

Our main security practices have been outsourced to a reputable international security provider. This provider is committed to the United Nations Global Compact and the International Code of Conduct for Private Security Providers. As a result, our security provider is committed to good governance, respect for human rights and international humanitarian law, provides vetting and training for its staff and contractors, and applies high ethical standard of conduct.

We did not record any security-related incidents or grievances during the reporting period. As we prepare for operations, we will continue to ensure that our security program is well aligned with the Voluntary Principles on Security and Human Rights.



Grievances

We maintain a formal grievance mechanism so that employees, contractors, community members and other stakeholders can lodge their concerns and complaints. Grievances can also be lodged anonymously. This system enables us to systematically record, resolve, and report grievances to our management and other interested parties.

During the reporting period, we recorded a total of 125 complaints or grievances, all falling in the lowest level of severity (Category I). The increase of number of grievances compared to previous year is largely attributable to the significant ramp up of construction activities in 2018, and a corresponding increase in number of workers at the construction camp.

The main issues triggering the recorded complaints in 2018 related to the construction camp, followed by human resource issues, and contractors. We significantly improved the average time from recording to closing complaints from 39 days in 2017 to below 22 days in 2018. We also developed a campaign to emphasize our core principles of “Respect,” clarifying our expectations and initiated an action plan which will be rolled out in 2019 (see also *Human Resource* section in this report).

While not registered in our grievance mechanism, in October 2018, a group of local community members blockaded the bridge in Los Encuentros as well as the connecting road, thus preventing us from entering or leaving the Project. The stated concern of those participating in the blockade was that we had damaged the bridge by using it for heavy vehicles.

Though the bridge’s official capacity was 32 tons and we never surpassed this limit, a small group of community members were adamant that the bridge could only withstand 20 tons. After five days, an agreement was ultimately reached with this group of protesters, through the mediation of the national government. The blockade was then lifted, and we agreed to not use the bridge for heavy equipment until the agreed-upon actions were completed.

Our commitments within the final agreement were to continue with our long-standing practice of funding the required maintenance of the bridge and to fund a new weight test to confirm the current capacity of the bridge.



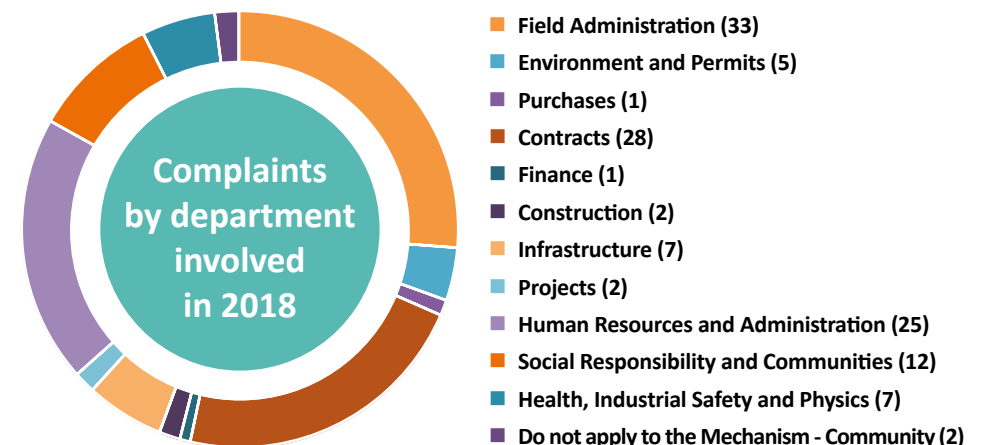
Both tasks were completed in December 2018, with the weight test confirming that the bridge responds normally to static loads of 32 tons. However, the protesters refused to accept this result. At the end of year, we continued to use an alternative route to reach FDN. We are committed to good-faith and transparent dialogue with all stakeholders.

In 2018, we also translated our grievance mechanism into Shuar, the language of primary indigenous community in the Project region. The translated information will be disseminated in 2019.

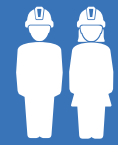
Grievances Recorded for Fruta del Norte

Category	2017		2018	
	Number	Percentage	Number	Percentage
Level I	70	93	125	100
Level II	5	7	0	0
Level III	0	0	0	0
Total	75	100	125	100
Average closure (days)	39		22	

Recorded Grievances by Main Topic



Note: The October 2018 bridge blockade is not recorded in our grievance system

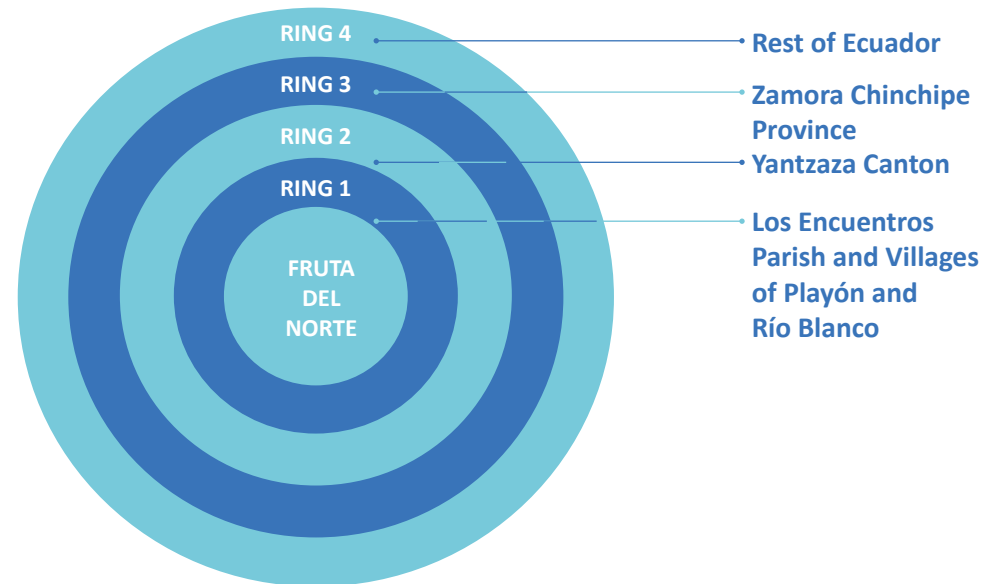


Human Resources

By the end of 2018, our construction operations at Fruta del Norte was supported by 3,057 workers, including 1,433 contractors. However, these numbers fluctuate month-on-month in response to our construction requirements.

We continued to report our hiring statistics, and that of our contractors, to the participants of the Community Roundtables and other interested parties. By the end of 2018, approximately 47 percent of the workforce (including contractors) was recruited from the Zamora Chinchipe Province (Rings 1 to 3). This total of 1,429 people from the province represents a 59 percentage increase over the end of 2017.

Training and Hiring Prioritized from Ring 1 to Ring 4



As a participant to the UN Global Compact, we are committed to implementing, disclosing and promoting its universal human rights, labour, environment and anti-corruption principles. In addition, our responsible mining policy commits us to meeting or exceeding Ecuadorian laws which guarantee freedom of association, the right to collective bargaining, and prohibit forced, compulsory or child labour, and discrimination in employment practices.

As part of our efforts to improve the capacity of local community members, we supported an accelerated, innovative and part-time high school diploma program for adults. This program, as noted further below, was delivered by *Fe y Alegría*, a non-profit organization focused on offering educational opportunities to the most vulnerable sectors of society. In March 2018, 210 students received their high school equivalent diplomas, including 52 of our employees.

We also established a mining and process plant operator training centre. As detailed further, this program is designed to provide structured training in classroom and state-of-the-art simulators, and while operating mining equipment under supervision of instructors.

Aurelian Ecuador S.A. Employment

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Ring 1	133	6	139	316	8	324	426	37	463
Ring 2	15	2	17	67	8	75	214	10	224
Ring 3	12	0	12	46	6	52	179	12	191
Ring 4	57	30	87	176	68	244	502	100	602
Total Ecuador	217	38	255	605	90	695	1,321	159	1,480
Foreign	3	1	4	50	3	53	135	9	144
Total Workforce	220	39	259	655	93	748	1,456	168	1,624

Contractor Employment

	2017			2018		
	Men	Women	Total	Men	Women	Total
Ring 1	199	54	253	181	67	248
Ring 2	81	11	92	124	34	158
Ring 3	90	11	101	121	24	145
Ring 4	601	27	628	802	30	832
Total Ecuador	971	103	1,074	1,228	155	1,383
Foreign	24	1	25	49	1	50
Total Workforce	995	104	1,099	1,277	156	1,433



Enabling Local Hiring

The operation of a large-scale mining project requires a skilled labour force. In general, such skills are not available in a country which is still in the initial stages of developing its large-scale mining, especially in the remote and rural setting of the region hosting the Fruta del Norte project.

In response to our commitment to maximize local hiring opportunities, we developed and implemented an education and training strategy, along with a series of tailored programs described below. Their objective is to improve the ability of local community members to successfully access our hiring and contracting opportunities.

Hiring Local Workforce

In our local hiring strategy, we define “local” as concentric rings shown in the graphic shown on page 25. Ring 1, which comprises the communities nearest to our operations, receives the highest priority. In collaboration with our partners, such as the Lundin Foundation, we also continued to implement a series of education, training, and certification programs in support of our commitment to local hiring.

Our hiring needs – and those of our contractors - are adjusted to the Project and its construction schedule. During 2018, the initial labour requirements focused on areas such as earthworks and concrete, both requiring significant numbers of unskilled labourers. Subsequently, we recruited increasingly for mechanical, electrical, and piping work, which required a more skilled labour force.



Los Encuentros Parish

Gender and Diversity

During 2018, the Global Compact Ecuador network launched the “Leaders for the SDGs” initiative. As part of this effort, working groups for each of the 17 SDGs were established to discuss and share lessons on how companies and other organizations are contributing to the implementation of the SDGs in Ecuador. We are participating in three working groups, including one set up for SDG5: Achieve gender equality and empower all women and girls. We expect that our participation will help us further improve our policies and practices related to gender equality.

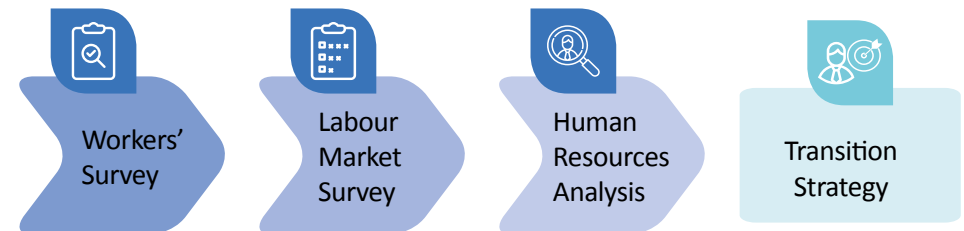


Transition to Operation

As the Project transitions from the construction to the operational stage, the overall size and skill sets required for Fruta del Norte change and our supply chain will also need to be adjusted. This is a common transition for large-scale mining in which construction-related contracts typically expire concurrently with completion of key construction tasks.

In mid-2018, we started preparing for the transition to the operating stage of Fruta del Norte. We developed a strategy to ease our workers’ transition from construction to the operational phase of the Project. As part of this process, we surveyed our employees residing in Los Encuentros Parish and Yantzaza Canton, completed a local and national labour market survey, and reviewed opportunities to reduce hardships through, for example, internal staff transfers to construction areas which are still ramping up.

As part of this transition strategy, we informed workers and external stakeholders about the expected transition process and its timing to help reduce uncertainty and allow forward planning. By doing so, we set a precedent for such a transition planning process in the mining sector in Ecuador.



Working with the Lundin Foundation, we identified a series of initiatives designed to increase workers and supply chain’s financial resilience, enable them to access their preferred livelihood opportunities, and mitigate adverse socio-economic impacts as a result of the transition.

The following are examples of specific activities focusing primarily on workers, vendors and suppliers in the Los Encuentros Parish and Yantzaza Canton (Ring 1 and Ring 2*) which will be developed, continued or scaled up in 2019.

** See page 25*



Working with the agriculture sector to support livelihoods linked to dairy, farming and agriculture, include Ecolac, Takatai and APEOSAE



Training and certification of marketable skills to improve job mobility, in collaboration with the Ecuadorian Vocational Training Service (SECAP by its Spanish acronym)



Supporting local entrepreneurship through business incubators, such as the Nexo program (see also Inclusive Procurement section)



Identifying opportunities for suppliers for the operational phase of the Project



Supporting the labour transition including preparing resumes, acquiring skills for job interviews, and uploading resumes to job search engines



Training on financial planning



Sponsoring a fair to bring prospective employers, government institution, educational institutions, and other resources to the Project area to broaden the array of opportunities



Nexo program provides training and mentoring opportunities for local entrepreneurs



Training Mining and Process Plant Operators

Our goal, as Fruta del Norte approaches the operations stage, is to maximize opportunities for people living in neighbouring communities. Given the emerging nature of the large-scale mining sector in Ecuador, and the associated skills and training gap we identified in the area which hosts Fruta del Norte, we recognized that our commitment to local hiring requires an ambitious program.

In collaboration with the Lundin Foundation, we established a training centre which is unique in Ecuador. Two state-of-the-art simulators were purchased, and a team of world-class instructors were recruited to train students. In keeping with our local hiring strategy, this initiative prioritized communities located near Fruta del Norte. As a result, most of the 111 graduates from the first cohort are from the local communities of Los Encuentros, Playón, and Río Blanco. This cohort also includes 20 women and 12 members of the indigenous Shuar nation.

The goal of this program is to train approximately 325 candidates, recruited and trained in three cohorts, for long-term positions as mine and process plant operators. The first two cohorts were selected from a pool of 1,864 screened candidates. The selection process prioritized candidates from Ring 1 as well as members of the Shuar Federation of Zamora Chinchi. Once this pool was exhausted, the program reached out to other eligible candidates from Ring 2 and Ring 3, respectively.

The students received a stipend and completed approximately 1,000 hours of intensive training. The first cohort of students included 44 Lundin Gold employees. They will now be able to continue with us as Fruta del Norte transitions from construction to operations. We celebrated the graduation of the first cohort in March 2019. Twelve of the 111 graduates had previously completed the high school equivalency program, an educational initiative we offered in collaboration with the Lundin Foundation, the Ministry of Education and *Fe y Alegría*, which ended successfully in March 2018.



Composition of Trainees of Operator Training Program

	Total	Ring 1	Ring 2	Ring 3	Women	Shuar	Lundin Gold Employees
Cohort 1	111	99	1	0	20	12	44
Cohort 2	111	27	52	28	19	4	12

Note: Cohort 3 with approximately 100 additional trainees is expected to start in April 2019

Promoting Respect

Respect is one of our Fundamental Principles. In late 2018, our leadership initiated an internal campaign to reinforce the Fundamental Principle that included:

- Defining the meaning of “Respect” in our operational context
- Establishing our behavioural expectations through a code of respect
- Disseminating our expectations company wide

During 2019, we plan to raise awareness about and continue fostering a culture of Respect.

Our Code of Respect

For Lundin Gold, the term Respect means that we interact with others with the intent of understanding cultural differences and in a manner that is perceived to be considerate.



Observe gender equality



Listen with purpose of understanding and allow people to express their thoughts



Be sensitive towards others and professional when expressing difference of opinions or strong emotions



Respect each individual's area of expertise, trust, provide constructive feedback



Be open and honest, providing full disclosure of your issue and plans to solve it



When decisions are required, make sure the people that are directly and significantly impacted have been consulted



Respect delivery of commitments according to timeliness and provide honest feedback timely



Understand that the team success is impacted by diverging priorities

We conduct annual internal surveys to determine how our employees perceive that the Fundamental Principle “Respect” is present in everything we do: in internal communications and interactions, in relations with all stakeholders, in compliance with all applicable legislation, internal policies and procedures, in commitment to safety and environment stewardship. These survey results show an increasing level of participation and an increasing level of “Respect” from 2017 to 2018.

Survey of Our Conduct of “Respect”

	2017	2018
Participation (responses received/number surveyed)	673/768	1,199/1,390
Response Rate	83%	86%
Respect Evident	78%	86%



Health and Safety

In Ecuador, the industrial mining sector is still developing. Once in operation, Fruta del Norte will be the first large-scale underground mine in the country.

Our culture of working safely is core to our commitment to responsible mining. This means we resource, manage, continuously innovate, and monitor the effectiveness of our health and safety systems and practices. In order to foster accountability, the remuneration of our senior managers is in part driven by health and safety performance indicators.

Through the implementation of multiple initiatives, such as the Golden Rules and the Visible Leadership Program, we seek to continuously rejuvenate a culture of accident and injury prevention. This means that we encourage and empower safety leadership in the workforce, and provide training to workers, supervisors, employees, and contractors. These efforts contributed to 3.5 million hours worked without lost-time injuries.



Key Health and Safety Statistics (Aurelian Ecuador S.A. and Contractors)

	2016	2017	2018
Hours Worked	694,167	2,135,951	5,118,008
Lost Time Incidents	1	1	2
Injury Rate/200,000 Hours (weighted average)	2.88%	0.56	0.43
Hours Trained	N/A	22,563	87,066
Job Safety Analysis	N/A	28,740	19,848
Observation Cards	N/A	7,336	229,147

N/A – not available; Additional statistics are provided in the GRI annex

Although this sustainability report reflects our 2018 performance period, we are deeply saddened to report the fatality of an employee on March 1, 2019. This fatality occurred due to a landslide that occurred while our employee was operating a loader on the North Access Road. At the time of preparation of this report, investigations into this incident are ongoing. We are committed to fully cooperating with the Ecuadorian authorities to complete a full investigation, and to take the necessary measures to prevent such an incident from reoccurring.

Health and Well-Being

As part of promoting the well-being of our workers, we provide dedicated areas for recreational activities. These areas are being utilized for activities ranging from aerobics to birthday celebrations. We also provide a gym with fitness equipment and professional trainers, which is used by approximately 200 workers per day. Additional outdoor sports facilities provided are popular for team sports, such as hockey, soccer, and volleyball.

In keeping with Ecuadorian labour regulations, we also provide access to social workers. Through this support, we seek to foster a positive work environment and the mental health of all employees.



We are committed to responsible mining, which means we are committed to operating our facilities according to our three fundamental principles:



In previous years, we completed an environmental and social impact assessment and engaged with our stakeholders in order to identify, avoid, reduce, mitigate, and control our impacts related to the development of the Fruta del Norte project. A summary of the impact assessment is available at <https://lundingold.com/>.

During 2018, we continued to implement a series of environmental management and monitoring plans, ranging from archaeological resources to water quality, with key results highlighted in this section. Our objective is to continuously improve our performance. An example from 2018 is the effort to minimize deforestation along the right of way of the powerline.

Construction Footprint

By the end of the reporting year, a total of 4.5 kilometres of underground mine development had been completed, which was well ahead of projections, and had reached the orebody. The earthworks at surface reached 75 percent completion, including the River and North Access Roads, with construction of the tailings dam continuing. The process plant construction also progressed well and erection of associated mechanical equipment, such as grinding mills and carbon-in-leach tanks, started during the fourth quarter. The construction of the powerline to the Project site reached 22 percent completion by year-end.

As summarized further below, we continued with the identification, safeguarding or rescuing, and monitoring of flora and fauna before and during the construction-related land clearing activities. During the reporting year, we also revegetated 57 hectares to reduce erosion and improve sediment control.

Land Management Data

	Hectares			
	2015	2016	2017	2018
Total amount of land licensed for FDN exploitation phase	n/a	2,049	2263	2,630 ¹
Total amount of land newly disturbed within reporting period	0	12	81	100
Total amount of land newly rehabilitated within the reporting period to the agreed end use	0	0	0	0
Cumulative total land disturbed and not yet rehabilitated within the reporting period to the agreed end use	13	125	206	306
Areas revegetated for improved erosion control	0	0	1	57

¹ This is a cumulative figure of the following licenses: FDN-La Zarza, Las Peñas Camp – FDN road, north access road, and the electric transmission line

Biodiversity Conservation

La Zarza concession, which hosts the Fruta del Norte deposit, is in the Cordillera del Condor mountain range in southeastern Ecuador. The portals leading to the underground mine are located within approximately three kilometres of the boundary of the El Zarza Wildlife Refuge (Refugio de Vida Silvestre El Zarza) and one kilometre of the El Condor Mountain Range Protected Forest (Bosque Protector Cordillera del Cóndor). These areas are Important Bird and Key Biodiversity Areas.

The Project is being developed as an underground mine. This means that its physical footprint is much smaller when compared to an open-pit mining development. As part of the biological baseline studies and subsequent flora and fauna rescue and

monitoring programs, we continue to document species categorized as endangered, vulnerable, near-threatened or of least concern according to the International Union for Conservation of Nature (IUCN 2019) and Ecuador’s National Red List (2019). We maintain a qualified veterinarian and biologists onsite to support us with the implementation of our flora and fauna rescue and relocation plan before, during and after construction activities.

Additional semi-annual monitoring is being conducted by external experts associated with the **Pontifical Catholic University of Ecuador** (PUCE - *Pontificia Universidad Católica del Ecuador*). In collaboration with Conservation International Ecuador, we have also embarked on the implementation of a biodiversity conservation program for the Fruta del Norte project (see further).

As of the end of 2018, we have identified the presence of three critically endangered; 19 endangered; 30 vulnerable; 22 near threatened, and 250 least concern species within the FDN study area.



Orchid at Fruta del Norte Nursery

Critically Endangered Species within FDN Study Area

	Scientific Name	Common Name
Amphibian	<i>Hyalinobatrachium pellucidum</i>	Río Azuela glass frog
	<i>Centrolene pipilatum</i>	Amazon giant glass frog
Mammal	<i>Panthera onca</i>	Jaguar

Flora and Fauna Rescue

Our flora and fauna rescue plan is implemented by a team of third-party biologists and supported by a wildlife veterinarian. During 2018, these biologists conducted eight rescue and relocation campaigns, mainly focused in the area of the tailings storage facility, paste plant and quarry. This team also conducts daily monitoring of areas under construction to relocate any additional sensitive species which may be present.

Low mobility species comprise most of the specimens captured and relocated. Other species, such as birds and mammals, are typically repelled through noise, thus minimizing the need for capture and relocation. This, in turn, reduces stress and risk of injuries.

Rescued Flora and Fauna

	Number of individuals					
	2017			2018		
	Rescue Campaigns	Construction Monitoring	Total 2017	Rescue Campaigns	Construction Monitoring	Total 2017
Flora	11,764	19,509	31,273	12,773	9,038	21,811
Herpetofauna	1,916	637	2,553	1,756	1,604	3,360
Birds	0	8	8	0	29	29
Mammals	9	30	39	43	32	75

Partnership with CI-Ecuador

Building on previous engagement, we signed a three-year collaboration agreement with Conservation International Ecuador in November 2018. As part of this agreement, we will jointly develop and implement a biodiversity conservation and offset plan, and support sustainable ecosystems services in the area of influence of the Fruta del Norte project. This program is designed in line with Conservation International's vision of sustainable landscapes based on the effective integration of nature conservation and human well-being. We expect to measure our progress by the increase of participation in the environmental roundtable, the number and size of productive farms involved in this initiative, and number of protected areas which have developed updated management plans.



Ron Hochstein, President and Chief Executive Officer and Director of Lundin Gold, and Luis Suárez, Vice President and Executive Director of Conservation International-Ecuador signed a three-year collaboration agreement

Managing Water Quality



As part of our operations, we must manage significant volumes of water and ensure that effluents meet prescribed quality standards. Challenges we must address include approximately 3,400 millimetres of annual precipitation, which can result in soil erosion, and providing accommodation and catering for up to 1,500 workers per day, which requires effluent treatment capabilities similar to a small city. The nearest downstream community from Fruta del Norte is Machinaza Alto, a small village, located approximately 16 kilometres downstream of our nearest treated effluent discharge point.

The tables on the right summarize our water use, their sourcing and overall compliance status of treatment systems. As we continue to transition from the construction to operation, we expect changes, such as a reduction of the mine camp, improved effectiveness of erosion control measures, and optimization of water treatment systems to further improve our compliance status.

FDN's Water Use

	m ³		
	2016	2017	2018
Surface Water Bodies (Domestic use)	16,667	37,854	96,008
Drilling Activities	10,104	10,993	902
Portal ¹	1,643	8,839	42,008
Groundwater	-	-	-
Rainwater	-	-	-
Municipal Water Supplies	-	-	-

Note: Limited municipal water used in our offices is not considered material and is not reported,

¹ Portal source comprises contacted groundwater for the development of the declines, treated and discharged water

Water Treatment Volumes and Compliance at FDN

Treatment Systems	2016		2017		2018	
	Volume (m ³)	Compliance	Volume (m ³)	Compliance	Volume (m ³)	Compliance
Black and Gray Water	16,667	98%	35,416	93%	76,140	97% ¹
South Portal and Associated Infrastructure	2,696	100%	8,634	100%	5,246	100%
North Portal	-	-	N/A	-	503,060	98% ²
Drinking Water	18,961	100%	37,854	100%	96,008	99% ³
Drilling Activities	2,390	100%	2,430	100%	834	100%

¹ Parameters such as pH, TSS (Total Suspended Solids), COD (Chemical Oxygen Demand), and total nitrogen Kjeldahl exceeded quality criteria mainly during the early startup and plant stabilization stages

² Treated water collected from the declines, runoff from: mine surface infrastructure area, process plant area and main waste rock pad collection. Exceedances of TSS and pH were registered during the first three months of 2018 while the treatment system was in the process of implementation and improvement

³ Exceedance related to free chlorine concentration, although monitoring of microbiological parameters showed no health risk. In all cases, corrective actions were immediately implemented

N/A – not available

Community-Based Monitoring

Experience shows that participatory monitoring programs help companies to be more accountable and communities to better understand and trust environmental monitoring data. In response to a request from the Community Roundtables, we engaged in a systematic program to create a community-based monitoring program for Fruta del Norte.

In 2017, we engaged CIMA (*Centro de Innovación y Desarrollo para la Industria y Minería*), which is part of the **Technical Particular University of Loja** (UTPL - *Universidad Técnica Particular de Loja*), to explore the concept of the community monitoring with the 17 communities within the Project's area of influence. As part of this initial phase, 24 participants attended a tailored course comprising classroom training, field work focused on designing, sampling, analyzing and interpreting water quality data, and completed a final exam.

In 2018, we signed an agreement with the **Catholic University of Cuenca** (UCACUE - *Universidad Católica de Cuenca*), to help further develop the community water monitoring program. Participatory monitoring activities are being planned for 2019 and their outcomes will be reported to the Community Roundtables, as well as company newsletters, and future sustainability reports.

Waste Management

All waste generated at the site, including by contractors, is collected at Fruta del Norte's waste management centre and organized according to waste category: non-hazardous, hazardous and special. The handling and disposal of waste material is tabulated on the right.

We launched the "Empty Plate" campaign in November 2017 to reduce our food waste. In 2018, as a result of this campaign, we recorded a reduction in food waste of 33 tons. Additionally, in 2018, the Company signed several agreements to donate food waste for animal fodder, benefiting four members of our local community. Also, within this framework of community assistance, we donated 18,400 kilograms of compost generated at Fruta del Norte for use as agricultural inputs.

In 2018, we also signed a contract with a printing, copying and scanning company to participate in the manufacturers' return and recycling program for used ink cartridges.



FDN Waste Management and Disposal

	kg			
	2017		2018	
	Non-Hazardous	Hazardous, Special	Non-Hazardous	Hazardous, Special
Reuse	-	-	-	-
Recycling ¹	106,494	-	885,336	-
Production of Fertilizer	-	-	114,856	-
Recovery, incl. Energy Recovery ²	-	438	-	11,191
Incineration	-	50,444	-	122,300
Deep-well Injection	-	-	-	-
Landfill	80,995	-	212,816	-
Store on Site ³	N/A	N/A	N/A	N/A
Others ⁴	231,548	15,202	295,590	31,521

¹ Includes donations of recyclable waste to the communities as well as recyclable waste sent to landfill for economic use

² Metal recovery from electronic and electrical parts and equipment, used batteries, and materials from used tires

³ The waste is temporarily stored in FDN until removed by contractors

⁴ Includes organic leachate from fertilizer processing facilities, food leftovers that are donated to members of the communities to feed their animals, and final treatments such as biological, chemical, and encapsulated treatments

N/A - Not applicable

Transport of Hazardous and Special Waste at FDN

	kg	
	2017	2018
Total	66,083	165,012
Collected for Treatment	66,083	165,012
Percentage Sent Abroad	-	-

Greenhouse Gas (GHG) Emissions

Ecuador's national emissions in 2014 were 58.27 million tons of carbon dioxide equivalent (tons CO_{2eq}) or approximately 0.13 percent of global GHG emissions. Ecuador's per capita GHG emission of 3.72 tons of CO_{2eq} is approximately one half of the world's average. In the medium to long-term, climate change related impacts in Ecuador are believed to include intensification of extreme climatic events linked to significant water temperature changes associated with the ocean currents known as *El Niño*.

Our estimated total GHG emissions in 2018 were approximately 31,700 tons of CO_{2eq} or approximately twice the estimated emissions for the 2017 reporting period. This is largely due to the ramp-up of mine construction activities. Scope 1 (direct) GHG emissions, principally linked to diesel, gasoline, liquefied natural gas and explosives consumption at the mine construction site, the mine camp and offices, contributed approximately 93 percent to our total GHG emissions. Scope 2 (indirect) emissions, derived largely from procured electricity usage, contributed only approximately one percent of our GHG emissions. Scope 3 (transport) emissions, principally derived from our air travel, contribute approximately six percent to our GHG emissions in 2018.

We expect to continue to see significant changes to our GHG emission profile as Fruta del Norte transitions from construction to operation, and the mill and processing facilities become operational using grid-connected electric power. As Fruta del Norte is still in construction stage, we have not set a base year. We will present normalized emission figures (for example, per ounces of gold produced) once the mine has completed approximately one full year of operation.



Estimated GHG Emissions for Lundin Gold

Location	2017			2018		
	Scope 1	Scope 2	Scope 3	Scope 1	Scope 2	Scope 3
Fruta del Norte	5,208	2	-	28,966	-	-
Las Peñas Camp	329	18	-	424	200	-
Offices in Ecuador	-	174	-	-	57	-
Air Travel	-	-	666	-	-	2,052
Total (t CO _{2eq})	5,537	194	666	29,390	257	2,052
CO _{2eq} in % (rounded)	878	3	10	93	1	6

GHG – Greenhouse Gas Emissions, t CO_{2eq} - tons of carbon dioxide equivalent, MWh – Megawatt hour
 GHG estimates for Scope 1 and Scope 3 derived using US EPA emission factors published here: https://www.epa.gov/sites/production/files/2018-03/documents/emission-factors_mar_2018_0.pdf and, for ANFO, here: <https://www3.epa.gov/ttnchie1/ap42/ch13/final/c13s03.pdf>. Ecuador's Centro Nacional de Control de Energía (CENACE) 2017 emission factor of 0.4165 tons CO_{2eq}/MWh was used to estimate Scope 2 emissions. GHG data for 2017 is restated using updated conversion factors referenced in this footnote

Significant Spills

We respond to and report spills in accordance with our emergency control and contingency plans. Contaminated soil is collected and treated as hazardous waste. Ecuador's environmental regulations require an approved remediation plan for spills exceeding five barrels (approximately 210 gallons), which we use as our reporting threshold for significant spills. We had no reportable spills in 2018.

	2016	2017	2018
Significant spills	0	0	0

Environmental Compliance

The Ecuadorian Ministry of Environment conducts periodic visits and audits to verify compliance with environmental management plans. In 2018, our operation was subject to 12 such inspections. As a result, we were issued with one minor non-compliance and 4 observations (requests for improvements) related to waste classification and sediment control. In response, we immediately prepared and implemented the corresponding corrective actions. No notifications of fees or fines related to environmental non-compliance were issued during the reporting period.

Cyanide Management

As we move towards gold production during the fourth quarter of 2019, we continue to develop a cyanide management plan that is consistent with the International Cyanide Management Code.








Cultural and Archaeological Investigation (INVACMA - Investigación Arqueológica y Cultural)

The archaeological studies of the Fruta del Norte Project area have been on-going since 2004. Supported by a well-known archaeological expert, Dr. María Aguilera, we have carried out and completed numerous archaeological investigations, completed excavations to safeguard archaeological evidence, and continue to monitor areas of archaeological interest within the Project's footprint area.

During the impact assessment studies, we recorded sites important to the Shuar indigenous people. These include several waterfalls which hold spiritual significance. None of these waterfalls will be affected by the mine, its access roads, or the transmission line.






In 2018, our archaeological activities included the following:

-  Prospecting and excavation in areas of archaeological interest
-  Monitoring during land clearances in line with our chance find procedures
-  Prospecting, excavation and monitoring along the Bomboiza – FDN transmission line



Cultural and Archaeological Investigation (INVACMA - Investigación Arqueológica y Cultural)

Cultural evidence recovered during our archaeological investigations include the following:

-  Fractured pots and fragments of decorated and undecorated pottery. Some of these artifacts were believed to be part of household crockery and others used for special activities or rituals
-  Lithic artifacts, such as complete and fractured axes, believed to have been used as tools for soil clearing, cutting or for ritual activities
-  Metate and grinding stones likely used for food processing, such as grinding grains
-  Decorated spindle whorls. They suggest spinning of cotton or other fibers
-  Postholes which indicate habitable structures

Our archaeological investigations and related activities have improved our understanding that the study area has been inhabited during the last millennia – or longer – by human groups that reached different levels of development, exchanged knowledge and products, interacted with groups from different regions, in different periods, and left traceable and recoverable cultural evidence of their existence. The human groups moved from East (Machinaza River) to West (Zamora River), with the group of hunter-gatherers being the earliest one and located to the East.

Dr. María Aguilera presented the results of our archaeological investigations, prospecting, rescue and monitoring activities during a roundtable meeting in February 2019. We also plan to include some articles about our activities related to archaeological resources in our future newsletters.



Cultural and Archaeological Investigation (INVACMA - Investigación Arqueológica y Cultural)



We continue to develop the Fruta del Norte gold project in southeast Ecuador, one of the highest-grade gold projects currently under construction in the world. We believe that the value created through the development of Fruta del Norte will benefit a wide range of stakeholders, including our shareholders, the national and local government and the people of Ecuador.

Economic Benefits

Although our Project is still in construction stage and, therefore, does not generate any operating revenues, we paid the balance of \$20 million of advance royalties in 2018. This brings the total royalty payments since 2016 to \$65 million.

ECONOMIC PERFORMANCE

	\$ Thousands		
	2016	2017	2018
Employee Wages and Benefits	9,276	17,953	49,674
Payments to Government	35,659	37,500	63,757
Community Investments*	3,072	3,065	5,940

*This category includes Project evaluation of community relations, community relations related to exploration activities, general and administration, and donations

The breakdown of our annual payments to parochial, municipal and deferral governments in Ecuador, and contributions to the Shuar Federation of Zamora Chinchipe, are tabulated below.

Canadian Extractive Sector Transparency Measures Act (ESTMA) – Summary Annual Reporting

Name	\$ Thousands		
	2016	2017	2018
Parochial Government of Los Encuentros	930	1,720	1,110
Municipal Government of Yantzaza	500	700	2,060
Federal Government of Ecuador	32,890	26,750	31,210
Indigenous Organizations	140	210	*
Total payment by FDN project and other mining activities	34,460	29,380	34,380

* ESTMA reporting has a threshold of CAD \$100,000. Given that Lundin Gold’s payments to indigenous peoples in 2018 did not exceed this amount, no such payments were reported. Nevertheless, and as explained elsewhere in this report, the Company contributed to several projects with Indigenous peoples in the Zamora Chinchipe province. Such contributions totaled approximately \$66,000 in 2018

According to Ecuador’s tax authority, Zamora Chinchipe collected \$103 million in taxes in 2018 (which includes national tax collection). Over 57 percent of this tax collection came from the canton of Yantzaza, which hosts Fruta del Norte.



Yantzaza GAD tax collection 2018

The tax collection of Yantzaza increased from \$35 million in 2017 to \$59 million in 2018. We believe that our local procurement practices contribute to the increased tax collection rates. During the same period, the provincial and national tax collection growth rates increased at 37 and 11 percent, respectively.

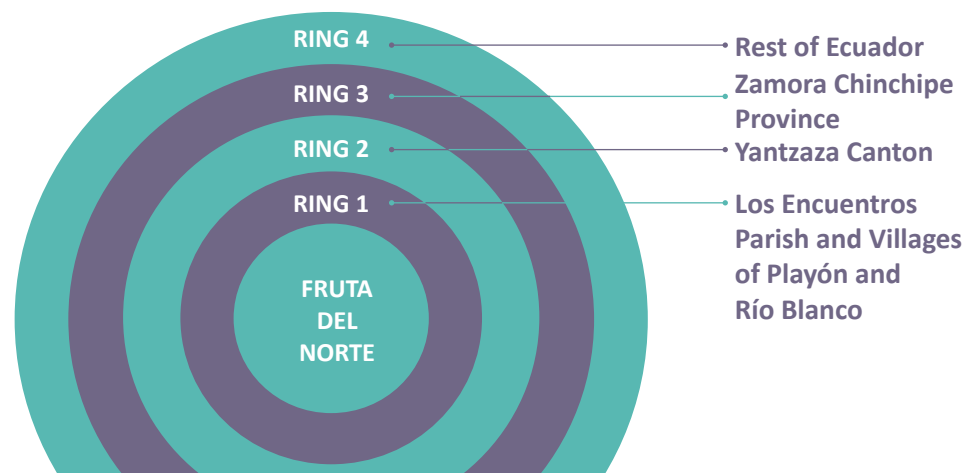
Procurement Practices

We are committed to delivering value to our shareholders, while simultaneously providing economic and social benefits to communities within our area of influence. Therefore, we developed and implemented local hiring and procurement strategies, invested in and supported local vendors and suppliers, and financed a series of multi-year educational and capacity building programs.

Most of these activities were developed and delivered in collaboration with the Lundin Foundation, and other partners. The results of key initiatives are highlighted in the following sections.

We define the term “local” and track our hiring and procurement spending based on a model of concentric circles associated with administrative boundaries around the Fruta del Norte project, as conceptualized in the graphic below. This model was agreed upon with local communities through the roundtables.

Definition of “Local” as Agreed with Local Communities



Our data tracking and reporting tabulated below shows that in 2018, we more than doubled our total procurement spending to \$18 million within Ring 1 (the region closest to our operation) compared to the previous year. Overall, in 2018, we purchased over \$180 million in goods and services within Ecuador, compared to just over \$70 million during the previous year.

As we transition from construction to operations in 2019, we expect a significant reduction in our overall procurement spending. In anticipation of this decline, we have developed a series of initiatives to support our local supply chain members to improve their resilience, as described further below.

Procurement Spending

Spending by Region	\$ Million		
	2016	2017	2018
Ring 1	2.6	7.4	18.0
Ring 2	0.7	4.3	7.3
Ring 3	0.3	0.7	1.5
Ring 4	12.9	57.6	153.4
Total Ecuador	16.5	70.3	180.3
Total International	8.4	31.9	124.7

Local (Rings 1-3)	Percentage		
	2016	2017	2018
Local (Rings 1-3)	15%	12%	9%
Total Ecuador	66%	69%	59%
Total International	34%	31%	41%

Note: Procurement spending includes Aureliánmenor and Aurelián Ecuador

Inclusive Supply Chain

Our socio-economic baseline studies and Community Roundtable discussions identified a series of barriers to developing an inclusive supply chain in the Fruta del Norte project area. For example, 78 percent of the local businesses surveyed were small and informal businesses and, without further assistance, deemed unlikely to be able to join our supply chain.

Supported by our partners and local communities, we resolved to take on this challenge and turn it into a development opportunity. This required significant and multi-year investments and programs focused on education, training, and capacity building.

Catering Las Peñas

Catering Las Peñas is a catering and housekeeping services company founded by our former employees and continues to support our construction/mine camp. In November 2017, the UN Global Compact Networks of Colombia and Ecuador recognized our work with the Lundin Foundation and Catering Las Peñas at the “Best Practice Award for Sustainable Development” event held, in Quito, Ecuador. The award was in the category SDG8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Catering Las Peñas continues to demonstrate its leadership position in our Project’s area of influence. The company has been growing steadily and its annual sales to Lundin Gold reached \$8.4 million in 2018. This represents an increase of 167 percent compared to sales in 2017. Importantly, Catering Las Peñas continues to create local economic benefits by growing its local purchases.

In 2018, Catering Las Peñas’ purchases reached 30 percent from Ring 1. Total purchases from Zamora Chinchipe Province (Rings 1 to 3) reached approximately 50 percent. An additional indication of Catering Las Peñas’ success includes its ability to diversify its client and reducing its dependency on Fruta del Norte.



Asominadorada Groceries

One example showcasing that Catering Las Peñas is strengthening its own supply chain is its collaboration and support of Asominadorada, an association of 21 local grocery stores in which 80 percent of its members are women. Prior to securing Catering Las Peñas as a purchaser in February 2018, Asominadorada's sales were approximately \$4,000 per month.

By improving its cost structure and securing Catering Las Peñas as a purchaser, Asominadorada increased its average monthly sales to approximately \$58,000. This positioned the association as the single largest supplier to Catering Las Peñas. In November 2018, Asominadorada completed its certification as a Lundin Gold supplier.



Takataii Farming Incubator

In collaboration with the Lundin Foundation and Catering Las Peñas, we also supported this “farming incubator” involving a total of 22 groups of farmers representing 72 families. With technical assistance which helped Takataii farmers to produce marketable produce, they generated \$70,000 of sales to Catering Las Peñas in 2018.



Edén de la Amazonía Transport Co-op

Edén de la Amazonía is a local transportation cooperative, which benefited from the Nexo program in 2018. With the support of Nexo, the cooperative improved its safety standards and customer service, secured approximately \$1 million in dealership loans to upgrade its mobile fleet, and increased its sales to our Company to \$845,000 in 2018, with an average monthly income of \$3,170 per cooperative member.



Socio-economic Compliance

We have not recorded any non-compliance with laws and regulations in the social and economic area.



For Lundin Gold, material issues are those which can drive our sustainability impacts, are likely to influence the decisions and judgments of key stakeholders, and can significantly affect our overall business performance and reputation. A list of our key stakeholders and associated engagement approach is provided in Annex 3: Lundin Gold's Stakeholder Mapping, and examples are presented in the section on *Engagement and Partnerships*.

Materiality Analysis Input

- Sector and context
- Stakeholder engagement
- Media analysis
- Compliance and sustainability performance
- Management judgement

We identified or re-confirmed our material topics for our 2018 sustainability reporting by considering our sector and context, surveying selected stakeholders, conducting a series of externally facilitated workshops involving staff, contractors, academia, community representatives, youth leaders, government officials, media and other stakeholders. We also reviewed the outcome of discussions of the structured Community Roundtables, analyzed how we are perceived in the media, reviewed our overall compliance and sustainability performance, and engaged our senior management to discuss and validate the materiality analysis. The material topics for 2018 are listed below and described overleaf.

List of Lundin Gold's 2018 Material Topics

- Corporate governance
- Social license to operate
- Community and economic development
- Transition from construction to operations
- Occupational health and safety
- Environmental stewardship
- Biodiversity conservation
- Human rights

Our stakeholder engagement and internal discussions also identified opportunities to further improve the content of our sustainability reporting. In response, this report provides further details on community development impacts, highlights supply chain and economic impacts, describes partnerships and training initiatives and outcomes, summarizes the results of our archaeological studies, elaborates on gender issues, and describes challenges, such as a bridge blockade we experienced in October 2018. We also reviewed how we can further leverage our social and other media platforms to more effectively disseminate the content of our sustainability reporting and its underlying activities.



Lundin Gold's Material Topics 2018

Corporate governance	Social license to operate
<p>Why important: Good governance is a key part of building trust, protecting our social license, retaining access to reputable investors, and alignment with the United Nations Global Compact Principles</p>	<p>Why important: Demonstrates local community acceptance, enables impactful partnerships, improves access to finance, protects project schedule, and mitigates political risks</p>
<p>Boundary: Internal (staff, board, contractors), and external (regulators, market regulators, UN Global Compact)</p>	<p>Boundary: External (local communities and other influential external stakeholders), and Internal (local staff, contractors and supply chain who are from and part of the local communities)</p>
<p>Stakeholders: Staff, management, board, shareholders, contractors, suppliers, regulators, stock markets, investors and lenders</p>	<p>Stakeholders: Local communities, government agencies, influential politicians, CSOs, NGOs, and media, as well as local staff, contractors and supply chain who are from and part of the local communities</p>
<p>General Approach: Implementing key policies, including code of conduct and ethics, anti-bribery, responsible mining, payment transparency, and providing whistleblower and grievance mechanisms, participating in SDG roundtables. Training on governance matters</p>	<p>General Approach: Be respectful and transparent, enable community participation, seek community acceptance, apply good international practice, generate shared value and support community development</p>
<p>Indicators: GRI 102-8, 102-16, 102-18</p>	<p>Indicators: GRI 102-14, 102-16, 102-18, 102-40 to 44, 102-45 to 56</p>
<p>Evaluation: Setting good example in Ecuador, no material governance concerns raised</p>	<p>Evaluation: Setting good example in Ecuador, no material SLO concerns raised</p>
<p>Global Compact: Principles 1-10</p>	<p>Global Compact: Principles 1-10</p>
	<p>Relevant UN SDGs:</p>


ASM – Artisanal and Small-scale Mining, CSO – Civil Society Organization, ESIA – Environmental & Social Impact Assessment, GC - Global Compact, GRI - Global Reporting Initiative, MM8 – Indicator from GRI's Mining & Metals Sector Supplement, NGO - Non-governmental organization, SDG - Sustainable Development Goals, SLO - Social License to Operate, UN - United Nations

Lundin Gold's Material Topics 2018 (continued)

Community and economic development	Transition from construction to operations
<p>Why important: Strong performance promotes economic sustainability, including wages, taxes, royalties and profits, attracts investors, and leverages local and national development impacts in Ecuador</p>	<p>Why important: Relative reduction in labour local procurement opportunities as project transitions towards operational stage in 2019</p>
<p>Boundary: Internal (workers, contractors), external (supply chains, local communities, municipal, regional and national budgets, and investors)</p>	<p>Why important: Internal (workers, contractors), external (supply chain, regulator, extractive sector)</p>
<p>Stakeholders: Workers, contractors, suppliers, local and indigenous communities, municipal, regional and federal governments and agencies, and investors</p>	<p>Stakeholders: Employees, supply chain, other developers, regulators and public sector</p>
<p>General Approach: Detailed planning, risk management, budget control, stakeholder engagement, partnerships, advanced royalty payments, revenue and payment transparency, local hiring and procurement strategies, capacity building, and training</p>	<p>General Approach: Invested significantly in and provided innovated training programs, developed transition strategy to empower workers and support their transition, continued to support diversification of local suppliers and grow non-mining sectors, such as dairy and agriculture</p>
<p>Indicators: GRI 201-1, 203-2</p>	<p>Indicators: GRI 201-1, 203-1, 203-2, 204-1</p>
<p>Evaluation: Successfully mobilized investors, construction proceeding according to budget and schedule, paid advance royalties, enabled local and inclusive hiring, award-winning support for local suppliers, supported projects emerging from roundtables, maintained SLO</p>	<p>Evaluation: Developed resilience through award-winning and diversifying supply chain, expanded in non-mining sector to strengthen alternative livelihoods, developed sought-after workforce through training, certification and adoption of best international practices</p>
<p>Global Compact: All Principles (1-10)</p>	<p>Global Compact: All Principles (1-10)</p>
<p>Relevant UN SDGs:</p> 	<p>Relevant UN SDGs:</p> 

ASM – Artisanal and Small-scale Mining, CSO – Civil Society Organization, ESIA – Environmental & Social Impact Assessment, GC - Global Compact, GRI - Global Reporting Initiative, MM8 – Indicator from GRI's Mining & Metals Sector Supplement, NGO - Non-governmental organization, SDG - Sustainable Development Goals, SLO - Social License to Operate, UN - United Nations

Lundin Gold's Material Topics 2018 (continued)

Occupational health and safety	Environmental stewardship
<p>Why important: It is in keeping with our fundamental principles to provide safe working environment, supports our reputation and talent acquisition, improves access to preferred contractors and suppliers, and avoids work stoppages, fees and fines</p>	<p>Why important: Protecting biodiversity and ecosystem services – including water quality and biodiversity - is a key part of maintaining our SLO and delivers on our commitment of responsible mining</p>
<p>Boundary: Internal (workers, contractors, suppliers), external (insurers, investors)</p>	<p>Boundary: Internal (performance) and external (ASM and other FDN-unrelated discharges), partnerships for offsets and improvements (with CI-Ecuador, others)</p>
<p>Stakeholders: Current and future employees, contractors, regulators, supply chain</p>	<p>Stakeholders: Communities near operations, government agencies, indigenous communities, NGOs, investors</p>
<p>General Approach: Zero-harm goal. Health and safety policies, visible leadership program, empowered health & safety team, inspections and third-party audits, and clear performance goals</p>	<p>General Approach: Approved ESIA, footprint reduction, flora and fauna rescue, awareness raising, offset strategy, NGO partnerships, sediment & spill control, initiated community-based monitoring program, scaled-up treatment systems for FDN, assisted ASM with permitting and compliance</p>
<p>Indicators: GRI 403-2</p>	<p>Indicators: GRI 303-1, 304-1, 306-1, 304-4, G4 MM1, MM2</p>
<p>Evaluation: We achieved 3.5 million hours with LTI, but recorded our first fatality in March 2019, necessitating a review to prevent future such occurrences</p>	<p>Evaluation: Activities necessitated installation of additional water treatment units to improve water quality performance; rescued and relocated over 35,000 flora and fauna specimens during clearing and monitoring, generated biodiversity conservation plan for FDN in partnership with CI-Ecuador</p>
<p>Global Compact: Labour (3-6)</p>	<p>Global Compact: Environment (7-9)</p>
<p>Relevant UN SDGs:</p> 	<p>Relevant UN SDGs:</p> 

ASM – Artisanal and Small-scale Mining, CSO – Civil Society Organization, ESIA – Environmental & Social Impact Assessment, GC - Global Compact, GRI - Global Reporting Initiative, MM8 – Indicator from GRI's Mining & Metals Sector Supplement, NGO - Non-governmental organization, SDG - Sustainable Development Goals, SLO - Social License to Operate, UN - United Nations

Lundin Gold's Material Topics 2018 (continued)

Human rights

Why important:

Proper management can reduce the likelihood of conflict, strengthen our SLO, and facilitate permitting and financing

Boundary:

Internal (labour and gender issues, top-tier suppliers, security), external (community, indigenous people, artisanal miners, extended supply chain)

Stakeholders:

Workers, supply chain, local and indigenous communities, government agencies, investors

General Approach:

Reviewed salient human rights in 2016, committed to UN Global Compact, deployed and translated (into indigenous Shuar) Grievance Mechanism, formalized engagement with indigenous communities, ASM strategy, and training

Indicators:

GRI 412-1, 406-1 & 411-1, 413-1

Evaluation:

No infringements recorded, Grievance Mechanism updated and effective, internal staff survey show "Respect" principles being observed

Global Compact:

Human & Labour Rights (1-6)

Relevant UN SDGs:



ASM – Artisanal and Small-scale Mining, CSO – Civil Society Organization, ESIA – Environmental & Social Impact Assessment, GC - Global Compact, GRI - Global Reporting Initiative, MM8 – Indicator from GRI's Mining & Metals Sector Supplement, NGO - Non-governmental organization, SDG - Sustainable Development Goals, SLO - Social License to Operate, UN



Lundin Gold supports the UN Sustainable Development Goals



Forward Looking Statement

Certain of the information and statements in this sustainability report 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 sustainability report, and the Company will not necessarily update this information, unless required to do so by securities laws. This sustainability report contains forward-looking information in a number of places, such as in statements pertaining to: the timing of first gold and commercial production, the timing and progress of the development, construction and operation of FDN, the timing and success of permitting and regulatory approvals, the impact of the Company’s community engagement and investment and its environmental and safety activities, 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, 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 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 the Company’s most recent Annual Information Form available under the Company’s profile at www.sedar.com.

LUNDINGOLD

CORPORATE HEAD OFFICE

Lundin Gold Inc.

885 West Georgia Street, Suite 2000

Vancouver, British Columbia V6C 3E8

Telephone: +1 604 689 7842

Toll-free: +1 888 689 7842

REGIONAL HEAD OFFICE

Aurelian Ecuador S.A., a subsidiary of Lundin Gold Inc.

Av. Amazonas N37-29 y UNP, Edificio Eurocenter, Piso 5

Quito, Pichincha, Ecuador

Telephone: +593 2 299 6400

COMMUNITY OFFICE

Calle 1ro de Mayo and 12 de Febrero

Los Encuentros, Zamora Chinchipe, Ecuador

Investor Relations:

Sabina Srubiski – info@lundingold.com

Corporate Responsibility:

ec.comunicaciones@lundingold.com

Lundin Gold 

@LundinGoldEC
@LundinGold 

Lundin Gold Ecuador 

Lundin Gold 

www.lundingold.com