

# LUNDIN GOLD

**Lundin Gold Inc.**

**2015 Annual Information Form**

March 14, 2016

## Important information about this AIF

This annual information form (AIF) provides important information about Lundin Gold Inc. (**Lundin Gold** or the **Company**).

This AIF has been prepared in accordance with Canadian securities laws. It describes the Company's history and its industry, its operations, development projects and plans, its Mineral Resources, its regulatory environment, the risks the Company faces in its business, the market for its shares and its governance, among other things.

This AIF is dated March 14, 2016. Unless stated otherwise, all of the information in this AIF is stated as at December 31, 2015.

This AIF incorporates by reference the Company's:

- management's discussion and analysis for the year ended December 31, 2015 (**2015 MD&A**), which is available under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com) (**SEDAR**); and
- audited consolidated financial statements for the year ended December 31, 2015 (**2015 Financial Statements**) which are available on SEDAR.

## Financial Information

Unless otherwise specified, all dollar amounts referred to in this AIF are stated in United States dollars. References to "CAD\$" mean Canadian dollars.

Financial information is presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Caution about forward-looking information

This AIF and the documents incorporated by reference include statements and information about management's expectations for the future. When discussing strategy, plans and future financial and operating performance or other things that have not yet taken place, management is making statements considered to be forward-looking information or forward-looking statements under Canadian securities laws. They are referred to in this AIF as forward-looking statements.

Forward-looking statements in this AIF:

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- typically include words and phrases about the future, such as *believe, estimate, anticipate, expect, plan, intend, predict, goal, target, forecast, project, scheduled, potential, strategy* and *proposed*;
- are based on opinions, estimates and expectations of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements.

Examples of forward-looking statements included in this AIF are statements relating to:

- completion of the feasibility study for the Fruta del Norte Project
- exploration and development expenditures and reclamation costs
- the negotiation and signing of the investment protection agreement and signing of the exploitation agreement with the Government of Ecuador
- expectations relating to the receipt of regulatory approvals, permits and licenses under governmental and regulatory regimes
- exploration plans
- future sources of liquidity
- capital expenditures and requirements
- expectations of market prices and costs
- development, construction and operation of the Fruta del Norte Project
- future tax payments and rates
- cash flows and their uses
- the Company's Mineral Resource estimates.

Lundin Gold's actual results could differ materially from those anticipated. The following risk factors could cause actual results to differ materially from those projected in the forward-looking statements:

- the ability to arrange financing
- the timely receipt of regulatory approvals, permits and licenses
- risks related to carrying on business in an emerging market such as possible government instability and civil turmoil and economic instability
- measures required to protect endangered species
- deficient or vulnerable title to mining concessions and surface rights
- the potential for litigation
- volatility in the market price of the Company's shares
- the risk to shareholders of dilution from future equity financings
- the cost of compliance or failure to comply with applicable laws
- difficulty complying with changing government regulations and policies, including without limitation, compliance with environment, health and safety regulations
- illegal mining

- uncertainty as to reclamation and decommissioning liabilities
- unreliable infrastructure
- local opposition to mining
- the accuracy of the Mineral Resource estimates for the Fruta del Norte Project
- the Company's reliance on one project
- volatility in the price of gold
- shortages of resources, such as labour, and the dependence on key personnel
- the Company's lack of operating history in Ecuador
- negative cash flow
- the inadequacy of insurance
- potential conflicts of interest for the Company's directors who are engaged in similar businesses
- limitations of disclosure and internal controls
- the potential influence of the Company's largest shareholders.

In addition, there are risks and hazards associated with the business of gold and silver exploration, development and mining, including, but not limited to, environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company.

Certain of the risk factors listed above are discussed in more detail later in this AIF in the section entitled *Risks Factors* starting on page 46, and in the 2015 MD&A, both of which include a discussion of material risks that could cause actual results to differ from current expectations.

The Company 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. Readers are cautioned not to place undue reliance on forward-looking statements, and the Company disclaims any obligation to update or revise forward-looking statements if circumstances or management's beliefs, expectations, or opinions should change, except as required by law.

## About Lundin Gold

Lundin Gold is a Canadian mining company with its head office in Vancouver, British Columbia. The Company owns the Fruta del Norte Project located in southeast Ecuador, which is one of the largest and highest grade undeveloped gold projects in the world. Lundin Gold's website address is [www.lundingold.com](http://www.lundingold.com).

In this AIF, the *Fruta del Norte Project* or *FDN* means the gold project located in southeast Ecuador.

### Corporate Headquarters

Lundin Gold Inc.  
Suite 2000  
885 West Georgia Street  
Vancouver, B.C.  
V6C 3E8  
Phone: (604) 689-7842  
Fax: (604) 689-4250  
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, Ecuador  
Phone: 593-2-299-6400

At the end of 2015, the Company had a total of 173 active employees which were divided among the Company's business as follows:

- 7 employees employed by Lundin Gold internationally; and
- 166 employees employed by its wholly owned subsidiary, Aurelian Ecuador S.A., in Ecuador.

As of the date of this AIF, none of the Company's employees are unionized.

Lundin Gold is a reporting issuer in the provinces of Alberta, British Columbia and Ontario. The Shares are listed on the Toronto Stock Exchange (the **TSX**) and on Nasdaq Stockholm under the symbol "LUG". The Vancouver office of Computershare Investor Services Inc. (**Computershare**) acts as the registrar and transfer agent for the Shares. The address for Computershare is 510 Burrard Street, 3rd Floor, Vancouver, B.C. V6C 3B9, and the telephone number is 1-800-564-6253. The registered and records office of Lundin Gold is located at Blake, Cassels & Graydon LLP, Suite 2600, 595 Burrard Street, Vancouver, British Columbia V7X 1L3.

The Company was incorporated in British Columbia in 1986 and in 2002 was continued under the *Canada Business Corporations Act*. The Company was originally engaged in the information technology sector. By 2004 the Company undertook a change of business and became a mineral exploration company. At the same time, the Company changed its name to Fortress Minerals Corp. The Company was then listed on the TSX Venture Exchange (**TSX-V**) with the trading

symbol "FST". Subsequent to 2004, the Company became engaged in precious and base-metal mineral exploration primarily in Russia and also briefly in Mongolia and Nicaragua.

Several years later, the Company wound up its Nicaraguan and Mongolia interests, and then in 2010, the Company disposed of its Russian assets. In October 2012, the Company's listing was transferred to the NEX board of the TSX Venture Exchange (**NEX**), and the Shares commenced trading on NEX under the symbol "FST.H".

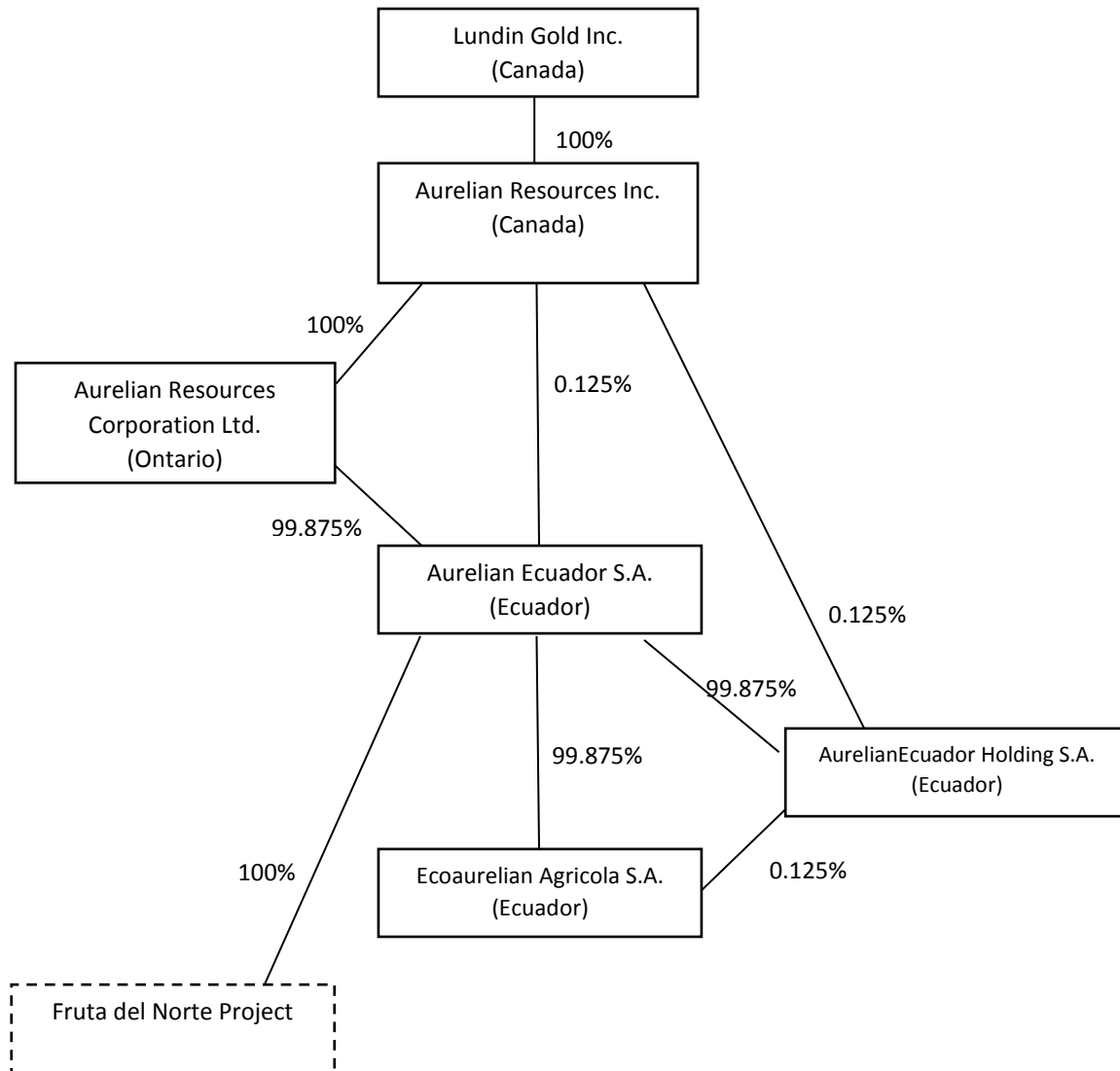
In December 2014, the Company undertook a reorganization (the **Reorganization**) which involved the acquisition of the Fruta del Norte Project in Ecuador, a major gold development project, from Kinross Gold Corporation (**Kinross**), a name change to Lundin Gold Inc., an equity financing, a convertible debt offering, a graduation from NEX to the TSX and a listing on Nasdaq Stockholm under the symbol "LUG".

### The Company's Structure

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

- Aurelian Resources Inc. and Aurelian Resources Corporation Ltd., which own all of the outstanding shares of Aurelian Ecuador S.A.
- Aurelian Ecuador S.A., which is the Company's major operating subsidiary in Ecuador and the entity that holds the concessions underlying the Fruta del Norte Project.
- Ecoaurelian Agricola S.A. which owns certain land rights around the Fruta del Norte Project (**Fruta del Norte** or **FDN**) and is a subsidiary of AurelianEcuador Holding S.A. and Aurelian Ecuador S.A.

The following is a diagram depicting the corporate structure of Lundin Gold and its subsidiaries as at December 31, 2015, including the name, jurisdiction of incorporation and proportion of ownership interest in each.



## Developments over the Last Three Years

### 2013

In September of 2013, Chester See was appointed as Chief Financial Officer of the Company.

### 2014

On October 21, 2014 the Company filed a technical report on the mineral resource estimate at the Fruta del Norte Project prepared in accordance with NI 43-101 (the **FDN Report**). The report estimated Indicated Mineral Resources at 7.26mm oz (23.5mmt at 9.59 g/t Au) and Inferred Mineral Resources at 2.55mm oz (14.5mmt at 5.46 g/t Au). The FDN Report is discussed later in this AIF under the heading

In this AIF, *NI 43-101* means National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*, Companion Policy 43-101CP and Form 43-101F of the Canadian

*The Fruta del Norte Project.*

On October 21, 2014 the Company also entered into a share purchase agreement (the **Share Purchase Agreement**) to purchase 100% of the issued and outstanding shares of Aurelian Resources Inc., which holds a 100% interest in FDN, from Kinross (the **Acquisition**) for total consideration of \$240 million comprising \$150 million in cash and 26,156,250 Shares (the **Share Consideration**). The Share Consideration totaled \$90 million based on an issue price of CAD\$4.00 per Share and the noon rate published by the Bank of Canada on December 16, 2014.

While the Government of Ecuador (the **GOE**) indicated its support for the transaction at the time the Share Purchase Agreement was entered into, the Acquisition was conditional upon the entering into bi-lateral agreements by each of the Company and Kinross with the GOE, which condition was satisfied on December 17, 2014.

The Acquisition was also subject to the granting by the GOE of an 18-month extension period from the closing of the Acquisition to provide time for the Company to carry out additional project feasibility work and development negotiations, and the approval of the Shareholders at a special meeting that was held in mid-December 2014, as well as other customary stock exchange and regulatory conditions for a transaction of this nature.

In order to fund the Acquisition, the Company brokered a private placement of 50,128,250 subscription receipts issued at a price of CAD\$4.00 each, for gross proceeds of approximately CAD\$200 million (the **Financing**).

Each Subscription Receipt entitled the holder thereof to receive, without payment of any additional consideration or further action on the part of the holder, and subject to adjustment, one Share of the Company upon the satisfaction or waiver as applicable, of certain escrow release conditions, which included among other things, all conditions precedent to the completion of the Acquisition (the **Escrow Release Conditions**) having been satisfied on or before the escrow release deadline.

The Financing closed on November 25, 2014 and the gross proceeds of the Financing were delivered to and held by Computershare Trust Company of Canada (**Computershare Trust**), as escrow agent. The net proceeds were released to the Company upon satisfaction of the Escrow Release Conditions on December 17, 2014, a portion of which was paid to Kinross to fund the Acquisition. The remainder of the net proceeds are being used to complete a feasibility study for FDN, for exploration programs and for working capital purposes.

The Acquisition was approved by Shareholders at a special meeting of Shareholders held in December 2014. The closing of the Acquisition occurred on December 17, 2014. The Acquisition constitutes a “significant acquisition” for the purposes of Part 8 of National Instrument 51-102 –



*Continuous Disclosure Obligations* and a business acquisition report on Form 51-102F4 was filed on March 30, 2015 concerning the Acquisition.

Other matters relating to the Reorganization were also approved by the Shareholders at the special meeting held in December 2014, including the issuance of Shares pursuant to the terms of the Financing, the issuance of a non-interest bearing convertible loan note in the principal amount of \$35 million (the **Note Offering**), the appointment of two new directors to the board of directors of the Company (the **Board**), being Paul McRae and Pablo Mir, and the adoption of a new stock option plan.

Immediately following the completion of the Acquisition, Aurelian Resources Inc. completed the Note Offering to CD Capital Natural Resources Fund II (Master) L.P. (**CD Capital**), convertible into Shares at CAD\$4.00 per Share. In exchange for its investment in the Company, CD Capital was granted the right to appoint a nominee to the Board. An aggregate of 10,060,000 Shares were issued for these convertible loan notes and are held in escrow.

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

As part of the Reorganization, the Company also underwent management changes; Lukas Lundin was appointed Chairman of the Board, and Ron Hochstein was appointed President and Chief Executive Officer.

## **2015**

The Company made a number of changes to strengthen the depth and expertise of its Board of Directors and its management team in 2015 and to enhance its governance structure. On the management side, the Company brought Anthony George, P.Eng., on to the team as Vice President, Project Development, along with Nicholas Teasdale as Vice President, Exploration. Later in the year, Nathan Monash was appointed as Vice President, Business Sustainability.

The Board of Directors was also expanded to include Carmel Daniele as a nominee of CD Capital. Later in the year, Ashley Heppenstall was appointed to the Board and then subsequently appointed as Lead director. Mr. Heppenstall replaced Mr. Adam Lundin, who resigned as a director in mid-2015.

The Company also changed its auditor at the start of 2015, with the appointment of PricewaterhouseCoopers LLP (**PwC**), due to its extensive international accounting expertise and strength in Ecuador.

In February 2015, the Company assembled an integrated engineering team for the preparation of the feasibility study for the Fruta del Norte Project including: Amec Foster Wheeler Americas

Limited, NCL Engineering and Construction SpA, Patterson & Cooke Canada Inc., Klohn Crippen Berger S.A. and SRK Consulting (Canada) Inc.

Activity in support of the feasibility study commenced immediately in 2015, starting with a 13,902 metre drill program focused on geotechnical, hydrogeology, metallurgical and civil geotechnical in the areas that are in proximity to the proposed plant and tailings facility.

In June, Lundin Gold's wholly owned subsidiary, Aurelian Ecuador S.A., appointed Endeavour Financial as its financial advisor to provide debt financial advisory services in connection with the development of the Fruta del Norte Project. In September 2015, the Company appointed Norton Rose Fulbright Canada LLP as counsel to the Company and its subsidiary, Aurelian Ecuador S.A., in connection with the anticipated project financing for the Fruta del Norte Project.

During the balance of the year, negotiations with the Government of Ecuador on the exploitation agreement advanced. The feasibility study for the Fruta del Norte Project also progressed, including the field work, data analysis, engineering work and metallurgical test work. Environmental baseline studies, site fieldwork and document preparation in support of the feasibility study and the submissions in connection with the environment impact assessment (EIA) also proceeded according to schedule in 2015.

In December, the Government of Ecuador passed legislation (*Ley Orgánica de Incentivos para Asociaciones Público Privadas*) to extend Value-Added Tax (VAT) recovery to the mining sector. As a result, VAT paid by the Company after January 1, 2018 will be refunded once the Company begins to generate export sales. The current rate of VAT in Ecuador is 12%.

### Current Year

In January 2016, Lundin Gold and the Government of Ecuador successfully completed the negotiation of the definitive form of the exploitation agreement (the **Definitive EA**) for the Fruta del Norte Project. The Definitive EA, combined with existing laws and regulations, establishes the fiscal terms and conditions for the development of the Fruta del Norte Project and was approved by the Government of Ecuador. The key terms of the Definitive EA are discussed later in this AIF.

Also in January, the Company released the results from its metallurgical test work program for FDN. Based on the results, the Company confirmed the Gravity Float Leach (GFL) flowsheet for the Fruta del Norte Project. The metallurgical test programs indicated gold recovery ranging from 91.7% to 94.2% with approximately 30% on average into doré and the remaining 70% into a final concentrate that ranges from 136.7 to 240.0 g/t Au (and 169.5 to 234.1 g/t Ag). The results indicated that the concentrate to be produced is expected to be readily saleable with impurities at controlled levels.

## Lundin Gold's Business

### Gold Industry Overview<sup>1</sup>

Demand for gold is built on four main pillars: jewelry, investment holdings for risk management and capital preservation, central bank holdings and industrial applications.

In 2015 the gold market faced a number of obstacles in the first half of the year, but gold demand steadied and stabilized in the second half of 2015. Jewelry fabrication continued to be the largest source of demand but was down approximately 2.3% compared to the previous year. Although the gold demand in the first half of 2015 was weak, jewelry demand in the second half of the year represented the second strongest half-year demand since 2004. Jewelry demand was led by India and China, representing 61% of the total estimated jewelry demand in 2015. Total net demand was essentially flat, down approximately 0.1% due to declines in industry and jewelry demand, offset by increases in the net investment and central bank demand.

Investment demand was up 7.7% in 2015, from 26.2 million oz. in 2014 to 28.2 million oz. Total bar and coin investment was up 1.1% combined with a decline in outflows from exchange traded funds, from 6.0 million oz. to 4.3 million oz. This is still down significantly from the record outflows of 31.5 million oz. in 2013.

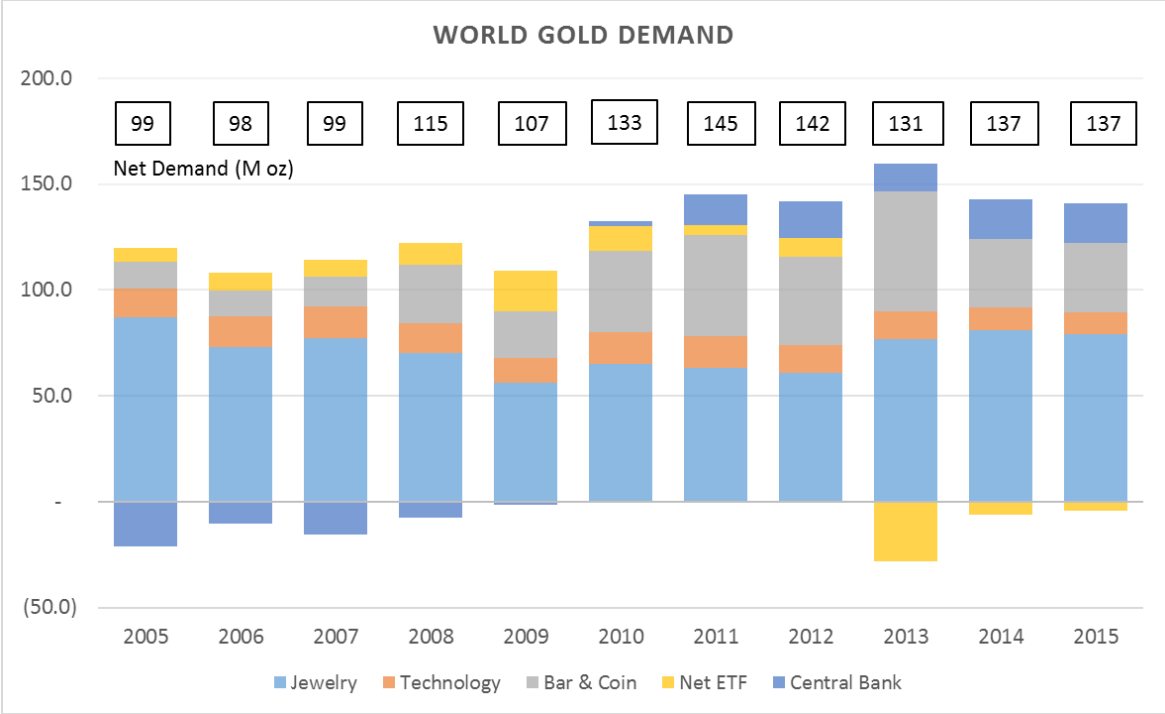
Central banks made net purchases of 18.9 million oz. of gold in 2015 up 0.8% over 2014 and the fifth consecutive year of net central bank demand. Economic and geopolitical risks continue to worry global markets.

The volume of gold used in technology, industrial and dentistry was down in 2015 at 10.6 million oz. from 11.1 million oz. in 2014. The 4.5% decline stemmed primarily from the trend for substituting gold with cheaper alternatives and the overall weaker sales in the wireless sector. Copper and palladium-coated copper have, despite inferior durability, continue to make inroads in the share of gold in the bonding wire sector. In addition, slowing growth in demand for smartphones and oversupply in the LED market result in continued declines in electronic usage of gold. There are some areas of growth, as gold leads the 'nanotechnology revolution'. While the implications for gold demand are small due to the limited amount of gold used, it is encouraging that new applications using gold continue to be developed. Demand was down approximately 1% and 5% in the industrial/decorative applications and the dental sector, respectively.

The graph below depicts gold demand from 2005 to 2015:

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<sup>1</sup> Except as otherwise indicated, gold industry data in this section is sourced from GFMS Gold Survey 2015 Q4 Update and Outlook, Thomson Reuters.



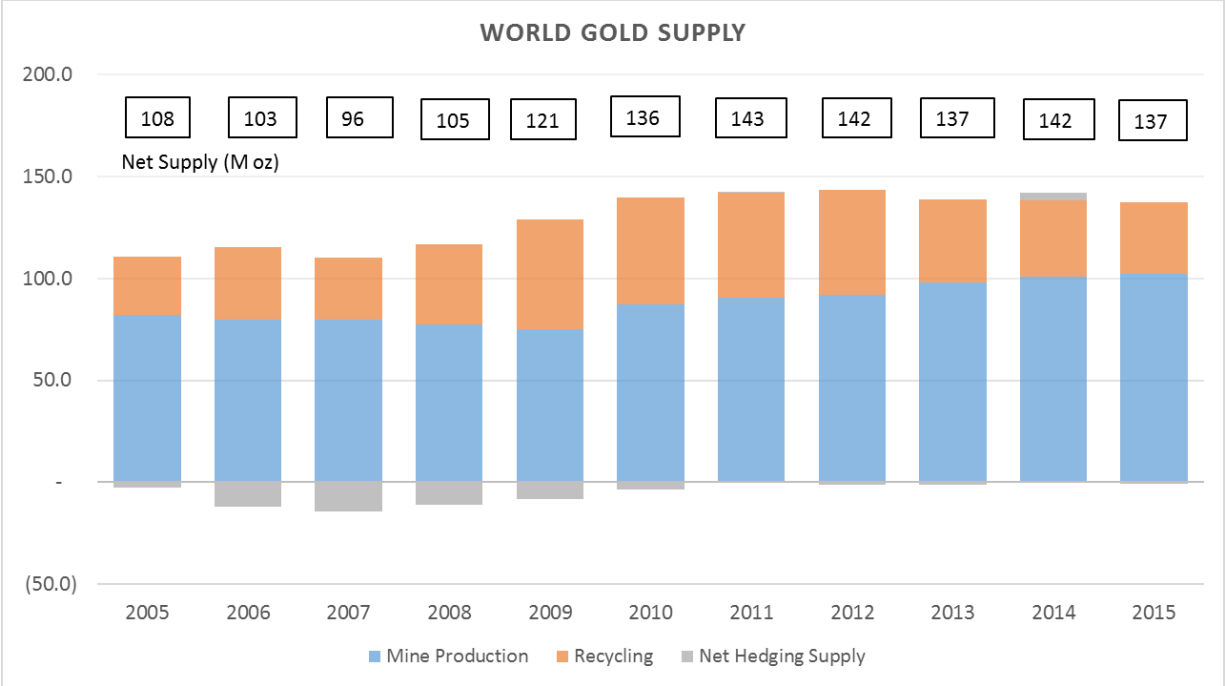
Source: World Gold Council

**Gold Supply**

Gold production comes from two principal sources: mine supply and recycling scrap supply.

Mine production in 2015 had its slowest annual growth rate since 2008, and recycling scrap supply declined at 35.1 million oz. from 37.5 in 2014. Annual gold mine production grew by only 1.5 million oz. in 2015 to an estimated production level of 102.4 million oz. Of more interest is the decline in production in the fourth quarter, where mine production fell 2% over 2014 levels. This was the first quarterly decline since the third quarter of 2008.

Net producer hedging activity, another component of mine supply, reduced effective mine supply in 2015 with de-hedging of existing positions amounting to 20.8 million oz. This is not surprising given the lackluster gold prices towards the end of the year reducing the incentive to hedge. Another factor which can be seen to directly affect the level of hedging is the growth in streaming deals. Unlike hedging, streaming deals do not immediately bring gold production to the market once the deal is agreed.



Source: WorldGold Council

**Markets and Outlook**

The price of gold has been relatively volatile over the last 10 years. The price of gold averaged approximately \$524/oz. from 2005 through the end of 2006. Beginning in 2006, the price of gold began to appreciate, reaching a high of \$1,900/oz. in 2011. Between 2012 and 2015 the price of gold depreciated and the average price in 2015 was \$1,149/oz.

A chart indicating gold prices since January 1, 2005 is set out below. On October 21, 2014, the day the Acquisition was announced, the price of gold was \$1,249/oz. On December 31, 2014, the price of gold was \$1,199/oz. and the average price for 2014 and 2015 was \$1,266/oz. and \$1,149/oz., respectively. On the date of this AIF, the price of gold was \$1,235/oz.

In 2015, the overall gold market surplus declined significantly from just over 5.0 million oz. in 2014 to an estimated 180,000 oz. in 2015.

Looking forward, global mine supply is forecast to continue to decline due to lower production at more mature operations and a lack of new mines coming on stream. On the demand side, prospects look brighter for 2016. Volatile currency markets should benefit gold in the medium term. Once there are clear signs of a price recovery, or at least stabilization, investors should come back to the gold market.



Source: Bloomberg

## Mining in Ecuador

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

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

Ecuador holds South America's third-largest oil reserves and untapped copper and gold resources, similar to Chile and Peru (the world's top producers). Several large international players have operations or hold concessions in Ecuador, including Repsol, Synopec and Agip, among others, with the majority of petroleum production coming from the state oil company (60-70%). The reliance on oil, especially given the recent declines in the oil price, has been cited

by the GOE as a problem, while the increase in mining sector activity is viewed as an avenue for diversification and a source of foreign direct investment. Over the past year, the GOE has made significant efforts to encourage foreign direct investment and access to global capital markets, through various policy reforms.

Ecuador's recent policy focus has been aimed at increasing foreign direct investment, with emphasis on the mining sector. In 2009, the GOE passed a new mining law which established the current administrative and legal framework for the mineral sector, including the taxation scheme with minimum state benefits, royalties, profit sharing and windfall taxes. This infrastructure, unfortunately, ended up discouraging investment in the mining sector.

Starting in 2012, President Correa's administration has worked to revise the mining laws and agreements with foreign mining companies and encouraged investment in the mining sector. In 2014, Wood Mackenzie, a global energy, metals and mining research and consultancy group, was commissioned by the GOE to compare Ecuador's mining policy to those of other prominent Latin American mining jurisdictions and make recommendations for potential improvements. Its advice culminated in amendments to the country's mining laws, which are discussed below.

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

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

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

## **Lundin Gold's Mining Terms**

The concessions comprising FDN are currently in the Economic Evaluation stage. During 2015, Lundin Gold and the GOE worked collaboratively to establish the fiscal terms and conditions for the development of the Fruta del Norte Project, thereby moving FDN closer to Exploitation. At the start of 2016, the Company announced that it had completed negotiations with the GOE and had settled the Definitive EA.

By June 17, 2016, the Company must submit an application to change the Fruta del Norte Project's official status from Economic Evaluation phase to Exploitation phase (the "Phase Change Application"). The Company is also required to complete a general work and investment plan for the Government of Ecuador's approval, which will be based on the results of the feasibility study. The Company has up to six months subsequent to the approval of the Phase Change Application to execute the exploitation agreement with the GOE. Once executed, the exploitation agreement is required to be registered with the Mines Registry and will be made publicly available on the Company's profile on the SEDAR website maintained by the Canadian Securities Administrators at [www.sedar.com](http://www.sedar.com).

The key terms of the Definitive EA are as follows:

- Through its wholly owned subsidiary in Ecuador, Lundin Gold has negotiated the right to develop and produce gold from the Fruta del Norte Project for 25 years, which may be renewed.
- The Company and the GOE have agreed to an advance royalty payment of \$65 million, with \$25 million being due upon execution of the exploitation agreement. The balance of the payment will be due in two equal disbursements on the first and second anniversaries of the execution of the exploitation agreement.
- Lundin Gold has agreed to pay the GOE a royalty equal to 5% of net smelter revenues from production. The advance royalty payment is deductible against future royalties payable. It will be deductible against the lesser of 50% of the royalties payable annually or 20% of the total advance royalty payment.
- Extraordinary revenue tax (the **Windfall Tax**) will be calculated in the event that market prices exceed a stipulated base price for gold and for silver. The GOE will tax the difference between net smelter revenue and what revenue would be using the base price at a rate of 70%. The base price, which will be determined on a monthly basis, will be equal to the trailing 10-year average of the daily price of gold or silver, escalated by the U.S. Consumer Price Index, plus one standard deviation.
- The Windfall Tax will not apply until the Company has recouped all of the cumulative investment in the development of the Fruta del Norte Project since its inception plus the present value of the actual cumulative investment incurred from signing of the exploitation agreement until the start of production.
- The GOE's share of cumulative benefits derived from the Fruta del Norte Project will not be less than 50% (the **Sovereign Adjustment**). To the extent that the GOE's cumulative benefit falls below 50%, the Company will be required to pay an annual sovereign adjustment. Each year, the benefits to the Company will be calculated as the net present



value of the actual cumulative free cash flows of the Fruta del Norte Project subsequent to the signing of the exploitation agreement, net of the cumulative investment incurred in the development of the Project from its inception until the date of the agreement. The GOE's benefit will be calculated as the present value of cumulative sum of taxes paid including corporate income taxes, royalties, Windfall Tax, labour profit sharing paid to the State, non-recoverable VAT, and any previous sovereign adjustment payments.

- The GOE and Lundin Gold have agreed on a mechanism for correcting any economic imbalance to these key terms which are the result of changes in taxes, laws and regulations as provided under the agreement.

### Other Taxes

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

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

Applicable Payment or Tax	Description
Value Added Tax	<p>The mining concessionaire must pay a 12% value added tax (VAT) on goods and services purchased within Ecuador or imported from abroad, subject to certain exclusions for items such as Ecuadorian payroll, fuel, power, food and medicines.</p> <p>VAT paid by the Company after January 1, 2018 will be refunded once the Company begins to generate export sales.</p> <p>VAT paid on acquisitions of goods and services that has not been offset as a tax credit or refunded will be credited against Sovereign Adjustment liabilities.</p>
Other Taxes	<p>The mining concessionaire is also subject to other taxes common to businesses operating in Ecuador including customs duties, capital outflow tax, municipal fees and property tax.</p>

### 2015 Tax Amendments

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

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

The Company is in the process of analyzing the potential impact of the application of the 2015 Tax Reform on the Company and its Shareholders. The Company is continuing to work with the GOE to discuss the implications of and potential amendments to this legislation.

### The Fruta del Norte Project

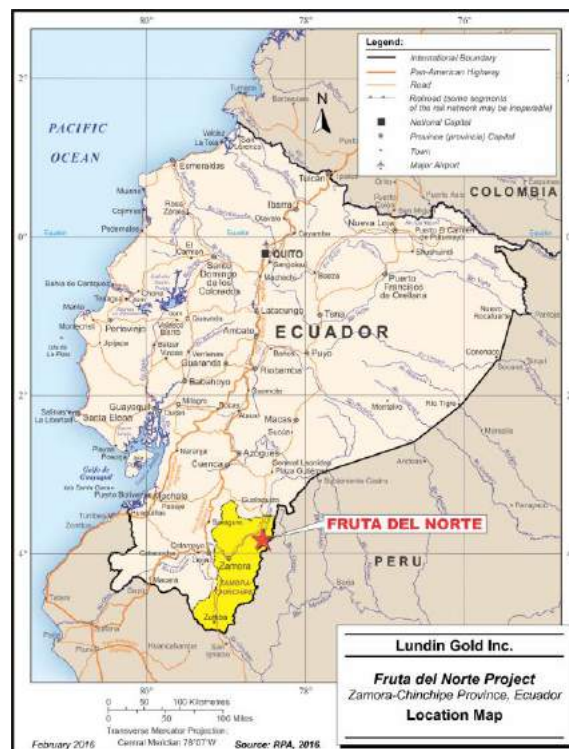
The Company retained RPA Inc. to independently review and audit the Company's Mineral Resource estimates in accordance with the requirements of NI 43-101. A technical report was prepared for the Company by RPA Inc. entitled the "Technical Report on the Mineral Resource Estimate, Fruta del Norte Project, Ecuador", dated October 21, 2014 (the **FDN Report**), a copy of which is available on the Company's profile on SEDAR. Luke Evans, M.Sc., P.Eng., David Ross,

M.Sc., P.Geo. and Brenna Scholey, P.Eng. are the independent Qualified Persons for the FDN Report for the purposes of the requirements of NI 43-101.

The following disclosure is summarized from the FDN report and updated by the Company as required.

### Property Description and Location

The Fruta del Norte Project is located in the Cordillera del Cóndor region of Zamora–Chinchipe province, southeastern Ecuador. The City of Loja is located approximately 80 kilometres west-southwest of FDN. The closest community to the deposit is the village of San Antonio, which is approximately nine kilometres southwest of the Fruta del Norte Project.

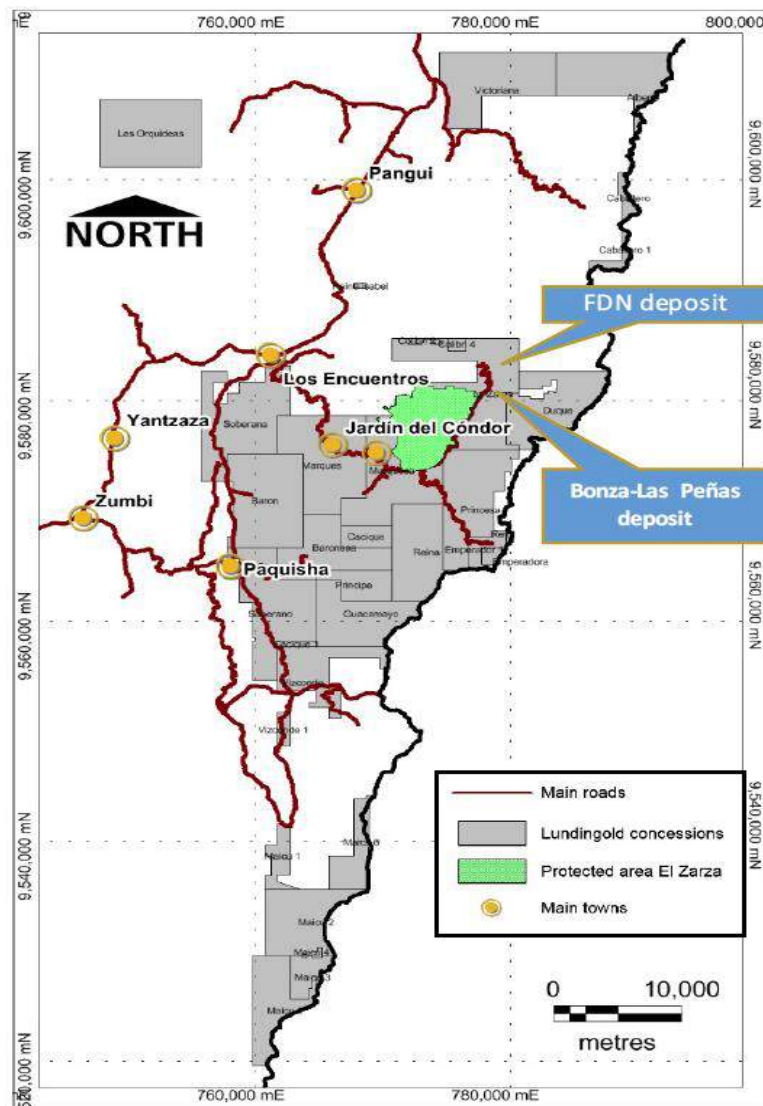


### Mineral Tenure

Lundin Gold’s property in Ecuador consists of 33 mining concessions covering an area of approximately 75,000 hectares. The majority of the concessions form a large contiguous block that extends from the Rio Nangaritza eastward to the international border with Peru, largely in the Province of Zamora–Chinchipe, with some in Morona–Santiago province. The Fruta del Norte Project is comprised of three concessions and covers an area of approximately 4,660 hectares located in the Province of Zamora–Chinchipe. Concessions are registered in the name of Aurelian Ecuador S.A., which is the Company’s operating subsidiary in Ecuador.

A number of surface rights have been acquired in support of major Project infrastructure items such as the mine surface buildings, processing plant, tailings storage area, and office and accommodation facilities. As at December 31, 2015, the surface rights acquired or leased totaled 44 lots with a total area of approximately 3,960 hectares. An annual lease payment in the amount of approximately \$130,000 is due for the military lease while the rural land taxes for the remainder of the lots total approximately \$41,000 per year. The Company currently estimates that it will need to acquire additional surface rights covering approximately 65 hectares to satisfy its anticipated requirements for planned Project infrastructure.

The location of the La Zarza concession, which hosts the FDN deposit, is illustrated below:



The El Zarza wildlife refuge located near the concession area, southwest of the FDN deposit, is part of the National System of Protected Areas (SNAP). The limits of the refuge were defined in

2012 by the Ministry of Environment. FDN is not expected to be impacted by the refuge, as it is located outside of the refuge boundary.

All of the current concession titles were replaced in accordance with the Sixth Transitional Provision of the new General Mining Regulations. The substitution of mining concession titles is an administrative process. Subsequent to the preparation of the FDN Report, all concession titles have progressed to the Advanced Exploration phase, except for La Zarza which is in the Economic Evaluation phase.

All reporting and financial obligations required to maintain the concessions in good standing have been met. These include:

- payment of the annual patents. Based on the current status of each concession title, the annual patent fees are estimated at \$1.5 million;
- submittal of the annual exploration reports (for exploration concessions) or the biannual exploitation reports;
- biannual royalty payments (for concessions under the exploitation phase); and
- compliance with other permit obligations (environmental licenses, water permits, etc.).

A 1% net revenue royalty is payable on production from Lundin Gold's mining concessions, including the La Zarza concession, to a third party. There are no other third party royalties, back-in rights, payments, or other encumbrances in favour of the Company.

Current environmental liabilities are restricted to reclamation obligations for the Las Peñas camp, portal and decline and to grids, roads, and drill pads established to support exploration activity.

Advanced Exploration permits for areas in the La Zarza, Colibrí, Princesa, and Emperador concessions require updates in order to allow surface drilling programs to be carried out. These also include active water use permits.

### **Accessibility, Climate, Infrastructure and Physiography**

The nearest city to FDN is Loja, the fourth largest city in Ecuador, with a population of approximately 180,000. The Fruta del Norte Project is located approximately 190 road-kilometres from Loja. The closest serviced town is Los Encuentros, and the closest village is San Antonio.

Vehicle access from Loja is via a 150 kilometre long paved highway, known as Highway 45, to the town of Los Encuentros, where Lundin Gold maintains an office supporting its activities in the region. A 40 kilometre long gravel road connects Los Encuentros to the Fruta del Norte Project.

Loja has daily scheduled air service from the national capital Quito, as well as from Ecuador's largest city and port Guayaquil. Maintained military airstrips at Zamora and Gualaquiza are available for use by chartered airplane and rendezvous with helicopters for air access to FDN and the nearby Las Peñas exploration camp. The Las Peñas camp is the base for exploration activities at FDN. The camp includes:

- Office and camp facilities including dining and sleeping quarters for 250 people
- Southern portal and decline and associated waste storage area
- Core storage and sample preparation facilities
- Warehousing and maintenance facilities
- Waste and water treatment facilities
- Helicopter pad and fuel storage
- Communications
- Medical facilities
- Fuel storage

Power to the camp is supplied from the local grid but there is a one megawatt power generator on site for back-up power. Power for the Fruta del Norte Project is proposed to be supplied from the national grid. Options include the potential for shared infrastructure with other regional mining projects. These will be evaluated in the Feasibility Study.

Access to the Fruta del Norte Project site for imported construction materials such as steel and pipe, and mining and process equipment is best obtained from Puerto Bolivar located about 400 kilometres by road to the west of FDN. Puerto Guayaquil, also located approximately 400 kilometres by road to the west of FDN, is a more modern and better-equipped facility and may be useful for the importation of select equipment, operating supplies, consumables, or materials if it proves to be practical for economic or schedule reasons.

As a result of its location near the equator and moderate elevation of 1,450 metres above sea level (**masl**), daily average temperatures are fairly constant at approximately 16°C. Annual precipitation is about 3,500 mm. Lower average daily temperatures and higher monthly rainfalls prevail at higher elevations such as are found on the La Zarza concession. Some exploration activities may be curtailed for short periods during rain. However, it is expected that any future mining activity may be conducted year round.

The terrain surrounding the FDN deposit is adequate for all contemplated construction of administration, camp, mine, plant, tailings, and waste rock disposal facilities. The potential mine site (process plant, stockpile and mine portal areas) has been designed to be both compact and environmentally sound.

## Ownership History

The La Zarza concession was optioned by Minera Climax del Ecuador (**Climax**), a subsidiary of Climax Mining Ltd. of Australia, from Amlatminas S.A. (**Amlatminas**) in 1997. The option was terminated in 1998, and the concession reverted to Amlatminas. Aurelian Resources Corporation Ltd., a private company, purchased the concession from Amlatminas in 2002 and renamed it the “Cordillera del Cóndor” Project and subsequently vended it into Aurelian Resources Inc. (**Aurelian**), a TSX-V listed company in 2003. Kinross acquired 100% of Aurelian via a corporate takeover in September 2008, and Aurelian was delisted from the TSX in October 2008.

A Mining Mandate, which was passed by the Constitutional Assembly of Ecuador on April 18, 2008, halted all mining-related exploration activity in Ecuador. New mining regulations were passed in November 2009, and Kinross’ operations in Ecuador were permitted to restart. Kinross continued with the advancement of the Fruta del Norte Project through to the feasibility study stage but elected not to proceed with further development of the Fruta del Norte Project in June 2013.

In December 2014, the Company acquired all of the issued and outstanding shares of Aurelian, a wholly-owned subsidiary of Kinross, holding a 100% interest in the Fruta del Norte Project.

## Exploration History

Modern exploration of the La Zarza concession began in 1996 with reconnaissance sampling by Climax followed by gridding, geological mapping, stream sediment sampling, regional and infill soil sampling, rock chip and grab sampling, test pits, trenching, adit channel sampling, Induced Polarization (**IP**) geophysical surveying, and 38 drill holes.

Aurelian commenced work in late 2002. During the period 2003–2005, Aurelian completed outcrop examination, gridding, geological mapping, regional geochemical stream sediment sampling, rock chip, channel and grab sampling of outcrop, artisanal workings and trenches, a magnetometer and IP geophysical survey, and core drilling of prospects.

Exploration activities by Aurelian resulted in the discovery of the Bonza–Las Peñas deposit in 2004. The work led to a first-time mineral resource estimate by Micon International Limited (**Micon**) prepared in accordance with NI 43-101 for the Bonza–Las Peñas area.

Continued exploration work by Aurelian resulted in the discovery of the Fruta del Norte deposit in 2006. A first-time mineral resource estimate for the FDN deposit was prepared for Aurelian in late 2007.

Following its acquisition of Aurelian, Kinross’ studies on FDN included Mineral Resource updates, a Pre-feasibility Study (**PFS**), which was filed on SEDAR, and a Feasibility Study (**FS**), which was not publicly disclosed. In addition, Kinross carried out a number of internal studies, including a

Ranking Study to identify optimization opportunities and a Conceptual Mining Study to establish a production rate and a preliminary production schedule. An advanced exploration program began in 2013 but was not completed due to Kinross's decision not to proceed with the Fruta del Norte Project.

### **Geological Setting**

The FDN deposit is located within a 150 kilometre long copper-gold metallogenic sub-province located in the Cordillera del Cóndor. The mineralization is hosted within Jurassic age volcanic rocks assigned to the Misahuallí Formation. The eastern and western limits of the deposit are defined by two faults which together form part of the Bonza-Las Peñas fault system that is thought to control the gold-silver mineralization.

Oriented north-south and strike-persistent for up to 80 kilometres, the Las Peñas Fault Zone is an important component of the FDN mineralized system and throughout the Cordillera del Cóndor, as demonstrated by epithermal and lesser mesothermal mineral occurrences and deposits. A step-over along the predominantly sinistral strike-slip fault zone is believed to have led to the development of a pull-apart basin wherein the FDN deposit developed at the northeastern corner. The Suárez pull-apart basin is filled with conglomerate-dominated epiclastics, volcanoclastics, and lesser tuffs and lavas that constitute the Suárez Formation, underneath which the FDN deposit is buried.

The Misahuallí Formation is dominated by a thick sequence of light greyish-green to dark green hornblende-plagioclase-phyric andesites and basaltic andesites, feldspar porphyritic andesitic intrusives, locally voluminous phreatic breccia zones, and lesser planar intrusions.

Faults defined through drilling at FDN range in width from one metre to more than 14 metres true width where fault zones consist of multiple closely spaced faults. They comprise tabular to lenticular zones of foliated and non-foliated assemblages of granular gouge, clay gouge, and crudely foliated breccia exhibiting various particle sizes, and/or shear fabrics (e.g., foliated gouge). Locally wider fault zones or panels of damaged wall rock that show fracturing, brecciation, and associated vein networks occur where individual faults zones become parallel to each other. The deposit is bounded between sub-parallel strands of the Las Peñas Fault Zone and is truncated by a sub-vertical (east-dipping) West Fault along 1,670 metres of strike length.

The FDN deposit is closed off to the north where the West and East faults converge. The West Fault forms a distinct hard boundary or grade break defining the western limits of the deposit in areas of defined mineralization which dips moderately to steeply west, wedging out against the West Fault down dip. Epithermal mineralization is limited to the east of the West Fault. The pre-epithermal feldspar porphyry body, located to the east and in the central part of the deposit, appears to deflect the fault zones in the area of highest grades.



## Mineralization

The FDN mineralization is classified as an intermediate sulphidation epithermal deposit based on the dominant sulphides and reduced fluid chemistry. The mineralization is characterized by intense, multiphase quartz-sulphide±carbonate stockwork veining and brecciation over broad widths, typically between 100 m and 150 m wide in the coherent central and northern parts of the system where the grades are highest. Hydrothermal alteration consists primarily of a silica (quartz, chalcedony)-illite-pyrite (±marcasite)-carbonate mineral assemblage formed by relatively low acidity fluids.

The bulk of the gold is microscopic and associated with quartz, carbonates, and sulphides. Much of the gold is “free milling”, but the mineralization is moderately refractory, with approximately 40% of the gold locked in sulphides. However, coarse visible gold is common. Individual gold grains range from discrete specks <0.1 mm to “broccoli-like” arborescent crystals >10 mm across. Visible gold occurs in all mineralized zones, in quartz or carbonate, as well as within pyrite or silver sulphosalt clusters.

## Exploration

Geological and structural mapping have been completed at regional (1:25,000 scale) to prospect scale (1:2,000). Map results were used to identify areas of quartz veining, silicification, and sulphide outcrop that warranted additional work.

Soil, channel, adit, grab, and rock sampling were used to evaluate mineralization potential and generate drill targets. Approximately 11,000 surface samples have been taken over the Fruta del Norte Project area to the end of 2015. Surface sampling was used as a first-pass exploration tool to identify areas of geochemical anomalism; some of these anomalies remain to be followed up.

Ground geophysical programs completed to date include gradient array IP, resistivity, and dipole-dipole array surveys. Surveys have been used to delineate intrusive rocks, remnant magnetized volcanic rocks, faults, basin fill, and pyrite-rich zones at depth.

An airborne geophysical survey was completed in 2012. The survey collected magnetic and radiometric data at a mean flight height of 30 m using an Astar 350BA helicopter with a fix mount stinger assembly with a Cesium magnetometer mounted on it. The magnetic data were collected using a KMAG4 magnetometer and the radiometric data were collected using the RS-500 Airborne Spectrometer with an RSX-5 detector pack.

An underground exploration program was begun by Kinross, and the decline advanced approximately 600 m (734 m of total development) prior to Kinross' June 2013 decision to cease activities on the Fruta del Norte Project.

## Drilling

Drill campaigns completed between 1997 and 2014 comprised 380 core holes for approximately 152,351 metres completed at FDN and a number of exploration prospects by Kinross and prior property owners. Of this total, 236 core holes (112,956 metres) were completed at FDN.

A Mining Mandate, which was passed by the Constitutional Assembly of Ecuador on April 18, 2008 halted all major-company activity in Ecuador. Consequently, Kinross' drilling activities were suspended at that time. New mining regulations were passed in November 2009, and drilling activities were permitted to restart.

In 2011, 3,496 m were drilled around FDN by Kinross. This included a long exploration hole to test the west side of the West Fault at depth (FN3490e01 – 1,096 m), seven geotechnical holes (1,044 m) to test the South Portal area, and three holes (FN 3835d01, FN3835d02, FN4150d01 – 1,356 m) to test the north strike extension of FDN. In 2012, four holes were completed to test targets at the FDN deposit and six holes were completed on the Sachavaca concession.

Drill programs have been completed primarily by contract drill crew, supervised by geological staff of the Fruta del Norte Project operator at the time.

### Deposit Drilling

The deposit was systematically drilled out on 50 m to 100 m sections between lines 2500N and 3900N. The grade and mineralization intensity characteristics clearly delineated zones of high-grade and high-tonnage mineralization in the north versus more disperse albeit locally high-grade mineralization in the south.

Infill drilling on 50 metre centres was focused over 350 m of strike between 3300N and 3600N. The drilling tactic typically involved fan drilling from the pad collar to facilitate between 50 m and 25 m infill before stepping out across strike to define the up or down-dip geometry.

Even though the majority of Aurelian core holes are drilled with an easterly (approximately 90°) azimuth and the dominant dip of the mineralized system is west, no single method or percentage adequately describes the complex relationship between down hole (core) length and the true width of the intersected mineralized zones. Drill hole inclinations vary significantly (from -45° to -84°) and the mineralized zones have variable dips from moderate to steep westerly to steep easterly dips. Therefore, most holes intersect the zones at an angle, and the drill hole intercept widths reported for the Fruta del Norte Project are greater than true widths.

For the majority of the Aurelian drilling, recovery was typically very good in the 95% to 100% range and commonly exceeded 98%. Occasionally, recovery appeared to exceed 100% but this is probably due to difficulty in measurement of gouge intervals, rather than downhole caving. Recoveries for the Kinross drill programs have generally returned recoveries of 98% to 100% for all rock types other than overburden, which had lower recoveries.

### Geotechnical Drilling

For the purposes of identifying potentially suitable locations for mine infrastructure, hinging on rock mass characteristics and ground water conditions, two geomechanical drilling campaigns were conducted in various areas. The objectives of the investigations were to provide a geotechnical model of the FDN mine block and surrounding infrastructure and recommendations on stope geometries, mine sequencing, and geotechnical issues to support the PFS and FS.

### Metallurgical Sampling Programs

Between January and March 2010, a total of six HQ core holes were completed to obtain sample material for metallurgical testing (drill holes CP-09-241 to 245 and FN3650m01). From June until August 2010, three PQ holes were drilled from west to east to provide intact large diameter core in all mineralized domains in a range of grades and elevations (drill holes FN3600p01 to 03). The mineralized intervals were analyzed for gold and multi-element analyses using similar methods.

### RPA Comments on Drilling Programs

In RPA's opinion, the quantity and quality of the lithological, geotechnical, collar, and downhole survey data collected in the Aurelian and Kinross exploration and infill drill programs in the period 2006 to 2010 are sufficient to support Mineral Resource estimation. RPA specifically notes that:

- core logging met industry standards for gold and silver exploration;
- collar surveys were performed using industry-standard instrumentation;
- downhole surveys by Aurelian were performed using industry-standard instrumentation. The acid tube down hole surveying method used for some Climax drill holes does not provide azimuth information;
- recovery data from core drill programs were acceptable;
- geotechnical logging of drill core met industry standards for planned underground operations;
- drilling was normally perpendicular to the strike of the mineralization. Drill intercept widths were typically greater than true widths;
- drill orientations for FDN were generally appropriate for the mineralization style, and have been drilled at orientations that are optimal for the orientation of mineralization for the bulk of the deposit area;
- no Climax-era drilling was used to support Mineral Resource or Mineral Reserve estimation; and
- a minor amount of drilling completed since the current resource database was finalized would not have a significant impact on the Mineral Resource estimate.

### **Sample Preparation, Analyses and Security**

RPA reviewed the sample preparation, analyses and security aspects of the drill programs and concluded that they met industry standard practices and were appropriate for the Fruta del

Norte Project. No sample preparation was conducted by Aurelian or Kinross personnel. All laboratories used were independent of Aurelian and Kinross. RPA concluded methods were appropriate for the deposit and for the purpose of estimating Mineral Resources.

#### Sampling Method and Approach

Drill core was delivered to the camp where it was labelled, photographed, logged, and sampled under the supervision of company geologists. Data recorded on log sheets included: rock quality designation, hardness estimates, structure, lithology, texture, alteration, mineral assemblage, visual estimate of visible gold abundance and intensity, and level of oxidation/weathering. Logging sheets also recorded basic drill hole data including collar coordinates, downhole survey data, core size depths, drilling dates, and sample number series. Occurrences of visible gold were marked on the core using wax crayons.

After the geologist marked out the sample intervals, drill core was split along its long axis using an electrically-powered bench saw. Areas of very soft rock were cut with a machete and sections of very broken core were sampled using spoons. The following standard sampling procedures were employed:

- the right hand side of the core was always sampled;
- after cutting, half the core was placed in a new plastic sample bag and half was returned to the core box;
- between each sample, the core saw and sampling table areas were washed to ensure there was no contamination between samples;
- after cutting samples containing visible gold, a piece of quartz sandstone was partially cut to clean the diamond blade;
- samples were clearly and securely bagged and tagged and quality control (QC) samples inserted into the sequence; and
- batches of approximately ten samples were bagged into labeled poly-weave sacks for shipment.

Most data was originally recorded on hardcopy. Technicians later enter the following in a database: sample numbers, sequences, intervals, QA/QC data and other geological information such as collar information, depth of drill-size reduction, dates and drill company details. Once the data has been entered, it is validated against original hard copies. After validating input data, geological assistants are also obliged to sign a statement confirming the data have been checked and are correct. Basic database checks were also carried out by the database administrator.

#### Sample Preparation

Samples from the FDN drilling program were assayed by ALS Chemex Laboratories (**ALS Chemex**) and Inspectorate Services (**Inspectorate**), each of which maintains sample preparation facilities in Quito. ALS Chemex was used to analyze samples at its Vancouver, British Columbia, Canada and Lima, Peru laboratories. Inspectorate performs its analyses in its laboratory located in Lima,

Peru. Both laboratories are ISO 9001 accredited. The sample preparation protocols used varied over the course of the drilling program. The various procedures used are summarized below. Drilling at FDN started with drill hole CP-06-49. Drill hole CP-06-51 is considered the FDN discovery hole as this was the first intercept of economic widths and grades of mineralization.

Sample preparation: ALS Chemex Quito – Hole CP-06-49 to CP-06-53 (Upper Part)

- Oven dry the sample on steel trays.
- Crush entire sample to better than 70% passing 2 mm (10 mesh).
- Riffle split 250 g.
- Pulverise the 250 g split to better than 85% passing 75 m (200 mesh).
- 110 g pulps sent (via DHL courier) to Vancouver for analysis.
- After drill hole CP-06-53, the primary laboratory was changed to Inspectorate, on the promise of faster sample turnaround time.

Sample preparation: Inspectorate Services Quito - Hole CP-06-53 (Lower Part) to CP-06-56

- Oven dry the sample on steel trays.
- Crush entire sample to better than 90% passing 2 mm (10 mesh).
- Riffle split 1,000 g.
- Pulverise 1,000 g split to better than 90% passing 100 m (150 mesh).
- Clean sand flushes between each pulverization.
- 100 g pulps sent (via TNT courier) in Kraft bags to Peru for analysis.

As a result of continued slow assay turnaround times at Inspectorate, ALS Chemex was again selected as the primary laboratory. Due to the amount of visible gold observed in drill core, the preparation procedure was changed to include the pulverizing of larger splits after the crushing stage. Quartz flushes were requested between samples.

Sample preparation: ALS Chemex Quito - Hole CP-06-57 to End of 2014

- Oven dry samples on steel trays.
- Crush entire sample to better than 70% passing 2 mm (10 mesh).
- Riffle split 1,000 g.
- Pulverise 1,000 g split to better than 85% passing 75 m (200 mesh).
- Clean pulverizers with quartz flush between samples.
- 110 g or 200 g pulps sent (via DHL) in Kraft bags to Vancouver until hole CP-07-92 and from hole CP-07-93 to the present to Lima for analysis (the pulp weight sent was increased part way through the program to improve assay turnaround time should re-assays be required).
- All remaining coarse reject and pulps are stored in ALS Chemex installations.
- Compressed air guns used to clean the crushers and pulverisers between each sample.

## Sample Analysis

As with the sample preparation, the assaying protocols used have varied over the course of the drilling program. The procedures used are summarized below.

### ALS Chemex Vancouver - Hole CP-06-49 to CP-06-53 (Upper Part)

- Gold was determined by 30 g fire assay with an inductively coupled plasma – atomic emission spectroscopy (ICP-AES) finish (method code AU-ICP21, assay range 0.001 to 10 g/t Au).
- If gold assays greater than 10 g/t were detected, then over-limit re-assays were completed using a 50 g fire assay with a gravimetric finish (method code AU-GRA22, assay range from 0.05 g/t Au to 1,000 g/t Au).
- Multi-element analysis was performed using a 34 element package (including silver) with an aqua regia acid digestion and ICP-AES finish (method code ME-ICP41, silver assay range from 0.2 g/t to 100 g/t). Over-limit re-assays were run for silver, zinc, lead, and copper if silver was greater than 100 ppm, Zn greater than 10,000 ppm, Pb greater than 10,000 ppm, and Cu greater than 10,000 ppm. Over-limits were completed using an aqua regia acid digestion and atomic absorption spectroscopy (AAS) finish (silver assay range from 1 ppm to 1,500 ppm).

### Inspectorate Lima - Holes CP-06-53 (Lower Part) to CP-06-56

- Gold was determined by 50 g fire assay with an AAS finish (method Au FA/AAS 50 g, assay range from 0.005 g/t Au to 5 g/t Au). If the gold assay was greater than 5 g/t, then over-limit re-assays were completed using a 50 g fire assay with a gravimetric finish (assay range from 0.01 g/t Au to 1,000 g/t Au).
- Multi-element analysis was completed using a 32 element package (including silver) with an aqua regia acid digestion and ICP-AES finish (method ICP-AES 32, silver assay range from 0.2 g/t to 200 g/t).

### ALS Chemex Vancouver - Holes CP-06-57 to CP-06-92

- Gold was determined by 50 g fire assay with an ICP-AES finish (method code AU-ICP22, assay range 0.001 g/t Au to 10 g/t Au). If the gold assay was greater than 10 g/t, then over-limit re-assays were completed using a 50 g fire assay with a gravimetric finish (method AU-GRA22, assay range from 0.05 g/t Au to 1,000 g/t Au).
- Multi-element analysis was completed using a 34 element package (including silver) with an aqua regia acid digestion and ICP-AES finish (method code ME-ICP41, silver assay range from 0.2 ppm to 100 ppm). For sample results with Ag greater than 100 ppm, Zn greater than 10,000 ppm, Pb greater than 10,000 ppm, and Cu greater than 10,000 ppm, over-limit re-assays were completed using aqua regia acid digestion and an AAS finish (silver assay range from 1 ppm to 1,500 ppm).

#### ALS Chemex Lima – Holes CP-06-93 to CP-08-236

- Gold was determined by 50 g fire assay with an ICP-AES finish (method code AU-ICP22, assay range from 0.001 g/t Au to 10 g/t Au). If the gold assay was greater than 10 g/t, then over-limit re-assays were completed using a 50 g fire assay with a gravimetric finish (method AU-GRA22, assay range from 0.05 g/t Au to 1,000 g/t Au).
- Multi-element analysis was completed using a 34 element package (including silver) with an aqua regia acid digestion and ICP-AES finish (method code ME-ICP41, silver assay range from 0.2 ppm to 100 ppm). For sample results with Ag greater than 100 ppm, Zn greater than 10,000 ppm, Pb greater than 10,000 ppm, and Cu greater than 10,000 ppm, over-limit re-assays were completed using aqua regia acid digestion and an AAS finish (silver assay range from 1 ppm to 1,500 ppm).

#### ALS Chemex Lima – Holes CP-09-237 to 2014

- Gold was determined by 50 g fire assay with an AAS finish (method code AU-AA24, assay range from 0.005 g/t Au to 10 g/t Au). If gold assays greater than 10 g/t were detected, then over-limit re-assays were completed using a 50 g fire assay with a gravimetric finish (method AU-GRA22, assay range from 0.05 g/t Au to 1,000 g/t Au).
- Multi-element analysis was completed using a 34 element package (including silver) with an aqua regia acid digestion and ICP-AES finish (method code ME-ICP41, silver assay range from 0.2 ppm to 100 ppm). For sample results with Ag greater than 100 ppm, over-limit re-assays were completed using aqua regia acid digestion and an AAS finish (silver assay range from 1 ppm to 1,500 ppm). For holes CP-09-237, CP-09-238, CP-09-239, and CP-09-240, if Zn was greater than 10,000 ppm, Pb greater than 10,000 ppm, and Cu greater than 10,000 ppm, over-limit re-assays were completed using aqua regia acid digestion and an AAS finish. For the other holes, the upper limit was used as a value in the database.

#### Bulk Density Measurements

After the core was sampled, intervals of solid core (20 cm to 10 cm in length) were selected for bulk density determinations. Measurements were made from every hole at an interval rate of approximately 50 m in unmineralized rock and every 20 m in the mineralized system. The procedure used was the Marcy Method, where the sample is dried, weighed, waxed, and then weighed in water.

Rock density is relatively constant within specific lithologies and shows only minimal variation between different lithological groups with the relatively small difference of 0.5 t/m<sup>3</sup> between the lowest density of 2.4 t/m<sup>3</sup> and highest density of 2.9 t/m<sup>3</sup>.

#### Quality Assurance and Quality Control

QA/QC programs provide confidence in the resource database and help ensure that the database is reliable for resource estimation purposes. Programs include measures and

procedures to monitor the precision and accuracy at each stage of the sampling and analysis process and to monitor for possible sources of contamination.

Aurelian implemented a thorough QA/QC program that included the regular insertion of blank samples, certified reference material (**CRM**), field and reject duplicates and pulp check assaying at a secondary external laboratory, Inspectorate Laboratory, Peru. Aurelian increased its initial 1:25 (4%) insertion rate to approximately 1:20 (5%) later in the drilling program. Kinross reverted back to approximately a 1:25 (4%) insertion rate.

### Blanks

The regular submission of blank material is used to assess contamination during sample preparation and to identify sample numbering errors. Earlier drill programs sourced blank material from Hollin Formation sands located near Emperador. More recent programs used Hollin rock sourced from an outcrop north of FDN.

A total of 1,478 blanks were inserted in the first 85 drill holes at FDN (CP-06-49 to CP-07-139). Of these, 21 blanks (1.4%) returned values greater than 0.08 g/t Au and two returned values over 1 g/t Au (from holes CP-06-51 and 57). The maximum value received for a blank is 1.62 g/t Au. The anomalous assay values are interpreted to have been caused either by contamination at the laboratory or by a sample switch. After drill hole CP-06-58, Aurelian changed the sample preparation procedure so that quartz washes are performed in order to clean the crusher between sample processing.

Blank assays that exceed ten times the detection limit are determined to have fallen into the criterion which shows possible contamination and/or sample switches. Batch re-analysis rarely resulted in changes to assay data and the sources of errors were quickly confined to either sample switching or contamination. Out of 682 blanks assayed, eight samples were considered to be contaminated with a maximum assay value of 0.212 g/t Au and five blanks were deemed to be affected either by contamination or of sample mixing with a high assay value of 12.7 g/t Au. In all cases where spurious sample results were returned, the entire assay batch was re-analyzed in the 2006-2008 campaigns and ten sequential samples both above and below the outlier in the 2009-2010 campaign. During the infill program of 2010, sequential blank failures detected one possibly contaminated batch of 25 samples in a high grade interval in drill hole FN3300d05. Repeated analyses under strict cleaning procedures have confirmed the original high assays.

From 2009 until 2014, ALS Chemex is considered to have provided adequate preparation and assay procedures. However, more care is required during sample registry where five probable cases of sample switching have been identified. At 0.7%, this represents only a small percentage of the entire assay data set.



### Certified Reference Materials

Results from the regular submission of CRMs are used to identify the accuracy of specific sample batches and long-term biases associated with the regular assay laboratory. Repeated analysis of that same standard reference material will also demonstrate the degree of analytical precision or its drift over time. Precision testing involves replicate analysis of the certified standard as blind unknowns at a specified sampling frequency. The grade of the CRM to be inserted is selected by the logging geologist based on the expected grade range of the surrounding core samples.

Prior to the drilling moratorium in 2008, CRMs were inserted at a rate of one in 20 regular samples. Subsequent to the moratorium, the insertion rate was one CRM every 25 samples. CRMs were sulphide matrix material with certified Au, Ag, or combined Au-Ag values and were produced by Rocklabs of New Zealand. Twenty different CRMs were used, with expected grades ranging from 0.8 g/t Au to 30 g/t Au. Kinross monitored results with a series of control charts.

### Umpire Analysis – Check Assays

One in ten of all pulp samples dispatched from FDN since drilling restarted in 2009 were selected for re-analysis by Inspectorate Labs of Lima, Peru (for a total of 725 samples). The same QA/QC protocol for blank and standards insertions was used. Results from Inspectorate tended to yield lower values as compared to ALS Chemex (2%, excluding the two highest grade standards inserted), however, the differences were deemed to be insignificant and no changes were made to the original database.

### Chain of Custody and Security

Once sealed, core boxes were transported from the drill to Las Peñas exploration camp. At the camp, core was checked by geologists and stored in the core shed during the logging and sampling process. Sample bags were sealed in plastic bags and rice sacks using single-use plastic cable ties and then stored in a locked shed until shipment. The Las Peñas camp had 24 hour security, which included monitoring activities in the core shed area. Samples were then transported overland by a company driver in a light truck directly to Quito where the custody of the samples was transferred to laboratory personnel. Signatures for responsible parties were required at every step of the process and records were archived at the Las Peñas camp.

Digital laboratory data was distributed to project managers and the resource database administrator via electronic mail. That data was manually uploaded to the database where it was automatically merged with the appropriate sample data. The resource database system required users to be logged on to the system. Each user was assigned privileges that were dependent on their duties.

### Field and Coarse Reject Duplicate samples

Field duplicates assess the variability introduced by selecting one half of the drill core versus the other, sampling disordering, and the nugget effect. Field duplicates consisted of two quarter-cores sampled from one sample interval and the remaining half core was retained for reference

purposes. The coarse reject duplicate samples consisted of a second pulp made from leftover coarse reject material from the primary crushing stage. Results from the reject duplicate QC program were used to determine if the splitting procedures were applied consistently and were appropriate. Of the two duplicate sample types, field duplicates were prepared and numbered at the FDN core facility. Second split reject samples must be requested and prepared by the assaying company.

In its report, RPA recommended that the entire other half of the drill core be submitted so that both samples have the same original volume and therefore results will better reflect the local-grade variance.

Scatter plots for field duplicates and reject duplicates show a strong correlation of 0.96 and 0.99, respectively, and indicate a high level of confidence in laboratory practices.

RPA concluded that the QA/QC results confirm that the gold and silver assays have achieved an acceptable level of precision and accuracy. It found that QA/QC program as designed and implemented by Aurelian and Kinross was adequate and the assay results within the database are suitable for use in preparation of a Mineral Resource estimate.

#### Data Verification

A significant portion of the database verification was performed by Scott Wilson Roscoe Postle Associates Inc. (**Scott Wilson RPA**), a predecessor company to RPA, during an audit of the December 31, 2009 Mineral Resource and Mineral Reserve estimates.

Data verification activities carried out by Scott Wilson RPA included a detailed review of the standard operating protocols, the drill hole spacing, the core diameter used, how the final collar coordinates were determined, the downhole surveying procedures, the drill core logging protocols, the core recovery, collection of the bulk density data, the sample layout, sample preparation and sample security procedures, and the QA/QC protocols.

In June 2014, Kinross provided RPA a Dassault Systèmes GEOVIA GEMS (**GEMS**) project containing updated drill hole database, core recovery, and density measurement files in digital format. To reclaim the benefit of the previous data verification work related to the 2010 audit, RPA compared the updated database provided in June 2014 to the database used for the December 31, 2009 Mineral Resource and Mineral Reserve estimate. No significant discrepancies were identified.

#### Site Visit and Core Review

During its site visit, RPA reviewed drill core from numerous boreholes and compared observations with assay results and descriptive log records made by Aurelian and Kinross geologists. In addition to reviewing core, RPA examined outcrops, drill rigs, sampling procedures, and other general exploration protocols.

RPA was of the opinion that database verification procedures for the Fruta del Norte Project comply with industry standards and are adequate for the purposes of Mineral Resource estimation.

### Mineral Resource Estimate

In 2014 Kinross provided RPA with a GEMS project that included the drill hole database, wireframes of the domain boundaries, and a complete block model. RPA reviewed all aspects of the resource model, made some minor adjustments, calculated an updated cut-off grade, and reported Mineral Resources.

Mineral Resources for the FDN deposit were estimated using drill hole data available to October 21, 2014 and are summarized in the table below. At a cut-off grade of 3.4 g/t Au, Indicated Mineral Resources are estimated to total 23.5 million tonnes at an average grade of 9.59 g/t Au and 12.9 g/t Ag for a total of 7.26 million ounces of gold and 9.73 million ounces of silver. Inferred Mineral Resources are estimated to total 14.5 million tonnes at an average grade of 5.46 g/t Au and 2.55 g/t Ag for a total of 2.55 million ounces of gold and 5.27 million ounces of silver. The Mineral Resources are contained within four main geological domains. There are no Mineral Reserves currently estimated on the Fruta del Norte Project.

#### Summary of Mineral Resources

Category	Tonnage (M t)	Grade (g/t Au)	Contained Metal (M oz Au)	Grade (g/t Ag)	Contained Metal (M oz Ag)
Indicated	23.5	9.59	7.26	12.9	9.73
Inferred	14.5	5.46	2.55	11.3	5.27

#### Notes:

- (1) CIM definitions were followed for the classification of Mineral Resources.
- (2) Mineral Resources are estimated at a cut-off grade of 3.4 g/t Au.
- (3) The cut-off grade was calculated using a long-term gold price of \$1,400 per ounce.
- (4) The Mineral Resource estimate uses drill hole data available as of October 21, 2014.
- (5) Bulk density ranges from 2.62 t/m<sup>3</sup> to 2.73 t/m<sup>3</sup>.
- (6) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
- (7) Numbers may not add due to rounding.

#### Recommendations

RPA recommended that the Company proceed to an advanced engineering study (Pre-Feasibility or Feasibility Study) on the Fruta del Norte Project and that permitting activities and completion of the decline and underground deposit definition drilling program also be advanced. Exploration for additional gold-silver deposits can also be accomplished by surface-based drilling programs. RPA was of the opinion that a budget of \$49.5 million over the next 16 to 18 months is appropriate and warranted.

## Metallurgical Testing

During 2015, Lundin Gold completed its first comprehensive metallurgical testwork program. Samples were collected from a dedicated drilling program at the Fruta del Norte Project spatially representing the orebody with five drill holes. The metallurgical testwork progressed through a sequential flowsheet consisting of a gravity, flotation and cyanide leach (GFL) recovery circuits and consisted of a variability program and a composite program, both of which were carried out at the SGS Telchahuano Laboratory in Santiago, Chile under the supervision of Amec Foster Wheeler.

The variability program consisted of testing 25 variability samples which were chosen to represent the deposit, and cover a range of grades of gold, silver, sulphur, mercury and arsenic. The composite samples were selected to cover the first three years, the mid years and the latter years of mine production based on a preliminary mine plan. Based on the results of the metallurgical program, the Company confirmed the Gravity Float Leach (GFL) flowsheet for the Fruta del Norte Project. Gold recovery ranges from 91.7% to 94.2% with approximately 30% on average into doré and the remaining 70% into a final concentrate that ranges from 136.7 to 240.0 g/t Au (and 169.5 to 234.1 g/t Ag). In addition, these initial results indicated that the concentrate produced will be readily saleable with impurities at controlled levels. Further testwork is being conducted in 2016 as the Company prepares its Feasibility Study.

The global recoveries for gold from the variability program ranges from 82.4% to 97.8% with the 90<sup>th</sup> percentile of results from the 25 variability samples above 89.1% and the average recovery of 92% (representative results in Table 1). The composite global recoveries for the program ranged between 91.7% to 94.2%, as presented in Table 2.

The GFL flowsheet has proven to be robust to recover the variable range of the gravity, flotation and leach results in the variability program as illustrated in Table 3.

**Table 1: Representative Results from the Metallurgical Variability Program**

Au Head Grade (g/t)	Continuous Length (m)	Au Recovery (%)
12.6	14	97.8
27.5	15	95.7
71.5	14	93.7
6.4	14	91.6
11.8	14	94.0

**Table 2: Results from the Metallurgical Composite Program**

Au Head Grade (g/t)	Open Cycle Au Recoveries (%)	Lock Cycle Au Recoveries (%)	Concentrate Grade (g/t)
Comp 1 at 12.1	95.1	94.2	136.7
Comp 2 at 9.6	92.8	91.7	240.0
Comp 3 at 17.4	95.0	93.7	214.6

**Table 3: Staged Recovery from Gravity Flotation and Leach**

	Gravity	Flotation	Leach
Minimum	7.7	45.7	3.0
Maximum	37.9	76.6	23.2
Average	18.9	62.0	10.1

Mr. Tony Lipiec, P.Eng., Principal Metallurgical Engineer with Amec Foster Wheeler Americas Limited and a Qualified Person under National Instrument 43-101, supervised the preparation of the metallurgical information contained in this AIF. Mr. Lipiec supervised Amec Foster Wheeler staff who verified the metallurgical data by reviewing all available data and work completed by the SGS Telcahuano Lab as part of the above described program. No limitations were imposed on this review process.

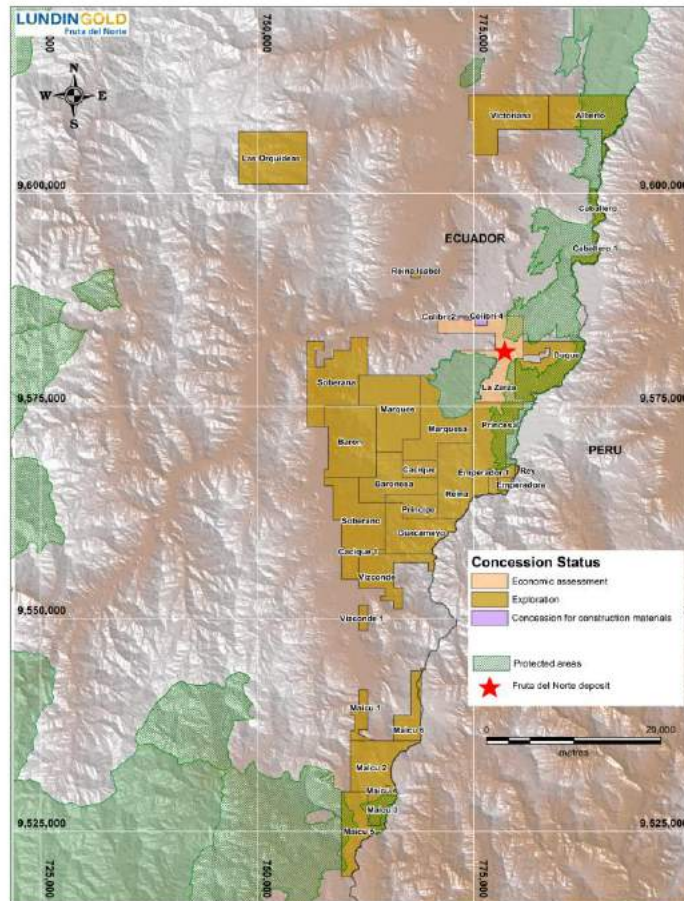
### 2016 Development Activities

The Company plans to complete its feasibility study for the Fruta del Norte Project during the first half of the year. This study will provide the necessary information to support the Phase Change Application due on June 17, 2016. The Company is planning to file a technical report on the feasibility study for Fruta del Norte in accordance with NI 43-101 within 45 days of the release of the feasibility study results. Work will continue throughout the year on the Environmental Impact Assessment process and the subsequent application for water and construction permits.

### **Mineral Exploration**

In addition to Fruta del Norte, Lundin Gold's properties in Ecuador consists of 30 metallic mining concessions covering an area of approximately 70,000 hectares in the same area of Ecuador. These concessions are also registered in the name of the Company's subsidiary, Aurelian Ecuador S.A.

The map below shows the Company’s holdings and their respective stage of development under the mining law, as at the date of this AIF. In 2016, four of the Company’s metallic concessions, including Duque, Princesa, Emperador 1 and Emperadora, are required to advance to the Economic Evaluation phase or be surrendered by the Company. The remaining 26 metallic concessions need to advance to Economic Evaluation by December 2018 or be surrendered.



Significant drilling has been undertaken in the FDN region pre and post FDN discovery in 2006. The Las Peñas structural corridor has been the primary focus for exploration with several targets drilled in the La Zarza concession dating as far back as 1996.

Following the discovery of FDN, exploration continued to focus in the Las Peñas structural belt, more specifically in the La Zarza, Princesa, Sachavaca and Colibrí concessions where epithermal and possibly mesothermal systems were targeted. Additionally, although historically not a principal commodity focus of Kinross or Aurelian, stand-alone, porphyry-hosted deposits, both associated with and proximal to the Las Peñas belt, provide secondary tier objectives for future exploration programs.

Among epithermal targets earmarked for further exploration within the La Zarza concession are the Castillo (prev. Ubewdy), Alejandro and FDN East, all of which have received limited previous work and, with regard to porphyry potential, Tranca-Loma, Sandia, and Papaya.

Since acquiring Aurelian in 2014, Lundin Gold has focused its exploration efforts almost entirely on key exploration targets outside of the La Zarza concession. Lundin Gold exploration activities in 2015 included prioritizing exploration concessions, geophysical surveys (IP), detailed prospecting and mapping of known targets, and initial exploration of concessions with favourable geology but little data. The principal objective was to better rank and define key targets and prepare these for drilling in 2016. The most prospective epithermal targets outside of the La Zarza concession are currently considered to be Emperador, Robles, Chanchito, El Arco, and Rio Blanco targets.

Geophysical IP surveys conducted in 2015 (Gradient Array and Pole – Dipole) over previously defined soil geochemical anomalies greatly helped in defining structural context of individual targets as well as identifying resistivity and chargeability anomalies coincident with surface geochemistry. Additional geological mapping and prospecting combined with the previous IP surveys provided key information to optimize future drilling campaigns and improve confidence in the targets. Siliceous sinter (much like the one at FDN) was found in outcrop over the Emperador target indicating its location in the upper-most levels of an epithermal system.

The 2016 exploration program has multiple objectives. First, the Company plans to drill test the five most prospective epithermal targets outside of the La Zarza concession (including Emperador, Robles, Chanchito, El Arco, and Rio Blanco targets). In addition, the exploration team intends to develop new targets in identified areas of interest outside of the La Zarza and previously mentioned target areas, to maintain the Company's pipeline of prospective targets. This work is planned to include prospecting, soil and stream sampling, and follow-up mapping and rock sampling. Geophysics may again be used as an exploration tool on the best target areas.

The Company also plans to continue to evaluate and perform preliminary reconnaissance on other concessions of Lundin Gold's large land holdings in order to prioritize additional exploration efforts to the most prospective concessions and to allow the Company to return concessions of limited exploration potential. Throughout the year, the Company will continuously improve its knowledge of FDN in order to define high quality brown field targets "nearest to home" for drilling when convenient to do so.

All of the Company's exploration technical information is obtained, verified and compiled under a formal QA/QC program in Ecuador. The following details the protocols used by Lundin Gold's staff and consultants, which largely follows procedures and processes previously implemented by Aurelian and Kinross for the FDN deposit. These have been updated to include recommendations by third party consultants and to meet industry best-practices. They apply

most importantly to drilling but also as described to samples for surface geochemistry and prospecting.

#### Sampling Method and Approach

Drill core boxes are marked with hole number and depth at the drill site, then delivered to the Las Peñas camp in closed core boxes where the core is labelled, photographed, logged and sampled under the supervision of FDN staff geologists. Data is recorded directly into the database using iPads and includes rock quality designation (RQD), recovery, hardness estimate, structure, lithology, texture, alteration, mineral assemblage, visual estimate of visible gold abundance and intensity, and level of oxidation/weathering. Log sheets are also used to record basic drill hole data including collar coordinates, core size and depth, drilling dates and sample number series. Occurrences of visible gold is marked on the core using wax crayons. Down hole survey data is recorded digitally and downloaded directly to the database.

After the geologists mark out the sample intervals, drill core is split along the long axis using an electrically-powered bench saw. Occasionally, when necessary, areas of very soft rock (clay) are cut using a machete and sections of very broken core are sampled using spoons. The following standard sampling procedures are employed:

- Normal core intervals are 1m in mineralized intervals (+/-0.1m) and 2m in non-mineralized intervals (+/-0.1m), although these can be modified by geologist to cut intervals at lithological or mineralization contacts. Under no circumstances should sample intervals be under 0.2m in length.
- Sample numbers are marked by geologist on the core as well as on the core boxes.
- The right hand side of the core is always sampled.
- After cutting, half the core is placed in a new plastic sample bag and half is returned to the core box.
- Between each sample, the core saw and sampling table areas are washed to ensure there is no contamination between samples.
- After cutting samples containing visible gold, a piece of quartz sandstone is partially cut to clean the diamond blade.
- Samples are clearly and securely bagged and tagged and quality control (QC) samples inserted into the sequence.
- Batches of approximately ten samples are packed in plastic buckets (drill core samples) or in poly-weave sacks (surface samples) for ground shipment to ALS, Quito for eventual sample preparation.



- Sample shipment batches are grouped together where possible in groups of 75 samples including QA/QC samples, reflecting the number of client samples that can go into the fire assay oven in one batch.
- No sample preparation (crushing or pulverization) or sample analysis is conducted by Lundin Gold staff.
- A detailed procedure (Protocolo de Aseguramiento y Control de Calidad) regarding sampling and QA/QC for drilling has been prepared by Lundin Gold and has been implemented on-site.

Previously, most data were originally recorded as hard copy. Since late 2015 geological data is directly entered into the database using iPads. Technicians later enter the following information into the database: sample number, sequence, interval, QA/QC data and other geological information such as collar information, depth of drill size reduction, date, and drill company details. Basic database checks are also carried out by the database administrator as well as the implemented system to assure the integrity of the database.

#### Sample Preparation

##### ***ALS – Quito, Ecuador***

ALS Quito is accredited to ISO 9001:2008 for its quality management system. This laboratory is used for preparation of samples for:

- Exploration Drilling
- Geochemical Sampling (Rocks, Soils, & Streams Sediments)

#### Procedure:

- Oven dry the sample on steel trays (<80°C)
- Crush entire sample to better than 70% passing -2 mm or 10 mesh
- Clean Crusher with air gun between all samples and with quartz flush between every 10 samples as a minimum. This frequency can be increased for specific intervals if high grades are expected.
- Riffle split 300 g
- Pulverize split to better than 85% passing -75 microns or 200 mesh
- Clean pulverizers with an air gun between samples
- 150 g pulps sent in kraft bags by prep. lab to analytical labs in Lima for analysis

#### Sample Analysis

##### ***ALS – Lima, Peru***

ALS Lima is accredited to ISO 9001:2008 for their quality management systems and to ISO/IEC 17025:2005 for their competence of laboratory testing. This laboratory is used as a primary analytical laboratory for:

- Exploration Drilling
- Geochemical Sampling (Rocks, Soils, & Streams Sediments)

Procedure:

- Gold determined by 50 g fire assay with an AAS finish for drill samples<sup>1</sup> (method code AU-AA24), and with ICP-AES<sup>2</sup> finish for field rock samples (method code AU-ICP22). Minimum detection limit for AAS finish procedure is 0.005 g/t Au and for ICP is 0.001 g/t Au. Maximum detection limit in both cases is 10 g/t Au.
- If gold assays greater than 10 g/t is detected for either drill or field samples then over-limit re-assays are completed using a 50 g fire assay with a gravimetric finish, method code AU-GRA22. The detection range for this procedure is 0.05 g/t Au to 1,000 g/t Au.
- Multi-element analysis is performed on all samples using method code ME-MS41, consisting in an aqua regia digestion and ICP-AES<sup>2</sup> and ICP-MS<sup>3</sup> finish. 51 Elements are analyzed, including gold and silver. The silver detection range for this procedure is 0.01 ppm to 100 ppm.
- If silver assays greater than 100 ppm then over-limit re-assays are completed with aqua regia digestion and AAS finish (AG-AA46, detection limit 1-1,500ppm). When Cu, Pb, or Zn assays exceed 10,000 ppm re-assays are completed (Cu-AA46, 0.001-50%; Pb-AA46, 0.001-30%; Zn-AA46, 0.001-60%).

Notes:

1. AAS: Atomic absorption spectroscopy
2. ICP-AES: Inductively-coupled plasma - atomic emission spectroscopy
3. ICP-MS: Inductively-coupled plasma – mass spectrometry

***Inspectorate - Lima, Peru***

Inspectorate Lima is accredited to ISO 9001:2008 for its quality management system and to ISO/IEC 17025:2005 for its competence of laboratory testing. Currently this laboratory is used for QAQC check assays for gold only from pulp duplicates related to:

- Exploration Drilling
- Geochemical Sampling (Rocks)

Procedure:

- Gold determined by 50 g fire assay with an AAS<sup>1</sup> finish for drill samples using method code FA450-Au, which has a detection range from 0.005 g/t Au to 10 g/t Au. For surface samples fire assays are done with ICP-AES<sup>2</sup> finish using method code FA350-Au 50g, which has a detection range from 0.002 g/t Au to 10 g/t Au.
- If gold assays greater than 10 g/t were detected using the above technique, then over-limit re-assay using a 50 g fire assay with a gravimetric finish (method code FA550-Au). The detection range for this procedure is 0.9 g/t Au to 1,000 g/t Au.

Notes:

1. AAS: Atomic absorption spectroscopy
2. ICP-AES: Inductively-coupled plasma - atomic emission spectroscopy

### Chain of Custody and Security

Once sealed, core boxes are transported from the drill site to the Las Peñas exploration camp. At the camp, core is checked by geologists and stored in the core shed during the logging and sampling process. Samples are sealed in plastic bags using single-use plastic cable-ties, the sealed sample bags are placed in plastic buckets and then stored in a locked shed until shipment. Lundin Gold personnel do not participate in any sample preparation activities beyond cutting core samples.

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

In the case of surface exploration samples (rocks and soils), these are sealed in plastic bags with single use cable-ties, packed in rice bags, and then these are delivered by light truck to a transport company in the City of Loja for transport to Quito. The samples are then picked up from the transport company's terminal in Quito by Lundin Gold personnel and delivered to the preparation laboratory.

Signatures for responsible parties are required at every step of the process and records are archived at the Las Peñas camp. When samples are received at the sample preparation laboratory, the sample are laid out on the laboratory floor and reviewed by laboratory personnel. If the samples are received in good order and consistent with the sample list of the work order, the laboratory sends by electronic mail confirmation of sample reception. If laboratory personnel observe any variations with respect to the list of samples or if there were any problems with sample integrity, Lundin Gold is advised by the laboratory by electronic mail before any further action is taken.

Once prepared the 150g pulp samples are packaged by the sample preparation laboratory for shipment to their analytical facility in Lima. Before shipment, Lundin Gold personnel inserts CRMs in the sample batch at the sample preparation laboratory. In the case of pulp duplicates for outside check assays, these sample batches are picked up by Lundin Gold personnel, and delivered to the Inspectorate sample preparation laboratory in Quito for shipment to their Lima analytical laboratory. Starting in 2016, ALS inserts the CRMs in the check assay batches and delivers these directly to Inspectorate without Lundin Gold's involvement.

Digital laboratory assay data is distributed by electronic mail to project managers and to the resource database administrator via electronic mail. The laboratory assay data is received in two separate files. The first file is an electronic certificate of the sample assays in PDF format while the second is an Excel table for uploading into the database. That assay data is manually uploaded to the database where it is automatically merged with the appropriate sample data. The resource database system requires users to be logged on to the system. Each user is assigned privileges that are dependent on their duties.

Bulk Density Measurements

After core is sampled, intervals of solid core (10 cm to 20 cm in length) are selected for bulk density determinations. Measurements are made from every hole at an interval rate of approximately 50 m in un-mineralized intervals and every 20 m in mineralized intervals. The procedure used is the Marcy Method, where the sample is dried, weighed, waxed and then weighed in water.

Quality Assurance and Quality Control

Quality assurance (QA) provides evidence to demonstrate that the assay data has precision and accuracy within generally accepted limits for the sampling and analytical method(s) used in order to have confidence in a resource estimate. Quality control (QC) consists of procedures used to ensure that an adequate level of quality is maintained in the process of collecting, preparing and assaying the exploration drilling samples.

In general, QA/QC programs are designed to prevent or detect contamination and allow assaying (analytical), precision (repeatability) and accuracy to be quantified. In addition, a QA/QC program can disclose the overall sampling-assaying variability of the sampling method itself.

Lundin Gold has implemented a thorough QA/QC program, largely following previous practices by Kinross and Aurelian, which included the regular insertion of blank samples, certified reference material (CRM), field and reject duplicates and check assaying from pulp duplicates. Ongoing monitoring of the program is performed by the operators, with spurious results being investigated and changes implemented when required. Insertion rates and procedures employed by Lundin Gold are shown in the following table.

CRM	1 of 25
Blanks - Coarse Rock	1 in 20
Field Duplicate	1 in 50 (both halves sent)
Coarse Reject Duplicate	1 in 50 samples submitted to ALS Lima
Check Assay (Pulp Duplicates)	1 in 10 samples submitted to ALS Lima are also assayed at Inspectorate Lima

### Certified Reference Material

Results of the regular submission of certified and uncertified reference material (standards) are used to identify problems with specific sample batches and long term biases associated with the primary assay laboratory. The FDN project site sourced certified reference material (CRM) from Rocklabs in New Zealand. New CRM materials may be sourced in the future from Rocklabs or from other recognized providers.

CRM material is included in the sample stream at a rate of 1 in 25.

CRMs submitted for a project validate the precision and accuracy of results within the grade range of interest by approximating the cut-off grade, the average grades and the high grades for the project. For FDN the gold grades of interest are approximately 3 g/t (cut-off grade), 9 g/t (average grade) and over 20 g/t (high grade). Silver grades of interest, although supplemental to gold, are from 10 g/t to 20 g/t. The ranges of expected values of the submitted CRMs for gold is from 0.819 g/t Au to 30.14 g/t Au and for silver is from 11.02 g/t to 58.38 g/t.

Failure rates, defined as a gold value reporting more than three standard deviations from the expected value, or two consecutive gold values reporting more than two standard deviations from the expected values.

Control charts are prepared for each of the CRMs used on the project, and reviewed for individual laboratory bias, precision and accuracy, as well as changes and drift of assayed grades over short and long time spans.

### Blank Material

The regular submission of blank material is used to assess contamination during sample preparation and to identify sample numbering errors. Blank material is sourced from Hollin Formation sandstone.

Anomalous results are usually interpreted as contamination or a sample switch. Site operators consistently monitor the results of blank samples and follow up spurious results with respective investigations. Assay values of greater than 0.05 g/t Au for blank material are considered failures or 10 times detection limit.

Blank material is included in the sample stream at a rate of 1 in 20 (minimum) and may be increased where visible gold is observed or very high grades are expected.

### Control Sample Failures

When a control sample (CRM or Blank) fails to return the expected value an entry is made into the table of failures, the control sample as well as 10 samples previous to, and 10 samples afterward are immediately re-assayed from pulp and rejects duplicates. Based on a review of the failure and the re-assays, a description of the failure analysis is documented into the table of

failures together with the actions taken (signed off by Exploration Manager) which may include substituting the initial results with re-assays. If samples adjacent to the failed control sample are non-mineralized, decision may be taken to take no further actions with approval of the Exploration Manager. When assays of duplicate samples exceed 30% variation with respect to the original sample (for samples with significant grade, the same failure methodology is followed).

#### Duplicates

Duplicate samples help to monitor preparation and assay precision and grade variability as a function of sample homogeneity and laboratory error.

Since 2016, field duplicate samples are collected as both halves of core samples. For every 50 field/core sample, a minimum of one field duplicate is inserted in the batch. Lundin Gold's batches are based of 75 samples (including QC samples), so two field duplicates are included in every full batch.

Coarse reject samples are collected as an additional split from the crushed reject material (better than 70% passing -2 mm or 10 mesh). As for field duplicates, a minimum of one field duplicate is inserted in for every 50 field/core samples.

#### Check Assays

Pulp duplicates are sent for check assays to Inspectorate Laboratory in Lima with a frequency of one pulp duplicate for every 10 field/core samples. The 150g pulp duplicate samples are split from the 300g of pulverized rock (85% passing -75 microns or 200 mesh) prepared by ALS Quito as previously described. Lundin Gold inserts a minimum of one CRM for every 25 pulp duplicates and the samples are normally sent in batches of 75 samples. These are currently delivered by Lundin Gold to Inspectorate offices in Quito who take responsibility of sending the samples to their Lima laboratory. Starting in 2016, ALS inserts the CRMs in the check assay batches and delivers these directly to Inspectorate without Lundin Gold's involvement.

## **Risk Factors**

There are a number of factors that could negatively affect Lundin Gold's business and the value of the Shares, including the factors listed below. The following information pertains to the outlook and conditions currently known to Lundin Gold that could have a material impact on the financial condition of the Company. Other factors may arise that are not currently foreseen by management of Lundin Gold that may present additional risks in the future. Current and prospective security holders of Lundin Gold should carefully consider these risk factors.

### **Financing Requirements**

Any potential development activities at the Fruta del Norte Project require substantial additional capital. When such additional capital is required, Lundin Gold may need to pursue various financing transactions or arrangements, including equity financing, debt financing, joint venturing of projects or other means. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to Lundin Gold and might involve substantial dilution to existing shareholders. Moreover, Lundin Gold may not be successful in locating suitable financing when required or at all. A failure to raise capital when needed would have a material adverse effect on Lundin Gold's business, financial condition and results of operations.

In addition, debt and other mezzanine financing may involve a pledge of assets and may be senior to interests of equity holders. Lundin Gold may incur substantial fees and costs in pursuing future capital requirements. The ability to obtain needed financing may be impaired by a variety of factors such as the capital markets (both generally and in the gold industry in particular), the location of the Fruta del Norte Project in Ecuador and the price of gold.

### **Government or Regulatory Approvals**

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

Furthermore, there is a risk that Lundin Gold will not be in a position to execute the exploitation agreement with the Government of Ecuador within the required timeframe. Additional Rights that are necessary to permit Lundin Gold to commercially exploit the Fruta del Norte Project deposit may be subject to unfavourable terms, may be delayed or may not be obtained at all. A delay in obtaining any such Rights, the imposition of unfavourable terms or conditions on any Rights or the denial of any Right may have a material adverse effect on Lundin Gold's business,

financial condition, results of operations and prospects and, in particular, the development of the Fruta del Norte Project.

### **Instability in Ecuador**

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

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

A federal election is scheduled for February 2017 and may result in a change in government. Any shifts in political attitudes or changes in laws that may result in, among other things, significant changes to mining laws or any other national legal body of regulations or policies are beyond the control of Lundin Gold and may adversely affect its business. Without the protection of a signed exploitation agreement, the Company faces the risk that future governments may adopt substantially different policies, which might extend to the expropriation of assets, increased government participation in the mining sector or renegotiation of existing agreements. In addition, changes in resource development or investment policies, increases in taxation rates, higher mining fees and royalty payments, revocation or cancellation of mining concession rights or shifts in political attitudes in Ecuador may adversely affect Lundin Gold's business.

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

Ecuador is a country with a diverse and fragile ecosystem and has the highest numbers of species at risk of extinction in the world. The federal government, regional governments and nongovernmental organizations ("NGOs") are vigilant in their protection of endangered species.



The existence or discovery of an endangered species at the Fruta del Norte Project would likely have a number of adverse consequences to the Company's plans and operations. For instance, the presence of an endangered species could require the Company to modify its design plans and construction, to take extraordinary measures to protect the species or to cease its activities at the Project temporarily or permanently, all of which would delay the Project's development and production and would have an adverse economic impact on the Company, which could be material. The existence or discovery of an endangered species at the Fruta del Norte Project could also ignite NGO and local community opposition to the Project, which would be a further barrier to development of the Project and could impact the Company's global reputation.

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

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

Without the protection of a signed exploitation agreement, there is also a risk that applicable governments will revoke or significantly alter the conditions of the applicable exploration and mining authorizations and surface rights. In addition, such exploration and mining authorizations and surface rights may be challenged or impugned by third parties. In addition, there is a risk that Lundin Gold will not be able to renew some or all its licenses in the future. Inability to renew a license could result in the loss of any project located within that license. Furthermore, Lundin Gold may not be able to acquire any additional surface rights required on reasonable terms or at all.

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

### **Claims and Legal Proceedings**

Lundin Gold may be subject to claims or legal proceedings in multiple jurisdictions covering a wide range of matters that arise in the ordinary course of its current or previous business activities. These matters may give rise to legal uncertainties or have unfavourable results. Prior to obtaining its interest in the Fruta del Norte Project, Lundin Gold had business interests in a number of jurisdictions, including Canada, Cyprus and Russia. Lundin Gold may be involved in

disputes with other parties in the future that may result in litigation or unfavourable resolution which could materially adversely impact Lundin Gold's financial position, cash flow and results of operations.

### **Market Price of the Company's Securities**

Securities of mineral companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic conditions in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Company's securities is also likely to be significantly affected by short-term changes in commodity prices, other mineral prices, currency exchange fluctuation, or in its financial condition or results of exploration on its projects. Other factors unrelated to the performance of the Company that may have an effect on the price of the Company's securities include the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities, lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of securities of the Company, the size of the Company's public float and its inclusion in market indices may limit the ability of some institutions to invest in the Company's securities, and a substantial decline in the price of the securities of the Company that persists for a significant period of time could cause the Company's securities to be delisted from an exchange, further reducing market liquidity. If an active market for the securities of the Company does not continue, the liquidity of an investor's investment may be limited and the price of the Company's securities may decline. If an active market does not exist, investors may lose their entire investment in the Company. As a result of any of these factors, the market price of the Company's securities at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### **Dilution**

If Lundin Gold raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders and reduce the value of their investment.

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

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

The legal and regulatory requirements in Ecuador applicable to mining activities are different from those in Canada. The officers and directors of the Company rely, to a great extent, on the

Company's local legal counsel and local consultants and advisors in respect of legal, environmental compliance, banking, financing and tax matters in order to ensure compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company's operations in Ecuador and to assist the Company with its governmental relations. The Company may also rely, to some extent, on those members of management who have previous experience working and conducting business in Ecuador.

Despite these resources, the Company may fail to comply with a legal or regulatory requirement, which may lead to the revocation of certain rights or to penalties or fees and in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. Any of the foregoing may have a material adverse effect on the Company or the development of the Fruta del Norte Project.

### **Tax Regime in Ecuador**

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

There is a risk that restrictions on the repatriation of earnings from Ecuador to foreign entities will be imposed in the future and Lundin Gold has no control over withholding tax rates. In addition, there is a risk that new laws and regulations in Ecuador may result in a capital gains tax on profits derived from the sale of shares, ownership interests and other rights, such as exploration rights, of companies with permanent establishments in the country. It has yet to be determined how these new laws and regulations may impact the Company or its shareholders.

### **Economic Developments in Ecuador**

Due to its location in Ecuador, the Fruta del Norte Project depends in part upon the performance of the Ecuadorian economy. As a result, Lundin Gold's business, financial position and results of operations may be affected by the general conditions of the Ecuadorian economy, price instabilities, currency fluctuations, inflation, interest rates, regulatory changes, taxation changes, social instabilities, political unrest and other developments in or affecting Ecuador over which Lundin Gold does not have control. Because international investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect in which an entire region or class of investment is disfavoured by international investors,

Ecuador could also be adversely affected by negative economic or financial developments in other emerging market countries.

### **Local Opposition to Mining**

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

### **Exploration and Development Risks**

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

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

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

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

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

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

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

### **Operating History**

Lundin Gold has limited experience in operating the Fruta del Norte Project and conducting exploration work in Ecuador generally. Although Lundin Gold possesses an experienced management team, Lundin Gold is subject to many risks common to new enterprises, including limitations with respect to personnel, financial and other resources and lack of revenues. There is a risk that Lundin Gold will not be successful in achieving a return on shareholders' investment and the likelihood of Lundin Gold's success must be considered in light of its expected early stage of operations.

### **Dependence on Single Project**

The only property in which Lundin Gold has an interest is the Fruta del Norte Project. The Fruta del Norte Project does not have identified proven and probable Mineral Reserves, which are required as a basis for determining if the Fruta del Norte Project has bodies of commercial mineralization. The costs, timing and complexities of reclassifying the Mineral Resource estimates to proven and probable Mineral Reserves may be greater than is currently anticipated. In addition, actual development costs may differ materially from Lundin Gold's estimates and may render the development of the Fruta del Norte Project economically unfeasible. In the absence of additional mineral projects, Lundin Gold is solely dependent upon the Fruta del Norte Project for its revenue and profits, if any. Should the development of the Fruta del Norte Project not be possible or practicable for political, engineering, technical or economic reasons, then Lundin Gold's business and financial position will be significantly and adversely affected.

### **Artisanal and Illegal Mining**

Previous mining by illegal and artisanal miners has occurred in the area surrounding the Fruta del Norte Project and occurs today on a more limited basis. Activity by artisanal and illegal miners could lead to interference with Lundin Gold's operations and could result in conflicts. These potential activities could cause damage to the Fruta del Norte Project, including pollution, environmental damage, fires, or personal injury or death, for which Lundin Gold could potentially be held responsible. The presence of artisanal and illegal miners can lead to project delays and disputes regarding the development or operation of gold deposits. Artisanal and illegal mining can also result in mine stoppages, environmental issues and could have a material adverse effect on Lundin Gold's results of operations or financial condition.

### **Reclamation Obligations**

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

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

### **Adverse Economic Conditions**

The unprecedented events in financial markets in the past several years have had a profound impact on the global economy. Many industries, including the precious metals mining industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates may adversely affect Lundin Gold's growth and profitability. Specifically, the current commodity

market conditions have had an impact on the cost and availability of financing and liquidity for commodity related companies and there is a risk that the Company will not successfully finance ongoing operations. The volatility of gold prices would also impact Lundin Gold's expected revenues, profits, losses and cash flow while continued recessionary pressures could adversely impact demand for Lundin Gold's production, if any. Finally, volatile energy, commodity and consumables prices and currency exchange rates would impact Lundin Gold's production costs, if any, and the devaluation and volatility of global stock markets could impact Lundin Gold. These factors could have a material adverse effect on Lundin Gold's financial condition and results of operations.

### **Gold Prices**

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

The mineral exploration and development industry in general is intensely competitive, and there is a risk that even if commercial quantities of proven and probable Mineral Reserves are discovered, a profitable market may not exist for the sale of the same. The feasible development of identified resources is highly dependent upon the price of metals. A sustained and substantial decline in commodity prices could result in the write down, termination of exploration work or loss of its interests in such properties.

If the Fruta del Norte Project is developed to production, the majority of Lundin Gold's revenue will be derived from the sale of gold. Therefore, fluctuations in the prices of these commodities may affect Lundin Gold's future operations and potential profitability. Declining market prices for these metals could materially adversely affect Lundin Gold's future operations and profitability.

Further, if the price of gold decreases, then potential revenues from the Fruta del Norte Project will likely decrease and such decreased revenues may increase the requirements for capital. Failure to obtain sufficient financing will result in a delay or indefinite postponement of development or production at the Fruta del Norte Project.

### **Employee Recruitment and Retention**

Recruiting and retaining qualified personnel is critical to Lundin Gold's success. Lundin Gold is dependent on the services of key executives including its President and Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing Lundin Gold's interests. The number of persons skilled in acquisition, exploration and development of

mining properties is limited and competition for such persons is intense. As Lundin Gold's business activity grows, Lundin Gold will require additional key financial, administrative, geologic and mining personnel as well as additional operations staff. There is a risk that Lundin Gold will not be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If Lundin Gold is not successful in attracting, training and retaining qualified personnel, the efficiency of Lundin Gold's operations could be impaired, which could have an adverse impact on Lundin Gold's future cash flows, earnings, results of operations and financial condition.

### **Shortages of Critical Parts, Equipment and Skilled Labour**

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

### **Infrastructure**

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

### **Industry Competition**

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

### **Negative Operating Cash Flow**

Lundin Gold currently has a negative operating cash flow, which may continue for the foreseeable future. Lundin Gold's failure to achieve profitability and positive operating cash



flows could have a material adverse effect on Lundin Gold's financial condition and results of operations.

### **Insurance and Uninsured Risks**

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

### **Application of Anti-Bribery Laws**

Lundin Gold is required to comply with anti-corruption and anti-bribery laws, including the Canadian *Corruption of Foreign Public Officials Act*, as well as similar laws in the countries in which Lundin Gold conducts its business. If Lundin Gold finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on Lundin Gold resulting in a material adverse effect on Lundin Gold.

### **Internal Controls**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can only provide reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

### **Control of Lundin Gold**

As at the date hereof, Zebra Holdings and Investments S.à.r.l. ("Zebra") and Lorito Holdings S.à.r.l. ("Lorito"), who report their security holdings as joint actors, and Kinross are control persons of Lundin Gold. As long as Kinross, Zebra and Lorito maintain significant interests in Lundin Gold,

they will have the ability to exercise certain influence with respect to the affairs of Lundin Gold and significantly affect the outcome of the votes of shareholders. There is a risk that the interests of Kinross, Zebra and Lorito differ from those of other shareholders.

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

### **Conflicts of Interest**

Certain directors and officers of Lundin Gold also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict.

## **Lundin Gold's Securities**

### **The Shares**

The Company is authorized to issue an unlimited number of Shares. As of December 31, 2015 and of the date of this AIF, Lundin Gold had an aggregate of 101,260,268 Shares issued and outstanding.

Shareholders are entitled to receive notice of, and to one vote per Share at, every meeting of Shareholders, to receive such dividends as the Board declares and to share equally in the assets of Lundin Gold remaining upon the liquidation, dissolution or winding up of Lundin Gold after the creditors of Lundin Gold have been satisfied and after the payment of the aggregate liquidation preference of any Preference Shares (as defined herein) then outstanding.

Shareholders are entitled to receive dividends if, as and when declared by the Board. The directors have adopted a policy of dedicating cash flow to reinvestment in the business of the Company. Accordingly, no dividends have been declared to date.

In 2015, the Company issued 84,000 Shares on account of option exercises pursuant to the Company's stock option plan.

### **Preference Shares**

The Company is also authorized to issue an unlimited number of preferred shares (the **Preference Shares**). As of December 31, 2015 and the date of this AIF, no Preference Shares have been issued.

The Preference Shares may be issued from time to time in one or more series, each consisting of a number of Preference Shares as determined by the Board which also may fix, subject to the restrictions set out below, the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preference Shares. The Preference Shares of each series shall, with respect to payment of dividends and distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up of Lundin Gold rank on parity with the Preference Shares of every other series and shall be entitled to preference over the Shares and the shares of any other class ranking junior to the Preference Shares.

The Preference Shares of any series may be purchased for cancellation or made subject to redemption as determined by the Board. The holders of Preference Shares shall be entitled to notice of meetings called for the purpose of authorizing the dissolution of Lundin Gold or the sale, lease or exchange of substantially all of its assets but shall not be entitled to vote thereat, except as provided by applicable law.

## Shares subject to Escrow or Contractual Restriction on Transfer

Designation of Class	Numbers of Shares subject to Restriction	Percentage of Class
Common Shares	10,060,000	9.9%

### Notes:

- (1) In connection with the Note Offering, an escrow agreement exists with Computershare Trust whereby 10,060,000 Shares are being held by Computershare Trust in escrow. Unless terminated earlier, the escrow period will terminate on December 17, 2016. Release of the Shares from escrow is subject to delivery of a release notice upon the occurrence of certain events including a breach of the Investment Agreement; the Share price exceeding CAD\$5.00; 90 days from closing of the Note Offering; or the occurrence of a Significant Transaction (as defined in the escrow agreement).

## Price Range and Trading Volume

The Shares trade on the TSX under the symbol “LUG”. The following table sets forth, for the periods indicated, the reported intra-day high and low sales prices and aggregate volume of trading of the Shares on the TSX in 2015.

Month (2015)	High (CAD\$) TSX	Low (CAD\$) TSX	Volume
January	4.35	3.73	1,402,453
February	4.14	3.76	490,105
March	4.00	3.75	286,160
April	3.90	3.49	1,203,382
May	3.94	3.50	1,362,289
June	4.13	3.81	914,370
July	4.00	3.57	1,043,237
August	3.98	3.46	449,500
September	3.99	3.72	348,104
October	4.10	3.75	440,622
November	4.10	3.74	479,810
December	4.09	3.78	374,777

Source: Bloomberg Finance L.P.

## Lundin Gold’s Management

### The Board

The following table sets out the names and the provinces or states and countries of residence of each of the directors of Lundin Gold as of the date hereof, their respective positions and offices held with Lundin Gold and their principal occupations during the five preceding years. The following table also identifies the members of each committee of the Board.

Name and Province and Country of Residence	Principal Occupation and Employment for Past Five Years	Director Since <sup>(1)</sup>
JAMES CAMBON <sup>(2,3)</sup> British Columbia, Canada	Vice President, Project Development, Hudson Resources Inc., a TSX-V listed mining company focused on rare earth development in West Greenland, since 2007	2006
CARMEL DANIELE <sup>(4)</sup> London, UK	Founder and Chief Investment Officer of CD Capital UK Ltd., the fund manager of a number of private equity and mining funds, since 2006.	2015
IAN W. GIBBS <sup>(2,3,4,6)</sup> British Columbia, Canada	Chief Financial Officer, Africa Oil Corp., a TSX and Nasdaq Stockholm listed Canadian oil and gas company with assets in Kenya and Ethiopia, since 2009	2008
RON F. HOCHSTEIN <sup>(5)</sup> British Columbia, Canada	President and Chief Executive Officer of the Company since 2014; Chairman of Company from 2008-2014; Prior: Executive Chairman of Denison Mines Corp. ( <b>Denison</b> ) in 2015; President and Chief Executive Officer of Denison from 2009-2014; Director of Denison since 2000.	2004
LUKAS H. LUNDIN Vaud, Switzerland	Chairman of the Board since 2014; prior President and Chief Executive Officer of the Company from 2008-2014; Mining Executive.	2008
PAUL McRAE <sup>(2,3,5,8)</sup> Algarve, Portugal	Senior Vice-President of Lundin Mining Corp, a diversified base metals mining company since 2012; prior Project Manager at Amec Corp., a British multinational consultancy, engineering and project management company from 2009-2011.	2014
PABLO MIR <sup>(5)</sup> Santiago, Chile	Lawyer, Partner of the Chilean law firm Bofill Mir & Alvarez Jana.	2014
ASHLEY HEPPENSTALL <sup>(4,7)</sup> Geneva, Switzerland	Lead Director of the Board since 2015; Prior: President and CEO of Lundin Petroleum AB, an oil and gas exploration and production company with core operations in Norway and South East Asia, from 2002-2015.	2015

**Notes:**

- (1) The term of office of each of the directors will expire at the Annual General Meeting of the Shareholders to be held on June 23, 2016.
- (2) Member, Audit Committee
- (3) Member, Compensation Committee
- (4) Member, Corporate Governance and Nominating Committee
- (5) Member, Environment, Health and Safety
- (6) Chair, Audit Committee and Chair, Compensation Committee
- (7) Chair, Corporate Governance and Nominating Committee
- (8) Chair, Environment, Health and Safety Committee

**Lundin Gold's Executive Officers**

The following table sets out the names and the provinces or states and countries of residence of each of the executive officers of Lundin Gold as of the date hereof, their respective positions and offices held with Lundin Gold and their principal occupations during the five preceding years. Mr. Hochstein, the President and Chief Executive Officer of the Company, is discussed under "Directors" above.

<u>Name and Province and Country of Residence</u>	<u>Position with Lundin Gold and Employment for Past Five Years</u>
CHESTER SEE British Columbia, Canada	Chief Financial Officer since 2013; prior: Chief Financial Officer for NGEx Resources Inc. ( <b>NGEx</b> ), from 2013-2016; Financial Controller, Lucara Diamond Corp., from 2011-2013; Manager, Financial Reporting & Treasury, Western Coal Corp., from 2009-2011.
ANTHONY GEORGE, P.ENG. British Columbia, Canada	Vice President, Project Development since 2015; prior, Senior Vice President, Lucara Diamond Corp. ( <b>Lucara</b> ), from 2010-2014.
NICHOLAS TEASDALE Lima, Peru	Vice President, Exploration since 2015; prior, Director Projects and Growth, Barrick Gold Corporation from 2006-2015.
NATHAN MONASH Quito, Ecuador	Vice President, Business Sustainability since 2015; prior: Vice President, AngloGold Ashanti from 2011-2014 and Manager, Sustainability 2010; Independent Consultant, International Finance Corporation from 2009-2010.
SHEILA COLMAN British Columbia, Canada	Vice President, Legal and Corporate Secretary since 2015; General Counsel and Corporate Secretary, Denison from 2004-2015.

The directors and executive officers of Lundin Gold, as a group, beneficially own, or control or direct, directly or indirectly, 566,875 Shares or less than one percent of the Shares as of the date of this AIF. No single director or officer beneficially owns or controls or directs, directly or indirectly, one percent or more of the Shares as of the date of this AIF. The information as to

Shares beneficially owned or directed by the directors and officers, not being within the knowledge of the Company, has been furnished by each such individual.

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as referred to below, no director or officer of the Company:

(a) is, as at the date of this AIF, or has, within the previous ten year period, been a director or executive officer of a company (including Lundin Gold) that:

(i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued (A) while that person was acting in such capacity or (B) after that person ceased to act in such capacity but which resulted from an event that accrued while that person was acting in that capacity; or

(ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets (A) while that person was acting in such capacity or (B) within a year of that person ceasing to act in such capacity, or

(b) has, within the previous ten year period, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets; or

(c) is, or has been, subject to any penalties or sanctions (i) imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in making an investment decision.

Ron Hochstein, Lukas Lundin and Pablo Mir were all directors of Sirocco Mining Inc. (**Sirocco**). Lukas Lundin resigned on January 31, 2014, at which time Sirocco was financially solvent. Pursuant to a plan of arrangement completed on January 31, 2014, Canadian Lithium Corp. acquired Sirocco. The final step in the plan of arrangement transaction was the amalgamation of Canadian Lithium Corp. and Sirocco to form RB Energy Inc. (**RBI**). On October 13, 2014, RBI announced that, among other things, the Board of RBI had approved a filing on October 14, 2014, for an Initial Order to commence proceedings under the *Companies' Creditors Arrangement Act* (the **CCAA**). On October 15, 2014, RBI further announced that the Quebec Superior Court had issued an Amended and Restated Initial Order in respect of RBI and certain of its subsidiaries under the CCAA. RBI is now under the protection of the Court. KPMG LLP has

been appointed monitor under the Court Order. The TSX de-listed RBI's common shares effective at the close of business on November 24, 2014 for failure to meet the continued listing requirements of the TSX.

Although Lukas Lundin was never a director, officer or insider of RBI, he was a director of Sirocco within the 12 month period prior to RBI filing under the CCAA. Both Pablo Mir and Ron Hochstein were directors of RBI from the time of the plan of arrangement with Canadian Lithium Corp. to October 3, 2014.

### **Conflicts of Interest**

Some of Lundin Gold's directors are also directors and officers of other natural resource companies and, consequently, there exists the possibility for such directors and officers to be in a position of conflict relating to any future transactions or relationships between the Company or common third parties. However, the Company is unaware of any such pending or existing conflicts between these parties. Any decision made by any of such directors and officers involving the Company are made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies and their obligations to act in the best interests of Lundin Gold's Shareholders. In addition, each of the directors of the Company discloses and refrains from voting on any matter in which such director may have a conflict of interest.

None of the present directors or senior officers of the Company, and no associate or affiliate of any of them, has any material interest in any transaction of the Company or in any proposed transaction which has materially affected or will materially affect the Company except as described herein.

- Investor relations, administrative service fees and other expenses of \$293,267 were incurred during the financial year ended December 31, 2015 with Namdo Management Services Ltd, a company which Ron Hochstein owns. These services were incurred in the normal course of operating a public company.
- Legal fees of \$107,321 were incurred during the financial year ended December 31, 2015 with Bofill, Mir & Alvarez Jana, a law firm of which Pablo Mir is a partner.



## Interest of Management and Others in Material Transactions

Other than as disclosed in this AIF, no director or executive officer of Lundin Gold, no person or company that beneficially owns, controls or directs, indirectly or directly, more than 10% of the Shares, and no associate or affiliate of any of them, has or has had, within the three most recently completed financial years or during the current financial year, any material interest, direct or indirect, in any transaction which materially affects or is reasonably expected to materially affect Lundin Gold, except as disclosed below.

- Lorito and Zebra, who report their shareholdings as joint actors, acquired 28,205,000 Shares pursuant to the Financing. As of the date of this AIF, Zebra and Lorito own or control 31,633,474 Shares representing approximately 31.3% of the issued and outstanding Shares.
- Carmel Daniele, one of the Company's directors, is Founder and Chief Investment Officer of CD Capital UK Ltd., which is the fund manager of CD Capital, who subscribed for the Note Offering.

## Standing Committees of the Board

### The Audit Committee

The Audit Committee of the Board is principally responsible for:

- recommending to the Board the external auditor to be nominated for election by the Company's Shareholders at each annual meeting and negotiating the compensation of such external auditor;
- overseeing the work of the external auditor;
- reviewing the Company's annual and interim financial statements, its management's discussion and analysis in respect thereof and press releases regarding earnings before they are reviewed and approved by the Board and publicly disseminated by the Company; and
- reviewing the Company's financial reporting procedures for the Company's public disclosure of financial information extracted or derived from its financial statements.

The Board has adopted an audit committee mandate (the **Mandate**) which sets out the Audit Committee's mandate, organization, powers and responsibilities. The complete Mandate is attached as Schedule A to this AIF.

Below are the details of each Audit Committee member, including his or her name, whether she or he is independent and financially literate as such terms are defined under National Instrument 52-110 - *Audit Committees* of the Canadian Securities Administrators (**NI 52-110**) and his or her education and experience as it relates to the performance of his or her duties as an Audit Committee member. All three audit committee members are financially literate under NI 52-110. The qualifications and independence of each member is discussed.

Member Name	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>	Education & Experience relevant to performance of audit committee duties
IAN W. GIBBS, Chair	Yes	Yes	Mr. Gibbs holds a Bachelor of Commerce degree from the University of Calgary and is a member of the Canadian Institute of Chartered Accountants. Mr. Gibbs has spent over ten years working with public and private energy companies with international operations and has served as the Chief Financial Officer for several Canadian public oil companies since September 2004.
JAMES CAMBON	Yes	Yes	Mr. Cambon holds a Bachelor of Science (Geology) from the University of Western Ontario. Mr. Cambon has attained financial experience and exposure to accounting and financial issues as an independent consultant, as well as his roles with other publicly-traded companies.
PAUL McRAE	Yes	Yes	Mr. McRae is the Senior Vice President, Projects for Lundin Mining. Mr. McRae has extensive experience in project and construction management in the mining industry for both surface and underground projects of all scales and complexities.

**Notes:**

- (1) To be considered independent, a member of the committee must not have any direct or indirect "material relationship" with Lundin Gold. A material relationship is a relationship which could, in the view of the Lundin Gold Board, reasonably interfere with the exercise of a member's independent judgment.
- (2) To be considered financially literate, a member of the committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Lundin Gold's financial statements.

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an internal auditor which was not adopted by the Board.

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in Section 4 of the Mandate.

At the start of January 2015, the Company's auditor, Davidson & Company LLP (the **Former Auditor**), resigned as auditor at the Company's request. PwC was appointed as the successor

auditor effective the same day. There were no reportable events (as defined in National Instrument 51-102) between the Former Auditor and the Company.

The following table discloses the fees billed to the Company by its Former Auditor and PwC, respectively, during the last two fiscal years. Services were billed and paid in Canadian dollars and have been translated into U.S. dollars using an average annual exchange rate of: \$0.7820 for 2015 and \$0.9054 for 2014.

Auditor	Financial Year Ending	Audit Fees <sup>(1)</sup>	Audit-Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
The Former Auditor	December 31, 2014	\$ 9,697	\$ 11,082	\$ -	\$ 31,399
The Former Auditor	December 31, 2015	\$ Nil	\$ Nil	\$ Nil	\$ Nil
PwC	December 31, 2014	\$ Nil	\$ Nil	\$ Nil	\$ Nil
PwC	December 31, 2015	\$ 36,461	\$ 16,382	\$ 32,617	\$ Nil

**Notes:**

- (1) The aggregate fees billed for audit services of the Company's consolidated financial statements.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the Audit Fees column. Fees relate to reviews of interim consolidated financial statements and specified audit procedures not included as part of the audit of the consolidated financial statements.
- (3) The aggregate fees billed for tax compliance, tax advice, and tax planning services, such as transfer pricing and tax return preparation.
- (4) The aggregate fees billed for professional services other than those listed in the other three columns. For 2014, "All Other Fees" relates to fees billed for specified audit procedures relating to the Financing.

**Other Board Committees**

The Board currently has three other standing committees in addition to the Audit Committee, namely the Corporate Governance and Nominating Committee, the Compensation Committee and the Environment, Health and Safety Committee. Each standing committee of the Board operates according to its mandate, which is approved by the Board and sets out the committee's duties and responsibilities. A discussion of each committee and its composition can be found in the most recent management information circular prepared in connection with the Company's Shareholder meeting.

**Corporate Governance**

As a Canadian reporting issuer with its Shares listed on the TSX, Lundin Gold has in place a system of corporate governance practices which is responsive to applicable Canadian requirements, including National Policy 58-201 — *Corporate Governance Guidelines* of the Canadian Securities Administrators (the **Guidelines**). Reference is made to the Corporate Governance Practices section of the most recent management information circular prepared in

connection with the Company's Shareholder meeting, which contains a description of the Company's system of corporate governance practices with reference to the Guidelines.

## Legal and Regulatory Proceedings

There are no legal proceedings to which either the Company or any of its subsidiaries is a party. The Company, as of the date of this AIF, is not aware that any such proceedings are contemplated.

There are no: (a) penalties or sanctions imposed against Lundin Gold by a court relating to securities legislation or by a securities regulatory authority; (b) other penalties or sanctions imposed by a court or regulatory body against Lundin Gold that would likely be considered important to a reasonable investor in making an investment decision in Lundin Gold; or (c) settlement agreements Lundin Gold entered into before a court relating to securities legislation or with a securities regulatory authority.

## Material Contracts

Reference is made to the material contracts which have been filed by Lundin Gold with the Canadian securities regulatory authorities on the SEDAR.

Below are the particulars of each contract, other than those entered into in the ordinary course of business, that is material to Lundin Gold and that was entered into between January 1, 2013 and December 31, 2015 or was entered into before those dates but is still in effect.

1. Share Purchase Agreement dated October 21, 2014 among the Company, Kinross and Aurelian Resources Inc.

Pursuant to the Share Purchase Agreement, the Company acquired a 100% interest in the Fruta del Norte Project in Ecuador through the acquisition of all of the issued and outstanding shares of Aurelian Resources Inc. from Kinross. As consideration for the Acquisition, the Company paid Kinross an aggregate of \$240 million, comprised of \$150 million in cash and 26,156,250 Shares of the Company.

2. Agreement between the Government of Ecuador and the Company, and Others, with respect to the Development of the Fruta del Norte Project dated December 17, 2014 (the **GOE Agreement**).

Pursuant to the GOE Agreement, the GOE has agreed to support the development of the Fruta del Norte Project by Lundin Gold and Lundin Gold has agreed to pursue development of the Fruta del Norte Project, including committing to an investment and work plan to be completed within the 18 months from the Acquisition.

In particular, the GOE agreed to:

- record the transfer of shares of Aurelian Ecuador S.A. to Lundin Gold;
- grant permits, licenses, approvals or authorizations that are under its authority and provide necessary government support to develop, construct, explore and exploit the Fruta del Norte Project;
- reiterate its commitment to provide legal protection of the investments made by Aurelian Ecuador S.A. in the Fruta del Norte Project;
- remain neutral in the event of any third party claims against Lundin Gold or its subsidiaries, except where GOE action is required under Ecuadorian law; and
- deem the concessions comprising the Fruta del Norte Project to be in good standing on the date of the GOE Agreement and not subject to any expiration, invalidity or termination process.

In addition to Lundin Gold's agreement to pursue the development of the Fruta del Norte Project as noted above, Lundin Gold agreed to:

- not commence any legal action against the GOE in respect of actions, events or omissions that occurred prior to the closing of the Acquisition;
- comply with Ecuadorian mining, social, environmental tax and other applicable laws and regulations;
- cause Aurelian Ecuador S.A. to comply with its obligations under an agreement between Kinross and the GOE entered into coincident with the GOE Agreement, whereby Aurelian Ecuador S.A. agreed not to commence an action against the GOE for events occurring prior to the Acquisition.

## Names and Interests of Experts

The Company's independent auditor is PwC, Chartered Professional Accountants, who have issued an independent auditor's report dated February 22, 2016, in respect of Lundin Gold's consolidated financial statements as at December 31, 2015 and 2014. PwC has advised that it is independent with respect to the Company within the meaning of the Code of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

Anthony George, P. Eng., a mining engineer and Lundin Gold's Vice President, Project Development, and Nicholas Teasdale, MAusIMM CP(Geo), Lundin Gold's Vice-President Exploration, are each a "Qualified Person" within the meaning of this term in NI 43-101 and have each prepared sections of this AIF that are of a scientific or technical nature pertaining to the Company's Fruta del Norte Project and have each verified the data disclosed therein. To the knowledge of Lundin Gold, Anthony George is the registered or beneficial owner, directly or indirectly, of less than one percent of the outstanding Shares. To the knowledge of Lundin Gold,

Nicholas Teasdale is the registered or beneficial owner, directly or indirectly, of less than one percent of the outstanding Shares.

RPA Inc. was retained to independently review and audit the Company's mineral resource estimates in accordance with the requirements of NI 43-101. The FDN Report was prepared by Luke Evans, M.Sc., P.Eng., David Ross, M.Sc., P. Geo. and Brenna Scholey, P. Eng. All of the authors of the technical report are independent of Lundin Gold. To the knowledge of Lundin Gold as of the date hereof, the partners, employees and consultants of RPA Inc., who participated in the preparation of the FDN Report or who were in a position to influence the outcome of such report and RPA Inc. are the registered or beneficial owner, directly or indirectly, of less than one percent of the outstanding Shares.

Mr. Tony Lipiec, P.Eng., Principal Metallurgical Engineer with Amec Foster Wheeler Americas Limited and a Qualified Person under National Instrument 43-101, supervised the preparation of the metallurgical information contained in this AIF. To the knowledge of Lundin Gold, Tony Lipiec is the registered or beneficial owner, directly or indirectly, of less than one percent of the outstanding Shares.

## Additional Information

Additional information regarding the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com). Further information concerning the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, will be contained in the information circular for the Annual General Meeting of Shareholders to be held on June 23, 2016. Additional financial information is provided in the 2015 Financial Statements and the 2015 MD&A.

A copy of this AIF, as well as the Company's information circular and such other information and documentation that the Company makes available via SEDAR, can be found at [www.sedar.com](http://www.sedar.com). In addition, certain of this information will be distributed to Shareholders in connection with Lundin Gold's Annual General Meeting of Shareholders. The Company will provide any of the foregoing documents subject to its rights to require people who are not security holders of the Company to pay a reasonable charge. Copies of these documents may be obtained by writing to the Corporate Secretary at:

Lundin Gold Inc.  
2000-885 West Georgia Street  
Vancouver, BC, Canada V6C 3E8  
+1 604 689-7842 Main  
+1 604 689-4250 Fax  
Email: [info@lundingold.com](mailto:info@lundingold.com)

## Schedule A



(the "Corporation")

### CHARTER OF THE AUDIT COMMITTEE

#### 1. Purpose of the Audit Committee

The Audit Committee oversees the accounting and financial reporting processes of the Corporation and its subsidiaries and all audits and external reviews of the financial statements of the Corporation on behalf of the Board, and has general responsibility for oversight of internal controls, accounting and auditing activities of the Corporation and its subsidiaries.

#### 2. Members of the Audit Committee

2.1. The Audit Committee shall be appointed annually by the Board and shall be composed of three members, each of whom must be a director of the Corporation.

2.2. Each member of the Audit Committee shall hold office as such until the next annual meeting of shareholders after his or her appointment, provided that any member of the Audit Committee may be removed or replaced at any time by the Board and shall at any time cease to be a member of the Audit Committee on ceasing to be a director.

2.3. From this date forward, every Audit Committee member must be independent, within the meaning of National Instrument 52-110 ("NI 52-110").

2.4. Every Audit Committee member must be financially literate, within the meaning of NI 52-110.

#### 3. Meeting Requirements

3.1. The times of and the places where meetings of the Audit Committee will be held and the calling of and the procedure at those meetings shall be determined from time to time by the Audit Committee, but in any event, the Audit Committee will meet on a regular basis at least once every quarter; provided that notice of every such meeting shall be given to the Auditor (as defined in paragraph 4.1.1 below) of the Corporation and that meetings shall be convened whenever requested by the Auditor or any member of the Audit Committee in accordance with the *Canada Business Corporations Act*.

3.2. Two members of the Audit Committee shall constitute a quorum.

#### 4. Duties and Responsibilities

##### 4.1. *Appointment, Oversight and Compensation of Auditor*

4.1.1. The Audit Committee shall recommend to the Board:

- a) the auditor (the "Auditor") to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
- b) the compensation of the Auditor.

In making such recommendations, the Audit Committee shall evaluate the Auditor's performance and review the Auditor's fees for the preceding year.

4.1.2. The Auditor shall report directly to the Audit Committee.

4.1.3. The Audit Committee shall be directly responsible for overseeing the work of the Auditor, including the resolution of disagreements between management and the Auditor regarding financial reporting.

4.1.4. The Audit Committee shall review information, including written statements from the Auditor, concerning any relationships between the Auditor and the Corporation or any other relationships that may adversely affect the independence of the Auditor and assess the independence of the Auditor.

#### 4.2. *Non-Audit Services*

4.2.1. All auditing services and non-audit services provided to the Corporation or the Corporation's subsidiaries by the Auditor shall, to the extent and in the manner required by applicable law or regulation, be pre-approved by the Audit Committee. In no circumstances shall the Auditor provide any non-audit services to the Corporation that are prohibited by applicable law or regulation.

#### 4.3. *Review of Financial Statements etc.*

4.3.1. The Audit Committee shall review the Corporation's:

- a) interim and annual financial statements and Management's Discussion and Analysis ("MD&A"), intended for circulation among shareholders; and
  - b) Annual Information Form only to the extent that it contains financial information or projections,
- and shall report on them to the Board.

4.3.2. The Audit Committee shall satisfy itself that the audited financial statements and interim financial statements present fairly the financial position and results of operations in accordance with generally accepted accounting principles and that the auditors have no reservations about such statements.

4.3.3. The Audit Committee shall review changes in the accounting policies of the Corporation and accounting and financial reporting proposals that are provided by the Auditor that may have a significant impact on the Corporation's financial reports, and report on them to the Board.

#### 4.4. *Review of Public Disclosure of Financial Information*

4.4.1. The Audit Committee shall review the Corporation's annual and interim press releases relating to financial results and any earnings guidance (provided by the Corporation) before the Corporation publicly discloses this information.

4.4.2. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in subsection 4.4.1, and must periodically assess the adequacy of those procedures.



#### 4.5. *Review of Annual Audit*

4.5.1. The Audit Committee shall review the nature and scope of the annual audit, and the results of the annual audit examination by the Auditor, including any reports of the Auditor prepared in connection with the annual audit.

4.5.2. The Audit Committee shall satisfy itself that there are no unresolved issues between management and the Auditor that could affect the audited financial statements.

4.5.3. The Audit Committee shall satisfy itself that, where there are unsettled issues that do not affect the audited financial statements (e.g. disagreements regarding correction of internal control weaknesses, or the application of accounting principles to proposed transactions), there is an agreed course of action leading to the resolution of these matters.

4.5.4. The Audit Committee shall satisfy itself that there is generally a good working relationship between management and the Auditor.

#### 4.6. *Review of Quarterly Review Engagements*

4.6.1. The Audit Committee shall review the nature and scope of any review engagements for interim financial statements, and the results of such review engagements by the Auditor, including any reports of the Auditor prepared in connection with such review engagements.

4.6.2. The Audit Committee shall satisfy itself that there are no unresolved issues between management and the Auditor that could affect any interim financial statements.

4.6.3. The Audit Committee shall satisfy itself that, where there are unsettled issues that do not affect any interim financial statements (e.g. disagreements regarding correction of internal control weaknesses, or the application of accounting principles to proposed transactions), there is an agreed course of action leading to the resolution of these matters.

#### 4.7. *Internal Controls*

4.7.1. The Audit Committee shall have responsibility for oversight of management reporting and internal control for the Corporation and its subsidiaries.

4.7.2. The Audit Committee shall satisfy itself that there are adequate procedures for review of interim statements and other financial information prior to distribution to shareholders.

#### 4.8. *Complaints and Concerns*

4.8.1. The Audit Committee shall establish procedures for:

- a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

#### 4.9. *Hiring Practices*

4.9.1. The Audit Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former Auditors of the Corporation.

#### *4.10. Other Matters*

4.10.1. The Audit Committee shall be responsible for oversight of the effectiveness of management's interaction with and responsiveness to the Board;

4.10.2. The Audit Committee shall review and monitor all related party transactions which may be entered into by the Corporation.

4.10.3. The Audit Committee shall approve, or disapprove, material contracts where the Board determines it has a conflict.

4.10.4. The Audit Committee shall satisfy itself that management has put into place procedures that facilitate compliance with the provisions of applicable securities laws and regulations relating to insider trading, continuous disclosure and financial reporting.

4.10.5. The Audit Committee shall oversee and annually review the Corporation's Code of Business Conduct and Ethics, and review and recommend to the Board the members of the Disclosure Committee from time to time and where a vacancy occurs at any time in the membership of the Disclosure Committee.

4.10.6. The Audit Committee shall periodically review the adequacy of this Charter and recommend any changes to the Board.

4.10.7. The Board may refer to the Audit Committee such matters and questions relating to the financial position of the Corporation and its affiliates as the Board from time to time may see fit.

### **5. Rights and Authority of the Audit Committee and the Members Thereof**

5.1. The Audit Committee has the authority:

- a) To engage independent counsel and other advisors as it determines necessary to carry out its duties;
- b) To set and require the Corporation to pay the compensation for any advisors employed by the Audit Committee; and
- c) To communicate directly with the Auditor and, if applicable, the Corporation's internal auditor.

5.2. The members of the Audit Committee shall have the right, for the purpose of performing their duties, to inspect all the books and records of the Corporation and its affiliates and to discuss those accounts and records and any matters relating to the financial position of the Corporation with the officers and Auditor of the Corporation and its affiliates, and any member of the Audit Committee may require the Auditor to attend any or every meeting of the Audit Committee.

### **6. Miscellaneous**

Nothing contained in this Charter is intended to extend applicable standards of liability under statutory or regulatory requirements for the directors of the Corporation or members of the Audit Committee. The purposes, responsibilities, duties and authorities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to

adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.