

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws. Accordingly, the securities offered hereby may not be offered, sold or delivered, directly or indirectly, within the United States of America, its territories and possessions, any state of the United States or the District of Columbia (the “**United States**”) except in transactions exempt from such registration. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See “Plan of Distribution”.

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from Sheila Colman, Vice President, Legal and Corporate Secretary, at 885 West Georgia Street, Suite 2000, Vancouver, British Columbia, V6C 3E8, telephone: 604-689-7842 and are also available electronically at [www.sedar.com](http://www.sedar.com).

NEW ISSUE

SHORT FORM PROSPECTUS

July 12, 2016

# LUNDIN GOLD

## Lundin Gold Inc.

**\$82,500,000**

**15,000,000 Common Shares**

Lundin Gold Inc. (“**Lundin Gold**” or the “**Company**”) hereby qualifies for distribution in each of the provinces and territories of Canada, other than Québec, an aggregate of 15,000,000 common shares, (the “**Offered Shares**”, as modified below) in the capital of the Company (the “**Offering**”) at an offering price of \$5.50 per Offered Share (the “**Offering Price**”). The Offered Shares will be sold pursuant to an underwriting agreement dated July 4, 2016 (the “**Underwriting Agreement**”) among the Company and GMP Securities L.P. (the “**Lead Underwriter**”), BMO Nesbitt Burns Inc., Dundee Securities Ltd., Cormark Securities Inc., Paradigm Capital Inc., and Scotia Capital Inc. (collectively with the Lead Underwriter, the “**Canadian Underwriters**”) and Pareto Securities AS (“**Pareto**”, and together with the Canadian Underwriters, the “**Underwriters**”). Pareto is not registered as a dealer in any Canadian jurisdiction and accordingly, will not, directly or indirectly, solicit offers to purchase or sell the Offered Shares in Canada. The Offering Price was determined by arm’s length negotiation between the Lead Underwriter on behalf of the Underwriters and the Company with reference to the prevailing market price of the Shares (defined below). See “Plan of Distribution”.

The outstanding common shares (the “**Shares**”) of the Company are listed and posted for trading on the Toronto Stock Exchange (the “**TSX**”) and on NASDAQ Stockholm under the symbol “LUG”. On June 27, 2016, the last full trading day prior to the announcement of the Offering, the closing price of the Shares on the TSX was \$5.79 and on NASDAQ Stockholm was SEK39.20. On July 11, 2016, the last trading day prior to filing this short form prospectus, the closing price of the Shares on the TSX was \$5.94 and on NASDAQ Stockholm was SEK39.60. Lundin Gold has received conditional approval to list the Offered Shares distributed hereunder on the TSX. Listing will be subject to Lundin Gold fulfilling all of the listing requirements of the TSX.

**Price: \$5.50 per Offered Share**

	<b>Price to Public</b>	<b>Underwriters' Fee<sup>(1)</sup></b>	<b>Net Proceeds to the Company<sup>(3)(4)</sup></b>
Per Offered Share .....	\$5.50	\$0.275	\$5.225
Total.....	\$82,500,000	\$3,025,000 <sup>(2)</sup>	\$79,475,000 <sup>(2)</sup>

Notes:

- (1) Pursuant to the terms and conditions of the Underwriting Agreement, the Company has agreed to pay a cash commission to the Underwriters equal to 5% of the gross proceeds of the Offering (including on any exercise of the Over-Allotment Option (as defined below)) (the “**Underwriters’ Fee**”), other than in respect of proceeds of \$22 million realized from the sale of Offered Shares to Zebra Holdings and Investments S.à.r.l. (“**Zebra**”) and Lorito Holdings S.à.r.l (“**Lorito**”), who are insiders of the Company, on which the Underwriters will not receive a cash fee.
- (2) Reflects the fact that no commission will be payable in respect of proceeds of \$22 million realized from the sale of Offered Shares to Zebra and Lorito.
- (3) After deducting the Underwriters’ Fee in respect of the Offering, but before deducting the expenses of the Offering, estimated to be \$800,000, which will be paid by the Company from the proceeds of the Offering.
- (4) The Company has granted to the Underwriters an option (the “**Over-Allotment Option**”), exercisable in whole or in part for a period of 30 days from and including the date of the Second Closing (defined below), to purchase up to an additional 2,250,000 Shares (the “**Additional Shares**”) on the same terms as set forth above to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total Price to the Public, Underwriters’ Fee and Net Proceeds to the Company will be \$94,875,000, \$3,643,750 and \$91,231,250 (before estimated expenses of \$800,000), respectively. See “Plan of Distribution”. This short form prospectus qualifies the grant of the Over-Allotment Option and the issuance of Additional Shares on the exercise of the Over-Allotment Option. A purchaser who acquires Additional Shares forming part of the Underwriters’ over-allocation position acquires those Additional Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. The Underwriters may only exercise the Over-Allotment Option if the Swedish Prospectus Condition (as defined below) is satisfied. Unless the context requires otherwise, all references herein to the “**Offered Shares**” include the Additional Shares.

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. During the distribution of the Offering, the Underwriters may effect transactions in the Offered Shares in accordance with applicable market stabilization rules. See “Plan of Distribution”.

No certificate evidencing the Offered Shares will be issued to purchasers under this short form prospectus. It is expected that the closing of the Offering will occur in two tranches with the first closing of 10,000,000 Offered Shares to occur on or about July 19, 2016 (the “**Initial Closing**”) and the closing of the second tranche, being 5,000,000 Offered Shares to occur on or about August 11, 2016 (the “**Second Closing**”), or such other dates as may be agreed upon between the Company and the Underwriters, but in any event no later than 42 days after the date of the final receipt for this short form prospectus. The closing of the second tranche of 5,000,000 Offered Shares, plus any Additional Shares to be acquired on the exercise of the Over-Allotment Option, is conditional upon the approval and registration with the Swedish Financial Supervising Authority of a listing prospectus (and the subsequent publication of the prospectus), regarding the listing of the Offered Shares on NASDAQ Stockholm (the “**Swedish Prospectus Condition**”). See “Plan of Distribution”. In the event that the Swedish Prospectus Condition is not met by August 8, 2016 (subject to the discretion of the Lead Underwriter, acting reasonably, to extend), the Underwriters shall not have any obligation to complete the Second Closing.

The Offered Shares are expected to be deposited electronically with CDS Clearing and Depository Services Inc. (“**CDS**”) at the applicable closing.

The following table sets out the number of Additional Shares that may be issued by the Company to the Underwriters pursuant to the Over-Allotment Option:

<b>Underwriters’ Position</b>	<b>Maximum Size</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option	2,250,000 Additional Shares	Up to 30 days from and including the Second Closing	\$5.50 per Additional Share

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to approval of certain legal matters relating to the Offering by Blake, Cassels & Graydon LLP, on behalf of the Company, and by Cassels Brock & Blackwell LLP, on behalf of the Underwriters. Pareto will not, directly or indirectly, solicit offers to purchase or sell the Offered Shares in Canada.

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. The Underwriters may offer the Offered Shares at a price lower than that stated above. See **“Plan of Distribution”**.

The head office of Lundin Gold is located at 885 West Georgia Street, Suite 2000, Vancouver, British Columbia, V6C 3E8. The registered office of Lundin Gold is located at 595 Burrard Street, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, V7X 1L3.

Lukas Lundin, Non-Executive Chairman and Director; as well as Paul McRae, Pablo Jose Mir, Carmel Daniele and Charles Ashley Heppenstall, directors of the Company, reside outside of Canada and have appointed Blakes Vancouver Services Inc., c/o Blake, Cassels & Graydon LLP, 595 Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, V7X 1L3 as their agent for service of process.

Each of (a) Juleen Brown, Stella Searston, Alejandro Sepúlveda and Anthony R. Maycock each of whom is a named expert, resides outside of Canada, and (b) Amec Foster Wheeler E&C Services Inc., MM Consultores Limitada (**“MM Consultores”**) and NCL Ingeniería y Construcción SpA (**“NCL”**) each of which is a named expert, is a company incorporated, continued or otherwise organized under the laws of a foreign jurisdiction.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

**An investment in the Offered Shares is highly speculative and involves significant risks that should be carefully considered by prospective investors. The risks outlined in this short form prospectus and in the documents incorporated herein by reference should be carefully reviewed and considered by prospective investors. See “Risk Factors” and “Cautionary Statements Regarding Forward-Looking Statements”.**

**Prospective investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, territorial, local, foreign and other tax consequences of acquiring, holding or disposing of Offered Shares, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires Offered Shares.**

References to Lundin Gold or the Company also include its subsidiary entities as the context requires.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus contains “forward-looking statements” within the meaning of Canadian and U.S. securities laws concerning results and developments in our operations in future periods, planned exploration activities, the adequacy of our financial resources and other events or conditions that may occur in the future. These forward-looking statements may include statements regarding perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including our plans and expectations relating to the Fruta del Norte Gold Project in southeast Ecuador (the “**Fruta del Norte Project**”), completion of transactions, market prices for precious and base metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute “forward-looking statements” to the extent that they involve estimates of the mineralization that will be encountered if the Fruta del Norte Project is developed.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:

- the closing of the Offering (in whole or in part) and the satisfaction of the Swedish Prospectus Condition;
- the satisfaction of the conditions to closing of the Offering, including the receipt, in a timely manner, of regulatory and other required approvals;
- assumptions regarding the cost, timing and availability of additional required financing;
- the assumption that Lundin Gold will be able to obtain or maintain the permits it requires and on a timely basis, and comply with the terms of any such permits;
- the assumption that Lundin Gold will be able to enter into the Definitive Exploitation Agreement (as defined below) with the Government of Ecuador within the required timeframe;
- estimated capital costs, operating costs, production and economic returns;
- estimated commodity and metal pricing, mineability and marketability, together with other assumptions underlying Mineral Resource and Mineral Reserve estimates, as applicable;
- Lundin Gold’s expected ability to develop infrastructure and that the cost of doing so will be reasonable;
- assumptions made in the interpretation of drill results, geology, grade and continuity of mineral deposits;
- Lundin Gold’s expectations regarding demand for equipment, skilled labour and services needed for exploration and development of mineral properties; and
- Lundin Gold’s activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

Forward-looking statements involve 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 achievements expressed or implied by the forward-looking statements. Such factors include, among others:

- risks related to liquidity and negative cash flow;
- uncertainties that the proceeds will not be spent as outlined under “Use of Proceeds”;
- risks that the market price of the Shares may fluctuate;
- risks that the sale of a significant number of Lundin Gold’s Shares in the public markets, or the perception of such sales, could depress the market price of the Shares;
- risks that holders of Shares will be diluted;
- 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;
- difficulty complying with tax regimes in Ecuador;
- economic developments in Ecuador that negatively impact the Company;
- local opposition to mining;
- risks associated with exploration and development activity;
- the accuracy of the Mineral Resource and Mineral Reserve estimates for the Fruta del Norte Project;
- the Company's lack of operating history in Ecuador;
- the Company's reliance on one project;
- illegal mining;
- uncertainty as to reclamation and decommissioning liabilities;
- adverse conditions in the financial markets;
- volatility in the price of gold;
- risks associated with recruiting and retaining qualified personnel;
- shortages of resources, such as labour, and the dependence on key personnel;
- unreliable infrastructure;
- competition in the mining industry;
- negative cash flow;
- the inadequacy of insurance;
- compliance with anti-corruption and anti-bribery laws;
- limitations of disclosure and internal controls;
- the potential influence of the Company's largest shareholders; and
- potential conflicts of interest for the Company's directors who are engaged in similar businesses.

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this short form prospectus under the heading "Risk Factors" and in the Company's AIF (as defined below).

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The forward-looking statements contained in this short form prospectus are based on the beliefs, expectations and opinions of management as of the date hereof. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers and investors should not place undue reliance on forward-looking statements. Lundin Gold does not intend to update forward-looking statements, except as required by law.

### **CURRENCY AND EXCHANGE RATE INFORMATION**

Unless otherwise indicated, all references to "\$", "Cdn\$" or "dollars" in this short form prospectus refer to Canadian dollars. References to "US\$" in this short form prospectus refer to United States dollars. References to "SEK" in this short form prospectus refer to Swedish krona.

The following table sets forth (a) the rate of exchange for the Canadian dollar, expressed in U.S. dollars and Swedish krona, in effect at the end of the periods indicated; (b) the average exchange rates for the Canadian dollar, expressed in U.S. dollars and Swedish krona, on the last day of each month on which exchange rates are published during such periods; and (c) the high and low exchange rates for the Canadian dollar, expressed in U.S. dollars and Swedish krona, during such periods, each based on the noon rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into U.S. dollars and Canadian dollars into Swedish krona:

	Cdn\$ to US\$			Cdn\$ to SEK		
	Fiscal Year Ended			Fiscal Year Ended		
	<u>Dec. 31,</u> <u>2015</u>	<u>Dec. 31,</u> <u>2014</u>	<u>Dec. 31,</u> <u>2013</u>	<u>Dec. 31,</u> <u>2015</u>	<u>Dec. 31,</u> <u>2014</u>	<u>Dec. 31,</u> <u>2013</u>
Rate at the end of period	0.7225	0.8620	0.9402	6.1050	6.7431	6.0423
Average rate during period	0.7820	0.9054	0.9710	6.5974	6.1974	6.3234
Highest rate during period	0.8527	0.9422	1.0164	7.1225	6.7431	6.6489
Lowest rate during period	0.7148	0.8589	0.9348	6.0386	5.6883	6.0277

The noon exchange rates on July 11, 2016 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was \$1.00 equals US\$0.7618 and for the conversion of Canadian dollars into Swedish krona was \$1.00 equals SEK6.5402.

#### DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference into this short form prospectus from documents filed with the securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from Sheila Colman, Vice President, Legal and Corporate Secretary and are also available electronically at [www.sedar.com](http://www.sedar.com).

The following documents, filed with the securities regulatory authorities in the jurisdictions in Canada in which the Company is a reporting issuer, are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- 1) the annual information form of the Company for the year ended December 31, 2015 dated March 14, 2016 (the “**AIF**”);
- 2) the management information circular of the Company dated May 16, 2016 regarding the annual general meeting of shareholders of the Company that was held on June 23, 2016 (the “**Circular**”);
- 3) the audited annual consolidated financial statements of the Company as at and for the years ended December 31, 2015 and 2014, together with the notes thereto, and the auditor’s report thereon (the “**Annual Financial Statements**”);
- 4) management’s discussion and analysis of financial condition and results of operations of the Company for the year ended December 31, 2015 dated February 22, 2016 (the “**Annual MD&A**”);
- 5) the unaudited interim consolidated financial statements of the Company as at and for the three months ended March 31, 2016, together with the notes thereto (the “**Interim Financial Statements**”);
- 6) management’s discussion and analysis of financial condition and results of operations of the Company for the three months ended March 31, 2016 dated May 14, 2016 (the “**Interim MD&A**”);
- 7) the material change report of the Company dated January 21, 2016 reporting the announcement of the completed negotiation of the form of Definitive Exploitation Agreement for the Fruta del Norte Project with the Government of Ecuador;
- 8) the material change report of the Company dated June 13, 2016 reporting the results of an independent Feasibility Study for the Fruta del Norte Project; and
- 9) the material change report of the Company dated June 30, 2016 reporting the announcement of the Offering.

**Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference into this short form prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding**

statement shall not be deemed an admission for any purposes that the modified or superseded statement when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this short form prospectus.

Any document of the type required to be incorporated into the short form prospectus by item 11.1 of Form 44-101F1 – *Short Form Prospectus Distributions* (excluding confidential material change reports and excluding those portions of documents that are not required pursuant to National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference herein) filed by the Company after the date of this short form prospectus and before the termination of the distribution are deemed to be incorporated by reference in this short form prospectus. Copies of the documents incorporated by reference may be obtained without charge from the Vice President, Legal and Corporate Secretary of the Company at the above-mentioned address and telephone number and are also available electronically on the SEDAR website at [www.sedar.com](http://www.sedar.com). Information on the Company's website does not constitute part of this short form prospectus.

### **Marketing Materials**

Any “template version” of any “marketing materials” (as defined in National Instrument 41-101 – *General Prospectus Requirements*) that are utilized by the Underwriters in connection with the Offering are not part of this short form prospectus to the extent that the contents of template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any other marketing materials filed on SEDAR at [www.sedar.com](http://www.sedar.com) after the date of this short form prospectus but before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the marketing materials) is deemed to be incorporated by reference in this short form prospectus.

## **DESCRIPTION OF THE BUSINESS**

Lundin Gold is a Canadian mining company listed on the TSX and NASDAQ Stockholm under the symbol “LUG”. Lundin Gold owns the Fruta del Norte Project located in southeast Ecuador. The Company believes that the Fruta del Norte Project is one of the largest and highest grade undeveloped gold projects in the world. The Company is advancing the Fruta del Norte Project in order to realize the significant potential of this asset.

## **RECENT DEVELOPMENTS**

### **Appointment of Alessandro Bitelli as Executive Vice President, Chief Financial Officer**

On June 28, 2016, the Company announced the appointment of Alessandro Bitelli as Executive Vice President, Chief Financial Officer of the Company, effective July 1, 2016. Mr. Bitelli brings over 30 years of experience in the resource industry and in public accounting to Lundin Gold, having worked both in North America and Europe. Mr. Bitelli was a member of the senior management team at the Lundin Group of Companies until January 2016 and most recently was Chief Financial Officer of Orca Gold Inc. Prior to that, Mr. Bitelli served as Chief Financial Officer for Red Back Mining Inc., a gold mining company with two African operations that traded on the TSX until its \$8.9 billion takeover in 2010.

Following the takeover of Red Back Mining Inc., Mr. Bitelli was the Chief Financial Officer of 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 (the “**Court**”) had issued an Amended and Restated Initial Order in respect of RBI and certain of its subsidiaries under the CCAA. RBI was under the protection of the Court and KPMG LLP was appointed monitor under the Court order. The TSX de-listed RBI's common shares effective at the close of business on November 24, 2014 for failure to meet the continued listing requirements. On May 8, 2015, RBI announced that the Court appointed a receiver, Duff & Phelps Canada Restructuring Inc., under the *Bankruptcy and Insolvency Act*, and terminated the CCAA proceedings. Mr. Bitelli was terminated from his role of Chief Financial Officer on May 8, 2015 and is considered to have been an executive officer of an issuer that, while he was acting as an executive officer, filed for CCAA protection and subsequently had a receiver appointed.

## **Ecuadorian Governmental Approvals**

On June 16, 2016, the Company submitted its Phase Change Application (the “PCA”) for the La Zarza concession (host to the Fruta del Norte Project). The Government of Ecuador is required to review and render a determination on the phase change of La Zarza within 60 days of the PCA's submittal. Accordingly, the Company expects a decision from the Government of Ecuador on or before August 15, 2016.

The Company continues to work with the Government of Ecuador on obtaining key environmental permits, including formal approval of the environmental impact assessment and related environmental license, which are also required to develop the Fruta del Norte Project. Additionally, the Company is 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. Work on the general work and investment plan is underway and the Company expects to complete it before the end of August 2016.

## **Zebra Holdings Loan Facility**

On June 8, 2016, the Company announced that it secured a US\$18 million credit facility (the “Facility”) from Zebra, a company owned by a trust whose settlor was the late Adolf H. Lundin. Zebra is an insider of Lundin Gold. The Facility is evidenced by a debenture (the “Debenture”) which is unsecured and is due on the earlier of the closing of a financing by the Company or August 31, 2016 (the “Maturity Date”). No interest is payable in cash during the term of the Debenture. Any amount of the Facility remaining unpaid and outstanding on or after the Maturity Date, however, shall bear interest at a rate of 5.00% per annum until repaid in full.

The principal proceeds from the Facility are being used for general corporate purposes and advancement of its Early Works program at the Fruta del Norte Project. See “Fruta del Norte – Recommendations And Conclusions – Phase 1: Early Works”.

The terms of the Facility required the Company to issue to Zebra an aggregate of 20,000 Shares as consideration for the Facility in lieu of fees. The Company will also issue an additional 1,700 Shares per month for each US\$1 million of the Facility drawn down and outstanding until the Maturity Date. All securities issued in conjunction with the Facility will be subject to a four-month hold period under applicable securities law.

As of the date hereof, an aggregate of US\$8 million is owing under the Facility.

## **Feasibility Study of the Fruta del Norte Project, Ecuador**

On June 6, 2016, the Company announced the results of an independent feasibility study on the Fruta del Norte Project, highlights of which include:

- Probable Mineral Reserves totalling 4.82 million ounces of gold and 6.34 million ounces of silver (15.5 million tonnes at 9.67 g/t Au and 12.7 g/t Ag);
- Estimated average annual gold production of 340,000 ounces at an average life of mine (“LOM”) total cash cost of US\$553/oz and a LOM all-in sustaining cash cost of US\$623/oz, placing the Fruta del Norte Project in the lowest cash cost quartile globally;
- LOM production of approximately 4.4 million ounces of gold and 5.2 million ounces of silver over an initial 13-year mine life using an average gold recovery of 91.7% and average silver recovery of 81.5%;
- Estimated project capital cost, including contingency, of US\$669 million, net of taxes;
- Targeted start of construction in mid-2017;
- Expected first gold production in first quarter 2020 with first year of full production in 2021;
- Project economics at a gold price of US\$1,250/ounce and a silver price of US\$20/ounce resulted in the following:

	Pre-Tax	After Tax
Net Present value at a 5% discount rate (“NPV <sub>5</sub> ”)	US\$1,283 million	US\$676 million
Internal Rate of Return (“IRR”)	23.8%	15.7%
Capital Payback (yrs)	3.7	4.5

Notes

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

- The cash flow to be generated over the initial three years, annual average over the first 10 years and LOM are shown in the following table.

US\$M	2020	2021	2022	Average Yrs 1 -10	LOM
Doré Revenue	62	121	151	133	1,669
Concentrate Revenue	117	247	314	280	3,631
Total Revenue	179	368	465	414	5,301
Operating Costs	107	151	149	147	1,961
Operating Profit	72	216	316	267	3,339
Taxes & Royalties	16	(6)	16	59	914
Capex	139	16	11	28	975
Changes in Working Capital	46	8	11	6	-
Cash Flow (After Tax)	(129)	198	279	174	1,449

Note: Numbers may not add due to rounding.

See “Fruta del Norte Project” for a further discussion of the project, including assumptions, parameters and other factors relating to the above disclosure.

### FRUTA DEL NORTE PROJECT

On June 15, 2016, Lundin Gold released the results of a National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“**NI 43-101**”) compliant technical report entitled *Fruta del Norte Project Ecuador NI 43-101 Technical Report on Feasibility Study*, dated June 2016 with an effective date of April 30, 2016 (the “**Technical Report**”), prepared by Amec Foster Wheeler Americas Ltd. The firms and consultants who are providing Qualified Persons (“**QPs**”) responsible for the content of the Technical Report, which is based on a feasibility study completed in 2016 (the “**2016 FS**”) and supporting documents prepared for the 2016 FS, are, in alphabetical order, Amec Foster Wheeler Americas Ltd. and Amec Foster Wheeler E&C Services Inc. (collectively, “**Amec Foster Wheeler**”), Klohn Crippen Berger Ltd. (“**KCB**”), MM Consultores, NCL, and Roscoe Postle Associates Inc. (“**RPA**”). The QPs responsible for the Technical Report are as follows: Mr. Ignacy (Tony) Lipiec, P.Eng., Director, Process Engineering, Amec Foster Wheeler; Ms. Juleen Brown, MAusIMM CP, Mining Sector Lead - Environment, Amec Foster Wheeler; Mr. Simon Allard, P.Eng., Principal Consultant and Study Manager, Amec Foster Wheeler; Mr. Charles Masala, P.Eng., Associate Water Resources Engineer, Amec Foster Wheeler; Ms. Stella Searston, RM SME, Principal Geologist, Amec Foster Wheeler; Mr. Bryan D. Watts, P.Eng., Chairman and Principal, KCB; Mr. Alejandro Sepúlveda, RM CMC, Principal and Project Director, NCL; Mr. Anthony (Tony) R. Maycock, P.Eng., MM Consultores; and Mr. David A. Ross, P.Geo., Director, Resource Estimation, Principal Geologist, RPA. The Technical Report has been filed with Canadian securities regulatory authorities on SEDAR (available at [www.sedar.com](http://www.sedar.com)).

The information contained in this section has been derived from the Technical Report, is subject to certain assumptions, qualifications and procedures described in the Technical Report and is qualified in its entirety by the full text of the Technical Report. Reference should be made to the full text of the Technical Report.

## **Project Description, Location And Access**

### ***Location and Means of Access***

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

### ***Nature and Extent of Title***

Lundin Gold’s mineral tenure holdings currently comprise 31 mining concessions that cover an area of approximately 74,855 ha. The Fruta del Norte deposit is hosted in the La Zarza concession. In addition to the mining tenures, Lundin Gold holds two construction materials concessions that total about 237 ha.

Lundin Gold’s concessions in Ecuador are held in the name of Aurelian Ecuador S.A. (“**Aurelian**”) an indirect, wholly-owned subsidiary of Lundin Gold. The concessions were originally issued under Ecuador’s old mining laws with a 30-year term. With the reformation of the country’s mining laws in 2009, Lundin Gold’s concessions were registered in the Mining Registry and now have different expiry dates, ranging from 21–23 years from the date of registration. The majority of the concessions form a large contiguous block that extends from the Nangaritza River eastward to the international border with Peru.

Under the current Mining Law, a concession’s term is divided into two stages: exploration and exploitation. The exploration stage is further subdivided into shorter phases based on the achievement of stipulated milestones. Obligations that must be met to retain the concessions include payment of annual conservation fees, completion of annual reports on exploration completed, and proposed investment plans. Any failure to achieve these milestones and successfully advance to the next stage by the deadline can result in a forfeiture of the concession. In the final stage of exploration, referred to as the economic evaluation stage, an application for exploitation can be made to the Government of Ecuador. If successful, a concessionaire can then enter into an exploitation agreement with the Government of Ecuador, and the concession term is the one negotiated under the agreement. In 2016, four of Lundin Gold’s metallic concessions, including Duque, Princesa, Emperador 1 and Emperadora, are required to advance to the economic evaluation stage or be surrendered by Lundin Gold. The remaining 26 metallic concessions need to advance to the economic evaluation stage by December 2018 or be surrendered.

Surface rights must be obtained to support mining project development either through the land acquisition or by an easement (agreed with the land titleholder or imposed by the Ministry of Mining). To date, 60 public deeds for required surface rights have been signed, which cover a collective area of approximately 4,118.5 ha. At the Technical Report effective date, one public deed remains in negotiation for an area of approximately 40 ha.

Seven land easements have been concluded; these cover areas including the access road and construction of surface infrastructure to support mining activities. The term granted is equivalent to the duration of the La Zarza concession term, or the term and extensions of a definitive exploitation agreement (the “**Definitive Exploitation Agreement**”) between Aurelian and the Government of Ecuador.

One concession easement agreement has been concluded with Cóndor Gold S.A. (“**Cóndor Gold**”), to support construction and operation of the access road. The easement agreement is valid for as long as the underlying mining concessions held by Cóndor Gold remain current.

Lundin Gold holds seven water rights under a number of water tenures that collectively allow for 97.25 L/s of extraction. Six rights were granted for exploration purposes, and one water right allows for human consumption. The 2016 FS envisages that Lundin Gold will not be applying for an overall water permit for industrial usage for mining activities, since the water that is proposed to be used will be from secondary, not primary, sources.

## *Agreements and Encumbrances*

A 1% net revenue royalty is payable in perpetuity on production from Lundin Gold's current mining concessions, including the La Zarza concession, under a royalty agreement dated November 16, 2007 among Lundin Gold's subsidiaries (Aurelian Resources Inc., Aurelian Resources Corporation Ltd., and Aurelian Ecuador S.A.) and two individuals, being Keith M. Barron and Patrick F.N. Anderson. There are no other third party royalties, back-in rights, payments, or other encumbrances in favour of Lundin Gold or Aurelian.

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

During 2015, Lundin Gold, through Aurelian, and the Government of Ecuador worked collaboratively to establish the fiscal terms and conditions for the development of the Fruta del Norte Project. At the start of 2016, Lundin Gold announced that it had completed negotiations with the Government of Ecuador and had settled the Definitive Exploitation Agreement terms for the Fruta del Norte Project. Key features from Lundin Gold's perspective include:

- The right to develop and produce gold from the Fruta del Norte Project for 25 years; this right can be renewed;
- An advance royalty payment of US\$65 million to the Government of Ecuador, with US\$25 million being due upon execution of the Definitive Exploitation Agreement;
- A royalty equal to 5% of net smelter revenues from production, payable to the Government of Ecuador;
- An 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 Windfall Tax will not apply until Aurelian 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 Definitive Exploitation Agreement until the start of production; and
- The Government of Ecuador's share of cumulative benefits derived from the Fruta del Norte Project will not be less than 50%. To the extent that the Government of Ecuador's cumulative benefit falls below 50%, Aurelian will be required to pay an annual sovereign adjustment. Each year, the benefits to Aurelian 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 Definitive Exploitation Agreement, net of the cumulative investment incurred in the development of the Fruta del Norte Project from its inception until the date of the Definitive Exploitation Agreement. The Government of Ecuador's benefit will be calculated as the present value of the cumulative sum of taxes paid including corporate income taxes, royalties, Windfall Tax, labour profit sharing paid to the State, non-recoverable value-added tax, and any previous sovereign adjustment payments.

Lundin Gold expects Aurelian will sign the Definitive Exploitation Agreement within six months of the Fruta del Norte Project being approved to move to the Exploitation Stage under the mining legislation.

Coincident with the signing of the Definitive Exploitation Agreement, Lundin Gold expects Aurelian will enter into an investment protection agreement with the Government of Ecuador, the objective of which is to provide legal and fiscal stability and protection to Aurelian for its investment in the Fruta del Norte Project. At the Technical Report effective date, Lundin Gold was in negotiations with the Government regarding the terms of this agreement.

## **History**

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

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

Completed activities have included stream sediment, rock chip, grab, soil and trench sampling, reconnaissance exploration, geological and structural mapping, ground and airborne geophysical surveys, genesis and modelling studies, core drilling,

metallurgical testwork, project design studies, and preliminary marketing assessments. Kinross completed a pre-feasibility study in 2009 (“**2009 Kinross PFS**”), and a feasibility study in 2011 (“**2011 Kinross FS**”). Lundin Gold undertook the 2016 FS in 2015–2016, the results of which are documented in the Technical Report.

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

## **Geological Setting, Mineralization And Deposit Types**

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

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

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

### ***Mineralization***

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

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

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

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

### ***Deposit Types***

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

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

Quartz can be massive or display comb textures. Sericite is common as an alteration mineral, but the adularia, more typical of low sulphidation systems, is rare to absent. Fluid inclusions range from 3–5% to 10–20% sodium chloride.

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

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

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

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

## **Exploration**

### Kinross Exploration Grid

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

### Ground Control Points

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

### LiDAR Surveys

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

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

### Database Re-projection

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

### Geological Mapping

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

### Geochemical Sampling

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

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

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

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

### Geophysics

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

signature can be associated with hydrothermal alteration when hydrothermal fluids destroy magnetic minerals in the rocks. Zones of anomalously high radiometric values (gamma-rays) may be related to potassic alteration (clays).

### Pits and Trenches

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

### Petrology, Mineralogy, and Research Studies

#### *Kinross and Aurelian Studies*

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

#### *SRK Alteration Study*

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

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

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

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

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

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

### Exploration Potential

Exploration along the Las Peñas fault zone remains the first priority in the region, since the discovery of the Fruta del Norte gold–silver deposit. Exploration in 2011 continued to focus on the Las Peñas fault zone, more specifically in the La Zarza, Princesa, Sachavaca and Colibrí concessions where epithermal (and possibly mesothermal) systems were targeted.

Since acquiring Aurelian from Kinross in 2014, Lundin Gold exploration work has been mainly focused on concessions outside of La Zarza and includes prospecting, geological mapping, trenching, rock sampling and associated geochemistry, as well as a geophysical survey of key exploration targets. Among epithermal targets selected for further exploration within the La Zarza concession are the Castillo, Alejandro and Fruta del Norte East targets, all of which have received some previous work. Some of the previous geochemical targets outside of La Zarza also show excellent justification for additional work including drilling. These targets include Rio Blanco, Emperador, Robles, Chanchito, and El Arco. All are considered low to intermediate sulphidation epithermal gold–silver targets with evidence of alteration characteristic of the upper levels of hydrothermal systems.

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

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

### **Drilling**

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

A new exploration drill program that commenced on 26 April 2016 is focused on key exploration targets outside of the La Zarza concession, and is provisionally envisaged as consisting of 20–30 drill holes (7,500–10,500 m), depending on results. As of 27 June 2016, fourteen core holes had been completed on exploration targets within the Princesa and Emperador 1 concessions, for a total of approximately 5,294 m.

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

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

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

During the 2005 to 2007 drill programs, drill hole collars were located by professional Ecuadorian surveyors using a Total Station survey instrument. During the same programs, the existing Climax drill collars were surveyed, where they could be located. Drill holes completed since 2009 were surveyed by Aurelian–Kinross or Lundin Gold personnel using Total Station survey instruments. As part of the quality assurance and quality control (“QA/QC”) process, at the end of the Lundin Gold drill program the local engineering firm Leiva was contracted to survey the drill collars using differential double frequency GPS equipment.

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

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

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

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

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

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

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

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

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

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

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

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

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

- After cutting, half the core was placed in a new plastic sample bag and half was returned to the core box;

- Samples were clearly and securely bagged and tagged and QC samples inserted into the sequence; and
- Batches of core samples were bagged, tagged, and packed in plastic buckets for shipment.

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

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

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

### **Assaying and Analytical Procedures**

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

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

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

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

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

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

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

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

RPA performed database audits in support of Mineral Resource estimates in 2009, 2014, 2015, and 2016, and in support of compilation of a technical report in 2014. Data verification activities included detailed reviews of the standard operating protocols, drill hole spacings, core diameters used, how the final collar coordinates were determined, down hole surveying procedures, drill core logging protocols, core recovery, collection of bulk density data, sample layout, sample preparation and sample security procedures, and QA/QC protocols. During site visits in 2009, 2014, and 2016, RPA reviewed drill core from numerous drill holes and compared observations with assay results and descriptive log records made by Aurelian–Kinross geologists. In addition to reviewing core, RPA examined outcrops, drill rigs, sampling procedures and other general exploration protocols. RPA is of the opinion that database verification procedures for the Fruta del Norte Project comply with industry standards and are adequate for the purposes of Mineral Resource and Mineral Reserve estimation.

### **Mineral Processing And Metallurgical Testing**

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

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

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

Both MET1 (composite and variability) and MET4 samples were submitted to gravity concentration using laboratory scale Knelson concentrators. The Knelson concentrator feed size was approximately 150 µm for both MET1 and MET4 programs. The amount of gold that potentially can be recovered by gravity in this deposit is considered high, as supported by the global recovery results of the gravity testwork and automated scanning electron microscopy of the head feed. Of note is the additional recovery of silver, suggesting that a large proportion of free gold is in the form of electrum. Leaching characteristics of the gravity concentrates were also investigated. Gold extraction rates were found to be consistent with industry norms. MET1 and MET4 composite samples tested achieved between 94% and 98% leached gold recovery from the gravity concentrates produced.

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

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

Cyanide consumption during the leach tests was low due to the recovery of sulphides to the concentrate during the flotation stage.

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

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

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

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

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

## Mineral Resource Estimates

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

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

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

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

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

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

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

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

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Notes:

- (1) The QP for the estimate is Mr. David Ross, P.Geo., an employee of RPA. The estimate has an effective date of 31 December 2015.
- (2) Mineral Resources are reported inclusive of Mineral Reserves; Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
- (3) Mineral Resources are reported at a cut-off grade of 3.5 g/t Au; which was calculated using a long-term gold price of US\$1,500/oz.
- (4) Mineral Resources are constrained within underground mineable shapes that assume a minimum thickness of 2 m; metallurgical recovery of 94%; total operating costs of US\$145/t milled (mining cost of US\$60/t milled; process costs of US\$35/t milled; G&A costs of US\$15/t milled; surface infrastructure costs of US\$28/t milled; concentrate transport and treatment costs of US\$7/t milled); royalties of US\$71/oz and selling costs of US\$65/oz.
- (5) Numbers may not sum due to rounding.

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

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

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

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

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

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

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

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

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

Mineral Resources were classified into the Indicated or Inferred categories based on drill hole spacing and the apparent continuity of mineralization. Variography has suggested a range of 35 m at 75% of the total sill. Infill drilling in 2010 was designed at 35 m spacing. In general, areas of 35 m spacing or shorter were classified into the Indicated category. Other factors that were taken into consideration include the search distance to the nearest composite, estimation by the first pass search ellipse, visual examination and general considerations of drill fan spacings. Parts of the Xh\_Vn and Xp\_Ip domains were classified as Indicated Mineral Resources. All of the M\_South domain was classified as Inferred Mineral Resources. Due to the

lack of exposures of mineralization for inspection on the surface or underground, there are no Measured Mineral Resources at this time.

## Mineral Reserve Estimates

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

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

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

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

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

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

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

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

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

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

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

Table -2: Probable Mineral Reserves Statement

<b>Material Source</b>	<b>Tonnes (kt)</b>	<b>Au (g/t)</b>	<b>Au (koz)</b>	<b>Ag (g/t)</b>	<b>Ag (koz)</b>
Long-Hole Stope	8,404	8.97	2,423	10.4	2,813
Drift & Fill	5,533	11.15	1,984	16.9	3,003
Development >4.7 g/t	1,158	9.70	361	11.6	434

Development	>2.7 g/t	394	3.72	47	7.4	94
<i>Total</i>		<i>15,490</i>	<i>9.67</i>	<i>4,816</i>	<i>12.7</i>	<i>6,344</i>

Notes:

- (1) The QP for the Mineral Reserve estimate is Mr. Alejandro Sepúlveda, RM CMC an NCL employee.
- (2) Mineral Reserves have an effective date of 30 April 2016. All Mineral Reserves in this table are Probable Mineral Reserves. No Proven Mineral Reserves were estimated
- (3) Mineral Reserves were estimated using a US\$1,250/oz gold price. Mining cost assumptions for TS US\$61.0/t; mining costs for D&F stoping US\$80/t. Other costs and factors common to both mining methods were process and other costs US\$75.80/t, dilution factor of 10%, concentrate transport and treatment charges of US\$6.70/t. A royalty of US\$71.10/oz/t Au and a gold metallurgical recovery of 93.9% was assumed.
- (4) Gold cut-off grades were 4.7 g/t for TS and 5.3 g/t (elevated to 6.8 g/t) for the D&F.
- (5) Silver was not used in the estimation of cut-off grades but is recovered and contributes to the revenue stream. The average silver metallurgical recovery is 81.6%. The silver price assumption was US\$20/oz.
- (6) Tonnages are rounded to the nearest 1,000 t, gold grades are rounded to two decimal places, and silver grades are rounded to one decimal place. Tonnage and grade measurements are in metric units; contained gold and silver are reported as thousands of troy ounces
- (7) Rounding as required by reporting guidelines may result in summation differences.

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

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

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

Factors that may affect the Mineral Reserves include:

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

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

**Mining Operations**

***Mining Methods***

The following key considerations influenced the mine design:

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

## Geotechnical Considerations

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

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

Stress measurements are not currently available for Fruta del Norte. In the absence of this information, a stress regime based on SRK's evaluation of the structural geological setting and the World Stress Map have been used to provide a range of estimates. The ground stress is relatively low based on the shallow depth, and rock damage due to higher mining induced stress concentrations is only anticipated in high extraction or sequence closure areas, and weaker rock mass areas. However, reduction in the mining stresses around excavations is likely to adversely affect the stability of large open span areas. Tensile failure and gravity induced unravelling are foreseen as the main failure mechanisms.

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

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

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

## Groundwater

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

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

## Water Management

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

## Mine Designs

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

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

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

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

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

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

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

## Mine Operating Assumptions

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

## Ventilation

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

## Production Plan

Criteria and assumptions used in preparing the production plan include:

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

## Backfill

The following backfill capacities and strength targets were set:

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

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

### Underground Infrastructure Facilities and Services

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

### Mining Equipment

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

## **Processing And Recovery Operations**

### ***Recovery Methods***

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

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

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

Run-of-mine (“ROM”) ore will be transported to ROM stockpiles. Feed will be reclaimed from the pile, transferred to an apron feeder, processed through a jaw crusher and the product conveyed to the coarse ore stockpile. Ore will be recovered from the stockpile to feed the primary SAG mill. Oversize from the SAG mill discharge screen will be recycled back to the SAG feed. The SAG circuit product will be fed to a cyclone cluster which will be in closed circuit with the gravity

concentrators and ball mill. Oversize from the gravity concentrator feed screen will be fed into the ball mill discharge which is pumped to the cyclone feed. Undersize will feed the gravity concentrators. Gravity concentrate will report to the intensive leach reactor and the gravity concentrator tailings will return to the cyclone feed.

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

The overflow from the grinding cyclones will report to the flotation circuit. The flotation circuit will consist of three stages of flotation and regrind. Rougher and scavenger concentrate combined with ILR barren slurry will be directed to a regrind mill in closed circuit with a cyclone cluster. Final concentrate from the third cleaning stage of the flotation circuit will be thickened, filtered and bagged as product. Overflow from the concentrate thickener will be recycled to the process water tank.

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

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

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

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

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

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

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

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

## **Infrastructure, Permitting And Compliance Activities**

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

#### Access

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

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

## On-site Infrastructure

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

## Camps and Accommodation

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

## Off-site Facilities

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

## Power

The Ecuadorian electrical system is based on a high quality electricity service matrix, the distribution system is called the Sistema Nacional de Distribución (“SND”, National Distribution System). The SND is controlled by CELEC EP Transelectric, a government institution in charge of power transmission and distribution. The Fruta del Norte Project site is located within the supply concession area of the Empresa de Energía Regional del Sur (“EERSA”, Regional Electric Company of the South). SND has no substation near to the Fruta del Norte Project with sufficient capacity or reliability to feed the Fruta del Norte Project. Lundin Gold is participating in a public infrastructure investment to reinforce the SND matrix in the area, and is contributing to the installation of a transmission line between Taday and Bomboiza. The overall project power requirements are expected to be met via a 230 kV double circuit transmission line from the Bomboiza substation. The contract for this substation has been awarded and it will be built at the same time as the Taday–Bomboiza transmission line. The Bomboiza substation will be situated approximately 50 km away from the Fruta del Norte site. A transmission line will be built from the Bomboiza substation to a new substation at El Pindal, near Los Encuentros. This system will be a public transmission line and substation, owned and operated by CELEC EP Transelectric, with installation paid for by Lundin Gold. From the El Pindal substation, a single-circuit, 230 kV dedicated transmission line will be built to feed the Fruta del Norte Project. It is planned to build the Fruta del Norte main substation on the process area platform. This substation will step down the power to 13.8 kV, and will distribute power throughout the plant site at this voltage. The annual average power demand is estimated to be approximately 222,000 MWh.

## Communications

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

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

### Baseline Studies

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

### Mine Waste Stockpile Design

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

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

### Ore and Low Grade Stockpiles

There are three types of stockpiled material based on grade:

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

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

### Tailings Storage Facility

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

### Hollín Borrow Pit

Lundin Gold will need to exploit a borrow pit to provide granular materials for construction and mine backfill, from construction through to mine closure. The Hollín Borrow Pit will be operated as an open pit mine. Rock fill material will be delivered direct to the TSF and seepage pond walls; all other materials will be processed through an aggregate plant, which will use screening and crushing/screening to produce the required products. The mining of the Hollín Borrow Pit is expected to be done in sedimentary rocks, mainly siliceous sandstones belonging to the Hollín Formation, but due to the quantity of material required, will extend through the Hollín Formation sandstones into the underlying intrusive rocks of the Zamora Batholith.

### Waste Management

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

### Water Management

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

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

Six water treatment plants are planned, and will include:

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

Four water management work types are proposed:

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

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

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

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

### Closure Plan

Closure planning has been undertaken to a conceptual level, and will be continually updated throughout the Fruta del Norte Project life. The conceptual Closure Plan has been developed in accordance with Article 125 of the Ecuadorian Environmental Regulations for Mining Activities (“**RAAM**”) and Title X of the Mining Safety Regulations. The closure activities will cover closure aspects related to environmental factors such as soil, air and water that are directly related to the community health and safety. Aspects related to economic and cultural dynamics of the communities have not been considered in the current conceptual plan. The definitive Closure Plan must be presented two years prior to cessation of operations. Under RAAM, mine closure monitoring should last for at least five years after the mining operations are complete. The closure cost estimate in the conceptual Closure Plan is US\$28.8 million.

### Permitting

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

### Social Considerations

The Fruta del Norte Project’s indirect influence is expected to extend to some neighbouring communities, including the parish of Los Encuentros and two communities from neighbouring parishes. Los Encuentros is a rural parish located in Yantza county, characterized by the existence of one main population centre (the parish seat and home of the parish government) where the population has consolidated. There are also several scattered population centres, known as communities, neighborhoods and sectors. Some cultural sites have been recorded in the study area, but the Fruta del Norte Project is not expected to impact any cultural heritage, and strict archaeological protocols are in place in consultation with the National Cultural Patrimony Institute. Although perceptions of artisanal mining are low, the community is very supportive of the Fruta del Norte Project, and the primary concern is access to employment. There is currently no large-scale mining in Ecuador. A community relations program has been defined based on the Community Development Support Program (“**PADC**”, Plan de Apoyo a Desarrollo de la Comunidad) which seeks to implement corporate responsibility strategies, to maintain a social licence with the communities, and to comply with socio-environmental legislation applicable to Aurelian’s operations. The PADC is based on the principles of community participation, sustainable development and human development.

## **Capital And Operating Costs**

### ***Capital Cost Estimates***

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

- Capital costs
  - Direct costs: costs for productive works and permanent infrastructure. Includes productive infrastructure, services and equipment required for the extractive process;
  - Indirect costs: costs needed to support the construction of the facilities included in the direct costs. Includes engineering, procurement and contract management (“**EPCM**”) services, EPCM temporary facilities (infrastructure) and construction management, construction camp and associated services, capital spare parts, freight and logistics;
  - Owner’s costs: costs associated with Lundin Gold’s project administration, geological studies, support infrastructure, safety and environmental, community relations, administration and finance, human resources and others; and

- Contingency: includes variations in quantities, differences between estimated and actual equipment and material prices, labour costs and site specific conditions. Also accounts for variation resulting from uncertainties that are clarified during detail engineering, when basic engineering designs and specifications are finalized,
- Sustaining and closure costs
  - Capital expenditures after the start of operations include costs for the tailings dam wall growth, mine and other equipment replacement and the paste fill plant, plus closure costs. These costs are included in the financial analysis in the year in which they are incurred. The capital cost estimate includes construction activity costs to Q1 2020. Costs after this are classified as sustaining capital.

The initial Implementation Phase capital cost, as displayed in Table 3, is estimated to be US\$668.7 million. The sustaining capital is estimated to be US\$291.9 million. The total capital costs are therefore US\$960.6 million.

Table - 3: Implementation Phase Capital Cost Summary by Area

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

Note:

- (1) Totals may not sum due to rounding

### **Operating Cost Estimates**

The operating cost estimate was based on Q1 2016 assumptions. The estimate combined inputs from Amec Foster Wheeler, KCB, Lundin Gold, NCL, and P&C, and has an overall accuracy of  $\pm 10\%$ . The operating cost estimate is inclusive of site costs during the operational period (commencing once the commissioning with load/performance testing certificates are signed) until site closure. Variable costs were based on a mine plan provided by NCL. The overall life of mine operating cost estimate is US\$118/t, and includes base costs, non-recoverable taxes and leasing. Operating costs are estimated at US\$414/oz Au, including all site costs. Mining costs are the greatest contributors to the overall operating cost, followed, in order of contribution, by process, general and administrative (“G&A”) and surface infrastructure costs, as displayed in Table 4.

Table - 4: Operating Cost Summary

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

Table - 5 Operating Statistics

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

### *Economic Analysis*

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

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

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

The financial model includes consideration of metal prices, transport costs, royalties and taxes, and working capital. An amount of US\$430 million of historical costs is considered in the financial model. These historical costs provide a shield against taxes and profit-sharing expenses.

The after-tax NPV at a 5% discount rate over the estimated mine life is US\$676 million. The after-tax IRR is 15.7%. The after-tax payback of the initial capital investment is estimated to occur 4.5 years after the start of production. A summary of the financial analysis is presented in Table 7, with the base case discount rate highlighted. The life of mine all-in sustaining cost ("AISC") per ounce of gold is US\$623.

Table - 6: Key Outcomes

<i>Project economics at a gold price of US\$1,250/oz and a silver price of US\$20/oz</i>					
<b>Item</b>	<b>Units</b>	<b>Pre-tax</b>	<b>After-tax</b>		
NPV <sub>5</sub>	US\$ million	1,283	676		
IRR	Percent	23.8	15.7		
Capital payback after commencement of production	Years	3.7	4.5		

<i>Cashflow (US\$ million)</i>					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Average Years 1–10</b>	<b>Life-of-Mine</b>
Doré revenue	62	121	151	133	1,669
Concentrate revenue	117	247	314	280	3,631
Total revenue	179	368	465	414	5,301
Operating costs	107	151	149	147	1,961
Operating profit	72	216	316	267	3,339
Taxes and royalties	16	(6)	16	59	914
Capital cost estimate	139	16	11	28	975
Changes in working capital	46	8	11	6	—
Cash flow (after tax)	(129)	198	279	174	1,449

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

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

### Sensitivity Analysis

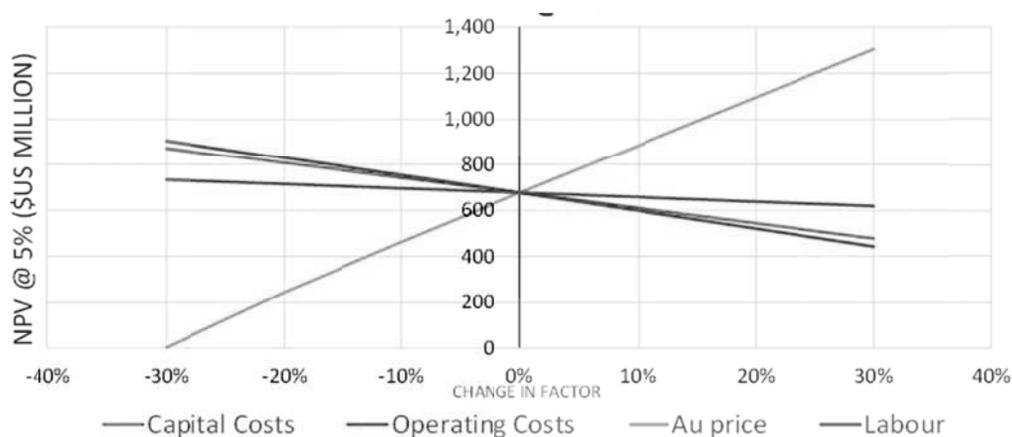
A sensitivity analysis was performed on the base case NPV after taxes to examine the sensitivity to gold price, operating costs, capital costs and labour costs. In the pre-tax and after-tax evaluations, the Fruta del Norte Project is most sensitive to changes in gold price, less sensitive to changes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

Table - 8 Sensitivity Analysis

*Sensitivity analysis (US\$100/oz variation from the base case gold price; silver held at US\$20/oz)*

Item	Units	US\$1,150/oz Au	Base Case US\$1,250/oz Au	US\$1,350/oz Au
NPV <sub>5</sub>	US\$ million	506	676	844
IRR	Percent	13.4	15.7	17.8
Payback	Years	5.0	4.5	4.2

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



Note:

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

## Execution Plan

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

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

## **Recommendations And Conclusions**

Under the assumptions utilized in the Technical Report, the Fruta del Norte Project returns a positive economic outcome. Additional permit grants by the Government of Ecuador will also be required. A two-phase work program is proposed for the Fruta del Norte Project. Phase 1 is designed to provide information to support the Early Works and complete the construction phases associated with the Early Works. Phase 2 comprises additional data collection in specific technical disciplines and will support basic engineering and refinement of the capital cost estimates. The work phases can be carried out in parallel. As information from a discipline area becomes available, it will be reviewed to determine if any revisions to the existing project assumptions, Early Works or project schedule may be required. The Phase 1 program is estimated at US\$32.7 million; Phase 2 is provisionally estimated at approximately US\$7.9–US\$13.7 million.

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

The main objective of the Early Works program is to provide the infrastructure, services and facilities to support the start of construction of the mine twin declines and to reduce the risk for the basic engineering capital expenditure estimate and remaining earthworks. The scheduled start date for the decline construction is 1 May, 2017 and the Early Works for gaining access to start work on the declines needs to be completed by 30 April, 2017. The Early Works consist mainly of infrastructure, environmental and preliminary mining works such as the construction of access and on-site roads, platforms, water management infrastructure, the expansion of the existing Las Peñas camp, biotic rescue, archeological rescue, deforestation, survey, geotechnical drilling and tendering of the portal construction and mine contractor contracts. The Early Works are planned to start in June 2016 and will finish on 1 July, 2017, which is the start date proposed for the Implementation Phase. The Early Works are split for estimation purposes between EPCM and basic engineering-related Early Works activities, and Early Works in support of mine access and implementation:

- EPCM services for Early Works and contracts: drawings; bids; contract awards; engineering support, construction management; early contracts to support project implementation, including the access road; bridge over the Zamora River; construction camp.
- Early Works in support of portal mine access construction: surveys; geotechnical; biotic rescue; storage areas for forest products and topsoil; contractor mobilization; expanding the exploration camp; laydown areas; road construction and upgrades; mine portal platforms; water management infrastructure.

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

## Exploration

Ongoing exploration is planned, and is likely to include:

- Drill testing of known targets;
- Follow up drilling on previous results, and identification of new targets;
- Geophysics on new areas of interest for target definition based on prospecting activities; and

- Continued regional exploration to define new areas of interest.

### Hydrogeology

Recommendations for future hydrogeology work include:

- Complete large-scale (minimum one month duration at maximum possible pumping rate) pumping tests at two of the proposed dewatering well locations;
- Collect additional water samples from the pumping tests and confirm water quality for discharge to the Machinaza River;
- Conduct hydraulic testing in any planned geotechnical drill holes;
- Re-calibrate the groundwater numerical model based on results of the pumping tests and revise estimates of groundwater inflow;
- Revise design of dewatering wells based on results of the pumping tests;
- Optimize the underground groundwater management plan based on results of the re-calibrated groundwater model and any updates to the mine plan; and
- Continue monitoring existing groundwater instrumentation and collection of groundwater samples.

### Geotechnical

Recommendations for future geotechnical work include:

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

### Process

Recommendations in support of further flowsheet development include:

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

### Tailings Management

Recommendations in support of TSF design and tailings management include:

- Hydrogeological study of the TSF area to judge whether high groundwater pressures can result from blinding of the upper elevations by the tailings deposit;
- Establish monthly monitoring of all major streams in the tailings area;

- Investigations along the upstream toe of the dam for the detailed design of the cut-off trench and upstream toe of the starter dam;
- Review the potential for alternative geosynthetic filters for the dam;
- Compaction test fill to establish the true compaction characteristics of the saprolite;
- Investigation of the sorption capacity of the saprolite clays in the TSF basin;
- Geotechnical investigations to confirm undrained shear strength of foundation materials with depth; and
- Preparation of lining system sequencing, construction drawings and specifications.

#### On-Site Infrastructure and Services

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

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

#### **USE OF PROCEEDS**

The net proceeds to the Company from the Offering, after deducting the Underwriters' Fee and the estimated expenses of the Offering (estimated to be \$800,000), will be \$78,675,000. Using the noon spot exchange rate in effect on June 30, 2016 of \$1.00 = US\$0.7687, the net proceeds translates into US\$60,477,473.

The proceeds from the Offering will be used as follows:

<u>Use of Proceeds</u>	<u>Approximately</u> (US\$Millions)	<u>Approximately</u> (C\$Millions)
Repayment of amounts owed under the Facility .....	8.0	10.4
Fruta del Norte Project Capital		
Phase 1: Early Works program .....	32.7	42.5
Phase 2: Basic engineering and optimization of capital cost estimates.....	<u>13.7</u>	<u>17.8</u>
Total .....	46.4	60.3
General Corporate Purposes.....	6.1	8.0
<b><u>Total</u></b> (exclusive of Over-Allotment Option): .....	<b><u>60.5</u></b>	<b><u>78.7</u></b>

More than 10% of the net proceeds will be used to reduce or retire indebtedness incurred within the two preceding years, of which the creditor is an insider of the Company. See "Recent Developments".

The net proceeds are expected to be used over the period ending June 30, 2017 to repay amounts owing under the Facility, fund the Early Works program, which commenced in June 2016, basic engineering and optimization of capital cost estimates at the Fruta del Norte Project and general corporate purposes. The main objective of the Early Works program is to provide the infrastructure, services and facilities to support the start of construction of the mine's twin declines and to reduce the risk for the basic engineering capital expenditure estimate and remaining earthworks. See "Fruta del Norte – Recommendations And Conclusions – Phase 1: Early Works". In addition, additional data collection will be conducted in specific technical disciplines that will support basic engineering and refinement of the capital cost estimates, and additional exploration efforts.

In order for some aspects of the Early Works program to be implemented, the phase change application to the Government of Ecuador in respect of the concession which is host to the Fruta del Norte Project, to advance the concession from economic evaluation to the exploitation phase, must be approved. There are some aspects of the Early Works program, such as the Early Works in support of the portal mine access construction, which will require the issuance of the environmental license for the La

Zarza concession. Any delay in obtaining approval of the environmental impact assessment or the related environmental license from the Government of Ecuador may result in a reallocation of the net proceeds of the Offering as currently contemplated. It is expected that certain agreements with the Government of Ecuador, including but not limited to the Definitive Exploitation Agreement, will also be executed in order for the business objectives to be accomplished, as well as completion of the Early Works activities.

The Company will require additional financing over and above the Offering in order to meet its business objectives and there can be no assurances that such financing sources will be available as and when needed. See “Risk Factors”.

The Company intends to spend the available funds as set forth above based on plans approved by the directors and consistent with established internal control guidelines. The anticipated use of net proceeds of the Offering as detailed above is based on the best estimates prepared by management of the Company.

There may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. The actual amount that the Company spends in connection with each of the intended uses of proceeds may vary significantly from the amounts specified above and will depend on a number of factors, including those referred to under “Risk Factors”.

If the Over-Allotment Option is exercised in full, the Company will receive additional net proceeds of \$11,756,250 after deducting the Underwriters’ Fee. The net proceeds from the exercise of the Over-Allotment Option, if any, will likely be applied towards project development and general corporate purposes.

The Company is an exploration and development stage company and currently has a negative cash flow from operating activities. The Company had negative operating cash flow for the financial year ended December 31, 2015 and expects to continue to have negative operating cash flow until commercial production is achieved at the Fruta del Norte Project. As such, a portion of the net proceeds of the Offering will be used to continue to fund the Company’s operating activities until such time. See “Risk Factors – Liquidity Risk and Negative Cash Flow”.

## **PLAN OF DISTRIBUTION**

Pursuant to the Underwriting Agreement, the Company has agreed to sell and the Underwriters have agreed to purchase, as principals, 10,000,000 Offered Shares on the date of the Initial Closing and 5,000,000 Offered Shares on the date of the Second Closing at the Offering Price, payable in cash to the Company against delivery of the Offered Shares. The Underwriters’ obligation to purchase the second tranche, being 5,000,000 Offered Shares, plus any Additional Shares to be acquired on the exercise of the Over-Allotment Option, is conditional upon the Swedish Prospectus Condition having been satisfied. The obligations of the Underwriters under the Underwriting Agreement are several and not joint, nor joint and several, and subject to compliance with all legal requirements and the conditions contained in the Underwriting Agreement. Each Underwriter may terminate its obligations under the Underwriting Agreement at its discretion on the basis of a “material change out”, “disaster out”, “regulatory out”, “breach out” and upon the occurrence of certain other stated events. The Underwriters are, however, obligated to take up and pay for all of the 15,000,000 Offered Shares (subject to the Swedish Prospectus Condition with respect to 5,000,000 of such Offered Shares) if any of those Offered Shares are purchased under the Underwriting Agreement. The terms of the Offering, including the Offering Price, were determined by arm’s length negotiation between the Company and the Lead Underwriter on behalf of the Underwriters, with reference to the prevailing market price of the Shares.

The Company anticipates that the Zebra and Lorito will participate in the Offering for approximately \$22 million.

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. During the distribution of the Offering, the Underwriters may effect transactions in the Shares in accordance with applicable market stabilization rules.

The Offered Shares will be offered in each of the provinces and territories of Canada, other than Québec through the Canadian Underwriters or their broker-dealer affiliates or agents who are duly registered in such jurisdictions, as applicable. All sales in Canada will be made by the Canadian Underwriters. Pareto will not, directly or indirectly, solicit offers to purchase or sell the Offered Shares in Canada. Subject to applicable law and the terms of the Underwriting Agreement, the Underwriters may offer the Offered Shares in the United States and other jurisdictions where the offer and sale of the Offered Shares will not require the qualification or registration of the Offered Shares. In consideration for such services, the Company has agreed to pay to the Underwriters the Underwriters’ Fee equal to 5% of the gross proceeds realized on the proceeds of the Offering (including on any exercise of the Over-Allotment Option), being \$0.275 per Offered Share, other than in respect of proceeds of \$22 million realized from the sale of Offered Shares to the Zebra and Lorito, who are insiders of the Company, on which the Underwriters will not receive a cash fee.

The Company has granted the Underwriters the Over-Allotment Option, which is exercisable in whole or in part for a period of 30 days from and including the Second Closing and pursuant to which the Underwriters may purchase up to 2,250,000 Additional Shares on the same terms as set forth above to cover over-allotments, if any, and for market stabilization purposes. This short form prospectus qualifies the grant of the Over-Allotment Option and the issuance of Additional Shares on the exercise of the Over-Allotment Option. A purchaser who acquires Additional Shares forming part of the Underwriters' over-allocation position acquires those Additional Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. The Underwriters may only exercise the Over-Allotment Option if the Swedish Prospectus Condition is satisfied.

The Company has received conditional approval to list the Offered Shares distributed under this short form prospectus on the TSX. Listing on the TSX will be subject to the Company fulfilling all the listing requirements of the TSX.

In accordance with applicable Swedish legal and regulatory requirements, the Company is required to obtain the approval and registration with the Swedish Financial Supervising Authority of a listing prospectus relating to the issuance of Offered Shares by the Company which exceeds 10% of the issued and outstanding Share capital of the Company. A Swedish prospectus is not required for the initial 10,000,000 Offered Shares to be sold pursuant to the Offering, however, it is required for the 5,000,000 Offered Shares to be issued at the Second Closing and in connection with any Offered Shares issued in connection with the exercise of the Over-Allotment Option, as the issuance of these Offered Shares would exceed the 10% threshold. Accordingly, the Company is required, and has undertaken, to use its reasonable efforts to file a listing prospectus in order to meet the Swedish Prospectus Condition. In the event that the Swedish Prospectus Condition is not met by August 8, 2016 (subject to the discretion of the Lead Underwriter, acting reasonably, to extend) the Underwriters shall not have any obligation to complete the Second Closing.

The Company has agreed with the Underwriters that, upon the Initial Closing and until the date which is 90 days after the date of the Initial Closing, it will not, without the written consent of the Lead Underwriter, such consent not to be unreasonably withheld, directly or indirectly, issue, sell, offer, grant an option or right in respect of, or otherwise dispose of, or agree to or announce any intention to, issue, sell, offer, grant an option or right in respect of, or otherwise dispose of, any additional Shares or any securities convertible or exchangeable into Shares, other than pursuant to (i) this Offering; (ii) the grant or exercise of stock options and other similar issuances pursuant to any stock option plan or similar share compensation arrangements in place prior to the date hereof; or/and (iii) the issuance of Shares upon the exercise of convertible securities, warrants, options, or any other commitment or agreement outstanding prior to the date hereof.

The Company has also agreed to use its best efforts to cause certain directors and officers of the Company to enter into lock up agreements in favour of the Underwriters evidencing their agreement not to sell, transfer, assign, pledge or otherwise dispose of any securities of the Company owned, directly or indirectly, by such directors or officers for a period of 90 days following the Initial Closing, other than those securities contemplated in the Offering, without the prior written consent of the Lead Underwriter (on behalf of the Underwriters).

The Underwriters propose to offer the Offered Shares initially at the Offering Price. After the Underwriters have made reasonable efforts to sell all of the Offered Shares at the Offering Price, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Offered Shares is less than the gross proceeds paid by the Underwriters to the Company.

Pursuant to policy statements of certain Canadian securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Shares. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Offered Shares offered hereby have not been and will not be registered under the U.S. Securities Act, or any securities or "blue sky" laws of any state of the United States. Accordingly, the Offered Shares may not be offered, sold or delivered, directly or indirectly, within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriters have agreed that, except as permitted by the

Underwriting Agreement and as expressly permitted by applicable United States federal and state securities laws, they will not offer or sell the Offered Shares at any time within the United States as part of their distribution. The Underwriting Agreement permits the Underwriters to offer and sell the Offered Shares in transactions that are exempt from the registration requirements of the U.S. Securities Act and any applicable securities laws of any state of the United States. Accordingly, the Underwriters (a) will offer and resell the Offered Shares outside the United States only in accordance with Regulation S under the U.S. Securities Act, and (b) will offer and sell the Offered Shares within the United States only to “qualified institutional buyers”, as such term is defined in Rule 144A under the U.S. Securities Act, in compliance with Rule 144A under the U.S. Securities Act and applicable state securities laws.

This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offered Shares offered hereby in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares within the United States by any dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the U.S. Securities Act.

The Offered Shares offered or sold in the United States will be “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and may only be offered, sold, pledged or otherwise transferred to the Company, outside the United States in compliance with Regulation S under the U.S. Securities Act, or pursuant to an effective registration statement under the U.S. Securities Act, and, in each case, in compliance with applicable local laws or regulations.

It is expected that the Offered Shares distributed under this short form prospectus will be deposited with CDS upon the Initial Closing and Second Closing, respectively, which, in the case of the Initial Closing, is anticipated to take place, on or about July 19, 2016 and, in the case of the Second Closing, is anticipated to be on or about August 11, 2016 or such other dates as may be agreed upon between the Company and the Underwriters. No certificate evidencing the Offered Shares will be issued to purchasers under this short form prospectus, and registration will be made in the depository service of CDS. Purchasers of Offered Shares under this short form prospectus, as well as purchasers in the United States who are acquiring Offered Shares pursuant to Rule 144A under the U.S. Securities Act, will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Shares is purchased.

#### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and Cassels Brock & Blackwell LLP, counsel to the Underwriters, based on the current provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder (the “**Regulations**”), provided that the Offered Shares are listed on a “designated stock exchange” for the purposes of the Tax Act (which currently includes the TSX) on the date hereof, the Offered Shares will be “qualified investments” under the Tax Act and the Regulations for a trust governed by a “registered retirement savings plan” (“**RRSP**”), “registered retirement income fund” (“**RRIF**”), “tax-free savings account” (“**TFSA**”), “registered education savings plan”, “deferred profit sharing plan” or “registered disability savings plan” (as those terms are defined in the Tax Act).

Notwithstanding that the Offered Shares may be qualified investments for a TFSA, RRSP or RRIF (a “**Registered Plan**”), if the Offered Shares are a “prohibited investment” within the meaning of the Tax Act for a Registered Plan, the holder or annuitant of the Registered Plan, as the case may be, will be subject to penalty taxes as set out in the Tax Act. The Offered Shares will generally not be a prohibited investment for a Registered Plan if the holder or annuitant, as the case may be, (a) deals at arm’s length with the Company for the purposes of the Tax Act, and (b) does not have a “significant interest” (as defined in the Tax Act) in the Company. In addition, the Offered Shares will not be a prohibited investment if the Offered Shares are “excluded property” (as defined in the Tax Act) for a Registered Plan.

**Purchasers of the Offered Shares should consult their own tax advisers with respect to whether Offered Shares would be prohibited investments having regard to their particular circumstances.**

#### **DESCRIPTION OF THE SECURITIES BEING DISTRIBUTED**

The Company is authorized to issue an unlimited number of Shares, of which, at the date hereof, there are 101,289,561 Shares issued and outstanding. All the issued Shares are fully paid and are not subject to any future call or assessment. The Shares are without par value and entitle the holders thereof to receive notice of, attend and vote at all meetings of the shareholders of the Company. Each Share carries one vote at such meetings. Holders of common shares are entitled to dividends as and when declared by the directors. In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Company, after payment of all outstanding debts, the remaining assets of the Company available for distribution will be distributed to the holders of Shares equally.

## PRIOR SALES

The following tables summarize the issuances by the Company of Shares, and securities convertible into Shares, within the 12 months prior to the date hereof.

### *Shares*

<u>Date</u>	<u>Price per Security</u>	<u>Number of Securities</u>	<u>Reason for Issuance</u>
September 18, 2015	\$3.75	24,000 Shares	Stock Option Exercise Issued under the Facility
June 9, 2016	\$5.70	20,000 Shares	
July 8, 2016	\$5.53	9,293 Shares	

### *Securities Convertible into Shares*

<u>Date</u>	<u>Price per Security</u>	<u>Number of Securities</u>	<u>Reason for Issuance</u>
February 24, 2016	\$4.13	1,712,000	Annual stock option grant
June 8, 2016	\$5.84	105,000	New hire option grant

## TRADING PRICE AND VOLUME

The Company's Shares are listed and posted for trading on the TSX and NASDAQ Stockholm under the symbol "LUG". The following tables set forth trading information for the Shares on the TSX and NASDAQ Stockholm for the 12 months preceding the date of this short form prospectus.

### Toronto Stock Exchange

<u>Month</u>	<u>Price range (\$) <sup>(1)</sup></u>		<u>Trading Volume <sup>(2)</sup></u>
	<u>High</u>	<u>Low</u>	
<b>2015</b>			
July	4.00	3.57	751,270
August	3.98	3.46	366,029
September	3.99	3.75	296,668
October	4.08	3.75	264,479
November	4.10	3.75	455,137
December	4.09	3.78	264,056
<b>2016</b>			
January	4.30	3.80	507,122
February	4.29	3.81	1,203,115
March	4.77	3.93	595,982
April	6.51	4.4	2,007,884
May	6.05	5.42	1,205,924
June	6.28	5.25	3,622,684
July <sup>(3)</sup>	6.00	5.55	1,156,341

Notes:

<sup>(1)</sup> Includes intra-day lows and highs.

<sup>(2)</sup> TSX volume traded in the month.

<sup>(3)</sup> Includes trading information up to and including July 11, 2016.

On July 11, 2016, the last full trading day on which the Shares traded prior to the filing of this short form prospectus, the closing price of the Shares on the TSX was \$5.94.

## NASDAQ Stockholm

Month	Price range (SEK) <sup>(1)(2)</sup>		Trading Volume <sup>(3)</sup>
	High	Low	
<b>2015</b>			
July	26.7	23.2	308,075
August	25.0	22.1	381,736
September	25.0	23.0	134,210
October	26.1	23.2	141,091
November	26.5	24.1	209,228
December	26.1	22.4	246,009
<b>2016</b>			
January	28.5	21.4	299,447
February	25.5	22.7	369,163
March	29.8	24.3	511,752
April	37.5	27.5	2,260,455
May	39.2	33.8	931,663
June	42.0	35.0	1,605,442
July <sup>(4)</sup>	40.0	36.2	550,283

### Notes:

- (1) Prices are represented in Swedish Krona.  
(2) Includes intra-day lows and highs.  
(3) NASDAQ Stockholm volume traded in the month.  
(4) Includes trading information up to and including July 11, 2016.

On July 11, 2016, the last full trading day on which the Shares traded prior to the filing of this short form prospectus, the closing price of the Shares on the NASDAQ Stockholm was SEK39.60.

## RISK FACTORS

An investment in the Offered Shares should be considered highly speculative and involves significant risks due to the nature of our business, our limited operating history and the status of our properties. Investors should carefully consider the information included or incorporated herein by reference in this short form prospectus and Lundin Gold's historical consolidated financial statements and related notes thereto, before making an investment decision concerning the Offered Shares. There are various risks, including those discussed in the Company's AIF, which are incorporated herein by reference, that could have a material adverse effect on, among other things, the Company's strategic plans, the operating results of properties, and the business and condition (financial or otherwise) of Lundin Gold.

These risk factors, together with all other information included or incorporated by reference in this short form prospectus, including, without limitation, information contained in the section "Cautionary Statement Regarding Forward Looking Statements" and in the Company's AIF under the heading "Risk Factors", as well as the risk factors set out below, should be carefully reviewed and considered by investors.

### Risks Associated with the Shares and the Offering

#### *Liquidity Risk and Negative Cash Flow*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has not generated revenue or cash flow from the Fruta del Norte Project. Uncertainties related to the Company's ability to continue as a going concern include the ability to raise additional funding to meet its obligations and attain profitable operations. As a result of the Company's negative cash flow, the Company continues to rely on the issuance of shares, debt or other sources of financing to generate the funds required to develop the Fruta del Norte Project and for corporate expenditures. The Company's cash flow has primarily been generated from the sale of securities, which is dependent on available cash balances and prevailing interest rates.

The Company had negative operating cash flow of approximately US\$43.2 million for the financial year ended December 31, 2015 and expects to continue to have negative operating cash flow until commercial production is achieved at the Fruta del

Norte Project. As such, a portion of the net proceeds of Offering will be used to continue to fund the Company's operating activities until such time. In addition to the proceeds of the Offering, additional financing will be required to develop the Fruta del Norte Project.

During the development and commissioning of the Fruta del Norte Project additional funding has been and will continue to be required to sustain capital and working capital requirements. No assurances can be given that the Company will not be required to pursue and be able to obtain the additional financing that may be required to proceed with current plans. In addition to other factors set out herein, some of the factors that will have an impact on the Company's planned mining and processing operations and its ability to raise the required financing include: commodity prices and demand for gold, transportation costs, foreign currency exchange rates, capital expenditures, environmental rehabilitation and associated financial assurance, potential revenues, taxes and geological results. Failure to obtain such funding or revenues from deliveries could result in delays, postponements and may materially and adversely affect the Company's financial condition, liquidity, business and prospects.

### ***Discretion in the Use of Proceeds***

The Company intends to spend the funds available as stated in this short form prospectus. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary. In such circumstances, the net proceeds will be reallocated at the Company's sole discretion.

Management will have discretion concerning the use of proceeds of the Offering as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Company's results of operations may suffer.

### ***The trading price for the Shares is volatile.***

The trading price of the Shares has been and may continue to be subject to large fluctuations, which may result in losses to investors. From January 1, 2015 to June 30, 2016, the trading price of the Shares on the TSX ranged from a low of \$3.46 to a high of \$6.51 per Share and the trading price of the Shares on NASDAQ Stockholm has ranged from a low of SEK21.4 to a high of SEK42.0 per Share. The trading price of the Shares may increase or decrease in response to a number of events and factors, including:

- the market price of gold;
- the Company's operating performance and the performance of competitors and other similar companies;
- the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities;
- changes in recommendations by research analysts who track the Shares or the shares of other companies in the resource sector;
- changes in general economic conditions;
- the number of Shares to be publicly traded after an offering;
- the arrival or departure of key personnel; and
- the factors listed under the heading "Cautionary Statement Regarding Forward-Looking Statements".

In addition, the market price of the Shares is affected by many variables not directly related to the Company's success and therefore not within the Company's control, including other developments that affect the market for all resource sector shares, the breadth of the public market for the Shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of Shares on the exchanges on which the Company trades has historically made the Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future.

As a result of any of these factors, the market price of the Shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of

volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

***Sales of a significant number of our Shares in the public markets, or the perception of such sales, could depress the market price of the Shares.***

Sales of a substantial number of our Shares or other equity-related securities in the public markets by the Company or its significant shareholders could depress the market price of the Shares and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our Shares or other equity-related securities would have on the market price of our Shares. The price of our Shares could be affected by possible sales of our Shares by hedging or arbitrage trading activity. If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

***Holders of Shares will be diluted.***

As of March 31, 2016, the Company had 101,260,268 Shares and 3,834,500 stock options issued and outstanding. Following the completion of both tranches of the Offering, there will be an additional 15,000,000 Shares issued and outstanding (17,250,000 Shares assuming the exercise of the Over-Allotment Option in full).

See "Description of the Securities Being Distributed". The increase in the number of Shares issued and outstanding, and the sales of such Shares, may have a depressive effect on the price of the Shares. In addition, as a result of such additional Shares, the voting power of the Company's existing shareholders will be diluted.

**Risks Relating to the Company**

***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 Definitive Exploitation Agreement with the Government of Ecuador within the required timeframe. There is also a risk that Lundin Gold will not receive approval of its PCA or key environmental permits, including approval of the environmental impact assessment or environmental license, all of which are required to develop the Fruta del Norte Project.

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 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 Fruta del Norte Project temporarily or permanently, all of which would delay the Fruta del Norte Project's development and production and would have an adverse economic impact on the Company, which could be material. The existence or discovery of an endangered species at the Fruta del Norte Project could also ignite NGO and local community opposition to the Fruta del Norte Project, which would be a further barrier to development of the Fruta del Norte Project and could impact the Company's global reputation.

### ***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 business or the Company's previous business activities in Canada, Cyprus and Russia. There is a risk that the Company's previous business activities may give rise to legal uncertainties, legal claims and liabilities or otherwise have unfavourable results or financial exposure, despite the fact that the related assets have been sold and/or the relevant business wound up. Accordingly, 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 relating to current or previously held assets which could materially adversely impact Lundin Gold's financial position, cash flow and results of operations.

### ***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 NGOs may have a material adverse effect on Lundin Gold's operations at the Fruta del Norte Project and on its financial position, cash flow and results of operations. Lundin Gold does not presently maintain political risk insurance for the Fruta del Norte Project.

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

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

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

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

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

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

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

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

### ***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. Actual development costs thereof may differ materially from Lundin Gold's estimates and may render the development of the Fruta del Norte Project economically unfeasible. In the absence of additional mineral projects, Lundin Gold is solely dependent upon the Fruta del Norte Project for its revenue and profits, if any. Should the development of the Fruta del Norte Project not be possible or practicable for political, engineering, technical or economic reasons, then Lundin Gold's business and financial position will be significantly and adversely affected.

### ***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 and may be liable for actions and activities and disturbances caused by artisanal and illegal miners on the Company's property. Any significant environmental issues that may arise, however, could lead to increased reclamation expenditures and could have a material adverse impact on Lundin Gold's financial resources. Furthermore, environmental hazards may exist on the properties in which Lundin Gold holds interests which are unknown to Lundin Gold at present and which have been caused by previous or existing owners or operators of the properties.

There can also be no assurance that closure estimates prove to be accurate. 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 with commercial quantities of proven and probable Mineral Reserves, a profitable market may not exist for the sale of the same. The economically viable development of identified Mineral Reserves is highly dependent upon the price of metals. A sustained and substantial decline in gold 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.

### ***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 and 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.

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

## **CONSOLIDATED CAPITALIZATION**

As at July 12, 2016, there were 101,289,561 Shares issued and outstanding, and outstanding options to purchase an aggregate of 3,939,500 Shares at prices ranging from \$3.69- \$5.84 per Share.

The following table shows the effect of the Offering on the issued capital of the Company from the date of the most recently filed financial statements. The following table should be read in conjunction with the Interim Financial Statements and Interim MD&A incorporated by reference in this short form prospectus:

	<b>Interim Financial Statements</b>		
	<b>As at March 31, 2016</b>	<b>As at March 31, 2016 After Giving Effect to the Offering<sup>(1)(2)</sup></b>	<b>As at March 31, 2016 After Giving Effect to the Offering<sup>(1)(3)</sup></b>
Share Capital	US\$386.7 million	US\$447.2 million	US\$456.2 million
(Authorized – unlimited)	101.3 million Shares	116.3 million Shares	118.5 million Shares
Cash	US\$7.8 million	US\$68.3 million	US\$77.3 million

Notes:

- (1) After deducting the Underwriters' Fee and estimated expenses of the Offering.  
(2) Assuming no exercise of the Over-Allotment Option.  
(3) Assuming full exercise of the Over-Allotment Option.

## **LEGAL MATTERS**

Certain legal matters relating to the distribution of the Offered Shares pursuant to this short form prospectus will be passed upon by Blake, Cassels & Graydon LLP on behalf of the Company and by Cassels Brock & Blackwell LLP on behalf of the Underwriters. The partners and associates of Blake, Cassels & Graydon LLP, as a group, and the partners and associates of Cassels Brock & Blackwell LLP, as a group, each beneficially own, directly or indirectly, less than 1% of the securities of the Company.

## **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The auditor of the Company is PricewaterhouseCoopers LLP located at 250 Howe Street, Suite 700, Vancouver, BC, Canada, V6C 3S7.

The Company's transfer agent and registrar is Computershare Investor Services Inc., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, Canada M5J 2Y1 and 510 Burrard Street, 2<sup>nd</sup> Floor, Vancouver, British Columbia V6C 3B9.

## **PURCHASERS' RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a short form prospectus and any amendment. In several of the provinces and territories of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the short form prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

## SCIENTIFIC AND TECHNICAL INFORMATION

The scientific and technical information relating to the Fruta del Norte Project set forth in this short form prospectus has been derived from or is based on the NI 43-101 compliant technical report entitled “*Fruta del Norte Project, Ecuador, NI 43-101 Technical Report on Feasibility Study*” dated June 2016 with an effective date of April 30, 2016. The Technical Report has been filed with the Canadian securities regulatory authorities and is available for review on the SEDAR website at [www.sedar.com](http://www.sedar.com) under the Company’s profile. Reference should be made to the full text of the Technical Report for a complete description of the assumptions, qualifications, data verification, references, reliances and procedures associated with the scientific and technical information in this short form prospectus. See “Interests of Experts”.

## INTEREST OF EXPERTS

Each of the following authors of the technical and scientific information referred to above under “Scientific and Technical Information” is a “qualified person”. Each qualified person, as applicable, has reviewed certain scientific and technical information relating to the Fruta del Norte Project contained in this short form prospectus or has supervised the preparation of information upon which such scientific and technical information is based as detailed in the Technical Report.

<b>Disclosure</b>	<b>Authors</b>
Technical Report	Ignacy (Tony) Lipiec, Juleen Brown, Simon Allard, Charles Masala, Stella Searston, Bryan D. Watts, Alejandro Sepúlveda, Anthony R. Maycock, David A. Ross

None of Amec Foster Wheeler, KCB, NCL, MM Consultores, RPA, Ignacy (Tony) Lipiec, Juleen Brown, Simon Allard, Charles Masala, Stella Searston, Bryan D. Watts, Alejandro Sepúlveda, Anthony R. Maycock, or David A. Ross, each being companies or persons who have authored or contributed to the preparation of the Technical Report relating to the Fruta del Norte Project, or any director, officer, employee or partner thereof, as applicable, received or has received a direct or indirect interest in the property of the Company or of any associate or affiliate of the Company. Each of the above named persons are independent of the Company and as at the date hereof, to the knowledge of the Company, the aforementioned persons, and the directors, officers, employees and partners, as applicable, of each of the aforementioned companies beneficially own, directly or indirectly, individually, less than 1% of the securities of the Company.

Neither the aforementioned persons, nor any director, officer, employee or partner, as applicable, of the aforementioned companies or partnerships are currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

The Company’s auditors for the Audited Financial Statements incorporated by reference in this short form prospectus, PricewaterhouseCoopers LLP, Chartered Professional Accountants, in Vancouver, British Columbia, report that they are independent from the Company in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia, Canada.

**CERTIFICATE OF THE COMPANY**

July 12, 2016

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada, other than Québec.

(Signed) "*RONALD HOCHSTEIN*"  
President & Chief Executive Officer

(Signed) "*ALESSANDRO BITELLI*"  
Chief Financial Officer

On behalf of the Board of Directors:

(Signed) "*LUKAS LUNDIN*"  
Director

(Signed) "*IAN GIBBS*"  
Director

**CERTIFICATE OF THE UNDERWRITERS**

July 12, 2016

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada, other than Québec.

**GMP Securities L.P.**

*“Doug Bell”*  
By: (Signed) Doug Bell

**BMO Nesbitt Burns Inc.**

*“Jamie Rogers”*  
By: (Signed) Jamie Rogers

**Dundee Securities Ltd.**

*“John Esteireiro”*  
By: (Signed) John Esteireiro

**Cormark Securities Inc.**

*“Darren Wallace”*  
By: (Signed) Darren Wallace

**Paradigm Capital Inc.**

*“Bruno Kaiser”*  
By: (Signed) Bruno Kaiser

**Scotia Capital Inc.**

*“Marcus Chalk”*  
By: (Signed) Marcus Chalk







**LUNDINGOLD**