

**NEWS RELEASE****LUNDIN GOLD ANNOUNCES START OF CONSTRUCTION OF MINE FACILITIES AND COMPLETION OF PROJECT UPDATE FOR FRUTA DEL NORTE**

**May 30, 2017 (Vancouver, Canada)...** Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to report the start of construction of the mine development support facilities on its 100% owned Fruta del Norte Project ("FDN" or the "Project") in Ecuador. In addition, the Company has completed a project update for FDN. The update is based on advancing the design and estimates from the Technical Report entitled "*Fruta del Norte - NI 43-101 Technical Report on Feasibility Study*" (the "FS") filed by the Company in June 2016. The updated results include a revised mine plan, updated capital and operating costs and a new execution plan based on a self-perform approach versus EPCM. All dollar amounts are quoted in U.S. dollars ("\$\$") and all cash cost information is net of silver by-product credits. This update should be read in conjunction with the FS.

Lundin Gold President and Chief Executive Officer, Ron Hochstein, remarked that "A remarkable amount of work has been accomplished over the past year to provide a comprehensive update to the project. The result of these efforts has led to a more technically robust and constructible project with an improved execution plan. In addition, first gold production is now scheduled for Q4 2019, versus Q1 2020, and commercial production is achieved over six months sooner than anticipated in the FS. In addition, the update results in an improvement in the economics of the Project."

**Highlights**

- Based on field investigations and improved mine design, the expected first gold production has been moved forward several months, from first quarter 2020 to fourth quarter 2019;
- The mining rate is expected to ramp up quicker, over a twelve-month period, to an extraction rate of 3,500 tonnes per day ("tpd") until 2022, when the extraction rate is planned to reach 3,600 tpd;
- Average annual gold production is anticipated to exceed 300,000 ounces over 15 years (13 years in the FS) at an average life of mine ("LOM") total cash cost of \$561/oz and a LOM all-in sustaining cash cost ("AISC") of \$609/oz;
- LOM production is expected to be approximately 4.5 million ounces of gold and 5.5 million ounces of silver;
- Estimated Project capital cost, including contingency and pre-production costs and revenues, is \$684 million, net of taxes, compared to \$669 million in the FS. This revised estimate

includes the cost of mining equipment and the paste plant, estimated at \$58 million, previously included in sustaining capital;

- Project economics show an improvement over the FS, at the same gold and silver price assumptions used in the FS (\$1,250/ounce of Au and \$20/ounce of Ag):

	Pre-tax	After Tax
Net Present Value at a 5% discount rate (NPV <sub>5</sub> )	\$1,323 million	\$717 million
Internal Rate of Return (IRR)	24.7%	16.3%
Capital Payback (yrs)	3.1	4.0

Notes:

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

## Project Update Details

### *Mining*

As a result of a complete review of the mine plan, the updates to the FS are:

- The development schedule was shortened by several months as a result of improved ground conditions based on further field investigations, relocation of certain infrastructure into better ground conditions and better than anticipated contractor development rates.
- Conversion of approximately 1.5 Mt from drift & fill to transverse stoping mining method.
- The revised mine plan has a more even distribution of transverse stoping and drift & fill over the entire life of mine. The Company believes that the extraction sequence is more geotechnically stable and carries less risk than the sequence contemplated in the FS.
- Detailed ventilation modelling resulted in reduced power requirements and the elimination of the north vent raise.

### *Process*

There were no changes to the proposed flowsheet. However, the optimization of the process plant layout resulted in significant reductions in earthwork, concrete and piping quantities.

### *Capital & Operating Costs*

As compared to the FS, LOM capital costs decreased from \$932 million to \$854 million.

The revised pre-production capital cost is estimated to be \$684 million, inclusive of contingency and pre-production expenses and revenues, and net of taxes. Consistent with the FS, this capital cost was estimated on the basis that any expenditures by the Company prior to July 1, 2017 are not included in the estimate. While the FS was developed under an EPCM execution platform, this updated estimate is based on a self-perform / direct hire strategy.

Initial capital cost increased approximately \$15 million due to reallocating mine equipment purchases and the paste backfill plant from sustaining capital to initial capital, offset by reductions due to changes in scope, reduction in equipment quotations and the inclusion of pre-production costs and revenues. This capital cost estimate includes all direct and indirect costs to be expended throughout the project execution, starting July 1, 2017 and ending when the plant production reaches commercial production, defined as 70% of the nominal nameplate capacity for three consecutive months, estimated to occur by mid-2020. The capital cost estimate of \$669 million in the FS was based on costs up to first production. By comparison, if the FS estimate were stated at commercial production to align with the basis in the project update, the FS estimated capital cost would have been \$704 million.

The sustaining capital is estimated to be \$169 million (FS - \$262 million) and reclamation and closure costs are projected to be \$44 million (unchanged from FS).

#### Capital Cost Summary (\$ M)

Capital Items	Initial Capital	Sustaining Capital	Closure & Severance
Underground Mine	147	86	
Process Plant	71	2	
Tailings / Reclaim Water Facilities	45	42	
Surface Operations	46	39	
Infrastructure	48	1	
Power & Electrical	67		
Mine Closure			44
<b>Sub-Total - Direct Costs</b>	<b>424</b>	<b>169</b>	<b>44</b>
Indirect Costs & Commissioning	120		
Owners Costs	118		
Contingency	69		
<b>Sub-Total Indirect Costs</b>	<b>307</b>	<b>-</b>	<b>-</b>
Pre-Production Net Revenue	(46)		
<b>Total Capital Costs</b>	<b>684</b>	<b>169</b>	<b>44</b>

Note: Numbers may not add due to rounding.

The capital cost estimate does not include advance royalty payments, working capital requirements, corporate costs, \$108 million in indirect taxes and the remaining 2017 Early Works program. Approximately \$73 million of taxes will be recovered once production begins.

The LOM operating costs and all-in sustaining costs estimates have also improved compared to the FS. Operating costs are now estimated at \$111.84/t of ore, versus \$118.04/t in the FS. All costs are in Q2 2017 dollars.

### **LOM Operating Cost by Area**

<b>Area</b>	<b>Operating Cost (\$/t)</b>
Mining	54.98
Process	32.44
Surface	4.21
G&A	20.21
<b>Total</b>	<b>111.84</b>

### **LOM All in Sustaining Cash Cost (\$/oz Au payable)**

<b>Area</b>	<b>Cash Cost (\$/oz Au)</b>
On site operating cost	424
Treatment & Refining charges	84
Royalties & production taxes	76
By-product silver credit	(22)
<b>Cash Cost</b>	<b>561</b>
Sustaining Capital	39
Closure costs	10
<b>AISC per oz</b>	<b>609</b>

Note: Numbers may not add due to rounding.

This press release has been reviewed and approved by Ron Hochstein, P. Eng., a metallurgical engineer and the Company's President and Chief Executive Officer, who is a Qualified Person under NI 43-101.

For information with respect to the key assumptions, parameters and risks associated with the results of the FS for the Project, the Mineral Resource and Mineral Reserve estimates included therein and other technical information, please refer to the Technical Report entitled "*Fruta del Norte - NI 43-101 Technical Report on Feasibility Study*" dated effective April 30, 2016 filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **About the Company**

Lundin Gold Inc. owns the Fruta del Norte ("FDN") gold project located in southeast Ecuador. FDN is one of the largest and highest grade undeveloped gold projects in the world. The Company is advancing FDN in order to realize the significant potential of this asset.

The Company believes that the value created will not only greatly benefit shareholders, but also the Government and people of Ecuador who are the Company's most important stakeholders in this project. Lundin Gold views its commitment to corporate social responsibility as a strategic advantage that enables it both to access and effectively manage business opportunities in increasingly complex environments. Lundin Gold is committed to addressing the challenge of sustainability - delivering value to its shareholders, while simultaneously providing economic and social benefits to impacted communities and minimizing its environmental footprint.

## **Additional Information**

The information in this release is subject to the disclosure requirements of Lundin Gold under the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was publicly communicated on May 30, 2017, 2:00 a.m. Eastern Time.

### ***For more information, please contact***

Lundin Gold Inc.  
Ron F. Hochstein  
President and CEO  
+593-2-299-6400  
+1-604-806-3589

Lundin Gold Inc.  
Sophia Shane  
Corporate Development  
+1-604-689-7842  
info@lundingold.com  
www.lundingold.com

### **Caution Regarding Forward-Looking Statements**

This press release contains or refers to forward-looking information under Canadian securities legislation, including statements regarding the results of the project update, including, but not limited to, timing of first gold production and commercial production, scheduling, gold price and exchange rate assumptions, cash flow forecasts, projected capital and operating costs, metal or mineral recoveries, mine life and production rates; the Company's potential plans and operating performance; changes to the mine plan, the estimation of the tonnage, potential production from and viability of the Company's properties, estimates of future production and operating costs; access to project funding, performance of the Company's contractors, commencement of works and construction, and is based on current expectations that involve a number of business risks and uncertainties. Forward-looking statements are subject to significant risks and uncertainties, and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements.

Lundin Gold's actual results could differ materially from those anticipated. Management has identified the following risk factors which could have a material impact on the Company or the trading price of its shares: the ability to arrange financing and the risk to shareholders of dilution from future equity financings; risks related to carrying on business in an emerging market such as possible government instability and civil turmoil and economic instability; volatility in the price of gold; the timely receipt of regulatory approvals, permits and licenses; risks associated with the performance of the Company's contractors; risks inherent in the development of an underground mine; deficient or vulnerable title to mining concessions and surface rights; shortages of resources, such as labour, and the dependence on key personnel; risks associated with the Company's community relationships; unreliable infrastructure and local opposition to mining; volatility in the market price of the Company's shares; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; difficulty complying with changing government regulations and policies, including without limitation, compliance with environment, health and safety regulations, and the cost of compliance or failure to comply with applicable laws; exploration and development risks; the accuracy of the Mineral Reserve and Resource estimates for FDN and the Company's reliance on one project; liabilities; the Company's lack of operating history in Ecuador; illegal mining; uncertainty as to reclamation and decommissioning; adverse global economic conditions; risks associated with the Company's information systems; the inadequacy of insurance; risks of bribery or corruption; the potential for litigation; limits of disclosure and internal controls; and the potential influence of the Company's largest shareholders.

There can be no assurance that such statements will prove to be accurate, as Lundin Gold's actual results and future events could differ materially from those anticipated in this forward-looking information as a result of the factors discussed in the "Risk Factors" section in Lundin Gold's Annual Information Form for the financial year ended December 2016, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).