

## NEWS RELEASE

### **LUNDIN GOLD INC. REPORTS Q3 2016 RESULTS**

**November 9, 2016 (Vancouver, Canada)... Lundin Gold Inc.** ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce its results for the three and nine months ended September 30, 2016. All amounts in this release are in U.S. dollars unless otherwise indicated.

#### **Highlights**

##### *Fruta del Norte Project*

- During the quarter the Company embarked on the Early Works Program. This phase of the project includes field investigations, early site works, optimizations and basic engineering and is scheduled to end approximately mid-2017. Its objective is to transition the Fruta del Norte Project from the feasibility study (the "Feasibility Study") into full development and construction and to maintain the critical path to first production in the first quarter of 2020.
- In August, the Company successfully concluded the negotiation of the definitive form of investment protection agreement (the "IPA") for the Fruta del Norte Project with the Government of Ecuador, and the draft text was subsequently formally approved by the Government.
- In October, the Company's Environmental Impact Study (the "EIS") for the Fruta del Norte Project was approved and the Environmental License was granted by the Government of Ecuador.
- The Company awarded several contracts to advance the Project including bringing G Mining Services Inc. ("G Mining") on to form an integrated project team to manage all aspects of the project, covering optimization of all areas of the project design and execution plan, basic engineering, detailed engineering, procurement, construction and commissioning. G Mining is a multidisciplinary mining and project management company based in Montreal, Quebec, Canada.

##### *Financing*

- During the quarter, the Company completed an equity financing with a syndicate of underwriters (the "Underwriters"), pursuant to which the Underwriters purchased, on a bought deal basis, 15,000,000 common shares of the Company at a price of CAD\$5.50 per Share (the "Offering"). The first tranche of the Offering, for 10,000,000 common shares, closed on July 19, 2016. The second tranche of the offering for 5,000,000 common shares, closed on August 9, 2016. In addition, the Underwriters exercised a 15% over-allotment option in full and purchased 2,250,000 additional common shares. Gross proceeds under the Offering, inclusive of the over-allotment option, were CAD\$94,875,000 (\$72.6 million).

##### *Exploration*

- An exploration drilling campaign was completed in early August, having tested five key targets located 15 to 20 km south of the Fruta del Norte Project. Although intersected mineralization did not return high grades over significant intersections, the styles of alteration and mineralization do confirm important epithermal systems at four of the five targets tested, which justify future follow-up.

"The third quarter of 2016 was another quarter of significant accomplishments for the Company," said Lundin Gold President and CEO, Ron Hochstein, "We raised CAD\$95 million through a public offering which allowed it to embark on its ambitious Early Works Program. In addition, with the approval of the Environmental Impact Study, the issuance of the Environmental License for Fruta del Norte and the awarding of several key contracts, we are on the path to achieving our next big goal of construction by the middle of 2017."

## Financial Results

(in thousands, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
<b>Results of Operations:</b>				
Operating expenses	\$ (11,814)	\$ (13,685)	\$ (38,788)	\$ (37,374)
Other income (expense)	29	2,082	(137)	4,811
Net loss for the period	(11,785)	(11,603)	(38,925)	(32,563)
Basic and diluted loss per share	(0.10)	(0.11)	(0.37)	(0.32)
 <b>Financial Position:</b>				
(in thousands)			As at September 30, 2016	As at December 31, 2015
Cash		54,849	21,360	
Working capital		49,903	16,314	
Property, plant and equipment		7,947	8,557	
Mineral properties		236,874	236,874	
Total assets		300,195	267,400	
Long-term liabilities		947	867	

The current quarter's net loss is lower compared to the third quarter of 2015 mainly due to a reduction in project evaluation costs offset by an increase in exploration and general and administrative expenses. Project evaluation expenditures are \$3.6 million lower compared to the same period in 2015 because of the completion of the Feasibility Study during the second quarter of 2016 and drilling activities to support the Feasibility Study which progressed during the third quarter of 2015. This is offset by an increase in exploration expenditures of \$1.0 million driven by exploration drilling during the third quarter of 2016. In addition, there was an increase in general and administrative expenditures of \$0.8 million mainly due to a donation made to the Lundin Foundation in the third quarter of 2016. The Lundin Foundation is working closely with the Company in areas such as training and economic development in Ecuador.

The loss during the nine months ended September 30, 2016 is higher compared to that of the nine months ended September 30, 2015 as a result of an increase in exploration expenditures of \$3.5 million and a reduction in the foreign exchange gain of \$4.8 million, offset by a decrease in general and administrative expenditures of \$2.0 million. The increase in exploration expenditures was driven by the start of exploration drilling in April 2016. In addition, there was a decrease in the foreign exchange gain due to the strengthening of the U.S. dollar against the Canadian dollar which generated a substantial gain in terms of Canadian dollars during the first nine months of 2015 compared to 2016.

## **Liquidity and Capital Resources**

As at September 30, 2016, the Company had cash of \$54.8 million and a working capital balance of \$49.9 million compared to cash of \$21.4 million and a working capital balance of \$16.3 million at December 31, 2015. The increase in cash of \$33.4 million was primarily due to the equity financing which provided the Company with net proceeds of \$69.3 million (see paragraph below) offset by \$24.8 million of project evaluation expenditures relating to the feasibility study and general and administrative expenses of \$9.9 million.

### **Equity Financing**

On June 27, 2016, the Company entered into an agreement with the Underwriters, pursuant to which the Underwriters agreed to purchase, on a bought deal basis, 15,000,000 common shares of the Company at a price of CAD\$5.50 per Share, for aggregate gross proceeds of CAD\$82,500,000 in two tranches. The Underwriters were granted an over-allotment option, exercisable in whole or in part, to purchase up to an additional 2,250,000 common shares, representing 15% of the number of common shares sold under the Offering.

The first tranche of the Offering, for 10,000,000 common shares, closed on July 19, 2016. The second tranche of the offering for 5,000,000 common shares, closed on August 9, 2016. In addition, the Underwriters exercised the over-allotment option in full and purchased 2,250,000 additional common shares.

The total gross proceeds raised under the Offering was CAD\$94,875,000 (\$72.6 million). Share issue costs of \$3.3 million were paid resulting in net proceeds of \$69.3 million received by the Company in relation to the Offering.

## **Outlook**

During the quarter the Company commenced the Early Works Program. The main objectives of the Early Works Program are to perform basic engineering, provide the access, infrastructure, services and facilities to support the start of construction of the mine's twin declines and to maintain the project critical path. These programs remain on track with earthworks scheduled to commence in fourth quarter of 2016 and are expected to be completed by the end of the second quarter 2017.

On June 16, 2016, the Company submitted the phase change application (the "PCA") to the Government of Ecuador. The Government of Ecuador approved the PCA on July 13, 2016. Based on the PCA approval date, the Company has until January 20, 2017 to execute the exploitation agreement and the IPA with the Government of Ecuador. Upon execution of the exploitation agreement, the first advance royalty payment of \$25 million will become due. The balance of the payment will be due in two equal disbursements of \$20 million on the first and second anniversaries of the execution of the exploitation agreement. The advance royalty payment is deductible against future royalties payable.

During the next 12 months, the Company will continue to work with its financial and legal advisors to evaluate and put in place the financing for the construction of the Fruta del Norte Project. The Company intends to have its financing in place coincident with a construction decision at the end of the Early Works Program, expected in the middle of 2017.

The Company intends to undertake an Induced Polarity (IP) geophysical program in the fourth quarter of 2016, to target new areas of interest identified from the recently completed geochemical survey. Continued mapping and prospecting on these areas combined with results from the IP survey will help define high priority exploration targets for drilling in 2017.

## **Qualified Person**

The technical information relating to the Fruta del Norte Project contained in this press release has been reviewed and approved by Ron Hochstein P. Eng, Lundin Gold's President & CEO, and Nicholas Teasdale, MAusIMM CP(Geo), Lundin Gold's Vice-President Exploration, both of whom are Qualified Persons under NI 43-101.

Full details of the Feasibility Study can be found in a technical report entitled "Fruta del Norte - NI 43-101 Technical Report on Feasibility Study" (the "Technical Report") which has an effective date of April 30, 2016. The Technical Report is available for review under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.lundingold.com](http://www.lundingold.com)).

## **Additional Information**

The Company's consolidated financial statements for the three and nine months ended September 30, 2016 and related management's discussion and analysis are available on the Company's website at [www.lundingold.com](http://www.lundingold.com) or under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The information in this release is subject to the disclosure requirements of Lundin Gold under the EU Market Abuse Regulation and/or the Swedish Securities Markets Act. This information was publicly communicated on November 9, 2016 at 4:00pm Pacific time.

## **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.*

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

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

Certain of the information and statements in this press release are considered "forward-looking information" or "forward-looking statements" as those terms are defined under Canadian securities laws

(collectively referred to as "forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "believes", "anticipates", "expects", "is expected", "scheduled", "estimates", "pending", "intends", "plans", "forecasts", "targets", or "hopes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "will", "should" "might", "will be taken", or "occur" and similar expressions) are not statements of historical fact and may be forward-looking statements.

By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. Lundin Gold believes that the expectations reflected in this forward looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. This information speaks only as of the date of this press release, and the Company will not necessarily update this information, unless required to do so by securities laws.

This press release contains forward-looking information in a number of places, such as in statements pertaining to: the execution of the exploitation agreement and the investment protection agreement and the benefits to be derived under the same, the timing and success of the Early Works program, the issuance of an Environment License for the project, the success of the Company's exploration plans and activities, the outcome of litigation, exploration and development expenditures and reclamation costs, timing and success of permitting and regulatory approvals, future sources of liquidity, capital expenditures and requirements, expectations of market prices and costs, development, construction and operation of the Fruta del Norte Project, future tax payments and rates, cash flows and their uses.

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: capital and operating costs varying significantly from estimates, metallurgical test results not being representative, the ability to arrange financing, the timely receipt of regulatory approvals, permits and licenses, risks related to carrying on business in an emerging market such as possible government instability and civil turmoil and economic instability, measures required to protect endangered species, deficient or vulnerable title to mining concessions and surface rights; the potential for litigation; volatility in the market price of the Company's shares; the risk to shareholders of dilution from future equity financings; the cost of compliance or failure to comply with applicable laws; difficulty complying with changing government regulations and policies, including without limitation, compliance with environment, health and safety regulations; illegal mining; uncertainty as to reclamation and decommissioning liabilities, unreliable infrastructure and local opposition to mining; the accuracy of the Mineral Reserve and Resource estimates for the Fruta del Norte Project and the Company's reliance on one project; volatility in the price of gold; shortages of resources, such as labour, and the dependence on key personnel; the Company's lack of operating history in Ecuador and negative cash flow; the inadequacy of insurance; potential conflicts of interest for the Company's directors who are engaged in similar businesses; limitations of disclosure and internal controls; 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 prospectus dated July 12, 2016 which is available on SEDAR at [www.sedar.com](http://www.sedar.com).