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## NEWS RELEASE

### LUNDIN GOLD INC. ANNOUNCES AGREEMENT WITH GOVERNMENT OF ECUADOR ON EXPLOITATION AGREEMENT TERMS AND CONDITIONS

**January 14, 2016 (Vancouver, Canada)...** Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce that it has successfully completed the negotiation of the definitive form of the Exploitation Agreement for the Fruta del Norte Project, its flagship gold project in Ecuador. All amounts in this release are in U.S. dollars.

Lundin Gold has been negotiating the terms and conditions of the Exploitation Agreement for the Fruta del Norte Project with the Government of Ecuador over the past six months. The Exploitation Agreement, combined with existing laws and regulations, establishes the fiscal terms and conditions for the development of the Fruta del Norte Project and its completion marks a key milestone in the Project plan. The definitive form of the Exploitation Agreement has received the approval of the Government of Ecuador.

Lundin Gold's President and Chief Executive Officer, Ron Hochstein, stated that "The completion of the definitive form of the Exploitation Agreement represents a major accomplishment for the Company and for the Government of Ecuador. The parties have crafted an agreement in which the fiscal terms are significantly better than those previously considered for the Fruta del Norte Project and which ensures that the people of Ecuador will benefit from the Project's future development. Lundin Gold has been pleased with the level of support and cooperation which we have received from the Government of Ecuador and local governments and communities, and we look forward to building on these fruitful relationships. With the terms of our key mining agreement settled, we can now proceed with the finalization of the feasibility study and project financing."

#### Key Contract Terms

- Through its wholly owned subsidiary in Ecuador, Lundin Gold has negotiated the right to develop and produce gold from the Fruta del Norte Project for 25 years, which may be renewed.
- The Company and the Government of Ecuador have agreed to an advance royalty payment of \$65 million, with \$25 million being due upon execution of the Exploitation Agreement. The balance of the payment will be due in two equal disbursements on the first and second anniversaries of the execution of the Exploitation Agreement.
- Lundin Gold has agreed to pay the Government of Ecuador a royalty equal to 5% of net smelter revenues from production. The advance royalty payment is deductible against future royalties payable. It will be deductible against the lesser of 50% of the royalties payable in a six-month period or 20% of the total advance royalty payment.
- According to the Exploitation Agreement, 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 Government of Ecuador will tax the difference between net smelter revenue and what revenue would be using the base price at a rate of 70%. The base price, which will be

determined on a monthly basis, will be equal to the trailing 10-year average of the daily price of gold or silver, escalated by the U.S. Consumer Price Index, plus one standard deviation.

- The Windfall Tax will not apply until the Company has recouped all of the cumulative investment in the development of the Fruta del Norte Project since its inception plus the present value of the actual cumulative investment incurred from signing of the Exploitation Agreement until the start of production.
- The Exploitation Agreement also provides that 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%, the Company will be required to pay an annual sovereign adjustment. Each year, the benefits to the Company will be calculated as the net present value of the actual cumulative free cash flows of the Fruta del Norte Project subsequent to the signing of the Exploitation Agreement, net of the cumulative investment incurred in the development of the Project from its inception until the date of the Agreement. The Government of Ecuador's benefit will be calculated as the present value of cumulative sum of taxes paid including corporate income taxes, royalties, Windfall Tax, labour profit sharing paid to the State, non-recoverable VAT, and any previous sovereign adjustment payments.
- The Exploitation Agreement also includes a mechanism for correcting any economic imbalance to these key terms which are the result of changes in taxes, laws and regulations as provided under this Agreement.

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

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

A conference call with a webcast presentation to discuss the Exploitation Agreement will be held on January 15, 2016 at 8:00 a.m. (Eastern) or 14:00 CET.

Please call in 10 minutes before the conference call starts and stay on the line (an operator will be available to assist you).

Dial-In Numbers:

Toll-Free North America:	+1-866-393-4306
North America:	+1-734-385-2616
Sweden:	+46 (0) 8 5661-9361

Conference ID: Lundin Gold 16199303

To view the live webcast presentation, please log on using this direct link:  
<http://www.investorcalendar.com/IC/CEPage.asp?ID=174608>

The presentation slideshow will also be available in PDF format for download from the Lundin Gold website [www.lundingold.com](http://www.lundingold.com) before the conference call.

A replay of the telephone conference will be available after the completion of the conference call until January 22, 2016.

Replay number (Toll Free North America): +1 855-859-2056

Replay number (International): +1 404-537-3406

The pass code for the replay is: 16199303

*The information in this release is subject to the disclosure requirements of Lundin Gold under the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on January 14, 2016 at 11:04 a.m. Eastern 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 and is currently working on the FDN feasibility study scheduled to be completed in Q2 2016.*

*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: capital expenditures, exploration and development expenditures and reclamation costs, expectations of market prices and costs, the receipt of regulatory approvals, permits and licenses under governmental and regulatory regimes, exploration plans, timing and success of permitting, development, construction and operation of the Fruta del Norte Project, the feasibility study to be prepared for the Fruta del Norte Project, future tax payments and rates, future sources of liquidity, cash flows and their uses and estimates of Mineral Resources.

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 dated March 25, 2015 available at [www.sedar.com](http://www.sedar.com).

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 of the Company to successfully enter into exploitation and investment protection agreements, the timely receipt of regulatory approvals, permits and licenses and the cost of compliance with applicable laws; difficulty complying with changing government regulations and policy, including without limitation, compliance with environment, health and safety regulations; uncertainty as to reclamation and decommissioning liabilities, risks related to carrying on business in an emerging market such as possible government instability and civil turmoil, economic instability and uncertain tax environments, unreliable infrastructure and local opposition to mining; the accuracy of the mineral resource estimates for the Fruta del Norte Project and the Company's reliance on one project; vulnerability of title and surface rights and access; 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; the potential for litigation; potential conflicts of interest for the Company's directors who are engaged in similar businesses; limitations of disclosure and internal controls; the risk to shareholders of dilution from future equity financings; volatility in the market price of the Company's shares; and the potential influence of the Company's largest shareholders.