

LUNDINGOLD

TSX, NASDAQ STOCKHOLM: LUG



2017

Sustainability Report

BUILDING THE FUTURE THROUGH RESPONSIBLE MINING

About Lundin Gold

Lundin Gold Inc. (Lundin Gold or the Company) is a Canadian mining company listed on the Toronto Stock Exchange and Nasdaq Stockholm. The Company is headquartered in Vancouver, Canada, and a member of the Lundin Group of Companies. Lundin Gold is developing its wholly-owned Fruta del Norte Project (the Project), one of the world's highest-grade gold mining projects currently under construction.

About this Report

This is Lundin Gold's second sustainability report. It has been prepared in accordance with the GRI Standards, Core option. The report, which is available in English and Spanish, focuses on our flagship asset, the Fruta del Norte Project. In some sections our exploration activities, primarily undertaken by our wholly-owned subsidiary, Aurelianmenor S.A., are included. A GRI and Global Compact Indexes are available via our website and additional information is also available via our social media channels. Please note the cautionary statement about forwardlooking information and statements presented on page 44. Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. We welcome your comments and questions via ec.comunicaciones@lundingold.com.

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Message from Ron Hochstein, President and CEO



2017 has been a year of great change for Lundin Gold and for our Fruta del Norte (FDN) Project. Over the course of the year, our team has grown significantly as we have made the transition to construction. Our focus has been on preparing for the development of our twin declines as well as for the construction of surface infrastructure. Throughout, we have remained committed to our fundamental principles:

- Working safely
- Environmental stewardship
- Respect

Instilling a culture of safety in all that we do remains our top priority.

The start of the construction phase presented a new set of challenges for FDN and our first month of construction activities saw an increase in the incident frequency rate. Nevertheless, through the diligent efforts of our site-based team and a Company-wide commitment to safety, it was gratifying to close out the year with three consecutive months with zero incidents. As we look forward to 2018, we will continue to emphasize our safety culture and promote awareness and leadership in achieving our objectives.

Our commitment to environmental stewardship remains firm. As our construction footprint has grown, we have continued to focus upon water quality and protecting biodiversity. At the end of 2017, there were nearly 2,000 people working for the FDN project (including Lundin Gold staff and contractors). Given this increase in people, together with the work that has commenced on the twin declines, we have increased substantially our water treatment capacity. Our flora and fauna rescue campaigns have also continued throughout the year.

Respect and trust go hand in hand. Over the course of the year we engaged with a wide range of stakeholders at the local, national and international levels. We wish to understand their concerns and address our common priorities pragmatically and transparently. Together, we can build a path towards long-term economic development in the area of the Project. In 2017, the community roundtable process continued and together with the many stakeholders that participate, we have jointly identified priority community investments.

Just one example of such work was the accelerated high-school program. Implemented jointly with the government of Ecuador and multiple NGO partners (including the Lundin Foundation), over 200 adults from the FDN area have spent evenings and weekends working towards their high school diploma. At the end of 2017, this unique program was nearing completion. For these future graduates, this is a first step towards further training and other employment opportunities.

Generating economic opportunities for communities near FDN has remained the issue of greatest interest for local stakeholders. 2017 has seen our local employment and local procurement strategies deliver strong results. At the end of the year, more than 60% of Lundin Gold's workforce was from the Province of Zamora Chinchipe, which hosts the FDN Project. We have also continued to work with our contractors to create opportunities through their activities. Additionally, by the end of 2017, we were routinely spending more than \$1 million per month through local procurement with small local businesses, many of which have grown together with the Project.

In November 2017 we were honored to be recognized by the United Nations Global Compact (UNGC) for our work with Catering Las Peñas and the Lundin Foundation, about which you can read more in this report. This award highlighted what is possible when like-minded organizations collaborate to create improved economic opportunities for local community members.

Subsequently, in March 2018, Lundin Gold joined the UNGC. This demonstrates our commitment to implement, disclose and promote its universal human rights, labour, environment and anti-corruption principles. This sustainability report serves as our first Communication of Progress under the reporting requirements of the UNGC.

As we look to 2018, our objective is to move forward with the construction of FDN while always living our values. We will align our work with leading international standards and frameworks for responsible mining. We will continue to work in partnership with other interested parties and seek to ensure that FDN creates a platform for broader-based, inclusive and sustainable economic development for Zamora Chinchipe and Ecuador.

Ecuador has great potential to develop its mineral resources, and yet this will only be possible if the mining industry can demonstrate that such development brings tangible improvements to the quality of life of local people and protects the environment. At Lundin Gold, we firmly believe that FDN can be an example of how mining can drive sustainable development.

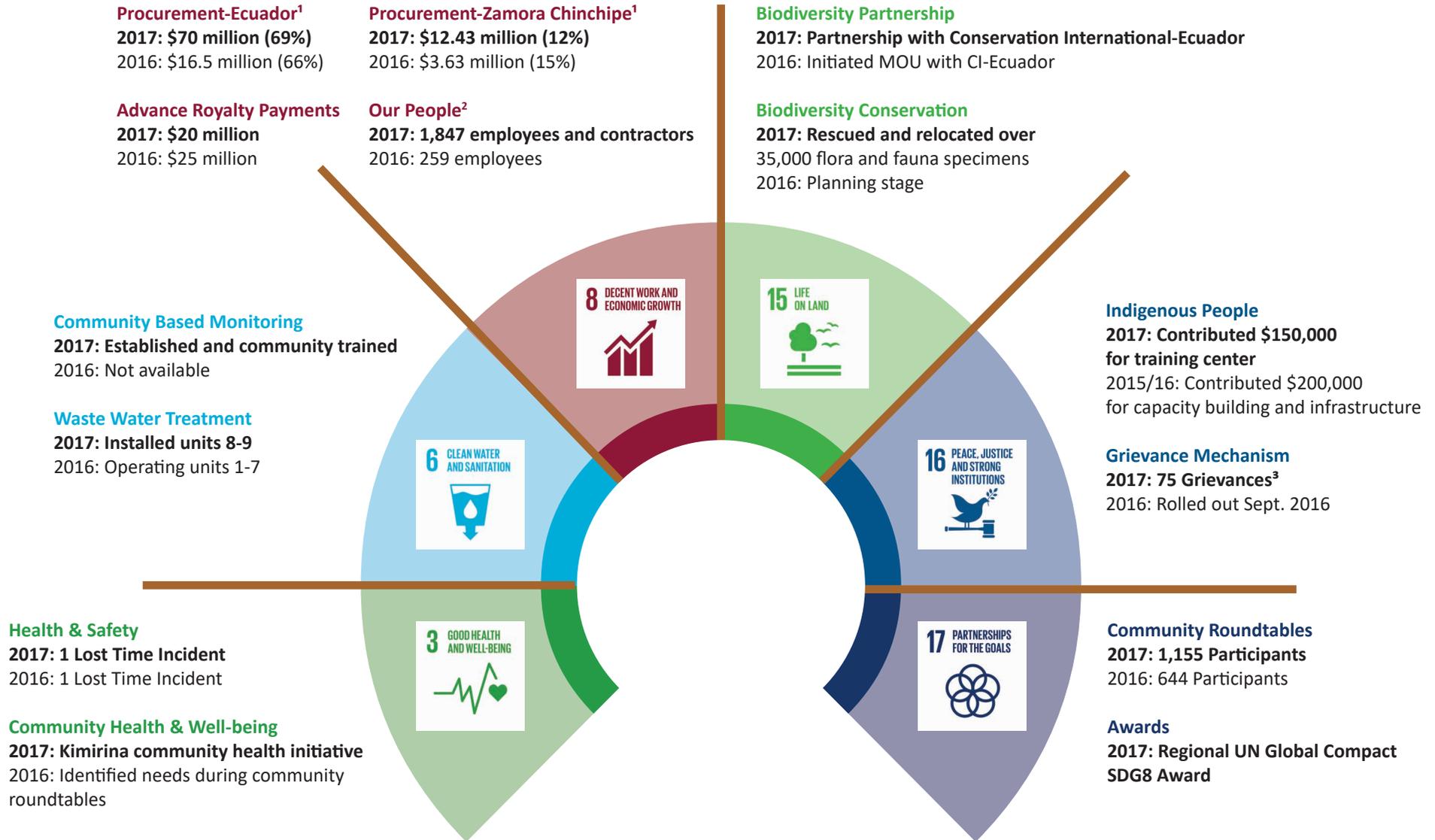
Through this report, we are very pleased to share with you our progress in 2017. We are proud of our accomplishments for the year, and we have also identified areas for increased focus in 2018. We welcome your feedback and have provided contact information at the end of this report.

Sincerely,



Ron Hochstein

Sustainability Snapshot



1. Figures in parentheses represent the percentage of the annual total procurement spent
 2. Numbers of workers measured as at 31 December of each year, thus does not represent number of workers throughout the year
 3. Category of grievance recorded: Level I (lowest severity): 93%, Level II: 7%, Level III (highest severity): 0%

Our Material Topics



As part of the process of deciding what to include in this sustainability report, we collected internal and external opinions on our organization's most significant economic, environmental, and social impacts. We also considered our core values and policies, our operational and regulatory context in Ecuador, relevant public listing and disclosure requirements in Canada and Sweden, the United Nations' Sustainable Development Goals, and the United Nations Global Compact, which we joined in March 2018.

External input collected during the reporting period includes regulatory compliance and the ongoing contributions of a facilitated roundtable dialogue process related to the Fruta del Norte Project in Ecuador. Our routine media monitoring (see page 6) and attendance at industry and sustainability events, including those related to the United Nations Global Compact highlighted in the report, provided further insights about the external perception of our Company's conduct and broader societal expectations. In addition, we conducted a brief survey of selected stakeholders and readers of our sustainability report to identify material topics and help identify opportunities for improvement (see page 5).

The analysis of the above-mentioned sources helped us identify or validate our material topics, assist with the determination of reporting boundaries, and evaluate our management approach.

MATERIAL TOPICS FOR OUR 2017 SUSTAINABILITY REPORT

- Corporate Governance
- Economic Impact
- Transition to Construction
- Water Quality
- Safe Working Conditions
- Biodiversity Conservation
- Social License to Operate
- Human Rights



Each material topic and associated potential impacts, boundaries, interested stakeholders, management approach, adopted indicators, evaluation of approach, and relevant United Nations' Sustainable Development Goals are summarized on pages 7-9.

Launching the 2015-2016 Report

Our first sustainability report, which covered the 2015-2016 period, was published in both Spanish and English, on-line (May 2017) and in print (June 2017). We launched the report through internal media channels and events designed to reach staff and contractors at our offices and the FDN construction camp in Ecuador. Our staff, officers, and contractors based in Montreal and Vancouver were able to attend via video conference.

We also informed our external stakeholder via media releases and invited over 200 external stakeholders to attend a press conference, presentations by our senior management, and attend a panel discussion. These efforts resulted in our sustainability report ranking third in terms of topics covered in 1,105 media publications covering our company and the mining sector in Ecuador in 2017. We will publicize the launch of the 2017 report through our social media channels.

Stakeholder Survey

While working on the 2017 sustainability report, we also reached out to selected internal and external readers of our first sustainability report and invited them to identify specific opportunities for improvement. While the survey respondents provided positive comments about the process, content, balance, length and graphic design of our first report, we took note of their suggestions for improvement.

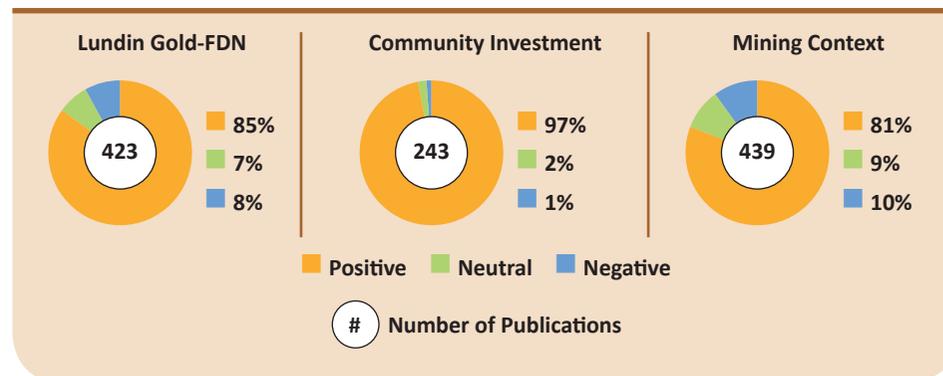
In response, we added information about the construction of the portal, provided local hiring statistics, identified initiatives aimed at promoting community values and combating alcohol and drug abuse, noted importance of shared value creation and community investment as recognized good international practice to obtain social license to operate and mitigate political risks, introduced additional outcome indicators relating to social investments, and described the dissemination campaign related to our 2015-2016 sustainability reporting.

Media Analysis

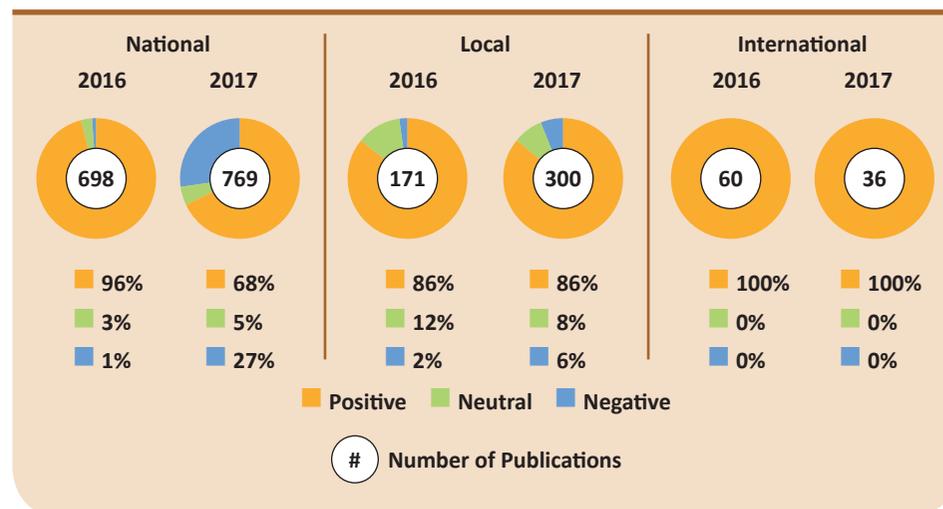
We utilize both traditional mass media and social media channels to reach our diverse stakeholders across Ecuador and abroad. We continued a structured media monitoring program, which commenced in mid-2016. Thematically, the media monitoring focuses on Lundin Gold and Fruta del Norte, our impact investments, and the broader context of the mining sector in Ecuador. The objective of this monitoring program is to better understand the effectiveness of our outreach and gauge the relative public perception about our activities.

An analysis of 1,105 publications which covered our strategic themes of interest in 2017 show that our activities continue to receive broad coverage in the local and national mass media across Ecuador and reach the international media market. The positive news coverage in 2017 focused mainly on financing and construction of Fruta del Norte, our sustainability report, and the accelerated high school program, one of our impact investments (see page 39). Negative media coverage, which grew in relative terms compared to 2016, can be largely attributed to the increasing number, scope or impact of mining projects in Ecuador, both of which are unrelated to our operations.

MEDIA COVERAGE IN 2017



MEDIA COVERAGE BY LOCATION



CORPORATE GOVERNANCE



Why this issue is important: Good governance is a key part of building trust, protecting our social license to operate, and retaining access to reputable investors.

Boundry: Internal (staff, board, top-tier contractors), and external (extended supply chain, regulators).

Stakeholders: Staff, management, board, shareholders, contractors, suppliers, regulators, stock markets, investors and lenders.

Approach: Policies on corporate governance, code of conduct & ethics, anti-bribery policy, responsible mining policy, payment transparency, and whistleblower policy.

Indicators: GRI 102-16, 102-18

Evaluation: No material concerns raised by media, roundtables or whistleblowers.

Global Compact: All Principles (1-10)

Key UN SDG:



TRANSITION TO CONSTRUCTION



Why this issue is important: Well executed projects and ramp-ups can avoid overruns and delays.

Boundry: Internal (staff), external (contractors, supply chains, investors).

Stakeholders: Staff, management & board, supply chain, investors.

Approach: Adopt self-perform model (versus EPCM*), hire experienced management team, create consortia of contractors to boost skills and experience, implementing "We Are Lundin Gold" and on-boarding campaigns, scale up health & safety, training and other programs.

Indicators: Improved budget control, savings vs EPCM model, GRI 403-2

Evaluation: Remained within budget guidance, and safety performance goals.

Global Compact: All Principles (1-10)

Key UN SDG:



SAFE WORKING CONDITIONS



Why this issue is important: A safe work environment reduces work stoppages and compensation payments, while strengthening our reputation and talent acquisition.

Boundry: Internal (workers, contractors), external (investors, industry peers).

Stakeholders: Employees, contractors, regulators, future workers and supply chain.

Approach: Health and safety policies, visible felt leadership program, empowered health & safety team, inspections and third-party audits, and explicit performance goals.

Indicators: GRI 403-2

Evaluation: Industry-leading safety performance.

Global Compact: Labor (3-6)

Key UN SDG:



*EPCM = Engineering, Procurement, Construction & Management - an outsourcing approach often used for capital developments

SOCIAL LICENSE TO OPERATE (SLO)



Why this issue is important: Our social license to operate helps to mitigate political risks, and increases acceptance, partnerships, and access to responsible finance.

Boundry: Internal (awareness, policies, actions), social license granted externally.

Stakeholders: Communities, government agencies, CSOs, NGOs, media.

Approach: Be respectful, apply good international mining practice, extensive engagement, grievance mechanism, generate shared value, impact investing, promoting social values and cohesion.

Indicators: GRI 102-14, 102-16, 102-18, 102-40 to 44, 102-45 to 56.

Evaluation: Groundbreaking roundtables, acceptance by local communities and national government support, positive media image, recognition by UNGC.

Global Compact: All Principles (1-10)

Key UN SDG:



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS

WATER QUALITY



Why this issue is important: Protecting ecosystem services is a key part of maintaining our social license to operate and ensuring a philosophy of responsible mining.

Boundry: Internal (performance) and external (ASM impacts, no waste water treatment in villages before river discharge).

Stakeholders: Communities near operations, government agencies, NGOs.

Approach: Approved ESIA, sediment & spill control, initiated community-based monitoring program, scaled-up treatment systems, assisted ASM with permitting and compliance.

Indicators: GRI 303-1, 306-1.

Evaluation: Growing camp size and increase in construction activities necessitated installation of additional water treatment units to improve water quality performance.

Global Compact: Environment (7-9)

Key UN SDG:



6 CLEAN WATER AND SANITATION

ECONOMIC IMPACT



Why this issue is important: Strong performance promotes project viability, can attract investors, and brings benefit to stakeholders.

Boundry: Internal (budget, inclusive hiring and procurement, advance royalty payments), external (political and market risks).

Stakeholders: Suppliers and contractors, nearby communities, government agencies.

Approach: Budget and cost control, prioritize local hiring and contracting, impact investments.

Indicators: GRI 201-1, 203-2.

Evaluation: Maintain access to funding, pay advance royalties, maintain budget discipline, maintain SLO.

Global Compact: Labor (3-6)

Key UN SDG:



8 DECENT WORK AND ECONOMIC GROWTH



17 PARTNERSHIPS FOR THE GOALS

ASM – Artisanal and Small-scale Mining, CSO – Civil Society Organization, ESIA – Environmental & Social Impact Assessment, GC - Global Compact, GRI - Global Reporting Initiative, MM8 – Indicator from GRI’s Mining & Metals Sector Supplement, NGO - Non-governmental organization, SDG - Sustainable Development Goals, SLO - Social License to Operate, UN - United Nations

BIODIVERSITY CONSERVATION



Why this issue is important: Strong performance promotes the protection of ecosystem services, our social license to operate, is aligned with compliance requirements, and enhances our reputation.

Boundry: Internal (Project footprint), external (offset, partnerships, other impacts).

Stakeholders: NGOs, local and indigenous communities, governmental agencies, investors.

Approach: ESIA, footprint reduction, wildlife rescue, awareness raising, offset strategy, NGO partnership.

Indicators: GRI 304-1, 304-4, G4 MM1.

Evaluation: Rescued and relocated over 35,000 flora and fauna specimens during clearing and monitoring, generated biodiversity conservation plan for FDN in liaison with Conservation International-Ecuador.

Global Compact: Environment (7-9)

Key UN SDG:



HUMAN RIGHTS



Why this issue is important: Proper management can reduce the likelihood of conflict, strengthen our social license to operate, and facilitate permitting and financing.

Boundry: Internal (labor and gender issues, top-tier suppliers, security), external (community, ASM, extended supply chain).

Stakeholders: Workers, supply chain, local and indigenous communities, government agencies, investors.

Approach: Reviewed salient human rights in 2016, committed to UN Guiding Principles, deployed grievance mechanism, formalized engagement with indigenous communities, ASM strategy, and training.

Indicators: GRI 412-1, 406-1 & 411-1, 413-1.

Evaluation: No substantiated infringements recorded, grievance mechanism updated.

Global Compact: Human & Labor Rights (1-6)

Key UN SDG:



ASM – Artisanal and Small-scale Mining, CSO – Civil Society Organization, ESIA – Environmental & Social Impact Assessment, GC - Global Compact, GRI - Global Reporting Initiative, MM8 – Indicator from GRI’s Mining & Metals Sector Supplement, NGO - Non-governmental organization, SDG - Sustainable Development Goals, SLO - Social License to Operate, UN - United Nations

Corporate Governance



We value accountability, and honest and ethical behavior. We recognize the importance of good corporate governance to the business sustainability of Lundin Gold. Since March 2018, we are signatory to the United Nations Global Compact so as to demonstrate our commitment to implement, disclose and promote its human rights, labor, environment and anti-corruption principles.

Good Governance

Lundin Gold recognizes that good corporate governance is a fundamental ingredient to the long-term growth of a successful company. Our board is committed to maintaining a high standard of corporate governance that fosters accountability, ethical behavior and transparent disclosure. Lundin Gold fully complies with or exceeds the governance guidelines of the Canadian Securities Administrators.

Information about our governance practices is available in our Statement of Corporate Governance in our most recent management information circular and covers topics such as our core policies, independence and diversity on the board, director education, our nominations process, compensation practices, annual director performance assessments and other governance relevant matters.

Board Membership

Since the acquisition of Fruta del Norte in December 2014, our board has welcomed six new directors, including two women. In 2017, Lundin Gold's board comprised eight directors, the majority of whom are independent, as defined by the Canadian Securities Administrators. The competencies of each board member, the composition and attendance records for each committee is available in our management information circulars prepared each year for the Company's annual meeting of shareholders (<https://www.lundin角度.com/en/investors/shareholder-meeting-materials/>).

Our board of directors is responsible for overseeing the management of the business and affairs of Lundin Gold and the decision-making authority on material economic, environmental, and social topics as they relate to Lundin Gold's activities. This includes matters associated with our Responsible Mining Policy.

Board Committees

The standing committees of the board include:

- Audit
- Compensation
- Governance and nomination
- Environmental, health and safety
- Project advisory

All material community issues and other recommendations emerging from the environment, health and safety committee are considered by the full board.

Memberships and Commitments

Lundin Gold or its subsidiary, Aurelian Ecuador S.A., are a member of the following organizations in Ecuador:

- Ecuadorian Mining Chamber (our CEO serves on the board)
- Ecuadorian Consortium for Social Responsibility (CERES by its Spanish acronym)
- Ecuadorian-Canadian Chamber of Commerce (our CEO serves on the board)

RESPONSIBLE MINING POLICY

Lundin Gold Inc., including its subsidiaries, (Lundin Gold or the Company) is committed to responsible mining, which means we are committed to operating our facilities according to these fundamental principles:

- Working safely
- Environmental stewardship
- Respect in each of our activities

Lundin Gold believes that transparent and sustainable practices and being a good corporate citizen are central to the long-term success of our business. We seek to create enduring relationships with local communities and stakeholders and to address social challenges that are priorities both for communities and for the business through partnerships. By doing so, we help to create value for a range of stakeholders. Lundin Gold's commitment to responsible mining is manifested by:

1. Committing to achieving zero harm. We strive to ensure that the health and safety of our employees and contractors are first and foremost in everything we do. As a leader in health and safety, Lundin Gold promotes the well-being of people in our host communities.
2. Identifying and taking steps to reduce the potential for accidents and emergency situations, and implementing emergency response plans to protect the health and safety of our workers, contractors, the public and the environment.
3. Undertaking Company business activities ethically and transparently, in accordance with our Code of Business Conduct and Ethics.
4. Voluntarily adopting and integrating internationally accepted good practice for the mining industry and seeking alliances with external entities so as to improve our performance.
5. Providing training to assist with meeting these responsible mining objectives and ensuring that adequate resources to meet these objectives are available.

6. Striving to meet or exceed legal requirements in fulfilling the commitments of this Policy and expecting our employees and our contractors to do the same.
7. Setting annual objectives and targets to continually improve our health, safety and environmental management and performance, as well as for stakeholder engagement and positive community outcomes.
8. Designing, developing and operating Company facilities with the goal of minimizing their overall environmental impact and taking into account their eventual closure. We are committed to the efficient use of water, energy and other resources and to responsibly managing the Company's waste. Lundin Gold contributes to the conservation of biodiversity by meeting or exceeding the legal requirements for species preservation and by promoting research, partnerships and responsible land management practices.
9. Assessing the risks and impacts of Company operations and integrating these considerations into planning and operational decision-making processes. We strive for continuous improvement in our health, safety, environmental performance and community outcomes.
10. Being accountable to stakeholders and developing relationships based on mutual trust and respect.
11. Working closely with host communities and partners to provide lasting benefits in the form of sustainable programs that enhance the quality of life where Lundin Gold operates.
12. Treating people with dignity and respecting all internationally-recognized human rights.
13. Respecting the rights, interests, concerns, traditional land uses and cultural activities of indigenous peoples.
14. Developing and implementing corporate governance processes to underwrite our responsible mining commitments.
15. Conducting regular audits to assess and ensure compliance with this policy and developing processes for preventing non-conformance and adopting corrective actions. We report our progress quarterly to the Board of Directors.

We have also adopted or endorsed other international charters, principles of initiatives listed below:

- United Nations Global Compact (joined March 2018)
- United Nations Guiding Principles on Business and Human Rights
- IFC Performance Standards on Social and Environmental Sustainability
- GRI Standards for Sustainability Reporting
- Canada's Extractive Sector Transparency Measures Act

Over the course of 2018, we will review our security practices to further align them with the Voluntary Principles on Security and Human Rights. As we move to the operational mining stage, we also plan to be in compliance with the International Cyanide Management Code.

Our People



Human Resources

At the end of December 2017, our operations in Ecuador were supported by 1,847 workers. This includes 748 direct employees (of which 12 percent are women) and 1,099 contractors (of which nine percent are women). This represents a significant ramp-up and rapid organizational growth from the previous year, when we employed a total of 259 employees along with a much smaller number of additional temporary contractors at the end of 2016.

Our Responsible Mining Policy commits us to meeting or exceeding Ecuadorian laws which guarantee freedom of association and the right to collective bargaining, prohibit forced, compulsory or child labor, and discrimination in employment practices.

Over the course of the year, we continued to prioritize local hiring, including working with our contractors to ensure that they do the same. To enable or accelerate local hiring, we continued to support a series of programs, which include the following:

- Accelerated high school diploma for adult learners
- Formal certification for experienced trade professionals
- Licensing for experienced heavy equipment operators
- Vocational training for trades used in construction and mine operations

These initiatives are detailed further in the Impact Investment section.

Managing Change

As the transformation from advanced exploration to the construction phase of the Fruta del Norte mining operation has progressed, we have targeted the challenges associated with such a rapid change. This transition has brought much greater cultural and professional diversity to our workforce. In response, we have developed a series of programs to drive organizational resilience and improve performance, including the following:

- New online and in-person orientation programs for employees
- Strengthened internal communication and branding
- Reaffirming our commitment to responsible mining

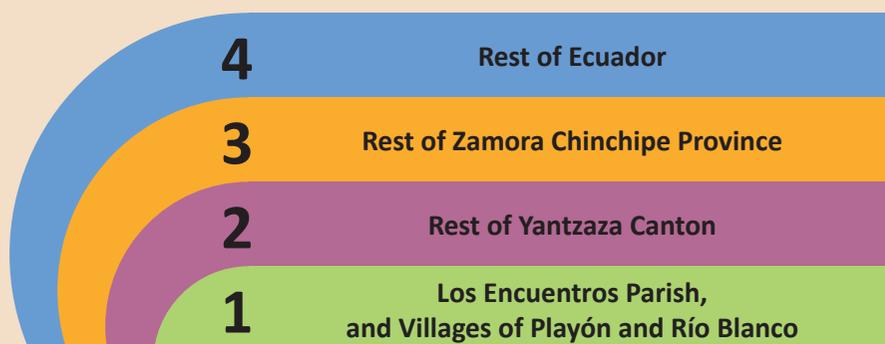
The "We Are Lundin Gold" campaign was launched to ensure that internal stakeholders commit themselves to work as one team under the philosophy of responsible mining.



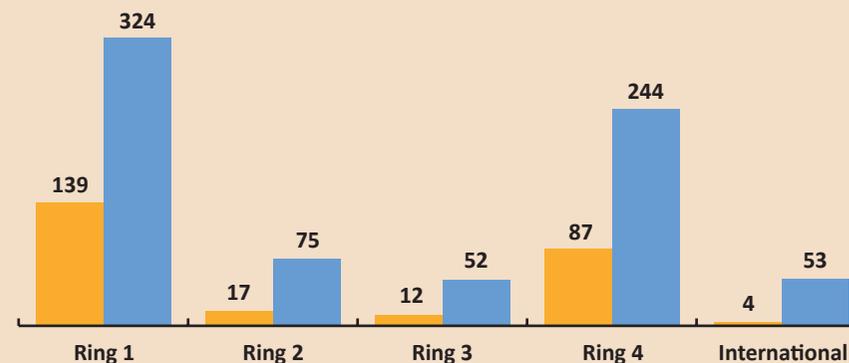
As our data demonstrates, we continued to progress our organizational ramp-up without compromising our commitment to occupational safety, environmental performance, and maintaining a social license to operate.

HOW WE DEFINE "LOCAL"

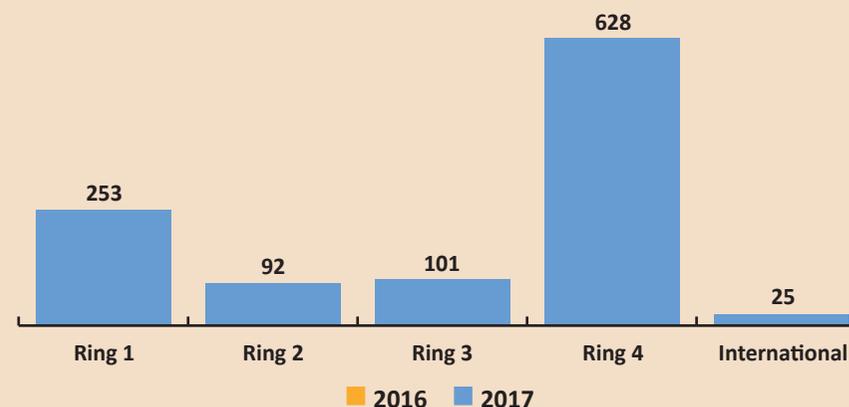
To help understand our impact in terms of local hiring and procurement, we have developed local hiring and local procurement strategies in collaboration with the relevant community roundtables, as described further in the Engagement and Partnerships section. We agreed to define, "local" using concentric rings around Fruta del Norte as conceptualized below. These rings are aligned with the administrative structure of Ecuador.



EMPLOYEE STATISTICS AURELIAN ECUADOR S.A.



CONTRACTORS ENGAGED BY AURELIAN ECUADOR S.A.



Note: Both of the above graphics are as of December 31st of the respective year. We started tracking hiring of local contractors after transiting to construction in 2017.



Health and Safety

We place the utmost priority on the health and safety of our employees, contractors, and nearby communities. We maintain a management system and implement a variety of programs designed to ensure compliance with Ecuadorian requirements and achieve international best-in-class performance.

Our joint management-employee health and safety committee represents all employees at Aurelian Ecuador S.A. and operates in our Quito and Los Encuentros offices as well as at FDN. The role of the committee is to help to develop a shared and proactive culture of safety, including empowering workers to refuse working under unsafe conditions without fear of reprisal.

Our commitment to safety also extends to all contractors working at FDN. We continue to build their capacity and promote best practice. This includes

implementing a health and safety performance evaluation system and associated workshop for contractors, including those with more limited experience with industrial-scale construction and mining practices.

Our critical task programs cover safety concerns for both underground and above-ground activities. In addition to supporting design and planning for emergencies, examples of critical operational tasks we consider for underground operations include drilling, blasting, loading, transport and services.

A total of 15 standards underpin our health and safety management system. These are highlighted on page 16. Key performance statistics covering both Aurelian employees and contractors are presented on this page. Additional health and safety performance statistics are detailed in the web-posted annex to this report.

KEY HEALTH AND SAFETY STATISTICS (Aurelian Ecuador S.A. and Contractors)

	2016	2017
Hours Worked	694,167	2,135,951
Lost Time Incidents	1	1
Injury Rate/200,000 Hours (weighted average)	2.88	0.56
Hours Trained	N/A	22,563
Job Safety Analysis	N/A	28,740
Observation Cards	N/A	7,336
Internal Inspections	N/A	5,352

N/A - not applicable

OUR KEY HEALTH & SAFETY STANDARDS



SAFETY CULTURE

Moving beyond a compliance (reactive) mindset to becoming resilient (proactive)



LEADERSHIP

Behavior-based safety which encourages full commitment at all levels



ORGANIZATION & COMPETENCE

Empower individuals and the organization through qualifications, competency assessments, strengthening of teams and organizations



COMPLIANCE WITH REGULATIONS & RULES

Follow national and international requirements, and apply good practice during planning and operation



RISK MANAGEMENT

Using appropriate methodologies and tools, applied to all activities, tasks, processes



PLANNING

Operationalizing our objective of zero harm through thoughtful planning



RELIABILITY

Provide safe and reliable working environments



CRITICAL TASKS

Adopting life-saving rules and lessons learned across the industry



HEALTH & WELL-BEING

Create and maintain healthy and safe working environments



INSPECTIONS & AUDITS

Highlight positive aspects and opportunities for improvement



CHANGE MANAGEMENT

Risk management during change process



COMMUNICATION & INFORMATION

Involve all relevant parties, consider normal operations and emergencies



REPORTING INCIDENTS

Assess the root causes, regardless of severity, and implement resulting action plans



EMERGENCY RESPONSE

Enabling prevention, control, protection, and medical attention



SUPPLIERS & CONTRACTORS

Strategic partners in our efforts to achieve best-in-class safety performance

Environmental Stewardship



In line with the precautionary approach to risk management, our Project design, optimization, and construction activities followed an environmental and social impact assessment process, benefited from extensive stakeholder engagement activities, and were subject to external review and permitting. This section highlights our approach to water quality management and biodiversity conservation, which emerged as key topics in our materiality analysis. This section also summarizes our efforts to identify and protect archeological resources.

Construction Footprint

In 2017, we continued the early works program, which began in 2016, and commenced the construction phase of the FDN Project. Key activities included the construction of access roads, a larger camp for employees and contractors, mine infrastructure, and the commencement of an access portal for underground mining activities.

These activities resulted in pre-approved clearing of approximately 134 hectares of vegetated or forested areas during the reporting period. As part of these activities, we also implemented a fauna and flora rescue program, which is described further on pages 18 and 19.

A prominent example of our successful efforts to reduce our Project footprint includes a re-design of the processing plant. It resulted in a 40 percent reduction in size when compared to the layout of the same facility as presented in the feasibility study.

For most of the year, the environmental licensing process for the transmission line was in progress; therefore, there were no significant land disturbances and no construction activities were initiated for this infrastructure in 2017. We started mobilizing an earthworks contractor in December 2017 at El Pindal, where the North Access Road will link to the national highway system. We expect to complete the North Access Road during 2018.

Biodiversity Conservation

The Euclidean or "straight line" distances from the mine portal is within approximately 3 km to the boundary of the El Zarza Wildlife Refuge (Refugio de Vida Silvestre El Zarza) and 1 km to the El Condor Mountain Range Protected Forest (Bosque Protector Cordillera del Cóndor). We did not conduct any activities in these areas during the reporting period and have no plans to do so.

In line with Ecuador’s regulatory requirements and good international practice, we reviewed the biodiversity resources within the Fruta del Norte Project area to identify and address any significant issues. Subsequently, we also developed a series of activities and partnerships to avoid, reduce or offset adverse impacts which may be associated with our current construction and future underground mining activities, as highlighted in the following two sections.

Flora and Fauna Rescue

Our flora and fauna rescue plan is implemented by a team of third-party biologists. Advancing ahead of the early construction works schedule, these biologists conducted nine rescue and relocation campaigns from August 2016 to December 2017. This team also conducts daily monitoring of areas under construction to relocate any additional sensitive species present.

The results of these activities are summarized below. These statistics correspond mainly to low-mobility specimens captured, which are registered, evaluated, recorded and, later on, relocated to designated areas. Other and more mobile species, such as birds and mammals, are repelled through noise and other measures to minimize the need for capture. This, in turn, reduces stress and risk of injuries.

LAND MANAGEMENT DATA (HECTARE)

	2015	2016	2017 ²
Total amount of land licensed for FDN for exploitation ¹	Not applicable ¹	2,049	2,263 ²
Cumulative total land disturbed and not yet rehabilitated inside exploitation license area	113	125	206
Total amount of land newly disturbed within reporting period	0	12	81
Total amount of land newly rehabilitated within the reporting period to the agreed end use	0	0	1
Total land disturbed and not yet rehabilitated	113	125	205

1. Lundin Gold acquired the FDN Project in December 2014. The exploitation license for FDN was issued in October 2016. The existing footprint of disturbed areas includes existent roads, artisanal mining areas (current waste pad areas), and former recreation and heliport sites (currently Las Peñas Camp) inside the license are
2. This is a cumulative figure of the following licenses: FDN La Zarza, Las Peñas Camp – FDN road, Pindal-Machinaza private section road

Overall, by December 2017, our information shows the presence of one critically endangered (CR); 11 endangered (EN); 33 vulnerable (VU); 21 near threatened (NT), and 90 low concern (LC) species within the FDN area. The critically endangered bird is the solángel real hummingbird (*Heliangelus regalis* by its scientific name).



NUMBER OF RESCUED FLORA AND FAUNA SPECIES IN 2017

	Rescue Campaigns	Construction Monitoring	Total
Flora	11,764	19,509 ¹	31,273
Herpetofauna	1,916	637	2,553
Birds ²	0	8	8
Mammals	9	30	39

1. Main focus: bromeliads and orchids

2. During rescue and relocation campaigns birds are repelled and not captured

Partnership with CI-Ecuador

We formalized our collaboration agreement with Conservation International-Ecuador (CI-Ecuador), a conservation-focused NGO, in September 2016. The goal of our collaboration is to develop and implement a "sustainable landscape partnership" program that contributes to the conservation of biodiversity and ecosystem services in the area of influence of Fruta del Norte.

As part of designing this program, we received technical assistance from CI-Ecuador and CI’s Center for Environmental Leadership in Washington, DC. We also had an opportunity to visit and learn from CI’s activities in Colombia, where they work closely with the mining industry to protect local biodiversity. The emerging program with CI-Ecuador covers three main areas which are highlighted below;

- **Good governance:** addressing legal requirements, implementing multi-stakeholder forums, and supporting land-use planning in the selected intervention landscape.
- **Natural heritage conservation:** comprising forest conservation, ecosystem restoration, the development of ecological corridors and biodiversity monitoring. This element of the program envisions the creation of the first natural protected area led by a mining company in the region.
- **Sustainable production:** programs to avoid additional deforestation by land-use change in the landscape, promoting sustainable production practices in degraded areas, developing integrated agricultural plans, and strengthening local value chains.

All three components will be supported by a communication strategy. The programs emerging from our partnership with CI-Ecuador are expected to commence in 2018.

Managing Water Quality

Fruta del Norte receives approximately 3,400 millimetres of precipitation per year. This requires proactive management of runoff, as well as effective erosion and sedimentation control practices during construction activities.

In addition, the substantial increase in number of workers being accommodated at the Las Peñas Camp, and certain new activities – such as tunneling – required a scale-up of our ability to intercept, direct, collect, and – for those flows which require it – treat a substantially increased volume of effluents.

The runoff and treated discharges flow to the Machinaza river. The nearest community using this river is Machinaza Alto, located at an Euclidean or "straight line" distance of over 16 km downstream from the nearest discharge point.

The results of our water quality monitoring program indicate general compliance with key parameters. We also expect improved sewage treatment plant performance after we installed additional sewage treatment units in September and December 2017. Treatment units #8 and #9 were installed in response to the growing number of workers utilizing the camp and offices. We will continue to monitor and adjust these treatment systems, as needed.



WATER USE AT FDN BY SOURCE (m³)

	2015	2016	2017
Surface water bodies (domestic use)	15,007	16,667	37,854
Drilling activities	21,612	10,104	10,993
Portal (groundwater, treated and discharged)	8,635	1,643	8,839
Groundwater	–	–	–
Rain water	–	–	–
Municipality supplies	–	–	–



Community-Based Monitoring

The roundtable focused on environmental stewardship identified community-based water monitoring as a key activity to improve awareness and understanding of our monitoring program. As a result, Lundin Gold established a partnership with CIMA (Centro de Innovación y Desarrollo para la Industria y Minería), a part of the Technical Private University of Loja (Universidad Técnica Particular de Loja - UTPL) and interested local community members to launch a dedicated training course focused on water quality monitoring.

Introductory meetings were held in 17 communities within the Fruta del Norte’s area of influence. A total of 24 participants opted to attend the course, which was held over three weekends in September and October 2017. The program included classroom training, field work that focused on designing, sampling, analyzing and interpreting water quality data, and a final exam.

Water Treatment at FDN	2015		2016		2017	
	Volume (m ³)	Compliance	Volume (m ³)	Compliance	Volume (m ³)	Compliance
Sewage Treatment Plants 1-7	17,413	98%	16,667	98%	35,153	93%
Sewage Treatment Plants 8-9 ¹	–	–	–	–	263	–
South Portal and Related Infrastructure ²	9,188	100%	2,696	100%	8,634	100%
North Portal ³	–	–	–	–	Not Available	–
Potable Water	15,007	100%	18,961	100%	37,854	100%
Drilling Activities ⁴	9,908	100%	2,390	100%	2,430	100%

1. Water treatment plants commissioned in September and December 2017 respectively to improve overall treatment performance. As of 31 December 2017, they had not yet reached full operational status
2. A portion of this effluent was reused in the north portal from July to December 2017
3. The flow for this treatment system is not yet determined as discharges started sparingly in September
4. All water was reused for other drilling activities in North Portal and was not discharged

The full curriculum was developed and delivered by CIMA's instructors. Lundin Gold is now finalizing an agreement with the Catholic University of Cuenca (Universidad Católica de Cuenca) to launch the community-based monitoring program for FDN.

Waste Management

In October 2017, we inaugurated a new 442 m² waste management centre. It features a series of designated cells for temporary storage of different waste categories, such as hazardous and non-hazardous wastes. The new facility can accommodate the increased waste volume associated with our growing construction activities. The management and disposal of waste material at Fruta del Norte for 2017 is tabulated below.

We also implemented a series of initiatives to reduce waste volumes directed to landfill. The compostable waste stream, for example, constitutes approximately 24 percent of the total non-hazardous waste generation at FDN. In November, we started a campaign to encourage employees to reduce food waste. This program has been quite successful and after one month the per capita food waste was reduced by 48 percent. We also operate a composting facility to further reduce total waste volumes directed to landfill.

Lundin Gold does not directly import or export hazardous waste materials. All wastes generated at site, including by contractors, are centrally managed at the waste management centre and are picked up by licensed hazardous waste treatment contractors.

WASTE MANAGEMENT AND DISPOSAL IN 2017

Waste Category	Non-Hazardous (kg)	Hazardous (kg)
Reuse	–	–
Recycling	106,494	–
Composting	99,096	–
Recovery, including energy recovery ¹	–	438
Incineration	–	50,444
Deep well injection	–	–
Landfill	80,995	–
On-site storage ²	N/A ⁴	N/A ⁴
Other ³	132,452	15,202

1. Metal recovery from electronics and electric appliances
2. There is only temporary storage of waste materials at FDN until collected by contractors
3. Includes organic leachates from the composting facility that are treated in the sewage water treatment plant, food slops that are donated for animal feed to local community members, and final treatments, such as chemical treatment, encapsulation and biological treatment
4. N/A – not applicable

TRANSPORT OF HAZARDOUS WASTES IN 2017

Hazardous Waste	Weight (kg)
Total	66,083
Collected for treatment	66,083
% shipped internationally	–

No hazardous waste imported or exported

Greenhouse Gas Emissions

In 2010, Ecuador’s national greenhouse (GHG) emissions contributed only approximately 0.15 percent of the global emissions of 49 billion tons of carbon dioxide equivalent (t CO_{2e}). At that time, Ecuador’s GHG emissions were mainly derived from the energy sector (50 percent), followed by agriculture, forestry and other land uses (43 percent).

Despite its relatively small contribution, Ecuador has been pursuing its National Climate Change Strategy 2012-2025 and implementing a variety of initiatives to manage and curtail its GHG emissions. The most significant effort has been associated with the restructuring of Ecuador’s national energy production and its shift from fossil-fuel towards hydropower.

For the 2017 reporting period, we completed our first and preliminary GHG emission inventory taking a location (country) approach. We considered Scope 1 (direct energy, such as fuels), Scope 2 (purchased electricity for our offices in Ecuador and FDN), and Scope 3 (air transport) emissions. We expect to set a base year once FDN is commissioned and has reached commercial production.

Our estimated total GHG emissions is 14,346 t CO_{2e}. The most significant GHG emissions are linked to air travel (approximately 60 percent), followed by fuel use (approximately 39 percent).

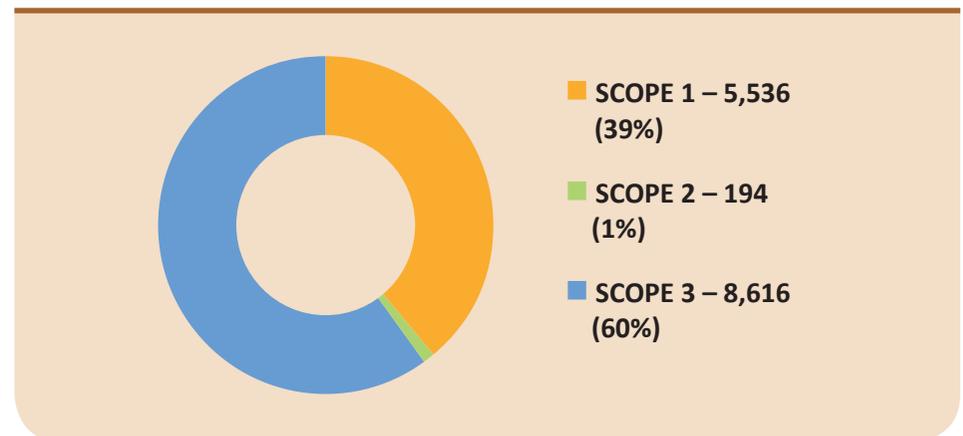
We expect that our GHG emission profile will change significantly once FDN transitions to its mining phase. At that time, our operation will require larger quantities of fuels and explosives for underground mining, and the grid-connected dewatering, mill, processing and other activities will increase our electricity consumption. We will also continue to refine our data collection to further improve the accuracy of our GHG emission data.

ESTIMATED GHG EMISSIONS FOR 2017

Location	Scope 1 (t CO _{2e})	Scope 2 (t CO _{2e})	Scope 3 (t CO _{2e})
Fruta del Norte	5,208	2	N/A
Las Peñas Camp Site	329	18	N/A
Los Encuentros Offices	N/A	138	N/A
Quito Offices	N/A	35	N/A
Air Travel	N/A	N/A	8,616
TOTAL (t CO_{2e})	5,536	194	8,616
PERCENTAGE (rounded)	39	1	60

N/A - not applicable, CO_{2e} conversion factors for electricity from Centro Nacional de Control de Energía (2018): 0.4165/MWh, US EPA (2014) CO_{2e} conversion factors for diesel: 0.01021000/gal, petrol: 0.008887/gal, LPG: 0.00310/kg, air travel: >3,200: 0.0019990/air mile, 300-3,200: 0.0017316/air mile; <300: 0.0030951/air mile

ESTIMATED GHG EMISSIONS FOR 2017 (t CO_{2e})



SIGNIFICANT SPILLS RECORDED

	2015	2016	2017
Significant spills (>210 gallons)	0	0	0

Significant Spills

We respond to and report spills in accordance with our emergency control and contingency plans. Any contaminated soil is collected and treated as hazardous waste. Ecuador’s environmental regulations require an approved remediation plan for spills exceeding five barrels (or 210 gallons), which we also use as our reporting threshold for significant spills.

Environmental Compliance

Ecuador’s Environment Ministry periodically conducts site visits and audits our compliance with environmental management plans. We did not receive any notification of environmental non-compliances or related fees or fines during the reporting period. However, we were issued 28 observations for improvements, ranging from better signage to installing impermeable ground cover at certain locations. In response, we promptly developed and implemented a corrective action plan.

Archeological Resources

Archeological studies of the Fruta del Norte Project area have been on-going since 2004. They have identified several archeological areas of interest exhibiting ceramics, lithics, and stones with polished perimeters, and axes. C14 carbon dating of recovered carbonized maize and charcoal indicates that they belong to Ecuador’s archeological periods of Regional Development (300 BC to 800 AD) and Integration (800 AD to 1500 AD).



In accordance with our chance find procedures, archaeological monitoring is carried out during soil movements. An example of chance finds includes discovery of metate, stone tools used for processing grain and seeds, as well as dispersed ceramics. In response, we cordoned off the areas and communicated the findings to the competent authority.

In line with Ecuador’s National Institute of Cultural Heritage, all archeological resources uncovered during our activities are relocated to a safe location on site until a permanent area for their storage or display has been designated by the competent authorities.

Engagement and Partnerships



One of Lundin Gold’s fundamental principles is respect. In practice this means that we engage with stakeholders in a structured manner, that we empower and collaborate with our partners, and that we pro-actively pursue opportunities to create shared value. We also inform our diverse stakeholders about our activities through face-to-face meetings, community roundtables and a variety of media channels. We believe that this approach meets our values and can help mitigate political and social risks.



Joining the Global Compact

In 2017, we considered joining the United Nations Global Compact. This initiative is a call to companies everywhere to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption, and to take actions in support of UN goals, including the Sustainable Development Goals.

During the reporting period, we attended a regional Global Compact event in Quito, during which we were recognized for our efforts to develop and grow our local supply chain. We received an award in the UN Sustainable Development Goal 8 (Decent Work and Economic Growth) category.

In March 2018, we formally became a signatory to the Global Compact.

As part of this, we commit to:

- Integrate the UN Global Compact and its Ten Principles into our strategies, culture and operations, including in subsidiaries and the supply chain
- Advocate the UN Global Compact and the Ten Principles via available communications channels
- Communicate annually with our stakeholders on efforts to implement the UN Global Compact principles

This 2017 sustainability report serves as our first Communication on Progress and will be web-posted on the UN Global Compact website.

Stakeholder Mapping

A stakeholder mapping process helped us identify over 50 local and 100 additional national and international stakeholders. We continue to update this information several times a year, depending upon the changing circumstances at the local and national level. The same process also enabled us to understand issues of interest and suitable engagement strategies. The simplified results of this process are summarized in the web-posted annex to this report.

Community Roundtables

Starting in early 2016, we commenced a process of identifying priority issues together with local communities. Over a six-month period, a multitude of themes were identified and ranked. Since July 2016, these issues have been addressed through an independently-facilitated community roundtables process. It is important to highlight that the local government of Los Encuentros Parish convenes these independently facilitated roundtables. This means that Lundin Gold does not lead these roundtables, but rather participates in them.

In 2017, the local government of the Los Encuentros Parish, together with the independent facilitator, convened eight sessions of the roundtables which attracted 1,155 participants from a total of 124 public institutions, communities, civil society, and private-sector entities. During the week-long process, the roundtables provide a facilitated forum for participants to express their opinions, engage with other relevant stakeholders, and identify opportunities for collective action to address these priority issues.





The focus of the eight community roundtables during the reporting period are highlighted below. Given the strategic importance of Fruta del Norte to Ecuador, this includes a dedicated roundtable to support inter-institutional coordination of government agencies at provincial and national level.

Since the inception of the community roundtables, a total of 28 projects have been agreed upon and implemented. Prominent examples include establishing and promoting a permanent school for cultural and sports training (FOPCUDE) in the Los Encuentros and Yantzaza Parishes, a series of agro-economic developments, such as a community poultry project and supporting the locally based San Francisco farmers’ market.

COMMUNITY ROUNDTABLES

	2016	2017
Roundtables Sessions Convened	4	8
Projects Agreed and Implemented	9	19
Participants	644	1,155

Indigenous People

Regionally important stakeholders for our operations include the Shuar and Saraguro indigenous peoples. Though many Shuar and Saraguro people live in mixed communities, there are several indigenous communities close to the town of Los Encuentros, and approximately 40 km from the FDN Project.

In January 2017, we reaffirmed our commitment to respectful engagement through an updated framework agreement with the Shuar Federation of Zamora Chinchipe. This organization represents the Shuar people of the province. Lundin Gold and the Federation have agreed to work together to address economic development, institutional strengthening, the promotion of customs and traditions, and capacity building of the Shuar people in Zamora Chinchipe. This agreement has resulted in many specific projects and activities, including cross-cultural engagement, training, and the promotion of the Shuar culture and language.



Artisanal Mining

Lundin Gold recognizes that artisanal mining activities can be an important contributor to local livelihoods. As such, we seek to coexist with local artisanal miners that operate within our concessions. We approach each case individually, and first determine if the proposed operation will impact upon the development of FDN or other exploration-related activities. If it does not, we move forward with the formalization of the artisanal mining operation through a contractual agreement. Should the proposed operation interfere with planned development, we work with the artisanal miners in question to identify other viable areas for their operations. Additionally, we support artisanal miners to obtain the required environmental certificates.

In turn, we expect artisanal miners to follow health, safety, and environmental performance requirements, pay their taxes, and to abide by the requirements related to artisanal mining activities as defined in Ecuadorian law.

For example, during the reporting period, Lundin Gold contributed \$150,000 to the construction and repair of a training centre and the third phase of a cultural interpretation centre. Over the course of 2018, we expect to put these facilities to good use for future projects.

We did not record any incidents of violations involving rights of indigenous people during the reporting period.





ASM WITHIN OUR CONCESSION AREA

	2016	2017
Formalized ASM with contracts with Lundin Gold	20	21
Voluntary departure of informal ASM after authority inspections	42	25
Complaints filed by Lundin Gold against informal ASMs	12	17
Number of impoundments, disabling, or destruction of ASM equipment or camps by authorities.	11	10
Number of peaceful removals of artisanal miners by authorities	1	25
Grievances lodged with Lundin Gold that address ASM (see below)	1	1

During 2017, we had contractual agreements with seven underground and 14 alluvial artisanal mining operations. During the last quarter of 2017, we continued with our technical assistance program to enable artisanal miners to adopt best practices related to technical, environmental, and safety aspects of their operations. This includes a workshop held in August 2017 attended by 41 artisanal miners. Dr. Gonzalo Aguilar, the Ombudsman of Zamora Chinchipe, was one of the presenters. Dr. Aguilar reviewed the origin and key milestones of Human Rights, and detailed the role of the Ombudsman.

Community Road Infrastructure

A new road is under construction to improve site access to Fruta del Norte. This road will reduce the distance from approximately 42 km to 21 km. It will also bypass several small communities.

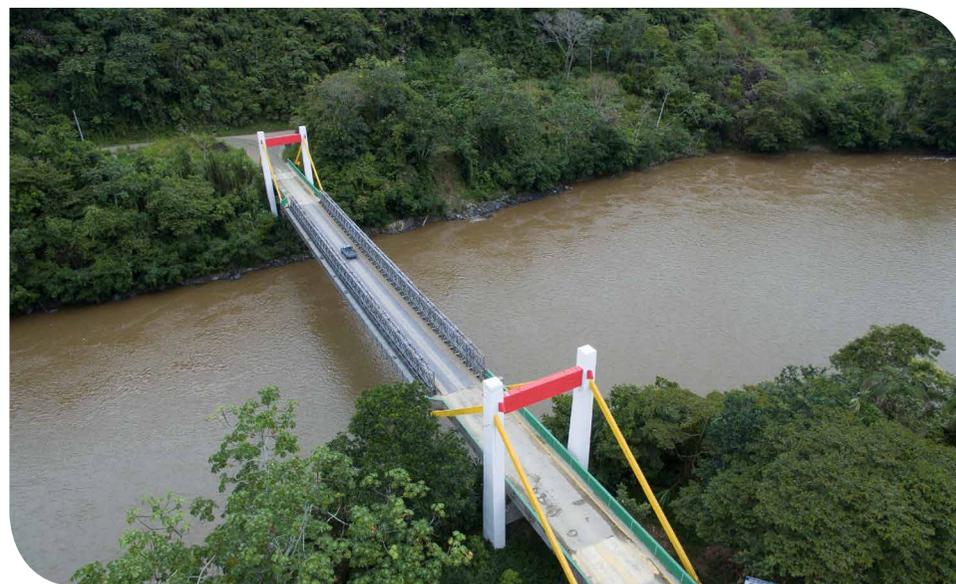
These communities raised concerns during roundtable discussions that we may no longer support the maintenance of the local road infrastructure we currently use to access Fruta del Norte. However, we confirmed our continued support for the maintenance of the existing road. Beyond being a community priority, the existing road facilitates access to our concession areas and provides a secondary route to the Project.

Other road and traffic safety related concerns were also raised at the roundtables. In response, we committed to developing a series of traffic safety initiatives in 2018.

Security and Community

As we transitioned from advanced exploration to major construction activities, we reviewed our security and related training practices in 2017. Our induction and training materials emphasize our commitment to respectful engagement and international human rights.

Our main security practices have been outsourced to a reputable international security provider. This provider is committed to the United Nations Global Compact and the International Code of Conduct for Private Security Providers.



This means that our security provider is committed to good governance, respect for human rights and international humanitarian law, provides vetting and training for its staff and contractors, and applies high standard of conduct.

We did not record any security-related incidents or grievances during the reporting period. We expect to further align our security activities with the Voluntary Principles on Security and Human Rights in 2018.

Grievances

In addition to our "whistle blower" procedure, which enables the confidential and anonymous reporting of illegal or unethical business practices, we also rolled out a grievance mechanism in September 2016. This mechanism is focused upon local communities and grievances can be lodged in multiple ways including in a dedicated mailbox at the Las Peñas Camp.

For issues that are directly related to camp life or to other strictly internal matters, staff are encouraged to use other methods of communicating with FDN management. Nevertheless, if they choose to use the grievance mechanism, their complaints are formally received and managed.

Overall, we recorded 75 grievances during 2017. Of these, approximately 67 percent were related to contractors and human resources issues.

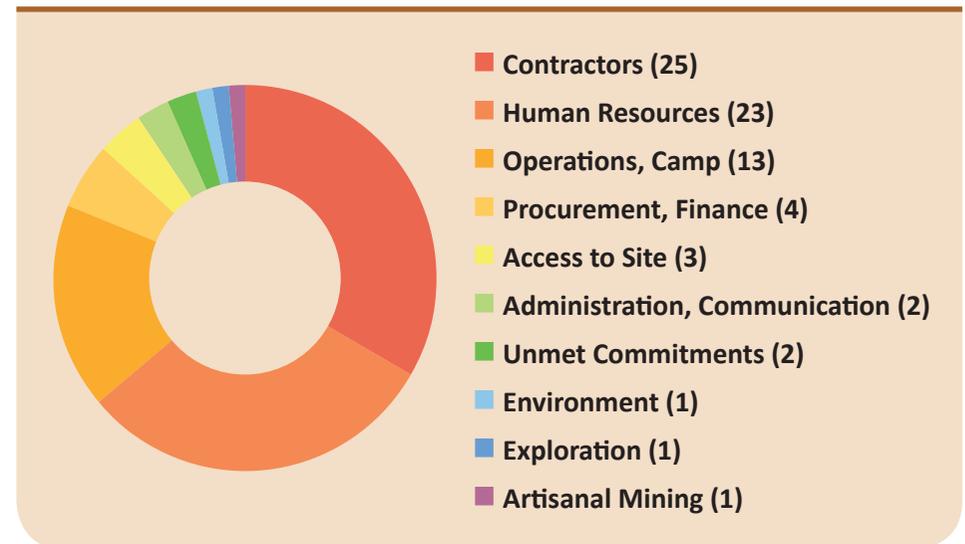
An analysis of the first full year of operation of grievance mechanism highlights three key lessons:

1. Our grievance mechanism is being accessed and utilized. This system informs us about opportunities to further improve our engagements and operations.
2. A quarter of all grievances were related to mine camp issues. The installation of new accommodations, and related infrastructure and services, as well as the formation of a Camp Committee, are expected to largely eliminate this group of grievances.
3. Approximately 86 percent of cases were managed within the required timeframe, and average closure took 39 days. This indicates opportunities to speed up our processes in 2018.

GRIEVANCES BY SEVERITY IN 2017

Categories	Number	Percent
Level I	70	93
Level II	5	7
Level III	0	0
TOTAL	75	100

GRIEVANCES BY MAIN TOPIC IN 2017 (NUMBERS)



Economic Responsibility



We are committed to delivering value to our shareholders, while simultaneously providing economic and social benefits to communities within our area of influence, fostering a healthy and safe workplace, and minimizing environmental impacts. As our flagship asset, the Fruta del Norte Project, is still under construction, we have not generated any production revenue. First gold production is expected in 2019.

Advance Royalty Payments

Following the first advance royalty payment of \$25 million in 2016 upon signing of the Exploitation Agreement, we paid the next installment of \$20 million in 2017. We expect to pay the balance of the advance royalty payment of \$20 million in 2018.

ECONOMIC PERFORMANCE (IN 000'S OF DOLLARS)

	2015	2016	2017
Employee wages and benefits	8,716	9,276	17,953
Payments to government	2,764	35,059	36,711
Community investments*	3,613	3,072	3,065

Note: Figures for 2015 and 2016 restated to apply same definitions used for 2017; there were no interest payments to providers of capital since 2015. *This category includes project evaluation of community relations, community relations related to exploration activities, general and administration, and donations

Constructing FDN

Since acquiring Aurelian Ecuador S.A. in December 2014, our activities have been focused on the responsible development of the FDN Project in Ecuador. This includes the start of the two tunnel declines named K'isa (which means fruit in the Quichua language) and Kuri (which means gold in the Shuar language).

Portal Construction: The FDN ore body is located at a depth greater than 140 m. We have adopted underground mining methods to reduce the above-ground Project footprint in an environmentally sensitive location. Surface excavation required the removal of over 18,000 m³ of saprolite, which is a weathered rock material. It also required the installation of over 900 m² of wire mesh with more than 230 soil anchor bolts, and the application over 1,300 m³ of shotcrete, which is a sprayed concrete.

Soft Tunneling: Given rock conditions, we used a specialized excavation method - the New Austrian Tunneling Method - for 69 meters in Kuri and 77 m in K'isa before we encountered more competent or hard rock. Soil excavation totaled nearly 7,500 m³ of saprolite, requiring nearly 3,500 m³ of shotcrete and a combined 7,000 m² of mesh.

2017 FDN PROJECT MILESTONES

- Mine development contract was awarded
- Soft tunneling was completed and mine development had commenced in hard rock
- Key site infrastructure to support mine development was completed
- All major process plant equipment packages were awarded
- Mobile equipment packages were awarded
- Construction of a 1,000-person camp was started and is expected to be completed in Q1 2018
- Engineering, procurement and construction contract for the power line from Bomboiza substation to site was awarded
- The environmental impact assessment for the powerline was approved and the environmental license granted in early 2018
- Procurement spending reached \$102.2 million

Mine Development: Once we transitioned into competent rock, we narrowed the 7.0 m diameter circular tunnel to our planned 5.0 m wide by 5.5 m high ramps. Both ramps utilize a maximum decline gradient of minus 15 percent and required drilling and blasting with explosives. By the end of 2017, K'isa development in hard rock had advanced to 82 m and Kuri reached 52 m.

Looking Forward: We expect to extract the first ore from the FDN mine during mid-2019. We continue to focus on advancing FDN on schedule through to first gold production in 2019.



Exploration

We also continue our exploration activities within our prospective exploration acreage of approximately 70,000 hectares which includes the Zarza concession. We believe that there is significant exploration upside at numerous key targets along the Bonza Las Peñas trend, which hosts Fruta del Norte, and have yet to be drilled.

Exploration is focused on diamond drilling, which continues on the El Puma target, approximately 12 km south of Fruta del Norte. Other targets may be drill tested during 2018 depending on results and permitting. Mapping and geochemical sampling will continue on selected targets to aid drill targeting and prioritization.



With the Orion and Blackstone financing package, the significant equity financing and the commitments from the lenders' syndicate for a senior debt facility, we have substantially completed the funding requirements, based on current estimates, for the Fruta del Norte project.

Procurement Practices

The Fruta del Norte Project is estimated to require capital expenditure of \$684 million and diverse goods and services exceeding thousands of line items. Our participation in the community roundtables, and our experience with international good practice, highlighted the need to develop an inclusive procurement strategy that supports and prioritizes local and national vendors.



Project Financing

In May 2017, we closed a project finance package of \$400-450 million with Orion Mine Finance Group and Blackstone Tactical Opportunities as detailed further in our 2017 annual report. In March 2018, we completed an equity financing of \$400 million with three investors comprising Newcrest Mining Limited, Orion Mine Finance Group and the Lundin Family Trust. By April 2018, we received commitments from a syndicate of lenders for a senior secured project finance facility of \$350 million. The syndicate includes ING Capital LLC, Société Générale, Caterpillar Financial Services Corporation, The Bank of Nova Scotia, KfW IPEX-Bank GmbH, Natixis and the Bank of Montreal.

PROCUREMENT SPENDING (\$, MILLION)

Spending by Region	2015	2016	2017
Ring 1	N/A	2.6	7.4
Ring 2	N/A	0.7	4.3
Ring 3	N/A	0.3	0.7
Ring 4	N/A	12.9	57.6
Total Ecuador	12.8	16.5	70.3
Total International	12.4	8.4	31.9
% Local (Rings 1-3)	N/A	15%	12%
% Total Ecuador	51%	66%	69%
% Total International	49%	34%	31%

Note: N/A - local procurement spending analysis not available for 2015

Working with the Lundin Foundation and other partners, we identified and, subsequently, implemented initiatives aimed at lowering barriers to local hiring, procurement and economic development. These initiatives are highlighted in the Impact Investing and Inclusive Supply Chain sections of this report. Our data shows the success of our efforts to develop and grow local procurement spending.

HOW WE DEFINE "LOCAL"

To help understand our impact in terms of local hiring and procurement, we have developed local hiring and local procurement strategies in collaboration with the relevant community roundtables, as described further in the Engagement and Partnerships section. We agreed to define, "local" using concentric rings around Fruta del Norte as conceptualized below. These rings are aligned with the administrative structure of Ecuador.



Socio-economic Compliance

We have not recorded any non-compliance with laws and regulations in the social and economic area.

Impact Investing

In collaboration with the Lundin Foundation, which works with the Lundin Group of Companies and their key stakeholders to improve the management and benefit streams from resource development projects, we continue to transform local livelihoods by improving access to economic opportunities and other relevant activities. These are designed to create shared value, contribute towards achieving the United Nations Sustainable Development Goals (SDGs), and help us maintain our social license to operate. The SDGs most relevant to our impact investments are shown below and our overall SDG contributions are highlighted in the Sustainability Snapshot (see page 3).

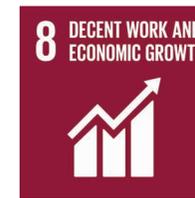
EDUCATION & TRAINING SKILLS
Enable increased local employment and contracting opportunities



ECONOMIC DIVERSIFICATION
Improve mining-independent livelihoods and economic growth



INCLUSIVE PROCUREMENT
Leverage procurement to generate local and regional economic growth



RESOURCE GOVERNANCE
Develop effective, accountable and transparent institutions at all levels; enable municipal and regional agency to access funding for critical infrastructure



Local Development and Planning

Since 2016, we have been working with the Ecuadorian Planning Secretariat (Senplanes), UTPL, CIMA and the Lundin Foundation to develop and deliver a training program entitled Local Development and Planning for Communities with Natural Resources. Through the Lundin Foundation, we have also provided a complementary technical assistance program to the municipality of Yantzaza and the Los Encuentros and Chicaña Parishes. The Lundin Foundation supported this program through a grant totaling approximately \$80,000 to UTPL for the 2016-2017 period.

In 2017, 52 representatives from local governments, including the municipalities of Yantzaza and El Pangui, and the Los Encuentros, Chicaña, and Tundayme Parishes, participated in the training program. The objective of this program was to enhance the abilities of the course participants and associated local governments to improve their access and more effectively manage public funded projects at the local level.

Technical assistance was offered over a nine-month period to the Municipality of Yantzaza and the Los Encuentros and Chicaña Parishes. This enabled them to update their development plans and generate funding proposal for new projects.

The program has been quite successful. By the end of 2017, 32 participants completed all course requirements and exams, and received their university diplomas. Three local governments updated their plans and portfolio of publicly funded projects.

In addition, local governments successfully developed and presented three significant project proposals, with an estimated budget of \$30 million, to their local councils and the National Secretary of Planning.

The title of these local government projects are listed below.

- Municipal Plan for the construction of the Potable Water System in the city of Yantzaza;
- Millennium Community Initiative for the Los Encuentros Parish;
- Construction of a flood barrier for the Chicaña Parish.

Also, the Municipality of Yantzaza consolidated a dedicated team into a local planning department and obtained national government commitment to support a water supply system project for the canton.

Inclusive Supply Chain

Earlier studies and community roundtable discussions identified a series of barriers to developing an inclusive supply chain in the Fruta del Norte Project area. For example, 78 percent of the local businesses surveyed were small and informal business concerns deemed to be unlikely to join our supply chain without additional support.

In response, we developed a comprehensive local procurement strategy and support programs. These include subsidized pre-qualification and certification assistance, simplified contracting, and expedited payment terms for locally based suppliers.

We also developed an incubator program, named Nexo, Entrepreneur Linkages. Nexo provides a 400-hour training and mentoring program leading to a university certificate in Basic Administration for Small Businesses. Participants of the 2017 program included local restaurants, hotels, hardware stores, transportation companies, office supply stores, grocery stores, apparel and wood workshops, and new entrepreneurs.

A highly valued aspect of Nexo was the ability of participants to gain access to expertise in finance, management, accounting, legal, human resources, communication and marketing, as well as other specialist training opportunities. Using these resources, local entrepreneurs were able to map their business improvement plans, increase their sales to Lundin Gold's supply chain, and access new markets.



By the end of 2017, 86 local small and medium sized enterprises (SMEs) received at least twenty hours of training in "Business Essentials", while 45 companies continued on with the full 400-hour training course and obtained their certificates. In addition, as a result of the program, eight additional local SMEs secured a new contract to supply FDN either directly or indirectly.

Of the 20 SMEs which tracked their sales through Nexo, all recorded an increase in sales to Lundin Gold and/or other customers. The overall average increase in sales was 268 percent, while the average increase in sales to Lundin Gold was 186 percent when compared to their 2016 baseline data. In addition, 12 businesses involved in cheese, chocolates, transportation, hotels and catering successfully accessed other markets beyond the borders of Los Encuentros or Yantzaza.

AWARD WINNING SUPPLY CHAIN DEVELOPMENT

The United Nations Global Compact Networks of Colombia and Ecuador recognized Lundin Gold's work with the Lundin Foundation and Catering Las Peñas (CLP) at the Best Practice Award for Sustainable Development event held in November 2017, in Quito, Ecuador.

CLP, which provides catering, laundry and cleaning services at the Las Peñas Camp, was established by former Lundin Gold employees who decided to pursue their own catering business. Supported with technical assistance and soft loans, CLP was able to grow and provide jobs to approximately 190 workers by the end of 2017. The majority of these come from the local area which has a poverty rate exceeding 64 percent. CLP has also been successfully diversifying its business and now provides catering services at a hospital in Yantzaza.

Lundin Gold and Catering Las Peñas collected the award in the category Sustainable Development Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



Education and Training

We continued our cross-sectoral partnership to offer a series of multi-year educational, training and up-skilling, and certification programs. These programs were developed in response to critical educational and training gaps identified at the community roundtable as key barriers to our local hiring and inclusive procurement strategies.

Our collaborative programs aim to empower local community members to access the formal job market and associated economic opportunities. These programs were developed and implemented in collaboration with the Lundin Foundation, the Center for Development and Innovation for Industry and Mining (Centro de Innovación y Desarrollo para la Industria y Minería or CIMA), the Entrepreneurship Center (Prendho) and Fundación para el Desarrollo Empresarial y Social (FEDES), which are both part of the Technical Particular University of Loja (Universidad Técnica Particular de Loja – UTPL), Ecuador's Mining Ministry and Ministry of Education, Fe y Alegría (an NGO focused on offering educational opportunities to the poorest sectors of society), and others.

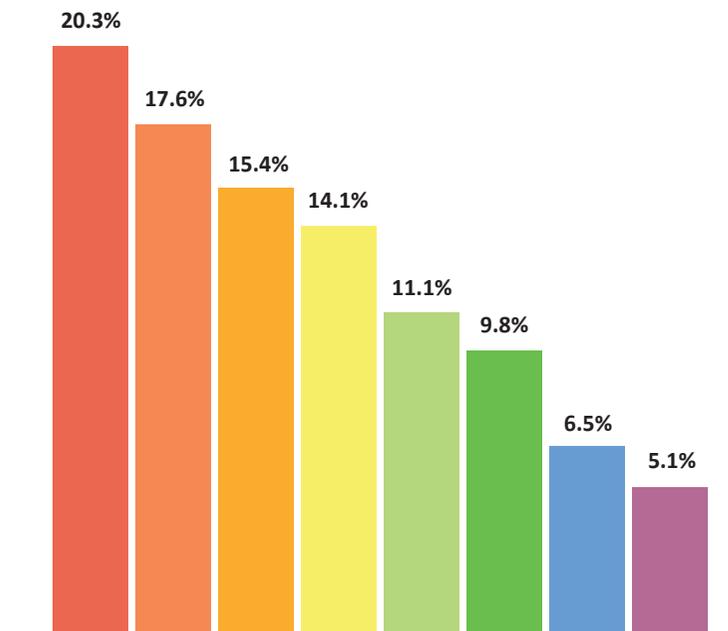
High School Diploma

In collaboration with the Lundin Foundation, we mobilized Fe y Alegría to staff and offer an accelerated high school diploma program for adults in Los Encuentros and our Las Peñas mine camp. By the end of 2017, 165 students completed grade 10, and 197 completed grade 11. A total of 213 students were enrolled in grade 12.

Unique elements of this program include ability of older adult students to enroll, and their use of electronic tablets, and e-books (instead of printed books). This program has broken down a number of prevalent pre-conceived notions, as these students quickly mastered their tablets, effectively interacted on-line, downloaded and navigated educational materials, and uploaded questions, homework, and exams.

The students' overall grade performance has also improved. The average grades of 7.89/10 (B+) in the first academic year has improved to 8.28/10 (A-) during the second year of the program. Lundin Gold will donate the tablets to students who complete the program.

By March 2018, 210 participants had graduated this accelerated high school diploma program. The results of a survey inquiring about their future aspirations is presented to the right and shows a preference for applying for new jobs in the private sector, starting college or vocational training, and establishing a business or becoming an entrepreneur.



AFTER GRADUATION, THE NEXT CHALLENGE...

- Applying for a new job in the private sector
- Starting a college or vocational training
- Starting a business, being an entrepreneur
- Starting a university career
- Applying for a new job in the public sector
- Applying for a better position in my current job
- Working in my current job or current business
- More time with my family



Community Health Project

Kimirina is an Ecuadorian NGO that has been working on issues of HIV/AIDS prevention and community health for several decades. After initial engagement between Kimirina and Lundin Gold, the NGO was invited to attend the community roundtable process in early 2017, with specific emphasis on the community value roundtable, where concerns around community health and in-migration are addressed. Subsequent to these roundtable discussions, Kimirina proposed a series of interventions in the community of Los Encuentros, which were accepted via the roundtable.

In 2017, Kimirina's initial focus was upon a three-month pilot project. Together with other stakeholders in the Los Encuentros community, Kimirina developed informational campaigns around drug and alcohol abuse, which are the root causes of a number of other social challenges. Additionally, Kimirina held outreach sessions for specific community members impacted by such issues, and sought to train local volunteers to be able to undertake such outreach as well.

This pilot program was well received by local stakeholders. As a result, a two-year plan was developed and agreed to in late 2017. The full roll-out of this program will take place in 2018 and includes the establishment of a Kimirina office in Los Encuentros.



Economic Diversification

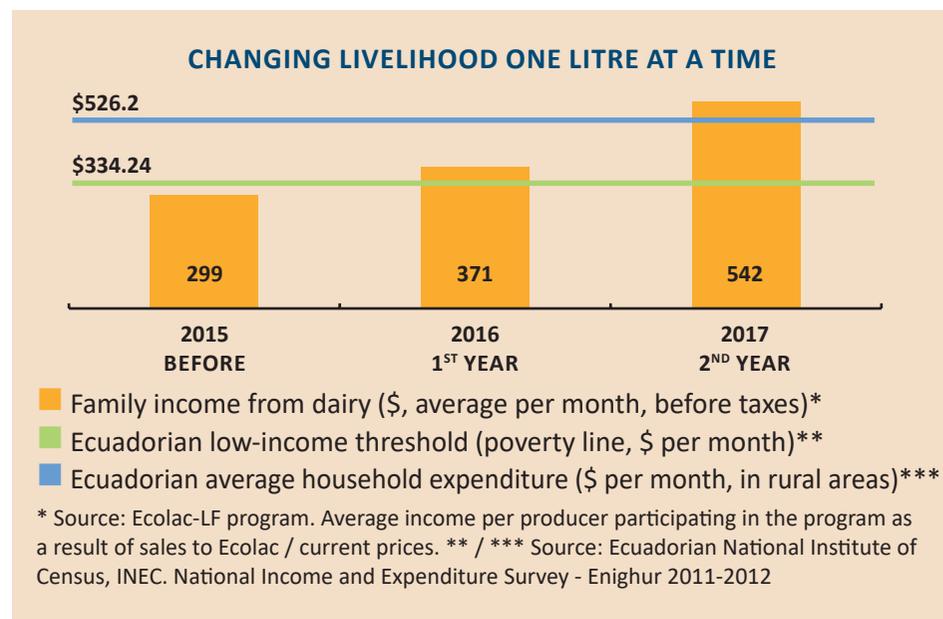
Recognizing their local importance and opportunity for economic diversification, we analyzed, connected and scaled up selected agricultural value chains ranging from dairy products to certified premium organic coffee. The progress of two prominent examples are highlighted below.

Ecolac Dairy Products

In collaboration with the Lundin Foundation and other partners, we started our engagement with Ecolac, a regional dairy processing and marketing company, in 2015. We reviewed baseline conditions and bottlenecks, and provided grants, concessionary loans and technical assistance to Ecolac to connect and grow the local and regional milk value chain.

Prominent investments included the installation of a milk testing and collection centre, including a refrigerated 1,000-litre milk container in Los Encuentros in July 2016. This investment enabled local dairy farmers to regularly supply their milk at more favorable rates, and gain access to veterinary inputs to further improve milk production and quality.

By the end of 2017, Ecolac collected and marketed a record-breaking 1.5 million litres of milk from all of its operations in the province, an increase of 48 percent compared with 2016. Similarly, the average income for participating dairy farmers reached \$542 per month (before production costs) in 2017. This is helping to push the average dairy farmer above the Ecuadorian poverty line.

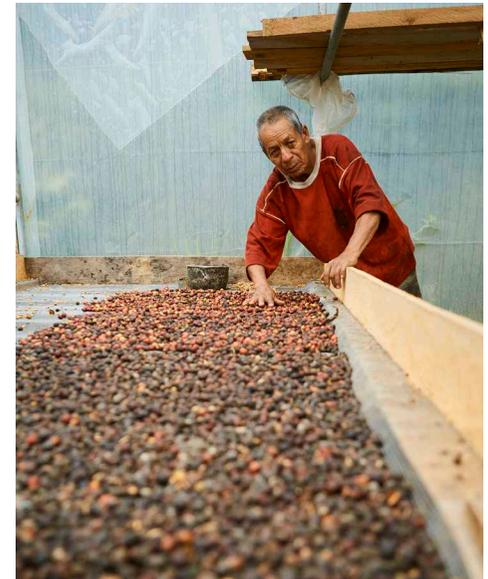


Apeosae Co-operative

Through the Lundin Foundation, we also invested in Apeosae, a cooperative of small organic agricultural exporters from the Zamora Chinchipe province. The membership of this cooperative of small farmers produces organic coffee and cacao, as well as plantains and other agricultural products.

In 2017, Apeosae reached one of its major business goals: business sustainability and positive cash flow. This was the result of retaining previous customers, acquiring three new buyers, diversifying products to include plantain chips, improving quality and productivity, and achieving record annual sales of \$300,000, representing a 62 percent increase compared with 2016 results.

However, these positive results were still 22 percent below the forecast established in January of 2017. Although there is evidence of a turn-around, Apeosae's financial position remains fragile after several years of losses and subject to volatile commodity prices.



Forward Looking Statement

Certain of the information and statements in this sustainability report 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 sustainability report, and the Company will not necessarily update this information, unless required to do so by securities laws. This sustainability report contains forward-looking information in a number of places, such as in statements pertaining to: the timing of first gold production, the results of the project update and the timing and progress of the development, construction and operation of FDN, the timing and progress of the development and construction the power line, the timing and success of permitting and regulatory approvals and the award of certain purchase orders and contracts and the acquisition of easements, the success of the Company's exploration plans and activities, exploration and development expenditures and reclamation costs, project financing and future sources of liquidity, capital expenditures and requirements, 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: the ability to arrange financing and the risk to shareholders of dilution from future equity financings; the ability to maintain its obligations under the Financing and other debt; risks related to carrying on business in Ecuador; 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 critical resources, labour and key executive personnel, such as input commodities, equipment and skilled labour, and the dependence on key personnel; risks associated with the Company's community relationships; unreliable infrastructure; volatility in the market price of the Company's shares; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; 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 the Fruta del Norte Project and the Company's reliance on one project; risks related to artisanal and illegal mining; uncertainty as to reclamation and decommissioning; risks associated with the Company's information systems; competition in the mining industry; the ability to obtain adequate 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 under the heading "Risk Factors" in the Company's most recent Annual Information Form available under the Company's profile at www.sedar.com.

Technical Information

Ron F. Hochstein, P. Eng., Lundin Gold's President and Chief Executive Officer and Director, is a "Qualified Person" within the meaning of this term in NI 43-101 and has reviewed and approved sections of this sustainability report that are of a scientific or technical nature pertaining to the Company's Fruta del Norte Project and has verified the data disclosed herein.

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