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NEWS RELEASE

LUNDIN GOLD INC. REPORTS 2016 RESULTS

February 24, 2017 (Vancouver, Canada)… Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce its results for the year ended December 31, 2016. All amounts in this release are in U.S. dollars unless otherwise indicated.

Highlights

- An independent feasibility study for the Fruta del Norte Project ("FDN" or the "Project") was completed in June 2016 (the "Feasibility Study").

- In July, the La Zarza concession (host to FDN) phase change application was approved by the Government of Ecuador. With this approved, the status of the La Zarza concession was converted from the Exploration Phase to the Exploitation Phase under Ecuador's mining law.

- The Company completed an equity financing with a syndicate of underwriters (the "Underwriters"), pursuant to which the Underwriters purchased, on a bought deal basis, 17,250,000 common shares of the Company at a price of CAD$5.50 per common share (the "Offering"). Gross proceeds under the Offering were CAD$94,875,000 ($72.6 million).

- An exploration drilling campaign was completed in early August, having tested five key targets located 15 to 20 km south of the FDN. The results of the drilling program indicated that further follow up is required.

- In October, the Company's Environmental Impact Study (the "EIS") for FDN was approved and the Environmental License was granted by the Government of Ecuador.

- During 2016, the Company completed negotiations and signed the Exploitation Agreement (the "EA") for FDN with the Government of Ecuador in December. The EA, combined with existing laws and regulations, establishes the fiscal, operational and commercial terms and conditions for the development of FDN.

- During 2016, the Company completed negotiations and signed the Investment Protection Agreement (the "IPA") with the Government of Ecuador in December. The IPA provides further legal and tax stability to Lundin Gold in conjunction with the EA.

- The Company continued to progress its planned Early Works program to advance the engineering and initiate field work to maintain the project critical path. During the fourth quarter of 2016, work commenced on site clearing and earth works associated with the development of the area and facilities to support the commencement of construction of the mine portals and mine access declines in the second quarter of 2017. The Company also closed bids for the underground mine development contract which is expected to be awarded in first quarter of 2017.

- On January 16, 2017, the Company secured a $35 million credit facility from an insider of the Company.

- On February 21, 2017, the Company awarded the mine development contract for FDN which encompasses construction of the mine portals and soft tunnelling work and the development of the twin declines.

”Lundin Gold made significant advancements in the development of FDN during 2016 as the Company completed the Feasibility Study, obtained the Environmental License, and signed the EA and IPA.” said Lundin Gold President and CEO, Ron Hochstein, “We also have embarked on our Early Works Program. We expect 2017 to be another milestone year in the development of FDN, as we complete our project financing and commence the construction starting with the mine portals and declines in mid-2017.”

Financial Results

(in thousands, except per share amounts)	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Results of Operations:				
Net loss for the period	$ (23,889)	$ (12,761)	$ (62,814)	$ (45,324)
Basic and diluted loss per share	(0.20)	(0.13)	(0.59)	(0.45)

(in thousands)	As at December 31, 2016	As at December 31, 2015
Financial Position:		
Cash	8,503	21,360
Working capital	1,022	16,314
Property, plant and equipment	7,822	8,557
Mineral properties	236,874	236,874
Total assets	278,906	267,400
Long-term liabilities	974	867

Note: the complete analysis of the 2016 financial results can be found in the MD&A and financial statements dated February 24, 2017 filed on SEDAR.

The current quarter’s net loss is higher compared to losses in prior quarters, including the fourth quarter of 2015, primarily because of an increase in general and administrative expenditures. This increase was mainly due to the one-time mandatory contribution to the Government of Ecuador for earthquake relief efforts (see below), a settlement of proceeding legal dispute (see below), an increase in project evaluation and exploration expenditures, and higher employee compensation due to incentive bonuses.

The loss during the year ended December 31, 2016 is higher compared to the previous year as a result of exploration expenditures of $5.3 million in 2016 compared to $0.9 million in 2015. Professional fees increased by $1.3 million due to an increase in corporate activities relating to negotiations with the Government of Ecuador on the EA and IPA. The Company was also required to pay $3.9 million due to a one-time mandatory contribution to the Government of Ecuador for the earthquake relief efforts. A law passed by the Government of Ecuador in response to an earthquake in the provinces of Manabí and Esmeraldas in Ecuador on April 16, 2016 established a mandatory one-time levy was based on 0.9% of the book value of the equity interest held in Ecuadorian companies by non-resident entities and is not deductible for income tax purposes.

In addition, the Company incurred $2.8 million to settle a legal dispute against the Company relating to a net smelter royalty on a Russian gold project previously held by the Company. Lastly, in 2016, the Company generated a gain on account of foreign exchange of $5.2 million. This gain was generated by the substantial holdings of U.S. dollars at the parent company level. As the functional currency of the parent company is the Canadian dollar, a strengthening of the U.S. dollar against the Canadian dollar during the year ended December 31, 2015 generated a gain in terms of Canadian dollars. The foreign exchange gain was less in 2016.

Liquidity and Capital Resources

As at December 31, 2016, the Company had cash of $8.5 million and a working capital balance of $1.0 million compared to cash of $21.4 million and a working capital balance of $16.3 million at December 31, 2015. The $12.9 million decrease in cash was due primarily to $57.4 million used in operating activities relating to project evaluation expenses on FDN. The Company also paid its first advance royalty payment of $25 million upon signing of the EA. The balance of the payments will be due in two equal disbursements of $20 million on the first and second anniversary of signing. This decrease was offset by cash provided by financing activities of $69.7 million mainly from an equity financing (see paragraph below).

Equity Financing

The Company completed an equity financing pursuant to which the Underwriters purchased, on a bought deal basis, 17,250,000 common shares of the Company at a price of CAD$5.50 per common share. The total gross proceeds raised under the Offering was CAD$94,875,000 ($72.6 million). Share issue costs of $3.3 million were paid resulting in net proceeds of $69.3 million received by the Company in relation to the Offering.

Short-term credit facilities

On June 8, 2016, the Company secured an $18 million credit facility from an insider of the Company. A total of $8 million was drawn down under the Facility and repaid in full on July 22, 2016 from the proceeds of the Offering. A total of 39,267 common shares of the Company were issued in lieu of interest and fees.

Subsequently, on January 16, 2017, the Company secured a second short-term $35 million credit facility from the same party (the “2017 Facility”).

The 2017 Facility is evidenced by a debenture (the “2017 Debenture”) which is unsecured and is due on the earlier of the closing of a financing by the Company or May 31, 2017 (the "Maturity Date"). No interest is payable in cash during the term of the 2017 Debenture. Any amount of the 2017 Facility remaining unpaid and outstanding on or after the Maturity Date shall bear interest at a rate of 5.00% per annum until repaid in full.

The Company issued an aggregate of 60,000 common shares on January 16, 2017 as consideration for the 2017 Facility in lieu of fees. The Company will also issue an additional 1,700 common shares per month for each $1 million of the 2017 Facility drawn down and outstanding until the Maturity Date. All securities issued in conjunction with the 2017 Facility will be subject to a four-month hold period under applicable securities law.

Outlook

The Company remains on track with the Early Works program which is expected to be completed by mid-2017. In addition, the mine development contract for FDN was awarded on February 21, 2017 which encompasses construction of the mine portals and soft tunnelling work and the development of the twin declines. These activities support the commencement of construction of the mine portals and twin declines in the second quarter of 2017.

Upon completion of basic engineering, near the end of the first quarter of 2017, the Company anticipates preparing a production plan based on the new mine plan, updated capital and operating cost estimates and a revised execution plan taking into account a self perform approach versus conventional EPCM approach.

During the next 12 months, the Company will continue to work with its financial advisors to put in place the financing for the construction of FDN. Funding for the construction and development of FDN is expected to be done by various financing transactions or arrangements, including equity financing, debt financing, stream financing, joint venturing or other means with the objective of securing a first stage of funding by mid-2017.

Qualified Person

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

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

Additional Information

The Company's consolidated financial statements for the year ended December 31, 2016 and related management's discussion and analysis are available on the Company's website at www.lundingold.com or under its profile on SEDAR at www.sedar.com.

The information in this release is subject to the disclosure requirements of Lundin Gold under the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was publicly communicated on February 24, 2017 at 4:00 p.m. Pacific Time.

About the Company:

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

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

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Caution Regarding Forward-Looking Information and Statements

Certain of the information and statements in this press release are considered “forward-looking information” or “forward-looking statements” as those terms are defined under Canadian securities laws (collectively referred to as “forward-looking statements”). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “believes”, “anticipates”, “expects”, “is expected”, “scheduled”, “estimates”, “pending”, “intends”, “plans”, “forecasts”, “targets”, or “hopes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “will”, “should” “might”, “will be taken”, or “occur” and similar expressions) are not statements of historical fact and may be forward-looking statements.

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

This press release contains forward-looking information in a number of places, such as in statements pertaining to: the benefits to be derived under the exploitation agreement and the investment protection agreement; the timing, progress and success of the Early Works program; the success of the Company’s exploration plans and activities; planned exploration and development expenditures and reclamation costs; the timing and success of permitting and regulatory approvals; the completion of a new production plan within the expected timeframe; future sources of liquidity, capital expenditures and requirements; the expectations of market prices and costs; the development, construction and operation of FDN; anticipated 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; risks related to carrying on business in an emerging market such as possible government instability and civil turmoil and economic instability; volatility in the price of gold; the timely receipt of regulatory approvals, permits and licenses; risks associated with the performance of the Company’s contractors; risks inherent in the development of an underground mine; deficient or vulnerable title to mining concessions and surface rights; shortages of resources, such as labour, and the dependence on key personnel; risks associated with the Company’s community relationships; unreliable infrastructure and local opposition to mining; volatility in the market price of the Company’s shares; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; difficulty complying with changing government regulations and policies, including without limitation, compliance with environment, health and safety regulations, and the cost of compliance or failure to comply with applicable laws; exploration and development risks; the accuracy of the Mineral Reserve and Resource estimates for FDN and the Company’s reliance on one project; liabilities; the Company’s lack of operating history in Ecuador; illegal mining; uncertainty as to reclamation and decommissioning; adverse global economic conditions; risks associated with the Company’s information systems; the inadequacy of insurance; risks of bribery or corruption; the potential for litigation; limits of disclosure and internal controls; and the potential influence of the Company’s largest shareholders.

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