

## **NEWS RELEASE**

### **LUNDIN GOLD SIGNS EXPLOITATION AGREEMENT FOR FRUTA DEL NORTE**

**December 14, 2016 (Vancouver, Canada)...** Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce that it has signed the Exploitation Agreement ("EA") for Fruta del Norte ("FDN" or "Project"), its flagship gold project in Ecuador.

"I'm very happy to be in Ecuador for the execution of this important agreement. In just under two years, working cooperatively with the Government of Ecuador, we have negotiated this key agreement and completed the Feasibility Study for FDN, paving the way for the development of this world-class asset" stated Lukas Lundin, Chairman of Lundin Gold.

"The signing of the EA is a significant milestone for the Company and for the country of Ecuador. For Lundin Gold, this event signals the Company's commitment to growing the Company in Ecuador by moving towards the development of and achieving commercial production at FDN. For Ecuador, the signing of the EA brings opportunity for jobs and economic development at both the local and national levels and shows the country's commitment to mining" remarked Lundin Gold President and Chief Executive Officer, Ron Hochstein.

The execution of the EA follows the approval of the Environmental Impact Study for FDN on October 13, 2016 and the issuance of the related Environmental License at the end of October.

#### Exploitation Agreement

The EA, combined with existing laws and regulations, establishes the fiscal, operational and commercial terms and conditions for the development of FDN. The key features of the EA are:

- The right to develop and produce gold from FDN for 25 years, which may be renewed.
- Advance royalty payments totaling US\$65 million to the Government of Ecuador, of which US\$25 million will be paid within the next few days. The balance of the payments will be due in two equal disbursements of US\$20 million on the first and second anniversary of signing.
- A royalty equal to 5% of net smelter revenues from production. The advance royalty payment is deductible against future royalties payable.

Lundin Gold and the Government of Ecuador completed negotiating the key terms and conditions of the EA in January 2016. Since the Company's announcement of those terms, the Government has analyzed the manner in which extraordinary revenue tax (the "Windfall Tax") is to be calculated. Legislation is currently proceeding through the Ecuadorian National Assembly, which includes language seeking to modify how the Windfall Tax will be applied. Under the proposed legislation, the Windfall Tax will not be applied until a company has recouped the cumulative investment in a mining project from its inception until the start of production, plus four years. The four-year grace period replaces the application of a present value adjustment to the actual cumulative investment incurred

from signing of the EA, as originally disclosed by the Company in January. “We believe this change simplifies the application of the Windfall Tax with no material impact on the Project” stated Ron Hochstein.

With the signature of the EA, Lundin Gold reaffirms its commitment to the responsible development of FDN for the benefit of local communities, the people of Ecuador and its shareholders. The Company - together with local and national government, NGOs and other partner organizations - will continue to promote sustainable development in the Project area through local employment and procurement opportunities, environmental stewardship, broad-based economic development and local infrastructure improvements, amongst other initiatives.

The English translation of the EA will be filed shortly on the Company's profile on the SEDAR website maintained by the Canadian Securities Administrators at [www.sedar.com](http://www.sedar.com).

#### Investment Protection Agreement

A government resolution dated July 4, 2016 authorized the execution of the Investment Protection Agreement (“IPA”) once the EA was signed. Following the required legalization of the executed EA, the Company will be signing the IPA with the Government of Ecuador. The terms and conditions of the IPA are unchanged from those announced in August.

#### **About the Company**

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

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

#### **Additional Information**

The information in this release is subject to the disclosure requirements of the Company under the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was publicly communicated on December 14, 2016 at 2:00 p.m. Pacific Time.

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

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### **Forward-Looking Statements**

This press release contains or refers to forward-looking information under Canadian securities legislation, including statements regarding the timing of the execution of the Investment Protection Agreement, benefits to be obtained pursuant to or as a results of the execution of the Exploitation Agreement or the Investment Protection Agreement for the Company and its stakeholders or for the country of Ecuador, the development of the Fruta del Norte Project and the Company's ability to finance the Fruta del Norte Project, all of which information is based on current expectations that involve a number of business risks and uncertainties. Forward-looking statements are subject to significant risks and uncertainties, and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements.

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 Short Form Prospectus dated July 12, 2016 available at [www.sedar.com](http://www.sedar.com).

Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, the ability to arrange financing, the timely receipt of regulatory approvals, permits and licenses, risks related to carrying on business in an emerging market such as possible government instability and civil turmoil and economic instability, measures required to protect endangered species, deficient or vulnerable title to mining concessions and surface rights; the potential for litigation; volatility in the market price of the Company's shares; the risk to shareholders of dilution from future equity financings; the cost of compliance or failure to comply with applicable laws; difficulty complying with changing government regulations and policies, including without limitation, compliance with environment, health and safety regulations; illegal mining; uncertainty as to reclamation and decommissioning liabilities, unreliable infrastructure and local opposition to mining; the accuracy of the Mineral Resource estimates for the Fruta del Norte Project and the Company's reliance on one project; volatility in the price of gold; shortages of resources, such as labour, and the dependence on key personnel; the Company's lack of operating history in Ecuador and negative cash flow; the inadequacy of insurance; potential conflicts of interest for the Company's directors who are engaged in similar businesses; limitations of disclosure and internal controls; and the potential influence of the Company's largest shareholders. The forward-looking statements contained in this press release are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances other than as required by law.