

NEWS RELEASE**LUNDIN GOLD ANNOUNCES AGREEMENT WITH GOVERNMENT OF ECUADOR ON INVESTMENT PROTECTION AGREEMENT**

August 5, 2016 (Vancouver, Canada)... **Lundin Gold Inc.** ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce that it has successfully concluded the negotiation of the definitive form of investment protection agreement (the "IPA") for the Fruta del Norte Project, its flagship gold project in Ecuador, and that the draft IPA has now been approved by the Government of Ecuador.

Lundin Gold had commenced discussions with the Government of Ecuador on the terms and conditions of the IPA following the finalization of the Exploitation Agreement at the start of 2016. The IPA provides further legal and tax stability for the Company, in conjunction with the Exploitation Agreement and existing laws in Ecuador.

Lundin Gold's President and Chief Executive Officer, Ron Hochstein, stated that "The successful conclusion of negotiations on the IPA is another significant milestone in the development of the Fruta del Norte Project. The legal stability and economic certainty contemplated by this agreement are critical to the Company's ability to embark on project financing and to realize its goal of building a high grade gold mine in Ecuador. Lundin Gold continues to enjoy the support and cooperation of the Government of Ecuador and local governments and communities."

Key Benefits under the IPA

- Income tax rate fixed at 22%.
- Exemption from the capital outflow tax of 5% on payments of principal and interest to financial institutions outside of Ecuador.
- The ability to obtain benefits granted by the Government of Ecuador through future investment protection agreements with other investors in similar projects in Ecuador.
- No restrictions to transfer or assign all or part of the investment, including the right to assign its rights to any financing parties.
- Other benefits granted to the Company include no restriction to:
 - i. produce and sell minerals;
 - ii. import and export goods; and
 - iii. establish, maintain, control, or transfer funds abroad, provided statutory remittances and obligations have been met.

The Company expects to execute the IPA at the same time as the exploitation agreement, on or before January 20, 2017.

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.

Additional Information

The information in this release is subject to the disclosure requirements of Lundin Gold under the EU Market Abuse Regulation and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on August 5, 2016 at 5:30 a.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 completion and execution of the Investment Protection Agreement and of the Exploitation Agreement, the timing and receipt of executions and approvals, the benefits to be derived under the Investment Protection Agreement, the Exploitation Agreement and applicable legislation; and the timing and likelihood of project financing, 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.

Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, political risks, uncertainties relating to the availability and

costs of financing needed in the future, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and the other risks involved in the mineral exploration and development industry. 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.