

NEWS RELEASE**LUNDIN GOLD CLOSSES FIRST TRANCHE OF \$82.5 MILLION
BOUGHT DEAL EQUITY FINANCING****NOT FOR DISTRIBUTION TO UNITED STATES NEWS WIRE SERVICES OR FOR
DISSEMINATION TO UNITED STATES**

July 19, 2016 (Vancouver, Canada)... Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX: LUG, Nasdaq Stockholm: LUG) is pleased to announce that it has closed the first tranche of its previously announced bought deal equity offering of 15,000,000 common shares (the "Shares") at a price of C\$5.50 per Share for aggregate gross proceeds of C\$82,500,000 (the "Offering"). A total of 10,000,000 Shares were sold under the first tranche for gross proceeds to the Company of C\$55,000,000.

The Offering was conducted through a syndicate led by GMP Securities L.P. and including BMO Nesbitt Burns Inc., Dundee Securities Ltd., Cormark Securities Inc., Paradigm Capital Inc., Scotia Capital Inc. and Pareto Securities AS (collectively, the "Underwriters").

The Underwriters have been granted the option (the "Over-Allotment Option") to purchase up to an additional 15% of the Offering, exercisable in whole or in part at any time up to 30 days from the date of the satisfaction of the Swedish Prospectus Condition (as defined below). The closing of the second tranche, being 5,000,000 Shares plus any Shares to be acquired on the exercise of the Over-Allotment Option (if any) is expected to occur on or about August 11, 2016. The second closing is conditional upon the approval and registration with the Swedish Financial Supervising Authority of a prospectus, and the subsequent publication of the prospectus, regarding the listing of the Shares on the NASDAQ Stockholm (the "Swedish Prospectus Condition").

The net proceeds of the Offering are expected to be used to repay amounts owing under the Company's US\$18 million credit facility (currently US\$8 million), to fund the Early Works program at the Fruta del Norte Project and basic engineering and for general corporate purposes (as more fully described in the prospectus dated July 12, 2016 and filed by the Company in respect of the Offering).

This news release does not constitute an offer to sell or a solicitation of an offer to buy the securities described herein in the United States or in any other jurisdiction. The securities referred to in this press release have not been and will not be registered under the U.S. Securities Act and may not be offered or sold without registration under the U.S. Securities Act and all applicable state securities laws or compliance with the requirements of an exemption from such registration.

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 Securities Market Act. This information was publicly communicated on July 19, 2016 at 6:10 a.m. Pacific Time.

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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 contains forward-looking information in a number of places, such as in statements pertaining to: use of proceeds from the Offering, closing of the second tranche of the Offering, the satisfaction of the Swedish Prospectus Condition, and the ability to obtain the necessary regulatory authority and approvals. 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 prospectus dated July 12, 2016 available at www.sedar.com.

Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, 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, the ability to arrange further financing, 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 Reserve and 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.