

NEWS RELEASE**LUNDIN GOLD SUBMITS APPLICATION TO ADVANCE THE FRUTA DEL NORTE PROJECT**

June 16, 2016 (Vancouver, Canada)... Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce that its wholly owned subsidiary in Ecuador, Aurelian Ecuador S.A., has submitted a Phase Change Application (the "PCA") to the Government of Ecuador in respect of its 100% owned La Zarza concession, which is host to the Fruta del Norte Project ("FDN" or the "Project"), to permit the Company to proceed with its plans to develop the Project.

Lundin Gold President and Chief Executive Officer, Ron Hochstein, commented that "the submission of the Phase Change Application for the La Zarza concession is a significant milestone in the development of the Fruta del Norte Project. The completion of this application on the heels of the release of positive feasibility study results demonstrates the Company's determination to advance FDN and build a high grade gold mine in Ecuador."

Under the country's mining law, the term of a concession is divided into an exploration phase and exploitation phase. When Lundin Gold acquired FDN at the end of 2014, the La Zarza concession had only 18 months remaining in its exploration phase, after which the concession had to either advance to exploitation or be subject to forfeiture. The timely completion of a positive feasibility study at the start of June has enabled Lundin Gold to meet the PCA deadline.

The Government of Ecuador is required to review and render a determination on the phase change of La Zarza within 60 days of the PCA's submittal. Lundin Gold has up to six months subsequent to the approval of the PCA by the Government of Ecuador to execute an exploitation agreement for FDN. The Company and the Government of Ecuador successfully completed the negotiation of a definitive form of exploitation agreement for FDN earlier this year.

The Company continues to work with the Government of Ecuador on obtaining key environmental permits, including formal approval of the Environmental Impact Assessment and related Environmental License, which are also required to develop the Project. Basic engineering and early works are planned to start in the third quarter of 2016 to keep the Company on-track for anticipated production at the start of 2020.

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 Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on June 16, 2016 at 10:40 AM Pacific Time.

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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 submission of the phase change application and its approval; the status of the La Zarza concession; the execution of the exploitation agreement; the results of the feasibility study; the timing and receipt of necessary permits and project approvals for future operations; the commencement of basic engineering and early works programs; and the commencement of production, and 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, capital and operating costs varying significantly from estimates, metallurgical test results not being representative, 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.