

## NEWS RELEASE

### LUNDIN GOLD INC. REPORTS 2015 RESULTS

**February 22, 2016 (Vancouver, Canada)...** Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce its results for the three months and year ended December 31, 2015. All amounts in this release are in U.S. dollars.

#### Highlights

- On January 14, 2016, the Company announced the completion of negotiations of the definitive form of the exploitation agreement (the "Definitive EA") for the Fruta del Norte Project with the Government of Ecuador. Once signed, the Definitive EA, combined with existing laws and regulations, establishes the fiscal terms and conditions for the development of the Fruta del Norte Project.
- The metallurgical testwork was completed during the fourth quarter of 2015, and the results were announced in late January and confirmed the Gravity Float Leach (GFL) flowsheet for the Fruta del Norte Project. Gold recovery ranges from 91.7% to 94.2% with approximately 30% on average into doré with the remaining 70% into a final concentrate that ranges from 136.7 to 240.0 g/t Au. In addition, the results indicated that the concentrate produced will be readily saleable with impurities at controlled levels.
- Excellent progress on all feasibility study activities continued during the fourth quarter of 2015 with anticipated release of the feasibility study results in the second quarter of 2016.
- Progress continued on the environmental aspects of the Fruta del Norte Project, including completion of comprehensive baseline studies, project site fieldwork and document preparation in support of the feasibility study. An amendment to the mine Environmental Impact Assessment to include the anticipated plant and infrastructure is currently being reviewed on an informal basis by the Ministry of Environment and the formal review process is expected to begin in the first quarter of 2016. In addition, numerous permits required for development and exploration are proceeding according to schedule.
- The Company embarked on exploration activities on some of its higher priority concessions near the Fruta del Norte Project. During the quarter, field programs were carried out and geophysical (IP) programs were completed which helped define several high potential targets that are now drill ready, and identify new targets.
- In December 2015, the Government of Ecuador passed legislation (Ley Orgánica de Incentivos para Asociaciones Público Privadas) to extend Value-Added Tax ("VAT") recovery to the mining sector. As a result, VAT paid by the Company after January 1, 2018 will be refunded once the Company begins to generate export sales.

"The 2015 financial year was a transformative year for Lundin Gold during which the Company completed its first year in Ecuador and made significant headway in the advancement of the Fruta del Norte Project," said Lundin Gold President and CEO Ron Hochstein. "During the year, we made great progress on the feasibility study for the Project while working with the Government of Ecuador to complete the definitive form of the exploitation agreement. Given our successes last year, we expect 2016 to be another milestone year for the Company, with plans to agree on a definitive form of Investment Protection Agreement with the Government, complete the feasibility study in the first half of

the year, receive the environmental approvals by the end of the third quarter, and arrange project financing by year end.”

## Financial Results

<i>(in thousands, except per share amounts)</i>	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
<b>Results of Operations:</b>				
Operating expenses	\$ (13,251)	\$ (1,857)	\$ (50,624)	\$ (5,336)
Other income	490	4,287	5,300	4,587
Net income (loss) for the period	(12,761)	2,430	45,324	(749)
Basic and diluted earnings (loss) per share	(0.13)	0.09	(0.45)	(0.04)
<b>Financial Position:</b>				
<i>(in thousands)</i>			As at December 31, 2015	As at December 31, 2014
Cash			21,360	70,919
Working capital			16,314	65,977
Property, plant and equipment			8,557	9,512
Mineral properties			236,874	236,874
Total assets			267,400	318,033
Long-term liabilities			867	793

The current quarter's net loss is higher compared to the fourth quarter of 2014 as a result of project evaluation expenditures of \$11.2 million incurred on the feasibility study and at the Fruta del Norte Project. The Company also incurred general and administrative expenditures of \$1.6 million which includes \$0.6 million in professional fees in connection with the negotiations with the Government of Ecuador. Exploration expenditures of \$0.4 million were also incurred during the fourth quarter of 2015 as the Company completed geophysical (IP) programs on key targets.

The loss during the year ended December 31, 2015 is higher compared to the previous year as a result of project evaluation expenditures of \$36.1 million incurred on the feasibility study and at the Fruta del Norte Project. This included approximately 14,000 metres of drilling to support mine and civil engineering, metallurgical test programs and site and environmental costs. General and administrative expenses are higher by \$10.5 million as the Company increased its personnel and its activities in Ecuador to support the development of the Fruta del Norte Project and donated \$2.0 million to the Lundin Foundation, a registered Canadian non-profit organization. The Lundin Foundation is carrying out economic development, training and small business development programs in Ecuador in conjunction with the Company. These expenses are offset by a gain on account of foreign exchange of \$5.2 million. The gain is 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 generates a gain in terms of Canadian dollars.

## Liquidity and Capital Resources

As at December 31, 2015, the Company had cash of \$21.4 million and a working capital surplus of \$16.3 million compared to cash of \$70.9 million and a working capital surplus of \$66.0 million at December 31, 2014. The decrease in cash of \$49.5 million was due primarily to cash used in operating activities of \$43.2 million and cash used in investing activities of \$3.7 million. In addition, as a result of holding significant cash resources in Canadian dollars as at December 31, 2014 and the

effect of the subsequent decline in the Canadian dollar relative to the U.S. dollar, a negative foreign exchange impact of \$2.6 million was recorded during the year ended December 31, 2015.

Net cash used in operating activities of \$43.2 million during the year ended December 31, 2015 was primarily driven by project evaluation expenses incurred relating to the feasibility study of the Fruta del Norte Project offset by changes in working capital items.

Net cash provided by financing activities was due to proceeds received from the exercise of stock options offset by the settlement of accounts payable and accrued liabilities relating to the private placement which was completed during the fourth quarter of 2014.

Net cash used in investing activities of \$3.7 million was due to the settlement of accounts payable and accrued liabilities relating to the acquisition of Aurelian Resources Inc. and other property, plant and equipment expenditures.

Any potential development activities at the Fruta del Norte Project require substantial additional capital. As the Company does not have any sources of revenue, the Company expects to pursue various financing transactions or arrangements, including equity financing, debt financing, joint venturing of projects or other means. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Lundin Gold. Moreover, Lundin Gold may not be successful in locating suitable financing when required or at all. A failure to raise capital when needed would have a material adverse effect on Lundin Gold's business, financial condition and results of operations. The ability to obtain needed financing may be impaired by a variety of factors such as the capital markets (both generally and in the gold industry in particular), the location of the Fruta del Norte Project in Ecuador and the price of gold.

## **Outlook**

During the first quarter of 2016, the Company plans to continue the engineering and technical studies and environmental permitting at the Fruta del Norte Project with the goal of completing the feasibility study in the second quarter of 2016, obtaining all the necessary environmental permits in the third quarter of 2016 and reaching a production decision late 2016/early 2017.

By June 17, 2016, the Company must submit an application to change the Fruta del Norte Project's official status from economic evaluation phase to exploitation phase (the "Phase Change Application"). The Government of Ecuador then has sixty days to approve the Phase Change Application. Once the Phase Change Application is approved, the Company has up to six months subsequent to the approval of the Phase Change Application to execute the exploitation agreement with the Government of Ecuador.

During 2016, the Company intends to work with its financial advisor and legal advisors to evaluate and put in place the debt financing component for the development of the Fruta del Norte Project. The Company intends to have its financing in place coincident with its production decision.

The Company may also undertake certain early works activities in order to optimize certain aspects of the project, reduce financing risk and carry out some field activities to facilitate a construction start in early 2017.

## **Qualified Person**

The technical information relating to the Fruta del Norte Project contained in this press release has been reviewed and approved by Anthony George P. Eng, a mining engineer and Lundin Gold's Vice-President Project Development, and Nicholas Teasdale, MAusIMM CP(Geo), Lundin Gold's Vice-President Exploration, both of whom are Qualified Persons under NI 43-101.

## **Additional Information**

The Company's consolidated financial statements for the year ended December 31, 2015 and related management's discussion and analysis are available on the Company's website at [www.lundingold.com](http://www.lundingold.com) or under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

*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 February 22, 2016 at 2:30 p.m. Vancouver 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 and is currently working on the FDN feasibility study scheduled to be completed in Q2 2016.*

*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.*

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

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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 MD&A contains forward-looking information in a number of places, such as in statements pertaining to: completion of the feasibility study for the Fruta del Norte Project, exploration and development expenditures and reclamation costs, the

negotiation and signing of the investment protection agreement and signing of the exploitation agreement with the government, exploration plans, timing and success of permitting and regulatory approvals, future sources of liquidity, capital expenditures and requirements, expectations of market prices and costs, development, construction and operation of the Fruta del Norte Project, future tax payments and rates, cash flows and their uses and estimates of Mineral Resources.

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 Annual Information Form dated March 25, 2015 available at [www.sedar.com](http://www.sedar.com).

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, 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.