

NEWS RELEASE

LUNDIN GOLD SIGNS INVESTMENT PROTECTION AGREEMENT FOR FRUTA DEL NORTE

December 21, 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 Investment Protection Agreement ("IPA") for Fruta del Norte ("FDN" or "Project"), its flagship gold project in Ecuador. Together with the Exploitation Agreement ("EA") signed on December 14, 2016, and the issuance of the Environmental License at the end of October, the Company now has all the major agreements and permits with the Government of Ecuador for commencing the development of the Project.

Investment Protection Agreement

A government resolution dated July 4, 2016 authorized the execution of the IPA once the EA was signed. The terms and conditions of the IPA are unchanged from those announced in August.

The IPA provides further legal and tax stability to Lundin Gold in conjunction with the EA including, amongst other items, fixing the income tax rate applicable to the Company at 22% and exempting payments of principal and interest to financial institutions outside of Ecuador from the capital outflow tax. The execution of the IPA enhances the Company's ability to finance the development of FDN and gives the Company the right to any benefits that are granted pursuant to future investment protection agreements entered into by the Government of Ecuador with third parties for similar projects in the country.

An English translation of the IPA will be filed shortly on the Company's profile on the SEDAR website maintained by the Canadian Securities Administrators at www.sedar.com.

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 21, 2016 at 2:30 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 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.

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.