

NEWS RELEASE

LUNDIN GOLD INC. REPORTS Q2 2017 RESULTS

August 9, 2017 (Vancouver, Canada)... Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce its results for the three and six months ended June 30, 2017. All amounts in this release are in U.S. dollars unless otherwise indicated.

"We are proud of the progress that the Company has made on the development of the Fruta del Norte Project during the second quarter of 2017. Construction is progressing with the advancements of the two mine portals and site infrastructure and facilities," commented Ron Hochstein, Lundin Gold's President and Chief Executive Officer. "Two other significant milestones, being the project update and first stage of the project financing, were completed on time and in line with expectations. Both of these accomplishments significantly de-risk the Project and bring us closer to achieving first production at the end of 2019."

Highlights

Fruta del Norte Project

- The mine development contractor mobilized to the Fruta del Norte Project and construction of mine portals commenced in May 2017.
- Construction of the mine development support facilities commenced during the second quarter of 2017 in preparation for the development of the twin mine declines in the fourth quarter.
- On May 30, 2017, the Company announced the completion of a project update for the Fruta del Norte Project. The update was based on advancing the design and estimates from the Technical Report entitled "*Fruta del Norte - NI 43-101 Technical Report on Feasibility Study*" filed by the Company in June 2016. The updated results include a revised mine plan, updated capital and operating costs and a new execution plan based on a self-perform approach.

Financing

- On January 16, 2017, the Company obtained a \$35 million short-term unsecured credit facility from an insider of the Company (the "Facility"). The outstanding balance of \$28.6 million at June 30, 2017 was repaid in full on July 14, 2017.
- On May 30, 2017, the Company secured a project finance package of \$400 to \$450 million (the "Financing") with the Orion Mine Finance Group and Blackstone Tactical Opportunities (the "Lenders").

Exploration

- Exploration activities have focused on advancing targets to the drill testing stage. The Puma, Barbasco and Fruta del Norte SW epithermal gold-silver targets within the Suarez pull-apart basin have been better defined; while outside of the basin, the Gata Salvaje, Las Nubes and El Quimi targets have been advanced.

Financial Results

(in thousands, except per share amounts)	Three months ended June 30,		Three months ended March 31,	
	2017	2016	2017	2016
Results of Operations:				
Net income (loss) for the period	\$ 784	\$ (12,431)	\$ (5,603)	\$ (27,140)
Income (loss) per share				
Basic	0.01	(0.12)	(0.05)	(0.27)
Diluted	0.01	(0.12)	(0.05)	(0.27)

(in thousands)	As at June 30, 2017	As at December 31, 2016
Financial Position:		
Cash	134,336	8,503
Working capital	107,024	1,022
Property, plant and equipment	49,043	7,822
Mineral properties	239,795	236,874
Total assets	460,838	278,906
Long-term liabilities	154,992	974

Note: the complete analysis of the Q2 2017 financial results can be found in the MD&A and financial statements dated August 9, 2017 filed on SEDAR.

The Company generated net income in the current quarter due to the recognition of a \$4.4 million gain on the fair value revaluation of its long-term debt at June 30, 2017. In addition, starting in the first quarter of 2017, the Company commenced the capitalization of expenses relating to the development of the Fruta del Norte Project in accordance to the Company's accounting policy. This resulted in the reduction of project evaluation expenditures. On the other hand, the Company incurred higher professional fees during the second quarter of 2017 due to ongoing costs relating to project finance initiatives.

The loss in the six months ended June 30, 2017 is lower compared to that of the six months ended June 30, 2016 due to the revaluation of the Company's long-term debt and commencement of capitalization of expenses as noted above.

Liquidity and Capital Resources

As at June 30, 2017, the Company had cash of \$134.3 million and a working capital of \$107.0 million compared to cash of \$8.5 million and a working capital balance of \$1.0 million at December 31, 2016. The change in cash was primarily due to proceeds from the Financing offset by costs incurred for the development of the Fruta del Norte Project of \$29.6 million and exploration expenditures of \$3.8 million.

Short-term credit facility

On January 16, 2017, the Company obtained the Facility from an insider of the Company. On July 14, 2017, the Company repaid the \$28.6 million outstanding balance of the Facility in full.

The Company issued an aggregate of 60,000 common shares on January 16, 2017 as consideration for the Facility in lieu of fees. No interest was payable in cash during the term of the Facility. The Company also issued 1,700 common shares per each \$1 million of the Facility drawn down and outstanding each month. As at June 30, 2017, 117,290 common shares valued at \$521,659 have been issued for amounts drawn down and outstanding under the Facility. All securities issued in conjunction with the Facility are subject to a four-month hold period under applicable securities law.

The Financing

On May 30, 2017, the Company's operating subsidiary, Aurelian Ecuador S.A. ("Aurelian"), which holds the Fruta del Norte Project, closed the Financing comprised of a gold prepay credit facility for \$150 million (the "Prepay Loan"), a stream loan credit facility of \$150 million (the "Stream Loan") and an offtake agreement (the "Offtake"). The Lenders also committed to participate in future equity financings of the Company required to fund the Fruta del Norte Project, in an aggregate amount of not less than \$100 million and not more than \$150 million, as and when initiated by the Company and subject to minimum financing thresholds.

Pursuant to the Financing, the Company, together with Aurelian and other subsidiaries related to the Project (collectively, the "Project Subsidiaries"), are subject to a number of non-financial covenants while amounts remain outstanding. The Prepay and Stream Loans are secured by way of a first ranking charge over the Project Subsidiaries' assets, pledges of the shares of the Project Subsidiaries and guarantees of the Company and the Project Subsidiaries.

To date, \$150 million has been advanced under the Financing. The remaining \$150 million is available to be drawn at the option of Aurelian, up to the end of June 2018, subject to the perfection of all security and certain other conditions.

(a) Gold prepay credit facility

The Prepay Loan is a senior secured loan facility of \$150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance. As at June 30, 2017, \$75 million has been drawn under this facility.

The Prepay Loan is amortized and repayable over 19 quarters starting December 31, 2020. The quarterly payments are equivalent to the value of 11,500 oz. of gold based on the spot price of gold at the time of the payment date. The excess of the quarterly repayments over the principal and interest components, if any, is a variable additional charge (the "Finance Charge"). If the average gold price in the fiscal quarter prior to repayment date is greater than \$1,436 or less than \$1,062, then the repayments are reduced or increased by 15%, respectively. In addition, the Company has an option to defer the quarterly instalments for up to four (4) quarters by increasing the gold equivalent deliveries by 1,000 oz. for each deferred quarter.

(b) Stream loan credit facility

The Stream Loan is a senior secured loan facility of \$150 million with a stated interest rate of 7.5% per annum with interest accruing based upon the outstanding balance. As at June 30, 2017, \$75 million has been drawn under this facility.

The Stream Loan is repayable in variable monthly instalments equivalent to the value of 7.75% of gold production less \$400 per oz. (the "Gold Base Price") and 100% of the silver production less \$4 per oz. (the "Silver Base Price") upon the start of commercial production at the Fruta del Norte Project, up to a maximum of 350,000 oz. of gold and six million oz. of silver. The Gold Base Price and Silver Base Price are subject to increase by 1% per annum starting on the third anniversary of the commercial production date. The excess of the monthly repayments over the principal and interest components, if any, is a Finance Charge.

The monthly gold and silver quantities and associated maximum deliverable ounces are subject to increase by set percentages if commercial production is not achieved by December 31, 2020 until October 1, 2021. In addition, the Company has the option to repay (i) 50% of the remaining Stream Loan on June 30, 2024 for \$150 million and / or (ii) the other 50% of the remaining Stream Loan on June 30, 2026 for \$225 million.

(c) Offtake Commitment

The Lenders have been granted the right to purchase 50% of Fruta del Norte gold production, up to a maximum of 2.5 million oz., at a price determined based on monthly delivery dates and a defined quotational period. This obligation will be satisfied first through the sale of doré and then, if required, financial settlement.

Outlook

The Fruta del Norte Project is in transition from the Early Works phase into the Project Execution phase which began on July 1, 2017. Detailed engineering work is expected to be substantially complete by the third quarter of 2018. The majority of plant and mine equipment purchase orders are expected to be placed by the end of 2017. Mine development is expected to be well underway with completion of the mine decline portals and soft tunneling and commencement of the underground development by the end of 2017. The approval of the power line EIA and the new Mountain Pass quarry are anticipated within the next twelve months to allow construction to begin. Site capture is expected to be substantially complete in 2018.

During the next 12 months, the Company will also continue to work with its financial advisors to put in place the remaining funding for the construction of the Fruta del Norte Project.

An airborne resistivity (ZTEM) survey is planned to better define targets in and in proximity to the Suarez pull-apart basin, and an airborne MAG/RAD survey will be carried out on outlying concessions to facilitate reconnaissance in those areas. The exploration activities will focus on advancing existing targets to the drill-ready stage and based on current plans drilling of some of the targets is anticipated for late 2017.

Qualified Person

The technical information relating to the Fruta del Norte Project contained in this press release has been reviewed and approved by Ron Hochstein P. Eng, Lundin Gold's President & CEO who is a Qualified Person under NI 43-101. The disclosure of exploration information contained in this press release was prepared by Steve Leary, MAusIMM CP(Geo), a consultant to the Company, who is a Qualified Person under NI 43-101.

Full details of the Feasibility Study can be found in a technical report entitled "Fruta del Norte - NI 43-101 Technical Report on Feasibility Study" which has an effective date of April 30, 2016. The Technical Report is available for review under the Company's profile on SEDAR (www.sedar.com) and on the Company's website (www.lundin的角度.com).

Additional Information

The Company's consolidated financial statements for the three months and six ended June 30, 2017 and related management's discussion and analysis are available on the Company's website at www.lundin的角度.com or under its profile on SEDAR at www.sedar.com.

The information in this release is subject to the disclosure requirements of Lundin Gold under the EU Market Abuse Regulation and the Swedish Securities Markets Act. This information was publicly communicated on August 9, 2017 at 2:30pm Pacific Time.

About the Company:

Lundin Gold Inc., headquartered in Vancouver, Canada, owns the Fruta del Norte (FDN) gold project in southeast Ecuador, which is one of the largest and highest grade undeveloped gold projects in the world.

The Company has an experienced board and management team with extensive expertise in construction and operations dedicated to the advancement of this exceptional project.

The Company operates with transparency and in accordance with international best practices in the areas of sustainability, health and safety, environment and community relations. The Company 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. The Company believes that the value created through the development of FDN will not only greatly benefit its shareholders, but also the Government and people of Ecuador.

For more information, please contact

Lundin Gold Inc.
Ron F. Hochstein
President and CEO
593 2-299-6400
604-806-3589

Lundin Gold Inc.
Sophia Shane
Corporate Development
604-689-7842
604-689-4250 (FAX)
info@lundingold.com
www.lundingold.com

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 release contains forward-looking information in a number of places, such as in statements pertaining to: the Financing; the timing, progress and success of the Early Works program; the success of the Company’s exploration plans and activities; planned exploration and development expenditures and reclamation costs; the timing and success of permitting and regulatory approvals; the results of the project update; future sources of liquidity, capital expenditures and requirements; the expectations of market prices and costs; the development, construction and operation of FDN; anticipated future tax payments and rates, cash flows and their uses.

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 and the risk to shareholders of dilution from future equity

financings; risks related to carrying on business in an emerging market such as possible government instability and civil turmoil and economic instability; volatility in the price of gold; the timely receipt of regulatory approvals, permits and licenses; risks associated with the performance of the Company's contractors; risks inherent in the development of an underground mine; deficient or vulnerable title to mining concessions and surface rights; shortages of resources, such as labour, and the dependence on key personnel; risks associated with the Company's community relationships; unreliable infrastructure and local opposition to mining; volatility in the market price of the Company's shares; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; difficulty complying with changing government regulations and policies, including without limitation, compliance with environment, health and safety regulations, and the cost of compliance or failure to comply with applicable laws; exploration and development risks; the accuracy of the Mineral Reserve and Resource estimates for FDN and the Company's reliance on one project; liabilities; the Company's lack of operating history in Ecuador; illegal mining; uncertainty as to reclamation and decommissioning; adverse global economic conditions; risks associated with the Company's information systems; the inadequacy of insurance; risks of bribery or corruption; the potential for litigation; limits of disclosure and internal controls; and the potential influence of the Company's largest shareholders.

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 Management Discussion and Analysis for the financial year ended December 2016, which is available on SEDAR at www.sedar.com.