Lundin Gold

Lundin Gold Reports First Quarter 2018 Results

VANCOUVER, May 11, 2018 /CNW/ - **Lundin Gold Inc.** ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce its results for the three months ended March 31, 2018. All amounts in this release are in U.S. dollars unless otherwise indicated.

"During the first quarter of this year the Company achieved major milestones at Fruta del Norte and significantly de-risked the Project. We completed a $400 million equity private placement, secured commitment for a $350 million senior secured project finance facility and began hard rock underground mine development," said Ron Hochstein, President and CEO of Lundin Gold. "With the financing for Fruta del Norte near complete, our engineering and construction teams can continue to pursue first gold in the fourth quarter of next year."

Highlights

Fruta del Norte

- Overall engineering was 26% complete and construction 16% complete by the end of the quarter.
- The cumulative advance in the K'isa and Kuri declines exceeded one kilometre ("km").
- Process plant excavation progressed to over 65% complete.
- Process plant SAG and ball mill foundation bases were poured.
- River Road construction was completed, directly connecting Las Peñas camp (the "Camp") with the Project site.
- North Access road was 42% complete.
- Tailing storage facility access road construction began and was 75% complete.
- The Environmental Licence for the power transmission line from Bomboiza substation to the Project was granted.

Financing

- Drew the final $110 million under the gold prepay and stream credit facilities (the "2017 Financing") with Orion Mine Finance Group ("Orion") and Blackstone Tactical Opportunities.
- Received commitments from a syndicate of seven lenders for a senior secured project finance facility (the "Facility") of $350 million.
- Closed a $400 million equity private placement financing (the "Private Placement"). Subscribers to the Private Placement included Newcrest Mining Limited ("Newcrest"), Zebra Holdings and Investments S.à.r.l. and Lorito Holdings S.à.r.l. (the "Lundin Family Trusts") and Orion.

Exploration

- Drilling on the El Puma target, located in the southern Suarez Basin, continued testing below an area of altered basin sediments anomalous in the epithermal pathfinder elements arsenic and antimony.
- On February 25, 2018, the Company signed a binding heads of agreement with Newcrest to form a joint venture company to explore eight early stage concessions. These concessions are to the north and south of Fruta del Norte and exclude the large block of concessions surrounding the Fruta del Norte deposit. Newcrest can earn up to a 50% interest in the joint venture company by spending $20 million over a five year period.

Financial Results

(in thousands, except per share amounts)	Three months ended March 31, 2018	2017
Results of Operations:		
Net loss for the period	$ (25,588)	$ (6,387)
Basic and diluted loss per share	(0.20)	(0.05)

(in thousands)	As at March 31, 2018	As at December 31, 2017
Financial Position:		

Cash	475,667	35,018
Working capital	460,329	26,794
Property, plant and equipment	208,207	142,598
Mineral properties	249,369	246,387
Total assets	988,889	481,729
Long-term liabilities	376,218	217,940

Note: the complete analysis of the Q1 2018 financial results can be found in the MD&A and financial statements dated May 11, 2018 filed on SEDAR.

The Company's net loss in the first quarter of 2018 is higher compared to the net loss during the first quarter of 2017 mainly due to a derivative loss of $22.9 million from the fair value revaluation of its long-term debt at March 31, 2018. This is offset by other income of $6.4 million which is largely driven by an unrealized gain on account of foreign exchange. The gain is generated by the substantial holdings of U.S. dollars at the parent company level.

The Company's long-term debt balance is comprised of financial liabilities measured at fair value on a quarterly basis. This balance is valued using Monte Carlo simulation valuation models. The key inputs include: the gold and silver forward curve based on Comex futures, the Company's expectation about long-term gold yields, gold and silver volatility, risk-free rate of return, non-performance risk, and production expectations. Relatively small variations in these inputs can give rise to significant variations in the fair value of financial liabilities; hence, the large derivative losses recorded in the accounts to date.

Liquidity and Capital Resources

As at March 31, 2018, the Company had cash of $475.7 million and a working capital of $460.3 million compared to cash of $35.0 million and a working capital balance of $26.8 million at December 31, 2017. The change in cash was primarily due to net proceeds from the Private Placement of $396.5 million and the final drawdown under the Company's 2017 Financing, comprising the gold prepay credit facility for $35 million and stream loan credit facility for $75 million. This is offset by costs incurred for the development of the Fruta del Norte Project of $55.7 million, general and administration costs of $4.3 million and exploration expenditures of $2.6 million.

The Private Placement

On March 26, 2018, the Company closed the Private Placement in the aggregate amount of $400 million, which resulted in the issuance of 69,284,065 common shares at a price of CAD$5.50 per share and 24,213,075 common shares at a price of CAD$5.25 per share. With the closing of the Private Placement, Newcrest owns 27.1% of the Company's outstanding shares; the Lundin Family Trusts collectively own 22.3%; and Orion owns 11.4%.

The total gross proceeds raised under the Private Placement was $400 million. Share issue costs of $3.5 million were incurred, resulting in net proceeds of $396.5 million received by the Company in relation to the Private Placement.

In addition to the Private Placement, the Company has received commitments from a syndicate of seven lenders for the Facility of $350 million. The Facility is subject to completion of definitive documentation, which will include customary project finance terms, fees and conditions, a comprehensive intercreditor agreement, a guarantee from an export credit agency for a $100 million portion of the Facility, and completion of ongoing due diligence.

Outlook

The Company is focused on advancing the Project on schedule through to first gold production in 2019. To achieve that goal, the following activities are planned over the next twelve months:

- Completing detailed engineering of the process plant, tailings storage facility and site-wide water management.
- Completing the North Access road.
- Completing process plant earthworks, substantially completing the process plant concrete foundations and advancing steel and equipment erection.
- Advancing construction of the site infrastructure buildings such as the laboratory, reagent storage, mine dry and administration.
- Continuing to advance underground mine development, as well as the underground services and facilities.
- Completing the acquisition of surface rights, obtaining requisite permits and then substantially completing construction of the 42 km, 230 kilovolt power transmission line to connect to the national grid.
- Receiving approval of the Mountain Pass Quarry environmental permit, receiving the Environmental License and developing the quarry.
- Awarding the contracts for the design and supply of the paste plant and water treatment plant and advancing the related engineering and procurement contracts.
- Starting construction of the paste and water treatment plants.

- Receiving the majority of the process plant equipment and mine mobile equipment onsite.
- Advancing construction of the tailings storage facility.
- Acquiring lands and starting engineering and construction for the Zamora River bridge near Los Encuentros.

During the next few months, the Company also expects to complete the definitive documentation of the Facility.

Exploration is currently focused on the diamond drilling of the El Puma target. Other targets may be drill tested during 2018 depending on results and permitting. Mapping and geochemical sampling will continue on selected targets to aid drill targeting and prioritization.

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 MD&A was prepared by Stephen Leary, MAusIMM CP(Geo), a consultant to the Company, who is a Qualified Person in accordance with the requirements of NI 43-101.

Additional Information

The Company's consolidated financial statements for the three months ended March 31, 2018 and related management's discussion and analysis are available on the Company's website at www.lundingold.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. This information was submitted for publication on May 11, 2018 at 3:30 pm PT through the contact persons set out below.

About Lundin Gold

Lundin Gold, headquartered in Vancouver, Canada, is developing its wholly-owned Fruta del Norte gold project in southeast Ecuador. Fruta del Norte is one of the world's largest, highest-grade gold projects currently under construction. The Company's board and management team have extensive expertise in mine construction and operations, and are dedicated to advancing this project through to first gold production in 2019.

The Company operates with transparency and in accordance with international best practices. Lundin Gold is committed to delivering value to its shareholders, while simultaneously providing economic and social benefits to impacted communities, fostering a healthy and safe workplace and minimizing the environmental impact. The Company believes that the value created through the development of Fruta del Norte will benefit its shareholders, the Government and the people of Ecuador.

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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 release contains forward-looking information in a number of places, such as in statements pertaining to: the timing of first production and the progress of the development, construction and operation of the Project, improvements to site logistics and completion of Camp infrastructure and the acquisition of land and surface rights, the success of the Company's exploration plans and activities, exploration and development expenditures and reclamation costs, timing and success of permitting and regulatory approvals, project financing and future sources of liquidity, capital expenditures and requirements, 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; the ability to maintain its obligations under the 2017 Financing, the Facility and other debt; risks related to carrying on business in Ecuador; 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 critical resources, labour and key executive personnel, such as input commodities, equipment and skilled labour, and the dependence on key personnel; risks associated with the Company's community relationships; unreliable infrastructure; volatility in the market price of the Company's shares; the potential influence of the Company's largest shareholders; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; 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 the Fruta del Norte Project; the Company's reliance on one project; risks related to artisanal and illegal mining; uncertainty as to reclamation and decommissioning; risks associated with the Company's information systems; competition in the mining industry; the ability to obtain adequate insurance; risks of bribery or corruption; the potential for litigation; and limits of disclosure and internal controls.

There can be no assurance that such statements will prove to be accurate, asLundin 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 under the heading "Risk Factors" in the AIF available at www.sedar.com.

SOURCE Lundin Gold Inc.

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