Lundin Gold

Lundin Gold Reports Q1 2020 Results

VANCOUVER, May 7, 2020 /CNW/ - **Lundin Gold Inc.** ("Lundin Gold" or the "Company") (TSX: LUG, Nasdaq Stockholm: LUG) is pleased to announce its results for the first quarter ended March 31, 2020. All amounts are in U.S. dollars unless otherwise indicated. PDF version.

"We are working towards the restart of operations and we believe our financial position is sufficient to support the Company until production resumes at Fruta de Norte. We have a dedicated team of employees at site carrying out activities to mitigate the impact of the suspension on our operations and we have reduced costs in other areas." said Ron Hochstein, Lundin Gold President and CEO. "The Company is contributing to the fight against the pandemic and has partnered with the provincial and local health authorities to provide aid to the local communities in response to COVID-19."

Operating Results

- Achieved commercial production on February 20, 2020.
- Mine production of 198,000 tonnes of ore.
- Ore stockpiles, as of the end of March 2020, was 97,000 tonnes at an average grade of 7.1 grams per tonne ("g/t").
- Processed 244,000 tonnes of ore at an average daily rate of 3,018 tonnes per day at an average head grade of 7.9 g/t.
- Gold production totalled 51,320 ounces ("oz"), of which 37,568 oz were produced as concentrate and 13,752 oz were produced in the form of doré.
- Sold 59,317 oz of gold at an average price of $1,564 per oz[1].
- Temporarily suspended production activities at site on March 22, 2020.

Financial Results

- Generated sales of $89.3 million of which $52.4 million were deducted from capitalized construction costs up to February 29, 2020.
- Recognized revenues of $36.9 million based on sales of 8,297 oz of gold in doré and 15,812 oz of gold in concentrate in March 2020.
- Incurred operating expenses and royalty expenses of $18.1 million and $2.1 million in March 2020, respectively, resulting in a cash operating cost of $839 per oz[1].
- All-in sustaining cost ("AISC") was $908 per oz of gold sold[1] for March 2020.
- Ended the quarter with $57.5 million in cash and $39.6 million in working capital.

Fruta del Norte Mine ("Fruta del Norte" or the "Mine") Development

As at March 31, 2020, a total of 14.7 kilometres ("km") of underground mine development had been completed and development was well advanced in a high grade area which will now be mined using long-hole stoping methods versus drift and fill. Due to an unexpected ground fall, the south ventilation raise is now anticipated to be completed in the fourth quarter of 2020. The installation of the permanent ventilation fans underground was near completion by the end of the quarter.

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[1] Refer to "Non-IFRS Measures" section at the end of this news release

Construction

During the first quarter of 2020, Fruta del Norte construction advanced to effective completion, with end of commissioning and ramp-up of the process plant and ancillary facilities. The only remaining projects to be completed are the paste plant and Zamora River bridge. Paste plant commissioning was nearing completion at the time of the COVID-19 suspension and is now expected to be in operation within a few weeks after the restart of operations. The Zamora River bridge is anticipated to be completed by the end of 2020.

Community

In response to the COVID-19 pandemic, the Company's community activities have shifted to supporting the local government and Ministry of Health initiatives. Several programs have been undertaken, such as the Neighbourhood Doctor program whereby the Company provides transportation for medical professionals, allowing them to access families in rural areas. Lundin Gold is also providing essential equipment to front-line workers in the communities surrounding the Mine. To date, the Company has donated 10 thermo-nebulizers, 1,200 N95 masks, 850 pairs of gloves, 85 gallons of antiseptic alcohol, 15 cans of disinfectant and 800 protective gowns and disposable caps. Lundin Gold will continue to work with the Zamora Chinchipe provincial health authorities on a comprehensive support plan to contribute to the well-being of those in its neighbouring

communities during the COVID-19 pandemic.

As of the date of this press release, there have been no confirmed cases of COVID-19 at Fruta del Norte.

Exploration

As a result of the COVID-19 pandemic, all exploration activities have also been suspended.

Financial Results

(in thousands, except per share amounts)	Three months ended March 31, 2020	2019
Results of Operations:		
Revenues	$ 36,856	$ -
Income from mining operations	10,336	-
Derivative gain (loss)	(2,569)	468
Net loss for the period	(9,331)	(7,711)
Basic and diluted loss per share	(0.04)	(0.04)

(in thousands)	As at March 31, 2020	As at December 31, 2019
Financial Position:		
Cash	57,467	75,684
Working capital	39,581	32,800
Property, plant and equipment	876,463	924,982
Mineral properties	238,598	240,665
Total assets	1,403,192	1,408,961
Long-term debt	698,226	821,008

With the achievement of commercial production, effective March 1, 2020, revenues, cost of goods sold, and debt service costs are recognized in the consolidated statements of income (loss) and comprehensive income (loss). As a result, the Company recognized revenues of $36.9 million during the first quarter of 2020 which then generated $10.3 million of income from mining operations. This is offset by finance expense of $4.7 million associated with interest on the Company's debt facilities that are no longer capitalized. In addition, other expenses included costs relating to the temporary suspension of Fruta del Norte of $3.4 million which includes salaries and benefits of personnel during the suspension as well as care and maintenance costs; corporate administration costs of $9.0 million; and a derivative loss of $2.6 million.

Corporate administration costs increased from $7.6 million during the first quarter of 2019 to $9.0 million during the first quarter of 2020. This increase is mainly due to the payment of milestone bonuses of $2.8 million for the achievement of commercial production to the Company's employees and stock-based compensation of $1.2 million due to the grant of cash-settled stock-based compensation (restricted share units). This is a non-cash cost due to the recognition of a liability at fair value on grant date and subsequent revaluation at March 31, 2020. These increases are offset by a decrease in training costs of $1.3 million as the extensive training programs for operations implemented by the Company were completed in the third quarter of 2019. Professional fees also decreased by $1.1 million as additional costs were incurred during the first quarter of 2019 to complete the first draw under the senior debt facility.

Overall, the Company reported a net loss of $9.0 million in the first quarter of 2020 compared to a net loss of $7.7 million in the first quarter of 2019.

Liquidity and Capital Resources

As at March 31, 2020, the Company had cash of $57.5 million and a working capital balance of $39.6 million compared to cash of $75.7 million and a working capital balance of $32.8 million at December 31, 2019. The change in cash was primarily due to

costs incurred, net of sales generated, for the development of Fruta del Norte of $23.0 million. This is offset by cash provided by operating activities of $11.6 million which commenced following the achievement of commercial production in February 2020. In addition, the Company received proceeds of $2.5 million from stock option exercises and made $1.5 million of repayments against its long-term debt.

Management believes that the current treasury is sufficient to support the Company's reduced activities during a temporary suspension and gradual re-start of operations and to meet obligations under its existing loans. However, as the situation is dynamic and dependent on the progression of the pandemic and actions by local, provincial, and national governments, the international supply chain and international personnel travel, the Company cannot be certain of the period of time it will require to restore operations nor of the full impact of the suspension and gradual re-start on the Company's financial position.

Outlook

The Company will be focused on implementing a plan to re-start operations at Fruta del Norte, initially re-establishing transportation of supplies and product, mobility of personnel and procurement activities, as soon as restrictions are lifted. This will be done with a focus on the health and safety of its personnel to minimize the risks of a breakout of COVID-19 at site and in the local communities. Following this, the Company will focus on ramping up operations in conjunction with improving recoveries to target levels. The following capital project activities are also planned:

- Complete paste plant commissioning.
- Complete the Zamora River Bridge construction.
- Complete the South Ventilation Raise and installation of the permanent mine ventilation fans.

The reactivation of the exploration program will also occur after restrictions are lifted and regulatory approvals are received.

Qualified Person

The technical information relating to Fruta del Norte contained in this News Release has been reviewed and approved by Ron Hochstein P. Eng, Lundin Gold's President and CEO who is a Qualified Person under National Instrument 43-101.

About Lundin Gold

Lundin Gold, headquartered in Vancouver, Canada, owns the Fruta del Norte gold mine in southeast Ecuador. Fruta del Norte is among the largest and highest-grade gold deposits in the world.

The Company's board and management team have extensive expertise in mine operations and are dedicated to operating Fruta del Norte responsibly. 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 operation of Fruta del Norte will benefit its shareholders, the Government and the citizens of Ecuador.

Non-IFRS Measures

This news release refers to certain financial measures, such as average realized gold price per oz sold, cash operating cost per oz sold, and all-in sustaining cost, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies. These measures have been derived from the Company's financial statements because the Company believes that, with the achievement of commercial production, they are of assistance in the understanding of the results of operations and its financial position. Please refer to the Company's MD&A for the first quarter of 2020 for an explanation of non-IFRS measures used.

Additional Information

The information in this release is subject to the disclosure requirements ofLundin Gold under the EU Market Abuse Regulation. This information was publicly communicated on May 7, 2020 at 3:00 p.m. Pacific Time through the contact persons set out below.

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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 relating to the duration of the temporary suspension of activities at the Mine and efforts to mitigate the impacts of the suspension, the Company's ability to re-start operations, the sufficiency of treasury to support the Company and meet obligations under its existing loans, completion of capital projects activities, the Company's continued support to community initiatives, plans to ramp up operations and improving recoveries to target levels, the reactivation of exploration activities and the receipt of permits. 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 24, 2020, which is available at www.lundingold.com or on SEDAR.

Lundin Gold's actual results could differ materially from those anticipated. Factors that could cause actual results to differ materially from any forward-looking statement or that could have a material impact on the Company or the trading price of its shares include: risks relating to the impacts of a pandemic virus outbreak; risks associated with the Company's community relationships; risks related to financing requirements; failure by the Company to maintain its obligations under its credit facilities; operating risks; risks associated with the ramp up of mining operations; risks related to political and economic instability in Ecuador; risks related to production estimates; risks related to Lundin Gold's compliance with environmental laws and liability for environmental contamination; volatility in the price of gold; shortages of critical supplies; lack of availability of infrastructure; deficient or vulnerable title to mining concessions; easements and surface rights; risks related to the Company's workforce and its labour relations; inherent safety hazards and risk to the health and safety of the Company's employees and contractors; risks related to the Company's ability to obtain, maintain or renew regulatory approvals, permits and licenses; the imprecision of mineral reserve and resource estimates; key talent recruitment and retention of key personnel; 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 to protect endangered species and critical habitats; the cost of non-compliance and compliance costs; exploration and development risks; the Company's reliance on one project; risks related to illegal mining; the reliance of the Company on its information systems and the risk of cyber-attacks on those systems; the adequacy of the Company's insurance; uncertainty as to reclamation and decommissioning; the ability of Lundin Gold to ensure compliance with anti-bribery and anti-corruption laws; the uncertainty regarding risks posed by climate change; the potential for litigation; limits of disclosure and internal controls; security risks to the Company; its assets and its personnel; conflicts of interest; the risk that the Company will not declare dividends; and social media and the Company's reputation.

SOURCE Lundin Gold Inc.

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Additional assets available online: Documents (1)

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