Lundin Gold

Lundin Gold Reports Fourth Quarter and Full Year Results

VANCOUVER, BC, Feb. 24, 2021 /CNW/ - **Lundin Gold Inc.** (TSX: LUG) (Nasdaq Stockholm: LUG) **("Lundin Gold" or the "Company")** today reports results for the fourth quarter and year ended December 31, 2020 (the "2020 Year"). These are highlighted by gold production of 96,830 ounces ("oz") during the quarter and 242,400 oz during the 2020 Year, and average all-in sustaining costs ("AISC") of $747 and $773 per oz of gold sold[1] during the same periods, respectively. Cash flow from operations was $95.0 million in the fourth quarter and $113.6 million in the 2020 Year, and the Company made scheduled principal and interest payments under its debt facilities totalling $77.7 million in the 2020 Year. PDF Version

Since the restart of operations in July 2020, Fruta del Norte generated revenues, net income after tax, and cash flow from operations of $308.2 million, $26.5 million, and $118.4 million, respectively. All amounts are in U.S. dollars unless otherwise indicated.

Ron Hochstein, President and CEO commented, "*This is a very exciting time for Lundin Gold, and despite the challenges faced as a result of the ongoing COVID-19 pandemic, we performed remarkably well during our first year of commercial production, as reflected in our operating and financial results. Momentum is expected to continue through 2021, as we undertake our throughput expansion program, as well as complete and announce results from the resource expansion and regional exploration drilling programs. I believe these, and other capital investments, have positioned the Company to deliver many years of strong production and significant free cash flow generation.*"

Fourth Quarter and Full-Year Operating and Financial Highlights

The following two tables provide an overview of key operating and financial results during the fourth quarter of 2020 and the 2020 Year. In addition, operating results are provided for the ten-month operating period from March 1, 2020, following declaration of commercial production, to December 31, 2020 (the "2020 Operating Period").

	Three months ended December 31, 2020	2020 Operating Period
Tonnes mined (tonnes)	350,474	672,906
Tonnes milled (tonnes)	337,146	724,007
Average head grade (g/t)	10.1	10.0
Average recovery (%)	88.6	87.2
Average mill throughput (tpd)	3,665	3,448
Gold ounces produced	96,830	202,830
Gold ounces sold	106,190	199,256

During the 2020 Year, which includes the pre-commercial production period from January 1 to February 28, a total of 242,400 oz of gold was produced and 234,464 oz were sold, including 35,208 oz sold prior to declaration of commercial production.

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[1] Refer to "Non-IFRS Measures" section.

	Three months ended December 31, 2020	Year ended December 31, 2020
Net revenues ($'000)	189,250	358,156[1]
Income from mining operations ($'000)	94,857	172,386[1]
Net loss ($'000)	(1,233)	(47,158)
Operating cash flow ($'000)	95,019	113,644
Average gold sale price ($/oz sold)[2]	1,850	1,866[1]
Average cash operating cost ($/oz sold)[2]	627	667[1]
Average all-in sustaining costs ($/oz sold)[2]	747	773
Operating cash flow per share ($)[2]	0.41	0.50
Adjusted net earnings ($'000)[2]	76,224	105,914

Adjusted net earnings per share ($)[2]	0.33	0.47

(in thousands of U.S. dollars)	**As at December 31, 2020**	**As at December 31, 2019**
Financial Position:		
Cash	$ 79,592	$ 75,684
Working capital	$ 56,603	$ 32,800
Total assets	$ 1,505,360	$ 1,408,961
Long-term debt	$ 857,094	$ 878,586

Fourth Quarter and 2020 Operating Period Production Overview

- Gold production during the fourth quarter of 2020 totalled 96,830 oz, comprised of 56,900 oz of concentrate and 39,930 oz of doré. Gold production during the 2020 Operating Period totalled 202,830 oz, comprised of 133,153 oz of concentrate and 69,677 oz of doré.
- During the fourth quarter, the mine continued to operate according to plan, resulting in 350,474 tonnes of ore mined, while, over the 2020 Operating Period, the mine delivered a combined 672,906 tonnes of ore to the plant or stockpile.
- Underground mine development also continued as planned, advancing a total of 2,201 meters during the fourth quarter of 2020, versus 1,556 meters in the third quarter, and development rates averaging 23.9 meters per day in December. A total of 4,808 meters of development were completed during the 2020 Operating Period. Good ground conditions allowed conversion from drift and fill mining methods to long-hole stoping in key high-grade areas.
- Mill operations in the fourth quarter achieved similar processing results to those achieved in the third quarter of 2020, with 337,146 tonnes of ore milled at an average throughput of 3,665 tonnes per day ("tpd"). During the 2020 Operating Period, the mill operated at an average throughput of 3,448 tpd, resulting in a total of 724,007 tonnes milled. Engineering and procurement of additional equipment are underway on the expansion project designed to increase the mill throughput from 3,500 to 4,200 tpd.
- The average grade of ore milled was 10.1 grams per tonne ("g/t") for the fourth quarter of 2020, with average recovery at 88.6%, which continues to grow quarter-by-quarter. For the 2020 Operating Period, the average grade of ore milled was 10.0 g/t with average recovery at 87.2%. The Company continues to review the mill process to optimize recoveries.

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1 Amount relates to the 2020 Operating Period.

2 Refer to "Non-IFRS Measures" section.

Fourth Quarter and Full-Year 2020 Financial Overview

- During the fourth quarter, the Company sold a total of 106,190 oz of gold, consisting of 70,540 oz of concentrate and 35,650 oz of doré, at an average realized gold price[1] of $1,850 per oz for total gross revenues from gold sales of $196 million. During the 2020 Operating Period, the Company sold a total of 199,256 oz of gold, consisting of 136,756 oz of concentrate and 62,500 oz of doré, at an average realized gold price[1] of $1,866 per oz for total revenues from gold sales of $371.8 million.
- Net of treatment and refining charges, revenues achieved in the fourth quarter and 2020 Operating Period were $189.3 million and $358.2 million, respectively.
- Cash operating costs[1] and AISC[1] for the quarter were $627 and $747 per oz of gold sold, respectively. Higher than planned recovery rates combined with the processing of high grade ore during the quarter contributed to these good results. Cash operating costs[1] and AISC[1] for the 2020 Operating Period were $667 and $773 per oz of gold sold, respectively.
- Income from mining operations was $94.9 million in the fourth quarter, and the Company generated cash flow from operations of $95.0 million, or $0.41 per share[1]. Income from mining operations was $172.4 million during the 2020 Operating period, and the Company generated cash flow of $113.6 million from operations or $0.50 per share[1] for the 2020 Year.
- Net loss after tax in the fourth quarter was $1.2 million, after deducting corporate, exploration and finance costs, and derivative losses, partially offset by the income tax recovery recognized during the period. Adjusted earnings[1] for the quarter, which excludes derivative losses, were $76.2 million, or $0.33 per share.
- During the 2020 Year, the Company recorded a net loss of $47.2 million, after deducting finance, corporate, exploration and other costs of $66.5 million, as well as derivative losses of $137.0 million and suspension of operations of $29.3 million, from income from mining operations and offset by a deferred income tax recovery of $13.2 million.

- Adjusted earnings[1] during the 2020 Year, which exclude suspension of operations costs and derivative losses, were $105.9 million, or $0.47 per share.

Results for the year are impacted by non-cash derivative gains and losses associated with fair value accounting for the gold prepay and stream facilities. These non-cash items are driven by numerous factors including anticipated forward gold prices and yields. Non-cash derivative losses associated with anticipated increasing forward gold prices are recorded in the statement of operations, while non-cash derivative gains associated with increasing yields are recorded in the statement of other comprehensive income. These non-cash gains and losses are derived from complex valuation modelling and accounting treatment which are more fully explained in the MD&A. Revaluation of these obligations may result in considerable period-to-period volatility in the Company's net income, comprehensive income, current and long term liabilities.

Liquidity and Capital Resources

Following the re-start of operations in early July, the Company generated $118.4 million of net cash from its operating activities, which also involved an increase in working capital while at the same time satisfying planned capital expenditures and loan facilities obligations. For the 2020 Year, the Company made scheduled principal and interest payments under its debt facilities totalling $77.7 million, which included monthly payments under the stream facility that commenced in February 2020 and totalled $18.0 million. In December, a payment under the gold prepay facility totalling $18.3 million and principal repayments totalling $22.8 million under the senior debt facilities were also made, as scheduled. Repayments of the gold prepay and senior debt facilities are due quarterly.

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[1] Refer to "Non-IFRS Measures" section.

The Company expects to generate strong operating cash flow during 2021 based on its production and AISC guidance at current gold prices. This strong operating cash flow will support debt repayments, exploration program costs, and planned capital expenditures, including an expansion project to increase the mill throughput from 3,500 to 4,200 tonnes per day.

Increase in Probable Mineral Reserves[1]

In conjunction with the update to the life-of-mine plan, Lundin Gold updated its estimates of Probable Mineral Reserves for Fruta del Norte ("2020 Reserve") to 5.41 million oz, an increase of 427,000 oz compared to its 2019 year-end reconciliation of Probable Mineral Reserves. The 2020 Reserve is effective as of July 31, 2020 and reflects mill feed to July 31, 2020; the update is primarily the result of converting a significant portion of drift and fill mineable orebody sections to long-hole stoping, as a result of the good ground conditions experienced in the mine to date. Alongside the reserve increase, these changes also resulted in a slight increase to dilution and decrease in average grade. Mineral Resource estimates at Fruta del Norte were not affected.

	December 31, 2019	2020 Reserve
Mt	17.6	**20.8**
Au (g/t)	8.74	**8.1**
Au (Moz)	4.99	**5.41**
Ag (g/t)	12.1	**11.8**
Ag (Moz)	6.92	**7.68**

The Company's 2020 year-end reconciliation of Probable Mineral Reserves for Fruta del Norte as adjusted by production will be incorporated in its Annual Information Form for the financial year ended December 31, 2020.

Health and Safety

The health and safety of personnel at site is of paramount importance, and stringent procedures were put in place prior to the re-start of operations in July 2020, so as to minimize the impact of COVID-19 on the workforce. These enhanced protocols remain in place currently. To date, only 34 cases have been identified at site, and none since August 2020.

Two lost time incidents and five medical aid incidents were recorded during the 2020 Year. The Total Recordable Incident Rate during this same time period was 0.41 per 200,000 hours worked.

Community

During the fourth quarter of 2020, a public bridge over the Zamora River which connected local communities and was used in part for access to Fruta del Norte collapsed, with no reported injuries. Lundin Gold is supporting the affected communities by assisting with transportation of people and supplies and has reaffirmed its commitment to fund the replacement of the public bridge being constructed under the authority of the provincial government, estimated at $3.0 million.

[1] The 2020 Reserve has been estimated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") and NI 43-101. Additional information on Mineral Resource and Mineral Reserve estimates for Fruta del Norte is contained in the *Fruta del Norte Project Ecuador NI 43-101 Technical Report on Feasibility Study* dated June 15, 2016, which is available under the Company's profile at www.sedar.com. The assumptions, parameters and risks associated with the Company's Probable Mineral Reserve estimates above are set out in the Company's MD&A dated February 24, 2021, which is available under the Company's profile at www.sedar.com.

Following the collapse of the bridge, a group of local residents erected an illegal blockade on the public road used to access Fruta del Norte. A resolution was reached through the efforts of the Company and the national government, and the blockade was removed after 15 days. The blockade had little impact on site operations.

Exploration

In September, the Company received the permit for drilling two of its priority targets, Barbasco and Puente-Princesa, located 7 kilometers ("km") from Fruta del Norte along the 16 km long Suarez Pull-Apart Basin structure. Plans for a 9,000 metre drilling campaign, which involves establishing COVID-19 protocols for these activities, are underway. The Company is targeting a start date for this regional exploration in the first quarter of 2021.

Outlook

Guidance for 2021 remains unchanged with expected production of 380,000 to 420,000 oz of gold at Fruta del Norte based on an average head grade of 10.4 g/t and average gold recovery of 90%. AISC is forecasted between $770 and $830 per oz of gold sold, calculated on a basis consistent with prior periods.

The following capital project activities, which are still part of the construction scope of Fruta del Norte, are planned for completion in 2021:

- the construction of the Company's bridge over the Zamora River early in the second quarter of 2021.
- the south ventilation raise for the mine in the second quarter of 2021.

Engineering and procurement of additional equipment are underway on the expansion project designed to increase the mill throughput from 3,500 to 4,200 tpd, which is expected to be completed before the end of 2021. The throughput expansion modifications are also expected to improve mill recoveries through the addition of retention time in the flotation process of the plant.

Under its sustaining capital activities for 2021, the Company has also planned a 10,000 metre drill program, targeting conversion and expansion of the Fruta del Norte mineral resource, and the completion of the first and second raises of the Fruta del Norte tailings dam.

Furthermore, the reactivation of the exploration program, focused on drilling the Barbasco and Puente-Princesa targets, has commenced and drilling of these targets is expected to start in the first quarter of 2021.

Qualified Persons

The technical information relating to Fruta del Norte contained in this News Release, including the 2020 Reserve, 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.

Webcast and Conference Call

The Company will host a conference call and webcast to discuss its results on Thursday, February 25 at 8:00 a.m. PT, 11:00 a.m. ET, 5:00 p.m. CET.

Conference Call Dial-In Numbers:

Participant Dial-In North America:	+1 416-764-8659
Toll-Free Participant Dial-In North America:	+1 888-664-6392
Participant Dial-In Sweden:	0200899189
Conference ID:	Lundin Gold / 45657932

A link to the webcast is available on the Company's website, www.lundingold.com.

A replay of the conference call will be available two hours after the completion of the call until Thursday, March 11, 2021.

Toll Free North America Replay Number:	+1 888-390-0541
International Replay Number:	+1 -416-764-8677
Replay passcode:	657932 #

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 highest-grade operating gold mines 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 development 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, all-in sustaining cost, operating cash flow per share, and adjusted net earnings, 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 year ended December 31, 2020 for an explanation of non-IFRS measures used.

Additional Information

The information in this release is subject to the disclosure requirements of Lundin Gold under the EU Market Abuse Regulation. This information was publicly communicated on February 24, 2021 at 6:30 p.m. Pacific Time through the contact persons set out below.

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 estimates of gold production, grades and recoveries, expected sales receipts, cash flow forecasts and financing obligations, its capital costs and the expected timing of completion of capital projects including the south ventilation raise, the Company's bridge over the Zamora River and the throughput expansion project, the timing and the success of its drill program at Fruta del Norte and its other exploration activities, the completion of construction and the Company's efforts to protect its workforce from COVID-19. 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 dated February 24, 2021, 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, political and economic instability in Ecuador, production estimates, mining operations, the Company's community relationships, ability to maintain obligations or comply with debt, financing requirements, volatility in the price of gold, shortages of critical supplies, compliance with environmental laws and liability for environmental contamination, lack of availability of infrastructure, the Company's reliance on one mine, deficient or vulnerable title to concessions, easements and surface rights, uncertainty with the tax regime in Ecuador, the Company's workforce and its labour relations, inherent safety hazards and risks to the health and safety of the Company's employees and contractors, 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 shares, the potential influence of the Company's largest shareholders, measures to protect endangered species and critical habitats, the reliance of the Company on its information systems and the risk of cyber-attacks on those systems, the cost of non-compliance and compliance costs, exploration and development risks, risks related to illegal mining, 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, risks that the Company will not declare dividends and social media and reputation.

SOURCE Lundin Gold Inc.

For further information: Ron F. Hochstein, President and CEO, Tel (Ecuador): +593 2-299-6400, Tel (Canada): +1-604-806-3589, ron.hochstein@lundingold.com; Finlay Heppenstall, Director, Investor Relations, Tel: +1 604 806 3089, finlay.heppenstall@lundingold.com

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Additional assets available online: Documents (1)

https://lundingold.mediaroom.com/2021-02-24-Lundin-Gold-Reports-Fourth-Quarter-and-Full-Year-Results