VANCOUVER, BRITISH COLUMBIA--(Marketwired - July 29, 2016) - Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX:LUG)(OMX:LUG) is pleased to announce its results for the three and six months ended June 30, 2016. All amounts in this release are in U.S. dollars unless otherwise indicated.

Highlights

Fruta del Norte Project

- On June 6, 2016, the Company announced the results of an independent feasibility study for the Fruta del Norte Project (the "Feasibility Study"). The highlights are as follows:
  - Probable Mineral Reserves totaling 4.82 million ounces of gold and 6.34 million ounces of silver (15.5 million tonnes at 9.67 g/t Au and 12.7 g/t Ag);
  - Project economics at a gold price of $1,250/ounce and a silver price of $20/ounce resulted in the following:

	Pre-tax		After Tax	
Net Present Value at a 5% discount rate (NPV_5)	$1,283 million		$676 million	
Internal Rate of Return (IRR)	23.8	%	15.7	%
Capital Payback (yrs)	3.7		4.5	

Notes:

1. All figures are reported on a 100% equity project basis valuation. Capital payback is calculated based on start of production.
2. Economic valuation is presented using a start date of July 1, 2017.

- On June 16, 2016, the Company submitted a Phase Change Application (the "PCA") to the Government of Ecuador in respect of its 100% owned La Zarza concession. The PCA was approved on July 13, 2016. This approval moves the La Zarza concession from the exploration phase to the exploitation phase under Ecuador's mining law and permits Aurelian Ecuador S.A., the Company's wholly owned subsidiary, to enter into the exploitation agreement with the Government of Ecuador and to proceed with its plans to develop the Project.

Financing

- On June 27, 2016, the Company entered into an agreement with a syndicate of underwriters (the "Underwriters"), pursuant to which the Underwriters agreed to purchase, on a bought deal basis, 15,000,000 common shares of the Company at a price of CAD$5.50 per Share, for aggregate gross proceeds of CAD$82,500,000 (the "Offering"). The Company has also granted the Underwriters a 15% over-allotment option which, if exercised in full, would increase the gross proceeds to CAD$94,875,000. The first tranche of the Offering, for 10,000,000 common shares, closed on July 19, 2016 for gross proceeds to the Company of CAD$55,000,000 with the second tranche due to close on or before August 11, 2016.

- On June 8, 2016, the Company secured an $18 million credit facility from an insider of the Company (the "Facility"). As at June 30, 2016, $8 million was drawn down and outstanding. All amounts outstanding under the Facility were repaid in full on July 22, 2016 from the proceeds of the Offering.

Exploration

- A drilling campaign was initiated on April 26, 2016 on five key targets located 15 to 20 km south of the Fruta del Norte Project. During the quarter, 15 drill holes were completed on the Emperador, Robles, Chanchito and El Arco targets, and a total of 5,672m was drilled as of June 30, 2016.

Corporate

- Alessandro Bitelli was appointed as Executive Vice President and Chief Financial Officer effective July 1, 2016. Alessandro has extensive project financing experience and over 30 years of experience in the resource industry and in public accounting, having worked both in North America and Europe.

"During the quarter, the Company completed a number of key corporate objectives including the timely completion of a posititive Feasibility Study, the submission and subsequent approval of the phase change application for the Fruta del Norte Project and the closing of the first tranche of a CAD$82.5 million equity financing," said Lundin Gold President and CEO, Ron Hochstein. "We are pleased with these achievements and are preparing to advance the Fruta del Norte Project to the next phase as we move closer to the start of construction."

Financial Results

(in thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Results of Operations:				
Operating expenses	$ (12,472)	$ (15,424)	$ (26,974)	$ (23,689)
Other income (expense)	42	(474)	(166)	2,729
Net loss for the period	(12,430)	(15,898)	(27,140)	(20,960)
Basic and diluted loss per share	(0.12)	(0.16)	(0.27)	(0.21)

(in thousands)	As at June 30, 2016	As at December 31, 2015
Financial Position:		
Cash	3,989	21,360
Working capital	(8,535)	16,314
Property, plant and equipment	8,188	8,557
Mineral properties	236,874	236,874
Total assets	249,636	267,400
Long-term liabilities	920	867

The current quarter's net loss is lower compared to the second quarter of 2015 mainly due to a reduction in project evaluation and general and administrative expenses offset by an increase in exploration expense. Project evaluation expenditures are $2.9 million lower compared to the same period in 2015 because drilling activities to support the Feasibility Study, which started during the second quarter of 2015, finished by the end of 2015. General and administrative expenditures also decreased by $2.2 million due to a donation made to the Lundin Foundation during the second quarter of 2015. These reductions were offset by an increase in exploration expenditures of $2.2 million driven by the start of exploration drilling in April 2016.

The loss in the first half of 2016 is higher compared to that of the first half of 2015 as a result of an increase in project evaluation expenditures of $3.6 million and exploration expenditures of $2.5 million offset by a decrease in general and administrative expenditures of $2.8 million and a reduction in the foreign exchange gain of $2.9 million. Project evaluation expenditures during the first half of 2015 were lower due to a progressive ramp up of Feasibility Study activities during the first quarter of 2015. The increase in exploration expenditures and decrease in general and administrative expenditures are explained above. In addition, there was a decrease in the foreign exchange gain due to a reduction in the U.S. dollar cash balance at the parent company level from June 30, 2015 to June 30, 2016. As the functional currency of the parent company is the Canadian dollar, a significant U.S. dollar cash balance combined with a strengthening of the U.S. dollar against the Canadian dollar generated a substantial gain in terms of Canadian dollars during the first half of 2015.

Liquidity and Capital Resources

As at June 30, 2016, the Company had cash of $4.0 million and a working capital deficit of $8.5 million compared to cash of $21.4 million and a working capital surplus of $16.3 million at December 31, 2015. The decrease in cash of $17.4 million was primarily due to $18.7 million of project evaluation expenditures relating to the Feasibility Study offset by drawdowns from the Debenture (see paragraph below).

Bought Deal Financing

On June 27, 2016, the Company entered into an agreement with the Underwriters pursuant to which the Underwriters agreed to purchase, on a bought deal basis, 15,000,000 common shares of the Company at a price of CAD$5.50 per common share, for aggregate gross proceeds of CAD$82,500,000. The Company also granted the Underwriters an over-allotment option, exercisable in whole or in part to purchase up to an additional 2,250,000 common shares, representing 15% of the number of common shares sold under the Offering. In the event that the over-allotment option is exercised in its entirety, the aggregate gross proceeds to the Company from the Offering will be CAD$94,875,000.

The first tranche of the Offering, for 10,000,000 common shares, closed on July 19, 2016 for gross proceeds to the Company of CAD$55,000,000. The closing of the second tranche, for 5,000,000 common shares plus any common shares to be acquired on the exercise of the over-allotment option, if any (the "Second Closing") is conditional upon the approval and registration with the Swedish Financial Supervising Authority of a prospectus (and the subsequent publication of the prospectus) regarding the listing of the common shares issued under the second tranche of the Offering on the Nasdaq Stockholm Exchange (the "Swedish

Prospectus Conditions"). The Second Closing is to occur three business days following the satisfaction of the Swedish Prospectus Conditions. In the event that Swedish Prospectus Conditions are not met by August 8, 2016, the Underwriters shall not be obligated to complete the Second Closing.

Debenture

On June 8, 2016, the Company secured the Facility from an insider of the Company. The Facility was evidenced by the Debenture which was unsecured and was due on the earlier of the closing of a financing by the Company or August 31, 2016 (the "Maturity Date"). No interest was payable in cash during the term of the Debenture.

The Company issued an aggregate of 20,000 common shares on June 9, 2016 as consideration for the Facility in lieu of fees. The Company was also required to issue an additional 1,700 common shares per month for each $1 million of the Facility drawn down and outstanding until the Maturity Date. All common shares issued in conjunction with the Facility are subject to a four-month hold period under applicable securities law.

As at June 30, 2016, $8 million was drawn down and outstanding. All amounts outstanding under the Facility were repaid in full on July 22, 2016 from the proceeds of the Offering.

Any potential development activities at the Fruta del Norte Project or other concessions require substantial additional capital. As the Company does not have any sources of revenue, the Company expects to pursue various financing transactions or arrangements, including equity financing, debt financing, stream financing, joint venturing or other means. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Lundin Gold. Moreover, Lundin Gold may not be successful in locating suitable financing when required or at all. A failure to raise capital when needed would delay the commencement of development and potentially have a material adverse effect on Lundin Gold's business, financial condition and results of operations.

Outlook

With the completion of Feasibility Study, the Company has embarked on an Early Works program. The main objectives of the Early Works program are to perform basic engineering, provide the access, infrastructure, services and facilities to support the start of construction of the mine's twin declines and to maintain the project critical path. In addition, data collection will be conducted in specific technical disciplines that will support basic engineering and refinement of the capital cost estimates. These programs started in June 2016 and are anticipated to be completed by the end of the second quarter 2017.

On June 16, 2016, the Company submitted the PCA to the Government of Ecuador. The Government of Ecuador approved the PCA on July 13, 2016. The Company has until January 20, 2017 to execute the exploitation agreement with the Government of Ecuador. The Company expects to execute the IPA at the same time as the exploitation agreement.

During the next 12 months, the Company will continue to work with its financial advisors and legal advisors to evaluate and put in place the financing for the construction of the Fruta del Norte Project. The Company intends to have its financing in place coincident with its production decision.

The exploration drilling campaign is planned to continue to test high priority concessions near the Fruta del Norte Project. After completing the first pass of drilling, up to an additional 3,000m may be drilled as follow up where results justify. The Company also intends to undertake a geophysical program in the fourth quarter of 2016, to target new areas of interest identified from the recently completed geochemical survey.

Qualified Person

The technical information relating to the Fruta del Norte Project contained in this press release has been reviewed and approved by Anthony George P. Eng, a mining engineer and Lundin Gold's Vice-President Operational Development, and Nicholas Teasdale, MAusIMM CP(Geo), Lundin Gold's Vice-President Exploration, both of whom are Qualified Persons 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" (the "Technical Report") 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.lundingold.com).

Additional Information

The Company's consolidated financial statements for the three and six months ended June 30, 2016 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 and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on July 29, 2016 at 3:00 p.m. PT.

About the Company:

Lundin Gold Inc. owns the Fruta del Norte ("FDN") 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.

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 results of the Feasibility Study, including, but not limited to, gold price and exchange rate assumptions, cash flow forecasts, projected capital and operating costs, metal or mineral recoveries, mine life and production rates; the Company's potential plans and operating performance; the estimation of the tonnage, grades and content of deposits, and estimates of Mineral Resource and Reserves; potential production from and viability of the Company's properties; estimates of future production and operating costs; use of proceeds from the Offering, closing of the second tranche of the Offering, the satisfaction of the Swedish Prospectus Condition, registration of the resolution approving the phase change application,exploration and development expenditures and reclamation costs, the negotiation and signing of the investment protection agreement and signing of the exploitation agreement with the government, exploration plans, timing and success of permitting and regulatory approvals, future sources of liquidity, capital expenditures and requirements, expectations of market prices and costs, development, construction and operation of the Fruta del Norte Project, future tax payments and rates, cash flows and their uses.

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 prospectus dated July 12, 2016 which is available on SEDAR at www.sedar.com.

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, 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 Reserve and 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.

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