

# Lundin Gold Reports Q1 2019 Results

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## FRUTA DEL NORTE CONSTRUCTION ON SCHEDULE AND ON BUDGET

VANCOUVER, May 10, 2019 - 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, 2019. All amounts are in U.S. dollars unless otherwise indicated.

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"This is a pivotal year for Lundin Gold as we move from construction to production at Fruta del Norte. During this quarter we accomplished two major milestones with the underground development reaching the orebody and introduction of the first owner mining crews," said Ron Hochstein, Lundin Gold's President and CEO. "In the next quarter we will reach peak staffing and reach several other project milestones. We remain on schedule and on budget to commence commissioning in the third quarter and achieve first gold as expected in the fourth quarter of this year."

## Highlights

### Fruta del Norte Gold Project ("Fruta del Norte" or the "Project")

- Detailed engineering was 93% complete and approximately 80% of Project capital expenditure has been committed.
- Overall construction progress was 59% complete.
- Underground development continued ahead of projections, and Company crews started on February 14, 2019.
- All trades are now active on the construction of the process plant and associated facilities.
- Powerline construction from Bomboiza to site is 76% complete. Work commenced in early April on the Bomboiza substation for the connection to the national power grid.
- Construction of tailings dam is progressing on schedule.
- Training and hiring for operations are well underway and staffing of operations positions continues with key managers in place.

## Financing

- Completed a bought deal equity offering of 8,625,000 common shares (the "Bought Deal") for aggregate gross proceeds of C\$46.6 million on March 1, 2019.
- Entered into a \$75 million cost overrun facility (the "COF") with an insider of the Company.
- Completed the first draw of \$159 million from the senior secured project finance debt facility (the "Facility") in early April 2019.

## Exploration

- In anticipation of a drilling campaign later this year, permitting for drill targets continues on Fruta del Norte type epithermal gold-silver targets in the central and southern Suarez Pull-Apart basin (the "Basin").
- Mapping, rock and soil sampling performed on a number of targets around the Basin and east of Fruta del Norte.

## Fruta del Norte Gold Project

Development of the Project remains on track and on budget to deliver first gold production in the fourth

quarter of 2019 and achieve commercial production in the second quarter of 2020. During the first quarter of 2019 progress continued to ramp up as Fruta del Norte is expected to reach peak construction in the second quarter of 2019.

#### Mine Development

As at March 31, 2019 a total of 6.1 kilometres ("km") of underground mine development had been completed, of which 1.5 km was completed during the quarter. Total advance for the quarter continued above target development meters by approximately 25%. Advance rates exceeded planned rates due to better than expected ground conditions, lower than anticipated water inflows and greater productivity from the mine contractor.

Drilling was completed on two surface mine dewatering wells in March, and pumps will be installed in the next quarter. Surface drilling and grouting, and the concrete foundations for the ventilation shaft collar were completed. Mine development to the bottom location of the ventilation raise is currently ahead of schedule.

The first Company crews began work in February. They were augmented by the first group of 110 trainees who graduated in March from Lundin Gold's mining operations training program. The second cohort of about 110 trainees continues to progress through this program, and the third cohort of about 100 trainees began classes in March.

#### Construction

As of quarter end earthworks was 79% complete, concrete 86%, steel 56%, architectural 45%, mechanical 33%, piping 30%, electrical 55% and instrumentation 17%. Process plant construction is on track for commissioning of some systems beginning third quarter of 2019.

#### Site-Wide Infrastructure

The mine dry and administration building was completed and is now in use. Other facilities under construction include the laboratory, reagent storage building, plant security building, plant dry and lunchroom.

On site electrical distribution construction continues. The mine substation is complete while work progresses on the main Fruta del Norte power substation and sitewide power distribution.

#### Powerline

Progress continued on the construction of the 42 km powerline connecting the Project to Ecuador's national power grid with 86 of 107 towers built and overall work at 76% complete. Cable stringing between the towers also commenced. Bomboiza substation connection detailed engineering was completed and the substation construction contract was awarded. Construction started on April 1, 2019 and the powerline is expected to be connected to the national grid in the third quarter of 2019.

#### Tailing Storage Facility

Construction of tailings storage facility is progressing on schedule and is expected to be ready for commissioning in the third quarter.

#### Health and Safety

On March 1, 2019, an employee of Lundin Gold lost his life in a tragic accident. While operating a loader clearing a landslide on the North Access Road, a second landslide occurred which swept the loader over the

edge of the road, burying it in mud and debris.

#### Environment and Permitting

Lundin Gold received environmental register approval for the Zamora River Bridge construction and started to advance various operations chemical use and cyanide transportation permits.

Numerous inspections were completed by the Ministry of Environment during the quarter with zero major non-compliances recorded.

#### Community

As of quarter end, the Company estimates that 50% of its employees were from the Province of Zamora Chinchipe. Lundin Gold's procurement programs resulted in the purchase of on average \$1.8 million per month in goods and services from the local communities during the quarter.

#### Exploration

With the underground mine reaching the Fruta del Norte orebody, additional structural and mineralogical information is being gained from the mapping of the ore drives by mine geologists. This additional information increases the geological knowledge of the Fruta del Norte orebody and will assist with the exploration for similar deposits elsewhere within the Basin.

Additional mapping, rock sampling and the extension of soil grids was conducted on a number of targets around the Basin. Permitting in preparation for scout drill testing continues in anticipation of a drilling campaign later this year, with the Barbasco, Fruta del Norte southwest, Puente-Princesa and Gata Salvaje being the priority drill targets for Fruta del Norte type epithermal gold-silver mineralization.

#### Financial Results

(in thousands, except per share amounts) Three months ended  
March 31,

2019      2018

Results of Operations:

Derivative gain (loss)                      \$ 468      \$ (23,993)

Net loss for the period                      (7,711)      (25,588)

Basic and diluted loss per share              (0.04)      (0.20)

As at      As at  
March 31,      December 31,  
2019      2018

(in thousands)

Financial Position:

Cash    82,962      167,513

Working capital                                      59,889      153,186

Property, plant and equipment                      603,486      480,921

Mineral properties                                      240,665      240,665

Total assets                                      1,062,931      1,012,461

Long-term debt                                      388,106      364,252

During the first quarter of 2019, the Company recorded a derivative gain of \$0.5 million compared to a derivative loss of \$24.0 million in the first quarter of 2018 relating to its long-term debt which is measured at fair value on a quarterly basis. In addition, with the hiring of operating personnel and starting in the fourth quarter of 2018, the Company is now incurring training costs as training programs for operations have begun. The Company also recognized other income of \$2.5 million relating to the recovery of capital outflow tax paid from the Company's repatriation of capital from Ecuador in the third quarter of 2017. These movements are offset by a foreign exchange loss of \$2.5 million in the first quarter of 2019 compared to a foreign exchange gain of \$6.3 million in the first quarter of 2018. Foreign exchange gains or losses are driven by the quantum the Company's U.S. dollar cash held by its Canadian entities and movements in the foreign exchange rate. As the functional currency of the Canadian entities is the Canadian dollar, a weakening of the U.S. dollar against the Canadian dollar during the period generates an unrealized loss in terms of Canadian dollars.

Liquidity and Capital Resources

As at March 31, 2019, the Company had cash of \$83.0 million and a working capital of \$60.0 million compared to cash of \$167.5 million and a working capital balance of \$153.2 million at December 31, 2018. The change in cash was due to net proceeds from the Bought Deal in March 2019 of \$33.9 million offset by costs incurred for the development of the Fruta del Norte Project of \$113.3 million, general and

administration costs of \$6.6 million and exploration expenditures of \$1.4 million.

In April 2019, the Company completed the first draw down of \$159 million from the Facility, which will be used to fund the construction of the Fruta del Norte Project. The Company has \$191 million remaining under the Facility available to be drawn at its option. In addition, at the end of March the Company entered into a \$75 million COF with an insider of the Company, which fulfilled a condition precedent to first draw under the Facility. In accordance with the terms of the COF, the Company issued the insider 300,000 common shares and 300,000 warrants ("Warrants") in lieu of fees. Each Warrant has a term of three years from the date of issue and is exercisable for a common share upon payment of the exercise price of C\$5.98. The COF is available once the Facility is fully drawn and can only be used to fund a potential cost overrun related to the development of the Fruta del Norte Project.

## Outlook

The Company is focused on advancing the Project on schedule through to first gold production in the fourth quarter of 2019. The following activities are planned going forward:

- Completing detailed engineering.
- Completing process plant construction and starting commissioning.
- Advancing mine development towards first production areas and to the bottom of the south ventilation raise.
- Commencing mine operations and mining ore to stockpiles.
- Completing construction of the site infrastructure buildings such as the laboratory, reagent storage, and plant ancillary buildings.
- Completing construction of the powerline and the Bomboiza substation.
- Advancing construction of the tailing storage facility.
- Advancing paste plant construction.
- Starting construction of the Zamora River bridge.
- Advancing permits required for operations.

Drill permitting of selected epithermal gold-silver targets continues in preparation for a drilling program anticipated to start later this year, while the mapping and sampling of additional target areas to develop them into drill targets will also continue.

## 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 and CEO who is a Qualified Person under NI 43-101. The disclosure of exploration information contained in this Press Release 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 quarter ended March 31, 2019 and related management's discussion and analysis are available on the Company's website at [www.lundingold.com](http://www.lundingold.com) or under its profile on SEDAR at [www.sedar.com](http://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 May 10 at 2:30 p.m. 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 the fourth quarter of this year.

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.

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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 progress of the development, construction and operation of the Project, improvements to site logistics and completion of site and powerline infrastructure, the Company's exploration plans and activities, the availability of the COF, the timing and success of permitting and regulatory approvals and the timing of first gold and commercial production. 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 27, 2019, which is available at [www.lundingold.com](http://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: receipt of regulatory approvals, risks associated with the Company's community relationships; risks and hazards inherent in mining and processing; lack of availability of or interference with infrastructure; risks related to Lundin Gold's compliance with increasingly strict environmental laws and liability for environmental contamination; risks related political and economic instability in Ecuador; deficient or vulnerable title to mining concessions and surface rights; risk to shareholders of dilution from future equity financings; failure to maintain its obligations under its debt facilities; shortages of critical resources, such as skilled labour and supplies, consumables and equipment; inherent safety hazards and risk to the health and safety of the Company's employees and contractors; volatility in the price of gold; the cost of compliance or failure to comply with applicable laws; the timely receipt of regulatory approvals, permits and licenses; risks associated with the performance of the Company's contractors; the imprecision of Mineral Reserve and Resource estimates; dependence on 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 required to protect endangered species; exploration and development risks; the Company's reliance on one project risks related to artisanal and illegal mining; the reliance of the Company on its information systems and the risk of cyber-attacks on those systems; the ability to obtain adequate insurance; uncertainty as to reclamation and decommissioning; the uncertainty regarding risks posed by climate change; the ability of Lundin Gold to ensure compliance with anti-bribery and anti-corruption laws; the potential for litigation; and limits of disclosure and internal controls.

Figure 1. Fruta del Norte overall construction well advanced

Figure 2. Construction as of the end of March is at 59% complete

Figure 3. 86 of 107 powerline towers have been built and cable stringing between the towers has commenced

SOURCE [Lundin Gold Inc.](#)  
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