

# Lundin Gold Reports Fourth Quarter And Full Year Results

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Production and Cost Performance Beats Guidance, Resulting in Free Cash Flow of \$268 million Generated in 2021

VANCOUVER, Feb. 23, 2022 - [Lundin Gold Inc.](#) (TSX: LUG) (Nasdaq Stockholm: LUG) ("Lundin Gold" or the "Company") reports results for the fourth quarter and year ended December 31, 2021 (the "2021 Year"). Lundin Gold's excellent year highlighted by its production of 428,514 oz of gold at an All-in Sustaining Cost (AISC)<sup>1</sup> of \$762 per oz, beating guidance to 420,000 oz and AISC of \$770 to \$830 per oz, respectively, and resulting in free cash flow<sup>1</sup> of \$268 million for the year. All amounts are in U.S. dollars unless otherwise indicated. PDF version.

Ron Hochstein, President and CEO commented, "During Fruta del Norte's first full year of operations, our operating results have consistently highlighted what a fantastic tier one asset this mine is. Not only did we beat 2021 guidance, but we are now generating substantial free cash flow<sup>1</sup>. With completion achieved under our senior debt facilities, we have flexibility and a variety of ways to generate shareholder value, including initiating distribution to shareholders, accelerating debt repayment strategies and future growth through further expansion of the mine and mill, exploration at FDN and regionally, and other opportunities. I am optimistic about the outlook for Lundin Gold."

## Fourth Quarter and Full-Year 2021 Financial Overview

- During the fourth quarter, the Company sold a total of 108,476 oz of gold, consisting of 76,869 oz of concentrate and 31,607 oz of doré, at an average realized gold price<sup>1</sup> of \$1,779 per oz for total gross revenues from gold sales of \$193 million. For 2021, the Company sold a total of 427,298 oz of gold, consisting of 284,804 oz of concentrate and 142,494 oz of doré, at an average realized gold price<sup>1</sup> of \$1,772 per oz for total revenues from gold sales of \$757.2 million.
- Net of treatment and refining charges, revenues achieved in the fourth quarter and 2021 were \$186.4 million and \$715.7 million, respectively.
- Cash operating costs<sup>1</sup> and AISC<sup>1</sup> for the quarter were \$625 and \$715 per oz of gold sold, respectively. For 2021, cash operating costs<sup>1</sup> were \$632 per gold sold and AISC<sup>1</sup> was \$762 per oz of gold sold.
- Income from mining operations was \$91.6 million in the fourth quarter, and the Company generated free cash flow<sup>1</sup> of \$268.4 million from operations, or \$0.32 per share. For 2021, income from mining operations was \$355.7 million, and the Company generated free cash flow<sup>1</sup> of \$268.4 million, or \$1.16 per share.

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<sup>1</sup> Certain additional disclosures for these specified financial measures have been incorporated by reference and can be found on page 14 of the Company's MD&A for the year ended December 31, 2021 available on SEDAR.

- Net income after tax in the fourth quarter was \$28.8 million, after deducting corporate, exploration, finance costs and derivative losses. Adjusted earnings<sup>1</sup> for the quarter, which exclude a one-time special government levy and derivative losses, were \$77.9 million, or \$0.33 per share.
- Adjusted earnings<sup>1</sup> during 2021, which exclude a one-time special government levy, derivative losses, and related income tax expense, were \$248.9 million, or \$1.07 per share.
- During the year, the Company's cash position increased by \$183 million to \$263 million while its long-term debt decreased by \$117 million.

## Fourth Quarter and Full-Year 2021 Production Overview

- Gold production during the fourth quarter of 2021 totalled 107,915 oz, comprised of 75,299 oz of concentrate and 32,616 oz of doré. Gold production for 2021 totalled 428,514 oz, comprised of 289,499 oz of concentrate and 139,015 oz of doré.
- During the fourth quarter, the mine delivered record performance resulting in 412,081 tonnes of ore mined, or 4,400 tpd, and the mill processed 379,166 tonnes of ore at an average throughput of 4,121 tpd. During the latter half of 2021, mill operations ramped up as part of the expansion project to increase throughput from 3,500 to 4,200 tpd, resulting in 1,415,634 tonnes of ore mined and 1,415,634 tonnes of ore processed.

- Underground mine development advanced a total of 2,223 meters during the fourth quarter. For 2021, development budget with a total of 9,194 meters of development completed.
- The average ore grade milled in the fourth quarter of 2021 was 9.9 grams per tonne ("g/t"), with average recovery which continues to improve quarter-by-quarter. For 2021, the average grade of ore milled was 10.6 g/t with average at 88.6%.

#### Fourth Quarter and Full-Year Operating and Financial Highlights

The following two tables provide an overview of key operating and financial results.

	Three months ended		Year ended	
	December 31	December 31	December 31	December 31
	2021	2020	2021	2020 <sup>2</sup>
Tonnes mined (tonnes)	412,081	350,474	1,557,859	1,413,446
Tonnes milled (tonnes)	379,166	337,146	1,415,634	1,405,780
Average mill head grade (g/t)	9.9	10.1	10.6	9.5
Average recovery (%)	89.7%	88.6%	88.6%	85.9%
Average mill throughput (tpd)	4,121	3,665	3,878	3,355
Gold ounces produced	107,915	96,830	428,514	242,400
Gold ounces sold	108,476	106,190	427,298	234,464

<sup>1</sup> Certain additional disclosures for these specified financial measures have been incorporated by reference and can be found on page 14 of the Company's MD&A for the year ended December 31, 2021 available on SEDAR.

<sup>2</sup> The figures presented are for the entire year ended December 31, 2020 which include the two-month ramp up period before achieving commercial production. It should be noted that the operations at Fruta del Norte were suspended during Q2 2020 due to the COVID-19 pandemic.

	Three months ended		Year ended	
	December 31	December 31	December 31	December 31
	2021	2020	2021	2020
Net revenues (\$'000)	186,440	189,250	733,329	358,156
Income from mining operations (\$'000)	91,646	94,857	355,712	172,386
Earnings before interest, taxes, depreciation, and amortization (\$'000) <sup>2</sup>	63,113	26,327	415,588	39,979
Adjusted earnings before interest, taxes, depreciation, and amortization (\$'000) <sup>2</sup>	108,819	117,000	436,006	206,267
Net income (loss) (\$'000)	28,789	(1,233)	221,426	(47,158)
Free cash flow (\$'000) <sup>2</sup>	74,681	43,252	268,370	(8,294)
Average realized gold price (\$/oz sold) <sup>2</sup>	1,779	1,850	1,772	1,866 <sup>1</sup>
Cash operating cost (\$/oz sold) <sup>2</sup>	625	627	632	667 <sup>1</sup>
All-in sustaining costs (\$/oz sold) <sup>2</sup>	715	747	762	773 <sup>1</sup>
Free cash flow per share (\$) <sup>2</sup>	0.32	0.19	1.16	(0.04)
Adjusted net earnings (\$'000) <sup>2</sup>	77,902	76,224	248,907	105,914
Adjusted net earnings per share (\$) <sup>2</sup>	0.33	0.33	1.07	0.47

#### Liquidity and Capital Resources

At the end of 2021, the Company is in a strong financial position

(in thousands of U.S. dollars)	As at December 31, 2021	As at December 31, 2020
Financial Position:		
Cash	262,608	79,592
Working capital	217,221	56,603
Total assets	1,685,113	1,505,360
Long-term debt	739,977	857,094

The change in cash during 2021 was primarily due to cash generated from operating activities of \$417.8 million and proceeds from the exercise of stock options and anti-dilution rights of \$18.9 million. This is offset by principal, interest, and finance charge paid under the loan facilities totalling \$190.0 million and cash outflows of \$63.1 million for capital expenditures which include costs for remaining initial construction activities, the expansion project, and sustaining capital.

The Company has generated strong operating cash flow during 2021 and expects to continue to do so in 2022 based on its production and AISC guidance. This strong operating cash flow will support accelerated debt repayments, regional exploration, planned capital expenditures, and evaluation of further growth opportunities.

#### Capital Expenditures

- Zamora River Bridge: The Company's private Zamora River bridge was completed and inaugurated during the year and is now being used to access site.
- South Ventilation Raise ("SVR"): The work plan for the SVR was revised during the year to include a smaller diameter raise followed by slashing to 5.1 metres and concrete lining. Raise boring and shotcreting of the 2.1 metres completed early in the fourth quarter. Contractor award was completed during the fourth quarter and mobilization progress. Completion of the SVR is expected near the end of the second quarter of 2022.

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<sup>1</sup> Amount relates to the period after achievement of commercial production.

<sup>2</sup> Certain additional disclosures for these specified financial measures have been incorporated by reference and can be found on page 14 of the Company's MD&A for the year ended December 31, 2021 available on SEDAR.

- Expansion Project: With the expansion project substantially completed on time and on budget in the fourth quarter and mill operated at or near the higher 4,200 tpd production level during the fourth quarter of 2021.
- Sustaining Capital: The first and second raise of the tailings dam were completed during the year. Resource expansion at Fruta del Norte advanced during the year and focused on the expansion of estimated inferred mineral resources at the south end of the deposit

## Health and Safety

The health and safety of personnel at site is of paramount importance, and stringent procedures remain in place to minimize the impact of COVID-19 on the workforce. Through vaccination campaigns by Ecuador's Ministry of Public Health, 99.9% of the Company's employees and on-site contractors were fully vaccinated as at December 31, 2021. At year end, 5.9% of the Company's employees had received a booster shot.

During the fourth quarter there were zero Lost Time Incidents and one Medical Aid Incident. FDN reached over 4 million hours worked without a Lost Time Incident by the end of the year. The Total Recordable Incident Rate was 0.46 per 200,000 hours worked as of the end of 2021.

## Community

The internet connectivity project for 21 local communities was completed in October 2021. Teachers now have high speed internet connection in the school, students in local communities are equipped with a tablet, and internet speed has been upgraded in the local communities using fibre optic infrastructure. This project addresses the challenges that local schools continue to face due to the COVID-19 pandemic.

This quarter, construction, under the authority of the provincial government, of the public bridge over the Zamora River to replace the bridge that collapsed during the fourth quarter of 2020, is nearing completion. Lundin Gold has provided the funding for this work to date. Lundin Gold has also been supporting the affected communities by assisting with transportation of people and supplies.

## Financing

Project Completion as defined under the Company's senior debt facilities was achieved during the fourth quarter of 2021.

## Exploration

The Company's regional exploration completed the year with 11,136 metres drilled in twelve drill holes spread over targets at Barbasco and Puente Princesa. A summary of results from drilling at Barbasco and Puente Princesa can be found in the news release dated February 16, 2022.

## Outlook

Consistent with previously announced guidance, gold production at Fruta del Norte for 2022 is estimated to be between 405,000 to 445,000 oz based on an average throughput rate of 4,200 tpd. The head grade is estimated to average 9.8 g/t, with fluctuations expected during the year as different sections of the ore body are mined. Average mill recovery for the year is estimated at 89%.

Cash operating costs<sup>1</sup> are estimated to range between \$710 and \$780 per oz of gold sold in 2022, with variability expected during the year. AISC<sup>1</sup> for 2022 is expected to range between \$860 and \$930 per oz of gold sold, based on an assumed gold price of \$1,750 per oz and silver price of \$22.50 per oz. The projected increase in AISC<sup>1</sup> in 2022 can be attributed principally to the following factors:

- a decrease in head grade of the ore processed through the plant compared to 2021;
- an approximate 7% increase in operating costs compared to 2021 due to higher transportation costs, increased maintenance for mining equipment and general inflationary pressures experienced to date on various consumables; and
- higher sustaining capital, mainly due to the planned construction of the third raise of the tailings dam, which is larger than the initial two raises completed in 2021, as well as the continuation of the resource expansion drilling program.

These are expected to be offset by higher throughput and reduced COVID-19 related costs compared to 2021, and lower royalties based on the assumed gold price of \$1,750 in 2022.

The SVR is the last remaining scope of work under the original FDN construction project, which remains on track for completion by the end of the second quarter of 2022.

The Company is also continuing its regional exploration drilling program with 16,500 metres of drilling planned at its two high priority targets, Barbasco and Puente-Princesa, which are located in the Suarez Pull-Apart Basin and are approximately seven kilometres from Fruta del Norte.

#### Qualified Persons

The technical information relating to Fruta del Norte 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 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.

#### Webcast and Conference Call

The Company will host a conference call and webcast to discuss its results on Thursday, February 24 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 / 69613782

A link to the webcast is available on the Company's website, [www.lundin角度.com](http://www.lundin角度.com).

<sup>1</sup> Certain additional disclosures for these specified financial measures have been incorporated by reference and can be found on page 14 of the Company's MD&A for the year ended December 31, 2021 available on SEDAR.

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: 613782 #

#### About Lundin Gold

Lundin Gold, headquartered in Vancouver, Canada, owns the Fruta del Norte gold mine in southeast Ecuador and a large exploration land package that hosts the Fruta del Norte deposit at its northern edge. 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, EBITDA, adjusted EBITDA, cash operating cost per oz sold, all-in sustaining cost, free cash flow, free cash flow per share, and adjusted 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. Certain additional disclosures for these specified financial measures have been incorporated by reference and can be found on page 14 of the Company's MD&A for the year ended December 31, 2021 available on SEDAR.

#### 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 23, 2022 at 5:00 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 SVR, the timing and the success of its drill program at Fruta del Norte and its other exploration activities, 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 23, 2022, 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: risks associated with the Company's community relationships; risks related to political and economic instability in Ecuador; risks related to estimates of production, cash flows and costs; the impacts of a pandemic virus outbreak; risks inherent to mining operations; failure of the Company to maintain its obligations under its debt facilities; shortages of critical supplies; control of the Company's largest shareholders; risks related to Lundin Gold's compliance with environmental laws and liability for environmental contamination; the lack of availability of infrastructure; the Company's reliance on one mine; exploration and development risks; risks related to the Company's ability to obtain, maintain or renew regulatory approvals, permits and licenses; uncertainty with the tax regime in Ecuador; risks related to the Company's workforce and its labour relations; volatility in the price of gold; the reliance of the Company on its information systems and the risk of cyber-attacks on those systems; deficient or vulnerable title to concessions, easements and surface rights; inherent safety hazards and risk to the health and safety of the Company's employees and contractors; 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; measures to protect endangered species and critical habitats; social media and reputation; the cost of non-compliance and compliance costs; risks related to illegal mining; the adequacy of the Company's insurance; risks relating to the declaration of dividends; 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; limits of disclosure and internal controls; security risks to the Company, its assets and its personnel; the potential for litigation; and risks due to conflicts of interest.

SOURCE [Lundin Gold Inc.](#)

#### Contact

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

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