

NEWS RELEASE**LUNDIN GOLD ANNOUNCES APPROVAL AND REGISTRATION OF SWEDISH PROSPECTUS FOR \$94.9 MILLION OFFERING, WITH THE EXERCISE OF OVER-ALLOTMENT****NOT FOR DISTRIBUTION TO UNITED STATES NEWS WIRE SERVICES OR FOR DISSEMINATION TO UNITED STATES**

August 4, 2016 (Vancouver, Canada)... Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce that it has obtained the approval of and registration with the Swedish Financial Supervisory Authority (the "FSA") of a listing prospectus (the "Swedish Prospectus") for up to 7,250,000 common shares under the bought deal equity financing announced on June 27, 2016 (the "Offering"). The Swedish Prospectus has been filed on the Company's website at www.lundingold.com and can be obtained from the Company upon request. The FSA's approval and registration of the Swedish Prospectus and its subsequent publication on the Company's website satisfies the closing condition (the "Swedish Prospectus Condition") for the second tranche of the Offering. The first tranche of the Offering closed on July 19, 2016 at which time 10,000,000 common shares of the Company were issued at CAD\$5.50 per common share (the "Offering Price") for total gross proceeds of CAD\$55,000,000.

A syndicate of underwriters led by GMP Securities L.P. and including BMO Nesbitt Burns Inc., Dundee Securities Ltd., Cormark Securities Inc., Paradigm Capital Inc., Scotia Capital Inc. and Pareto Securities AS (collectively, the "Underwriters") were granted the option to purchase up to an additional 2,250,000 common shares at the Offering Price (the "Over-Allotment Option"). The Underwriters have advised the Company that they are exercising the Over-Allotment Option in its entirety.

The closing of the second tranche of the Offering, which includes 5,000,000 common shares and an additional 2,250,000 shares issuable pursuant to the Over-Allotment Option (the "Second Tranche Shares") at the Offering Price for aggregate gross proceeds of CAD\$39,875,000, is expected to occur on or about August 9, 2016, and the listing of the Second Tranche Shares on the Toronto Stock Exchange (the "TSX") is expected to occur on or about Tuesday, August 9, 2016, prior to market open on the TSX.

This news release does not constitute an offer to sell or a solicitation of an offer to buy the securities described herein in the United States or in any other jurisdiction. The securities referred to in this press release have not been and will not be registered under the U.S. Securities Act and may not be offered or sold without registration under the U.S. Securities Act and all applicable state securities laws or compliance with the requirements of an exemption from such registration.

Additional Information

The information in this release is subject to the disclosure requirements of Lundin Gold under the EU Market Abuse Regulation and/or the Swedish Securities Market Act. This information was publicly communicated on August 4, 2016 at 5:38 a.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.

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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 closing of the second tranche of the Offering. 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.