

NEWS RELEASE**LUNDIN GOLD ANNOUNCES APPROVAL OF
FRUTA DEL NORTE ENVIRONMENTAL IMPACT STUDY**

October 13, 2016 (Vancouver, Canada)... Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce the completion and approval of the Environmental Impact Study (the "EIS") by the Government of Ecuador for its Fruta del Norte Project (the "Project") located in Ecuador.

"This is a significant accomplishment for the Company and the development of Fruta del Norte. The next and final step in the environmental approval process, paving the way for proceeding with the development of the Project, is the granting of the Environmental Licence, a procedural process expected to be completed over the next few weeks", remarked Lundin Gold President and Chief Executive Officer, Ron Hochstein. "The approval of the EIS demonstrates the commitment of the Government of Ecuador to move Fruta del Norte towards construction and eventual production".

The process of approval of the EIS started with the submission of a draft EIS in April 2016, followed by a public participation process coordinated and developed with the Ministry of Environment (the "MOE"), and the delivery of a final EIS to the MOE in August.

Project update

Following several key management hires and the award of a services contract to G Mining Services Inc. ("G Mining"), the Company now has its project management team in place. Together, Lundin Gold and G Mining will form an integrated project team to manage all aspects of the project, covering optimization of all areas of the project design and execution plan, basic engineering, detailed engineering, procurement, construction and commissioning. G Mining is a multidisciplinary mining and project management company based in Montreal, Quebec, Canada. They offer a wide range of services to mining projects worldwide with extensive experience in gold mining projects. They have completed projects in Canada, Africa and South America, including its most recent project in Suriname. Louis Gignac, Chairman of G Mining commented that "Fruta del Norte is one of the most exciting undeveloped projects in the Americas. G Mining is proud to join Lundin Gold management and be part of the team that will develop FDN into a responsible, capital effective operation for its stakeholders."

Other key advancements on the Project include:

- award of a contract to Ausenco Services Canada Inc. for completion of plant layout optimization, basic engineering and detailed engineering for the process plant and surface facilities;
- award of a contract to Klohn Crippen Berger (KCB) from Vancouver, Canada, for surface geotechnical design and associated field investigations. The drilling and field investigations component of this program is scheduled to commence in late October, 2016;
- award of contracts to NCL Ingenieria y Construccion S.A. (NCL) of Santiago, Chile for underground mine design; SRK Consulting in Vancouver, Canada, for mine geotechnical services; and Alan Auld Group Ltd. in Saskatoon, Canada, for mine portal and soft tunneling

design services. All three companies completed the equivalent scope of work for the Feasibility Study and continue to progress and develop detailed designs.

The early works field investigations for the mine development has been completed with the results of over 2,000 metres of geotechnical drilling supporting the advancing of the designs of the mine portals, twin declines and the north ventilation raise.

Lundin Gold is currently out for tender for the mine development contract to a select group of prequalified bidders. The scope of this contract will cover mine portal construction and over 6,000 metres of development. This contract is expected to be awarded in January 2017 for mobilization and commencement of mine portals construction in May 2017.

About the Company

Lundin Gold Inc. owns the Fruta del Norte 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.

Additional Information

The information in this release is information that the Company is required to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was publicly communicated on October 13, 2016 at 3:00 p.m. Pacific Time.

For more information, please contact

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Forward-Looking Statements

This press release contains or refers to forward-looking information under Canadian securities legislation, including statements regarding the issuance of the Environmental Licence, the development of the Project including project design and execution, basic engineering, detailed engineering, procurement, construction and commissioning, the execution of the Exploitation Agreement and the Investment Protection Agreement, the engagement of key contractors and the award of key contracts, all of which information is based on current expectations that involve a number of business risks and uncertainties. Forward-looking statements are subject to significant risks and uncertainties, and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements.

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 Short Form Prospectus dated July 12, 2016 available at www.sedar.com.

Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, 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 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. The forward-looking statements contained in this press release are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances other than as required by law.