

NEWS RELEASE

LUNDIN GOLD ENTERS INTO BRIDGE LOAN FACILITY

January 16, 2017 (Vancouver, Canada)... **Lundin Gold Inc.** ("Lundin Gold" or the "Company") (TSX: "LUG", Nasdaq Stockholm: "LUG") is pleased to announce that it has secured a \$35 million credit facility (the "Facility") from Zebra Holdings and Investments S.à.r.l., Luxembourg (the "Lender"), a company owned by a trust whose settlor was the late Adolf H. Lundin. The Lender is an insider of Lundin Gold. All amounts are stated in U.S. dollars ("\$").

The Facility is evidenced by a debenture (the "Debenture") which is unsecured and is due on the earlier of the closing of a financing by the Company or May 31, 2017 (the "Maturity Date"). No interest is payable in cash during the term of the Debenture. Any amount of the Facility remaining unpaid and outstanding on or after the Maturity Date shall bear interest at a rate of 5.00% per annum until repaid in full.

The proceeds from the Facility will be used for general corporate purposes and for the ongoing Early Works program. "We are pleased to receive the continued support of our largest shareholder at this critical time of the project. The proceeds from the Facility will allow us to continue discussions and negotiations on financing initiatives without affecting the progress of the Early Works program" stated Ron Hochstein, President and CEO of Lundin Gold.

The terms of the Facility include the Company issuing to the Lender, subject to approval of the Toronto Stock Exchange, an aggregate of 60,000 Common Shares as consideration for the Facility in lieu of fees. The Company will also 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 securities issued in conjunction with the Facility will be subject to a four-month hold period under applicable securities law.

The Facility constitutes a "related party transaction", as defined under Multilateral Instrument 61-101 ("MI 61-101"). The transactions will be exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of any shares issued to or the consideration paid for the Debenture will exceed 25% of the Company's market capitalization.

The Company also announces that the certified English translations of the Exploitation Agreement and Investment Protection Agreement are now available under the Company's profile on SEDAR at www.sedar.com.

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 subject to the disclosure requirements of the Company under the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was publicly communicated on January 16, 2017 at 2:30 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 anticipated use of proceeds from the Facility, the ability of the Company to satisfy the conditions of the Debenture including repayment of the Facility upon its maturity and the issuance of shares thereunder, and the timing and success in obtaining requisite regulatory approvals, 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 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. 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.