

## OPERATIONAL UPDATE

## FDN Restarted, H2/20 Guidance Provided

**OUR TAKE:** Lundin's Gold H2/20 guidance is better than we had been forecasting, with both throughput and average head grade expected to be better than our estimates. We have adjusted our estimates to reflect guidance and have incorporated our new updated price deck into our valuation which moved our multiple to 1.0x NAV (from 0.9x) to derive our target price of \$14.50 per share with a BUY rating.

## KEY HIGHLIGHTS

- ◆ **Fruta del Norte Operations Resume** – Earlier this week Lundin Gold announced that operations at its Fruta del Norte (FDN) mine in Ecuador have restarted and gold concentrate shipping to port will resume in the next few days. Operations were shut down on March 22, 2010 due to COVID-19 related concerns.
- ◆ **H2/20 Guidance Provided, Ahead of Our Expectations** – For H2/20 Lundin Gold expects production between 150,000 to 170,000 oz with total cash costs of US\$705-\$785/oz and AISC of between US\$770 to US\$850/oz. The mill is currently processing stockpiled and mined ore at a rate of 2,800 tpd, and is expected to ramp up to a rate of 3,500 tpd over the next 2 months, averaging 3,200 tpd in H2/20 – above our previous estimate of 2,900 tpd. The average head grade is expected to be 10 g/t, again above our previous estimate of 8 g/t, and gold recovery is expected to be 85%, below our previous expectation of 92%, and reach design rates of 92% in late Q4/20. The mine has also resumed mining ore and production will be ramping up over the next 3 months.
- ◆ **Production of 200-220 Koz Expected for the Year** – Q1/20 marked declaration of commercial production for the Fruta del Norte project, however, after 31 days the mine was placed on temporary suspension due to the spread of COVID-19, and in order to reduce the risk to the workforce and local communities. Lundin Gold was able to produce 51,320 oz of gold in Q1/20 (including 24,109 ounces of commercial production), with total cash costs averaging US\$839/oz and AISC averaging US\$908/oz.
- ◆ **Updating our Estimates** – We have adjusted our H2/20 estimates to be more in-line with Company guidance. Our average throughput for H2/20 moves from 2,900 tpd to 3,200 tpd, and our average head grade moves up from 8.0 g/t to 9.0 g/t, slightly below Company guidance of 10 g/t. For H2/20 we now forecast production of 150,000 oz, up from 124,000 oz previously, and our average AISC drops to US\$795/oz, from US\$870/oz previously.

## RECOMMENDED ACTION

*We recommend investors accumulate shares at current levels*

- ◆ Lundin Gold's Fruta del Norte project ranks as one of the largest and highest-grade undeveloped gold projects in the world. The project has a 14-year mine life with production of over 350,000 ounces of gold per year. After declaring commercial production this past February, the mine was placed on suspension in March due to COVID-19 restrictions in Ecuador. We expect the operation to restart later this year and once back in production will be a major gold producer.

## CATALYSTS

1. **H2/20** – Ramp up of Operations
2. **H2/20** – Exploration results

## PROJECTED RETURN

14%

## RISK FACTOR

High

## SCENARIO ANALYSIS

| Downside Scenario | Current Price | Price Target |
|-------------------|---------------|--------------|
| \$7.00            | \$12.76       | \$14.50      |
| ↓ 45%             |               | ↑ 14%        |

## KEY STATISTICS AND METRICS

|                           |                              |
|---------------------------|------------------------------|
| 52-Week High/Low          | \$13.49/\$5.82               |
| YTD Performance           | 53%                          |
| Dividend Yield            | N/A                          |
| Shares O/S                | 229 M (basic)<br>236 M (F/D) |
| Market Capitalization     | \$2,925M                     |
| Cash                      | \$78M                        |
| Long Term Debt            | \$474M                       |
| Enterprise Value          | \$3,345M                     |
| Daily Volume (3 mon avg.) | 367,670                      |
| Currency                  | C\$ unless noted             |

## HAYWOOD ESTIMATES (USD)

|                     | 2019A | 2020E | 2021E |
|---------------------|-------|-------|-------|
| Revenue (\$M)       | 0     | 249   | 543   |
| Op. Cash Flow (\$M) | (19)  | 65    | 302   |
| CAPEX (\$M)         | (461) | (69)  | (52)  |
| FCF (\$M)           | (477) | 12    | 255   |

## VALUATION

Our **\$14.50 target price** is based on a fully financed, after-tax basis considering a 1.0x multiple to our corporate net asset value NAV<sub>5%</sub> of \$14.50 per share.

**Lundin Gold** is trading at a P/NAV consensus multiple of 1.2x NAV, versus peers at 1.0x NAV.

## INVESTMENT THESIS

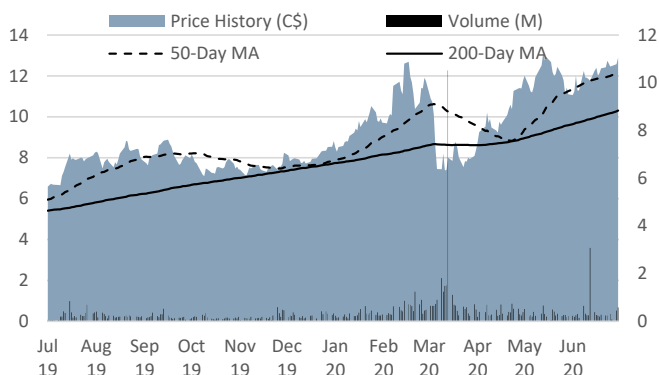
Lundin Gold acquired a 100% interest in the Fruta del Norte project in December 2014 for US\$240 million in cash and shares from Kinross Gold. In June 2013 Kinross ceased development of the project, as talks with the Government of Ecuador failed to finalize key economic and legal terms and Kinross took a write-down of US\$720 million.

The Fruta del Norte project ranks as one of the largest and highest grade gold projects in the world, with a Proven and Probable reserve of 17.8 million tonnes at an average grade of 8.74 grams per tonne (g/t) gold, containing 5.02 million ounces of gold, plus an additional Indicated mineral resource of 6 million tonnes at an average grade of 12.08 g/t gold, containing 2.33 million ounces of gold. The deposit extends up to 700 metres vertically, has a strike length of 1.67 kilometres, is 150 to 300 metres wide, and is 200 metres to 400 metres below surface.

The exploration potential is also significant, as there are more than 64,000 hectares of surrounding concessions owned by Lundin Gold. Priority targets include geochemical anomalies on the Princesa, Emperador, and La Zarza concessions. Lundin Gold also plans to complete regional structural mapping, geological mapping, and geochemical sampling. Note the Emperador epithermal gold target is drill ready now based on previous work completed. Ecuador remains largely underexplored and has excellent geological potential, with a very limited mining history.

## SCENARIO ANALYSIS

### Lundin Gold Inc. (LUG-T)



Source: Capital IQ, and Haywood Securities

### TARGET PRICE

**Our \$14.50 target price** is based on a fully financed, after-tax basis considering a 1.0x multiple to our corporate net asset value NAV<sub>5%</sub> of \$14.50 per share.

### DOWNSIDE CASE

**Our downside case** utilizes a gold price of US\$1320/oz, a 20% discount to our base case assumption of US\$1,650/oz in 2022+. At a US\$1,320/oz gold price, and 0.7x NAV multiple our target price drops to \$7.00/ share.

*Our downside scenario price is a theoretical case based on notional valuation metrics and market assumptions. The downside price is solely intended for demonstrative purposes and is not to be regarded as a reflection of all market possibilities. It is not a guarantee that this company's share price will not drop below this price level and hence should not be taken as such.*

### KEY RISKS

- **Project Execution/Technical:** Lundin Gold faces project execution risk with the ramp up of Fruta del Norte to full capacity.
- **Political:** Lundin Gold's key asset is in Ecuador, a jurisdiction that historically has been perceived to contain heightened geopolitical risk.
- **Valuation** – Our valuation assumptions are based on Fruta del Norte's 2016 Feasibility study and subsequent project updates, comparison with similar operating projects and Haywood's current commodity price deck. As for any gold Company, Lundin Gold is exposed to currency and commodity risk.

**Lundin Gold's** FDN project is one of the largest and highest-grade projects in the world, with reserves totaling 5.02 Moz (grading 8.74 g/t Au). The Company declared commercial production on February 20, 2020, suspended operations on March 22, 2020 in response to COVID-19 concerns, and then restarted on July 5, 2020.

### Website

[www.lundingold.com](http://www.lundingold.com)

### Key Management

CEO – Ron F. Hochstein





### Lundin Gold Inc. (LUG-T, \$12.76)

Rating (Risk): BUY (High)  
Target Price Metric: 1.0 x NAV

### Target Price, C\$

**\$14.50**

Return, % 14%  
52-Week High / Low, C\$ \$13.49 / \$5.82  
Daily Volume (3-month avg) 367,670

Shares O/S, millions 229.2  
Shares F/D, millions 236.1  
Market Cap, C\$M \$2,925  
Company CEO Ron Hochstein  
Company Web Site www.lundin.gold

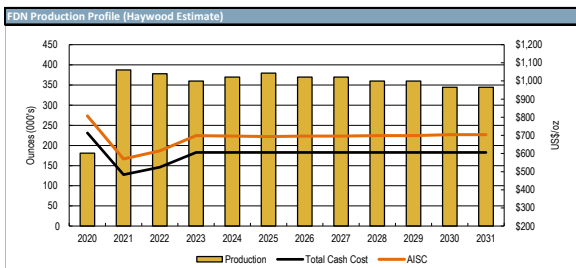
|                       | US\$M   | US\$ / O/S Share | C\$M    | C\$ / O/S Share |
|-----------------------|---------|------------------|---------|-----------------|
| Market Capitalization | \$2,160 | \$9.42           | \$2,925 | \$12.76         |
| Current Cash          | \$57    | \$0.25           | \$78    | \$0.34          |
| F/D Cash Adds         | \$0     | \$0.00           | \$0     | \$0.00          |
| Working Capital       | \$40    | \$0.17           | \$54    | \$0.23          |
| Long-Term Debt        | \$350   | \$1.53           | \$474   | \$2.07          |
| Enterprise Value (EV) | \$2,470 | \$10.78          | \$3,345 | \$14.59         |

EV = Market Capitalization - Working Capital + Long-term Debt  
Spot C\$/US\$ FX Rate: 1.35

|                                               | 2019A     | 2020E     | 2021E     | 2022E     | 2023E     | 2024E     |
|-----------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Forecast Gold Price, US\$/oz                  | \$1,393   | \$1,725   | \$1,700   | \$1,650   | \$1,650   | \$1,650   |
| Realized Gold Price, US\$/oz                  | -         | \$1,403   | \$1,397   | \$1,352   | \$1,342   | \$1,348   |
| C\$/US\$ FX Rate                              | 1.330     | 1.360     | 1.310     | 1.310     | 1.300     | 1.300     |
| Shares O/S, millions                          | 224.2     | 224.2     | 224.2     | 224.2     | 224.2     | 224.2     |
| Revenue, US\$M                                | \$0.0     | \$249.3   | \$542.8   | \$512.6   | \$484.1   | \$499.6   |
| Mine Site Expense, US\$M                      | \$0.0     | (\$125.9) | (\$190.6) | (\$201.7) | (\$221.1) | (\$223.8) |
| Corporate G&A, US\$M                          | (\$23.2)  | (\$25.2)  | (\$25.2)  | (\$25.2)  | (\$25.2)  | (\$25.2)  |
| EBITDA, US\$M                                 | (\$30.4)  | \$86.3    | \$323.5   | \$282.1   | \$234.3   | \$247.1   |
| EV / EBITDA                                   | -         | 28.6x     | 7.6x      | 8.8x      | 10.5x     | 10.0x     |
| DD&A, US\$M                                   | \$0.0     | (\$40.3)  | (\$69.0)  | (\$73.1)  | (\$79.8)  | (\$86.6)  |
| Earnings, US\$M                               | (\$118.9) | \$5.6     | \$169.1   | \$139.6   | \$103.5   | \$111.6   |
| EPS, US\$                                     | (\$0.53)  | \$0.03    | \$0.75    | \$0.62    | \$0.46    | \$0.50    |
| Current Price / EPS                           | -         | 375.6x    | 12.5x     | 15.1x     | 20.4x     | 18.9x     |
| Target Price / EPS                            | -         | 425.0x    | 14.7x     | 17.8x     | 24.2x     | 22.4x     |
| Cash Flow Before W/C Changes, US\$M           | (\$19.2)  | \$64.7    | \$301.5   | \$265.3   | \$222.5   | \$198.8   |
| CFPS, US\$                                    | (\$0.10)  | \$0.28    | \$1.34    | \$1.18    | \$0.99    | \$0.88    |
| Current Price / CFPS                          | -         | 33.6x     | 7.0x      | 8.0x      | 9.5x      | 10.7x     |
| Target Price / CFPS                           | -         | 38.2x     | 8.0x      | 9.1x      | 10.8x     | 12.2x     |
| CFPS Sensitivity, US\$                        | -         | -         | -         | -         | -         | -         |
| Sustaining, New CAPEX, and Exploration, US\$M | (\$460.9) | (\$68.9)  | (\$51.7)  | (\$51.7)  | (\$51.7)  | (\$45.0)  |
| Proceeds from Equity Financing, US\$M         | \$33.9    | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     |
| Proceeds from Debt Financing, US\$M           | \$350.0   | \$0.0     | \$0.0     | \$0.0     | \$0.0     | \$0.0     |
| Debt Repayment, US\$M                         | \$0.0     | \$0.0     | (\$63.6)  | (\$63.6)  | (\$63.6)  | (\$63.6)  |
| Free Cash Flow, US\$M                         | (\$477)   | \$12.0    | \$254.8   | \$218.6   | \$175.8   | \$158.8   |
| FCPS, US\$                                    | (\$2.13)  | \$0.05    | \$1.14    | \$0.97    | \$0.78    | \$0.71    |

CFPS sensitivity is based on a US\$50/oz change in forecast gold price.

|                                      | 2020  | 2021  | 2022  | 2023  | 2024  | RLOM   |
|--------------------------------------|-------|-------|-------|-------|-------|--------|
| <b>Fruta del Norte</b>               |       |       |       |       |       |        |
| Tonnes Milled, millions              | 698   | 1,278 | 1,278 | 1,314 | 1,351 | 23,800 |
| Gold Grade, g/t                      | 8.77  | 10.25 | 10.00 | 9.25  | 9.25  | 9.3    |
| Metallurgical Gold Recovery, %       | 92%   | 92%   | 92%   | 92%   | 92%   | 92%    |
| Gold Production (100%), ounces 000's | 181   | 387   | 378   | 360   | 370   | 6,569  |
| Cash Cost, \$/oz                     | \$625 | \$395 | \$405 | \$440 | \$440 | \$440  |
| Total Cash Cost, \$/oz               | \$715 | \$485 | \$525 | \$605 | \$605 | \$596  |
| AISC, \$/oz                          | \$810 | \$570 | \$615 | \$700 | \$695 | \$696  |



**Haywood Model**

- 18.5 year mine life at 3,800 tpd, 360,000 oz Au per year at CC US\$575/oz and AISC US\$690/oz
- LOM grade 9.25 g/t, gold recovery 92%
- Initial Capex US\$579.5M

|                    | Number | Price   | Proceeds  | Expiry            |
|--------------------|--------|---------|-----------|-------------------|
| Warrants           | 0.4M   | C\$5.98 | US\$1.8M  | Apr-'22           |
| Options            | 6.5M   | C\$4.91 | US\$23.6M | May '19 - May '20 |
| Warrants + Options | 6.9M   | C\$4.97 | US\$25.4M |                   |

|                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| June 11, 2020 - \$57.5M Bought Deal (4.77 M shares at \$12.05)                                                                                        |
| March 1, 2019 - \$46.6M Bought Deal (8.625 M shares at \$5.40)                                                                                        |
| June 27, 2016 - \$94.9M Bought Deal (17.25 M shares at \$5.50)                                                                                        |
| November 2014 - \$200M Subscription Receipts (50.1M shares at \$4.00)                                                                                 |
| November 2014 - Convertible Loan Notes (non-interest bearing with an aggregate principle amount of US\$35M), convertible into common shares at \$4.00 |
| January 2011 - \$15M (5M common shares at \$3.00)                                                                                                     |
| May 2009 - \$3.5M (14M common shares at \$0.25)                                                                                                       |

|                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| May 2017 - US\$300M Orion finance package - US\$150M gold pre-pay facility, US\$150M stream credit facility, 2.5 Moz gold offtake agreement                   |
| Feb. 2018 - US\$400M Private Placement - 93.5M shares; Newcrest US\$250M at \$5.50/sh, Lundin Family Trusts US\$50M at \$5.50/sh, Orion US\$100M at \$5.25/sh |
| July 2018 - US\$350M Senior Debt Facility - LIBOR + 7% Tranche A (\$250M), LIBOR + 5.65% Tranche B (\$100M), Repayable qtrly end of 2020 - 2026               |

|                      | O/S (%) | O/S (millions) |
|----------------------|---------|----------------|
| Newcrest Mining      | 32.0%   | 73.4           |
| Lundin Family Trusts | 27.0%   | 61.9           |
| Orion                | 8.7%    | 20.0           |
| Fidelity             | 1.8%    | 4.2            |

| Forecast Gold Price, US\$/oz                                                      | Base Case | \$1,300  | \$1,500  | \$1,800  | \$1,820  |
|-----------------------------------------------------------------------------------|-----------|----------|----------|----------|----------|
| Corporate Adjustments, US\$M                                                      | (\$389)   | (\$389)  | (\$389)  | (\$389)  | (\$389)  |
| Fruta del Norte After-Tax Project NAV <sub>FCPS</sub> , US\$M                     | \$2,844   | \$1,893  | \$2,442  | \$3,235  | \$3,222  |
| Corporate NAV, US\$M                                                              | \$2,510   | \$1,504  | \$2,052  | \$2,846  | \$2,833  |
| Corporate Adjustments, C\$ / F/D share                                            | (\$2.24)  | (\$2.24) | (\$2.24) | (\$2.24) | (\$2.24) |
| Fruta del Norte After-Tax Project NAV <sub>FCPS</sub> , C\$ / F/D, Financed share | \$16.38   | \$10.90  | \$14.06  | \$18.63  | \$18.56  |
| Resource Credit, C\$ / F/D share                                                  | \$0.32    | \$0.11   | \$0.22   | \$0.33   | \$0.33   |
| Corporate NAV, C\$ / F/D, Financed share                                          | \$14.50   | \$8.77   | \$12.04  | \$16.72  | \$16.64  |
| Current Price / Corporate NAV                                                     | 0.9x      | 1.5x     | 1.1x     | 0.8x     | 0.8x     |
| Target Price / Corporate NAV                                                      | 1.00x     | 1.7x     | 1.2x     | 0.9x     | 0.9x     |
| 2020E CFPS, C\$                                                                   | \$0.28    | \$0.03   | \$0.13   | \$0.28   | \$0.33   |
| 2021E CFPS, C\$                                                                   | \$1.34    | \$0.79   | \$1.07   | \$1.48   | \$1.60   |
| Implied Target Price, C\$ @ 1.0x NAV                                              | \$14.50   | \$8.75   | \$12.05  | \$16.70  | \$16.65  |
| Implied Target Price, C\$ @ 1.0x NAV                                              | \$14.55   | \$8.75   | \$12.05  | \$16.70  | \$16.65  |
| Implied Target Price, C\$ 8.0x EV/2021 CFPS                                       | \$12.75   | \$7.00   | \$9.95   | \$14.25  | \$15.50  |
| Implied Target Price, C\$ 10.0x EV/2021 CFPS                                      | \$15.80   | \$9.05   | \$12.75  | \$18.10  | \$19.70  |

Base case gold price assumption of US\$1,725/oz in 2020, US\$1,700 in 2021 and US\$1,650/oz thereafter.  
Shares F/D and Financed, millions: 236.1  
Spot C\$/US\$ FX Rate: 1.35  
2020E C\$/US\$ FX Rate: 1.36

|                                            | Tonnes (000's) | Au Grade (g/t) | Gold (Moz)  | EV/oz (US\$/oz) |
|--------------------------------------------|----------------|----------------|-------------|-----------------|
| Model Mineable (100%)                      | 23,800         | 9.33           | 7.22        | \$342           |
| Model Recoverable (100%)                   | -              | -              | 6.64        | \$372           |
| <b>Proven and Probable Reserves (100%)</b> | <b>17,800</b>  | <b>8.74</b>    | <b>5.02</b> | <b>\$492</b>    |
| Indicated Resources (100%)                 | 6,000          | 12.08          | 2.33        | \$1,060         |
| Inferred Resources (100%)                  | 11,600         | 5.69           | 2.13        | \$1,160         |
| <b>Total Reserve and Resource (100%)</b>   | <b>35,400</b>  | <b>8.31</b>    | <b>9.5</b>  | <b>\$261</b>    |

| Analysts                | Mean EPS | High / Low | vs. Cons.       | Mean CFPS | High / Low  | vs. Cons.        |           |
|-------------------------|----------|------------|-----------------|-----------|-------------|------------------|-----------|
| 2020 Consensus Estimate | 9        | US\$0.29   | \$0.50 / \$0.23 | -91%      | US\$0.51    | \$0.92 / \$0.41  | -45%      |
| 2021 Consensus Estimate | 11       | US\$0.71   | \$1.96 / \$0.50 | 7%        | US\$1.12    | \$2.37 / \$1.03  | 19%       |
|                         | Analysts | SO Rating  | SP Rating       | SU Rating | Mean Target | High / Low       | vs. Cons. |
| Consensus Valuation     | 11       | 10         | 4               | -         | C\$13.11    | \$17.00 / \$9.00 | 11%       |

|                                                | Price (\$) |            | P/NAV   |             | CFPS   |        | EV/CFPS     |             |
|------------------------------------------------|------------|------------|---------|-------------|--------|--------|-------------|-------------|
|                                                | EV (US\$)  | NAV (US\$) | P/NAV   |             | 2020   | 2021   | EV/20 CFPS  | EV/21 CFPS  |
| Lundin Gold Inc. (LUG-T)                       | \$12.73    | \$2,951    | \$8.00  | 1.2x        | \$0.51 | \$1.12 | 25.4x       | 11.5x       |
| Alacer Gold Corp. (ASR-T)                      | \$9.94     | \$2,571    | \$5.63  | 1.3x        | \$1.03 | \$1.16 | 8.5x        | 7.5x        |
| Alamos Gold Inc. (AGI-T)                       | \$14.05    | \$3,924    | \$9.63  | 1.1x        | \$0.80 | \$1.15 | 12.5x       | 8.7x        |
| Eldorado Gold Corporation (ELD-T)              | \$14.70    | \$2,183    | \$16.80 | 0.6x        | \$2.20 | \$1.84 | 5.9x        | 7.1x        |
| Equinox Gold Corp. (EQX-T)                     | \$15.67    | \$3,051    | \$12.55 | 0.9x        | \$1.18 | \$2.10 | 11.6x       | 6.5x        |
| OceanaGold Corporation (OGC-T)                 | \$3.32     | \$1,652    | \$2.81  | 0.9x        | \$0.33 | \$0.60 | 8.1x        | 4.4x        |
| Pretium Resources Inc. (PVG-T)                 | \$11.82    | \$2,069    | \$8.79  | 1.0x        | \$1.36 | \$1.56 | 8.1x        | 7.1x        |
| Saracen Mineral Holdings Limited (SAR-A)       | \$6.25     | \$4,829    | \$2.87  | 1.6x        | \$0.34 | \$0.46 | 12.8x       | 9.4x        |
| Torex Gold Resources Inc. (TXG-T)              | \$22.29    | \$1,428    | \$21.03 | 0.8x        | \$2.65 | \$4.23 | 6.3x        | 3.9x        |
| <b>Peer Group Average</b>                      |            |            |         | <b>1.0x</b> |        |        | <b>9.2x</b> | <b>6.8x</b> |
| <b>Peer Group Average (excluding high/low)</b> |            |            |         | <b>1.0x</b> |        |        | <b>9.2x</b> | <b>6.9x</b> |

CFPS estimates sourced from Capital IQ, NAV and RR estimates from SNL  
Spot C\$/US\$ FX Rate: 1.35



## Valuation

We have adjusted our H2/20 estimates to be more in-line with Company guidance. Our average throughput for H2/20 moves from 2,900 tpd to 3,200 tpd and our average head grade moves up from 8.0 g/t to 9.0 g/t, below Company guidance of 10 g/t. For H2/20 we now forecast production of 150,000 oz in H2/20, up from 124,000 oz previously, and our average AISC drops to US\$795/oz from US\$870/oz previously. We have also incorporated our updated price deck into our valuation and now use a 1.0x NAV multiple to derive our target price of \$14.50 per share and with a BUY rating.

Based on consensus estimates Lundin Gold is currently trading at a P/NAV multiple of 1.2 NAV, versus peers at 1.0x NAV.

### Changes to Estimates

|                                                | Previous |         | Current |         |
|------------------------------------------------|----------|---------|---------|---------|
|                                                | 2020     | 2021    | 2020    | 2021    |
| Gold Price Forecast, US/oz                     | \$1,646  | \$1,600 | \$1,725 | \$1,700 |
| Revenue, US\$M                                 | \$191    | \$512   | \$249   | \$543   |
| Mine Site Expense, US\$M                       | \$114    | \$190   | \$122   | \$187   |
| Cash Flow Before W/C Changes, US\$M            | \$19     | \$271   | \$65    | \$302   |
| CFPS, US\$/share                               | \$0.08   | \$1.20  | \$0.29  | \$1.34  |
| Attributable Gold Production, 000's oz         | 148      | 387     | 181     | 387     |
| Gold Total Cash Cost (net of credits), US\$/oz | \$760    | \$480   | \$715   | \$485   |
| AISC, US\$/oz                                  | \$880    | \$570   | \$810   | \$570   |

Source: Haywood Securities

### Changes to Estimates Quarterly Breakdown

|                 | Tonnes Milled,<br>000's | Avg. Treated<br>Head Grade,<br>g/t Au | Metallurgical<br>Gold<br>Recovery, % | Gold Production,<br>oz |
|-----------------|-------------------------|---------------------------------------|--------------------------------------|------------------------|
| Q1/20A          | 109                     | 7.9                                   | 92.0%                                | 24,109*                |
| Q2/20E Previous | -                       | -                                     | -                                    | -                      |
| Q2/20E Current  | -                       | -                                     | -                                    | -                      |
| Q3/20E Previous | 212                     | 7.8                                   | 92.0%                                | 49,100                 |
| Q3/20E Current  | 275                     | 9.0                                   | 86.5%                                | 69,100                 |
| Q4/20E Previous | 315                     | 8.0                                   | 92.0%                                | 74,300                 |
| Q4/20E Current  | 315                     | 9.0                                   | 89.0%                                | 80,600                 |

\*Commercial production, total production in Q1/20 was 51,320 oz

Source: Haywood Securities



## Cash-Flow and Target-Price Sensitivity to Gold Prices

| Forecast Gold Price, US\$/oz                                                    | Base Case      | \$1,300        | \$1,500        | \$1,800        | \$1,820        |
|---------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Corporate Adjustments, US\$M                                                    | (\$389)        | (\$389)        | (\$389)        | (\$389)        | (\$389)        |
| Fruta del Norte After-Tax Project NAV <sub>5%</sub> , US\$M                     | \$2,844        | \$1,893        | \$2,442        | \$3,235        | \$3,222        |
| <b>Corporate NAV, US\$M</b>                                                     | <b>\$2,510</b> | <b>\$1,504</b> | <b>\$2,052</b> | <b>\$2,846</b> | <b>\$2,833</b> |
| Corporate Adjustments, C\$ / F/D share                                          | (\$2.24)       | (\$2.24)       | (\$2.24)       | (\$2.24)       | (\$2.24)       |
| Fruta del Norte After-Tax Project NAV <sub>5%</sub> , C\$ / F/D, Financed share | \$16.38        | \$10.90        | \$14.06        | \$18.63        | \$18.56        |
| Resource Credit, C\$ F/D share                                                  | \$0.32         | \$0.11         | \$0.22         | \$0.33         | \$0.33         |
| <b>Corporate NAV, C\$ / F/D, Financed share</b>                                 | <b>\$14.50</b> | <b>\$8.77</b>  | <b>\$12.04</b> | <b>\$16.72</b> | <b>\$16.64</b> |
| <b>Current Price / Corporate NAV</b>                                            | <b>0.9x</b>    | <b>1.5x</b>    | <b>1.1x</b>    | <b>0.8x</b>    | <b>0.8x</b>    |
| Target Price / Corporate NAV                                                    | 1.00x          | 1.7x           | 1.2x           | 0.9x           | 0.9x           |
| 2020E CFPS, C\$                                                                 | \$0.28         | \$0.03         | \$0.13         | \$0.28         | \$0.33         |
| 2021E CFPS, C\$                                                                 | \$1.34         | \$0.79         | \$1.07         | \$1.48         | \$1.60         |
| Implied Target Price, C\$ @ 1.0 x NAV                                           | \$14.50        | \$8.75         | \$12.05        | \$16.70        | \$16.65        |
| Implied Target Price, C\$ @ 1.0x NAV                                            | \$14.55        | \$8.75         | \$12.05        | \$16.70        | \$16.65        |
| Implied Target Price, C\$ 8.0x EV/2021 CFPS                                     | \$12.75        | \$7.00         | \$9.95         | \$14.25        | \$15.50        |
| Implied Target Price, C\$ 10.0x EV/2021 CFPS                                    | \$15.80        | \$9.05         | \$12.75        | \$18.10        | \$19.70        |

Base case gold price assumption of US\$1,725/oz in 2020, US\$1,700 in 2021 and US\$1,650/oz thereafter.

Shares F/D and Financed, millions: 236.1

Spot C\$/US\$ FX Rate: 1.35

Source: Haywood Securities

## Peer-Group Comparables

| Peer Group Comparables                         | Price   |           | P/NAV      |             | CFPS   |        | EV/CFPS     |             |
|------------------------------------------------|---------|-----------|------------|-------------|--------|--------|-------------|-------------|
|                                                | (\$)    | EV (US\$) | NAV (US\$) | P/NAV       | 2020   | 2021   | EV/'20 CFPS | EV/'21 CFPS |
| Lundin Gold Inc. (LUG-T)                       | \$12.73 | \$2,951   | \$8.00     | 1.2x        | \$0.51 | \$1.12 | 25.4x       | 11.5x       |
| Alacer Gold Corp. (ASR-T)                      | \$9.94  | \$2,571   | \$5.63     | 1.3x        | \$1.03 | \$1.16 | 8.5x        | 7.5x        |
| Alamos Gold Inc. (AGI-T)                       | \$14.05 | \$3,924   | \$9.63     | 1.1x        | \$0.80 | \$1.15 | 12.5x       | 8.7x        |
| Eldorado Gold Corporation (ELD-T)              | \$14.70 | \$2,183   | \$16.80    | 0.6x        | \$2.20 | \$1.84 | 5.9x        | 7.1x        |
| Equinox Gold Corp. (EQX-T)                     | \$15.67 | \$3,051   | \$12.55    | 0.9x        | \$1.18 | \$2.10 | 11.6x       | 6.5x        |
| OceanaGold Corporation (OGC-T)                 | \$3.32  | \$1,652   | \$2.81     | 0.9x        | \$0.33 | \$0.60 | 8.1x        | 4.4x        |
| Pretium Resources Inc. (PVG-T)                 | \$11.82 | \$2,069   | \$8.79     | 1.0x        | \$1.36 | \$1.56 | 8.1x        | 7.1x        |
| Saracen Mineral Holdings Limited (SAR-A)       | \$6.25  | \$4,829   | \$2.87     | 1.6x        | \$0.34 | \$0.46 | 12.8x       | 9.4x        |
| Torex Gold Resources Inc. (TXG-T)              | \$22.29 | \$1,428   | \$21.03    | 0.8x        | \$2.65 | \$4.23 | 6.3x        | 3.9x        |
| <b>Peer Group Average</b>                      |         |           |            | <b>1.0x</b> |        |        | <b>9.2x</b> | <b>6.8x</b> |
| <b>Peer Group Average (excluding high/low)</b> |         |           |            | <b>1.0x</b> |        |        | <b>9.2x</b> | <b>6.9x</b> |

CFPS estimates sourced from Capital IQ, NAV and RR estimates from SNL

Spot C\$/US\$ FX Rate: 1.35

Source: CapitalIQ



## Significant Investment Risks

---

- ◆ **Political Risk** – Lundin Gold’s key asset is in Ecuador, a jurisdiction that historically has been perceived to contain heightened geopolitical risk. The biggest risk facing Lundin Gold is geopolitical as the Company needs a clearly defined and stable fiscal and tax regime from the Government of Ecuador before Fruta del Norte can proceed. On December 15, 2016, Lundin announced that it had signed the Exploitation Agreement for their 100% owned Fruta del Norte Project in Ecuador. Signing of the agreement followed approval of the Environmental Impact Statement and the issuance of the Environmental License in October 2016. With a defined agreement in hand, Lundin competed construction of Fruta del Norte and on February 20, 2020 declared commercial production.
- ◆ **Financing Risk** – Lundin’s balance sheets includes US\$350 million of debt outstanding. While the Company declared commercial production on February 20, 2020, operations were temporarily suspended due to concerns surrounding the spread of COVID-19. The debt consists of two tranches, Tranche A is composed of US\$250 million and bears an interest rate of LIBOR + 5.05% and Tranche B is the remaining US\$100 million and bears an interest rate of LIBOR + 2.5%. The facility is repayable in variable quarterly installments starting at the end of 2020 and maturing in June 2026. We model annual interest payments of US\$64 million starting in 2021. The project’s US\$75 million cost overrun facility remains undrawn and Lundin Gold will not use this facility as development of Fruta del Norte is now complete. There are no clauses in the debt covenants which would force an acceleration of the debt repayment due to an extended mine shutdown, and Lundin Gold will need to work with the banks on any re-payment flexibility should this shutdown continue for an extended period.
- ◆ **Valuation Risk** – Our valuation assumptions are based on Fruta del Norte’s 2016 Feasibility study, comparison with similar operating projects, Haywood’s current commodity price deck, and Update Life of Mines plans provided by Lundin Gold. As for any Junior gold company, Lundin Gold is exposed to currency and commodity risk. Our commodity assumptions are in line with peers’ assumptions and current prices. For every 10% move in gold prices, Lundin Gold’s NAV is impacted by approximately 24%.



## Important Information and Legal Disclosures

This report may be distributed in the following states: nil. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

### Analyst Certification

I, Kerry Smith, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

### Important Disclosures

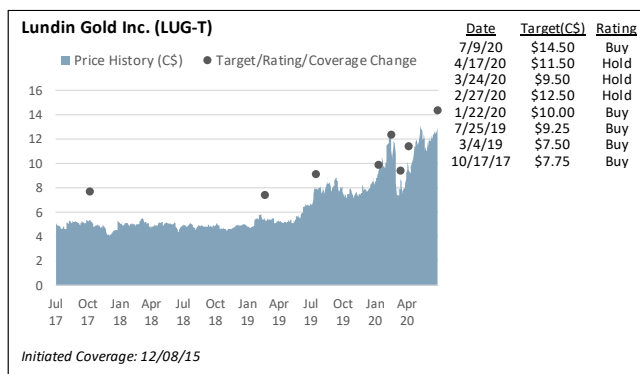
Of the companies included in the report the following Important Disclosures apply:

- ◆ The Analyst(s) preparing this report (or a member of the Analysts' households) have a financial interest in Eldorado Gold Corp. (ELD-T), Equinox Gold Corp. (EQX-T).
- ◆ Haywood Securities, Inc. has reviewed lead projects of Equinox Gold Corp. (EQX-T), Eldorado Gold Corp. (ELD-T), Lundin Gold Inc. (LUG-T), Alamos Gold Inc. (AGI-T) and a portion of the expenses for this travel may have been reimbursed by the issuer.
- ◆ Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for Lundin Gold Inc. (LUG-T) in the last 12 months.
- ◆ Haywood Securities, Inc. or one of its subsidiaries has received compensation for investment banking services from Equinox Gold Corp. (EQX-T) in the past 24 months.

### Distribution of Ratings (as of July 9, 2020)

|                      | %     | #  | IB Clients (TTM) |
|----------------------|-------|----|------------------|
| <b>Buy</b>           | 66.0% | 64 | 85.0%            |
| <b>Hold</b>          | 10.3% | 10 | 5.0%             |
| <b>Sell</b>          | 0.0%  | 0  | 0.0%             |
| <b>Tender</b>        | 0.0%  | 0  | 0.0%             |
| <b>UR (Buy)</b>      | 1.0%  | 1  | 0.0%             |
| <b>UR (Hold)</b>     | 0.0%  | 0  | 0.0%             |
| <b>UR (Sell)</b>     | 0.0%  | 0  | 0.0%             |
| <b>Dropped (TTM)</b> | 22.7% | 22 | 10.0%            |

### Price Chart, Rating and Target Price History (as of July 9, 2020)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review  
Source: Capital IQ and Haywood Securities

**Link to Research Policy:** <http://haywood.com/what-we-offer/research/research-policy>

**Member of the Canadian Investor Protection Fund**

