

**Building a Leading Gold Company
Through Responsible Mining**

**Trust-based Community Engagement:
Fruta del Norte**

October 2019

LUNDINGOLD



ECUADOR:

Significant mining potential to promote sustainable economic growth

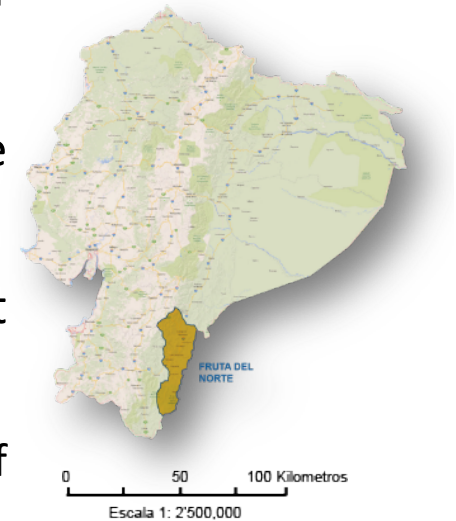
Fruta del Norte (FDN) is considered a “Strategic Project” by the government of Ecuador.

- **Approximate Reserves:** 5.02 million ounces of gold.
- **Average annual production:** 310,000 ounces
- **Life of mine:** Approximately 15 years.
- Lundin Gold arrived in Ecuador in 2015 to take FDN forward.
- Currently in Construction Phase.
- **LUG’s Fundamental Principles:** Working safely, environmental stewardship and Respect.



Social Context Surrounding Fruta del Norte

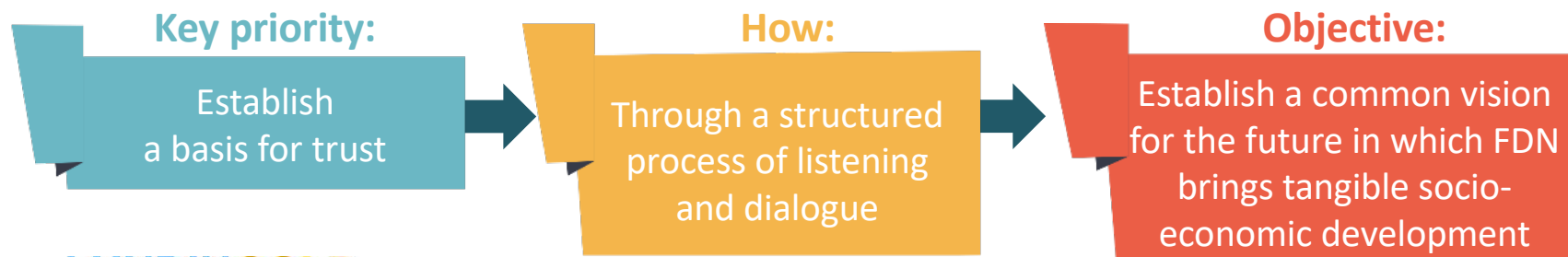
- Zamora-Chinchipe is among the least developed provinces of Ecuador.
- Little existing industry - prominent economic activities are coffee, plantains, cocoa, dairy and artisanal mining.
- No communities or people live within the area of direct influence.
 - Area indirect influence is primarily composed of the parish of Los Encuentros (LE) - population of approximately 4,000.
 - Town of LE has a population of approximately 1,200 and is the nearest large community to Fruta del Norte (42 km via current road).
- Other mining companies in Zamora Chinchipe and other provinces are facing several challenges to develop their projects.





Arrival of Lundin Gold to Ecuador: Context

- Strong level of uncertainty given the departure of Kinross.
- Local economic recession.
- Local stakeholders were skeptical regarding mining based on the history that Ecuador has with oil industry.
- Presence of activist groups against mining at the national level.
- Local and national concern regarding mining practices (traditional artisanal / illegal mining history).
- Significant expectations around employment, community investment, and economic opportunities.



A Change in Dialogue Approach is Required



- Develop a shared vision regarding the risks, challenges and opportunities that FDN Project entails.
- Generate a **participative process**, in which **dialogue and jointly-undertaken actions** that contribute to tangible positive change.

Main Phases of the Process



Communications Strategy & Monitoring and Evaluation

1

- Mapping of strategic stakeholders
- Conflict analysis
- Participative identification and evaluation of social risks
 - Local workshops to identify and analyze the risks.
 - Validation of information by the communities.
 - Development of action plans with community members leading.



2

Implementation of the Thematic Roundtables with interested stakeholders



3

Current status: establishing a model for sustainability with local government in the lead





Participation and Roundtable Process

1

8 groups of
communities



170 +
participants.



8 TOPICS analyzed and
prioritized

GOAL: Identify concerns and priorities that communities have with the arrival of large-scale mining.



2



Thematic Roundtables

- Started in July 2016 after this process of issue identification **that included communities, authorities, public and private institutions, etc.**
- The roundtables are an open space of free opinion and collective action that is facilitated and monitored by a neutral and specialized third party, **INSUCO**



Characteristics of the Dialogue Process



- Proactively developed through a process of **risk identification with the local communities**. The process did not respond to a crisis.
- Strong alignment with **local government planning**.
- Aligned with the **Company's community investment strategy and policies**.
- **Ongoing**, without a fixed end date.
- Strong engagement by Lundin Gold leadership.
- Dialogue is oriented towards **collective action and project implementation**.
- Strong **Monitoring and Evaluation (M&E)** process.
- Involvement of the **Ford Foundation** to extract lessons from the process and **replicate them** in other extractive territories.



Positive Indicators



Local communities, local companies, contractors, NGOs, civil society (local, national and international), academia, state institutions (local and national), among others.

- 38 months (July 2016 – September 2019).
- Sessions approximately every six weeks (22 to date)
- Attendance of 3,899 from more than 1,684 individuals.
- Business Opportunities and Agricultural Development are the roundtables with highest levels of interest.

- Survey of participants undertaken in 2019.
- 98%: respectful dialogue space.
- 97%: promotes coordination among different stakeholders.
- 94%: promotes planning for local development
- 73%: mechanism that contributes to solve local issues.

- | | |
|-----------------|--------------------|
| • Presented: 61 | • Under review: 16 |
| • Approved: 32 | • Rejected: 13 |



Impact Investment and Alliances



LUNDIN GOLD
TSX/Nasdaq Stockholm: LUG



Environmental Responsibility Roundtable

- Lundin Gold is committed to following IFC Performance Standards.
- Ongoing sharing of information regarding important aspects of the company's environmental management such as:
 - Biotic rescue, nursery management, water management and erosion control
 - Archeological monitoring
 - Status of the permits
 - Audits by the Ministry of Environment, among others.
- Strong presence of the academia:
 - Experimental Station of the Universidad Nacional de Loja
 - Biology Faculty of the Universidad Estatal Amazónica.
- An important component for a three-year collaboration initiative with Conservation International Ecuador.
 - Develop and implement a biodiversity conservation and offset plan and support sustainable ecosystems services in FDN's area of influence.



Environmental Responsibility Roundtable

- In response to a request from this roundtable, Lundin Gold worked to develop a systematic community-based monitoring program.
- Our goal is to train and empower community members to better understand and trust environmental monitoring data.
- In 2017, we engaged with the 17 communities within the Project's area of indirect influence to explore the concept of the community monitoring.
- 24 participants attended a tailored course (designing, sampling, analyzing and interpreting water quality data) and completed a final exam.
- In 2018, an agreement was signed with the Universidad Católica de Cuenca to further develop the community water monitoring program through the roundtable.





Environmental Responsibility Roundtable

Key Considerations

- The main priorities in Los Encuentros and Yantzaza are business opportunities and employment.
- Although recognized as an important topic in a general sense, this roundtable presents low levels of interest and participation.
- The presence of academia has improved the dynamic of this space. Universities can help to raise the profile of this topic.
- The engagement of senior Lundin Gold staff and interactions with the participants of the roundtable has been important.
- The transparency and openness of the process is key for the generation of trust bases among stakeholders.
- Capacity building is important due to the lack of technical knowledge.



Lessons Learned from the Dialogue Process

- Importance of jointly identifying social risks through a participatory process to build trust.
- Inclusive processes that promote the sharing of responsibilities among participants.
- Early and ongoing engagement of Lundin Gold's leadership.
- Transparency is fundamental.
- Sharing of accountability and financial contributions is key to long-term sustainability of the process. This must start from the beginning.
- These types of dialogue processes can be replicated in other projects.
- These processes are long-term in nature, but ultimately more productive than transactional approaches.



Challenges Associated with the Dialogue Process

- Develop a long-term regional development planning agenda.
- Empower youth at the local level.
- Sustainability of the process.
- Strengthening the multi-stakeholder approach around social investment.
- Lack of Independent funding for the roundtables
- Ecuador's political and economic context.
- Political changes.

An aerial photograph showing a mining operation in a tropical forest. A river flows through the center, with a suspension bridge crossing it. To the left, there is a large area with many parked trucks and some buildings. To the right, there is a cluster of buildings, including several large white cylindrical structures. The background features lush green mountains under a cloudy sky.

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