lundin mining

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NEWS RELEASE
Lundin Mining Third Quarter Results

Toronto, October 23, 2019 (TSX: LUN; Nasdaq Stockholm: LUMI) Lundin Mining Corporation ("Lundin Mining" or the "Company") today reported cash flows of $111.6 million generated from operations in the third quarter. Net earnings attributable to Lundin Mining shareholders were $26.4 million ($0.04 per share) for the quarter ended September 30, 2019.

Third quarter net earnings include a negative revaluation on derivative liabilities related to the acquisition of the Chapada mine of $16.0 million ($0.02 per share), a negative variable consideration adjustment related to metal streaming agreements of $9.9 million ($0.01 per share), a deferred tax expense arising from foreign exchange translation in Brazil of $15.6 million ($0.02 per share), and an unrealized gain on foreign exchange of $9.9 million ($0.01 per share).

Marie Inkster, President and CEO commented, *"Our operations performed well in the third quarter. Candelaria achieved a significant step-up in production and decrease in cash costs, with ore from Phase 10 of the open pit now contributing to mill feed. The integration of Chapada progressed very well as evidenced by a strong first operating quarter. We remain on track to deliver improved production and cost guidance for the year.*

Construction progress continued on our many reinvestment and expansion projects, with several important milestones reached. The Candelaria South Sector underground mine project was completed ahead of schedule and successfully handed over to the operations team. First ore was mined from Eagle East and fed to the mill, ahead of schedule and budget. At Neves-Corvo, the Zinc Expansion Project progressed well and remains on target to meet the most recent project budget and schedule. With many of our reinvestment initiatives nearing completion in the coming quarters, we are well positioned to deliver increasing production and cash flow."

Summary financial results for the quarter and year-to-date:

	Three months ended September 30,		Nine months ended September 30,	
US$ millions (except per share amounts)	**2019**	2018[4]	**2019**	2018[4]
Revenue	**538.7**	379.7	**1,324.4**	1,317.8
Gross profit	**128.6**	59.6	**294.9**	364.6
Attributable net earnings[1]	**26.4**	7.0	**70.2**	167.1
Net earnings	**32.1**	9.1	**84.4**	183.7
Basic and diluted net earnings per share[2]	**0.04**	0.01	**0.10**	0.23
Cash flow from operations	**111.6**	140.9	**378.2**	432.1
Cash and cash equivalents	**184.6**	1,469.9	**184.6**	1,469.9
Net (debt) cash [3]	**(185.0)**	1,031.7	**(185.0)**	1,031.7

[1] Attributable to shareholders of Lundin Mining Corporation.
[2] Basic and diluted earnings per share attributable to shareholders of Lundin Mining Corporation.
[3] Net (debt) cash is a non-GAAP measure defined as cash and cash equivalents, less debt and lease liabilities, before deferred financing fees.
[4] On adoption of IFRS 16, Leases, the Company has elected not to restate comparative periods presented.

Highlights

Operational Performance

Operations performed well in the quarter with production in-line with expectations. The Company remains on track to meet annual guidance and has lowered cash cost guidance for both Neves-Corvo and Chapada. Furthermore, several significant project milestones were achieved in the third quarter. Candelaria South Sector project was successfully completed and the Eagle East project reached first ore.

Candelaria (80% owned): Candelaria produced 40,698 tonnes of copper, and approximately 24,000 ounces of gold and 355,000 ounces of silver in concentrate on a 100% basis. Copper production in the quarter was higher than the prior year comparable quarter as well as the second quarter of 2019, primarily due to improved copper head grades as more ore was sourced directly from the open pit and less from stockpiles. Copper cash costs of $1.39/lb for the quarter were better than the prior year comparable quarter and the previous quarter owing to improved per unit operating costs, as well as the impact of favourable foreign exchange.

The Candelaria South Sector underground mine was successfully transferred to operations in the quarter, ahead of schedule. Mine production from the Candelaria North and South Sector underground mines is ramping up to the permitted limit of 14,000 tonnes per day.

Chapada (100% owned): Acquisition of the Chapada copper-gold mine in Brazil was completed on July 5, 2019. Cash consideration paid was $757.0 million, net of cash held in the acquired operations and working capital adjustments which amounted to $43.0 million.

During the period of Lundin Mining's ownership, Chapada produced 17,645 tonnes of copper and approximately 34,000 ounces of gold and 81,000 ounces of silver. Copper cash costs of $0.35/lb were better than expected with lower operating costs, favourable exchange rate and higher precious metal credits. Cash cost guidance for the second half of 2019 has been lowered to $0.80/lb to reflect this better than expected performance.

Eagle (100% owned): Eagle produced 3,232 tonnes of nickel and 3,042 tonnes of copper during the quarter, in-line with expectations and well positioned to meet annual guidance. Although gross operating costs were lower and better than plan, nickel cash costs of $3.25/lb for the quarter were higher than the prior year quarter and the second quarter of 2019 due to lower sales volumes of nickel and copper. Cash costs remain on track to meet annual guidance of $2.60/lb.

Development of Eagle East reached an important milestone with first ore extracted at the end of September, ahead of budget and schedule. First Eagle East ore was fed to the mill on October 1, 2019.

Neves-Corvo (100% owned): Neves-Corvo produced 12,055 tonnes of copper and 18,232 tonnes of zinc for the quarter. Copper production was higher than the prior year comparable quarter and each of the first two quarters of 2019, benefitting from improved recoveries. Zinc production was generally in-line with both the prior year comparable period and the second quarter 2019. With lower than expected gross operating costs in the quarter, copper cash cost guidance has been lowered to $1.60/lb from $1.70/lb.

The Zinc Expansion Project ("ZEP") has advanced on schedule and budget in accordance to the phased strategy for start up and production during 2020. Construction progress focused on mechanical and electrical installation of the underground crusher and materials handling system, plant infrastructure and a new paste tailings thickener.

Zinkgruvan (100% owned): Zinc production of 16,796 tonnes was lower than the prior year quarter and second quarter of 2019 due to ore availability and lower mill throughput, but remains on track to meet full year guidance. Lead production of 6,291 tonnes was better than both the prior year comparable period and the previous quarter owing to improved grades and recoveries. Zinc cash costs of $0.42/lb in the third quarter were higher than the prior year comparable period largely owing to higher zinc treatment and refining charges; however, annual zinc cash cost guidance remains unchanged at $0.40/lb.

Total production

(Contained metal in concentrate - tonnes)	**2019**				2018				
	YTD	**Q3**	Q2	Q1	**Total**	Q4	Q3	Q2	Q1
Copper[a]	**168,367**	**74,560**	47,685	46,122	**199,630**	48,206	52,770	51,098	47,556
Zinc	**112,590**	**35,028**	37,116	40,446	**152,041**	42,024	36,062	37,075	36,880
Nickel	**10,843**	**3,232**	3,398	4,213	**17,573**	3,501	4,697	4,234	5,141

a - Copper production includes results from Chapada for the period of Lundin Mining's ownership, as well as Candelaria's production on a 100% basis.

Financial Performance

- Gross profit for the quarter ended September 30, 2019 was $128.6 million, an increase of $69.0 million compared to the $59.6 million reported in the third quarter of the prior year. The increase was primarily due to the addition of Chapada mine during the current quarter ($47.9 million). The impact of higher copper and precious metals sales volumes ($20.2 million) and higher realized metal prices net of price adjustments ($14.6 million), primarily attributable to nickel, was partially offset by higher depreciation expense at Candelaria ($25.6 million).

  On a year-to-date basis, gross profit was $294.9 million, a decrease of $69.7 million from the $364.6 million reported in the prior year comparative period. The decrease was primarily due to lower metal prices and price adjustments ($67.5 million), higher depreciation ($44.8 million) and higher zinc treatment and refining charges ($12.5 million). This was partially offset by the addition of Chapada mine which contributed $47.9 million to gross profit since acquisition.

- Net earnings for the quarter ended September 30, 2019 were $32.1 million, an increase of $23.0 million from net earnings of $9.1 million reported in the prior year quarter. The increase was attributable to higher gross profit, partially offset by higher income taxes ($34.0 million).

  On a year-to-date basis, net earnings were $84.4 million, a decrease of $99.3 million from the $183.7 million reported in the prior year comparative period. The decrease was attributable to lower gross profit for reasons as noted above, and lower income from our equity investment in Freeport Cobalt ($33.7 million), partially offset by lower income taxes ($10.6 million).

- Net debt as at September 30, 2019 was $185.0 million, a change of $989.4 million compared to net cash of $804.4 million at December 31, 2018. The movement from a net cash to a net debt position was largely attributed to the acquisition of Chapada ($757.0 million), cash used for capital investments exceeding operating cash flow in the current year of approximately $147.5 million and $49.7 million in dividend payments.

Corporate Highlights

- On July 5, 2019, the Company announced the closing of the acquisition of a 100% ownership stake in Mineração Maracá Indústria e Comércio SA, which owns the Chapada copper-gold mine located in Brazil from Yamana Gold Inc.

  The net purchase price of $757.0 million was funded by cash on hand and a drawdown of $285.0 million on the Company’s revolving credit facility.

- On August 28, 2019, the Company announced that it had executed a third amended and restated credit agreement that increases its secured revolving credit facility (the "Credit Facility") to $800.0 million, with a $200.0 million accordion option to total $1.0 billion, reduces the cost of borrowing, and extends the term to August 2023, from October 2022.
- On September 5, 2019, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2019, on SEDAR (www.sedar.com). On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totaled 5,507 thousand tonnes of copper, including 1,800 thousand tonnes from Chapada, 3,231 thousand tonnes of zinc, 108 thousand tonnes of nickel, 977 thousand tonnes of lead and 6.8 million ounces of gold.
- During the third quarter of 2019, the Company purchased over 1.3 million shares under the existing normal course issuer bid ("NCIB"). On a year-to-date basis, nearly 2.6 million shares have been purchased. All shares purchased under the NCIB were cancelled.

Financial Position

- Cash and cash equivalents of $184.6 million as at September 30, 2019 has decreased from the $735.1 million reported in the second quarter of 2019 and the $815.4 million reported at December 31, 2018.
- The Company ended the third quarter of 2019 with a net debt balance of $185.0 million, compared to net cash positions of $661.1 million at June 30, 2019 and $804.4 million at December 31, 2018.
- During the quarter ended September 30, 2019, the Company acquired the Chapada copper-gold mine for net cash consideration of $757.0 million. The purchase price of $800.0 million at the date of acquisition was paid using cash on hand of $515.0 million and a $285.0 million drawdown on its revolving credit facility. Offsetting this was cash held in the acquired operations and working capital adjustments totalling $43 million.
- For the quarter ended September 30, 2019 cash and cash equivalents decreased by $550.5 million, a decrease of $507.9 million in comparison to the prior year quarter's decrease in cash and cash equivalents of $42.6 million. The decrease was largely due to the net impact of the acquisition of Chapada ($472.0 million), a comparative change in non-cash working capital ($100.7 million), partially offset by higher gross profit before depreciation.

  On a year-to-date basis, cash and cash equivalents decreased by $630.9 million compared with the reduction of $97.1 million in the prior year. The incremental decrease in the current period was largely due to the net cash impact of the acquisition of Chapada ($472.0 million), a comparative change in non-cash working capital ($26.3 million) and lower gross profit before depreciation.
- As of October 23, 2019, the Company had a cash and net debt balance of approximately $167 million and $192 million, respectively.

Outlook

2019 Production and Cash Cost

Production and cash cost guidance for 2019 has been improved from that disclosed in our Management's Discussion and Analysis for the three and six months ended June 30, 2019. Cash cost guidance has been lowered for Chapada and Neves-Corvo, reflecting lower operating costs as well as higher by-product credits at Chapada. The production guidance range has been tightened, with the lower end of the range being increased for both copper and zinc.

Since October 18, 2019, Chile has experienced widespread civil unrest that started in Santiago and has spread to other regions including Atacama. Candelaria operations continue with a focus on maintaining the safety and security of our employees, as well as the environment and our facilities. To date, there has been no material impact on operations. However, the situation continues to evolve and further negative developments could materially impact the operations of Candelaria.

2019 Guidance (contained tonnes)		**Previous Guidance**[a]		**Revised Guidance**[b]	
		Tonnes	**C1 Cost**	**Tonnes**	**C1 Cost**
Copper	Candelaria (100%)	*145,000 - 155,000*	*$1.60/lb*	*145,000 - 155,000*	*$1.60/lb*
	Chapada[c]	*27,000 - 30,000*	*$1.10/lb*	*27,000 - 30,000*	***$0.80/lb***[d]
	Eagle	*12,000 - 15,000*		***13,000 - 15,000***	
	Neves-Corvo	*38,000 - 42,000*	*1.70/lb*	***40,000 - 42,000***	***$1.60/lb***
	Zinkgruvan	*2,000 - 3,000*		*2,000 - 3,000*	
	Total	*224,000 - 245,000*		***227,000 - 245,000***	
Zinc	Neves-Corvo	*71,000 - 76,000*		***73,000 - 76,000***	
	Zinkgruvan	*76,000 - 81,000*	*$0.40/lb*	*76,000 - 81,000*	*$0.40/lb*
	Total	*147,000 - 157,000*		***149,000 - 157,000***	
Nickel	Eagle	*12,000 - 14,000*	*$2.60/lb*	*12,000 - 14,000*	*$2.60/lb*

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2019.

b. Cash costs are based on various assumptions and estimates, including but not limited to; production volumes, as noted above, commodity prices (Cu: $2.60/lb, Zn: $1.05/lb, Ni: $7.50/lb, Pb: $0.90/lb, Au: $1,450/oz.), foreign exchange rates (€/USD:1.15, USD/SEK:9.50, USD/CLP:700, USD/BRL:3.95) and operating costs, for the remainder of 2019.

c. Chapada is expected to produce 50,000 to 55,000 ounces of gold under Lundin Mining's ownership period.

d. Chapada cash costs are calculated on a by-product basis and do not include the effects of copper stream agreements. Effects of copper stream agreements are reflected in copper revenue and will impact realized revenue per pound.

2019 Capital Expenditure Guidance

Total capital expenditures for 2019, excluding capitalized interest, remains unchanged at $695 million.

2019 Guidance[a]	$ millions
Candelaria Sustaining (100% basis)	375
Chapada Sustaining	25
Eagle Sustaining	15
Neves-Corvo Sustaining	65
Zinkgruvan Sustaining	45
Total Sustaining Capital	**525**
Eagle East	30
ZEP (Neves-Corvo)	140
Total Expansionary Capital	**170**
Total Capital Expenditures	**695**

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2019.

2019 Exploration Investment Guidance

Exploration expenditures are expected to be $60 million, $10 million lower than previously guided. This reflects the conclusion of the regional exploration drilling program at Eagle and reduced drilling metres at Zinkgruvan.

About Lundin Mining

Lundin Mining is a diversified Canadian base metals mining company with operations in Brazil, Chile, Portugal, Sweden and the United States of America, primarily producing copper, nickel and zinc. In addition, Lundin Mining holds an indirect 24% equity stake in the Freeport Cobalt Oy business, which includes a cobalt refinery located in Kokkola, Finland.

The information in this release is subject to the disclosure requirements of Lundin Mining under the EU Market Abuse Regulation. This information was publicly communicated on October 23, 2019 at 7:30 p.m. Eastern Time.

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Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts included in this document constitute forward-looking information, including but not limited to statements regarding the Company's plans, prospects and business strategies; the Company's guidance on the timing and amount of future production and its expectations regarding the results of operations; expected costs; permitting requirements and timelines; timing and possible outcome of pending litigation; the results of any Preliminary Economic Assessment, Feasibility Study, or Mineral Resource and Mineral Reserve estimations, life of mine estimates, and mine and mine closure plans; anticipated market prices of metals, currency exchange rates, and interest rates; the development and implementation of the Company's Responsible Mining Management System; the Company's ability to comply with contractual and permitting or other regulatory requirements; anticipated exploration and development activities at the Company's projects; and the Company's integration of acquisitions (such as the Chapada mine) and any anticipated benefits thereof. Words such as "believe", "expect", "anticipate", "contemplate", "target", "plan", "goal", "aim", "intend", "continue", "budget", "estimate", "may", "will", "can", "could", "should", "schedule" and similar expressions identify forward-looking statements.

Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management, including that the Company can access financing, appropriate equipment and sufficient labour; assumed and future price of copper, nickel, zinc, gold and other metals; anticipated costs; ability to achieve goals; the prompt and effective integration of acquisitions; that the political environment in which the Company operates will continue to support the development and operation of mining projects; and assumptions related to the factors set forth below. While these factors and assumptions are considered reasonable by Lundin Mining as at the date of this document in light of management's experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information. Such factors include, but are not limited to: risks inherent in and/or associated with operating in foreign countries; uncertain political and economic environments; community activism, shareholder activism and risks related to negative publicity with respect to the Company or the mining industry in general; changes in laws, regulations or policies including but not limited to those related to permitting and approvals, environmental and tailings management, labour, trade relations, and transportation; delays or the inability to obtain necessary governmental approvals and/or permits; regulatory investigations, enforcement, sanctions and/or related or other litigation; risks associated with business arrangements and partners over which the Company does not have full control; risks associated with acquisitions and related integration efforts (including with respect to the Chapada mine), including the ability to achieve anticipated benefits, unanticipated difficulties or expenditures relating to integration and diversion of management time on integration; competition; development or mining results not being consistent with the Company's expectations; estimates of future production and operations; operating, cash and all-in sustaining cost estimates; allocation of resources and capital; litigation; uninsurable risks; volatility and fluctuations in metal and commodity prices; the estimation of asset carrying values; funding requirements and availability of financing; indebtedness; foreign currency fluctuations; interest rate volatility; changes in the Company's share price, and equity markets, in general; changing taxation regimes; counterparty and credit risks; health and safety risks; risks related to the environmental impact of the Company's operations and products and management thereof; unavailable or inaccessible infrastructure and risks related to ageing infrastructure; risks inherent in mining including but not limited to risks to the environment, industrial accidents, catastrophic equipment failures, unusual or unexpected geological formations or unstable ground conditions; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; ore processing efficiency; risks relating to attracting and retaining of highly skilled employees; ability to retain key personnel; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; the price and availability of energy and key operating supplies or services; the inherent uncertainty of exploration and development, and the potential for unexpected costs and expenses including, without limitation, for mine closure and reclamation at current and historical operations; risks associated with the estimation of Mineral Resources and Mineral Reserves and the geology, grade and continuity of mineral deposits including but not limited to models relating thereto; actual ore mined and/or metal recoveries varying from Mineral Resource and Mineral Reserve estimates; mine plans, and life of mine estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; natural phenomena such as earthquakes, flooding, and unusually severe weather; potential for the allegation of fraud and corruption involving the Company, its customers, suppliers or employees, or the allegation of improper or discriminatory employment practices, or human rights violations; security at the Company's operations; breach or compromise of key information technology systems; materially increased or unanticipated reclamation obligations; risks related to mine closure activities; risks related to closed and historical sites; title risk and the potential of undetected encumbrances; risks associated with the structural stability of waste rock dumps or tailings storage facilities; and other risks and uncertainties, including but not limited to those described in the "Risk and Uncertainties" section of the Annual Information Form for the year ended December 31, 2018 and the "Managing Risks" section of the Company's MD&A for the year ended December 31, 2018, which are available on SEDAR at www.sedar.com under the Company's profile. All of the forward-looking statements made in this document are qualified by these cautionary statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, forecast or intended and readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information. Accordingly, there can be no assurance that forward-looking information will prove to be accurate and forward-looking information is not a guarantee of future performance. Readers are advised not to place undue reliance on forward-looking information. The forward-looking information contained herein speaks only as of the date of this document. The Company disclaims any intention or obligation to update or revise forward-looking information or to explain any material difference between such and subsequent actual events, except as required by applicable law.