Lundin Mining Second Quarter Results

TORONTO, July 29, 2020 /CNW/ - **(TSX: LUN) (Nasdaq Stockholm: LUMI) Lundin Mining Corporation** ("Lundin Mining" or the "Company") today reported second quarter 2020 net earnings attributable to Lundin Mining shareholders of $38.7 million ($0.05 per share) and adjusted earnings[2] of $52.8 million ($0.07 per share). Cash flows of $37.6 million were generated from operations in the period and adjusted operating cash flow[2] was $179.0 million ($0.24 per share). Adjusted EBITDA[2] were $231.5 million for the quarter.

Marie Inkster, President and CEO commented, *"Our operations performed well in the second quarter, particularly in light of adapting many business processes and implementing preventative measures to protect our workforce and communities from the ongoing risk of COVID-19. We have refocused our efforts and are providing proactive assistance and resources to our local communities to best address needs as the pandemic continues to evolve differently in each region.*

Our operations are set for an improved second half of the year. While we have reduced Candelaria's full year production guidance, Eagle's copper production has been increased, and cash cost guidance for both Chapada and Eagle have been improved. The 2020 capital expenditure guidance for ZEP has increased slightly as minor project works are continuing that will help facilitate a smooth restart and ramp-up of construction activities when that occurs.

Lastly, we are proud to announce the issuance of our 2019 Sustainability Report. We believe you will find the report once again provides a comprehensive disclosure of our ESG performance, commitments and strategies for the future."

Summary Financial Results

	Three months ended June 30,		Six months ended June 30,	
US$ Millions (except per share amounts)	**2020**	2019	**2020**	2019
Revenue	**533.3**	369.3	**911.3**	785.6
Gross profit	**142.1**	25.1	**119.4**	166.3
Attributable net earnings (loss)[1]	**38.7**	(7.8)	**(72.7)**	43.9
Net earnings (loss)	**48.3**	(8.6)	**(65.3)**	52.3
Adjusted earnings (loss)[1,2]	**52.8**	(11.1)	**11.7**	51.9
Adjusted EBITDA[2]	**231.5**	75.6	**321.8**	252.6
Basic and diluted net earnings (loss) per share[1]	**0.05**	(0.01)	**(0.10)**	0.06
Adjusted basic and diluted earnings (loss) per share[1,2]	**0.07**	(0.02)	**0.02**	0.07
Cash flow from operations	**37.6**	204.5	**121.0**	266.6
Adjusted operating cash flow[2]	**179.0**	49.9	**206.9**	189.1
Adjusted operating cash flow per share[2]	**0.24**	0.07	**0.28**	0.26
Cash and cash equivalents	**283.9**	735.1	**283.9**	735.1
Net (debt) cash[2]	**(220.0)**	661.1	**(220.0)**	661.1

[1] Attributable to shareholders of Lundin Mining Corporation.

[2] These are non-GAAP measures. Please refer to the Company's discussion of non-GAAP measures in its Management's Discussion and Analysis for the three and six months ended June 30, 2020.

Highlights

Operational Performance

Operations performed well in the quarter with copper production at all operations higher than the prior year comparable quarter and record combined throughput of over 1.0 million tonnes at Neves-Corvo. With the exception of Candelaria, production at all mines remain on target to achieve previously disclosed annual guidance, despite challenges of the COVID-19 pandemic. Furthermore, cash costs at all operations were in-line or better than expected. For Chapada and Eagle, annual cash cost guidance is improving by 24% and 15%, respectively.

As the Company adapts to a new way of operating under COVID-19, Lundin Mining continues to manage and respond to the pandemic within the framework of its Crisis Management and Pandemic Response Plan, along with recommendations of health authorities and local and national regulatory requirements. The Company has implemented preventive measures to ensure the safety of its workforce, local communities and other key stakeholders. The Zinc Expansion Project ("ZEP") at Neves-Corvo

continues to be temporarily suspended and business continuity measures have been implemented at all of our sites in an effort to mitigate and minimize potential future impacts of this pandemic, particularly with travel and contractors from outside the immediate mine regions.

During the second quarter of 2020, the fast-growing infection rates inBrazil, Chile and the USA have increased the risk of outbreaks in the communities near Chapada, Candelaria and Eagle whereas rates of infection in the areas near our operations in Sweden and Portugal remained relatively stable. In the event of a localized outbreak in any of our operating jurisdictions, there may be a need to implement increased isolation and containment measures to prevent the spread of the virus. These actions could impact production levels, delay maintenance activities and disrupt supply chains.

To date, production disruptions have been minimal and there has been no significant disruption in the delivery or receipt of goods at our operations as a result of COVID-19.

Candelaria (80% owned): Candelaria produced 35,060 tonnes of copper, and approximately 21 thousand ounces of gold in concentrate on a 100% basis. Copper production for the quarter was higher than the prior year quarter primarily due to higher copper head grades and recoveries as more higher-grade open pit and underground ore was mined. However, throughput was lower than planned due to ore hardness, operational issues and an unplanned maintenance stop. In addition, COVID-19 has further delayed the Candelaria Mill Optimization Project ("CMOP") and installation of the final ball mill motor is now planned for January 2021; accordingly, full year production guidance has been reduced. Copper cash costs[1] of $1.36/lb for the quarter were better than the prior year comparable quarter largely owing to the impact of favourable foreign exchange.

Chapada (100% owned): Chapada produced 13,799 tonnes of copper and approximately 23 thousand ounces of gold in-line with plan. Copper cash costs of $0.21/lb were better than expected benefitting from favourable foreign exchange and higher gold by-product prices.

Eagle (100% owned): Eagle produced 3,380 tonnes of nickel and 4,102 tonnes of copper during the quarter. Nickel production was comparable to the prior year comparable quarter. Copper production was higher than the prior year quarter as a result of higher grades. Nickel cash costs of $1.13/lb for the quarter were lower than the prior year comparable quarter due primarily to lower treatment and refining costs.

Neves-Corvo (100% owned): Neves-Corvo produced 10,559 tonnes of copper and 18,986 tonnes of zinc for the quarter. Copper production was higher than the prior year quarter benefitting from record throughput and better recoveries, while zinc production was higher due to higher grades. Copper cash costs of $1.75/lb for the quarter were lower than the prior year quarter due to favourable foreign exchange which was partially offset by lower by-product credits stemming from lower realized zinc prices.

Major construction and commissioning of ZEP continues to be temporarily suspended to reduce the risk of the spread of COVID-19 to employees, contractors and local communities.

Zinkgruvan (100% owned): Zinc production of 12,596 tonnes and lead production of 3,799 tonnes was lower than the prior year quarter due to grades and lower throughput as a result of the sequencing of copper production. Zinc cash costs of $0.56/lb were higher than the prior year quarter as a result of lower sales volumes and by-product credit metal prices.

Total Production

(Contained metal in concentrate)	**2020**				2019			
	YTD	**Q2**	**Q1**	**Total**	Q4	Q3	Q2	Q1
Copper (t)[ab]	**127,452**	**65,285**	**62,167**	**235,498**	67,131	74,560	47,685	46,122
Zinc (t)	**68,529**	**31,582**	**36,947**	**151,515**	38,925	35,028	37,116	40,446
Gold (koz)[ab]	**83**	**44**	**39**	**142**	43	58	21	20
Nickel (t)	**6,955**	**3,380**	**3,575**	**13,494**	2,651	3,232	3,398	4,213

a - Candelaria's production is on a 100% basis.
b - Chapada results included are for the Company's ownership period.

Corporate Highlights

- On June 30, 2020, the Company published its annual Sustainability Report which provides updates on the economic, safety, environmental and social issues that are of greatest interest to communities near the Company's operations, employees, investors, and other stakeholders. A copy of the Company's Sustainability Report is available on the Company's website (www.lundinmining.com).

Financial Performance

- Gross profit for the quarter ended June 30, 2020 increased by $117.0 million compared to the prior year quarter. The increase was primarily due to the addition of the Chapada mine ($59.3 million), higher realized metal prices and price adjustments ($40.0 million) and favourable foreign exchange ($19.0 million), partially offset by higher depreciation

expense at Candelaria ($22.1 million).

- On a year-to-date basis, gross profit decreased by $46.9 million from the prior year comparative period. The decrease was primarily due to lower metal prices and price adjustments ($154.4 million) and higher depreciation ($59.4 million). These decreases were partially offset by the addition of Chapada mine which contributed $81.2 million to gross profit, favourable foreign exchange ($36.7 million) and higher net sales volumes ($19.9 million).
- Net earnings for the quarter ended June 30, 2020 increased by $56.9 million from the prior year quarter. The increase was attributable to higher gross profit, partially offset by higher income taxes ($55.9 million).
- On a year-to-date basis, net earnings decreased by $117.6 million from the prior year comparative period. The decrease was attributable to lower gross profit, higher income taxes ($103.6 million) and higher finance costs, partially offset by lower general exploration and business development expenses and higher foreign exchange gains.
- Adjusted earnings for the quarter were $63.8 million higher than the prior year quarter due mainly to higher gross profit offset by higher income taxes. On a year-to-date basis, adjusted earnings were $40.2 million lower than the prior year due to lower gross profit.

Financial Position and Financing

- Cash and cash equivalents of $283.9 million as at June 30, 2020 decreased by $83.0 million during the quarter including cash flow from operations of $37.6 million, which included an outflow of $141.4 million for changes in working capital. $100.2 million was invested in capital expenditures.
- On a year-to-date basis, cash and cash equivalents increased by $33.4 million. In addition to $121.0 million in operating cash flow, the Company drew down approximately $200.0 million in debt, invested $241.2 million in capital expenditures and returned $42.6 million to shareholders in dividend payments.
- Net debt of $220.0 million as at June 30, 2020 reflects an increase of $159.7 million since December 31, 2019. Operating cash flow of $121.0 million was more than offset by capital investment ($241.2 million) and dividend payments to shareholders ($42.6 million).
- As of July 29, 2020, the Company had a cash and net debt balance of approximately $225.0 million and $190.0 million, respectively.

Outlook

All operations had a good quarter and, other than Candelaria, are on track to meet previously disclosed production guidance. Candelaria continued to experience lower throughput than planned due to ore hardness, operational issues and unplanned maintenance stops. Production guidance for Candelaria has been reduced to reflect the lower production to date, as well as a further delay in CMOP due to COVID-19. Cash costs at Chapada and Eagle have been better than expected due to favourable by-product metal prices and, at Chapada, favourable foreign exchange; accordingly, cash cost guidance for these two operations has been reduced.

While the Company has not experienced significant disruptions to production, shipments of concentrate, or its supply chain due to COVID-19, we caution that the global effects of COVID-19 are continuing to evolve. The number of new cases in Brazil, Chile, and the USA have continued to increase. Given the uncertainty of the duration and magnitude of the impact of COVID-19, our production and cash cost estimates are subject to a higher than normal degree of uncertainty. The guidance below does not reflect any potential for additional suspensions or other significant disruption to operations due to COVID-19.

2020 Production and Cash Cost Guidance

		Previous Guidance[a]		Revised Guidance	
(contained metal in concentrate)		Tonnes	Cash Costs	Tonnes	Cash Costs[b]
Copper (t)	Candelaria (100%)	*160,000 - 175,000*	*$1.35/lb[c]*	***145,000 - 155,000***	*$1.35/lb[c]*
	Chapada	*51,000 - 56,000*	*$0.85/lb[d]*	*51,000 - 56,000*	***$0.65/lb[d]***
	Eagle	*15,000 - 18,000*		***17,000 - 19,000***	
	Neves-Corvo	*35,000 - 40,000*	*$2.10/lb*	*35,000 - 40,000*	*$2.10/lb[c]*
	Zinkgruvan	*3,000 - 4,000*		*3,000 - 4,000*	
	Total	***264,000 - 293,000***		***251,000 - 274,000***	
Zinc (t)	Neves-Corvo	*70,000 - 75,000*		*70,000 - 75,000*	
	Zinkgruvan	*72,000 - 77,000*	*$0.60/lb*	*72,000 - 77,000*	*$0.60/lb[c]*
	Total	***142,000 - 152,000***		***142,000 - 152,000***	
Gold (oz)	Candelaria (100%)	*90,000 - 100,000*		*80,000 - 90,000*	
	Chapada	*85,000 - 90,000*		*85,000 - 90,000*	
	Total	***175,000 - 190,000***		***165,000 - 180,000***	
Nickel (t)	**Eagle**	*15,000 - 18,000*	*$1.00/lb*	*15,000 - 18,000*	***$0.85/lb***

a. Guidance as outlined in the Management's Discussion and Analysis for the three months ended March 31, 2020.
b. Cash costs are based on various assumptions and estimates, including but not limited to: production volumes, as noted above, commodity prices (Cu: $2.35/lb, Zn: $0.85/lb, Ni: $5.25/lb, Pb: $0.75/lb, Au: $1,600/oz), foreign exchange rates (€/USD:1.15, USD/SEK:9.25, USD/CLP:800, USD/BRL:5.00) and operating costs for the remainder of 2020.
c. 68% of Candelaria's total gold and silver production are subject to a streaming agreement and as such costs are calculated based on receipt of $412/oz and $4.12/oz respectively, on gold and silver sales. Silver production at Zinkgruvan and Neves-Corvo are also subject to streaming agreements, and cash costs are calculated based on receipt of approximately $4.40/oz and $4.30/oz, respectively, on silver sales.
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.

2020 Capital Expenditure Guidance

Sustaining capital expenditure guidance remains the same as the prior quarter. ZEP capital expenditure guidance has been updated to include a limited number of critical path items that can be undertaken without introducing additional risk to the operation. Total pre-production cost for ZEP remains unchanged from previous guidance at €360 million.

($ millions)	Previous Guidance[a]	Revisions	Revised Guidance
Candelaria (100% basis)	230	-	230
Chapada	40	-	40
Eagle	15	-	15
Neves-Corvo	55	-	55
Zinkgruvan	45	-	45
Total Sustaining Capital	385	-	385
Zinc Expansion Project (Neves-Corvo)	55	**10**	**65**
Total Capital Expenditures	440	**10**	**450**

a. Guidance as outlined in the Management's Discussion and Analysis for the three months ended March 31, 2020.

2020 Exploration Investment Guidance

Planned exploration expenditures of $35.0 million in 2020 remain unchanged from guidance provided in the previous quarter. Most of the planned expenditures for 2020 will be spent supporting in-mine and near-mine targets at our operations including $15.0 million at Candelaria, $6.0 million at Zinkgruvan, $6.0 million at Chapada, and $2.0 million at Neves-Corvo.

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, zinc, gold and nickel.

The information in this release is subject to the disclosure requirements of Lundin Mining under the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below on July 29, 2020 at 18:00 Eastern Time.

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 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 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: volatility and fluctuations in metal and commodity prices; global financial conditions and inflation; 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, and natural phenomena such as earthquakes, flooding or unusually severe weather; uninsurable risks; changes in the Company's share price, and volatility in the equity markets in general; the threat associated with outbreaks of viruses and infectious diseases, including the novel COVID-19 virus; risks related to negative publicity with respect to the Company or the mining industry in general; reliance on a single asset; 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; actual ore mined and/or metal recoveries varying from Mineral Resource and Mineral Reserve estimates, estimates of grade, tonnage, dilution, mine plans and metallurgical and other characteristics; 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; ore processing efficiency; risks inherent in and/or associated with operating in foreign countries and emerging markets; security at the Company's operations; changing taxation regimes; health and safety risks; exploration, development or mining results not being consistent with the Company's expectations; unavailable or inaccessible infrastructure and risks related to ageing infrastructure; counterparty and credit risks and customer concentration; risks related to the environmental regulation and environmental impact of the Company's operations and products and management thereof; exchange rate fluctuations; reliance on third parties and consultants in foreign jurisdictions; community and stakeholder opposition; civil disruption; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; uncertain political and economic environments; litigation; regulatory investigations, enforcement, sanctions and/or related or other litigation; risks associated with the structural stability of waste rock dumps or tailings storage facilities; changes in laws, regulations or policies including but not limited to those related to mining regimes, permitting and approvals, environmental and tailings management, labour, trade relations, and transportation; climate change; compliance with environmental, health and safety laws; enforcing legal rights in foreign jurisdictions; information technology and cybersecurity risks; estimates of future production and operations; estimates of operating, cash and all-in sustaining cost estimates; delays or the inability to obtain, retain or comply with permits; compliance with foreign laws; risks related to mine closure activities and closed and historical sites; challenges or defects in title; the price and availability of key operating supplies or services; historical environmental liabilities and ongoing reclamation obligations; indebtedness; funding requirements and availability of financing; liquidity risks and limited financial resources; risks relating to attracting and retaining of highly skilled employees; risks associated with acquisitions and related integration efforts, including the ability to achieve anticipated benefits, unanticipated difficulties or expenditures relating to integration and diversion of management time on integration; the estimation of asset carrying values; internal controls; competition; dilution; existence of significant shareholders; conflicts of interest; activist shareholders and proxy solicitation matters; risks relating to dividends; risks associated with business arrangements and partners over which the Company does not have full control; and other risks and uncertainties, including but not limited to those described in the "Risks and Uncertainties" section of the Annual Information Form and the "Managing Risks" section of the Company's MD&A for the year ended December 31, 2019, 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.

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Additional assets available online: Documents (1)

https://lundinmining.mediaroom.com/2020-07-29-Lundin-Mining-Second-Quarter-Results