Lundin Mining Third Quarter Results

TORONTO, Oct. 28, 2020 /CNW/ - (TSX: LUN) (Nasdaq Stockholm: LUMI)**Lundin Mining Corporation** ("Lundin Mining" or the "Company") today reported cash flows of $272.2 million generated from operations in its third quarter 2020. Adjusted operating cash flow[2] for the quarter was $262.0 million ($0.36 per share). Attributable net earnings for the quarter was$122.4 million ($0.17 per share) and adjusted earnings[2] was $106.4 million ($0.14 per share). Adjusted EBITDA[2] was $300.3 million for the quarter.

Marie Inkster, President and CEO commented, "*Though we have had challenges on several fronts over the past month, each has been met with immediate action plans. Our team is organized and determined. We will respond to adversity with action, to overcome our challenges in the most expeditious way possible.*

Safety stand downs across our organization have given us time to honour our colleague at Neves-Corvo and reflect on our shared commitment to our goal of Zero Harm. Both our Alcaparrosa mine at Candelaria and Eagle mine were recognized by national governing bodies for their outstanding safety records, and our Company is on-track for our lowest injury rate year.

Operationally, noticeable progress has been made at Candelaria to improve overall mill throughput. The operation is well positioned for a return to full production rates once fair and sustainable labour agreements are reached. Chapada's strong performance continued until late in the quarter. The team has done an excellent job to minimize the expected impact and to take advantage of the downtime, as seen by reinstated 2020 guidance. Official restart of the Zinc Expansion Project at Neves-Corvo is scheduled for early 2021 with planned fourth quarter 2020 activities to include commissioning of the SAG mill with waste. And lastly, Eagle and Zinkgruvan continue to perform well, taking advantage of the improving nickel, copper and zinc prices, as evidenced by Eagle's record cash cost and free cash flow generation."

Summary Financial Results

	Three months ended September 30,		Nine months ended September 30,	
US$ Millions (except per share amounts)	**2020**	2019	**2020**	2019
Revenue	**600.7**	538.7	**1,512.0**	1,324.4
Gross profit	**199.3**	128.6	**318.8**	294.9
Attributable net earnings[1]	**122.4**	26.4	**49.6**	70.2
Net earnings	**133.6**	32.1	**68.3**	84.4
Adjusted earnings [1,2]	**106.4**	25.6	**120.0**	77.5
Adjusted EBITDA[2]	**300.3**	224.3	**622.1**	476.9
Basic and diluted net earnings per share[1]	**0.17**	0.04	**0.07**	0.10
Adjusted basic and diluted earnings per share[1,2]	**0.14**	0.03	**0.16**	0.11
Cash flow from operations	**272.2**	111.6	**393.2**	378.2
Adjusted operating cash flow[2]	**262.0**	155.0	**468.9**	344.1
Adjusted operating cash flow per share[2]	**0.36**	0.21	**0.64**	0.47
Cash and cash equivalents	**220.0**	184.6	**220.0**	184.6
Net debt[2]	**124.0**	185.0	**124.0**	185.0

[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 nine months ended September 30, 2020.

Highlights

Operational Performance

All operations continued to effectively manage costs, but metal production was impacted by lower grades and throughput. In addition, while there was no significant impact to production, the Company had two unplanned operational suspensions in the last week of the quarter.

The Company continues to manage and respond to the COVID-19 pandemic and has implemented preventative measures to

ensure the safety of its workforce, local communities and other key stakeholders. To date, production disruptions as a result of COVID-19 have been minimal and there has been no significant disruption in the delivery or receipt of goods at our operations.

Candelaria (80% owned): Candelaria produced 35,836 tonnes of copper, and approximately 21 thousand ounces of gold in concentrate on a 100% basis in the quarter. Copper production for the quarter was lower than the prior year quarter primarily due to lower grades. Ore milled during the third quarter of 2020 significantly improved over that achieved in the first two quarters of the year as measures to address variability in ore hardness and mill circuit availabilities began to take hold. Mining is advancing through the areas of Phase 10 which were in proximity to where pit wall displacement issues occurred in Phase 9, without issue. Copper cash costs[1] of $1.37/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 12,990 tonnes of copper and approximately 24 thousand ounces of gold which were lower than the prior year quarter due primarily to lower throughput as a result of expected increase in ore hardness as well as the mill interruption at quarter-end. Processing activities were interrupted on September 27, 2020 when the protection system at the operation's main electrical substation failed after the restoration of an outage, damaging all four SAG and ball mill motors. Two spare motors have since been installed and the operation is currently operating at approximately 30% of its throughput capacity. A return to full production is expected late in the fourth quarter. Despite the late quarter interruption, copper cash costs of $0.21/lb for the quarter were better than expected benefitting from favourable foreign exchange and higher gold by-product prices.

Eagle (100% owned): Eagle produced 4,854 tonnes of nickel and 5,055 tonnes of copper during the quarter. Nickel and copper production was higher than the prior year quarter due to higher grades from Eagle East. By-product credits, aided by rising copper prices, exceeded gross cash costs in the quarter resulting in record nickel cash costs of $(0.63)/lb. Gross costs were lower primarily due to treatment and refining charges.

Neves-Corvo (100% owned): Neves-Corvo produced 6,518 tonnes of copper and 15,459 tonnes of zinc for the quarter. Copper and zinc production were lower than the prior year quarter due to lower throughput. A voluntary 5-day suspension of mining and milling operations took place following a fatal accident on September 25, 2020. The Company held safety stand downs at all its operations globally and remains committed to safe production. Copper grades were also lower while zinc grades improved over the prior quarter. Copper cash costs of $1.97/lb for the quarter were higher than the prior year quarter due to lower sales volumes which were partially offset by higher by-product credits from higher zinc prices.

Restart of the Zinc Expansion Project (ZEP) is on track for early 2021. During the third quarter, work continued to prepare the surface and underground construction sites for the restart. Preparation work that is planned for the fourth quarter of 2020 includes ventilation raise work, activities on the SAG mill, including commissioning with waste, and surface conveyor installations.

Zinkgruvan (100% owned): Zinc production of 17,328 tonnes was higher than the prior year quarter due to higher achieved throughput. Lead production of 5,571 tonnes was lower than the prior year quarter due to lower feed grades. Zinc cash costs of $0.55/lb were higher than the prior year quarter as a result of higher per-unit operating costs as well as unfavourable foreign exchange.

[1] This is a non-GAAP measure. Please refer to the Company's discussion of non-GAAP measures in its Management's Discussion and Analysis for the three and nine months ended September 30, 2020.

Total Production

(Contained metal in concentrate)			2020				2019		
	YTD	**Q3**	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (t)[a,b]	188,896	**61,444**	65,285	62,167	235,498	67,131	74,560	47,685	46,122
Zinc (t)	101,316	**32,787**	31,582	36,947	151,515	38,925	35,028	37,116	40,446
Gold (koz)[a,b]	128	**45**	44	39	142	43	58	21	20
Nickel (t)	11,809	**4,854**	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 Updates

- On September 8, 2020, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2020. On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totalled 5,518 kt of copper, 3,123 kt of zinc, 100 kt of nickel, 936 kt of lead and 6.9 million ounces of gold.

- On September 25, 2020, the Company reported that a fatal accident occurred at its Neves-Corvo mine in Portugal. The incident occurred during underground mining operations. No other personnel were injured in the incident and the scene has been secured. Operations were temporarily suspended.

- On September 27, 2020, the Company announced that processing activities have been interrupted at the Chapada mine in Brazil. The operation suffered a power outage in the morning of September 27, 2020 and when power was restored, the protection system at the operation's main electrical substation failed, resulting in significant damage to all four SAG and ball mill motors. In addition to assessing a staged resumption of processing, the Company will be bringing forward planned maintenance and refocusing mining on waste removal and development activities.

- On October 7, 2020, the Company reported that mediation with Candelaria's Mine Workers Union, which represents approximately 350 workers, ended without an agreement thereby putting the Union in a legal position to strike.

  On October 18, 2020, the Company announced that despite mediation with the Candelaria AOS Union, the parties had failed to reach an agreement and Candelaria AOS Union could legally be on strike commencing October 20, 2020.

  Both the Mine Workers Union and the AOS Union are currently on strike and, as a result, Candelaria operations are temporarily suspended. Critical works continue to be executed to protect required onsite personnel, the operation and the environment.

Financial Performance

- Gross profit for the quarter ended September 30, 2020 was $199.3 million, an increase of $70.7 million compared to the prior year quarter. The increase was primarily due to higher realized metal prices and price adjustments ($81.0 million), partially offset by lower sales volumes ($9.1 million).

- On a year-to-date basis, gross profit was $318.8 million, an increase of $23.8 million over the prior year comparative period due to the acquisition of Chapada in July 2019 ($81.2 million) and favourable foreign exchange ($51.5 million), partially offset by lower metal prices and price adjustments ($46.6 million) and higher depreciation ($67.6 million).

- Net earnings for the quarter ended September 30, 2020 were $133.6 million, an increase of $101.5 million compared to the prior year quarter. The increase was attributable to higher gross profit, lower finance costs and lower income taxes.

  On a year-to-date basis, net earnings were $68.3 million, a decrease of $16.1 million from the prior year comparative period as lower general exploration and business development expenses, higher foreign exchange gains of $38.9 million and lower finance costs were more than offset by higher income taxes from the inclusion of Chapada mine

- Adjusted earnings for the quarter were $106.4 million, an increase of $80.8 million over the prior year quarter due mainly to higher gross profit. On a year-to-date basis, adjusted earnings were $120.0 million, $42.5 million higher than the prior year primarily due to higher gross profit, foreign exchange gains and lower finance and general exploration and business development costs.

Financial Position and Financing

- Cash and cash equivalents of $222.0 million as at September 30, 2020 decreased by $62.0 million during the quarter. Cash flow from operations of $272.2 million was used to invest in capital expenditures ($89.8 million), pay shareholder dividends ($22.3 million) and the derivative liability related to the Chapada acquisition ($25.0 million), as well as make distributions to non-controlling interests ($26.0 million). The Company also repaid approximately $160.0 million in debt on a net basis, including $145.0 million on its revolving credit facility.

- On a year-to-date basis, cash and cash equivalents decreased by $28.6 million as cash flow from operations of $393.2 million was more than offset by capital expenditure of $331.0 million and cash flow used in financing activities of $80.7 million.

- Net debt of $124.0 million as at September 30, 2020 reflects an increase of $63.8 million since December 31, 2019. Operating cash flow of $393.2 million for the first nine months of 2020 was offset by capital investment ($331.0 million), dividend payments to shareholders ($64.9 million), distributions paid to non-controlling interests of $26.0 million and the negative effect of foreign exchange on cash of $23.0 million.

- As of October 28, 2020, the Company had a cash and net debt balance of approximately $280.0 million and $65.0 million, respectively.

Outlook

Candelaria's guidance was withdrawn on October 18, 2020 to reflect the temporary suspension of operations due to the current labour action. Guidance for Chapada assumes 60 days of production at approximately 30% capacity following the mill interruption at the end of September. Metal production guidance for Neves-Corvo has been updated and tightened to reflect the impact of lower grades and ore availability to date and expectations for the fourth quarter.

Cash costs at Chapada and Eagle have been better than expected due to continued 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 a localized outbreak at the operations may require the need to implement increased isolation and containment measures which could impact production, delay maintenance activities or disrupt supply chains. Given the uncertainty of the duration and magnitude of the impact of COVID-19, 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%)	145,000 - 155,000	$1.35/lb[c]	**N/A**	**N/A**
	Chapada	51,000 - 56,000	$0.65/lb[d]	**45,000 - 50,000**	**$0.55/lb[d]**
	Eagle	17,000 - 19,000		17,000 - 19,000	
	Neves-Corvo	35,000 - 40,000	$2.10/lb	**32,000 - 34,000**	$2.10/lb[c]
	Zinkgruvan	3,000 - 4,000		3,000 - 4,000	
	Total	**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 - 74,000**	$0.60/lb[c]
	Total	**142,000 - 152,000**			
Gold (oz)	Candelaria (100%)	90,000 - 100,000		**N/A**	
	Chapada	85,000 - 90,000		**80,000 - 85,000**	
	Total	**175,000 - 190,000**			
Nickel (t)	**Eagle**	15,000 - 18,000	$0.85/lb	15,000 - 18,000	**$0.50/lb**

a. Guidance as outlined in the Management's Discussion and Analysis for the three and six months ended June 30, 2020. Chapada's guidance was subsequently withdrawn on September 27, 2020. Candelaria's guidance was subsequently withdrawn on October 18, 2020.
b. Cash costs are based on various assumptions and estimates, including but not limited to; production volumes, as noted above, commodity prices (Cu: $3.00/lb, Zn: $1.10/lb, Ni: $6.50/lb, Pb: $0.85/lb, Au: $1,900/oz.), foreign exchange rates (€/USD:1.20, USD/SEK:8.50, USD/BRL:5.00) and operating costs, for the remainder of 2020.
c. Silver production at Zinkgruvan and Neves-Corvo is 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

Candelaria's guidance for capital expenditures has been withdrawn reflecting the temporary suspension of operations due to the current labour action. Guidance for the other operations remains unchanged from previous guidance.

($millions)	**Guidance**
Sustaining Capital	
Candelaria (100% basis)	N/A
Chapada	40
Eagle	15
Neves-Corvo	55
Zinkgruvan	45

2020 Exploration Investment Guidance

Planned exploration expenditures of $35.0 million in 2020 remain unchanged from guidance in the previous quarter. Planned expenditures for 2020 are focused on 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 October 28, 2020 at 18:30 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 or labour disputes; timing for any required repairs and resumption of any interrupted operations; 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.

SOURCE Lundin Mining Corporation

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Additional assets available online: Documents (1)

https://lundinmining.mediaroom.com/2020-10-28-Lundin-Mining-Third-Quarter-Results