Lundin Mining

Lundin Mining Fourth Quarter and Full Year 2020 Results

TORONTO, Feb. 18, 2021 /CNW/ - (TSX: LUN) (Nasdaq Stockholm: LUMI) **Lundin Mining Corporation** ("Lundin Mining" or the "Company") today reported cash flows of $172.7 million generated from operations in its fourth quarter 2020 and $565.9 million for the year. Adjusted operating cash flow[2] for the quarter was $175.7 million ($0.24 per share) and $644.6 million ($0.88 per share) for the year. Attributable net earnings for the quarter was $119.2 million ($0.16 per share) and $168.8 million ($0.23 per share) for the year. Adjusted earnings[2] for the quarter was $106.7 million ($0.15 per share) and $225.2 million ($0.31 per share) for the year. Adjusted EBITDA[2] was $234.8 million for the quarter and $856.9 million for the year.

Marie Inkster, President and CEO commented, "*We expect 2021 to be an exciting and rewarding year for Lundin Mining. We responded decisively with clear action plans to overcome our fourth quarter challenges and as a result we ended the year in a strong position. Candelaria and Chapada both returned to full production capacity in the fourth quarter of 2020, and the Zinc Expansion Project at Neves-Corvo officially restarted in January 2021. Eagle set a new record for annual throughput and achieved impressive cash costs to generate significant free cash flow and margins. Lastly, in its 164th year of continuous production Zinkgruvan set new annual records for both tonnes hoisted from the mine and tonnes milled.*

We expect to benefit significantly in 2021 from the investments made in our operations the last several years, taking advantage of the favourable metal price environment, to generate meaningful free cash flow and returns for our shareholders."

Summary Financial Results

	Three months ended December 31, 2020		**Twelve months ended December 31, 2020**	
US$ Millions (except per share amounts)	**2020**	2019	**2020**	2019
Revenue	**529.5**	568.4	**2,041.5**	1,892.7
Gross profit	**179.4**	145.5	**498.1**	440.4
Attributable net earnings[1]	**119.2**	97.0	**168.8**	167.3
Net earnings	**120.8**	104.8	**189.1**	189.2
Adjusted earnings [1,2]	**106.7**	93.2	**225.2**	159.5
Adjusted EBITDA[2]	**234.8**	234.6	**856.9**	705.7
Basic and diluted net earnings per share[1]	**0.16**	0.13	**0.23**	0.23
Adjusted basic and diluted earnings per share[1,2]	**0.15**	0.13	**0.31**	0.22
Cash flow from operations	**172.7**	186.4	**565.9**	564.6
Adjusted operating cash flow[2]	**175.7**	206.7	**644.6**	550.7
Adjusted operating cash flow per share[2]	**0.24**	0.28	**0.88**	0.75
Cash and cash equivalents	**141.4**	250.6	**141.4**	250.6
Net debt[2]	**63.2**	60.2	**63.2**	60.2

[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 year ended December 31, 2020.

Highlights

Operational Performance

Annual production of all metals met or exceeded the Company's most recent annual production guidance despite the operational challenges of the latter part of the year. The Company continued to effectively manage costs and all operations reported cash costs that were better than the most recent annual guidance. Annual capital expenditures of $431.2 million were modestly lower than the most recent guidance of $445.0 million.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The Company has adapted to a new way of operating and continues to manage and respond to the COVID-19 pandemic. Preventative measures have been implemented across the organization to ensure the safety of its workforce, local communities and other key stakeholders. To date, production disruptions have been minimal and there has been no significant disruption in the delivery of concentrate or receipt of goods at our operations as a result of COVID-19.

Candelaria (80% owned): Candelaria produced, on a 100% basis, 126,702 tonnes of copper, approximately 76,000 ounces of gold and 1.1 million ounces of silver in concentrate during the year. Copper and gold production exceeded guidance for the current year but was lower than the prior year as a result of lower throughput in the fourth quarter of 2020 due to union strike work stoppages and ore hardness in the first half of 2020. Copper cash costs[1] of $1.45/lb were better than annual guidance and the prior year, largely due to the impact of favourable foreign exchange. The Candelaria Mill Optimization Project is now complete after the final ball mill motor installation in the fourth quarter.

Chapada (100% owned): Chapada produced 50,038 tonnes of copper and approximately 87,000 ounces of gold, both exceeding guidance due to a faster than anticipated recovery from the mill interruption at the end of the third quarter, resulting in higher than expected throughput in the fourth quarter. Full year copper cash costs $0.29/lb were also better than guidance, benefitting from higher mill throughput and favourable foreign exchange.

Eagle (100% owned): Eagle production for the year met guidance and exceeded the prior year, producing 16,718 tonnes of nickel and 18,663 tonnes of copper. A new annual mill throughput record was set at 761,000 tonnes. Nickel cash costs of $0.10/lb for the year were better than guidance and the prior year due primarily to higher copper by-product prices.

Neves-Corvo (100% owned): Neves-Corvo produced 32,032 tonnes of copper for the year, meeting guidance. Zinc production of 69,143 tonnes was marginally below guidance resulting from lower than planned grades in the fourth quarter. Overall metal production was lower than the prior year due to reduced throughput and grades. Copper cash costs of $2.09/lb for the year were in-line with guidance, but were higher than the prior year due to lower copper sales volumes.

Official restart of the Zinc Expansion Project ("ZEP") began in January 2021. During 2020, work continued to prepare the surface and underground construction sites for the restart including ventilation raise work, activities on the surface conveyor installations and SAG mill including commissioning with waste rock.

Zinkgruvan (100% owned): Zinc production of 73,601 tonnes and copper production of 3,346 tonnes both met guidance, and new annual production records were set for both tonnes hoisted from the mine and milled tonnes. Zinc and lead production (24,128 tonnes) were lower than the prior year, impacted by lower head grades resulting from a change in mine sequencing early in the year. Zinc cash costs of $0.52/lb for the year were better than guidance.

[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 year ended December 31, 2020.

Total Production

(Contained metal in concentrate)	2020					2019				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (t)[a,b]	230,781	**41,885**	61,444	65,285	62,167	235,498	67,131	74,560	47,685	46,122
Zinc (t)	142,744	**41,428**	32,787	31,582	36,947	151,515	38,925	35,028	37,116	40,446
Gold (koz)[a,b]	163	**35**	45	44	39	142	43	58	21	20
Nickel (t)	16,718	**4,909**	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 February 20, 2020, the Company declared a 33% increase in the quarterly cash dividend, to C$0.04 per share, compared to the dividend paid in 2019.
- On March 15, 2020, major construction and commissioning activities for ZEP were suspended in order to reduce the COVID-19 risks on the local communities, employees and contractors. Zinc production and capital cost guidance was withdrawn. The official restart of ZEP commenced in January 2021.
- On June 30, 2020, the Company published its annual Sustainability Report which is available on the Company's website (www.lundinmining.com).
- 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 oz of gold.
- On September 25, 2020, the Company reported a fatal accident at its Neves-Corvo mine. The incident occurred during underground mining operations. No other personnel were injured in the incident.
- On September 27, 2020, the Company announced that processing activities had been interrupted at the Chapada mine

due to a power outage which damaged all four mill motors; full year production, cash costs and capital expenditure guidance were withdrawn. Operations resumed at a reduced capacity in early October, and returned to full production in December 2020.

- On October 7, 2020, the Company reported that mediation with Candelaria's Mine Workers Union ended without an agreement and the workers commenced strike action. Subsequently, on October 20, 2020, negotiations with the Candelaria AOS Union failed to reach an agreement and this union also commenced strike action. With both unions on strike, the Company undertook an orderly shutdown of operations and withdrew its production and cash cost guidance for 2020 pending resolution of the labour actions.

- In late November 2020, the Company announced ratifications of new collective agreements with the striking unions as well as two additional unions that had collective agreements with approaching expiry dates.

- On December 4, 2020, the Company renewed its Normal course issuer bid ("NCIB") which allows the Company to purchase up to 63,682,170 common shares over a period of twelve months commencing on December 9, 2020.

Financial Performance

- Gross profit for the year ended December 31, 2020 was $498.1 million, an increase of $57.7 million in comparison to the prior year due primarily to a full year of operating results from Chapada which was acquired in July 2019 ($81.2 million). The increase was partially offset by lower overall copper sales volumes at the other operations, particularly at Candelaria due to the strike action in the fourth quarter, as well as higher depreciation expense.

- For the year ended December 31, 2020, net earnings of $189.1 million were generally in-line with the prior year as higher gross profit and lower general exploration costs were offset by higher deferred tax expense.

- Adjusted earnings for the year were higher than the prior year primarily due to higher gross profit and reduced general exploration costs.

Financial Position and Financing

- Cash and cash equivalents decreased by $109.1 million during 2020, ending the year at $141.4 million. Cash flow from operations of $565.9 million was used to fund capital expenditures of $431.2 million and financing activities of $236.9 million, including debt repayment on a net basis, distributions to shareholders ($88.0 million) and to non-controlling interests ($26.0 million), as well as the negative effect of foreign exchange ($17.1 million).

- Net debt position at December 31, 2020 was $63.2 million relatively unchanged from the $60.2 million at the prior year-end.

- As of February 18, 2021, the Company had a cash and net debt balance of approximately $165.0 million and $50.0 million, respectively.

Outlook

Production, cash cost and capital expenditure guidance for 2021 remains unchanged from that provided on November 30, 2020 (see news release "Lundin Mining Provides Operational Outlook & Shareholder Returns Update").

2021 Production and Cash Cost Guidance[a]

(contained metal in concentrate)		Production			Cash Costs[b]
Copper (t)	Candelaria (100%)	172,000	-	182,000	$1.35/lb
	Chapada	48,000	-	53,000	$1.10/lb
	Eagle	17,000	-	20,000	
	Neves-Corvo	35,000	-	40,000	$2.20/lb
	Zinkgruvan	3,000	-	4,000	
	Total	**275,000**	**-**	**299,000**	
Zinc (t)	Neves-Corvo	70,000	-	75,000	
	Zinkgruvan	71,000	-	76,000	$0.65/lb
	Total	**141,000**	**-**	**151,000**	
Gold (oz)	Candelaria (100%)	95,000	-	100,000	
	Chapada	75,000	-	80,000	
	Total	**170,000**	**-**	**180,000**	
Nickel (t)	**Eagle**	**15,000**	**-**	**18,000**	$0.50/lb

a. Guidance as outlined in the news release entitled "Lundin Mining Provides Operational Outlook & Shareholder Returns Update" dated November 30, 2020.
b. Cash costs are based on various assumptions and estimates, including but not limited to: production volumes, as noted above, commodity prices (Cu: $2.95/lb, Zn: $1.00/lb, Ni: $6.25/lb, Pb: $0.85/lb, Au: $1,700/oz), foreign exchange rates (€/USD:1.20, USD/SEK:8.50, USD/CLP:675,USD/BRL:4.75) and operating costs.
c. 68% of Candelaria's total gold and silver production are subject to a streaming agreement and silver production at Zinkgruvan and Neves-Corvo are also subject to streaming agreements. Cash costs are calculated based on receipt of approximately $416/oz gold and $4.16/oz to $4.48/oz silver.
d. Chapada cash costs are calculated on a by-product basis and do not include the effects of its copper stream agreements. Effects of copper stream agreements are reflected in copper revenue and will impact realized revenue per pound.

2021 Capital Expenditure Guidance

Capital expenditures, excluding capitalized interest, are outlined below.

($millions)	**Guidance**
Sustaining Capital	
Candelaria (100% basis)	345
Chapada	65
Eagle	15
Neves-Corvo	65
Zinkgruvan	50
Total Sustaining Capital	**540**
Zinc Expansion Project (Neves-Corvo)	**70**
Total Capital Expenditures	**610**

2021 Exploration Investment Guidance

Planned exploration expenditures are expected to be $40.0 million in 2021. Approximately $32.0 million will be spent supporting significant in-mine and near-mine targets at our operations ($14.0 million at Candelaria, $6.0 million at Zinkgruvan, $8.0 million at Chapada, and $4.0 million at Neves-Corvo). The remaining amount is planned to advance activities on exploration stage and new business development projects.

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 February 18, 2021 at 19:45 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 for the year ended December 31, 2019 and the "Managing Risks" section of the Company's MD&A for the year ended December 31, 2020, which are available on SEDAR atwww.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

For further information: Mark Turner, Director, Business Valuations and Investor Relations: +1-416-342-5565; Brandon Throop,

Manager, Investor Relations: +1-416-342-5583; Robert Eriksson, Investor Relations Sweden: +46 8 440 54 50

Additional assets available online: Documents (1)

https://lundinmining.mediaroom.com/2021-02-18-Lundin-Mining-Fourth-Quarter-and-Full-Year-2020-Results