Lundin Mining

Lundin Mining Second Quarter Results

TORONTO, July 25, 2018 (GLOBE NEWSWIRE) – (TSX:LUN) (Nasdaq Stockholm:LUMI) Lundin Mining Corporation (“Lundin Mining” or the “Company”) today reported cash flows of $118.3 million generated from operations in its second quarter of the year. Net earnings from continuing operations attributable to Lundin Mining shareholders were $78.8 million ($0.11 per share) for the quarter.

Mr. Paul Conibear, President and CEO commented, *“All operations are on track to achieve annual production and cash cost guidance. Neves-Corvo delivered another excellent quarter, setting a new zinc production record in June, and full-year production and cash cost guidance for Neves-Corvo has been improved.*

All growth projects at Eagle, Neves-Corvo and Candelaria progressed well in the quarter and remain on schedule. The dual decline stretch of the Eagle East ramp was completed significantly ahead of schedule and infill drilling on Eagle East is now in progress from underground.

After a comprehensive review of the Neves-Corvo Zinc Expansion Project, capital costs are expected to be €270 million, approximately 5% higher than originally forecast. The project remains on track to commence production ramp-up prior to the end of 2019, as originally guided, with the mill foundation successfully poured earlier this month.

Our Candelaria South underground mine expansion, mill optimization and open pit and underground equipment fleet replacement programs are progressing well. Latest generation major mine equipment deliveries are on track and production capacity increases both in-pit and underground are now ramping up with new equipment in operation to contribute to an expected strong second half 2018 mine production.”

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

	Three months ended June 30,		Six months ended June 30,	
US$ Millions (except per share amounts)	2018	2017	2018	2017
Revenue	467.7	454.7	938.1	942.5
Gross profit	155.1	143.3	305.0	307.3
Continuing, attributable net earnings 1	78.8	49.0	160.1	106.6
Attributable net earnings / (loss) 1	78.8	70.0	160.1	161.7
Net earnings / (loss)	87.5	85.0	174.6	191.5
Basic and diluted earnings / (loss) per share 2	0.11	0.10	0.22	0.22
Cash flow from operations	118.3	179.2	291.2	423.9
Cash and cash equivalents	1,512.5	1,567.0	1,512.5	1,567.0
Net cash 3	1,063.5	1,045.1	1,063.5	1,045.1

1 Attributable to shareholders of Lundin Mining Corporation.
2 Basic and diluted earnings per share attributable to shareholders of Lundin Mining Corporation.
3 Net cash is a non-GAAP measure defined as cash and cash equivalents, less long-term debt and finance leases, before deferred financing fees.

Highlights

Operational Performance
Production and cash costs1 across all operations and for all metals are on target to achieve or better the Company’s annual guidance. Planned lower throughput and grades at Candelaria led to lower copper production in the quarter compared to the second quarter of 2017. Neves-Corvo performed very well in the quarter with excellent grades and throughput, and significant progress was made on projects at Candelaria, Eagle and Neves-Corvo.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 34,397 tonnes of copper, and approximately 20,000 ounces of gold and 295,000 ounces of silver in concentrate during the quarter. Copper production in the quarter was lower than the prior year comparable period due to planned mining and processing of lower grade materials and lower mill throughput. Copper cash costs of $1.71/lb for the quarter were in line with full year guidance ($1.70/lb), but higher than the prior year quarter. Lower metal production and unfavourable foreign exchange, combined with higher diesel, maintenance and labour costs all contributed to the higher per unit production costs experienced in the current quarter.

The Candelaria Mill Optimization Project progressed according to plan during the quarter with construction now underway. Ramp-up of the Candelaria Underground North Sector achieved excellent results to-date, mining approximately 9,000 tonnes per day on average throughout the second quarter.

Eagle (100% owned): Eagle produced 4,234 tonnes of nickel and 4,115 tonnes of copper during the quarter, on track to achieve full year guidance. Quantities were lower than the prior year as a result of planned mine sequencing. Nickel cash costs of $1.09/lb for the quarter were in line with full year guidance and modestly higher than the prior year comparable period.

Development of the Eagle East access ramp continues ahead of schedule, with the stretch of dual decline completed during the quarter. Underground definition drilling commenced in Eagle East.

Neves-Corvo (100% owned): Neves-Corvo produced 11,899 tonnes of copper and 20,230 tonnes of zinc for the quarter, with production of all metals exceeding the prior year comparable period. Higher copper production resulted from higher head grades, improved mine productivity and higher mill throughput driven by improvements in mine plan execution. A new monthly production record of 7,574 tonnes of zinc in concentrate was achieved in June. There is a positive production trend year-to-date for all metals and accordingly, full year guidance targets for copper and zinc production have been revised upwards. Copper cash costs of $0.96/lb for the quarter were lower than the prior year comparable period, positively impacted by lower per unit mine, mill, and administration costs associated with higher sales volumes. Given the higher production forecast, full year cash cost guidance has been revised downward to $1.20/lb (from $1.30/lb).

The Zinc Expansion Project (“ZEP”) advanced on track to commence production ramp-up prior to the end of 2019, as originally guided. Capital costs are now expected to be €270 million, approximately 5% higher than the original project estimate.

Zinkgruvan (100% owned): Zinc production of 16,845 tonnes and lead production of 3,914 tonnes were lower than the prior year quarter driven by lower head grades as a result of mine sequencing and higher than planned dilution and ore loss. The top of the range for full year zinc production guidance was moderately reduced but the Company remains on track to meet guidance within the original range. Zinc cash costs of $0.41/lb for the quarter were better than full year guidance, but higher than the prior year comparable quarter due primarily to higher per unit mine, mill and administration costs stemming from lower sales volumes.

Financial Performance

- Revenue for the quarter ended June 30, 2018 was $467.7 million, an increase of $13.0 million in comparison to the second quarter of the prior year ($454.7 million). The increase was mainly due to higher realized metal prices, net of price adjustments ($84.0 million) and lower treatment and refining charges ($8.4 million), partially offset by lower sales volumes ($85.6 million).

  On a year-to-date basis, revenue was $938.1 million, in line with the $942.5 million for the six months ended June 30, 2017. Higher realized metal prices, net of price adjustments ($128.0 million) and lower treatment and refining charges ($22.9 million) were offset by lower sales volumes ($164.6 million).
- Cost of goods sold for the quarter ended June 30, 2018 was $312.6 million, in line with the second quarter of the prior year ($311.4 million). Higher per unit production costs ($60.9 million) were offset by lower sales volumes ($57.2 million).

  On a year-to-date basis, cost of goods sold was $633.2 million, in line with the six months ended June 30, 2017 ($635.2 million). Higher per unit production costs ($105.7 million) were offset by lower sales volumes ($103.3 million).
- Gross profit for the quarter ended June 30, 2018 was $155.1 million, an increase of $11.8 million in comparison to the second quarter of the prior year ($143.3 million). The increase was primarily due to higher realized metal prices, net of price adjustments ($84.0 million) and lower depreciation rates ($12.9 million), partially offset by higher per unit production costs ($60.9 million) and lower sales volumes ($28.3 million).

  On a year-to-date basis, gross profit was $305.0 million, in line with the six months ended June 30, 2017 ($307.3 million). Higher realized metal prices, net of price adjustments ($128.0 million) and lower depreciation rates ($31.2 million) were offset by higher per unit production costs ($105.7 million) and lower sales volumes ($61.3 million).
- Net earnings for the quarter ended June 30, 2018 were $87.5 million, in line with the $85.0 million reported for the three months ended June 30, 2017:
  - lower interest expense resulting from the early redemption of the 7.50% Senior Secured Notes due 2020 on November 20, 2017 ($13.1 million);
  - a foreign exchange gain of $8.0 million in the current quarter (Q2 2017 – loss of $5.1 million); and
  - higher gross profit ($11.8 million); were offset by
  - lower earnings from discontinued operations ($21.0 million); and
  - higher net tax expense ($15.1 million).

On a year-to-date basis, the Company reported net earnings of $174.6 million, a decrease of $16.9 million in comparison to the six months ended June 30, 2017 ($191.5 million). Comparative earnings in the current year were lower due to:

- lower earnings from discontinued operations ($55.1 million); partially offset by
- a foreign exchange gain of $6.0 million in the current year (YTD 2017 – loss of $12.8 million); and
- lower interest expense resulting from the early redemption of the 7.50% Senior Secured Notes due 2020 on November 20, 2017 ($25.2 million).

- Cash flow from operations for the quarter ended June 30, 2018 was $118.3 million, a decrease of $60.9 million in comparison to the second quarter of the prior year ($179.2 million). The decrease was primarily due to higher production costs ($34.2 million) and a comparative change in non-cash working capital ($16.3 million).

  On a year-to-date basis, cash flow from operations was $291.2 million, a decrease of $132.7 million in comparison to the six months ended June 30, 2017 ($423.9 million). The decrease was attributable to a comparative change in non-cash working capital ($86.1 million) and higher production costs ($59.9 million).

Financial Position and Financing

- Cash and cash equivalents decreased $126.6 million during the quarter from $1,639.1 million at March 31, 2018 to $1,512.5 million at June 30, 2018. The decrease is primarily a reflection of investments in mineral properties, plant and equipment of $193.2 million and shareholder dividends of $33.6 million, partially offset by cash generated from operating activities of $118.3 million.

  For the six months ended June 30, 2018, cash decreased by $54.5 million due primarily to investments in mineral properties, plant and equipment of $343.9 million and shareholder dividends of $33.6 million, partially offset by cash generated from operating activities of $291.2 million and proceeds from the sale of marketable securities of $35.4 million.
- Net cash position at June 30, 2018 was $1,063.5 million compared to $1,183.2 million at March 31, 2018 and $1,110.5 million at December 31, 2017.
- The Company has a revolving credit facility available for borrowing up to $350 million. As at June 30, 2018, the Company had no amount drawn on the credit facility, only letters of credit in the amount of $25.0 million.
- As at July 25, 2018, cash and net cash were approximately $1.5 billion and $1.1 billion, respectively.

Outlook

2018 Production and Cost Guidance

Production and cash cost guidance for 2018 has been revised from that disclosed in our Management's Discussion and Analysis for the three months ended March 31, 2018 to reflect improvements in mine productivity and mill throughput at Neves-Corvo, and to reflect a tighter zinc production range for Zinkgruvan based on results to date.

2018 Guidance		Previous Guidancea		Revised Guidanceb	
(contained tonnes)		Tonnes	C1 Cost	Tonnes	C1 Cost
Copper	Candelaria (80%)	*104,000 - 109,000*	*$1.70/lb*	*104,000 - 109,000*	*$1.70/lb*
	Eagle	*15,000 - 18,000*		*15,000 - 18,000*	
	Neves-Corvo	*39,000 - 44,000*	*$1.30/lb*	*42,000 - 45,000*	*$1.20/lb*
	Zinkgruvan	*1,000 - 2,000*		*1,000 - 2,000*	
	Total attributable	*159,000 - 173,000*		*162,000 - 174,000*	
Zinc	Neves-Corvo	*68,000 - 73,000*		*72,000 - 75,000*	
	Zinkgruvan	*76,000 - 81,000*	*$0.45/lb*	*76,000 - 79,000*	*$0.45/lb*
	Total	*144,000 - 154,000*		*148,000 - 154,000*	
Nickel	Eagle	*14,000 - 17,000*	*$1.10/lb*	*14,000 - 17,000*	*$1.10/lb*

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2018.
b. Cash costs are dependent upon exchange rates (forecast at €/USD:1.25, USD/SEK:8.50, USD/CLP:600) and metal prices (forecast at Cu: $3.00/lb, Ni: $6.00/lb, Zn: $1.40/lb, Pb: $1.00/lb, Au: $1,300/oz, Ag: $16.50/oz).

2018 Capital Expenditure and Exploration Guidance

Total capital expenditures, excluding capitalized interest, are forecast to be $795 million, $55 million lower than previously disclosed. Candelaria's capitalized stripping program has been increased by $15 million, largely driven by higher fuel cost and the negative impact of foreign exchange, with changes in estimated equipment deliveries and the timing of other sustaining expenditures. A comprehensive project cost review of ZEP has confirmed lower spending requirements in 2018, as costs are deferred to later in the project.

Revised Capital Expenditure Guidance

($ millions)	Previous Guidancea	Revisions	Revised Guidance
Candelaria (100% basis)			
Capitalized Stripping	200	15	215
Los Diques TSF	60	-	60
New Mine Fleet Investment	75	45	120
Candelaria Mill Optimization Project	50	(20)	30
Candelaria Underground Development	20	(5)	15
Other Sustaining	105	(25)	80
Candelaria Sustaining	510	10	520
Eagle Sustaining	20	-	20
Neves-Corvo Sustaining	60	(5)	55
Zinkgruvan Sustaining	40	-	40
Total Sustaining Capital	630	5	635
Eagle East	30	-	30
ZEP (Neves-Corvo)	190	(60)	130
Total Expansionary Capital	220	(60)	160
Total Capital Expenditures	850	(55)	795

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2018.

2018 Exploration Investment Guidance

Exploration expenditures are expected to remain unchanged at $83 million in 2018.

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 July 25, 2018 at 5:30 p.m. Eastern Time.

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Cautionary Statement in Forward-Looking Information and Non-GAAP performance measures

Certain of the statements made and information contained or incorporated by reference herein is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts in this document constitute forward-looking information based on current expectations, estimates, forecasts and projections as well as beliefs and assumptions made by the Company's management. Such forward-looking statements include but are not limited to those regarding the Company's outlook and guidance on metal production, costs and capital expenditures; exploration; the Zinc Expansion Project (or ZEP) at Neves-Corvo, Eagle East and the Los Diques Tailings Storage Facility (TSF) at Candelaria; and life-of-mine estimates and plans. Words such as "advancing", "anticipate", "assumption", "believe", "estimate", "expectation", "exploration", "further", "forecast", "guidance", "initiative", "outlook", "phase", "plan", "potential", "progress", "project", "schedule", "target" or "track", or variations of or similar such terms, or statements that certain actions, events or results could, may, might or will be taken or occur or be achieved, identify forward-looking information. Although the Company believes that the expectations reflected in the forward-looking information herein are reasonable, these statements by their nature involve risks and uncertainties and are not guarantees of future performance. These estimates, expectations and other forward-looking statements are based on a number of assumptions and are subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties inherent in and/or relating to: estimates of future production and operations, cash and all-in sustaining costs; metal and commodity price fluctuations; foreign currency fluctuations; mining operations including but not limited to environmental hazards, industrial accidents, ground control problems and flooding; geology including, but not limited to, unusual or unexpected geological formations and events (including but not limited to rock slides and falls of ground), estimation and modelling of grade, tonnes, metallurgy continuity of mineral deposits, dilution, and Mineral Resources and Mineral Reserves, and actual ore mined and/or metal recoveries varying from such estimates; mine life and life-of-mine plans and estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; the potential for and effects of labour actions, disputes or shortages (including but not limited to at Neves-Corvo), community or other civil protests or demonstrations or other unanticipated difficulties with or interruptions to operations; potential for unexpected costs and expenses including, without limitation, for mine closure and reclamation at current and historical operations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain and maintain necessary governmental approvals and/or permits; regulatory investigations, enforcement, sanctions and/or related or other litigation; and other risks and uncertainties, including but not limited to those described in the "Managing Risks" section of the Company's full-year 2017 and subsequent Management's Discussion and Analysis, and the "Risks and Uncertainties" section of the Company's most recently filed Annual Information Form. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management; assumed prices of copper, zinc, nickel and other metals; that the Company can access financing, appropriate equipment and sufficient labour; and that the political environment where the Company operates will continue to support the development and operation of mining projects. 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 statements. Accordingly, there can be no assurance that forward-looking information will prove to be accurate, and readers should not place undue reliance on forward-looking statements. The Company disclaims *any intention or obligation to update or revise forward-looking statements or to explain any material difference between such and subsequent actual events, except as required by applicable law.*

Certain financial measures contained herein, such as net cash and cash costs, have no meaning within generally accepted accounting principles under IFRS and therefore amounts presented may not be comparable to similar data presented by other mining companies. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures or performance prepared in accordance with IFRS.
