Lundin Mining Third Quarter Results

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TORONTO, ONTARIO--(Marketwired - Oct 25, 2017) - Lundin Mining Corporation ("Lundin Mining" or the "Company") (TSX:LUN)(OMX:LUMI) today reported cash flows of $249.5 million generated from operations in its third quarter of the year, with net earnings from continuing operations attributable to Lundin Mining shareholders of $131.8 million ($0.18 per share) for the quarter ended September 30, 2017.

Mr. Paul Conibear, President and CEO commented, *"Our Candelaria and Eagle operations delivered another quarter of excellent production and cost performance. Cash cost guidance has been further improved for both Eagle and Zinkgruvan. We have revised production guidance for Zinkgruvan and Neves-Corvo which includes an allowance for labour action by some of the unionized employees of the Neves-Corvo operation in the fourth quarter.*

"All growth projects are on schedule and budget, including construction of the Los Diques tailings dam facility at Candelaria on plan to be ready for use early next year. We remain active and focused on value creation through disciplined investment in our existing assets and on potential acquisition initiatives."

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

	Three months ended September 30,		Nine months ended September 30,	
US$ Millions (except per share amounts)	2017	2016	2017	2016
Sales	601.7	374.5	1,544.2	1,086.4
Operating costs	(241.4)	(225.6)	(665.0)	(638.1)
Operating earnings[1]	350.7	142.6	851.4	428.9
Impairment	-	-	-	(772.1)
Continuing, attributable net earnings / (loss)[2]	131.8	(18.9)	238.4	(56.4)
Attributable net earnings / (loss)[2]	131.8	(11.4)	293.4	(824.6)
Net earnings / (loss)	156.6	(7.1)	348.0	(810.5)
Basic and diluted earnings / (loss) per share[3]	0.18	(0.02)	0.40	(1.15)
Cash flow from operations	249.5	59.3	673.4	255.3
Cash and cash equivalents	2,152.9	691.3	2,152.9	691.3
Net cash / (debt)[4]	1,145.5	(308.8)	1,145.5	(308.8)

(1) Operating earnings is a non-GAAP measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs.

(2) Attributable to shareholders of Lundin Mining Corp..

(3) Basic and diluted earnings / (loss) per share attributable to shareholders of Lundin Mining Corp..

(4) Net cash / (debt) 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

Copper and zinc production for the third quarter of 2017 were higher than that realized in the third quarter of 2016, while lower nickel grades at Eagle contributed to lower comparable nickel production. Cash costs[1] for the quarter across all operations benefitted from higher by-product metal prices, resulting in lower cash costs than those realized in the third quarter of 2016. Full year cash cost guidance has been lowered for Eagle and Zinkgruvan to reflect this.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 49,203 tonnes of copper, and approximately 27,000 ounces of gold and 525,000 ounces of silver in concentrate during the quarter. Copper production for the quarter was in-line with expectations, but exceeded the prior year comparable period due primarily to higher grades. Copper cash costs of $1.17/lb for the quarter were lower than the prior year and are expected to meet guidance over the full year.

In September, Candelaria achieved successful labour negotiations with the three organized groups at the operation and these agreements have since been completed. Agreements were reached ahead of the 2017 year-end contract expiry, and have a term of 36 months. The new agreements, signed under the new labour law in Chile, recognize the existing benefits workers have and place a focus on improving the productivity of the operations, which is of benefit to both workers and the Company.

Construction of the Los Diques tailings dam facility continues on schedule and on budget, with pre-commissioning activities commencing during the quarter. Water is now being placed in the containment area for pre-wetting of the basin ahead of tailings placement that is expected to commence in the first half of 2018. Total forecast spend on the project remains unchanged at $295 million, of which approximately $60 million remains to be spent as of September 30, 2017; $30 million in the fourth quarter of 2017 and $30 million in 2018.

Eagle (100% owned): Eagle production was in-line with expectations for the quarter, with the operations producing 5,618 tonnes of nickel and 4,995 tonnes of copper. Quantities were less than the same period in 2016 as a result of lower head grades. Nickel cash costs of $0.63/lb for the quarter benefited significantly from higher copper by-product prices than the comparable period in the prior year. Full year cash cost guidance has been revised to $1.10/lb (from $1.35/lb) to reflect the continued benefit from by-products.

The Eagle East ramp is advancing ahead of schedule. Permit amendment review and approvals for mining and processing of Eagle East ore are progressing according to plan.

Neves-Corvo (100% owned): Neves-Corvo produced 7,946 tonnes of copper and 19,562 tonnes of zinc in the quarter, below expectations. Zinc production exceeded the prior year comparable period, while copper production was negatively impacted by lower throughput, grades and recoveries. Copper cash costs of $0.75/lb for the quarter were significantly lower than the prior year comparable period, aided by higher zinc by-product volumes and prices. Year-to-date cash costs of $0.95/lb remains in line with full year guidance.

The Zinc Expansion Project ("ZEP") investment to double zinc production at Neves-Corvo progressed over the quarter and remains on target to commence production ramp up prior to the end of 2019, with over 2,000 metres of underground development achieved to date.

Subsequent to the end of the quarter, the Company was subject to labour action at Neves-Corvo. The Mining Industry Workers Union organized a strike at the mine from October 3-7, 2017. The Company has been advised that the union intends to undertake another strike during a five-day period commencing November 6, 2017 and it may repeat this action a third time in the month of December. The Company has revised production guidance downward to reflect anticipated lost production from the labour actions. The Company has engaged in dialogue with the unions, who are looking for changes to work schedules and other factors that have also been demanded of other industries as part of a nation-wide union initiative.

[1] Cash cost per pound is a non-GAAP measure - for discussion of non-GAAP measures see page 28 of the Company's Management's Discussion & Analysis for the period ending September 30, 2017 available under the Company's profile on SEDAR (www.sedar.com).

Zinkgruvan (100% owned): Zinc production of 18,958 tonnes in the third quarter of 2017 was in-line with the prior year comparable period, while lead production of 7,899 tonnes was 23% higher, driven by higher mill throughput of zinc-lead ore and higher lead grades. However, given the lower zinc head grades realized to date and expected for the remainder of the year, full year zinc production guidance has been reduced.

Zinc cash costs of $0.30/lb for the quarter were lower than the prior year comparable period and full year guidance. Given the performance to date, zinc cash cost guidance has been reduced to $0.35/lb.

Senior Operational Changes

The Company is pleased to announce that Peter Richardson has assumed the position of Chief Operating Officer of Lundin Mining. Mr. Richardson was most recently General Manager of the Company's Eagle Mine, of which he remains Managing Director, and brought more than two decades of industry experience to Lundin Mining when he joined in 2015. Taking up the role of General Manager at the Eagle Mine is Kristen Mariuzza. Mrs. Mariuzza was previously the Health, Safety, Environment, and Permitting Manager at Eagle Mine and has significant experience from the early project phase to full production.

Financial Performance

• Sales for the quarter ended September 30, 2017 were $601.7 million, an increase of $227.2 million in comparison to the third quarter of the prior year ($374.5 million). The increase was mainly due to higher realized metal prices and price adjustments ($158.2 million) and higher sales volumes ($57.1 million).

On a year-to-date basis, sales were $1,544.2 million, an increase of $457.8 million in comparison to the nine months ended September 30, 2016 ($1,086.4 million). The increase was mainly due to higher realized metal prices and price adjustments ($359.6 million) and higher sales volumes ($81.5 million).

• Operating costs (excluding depreciation) for the quarter ended September 30, 2017 were $241.4 million, an increase of $15.8 million in comparison to the third quarter of the prior year ($225.6 million). Although per unit operating costs were lower ($29.0 million), this was more than offset by higher sales volumes ($38.6 million) and disadvantageous movements in foreign exchange ($6.1 million).

On a year-to-date basis, operating costs (excluding depreciation) were $665.0 million, an increase of $26.9 million in comparison to the nine months ended September 30, 2016 ($638.1 million). The increase was largely due to higher overall sales volumes ($48.9 million) and disadvantageous movements in foreign exchange ($7.0 million), partially offset by lower per unit operating costs ($27.6 million).

• Operating earnings[(1)] for the quarter ended September 30, 2017 were $350.7 million, an increase of $208.1 million in comparison to the third quarter of the prior year ($142.6 million). The increase was primarily due to higher realized metal prices and price adjustments ($158.2 million), lower per unit operating costs ($29.0 million), and higher sales volumes ($18.5 million), partially offset by negative foreign exchange impacts ($6.1 million).

On a year-to-date basis, operating earnings were $851.4 million, an increase of $422.5 million in comparison to the nine months ended September 30, 2016 ($428.9 million). The increase was primarily due to higher realized metal prices and price adjustments ($359.6 million), higher sales volumes ($32.5 million), and lower per unit operating costs ($27.6 million), partially offset by negative foreign exchange impacts ($7.0 million).

[(1)] Operating earnings is a non-GAAP measure - for discussion of non-GAAP measures see page 28 of the Company's Management's Discussion & Analysis for the period ending September 30, 2017 available under the Company's profile on SEDAR (www.sedar.com).

• Net earnings from continuing operations for the quarter ended September 30, 2017 were $156.6 million, an increase of $171.2 million in comparison to the three months ended September 30, 2016 (loss of $14.6 million). Comparative earnings were higher due to:

- higher operating earnings ($208.1 million); partially offset by
- higher net tax expense ($58.4 million).

On a year-to-date basis, the Company reported net earnings from continuing operations of $293.0 million, an increase of $335.2 million in comparison to the nine months ended September 30, 2016 (loss of $42.2 million). Comparative earnings in the current year were higher due to:

- higher operating earnings ($422.5 million); and
- lower depreciation, depletion and amortization expense ($31.0 million); partially offset by
- higher net tax expense ($125.5 million).

• Cash flow from operations for the quarter ended September 30, 2017 was $249.5 million, an increase of $190.2 million in comparison to the third quarter of the prior year ($59.3 million). The increase was primarily due to higher operating earnings ($208.1 million).

On a year-to-date basis, cash flow from operations was $673.4 million, an increase of $418.1 million in comparison to the nine months ended September 30, 2016 ($255.3 million). The increase was attributable to higher operating earnings in the current year ($422.5 million) as well as changes in non-cash working capital ($114.7 million), partially offset by higher net tax payments ($92.1 million).

Corporate Highlights

- • On September 5, 2017, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2017 on SEDAR (www.sedar.com). On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totaled 3,232,000 tonnes of copper, 3,415,000 tonnes of zinc and 130,000 tonnes of nickel.
- • On October 20, 2017, the Company announced that it had issued a notice to redeem all of its 7.50% Senior Secured Notes due 2020 (the "2020 Notes") on November 20, 2017 at the redemption price of 103.75% of the principal amount of the 2020 Notes plus accrued and unpaid interest. There is $550 million principal amount of the 2020 Notes currently outstanding. The early redemption of the 2020 Notes will save the Company $41.25 million per annum in interest payments.

Financial Position and Financing

- • Cash and cash equivalents increased $102.2 million during the quarter from $2,050.7 million at June 30, 2017 to $2,152.9 million at September 30, 2017. The increase is primarily a reflection of cash generated from operating activities of $249.5 million, partially offset by investments in mineral properties, plant and equipment of $117.3 million.

  For the nine months ended September 30, 2017, cash increased by $1,437.6 million due primarily to proceeds from the sale of the Company's indirect interest in, and distributions from, Tenke Fungurume Mining S.A. ("Tenke") of $1.1 billion and $58.3 million, respectively. In addition, operating cash flows of $673.4 million were partially offset by investments in mineral properties, plant and equipment of $280.9 million, shareholder dividends of $50.7 million, distributions to non-controlling interests of $46.0 million, and interest paid of $33.1 million.
- • Net cash(1) position at September 30, 2017 was $1,145.5 million compared to $1,045.1 million at June 30, 2017 and a net debt position of $284.1 million at December 31, 2016.
- • The Company has a revolving credit facility available for borrowing up to $350 million. As at September 30, 2017, the Company had no amount drawn on the credit facility, only letters of credit in the amount of $26.9 million.
- • As at October 25, 2017, cash and net cash were approximately $2.2 billion and $1.2 billion, respectively.

(1) Net cash / debt is a non-GAAP measure - for discussion of non-GAAP measures see page 28 of the Company's Management's Discussion & Analysis for the period ending September 30, 2017 available under the Company's profile on SEDAR (www.sedar.com).

Outlook

Production, cash cost, and capital expenditure guidance for 2017 have been updated from that disclosed in our Management's Discussion and Analysis for the three and six months ended June 30, 2017, while exploration expenditure guidance remains unchanged.

2017 Production and Cost Guidance

2017 Guidance		Previous Guidance(a)		Revised Guidance(b)	
(contained tonnes)		Tonnes	C1 Cost	Tonnes	C1 Cost
Copper	Candelaria (80%)	*147,000 - 151,000*	*$1.20/lb*	*147,000 - 151,000*	*$1.20/lb*
	Eagle	*19,000 - 22,000*		*19,000 - 22,000*	
	Neves-Corvo	*36,000 - 39,000*	*$1.00/lb*	*32,000 - 35,000*	*$1.00/lb*
	Zinkgruvan	*1,000 - 2,000*		*1,000*	
	Total attributable	*203,000 - 214,000*		*199,000 - 209,000*	
Nickel	Eagle	*20,000 - 23,000*	*$1.35/lb*	*20,000 - 23,000*	*$1.10/lb*
Zinc	Neves-Corvo	*72,000 - 77,000*		*70,000 - 73,000*	
	Zinkgruvan	*80,000 - 85,000*	*$0.40/lb*	*77,000 - 80,000*	*$0.35/lb*
	Total	*152,000 - 162,000*		*147,000 - 153,000*	

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2017.

b. Cash costs are dependent upon exchange rates (forecast at EUR/USD:1.20, USD/SEK:8.00, USD/CLP:625) and metal prices (forecast at Cu: $2.75/lb, Ni: $4.50/lb, Zn: $1.30/lb, Pb: $1.00/lb, Au: $1,250/oz, Ag: $16.50/oz).

2017 Capital Expenditure and Exploration Guidance

Total capital expenditures, excluding capitalized interest, are expected to remain unchanged at $490 million. An additional $10 million is expected to be spent on capitalized stripping, given strong open pit mining progress to date at Candelaria, offset by $10 million lower spend on Neves-Corvo sustaining capital due to timing of expenditures.

Revised Capital Expenditure Guidance

($ millions)	Previous Guidance[a]	Revisions	Revised Guidance
Candelaria			
Capitalized Stripping	110	10	120
Los Diques Tailings	135	-	135
Other Sustaining	80	-	80
	325	10	335
Eagle	10	-	10
Neves-Corvo	50	(10)	40
Zinkgruvan	40	-	40
Total Sustaining Capital	425	-	425
Eagle East	30	-	30
Zinc Expansion (Neves-Corvo)	30	-	30
Zinkgruvan Expansion (1350)	5	-	5
Total Expansionary Capital	65	-	65
Total Capital Expenditures	490	-	490

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2017.

Exploration spend is expected to remain unchanged at $75 million, as previously disclosed.

The information in this news release is subject to the disclosure requirements of Lundin Mining under the EU Market Abuse Regulation. This information was publicly communicated on October 25, 2017 at 6:30 p.m. Eastern Time.

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

Certain of the statements made and information contained or incorporated by reference in this news release is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts in this news release 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 estimated metal production, costs, and exploration and capital expenditures; the Zinc Expansion Project at Neves-Corvo and Eagle East; and Mineral Reserve and Mineral Resource estimates. Words such as "aim", "anticipate", "assumption", "believe", "budget", "estimate, "expectation", "exploration", "focus", "forecast", "growth", "guidance", "initiative", "outlook", "plan", "potential", "project", "schedule", or "target", 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, 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 plans, and life of mine estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; the expected strike by union workers (and potential further such strikes) at Neves-Corvo, and the potential for and effects of other labour disputes or shortages, or other unanticipated difficulties with or interruptions in production; 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 necessary governmental approvals and/or permits, including but not limited to the Alcaparrosa underground mine operating license, the Punta Padrones process operating license and the Ojos del Salado mill tailings line permit at Candelaria which are required by the end of the year; 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 Management's Discussion and Analysis for the financial period ending December 31, 2016 and completed financial quarters in 2017, and the "Risks and Uncertainties" section of our 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, nickel, zinc 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 operating earnings, net debt and cash costs, have no meaning within generally accepted accounting principles under IFRS and therefore amounts presented may not be comparable to similar data resented 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.

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