lundin mining

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NEWS RELEASE
Lundin Mining Second Quarter Results

Toronto, July 24, 2019 (TSX: LUN; Nasdaq Stockholm: LUMI) Lundin Mining Corporation ("Lundin Mining" or the "Company") today reported cash flows of $204.5 million generated from operations in its second quarter. Net loss attributable to Lundin Mining shareholders was $7.8 million (-$0.01 per share) for the quarter ended June 30, 2019.

Marie Inkster, President and CEO commented, *"Our operations continued to perform well in the second quarter though declining metal prices had a meaningful impact on the quarter's earnings. The Company, and in particular Candelaria, is set for a particularly strong second half of the year with increased copper grades and production and our guidance now includes production and costs for our newest mine, Chapada in Brazil. The integration of Chapada has progressed very positively and we are excited for the future potential of this operation.*

Construction progress continued on our many reinvestment and expansion projects. Following continuous close monitoring of the Neves-Corvo Zinc Expansion Project, revisions have been made to schedule and cost. Commissioning is expected to commence in the first quarter of 2020 with a phased approach and ramp-up to full production by the end of 2020. The Candelaria reinvestment initiatives and Eagle East are advancing well, all trending slightly ahead of schedule and budget setting the stage for excellent future cash flow generation from these investments."

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)	**2019**	2018[4]	**2019**	2018
Revenue	**369.3**	467.7	**785.6**	938.1
Gross profit	**25.1**	155.1	**166.3**	305.0
Attributable net (loss) earnings[1]	**(7.8)**	78.8	**43.9**	160.1
Net (loss) earnings	**(8.6)**	87.5	**52.3**	174.6
Basic and diluted net loss per share[2]	**(0.01)**	0.11	**0.06**	0.22
Cash flow from operations	**204.5**	118.3	**266.6**	291.2
Cash and cash equivalents	**735.1**	1,512.5	**735.1**	1,512.5
Net cash [3]	**661.1**	1,063.5	**661.1**	1,063.5

[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 debt and lease liabilities, before deferred financing fees.
[4] On adoption of IFRS 16, Leases, the Company has elected not to restate comparative periods presented.

Highlights

Operational Performance

Production remains largely on target to achieve the Company's annual guidance. Copper grades are expected to be higher in the second half of the year as higher-grade ore is accessed at Neves-Corvo and Candelaria. Copper and nickel cash costs are higher than the prior year comparatives due to lower metal prices for by-products.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 33,633 tonnes of copper, and approximately 21,000 ounces of gold and 292,000 ounces of silver in concentrate during the quarter. Copper production in the quarter was lower than the prior year comparable period primarily due to lower mill throughput resulting from maintenance stops. Copper cash costs[1] of $1.86/lb for the quarter were higher than the prior year quarter owing to higher maintenance and diesel and energy costs. Ore grades are expected to increase and cash costs decrease over the remainder of the year as more ore is sourced directly from the open pit and less from the low grade stockpile.

Development of the Candelaria Underground South Sector is progressing well with production start-up expected before the end of the third quarter of 2019.

Eagle (100% owned): Eagle produced 3,398 tonnes of nickel and 3,732 tonnes of copper during the quarter. Nickel and copper production were both lower than the prior year quarter reflecting the planned lower ore grades. Nickel cash costs of $3.14/lb for the quarter were higher than the prior year comparable period, primarily as a result of lower by-product credits.

Development of Eagle East continues to progress ahead of schedule and under budget, with first ore feed to the mill scheduled in the fourth quarter of 2019.

Neves-Corvo (100% owned): Neves-Corvo produced 9,615 tonnes of copper and 18,251 tonnes of zinc for the quarter, both lower than the prior year comparable period. For copper, production was affected by lower head grades resulting from a change in mine sequencing. Zinc production was also negatively affected by lower head grades, as well as lower recoveries. Copper cash costs of $1.88/lb for the quarter were higher than the prior year period owing primarily to lower by-product credits.

Construction progressed on the Zinc Expansion Project ("ZEP") in the quarter, with underground development of conveyor ramps completed. Surface construction in the second quarter was focused on mechanical installation of the materials handling system, as well as continuing construction on the SAG mill, flotation equipment, tailings and water supply piping systems, and a new paste fill thickener.

Rates of advance during the quarter on surface facilities were negatively affected by engineering and construction delays and lagged targeted advance rates. Total project capital cost is now estimated to be $450 million (€380 million), with pre-production costs expected to be $430 million (€360 million). Capital spend for 2019 has been reduced to $140 million (€120 million) as project work is deferred to 2020. See additional detail in the Outlook section.

Zinkgruvan (100% owned): Zinc production of 18,865 tonnes and lead production of 6,219 tonnes were higher than the prior year quarter due to planned higher grades of both metals. Second quarter zinc cash costs of $0.41/lb were in-line with the prior year comparable period.

Total production

(Contained metal in concentrate - tonnes)	2019			2018				
	YTD	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Copper[a]	**93,807**	**47,685**	46,122	199,630	48,206	52,770	51,098	47,556
Zinc	**77,562**	**37,116**	40,446	152,041	42,024	36,062	37,075	36,880
Nickel	**7,611**	**3,398**	4,213	17,573	3,501	4,697	4,234	5,141

a - Candelaria's production is on a 100% basis.

[1] Cash cost/lb of copper, zinc and nickel are non-GAAP measures defined as all cash costs directly attributable to mining operations, less royalties and by-product credits.

Financial Performance

- Gross profit for the quarter ended June 30, 2019 was $25.1 million, a decrease of $130.0 million in comparison to the $155.1 million reported in the second quarter of the prior year. The decrease was primarily due to lower revenues as a result of lower metal prices ($57.7 million) and price adjustments ($41.4 million), higher depreciation expense ($21.0 million) as well as higher zinc treatment and refining charges resulting from the finalization of the 2019 contractual terms during the current quarter.

  On a year-to-date basis, gross profit was $166.3 million, a decrease of $138.7 million from the $305.0 million reported in the prior year comparative period. The decrease was primarily due to lower revenues as a result of lower realized metal prices arising largely from negative price adjustments in the second quarter ($78.2 million), lower sales volumes ($29.8 million), higher depreciation ($10.3 million) and higher zinc treatment and refining charges.

- Net loss for the quarter ended June 30, 2019 was $8.6 million, a decrease of $96.1 million from net earnings of $87.5 million reported in the prior year quarter. The decrease was attributable to lower gross profit, partially offset by lower income taxes ($49.9 million).

  On a year-to-date basis, net earnings were $52.3 million, a decrease of $122.3 million from the $174.6 million reported in the prior year comparative period. The decrease was attributable to lower gross profit, and lower income from our equity investment ($22.9 million), partially offset by lower income taxes ($44.6 million).

- Net cash as at June 30, 2019 was $661.1 million, a decrease of $143.3 million in comparison to December 31, 2018. The decrease resulted from cash used for capital investments exceeding operating cash flow in the current year, as well as a $63.0 million increase in debt consisting of a fixed term loan for $35 million and an increase in lease liabilities of $39.0 million as a result of the implementation of IFRS 16, *Leases*.

Financial Position

- Cash and cash equivalents of $735.1 million for the quarter ended June 30, 2019 remained relatively unchanged from the $734.7 million reported in the first quarter of 2019.

- Cash flow from operations for the quarter ended June 30, 2019 was $204.5 million, an increase of $86.2 million in comparison to the $118.3 million reported in the second quarter of 2018. The increase was primarily attributable to higher comparative change in non-cash working capital ($153.8 million) and lower current taxes partially offset by lower revenues.

  On a year-to-date basis, cash flow from operations was $266.6 million, a decrease of $24.6 million in comparison to the six months ended June 30, 2018 ($291.2 million). The decrease was primarily due to lower sales revenues ($152.5 million), partially offset by comparative change in non-cash working capital ($74.3 million) and lower current taxes.

- Cash used in investing activities decreased when compared to the prior year comparable period for the quarter, reflecting lower investment in mineral properties, plant and equipment, as well as higher distributions received from the investment in associate. On a year-to-date basis cash used in investing activities increased due mainly to capital expenditures related to Candelaria Underground South Sector and the Mill Optimization project.

- Cash used in financing activities remained relatively consistent quarter over quarter. On a year-to-date basis, financing activities include proceeds of $35.0 million from a term loan in the first quarter of 2019.

  As of July 24, 2019, the Company had a cash balance of approximately $190.0 million and net debt of approximately $170.0 million. This change from June 30, 2019 reflects the Company's acquisition of the Chapada mine which was financed by $515 million in cash and a $285 million draw against the Company's revolving credit facility.

Corporate Highlights

- On May 23, 2019, the Company announced that Freeport Cobalt, the Company's joint venture with Freeport-McMoRan Inc. had entered into a definitive agreement to sell its cobalt refinery in Kokkola, Finland and related cobalt cathode precursor business to Umicore for cash consideration of approximately US$150 million, plus working capital at the time of close (the "Transaction"). Lundin Mining is entitled to receive 30 percent of the proceeds of the Transaction. The joint venture will retain Freeport Cobalt's fine powders, chemicals, catalyst, ceramics and pigments businesses.

  The Transaction is subject to the completion of the separation of Freeport Cobalt, the receipt of required regulatory approvals, and other customary closing conditions. The Transaction is expected to close by year-end 2019.

- On July 5, 2019, the Company announced the closing of the acquisition of a 100% ownership stake in Mineração Maracá Indústria e Comércio SA, which owns the Chapada copper-gold mine located in Brazil from Yamana Gold Inc.

  Total cash consideration paid at closing by the Company was $800 million, funded by cash on hand and a drawdown of $285 million on the Company's revolving credit facility.

Outlook

2019 Production and Cash Cost

Production and cash cost guidance for 2019 has been revised from that disclosed in our Management's Discussion and Analysis for the three months ended March 31, 2019 to reflect higher cash costs at our Eagle mine, primarily due to expected lower by-product price, as well as lower grades resulting in lower nickel metal produced and sold. In addition, production guidance has been updated for copper production at our Neves-Corvo mine and nickel production at our Eagle mine. The revised guidance also includes six months of production and cash cost guidance for the Chapada mine. 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 will be a component of the copper revenue and will impact realized revenue per pound.

2019 Guidance (contained tonnes)		**Previous Guidance**[a]		**Revised Guidance**[b]	
		Tonnes	**C1 Cost**	**Tonnes**	**C1 Cost**
Copper	Candelaria (100%)	*145,000 - 155,000*	*$1.60/lb*	*145,000 - 155,000*	*$1.60/lb*
	Chapada[c]	-	-	***27,000 - 30,000***	***$1.10/lb***
	Eagle	*12,000 - 15,000*		*12,000 - 15,000*	
	Neves-Corvo	*40,000 - 45,000*	*$1.70/lb*	***38,000 - 42,000***	*1.70/lb*
	Zinkgruvan	*2,000 - 3,000*		*2,000 - 3,000*	
	Total attributable	*199,000 - 218,000*		***224,000 - 245,000***	
Zinc	Neves-Corvo	*71,000 - 76,000*		*71,000 - 76,000*	
	Zinkgruvan	*76,000 - 81,000*	*$0.40/lb*	*76,000 - 81,000*	*$0.40/lb*
	Total	*147,000 - 157,000*		*147,000 - 157,000*	
Nickel	Eagle	*12,000 - 15,000*	*$2.20/lb*	***12,000 - 14,000***	***$2.60/lb***

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2019.
b. Cash costs are based on various assumptions and estimates, including but not limited to: production volumes, as noted above, commodity prices (Cu: $2.70/lb, Zn: $1.10/lb, Ni: $5.50/lb, Pb: $0.80/lb, Au: $1,250/oz), foreign exchange rates (€/USD:1.15, USD/SEK:9.00, USD/CLP:675, USD/BRL:3.75) and operating costs.
c. Chapada is expected to produce 50,000 to 55,000 ounces of gold for the second half of 2019.

2019 Capital Expenditure Guidance

Total capital expenditures, excluding capitalized interest, are forecast to be $695 million, $50 million lower than previously disclosed. A project cost review of ZEP has confirmed lower spending requirements in 2019 as costs are deferred to 2020; however, total cost for the project is increasing. The revised capital expenditure guidance includes capital spending over the second half of 2019 for the Chapada mine.

Revised Capital Expenditure Guidance

($ millions)	Previous Guidance[a]	Revisions	**Revised Guidance**
Candelaria (100% basis)			
Capitalized Stripping	130	-	130
Los Diques TSF	10	-	10
New Mine Fleet Investment	75	-	75
Candelaria Mill Optimization Project	50	-	50
Candelaria Underground Development	40	-	40
Other Sustaining	70	-	70
Candelaria Sustaining	375	-	375
Chapada	-	25	25
Eagle Sustaining	15	-	15
Neves-Corvo Sustaining	65	-	65
Zinkgruvan Sustaining	50	(5)	45
Total Sustaining Capital	505	20	**525**
Eagle East	30	-	30
ZEP (Neves-Corvo)	210	(70)	140
Total Expansionary Capital	240	(70)	**170**
Total Capital Expenditures	745	(50)	**695**

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2019.

Zinc Expansion Project (Neves-Corvo)

The Company expects total pre-production project costs to increase to $430 million (€360 million). The Company has been actively monitoring and regularly updating the cost and schedule estimates including trend analysis to predict costs and completion dates. The updated pre-production cost estimate of €360 million is an increase of €55 million over the previous estimate. The increase includes the following new items:

- €7 million for underground paste backfill expansion (not included in the initial project scope)
- €10 million of potential contractor claims for surface delays and time extensions
- €10 million of owners and indirect costs on schedule delays, and
- €28 million contingency (representing 15% of remaining spend).

Capital spend for 2019 has been reduced to $140 million (€120 million) as project work is deferred to 2020.

While commissioning of surface facilities is still expected to commence by the end of the first quarter of 2020, a phased approach is expected to take several quarters to ramp up with full throughput rates expected by the fourth quarter of 2020. Commissioning of the underground crushing and conveying systems is expected to occur during the second quarter of 2020. As a result of the schedule revisions, zinc production guidance for 2020 is now expected to be between 90,000 - 100,000 tonnes.

2019 Exploration Investment Guidance

Exploration expenditures remain unchanged at $70 million, of which $4 million is related to Chapada.

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, nickel and zinc. In addition, Lundin Mining holds an indirect 24% equity stake in the Freeport Cobalt Oy business, which includes a cobalt refinery located in Kokkola, Finland.

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 24, 2019 at 8:00 p.m. Eastern Time.

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Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts included in this document constitute forward-looking information, including but not limited to statements regarding the Company's plans, prospects and business strategies; the Company's guidance on the timing and amount of future production and its expectations regarding the results of operations; expected costs; permitting requirements and timelines; timing and possible outcome of pending litigation; the results of any Preliminary Economic Assessment, 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 (such as the Chapada mine) 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: risks inherent in and/or associated with operating in foreign countries; uncertain political and economic environments; community activism, shareholder activism and risks related to negative publicity with respect to the Company or the mining industry in general; changes in laws, regulations or policies including but not limited to those related to permitting and approvals, environmental and tailings management, labour, trade relations, and transportation; delays or the inability to obtain necessary governmental approvals and/or permits; regulatory investigations, enforcement, sanctions and/or related or other litigation; risks associated with business arrangements and partners over which the Company does not have full control; risks associated with acquisitions and related integration efforts (including with respect to the Chapada mine), including the ability to achieve anticipated benefits, unanticipated difficulties or expenditures relating to integration and diversion of management time on integration; competition; development or mining results not being consistent with the Company's expectations; estimates of future production and operations; operating, cash and all-in sustaining cost estimates; allocation of resources and capital; litigation; uninsurable risks; volatility and fluctuations in metal and commodity prices; the estimation of asset carrying values; funding requirements and availability of financing; indebtedness; foreign currency fluctuations; interest rate volatility; changes in the Company's share price, and equity markets, in general; changing taxation regimes; counterparty and credit risks; health and safety risks; risks related to the environmental impact of the Company's operations and products and management thereof; unavailable or inaccessible infrastructure and risks related to ageing infrastructure; 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; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; ore processing efficiency; risks relating to attracting and retaining of highly skilled employees; ability to retain key personnel; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; the price and availability of energy and key operating supplies or services; the inherent uncertainty of exploration and development, and the potential for unexpected costs and expenses including, without limitation, for mine closure and reclamation at current and historical operations; 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; actual ore mined and/or metal recoveries varying from Mineral Resource and Mineral Reserve estimates; mine plans, and life of mine estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; natural phenomena such as earthquakes, flooding, and unusually severe weather; 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; security at the Company's operations; breach or compromise of key information technology systems; materially increased or unanticipated reclamation obligations; risks related to mine closure activities; risks related to closed and historical sites; title risk and the potential of undetected encumbrances; risks associated with the structural stability of waste rock dumps or tailings storage facilities; and other risks and uncertainties, including but not limited to those described in the "Risk and Uncertainties" section of the Annual Information Form for the year ended December 31, 2018 and the "Managing Risks" section of the Company's MD&A for the year ended December 31, 2018, 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.