lundin mining

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NEWS RELEASE
Lundin Mining Third Quarter Results

Toronto, October 24, 2018 (TSX: LUN; Nasdaq Stockholm: LUMI) Lundin Mining Corporation ("Lundin Mining" or the "Company") today reported cash flows of $140.9 million generated from operations in the third quarter of the year. Net earnings from continuing operations attributable to Lundin Mining shareholders were $7.0 million ($0.01 per share) for the quarter.

Marie Inkster, President and CEO commented, "*Although the impact of reduced metal prices affected the quarter earnings, the underlying operational performance at the mines was excellent and enabled the generation of more than $140 million of operating cash flow.*

The reinvestment programs at Candelaria are advancing on plan and improvement in mining rates was achieved with good contractor performance management and ongoing delivery of new open pit equipment. Major underground and surface construction is underway on the Neves-Corvo Zinc Expansion Project, though overall progress continues to be impacted by contractor under-performance. Development of Eagle East continues to outperform and is on pace to produce first ore ahead of schedule and within budget in early 2020. "

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)	**2018**	2017	**2018**	2017
Revenue	**379.7**	601.7	**1,317.8**	1,544.2
Gross profit	**59.6**	260.6	**364.6**	567.9
Continuing, attributable net earnings[1]	**7.0**	131.8	**167.1**	238.4
Attributable net earnings / (loss) [1]	**7.0**	131.8	**167.1**	293.4
Net earnings / (loss)	**9.1**	156.6	**183.7**	348.0
Basic and diluted earnings / (loss) per share[2]	**0.01**	0.18	**0.23**	0.40
Cash flow from operations	**140.9**	249.5	**432.1**	673.4
Cash and cash equivalents	**1,469.9**	2,152.9	**1,469.9**	2,152.9
Net cash [3]	**1,031.7**	1,145.5	**1,031.7**	1,145.5

[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 long-term debt and finance leases, before deferred financing fees.

Highlights

Operational Performance

Total copper and nickel production are on target to achieve annual guidance. Zinc production for the year is expected to be within guidance, although the range has been lowered to reflect grades realized to date at Zinkgruvan. Planned lower grades at Candelaria led to lower copper production in the quarter compared to the third quarter of 2017. Neves-Corvo had another excellent quarter with year-to-date copper production already exceeding full year 2017 production. Work on projects at Candelaria and Eagle continued throughout the quarter with excellent progress achieved to date.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 35,323 tonnes of copper, and approximately 20,000 ounces of gold and 330,000 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. Copper cash costs[1] of $1.64/lb for the quarter were better than full year guidance, but higher than the prior year quarter. Lower metal production combined with higher diesel and labour costs contributed to the higher per unit production costs in the current quarter.

The Candelaria Mill Optimization Project progressed according to plan during the quarter with construction approximately 32% complete. Ramp-up of the Candelaria Underground North Sector continues to achieve excellent results, mining approximately 9,700 tonnes per day on average throughout the third quarter. All purchase orders for open pit mine fleet replacement equipment have been placed, and thirty eight of eighty five pieces of equipment have already arrived at site.

Eagle (100% owned): Eagle produced 4,697 tonnes of nickel and 5,178 tonnes of copper during the quarter, on track to achieve full year guidance. Nickel quantities were lower than the prior year while copper quantities were higher, both a result of planned mine sequencing. Nickel cash costs of $0.87/lb for the quarter were better than full year guidance but higher than the prior year comparable period as higher operating per unit costs were driven by lower sales volumes.

Development of the Eagle East access ramp continues ahead of schedule with first ore scheduled into the mill by 2020. Underground definition drilling from the access ramp in Eagle East is ongoing and 4,200 metres have been drilled to September 30, 2018.

Neves-Corvo (100% owned): Neves-Corvo produced 11,746 tonnes of copper and 18,905 tonnes of zinc for the quarter. Copper production in the quarter was higher than the prior year comparable period due to improved mine productivity and higher mill throughput driven by improvements in mine plan execution, and to a lesser extent, higher head grades. Zinc production was slightly lower (3%) than the prior year comparable period, as zinc head grades were negatively impacted by mine resequencing. Copper cash costs of $1.48/lb for the quarter were higher than full year guidance and the prior year period due to lower by-product credits, but were partly aided by lower per unit mine, mill, and administration costs associated with higher copper sales volumes.

Major surface and underground construction activities are underway on the Zinc Expansion Project (“ZEP”). Approximately 40% of major equipment deliveries have been received with all equipment expected to be received on schedule. Underground mechanical conveyor installation commenced during the quarter. The SAG mill building and flotation building concrete is advancing with SAG mill assembly beginning in October. Overall progress continues to be impacted by contractor under-performance, with the project now expected to commence production ramp-up in the first quarter of 2020. The total forecast cost of the project is currently €270 million, though the Company will be undertaking a third-party project schedule and cost review. Capital expenditure guidance for 2018 has been lowered to $110 million (from $130 million) to reflect the deferral of certain surface and underground expenditures to 2019.

[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.

Zinkgruvan (100% owned): Zinc production of 17,157 tonnes and lead production of 5,515 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 operation is focused on mine stope design optimization and ore tracking in order to improve these factors. Zinc cash costs of $0.35/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 September 30, 2018 was $379.7 million, a decrease of $222.0 million in comparison to the third quarter of the prior year ($601.7 million). The decrease was mainly due to lower sales volumes ($136.9 million) and lower realized metal prices and price adjustments ($80.9 million).

  On a year-to-date basis, revenue was $1,317.8 million, lower than the $1,544.2 million for the nine months ended September 30, 2017. The decrease was mainly due to lower sales volumes ($293.4 million), partially offset by higher realized metal prices, net of price adjustments ($38.6 million) and lower treatment and refining charges ($27.9 million).

- Cost of goods sold for the quarter ended September 30, 2018 was $320.1 million, lower than the third quarter of the prior year ($341.2 million). Lower sales volumes ($81.3 million) were partially offset by higher per unit production costs ($53.7 million).

  On a year-to-date basis, cost of goods sold was $953.3 million, slightly lower than the nine months ended September 30, 2017 ($976.3 million). Lower sales volumes ($200.0 million) were partially offset by higher per unit production costs ($157.8 million).

- Gross profit for the quarter ended September 30, 2018 was $59.6 million, a decrease of $201.0 million in comparison to the third quarter of the prior year ($260.6 million). The decrease was primarily due to lower sales volumes ($55.6 million), lower realized metal prices and price adjustments ($80.9 million) and higher per unit production costs ($53.7 million).

  On a year-to-date basis, gross profit was $364.6 million, a decrease of $203.3 million in comparison to the nine months ended September 30, 2017 ($567.9 million). The decrease was primarily due to lower sales volumes ($93.4 million) and higher per unit production costs ($157.8 million), partially offset by higher realized metal prices, net of price adjustments ($38.6 million).

- Net earnings for the quarter ended September 30, 2018 were $9.1 million, a decrease of $147.5 million in comparison to the three months ended September 30, 2017 ($156.6 million). Comparative earnings were lower due to:
  - lower gross profit ($201.0 million); partially offset by
  - lower net tax expense ($55.3 million).

  On a year-to-date basis, the Company reported net earnings of $183.7 million, a decrease of $164.3 million in comparison to the nine months ended September 30, 2017 ($348.0 million). Comparative earnings in the current year were lower due to:
  - lower gross profit ($203.3 million); and
  - lower earnings from discontinued operations ($55.0 million); partially offset by
  - lower net tax expense ($58.8 million).

- Cash flow from operations for the quarter ended September 30, 2018 was $140.9 million, a decrease of $108.6 million in comparison to the third quarter of the prior year ($249.5 million). The decrease was primarily due to lower sales revenues ($222.0 million), partly offset by lower current income tax expense ($63.6 million) and comparative change in non-cash working capital ($48.2 million).

On a year-to-date basis, cash flow from operations was $432.1 million, a decrease of $241.3 million in comparison to the nine months ended September 30, 2017 ($673.4 million). The decrease was primarily due to lower sales revenues ($226.4 million), higher production costs ($58.5 million), and comparative change in non-cash working capital ($38.0 million), partly offset by lower current income tax expense ($88.6 million).

Financial Position and Financing

- Cash and cash equivalents decreased $42.6 million during the quarter from $1,512.5 million at June 30, 2018 to $1,469.9 million at September 30, 2018. The decrease is primarily a reflection of investments in mineral properties, plant and equipment of $173.7 million and shareholder dividends of $16.9 million, partially offset by cash generated from operating activities of $140.9 million.

  For the nine months ended September 30, 2018, cash decreased by $97.1 million due primarily to investments in mineral properties, plant and equipment of $517.7 million and shareholder dividends of $50.6 million, partially offset by cash generated from operating activities of $432.1 million and proceeds from the sale of marketable securities of $35.4 million.
- Net cash position at September 30, 2018 was $1,031.7 million compared to $1,063.5 million at June 30, 2018 and $1,110.5 million at December 31, 2017.
- As at October 24, 2018, cash and net cash were approximately $1.4 billion and $1.0 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 and six months ended June 30, 2018. Copper cash costs at Neves-Corvo have been increased from $1.20/lb to $1.30/lb to reflect lower forecast zinc by-product prices than previously forecast. A revision to Zinkgruvan's zinc production reflects lower realized grades, and a revision to Zinkgruvan's cash costs reflects year-to-date performance. The remaining revisions aim to provide a tighter production range based on results to date.

2018 Guidance (contained tonnes)		**Previous Guidance**[a]		**Revised Guidance**[b]	
		Tonnes	**C1 Cost**	**Tonnes**	**C1 Cost**
Copper	Candelaria (80%)	*104,000 - 109,000*	*$1.70/lb*	***107,000 - 109,000***	*$1.70/lb*
	Eagle	*15,000 - 18,000*		***16,000 - 18,000***	
	Neves-Corvo	*42,000 - 45,000*	*$1.20/lb*	***43,000 - 45,000***	***$1.30/lb***
	Zinkgruvan	*1,000 - 2,000*		*1,000 - 2,000*	
	Total attributable	*162,000 - 174,000*		***167,000 - 174,000***	
Zinc	Neves-Corvo	*72,000 - 75,000*		***73,000 - 75,000***	
	Zinkgruvan	*76,000 - 79,000*	*$0.45/lb*	***74,000 - 76,000***	***$0.40/lb***
	Total	*148,000 - 154,000*		***147,000 - 151,000***	
Nickel	Eagle	*14,000 - 17,000*	*$1.10/lb*	***15,000 - 17,000***	*$1.10/lb*

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2018.
b. Cash costs remain dependent upon exchange rates and metal prices. Exchange rate assumptions for the remainder of the year are forecast at €/USD:1.20, USD/SEK:8.75, and USD/CLP:650. Metal price assumptions for the remainder of the year are forecast at Cu: $2.75/lb, Zn: $1.10/lb, Ni: $6.00/lb, Au: $1,200/oz, Pb: $0.95/lb, and Ag: $16.00/oz.

2018 Capital Expenditure Guidance

Total capital expenditures, excluding capitalized interest, are forecast to be $750 million, $45 million lower than previously disclosed. Spend on the Candelaria Mill Optimization Project has been reduced to reflect a deferral of certain expenditures to 2019. Neves-Corvo's sustaining expenditures forecast has been reduced by $10 million but is highly dependent on the delivery of mobile equipment purchases. A reduction in the Zinc Expansion Project guidance reflects slower than anticipated project progress, deferring $20 million of expenditures to 2019.

Revised Capital Expenditure Guidance

($ millions)	Previous Guidance[a]	Revisions	**Revised Guidance**
Candelaria (100% basis)			
Capitalized Stripping	215	-	215
Los Diques TSF	60	-	60
New Mine Fleet Investment	120	-	120
Candelaria Mill Optimization Project	30	(10)	**20**
Candelaria Underground Development	15	-	15
Other Sustaining	80	-	80
Candelaria Sustaining	520	(10)	**510**
Eagle Sustaining	20	(5)	**15**
Neves-Corvo Sustaining	55	(10)	**45**
Zinkgruvan Sustaining	40	-	40
Total Sustaining Capital	635	(25)	**610**
Eagle East	30	-	30
ZEP (Neves-Corvo)	130	(20)	**110**
Total Expansionary Capital	160	(20)	**140**
Total Capital Expenditures	795	(45)	**750**

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2018.

2018 Exploration Investment Guidance

Due largely to the inability to obtain sufficient drill rigs to meet our exploration plans, expenditures are expected to be approximately $75 million, or $8 million lower than previously guided for 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 October 24, 2018 at 6:30 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 estimated metal production (or production profile), costs and capital expenditures; exploration; mine life and plans, and life-of-mine and life-of-mine plans; and mechanics, completion and settlement of the Company's Offer to Acquire Nevsun Resources Ltd. (the "Offer") and the ability of Lundin Mining to complete the transactions contemplated by the Offer; and Mineral Reserve and Mineral Resource estimates. Words such as "aim", "anticipate", "assumption", "believe", "estimate", "expected", "exploration", "exposure", "focus", "forecast", "future", "growth", "guidance", "intends", "opportunities", "outlook", "path", "phase", "plan", "possible", "potential", "program", "progress", "project", "risk", "sensitivity", "schedule", "stage", "strategic", "target" or "trend", 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, 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; the conditions to the Offer will not be satisfied on a timely basis or at all and the failure of the transaction to be consummated for any other reason, competitive responses to the announcement of the Offer, actions that may be taken by Nevsun Resources Ltd. or by its security holders in respect of the Offer, as well as additional risks disclosed in the Offer and take-over bid circular filed on July 26, 2018 and other filings made by the Company with Canadian securities regulatory authorities; and other risks and uncertainties, including but not limited to those described in the "Managing Risks" section of the Management's Discussion and Analysis, and the "Risks and Uncertainties" section of the Company's most recently filed Annual Information Form. Also, 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 or achieved, including no assurance that the Offer will be successful or that, if successful, that the combination of the operations of Lundin Mining and Nevsun Resources Ltd. will achieve the anticipated benefits. Accordingly, 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.