

## Fourth Quarter and 2016 Year-End Results February 23, 2017



Neves-Corvo, Portugal

# Cautionary Statements

## Caution Regarding Forward-Looking Information and Non-GAAP Performance Measures

This presentation contains forward-looking information, including, but not limited to, guidance on estimated annual production and cash costs. This forward-looking information is not based on historical facts, but rather on current expectations and projections about future events and is subject to risks and uncertainties. Any statements not including historical facts are forward-looking statements and may be identified by terminology such as “believe,” “budget,” “continue,” “can,” “estimate,” “expect,” “intend,” “likely,” “should,” “target,” “will” and any similar expressions.

Forward-looking statements involve known and unknown risks and uncertainties, and as such, they are not guarantees of future performance. Actual results may differ materially from those projected in the forward-looking statements. Potential risks leading to differing results include, without limitation: fluctuation to foreign currency rates, change in commodity prices, industry risks, drilling results, labour disputes or difficulties resulting in labour shortages or interruptions in production, environmental risks, political risks including changes in national or local government legislation, taxation, or regulation, climate and weather related risks, diminishing quantities or grades of reserves, operating or technical difficulties with mining or development activities, and increased costs, delays or suspensions.

Readers are cautioned that many of the assumptions on which the Company’s forward-looking statements are based are likely to change. Lundin cautions that it does not have any intention to update forward-looking statements as a result of new information, future changes, or otherwise.

For further details of other risks and uncertainties see *Risk Factors Relating to the Company’s Business* in the Company’s Annual Information Form and Management’s Discussion and Analysis.

This presentation contains certain financial measures such as operating earnings, net debt, operating cash flow per share and cash costs which 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.

Note: All dollar amounts are in US dollars unless otherwise denoted.

# Participants

<b>Paul Conibear</b>	President & Chief Executive Officer
<b>Marie Inkster</b>	Senior Vice President & Chief Financial Officer
<b>Peter Quinn</b>	Chief Operating Officer

# Lundin Mining

## High Quality Competitive Mines

- positive operating cash flows at all operations through the low commodity price environment

## Meaningful Production Scale & Growth

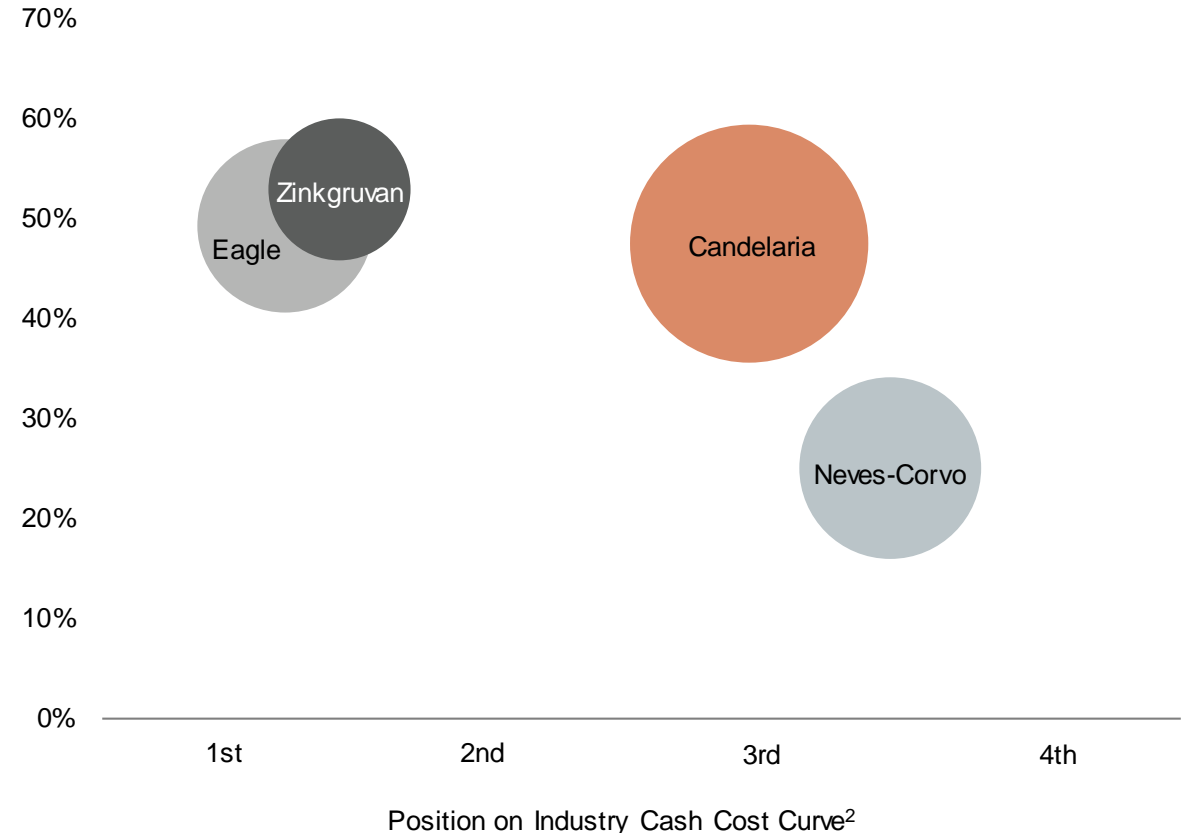
- internal growth projects and exploration upside at all operations

## Financial Strength

- year-end net debt balance of \$284M, including cash and equivalents of \$715M
- \$350M undrawn credit facility

## Strong Margins and Meaningful Scale<sup>1</sup>

(operating margin, %)



Source: Wood Mackenzie, Lundin Mining reports

1. Bubble sizes represent 2016 attributable copper equivalent production based on average 2016 metal prices scaled relative to Candelaria's attributable copper production of 133.3 kt.

2. Based on relative position in the forecast 2016 industry C1 cash cost curve for the primary metal produced from the operation. Candelaria – copper; Eagle – nickel, Neves-Corvo – copper; Zinkgruvan – zinc.

# Operating Highlights – 2016 Full Year

*Strong aggregate performance across all operations*

*All mines generated operating cash flow through low commodity prices*



**Candelaria** copper production exceeded guidance on better than planned throughput and improving copper head grade

**Eagle** achieved copper production guidance with excellent recovery rates



**Eagle** nickel production met increased guidance on continued robust performance



**Neves-Corvo** stable zinc plant operations with expansion initiative being permitted

**Zinkgruvan** plant modernization and 10% expansion project in progress

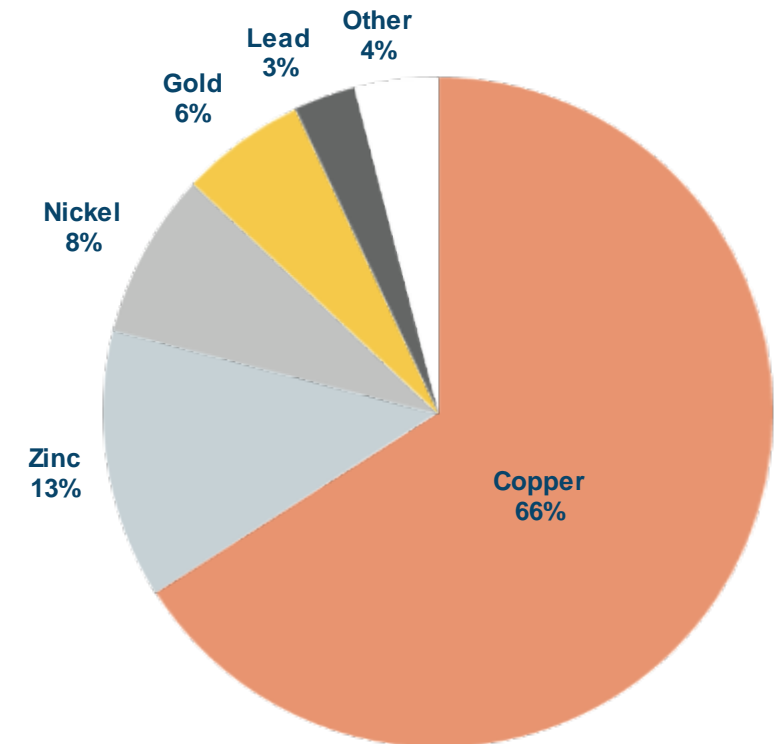
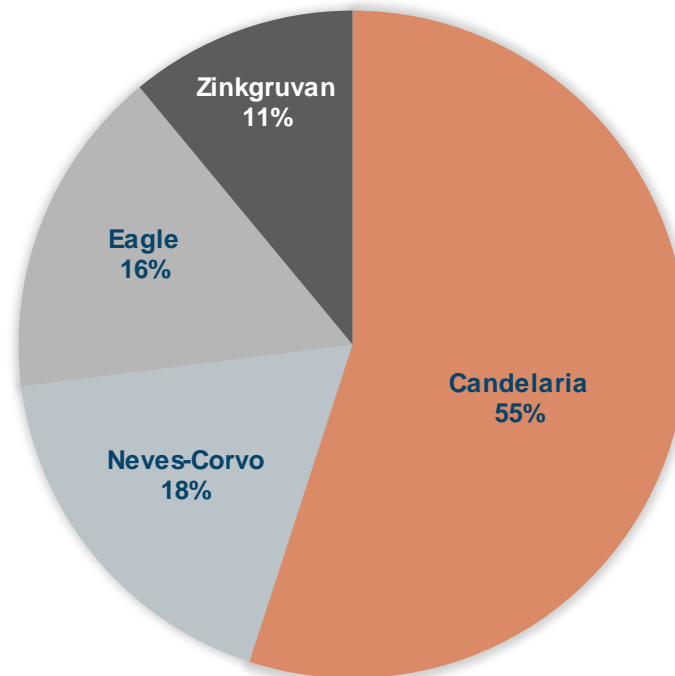
# Revenue Breakdown – 2016 Full Year

2016 sales of \$1.55B

Majority of sales from Candelaria

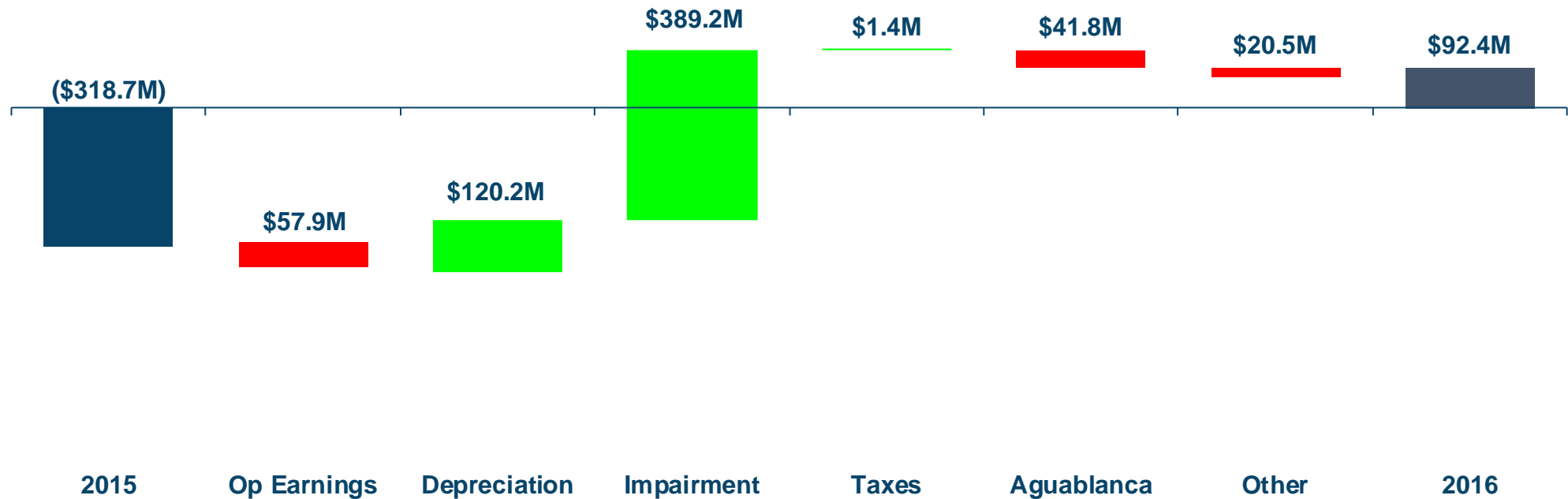
Good contribution from each of Neves-Corvo, Eagle and Zinkgruvan

Increasing contribution from zinc sales



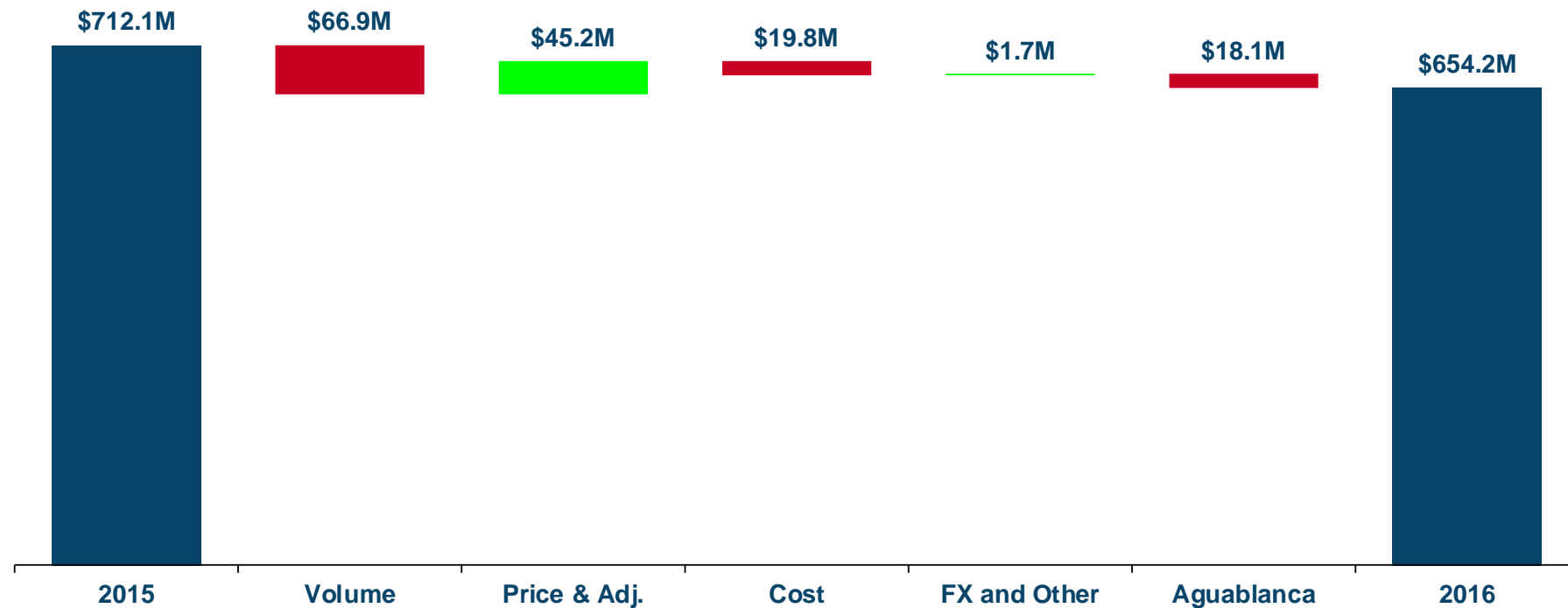
# Attributable Net Earnings from Continuing Operations

Net earnings from continuing operations attributable to Lundin Mining shareholders increased compared to the same period last year mainly due to comparative changes in impairment and depreciation



# Operating Earnings – 2016 Full Year

Operating earnings decreased compared to the same period last year mainly due to lower volumes partially offset by price and adjustments





# Financial Highlights – 2016 Full Year

	2016	2015	Δ
Realized Metal Prices <sup>1</sup>			
Copper	\$2.31/lb	\$2.26/lb	2%
Nickel	\$4.44/lb	\$4.79/lb	-7%
Zinc	\$0.99/lb	\$0.84/lb	18%
Revenue	\$1,546M	\$1,702M	-9%
Operating Earnings	\$654M	\$712M	-8%
Attributable Net (Loss) / Income from Continuing Operations	\$92M \$0.13/sh	(\$319M) (\$0.44/sh)	129% \$0.57/sh
Cash Flow from Operations <sup>2</sup>	\$363M	\$714M	-49%
Operating Cash Flow <sup>2</sup>	\$484M	\$519M	-7%
Operating Cash Flow per share <sup>2</sup>	\$0.67/sh	\$0.72/sh	(\$0.05/sh)

1. LUN average realized price, including impact of provisional price adjustments.

2. Cash Flow from Operations includes changes in non-cash working capital items whereas Operating Cash Flow is a non-GAAP measure defined as Cash Flow from Operations before changes in non-cash working capital items. Please see Lundin Mining's MD&A for the year ended December 31, 2016 for discussion on non-GAAP measures.

# Select Financial Items

	2016	2015
<b>Net (loss) / earnings</b>	<b>(\$630.2M)</b>	<b>(\$281.8M)</b>
Foreign exchange	(\$21.0M)	\$18.5M
Mark to market on securities (includes options)	\$1.9M	(\$3.3M)
Impairment and impairment reversals	(\$676.2M)	(\$286.7M)
Loss on disposal of assets (Aguablanca)	(\$22.3M)	-
Settlement of historical claims	-	(\$7.0M)
Tax (on above items)	(\$32.0M)	\$12.5M
Tax adjustment (for valuation allowance, 2008 Neves-Corvo tax refund)	\$95.2M	(\$66.1M)

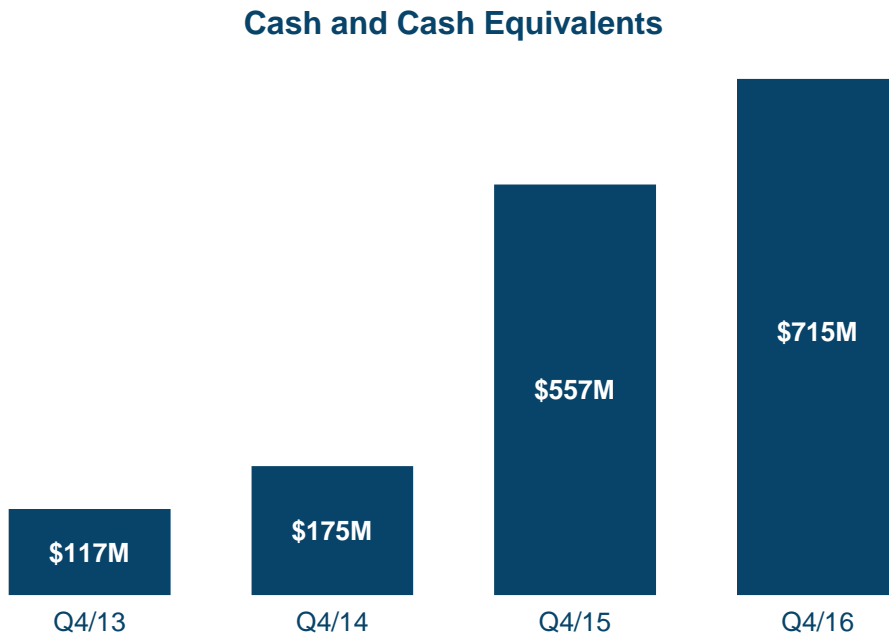
# Balance Sheet Strength and Flexibility

2016 capital costs, C1 and all-in sustaining costs came in better than budgeted

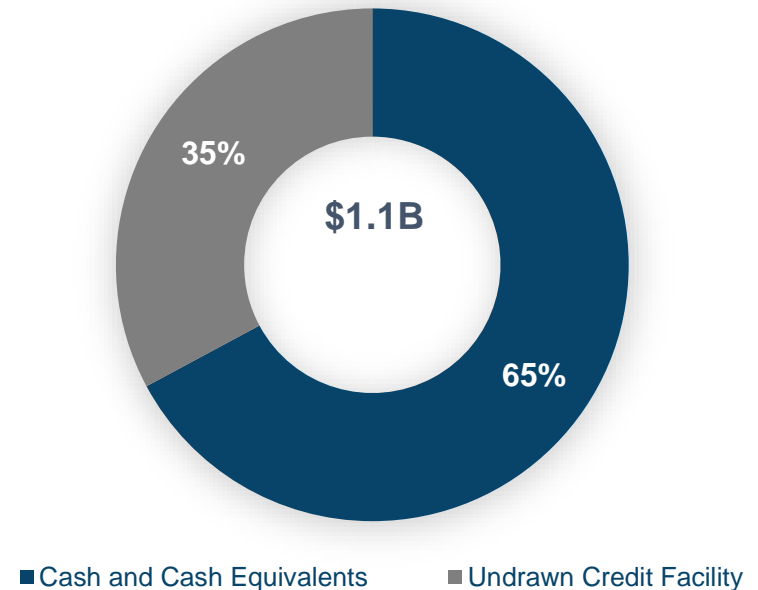
Cash balance at February 20, 2017 of approximately \$850M and net debt of approximately \$150M

Approved quarterly dividend policy and declared first quarterly dividend

\$350M revolving credit facility undrawn



**Liquidity Position (Dec. 31, 2016)**



The Company has senior secured notes outstanding comprised of: \$550M at 7.5% due in 2020, and \$450M (\$445M net outstanding) at 7.875% due in 2022.

# 2017 Production and Cash Cost Guidance

## Attributable Production<sup>1</sup> and C1 Cash Cost<sup>2</sup> (kt and \$/lb, net of by-products)

<b>Copper</b>	Candelaria (80%)	145,000	–	150,000	\$1.20/lb
	Eagle	15,000	–	18,000	
	Neves-Corvo	41,000	–	46,000	\$1.35/lb
	Zinkgruvan	1,000	–	2,000	
	<b>Total Attributable</b>	<b>202,000</b>	<b>–</b>	<b>216,000</b>	
<b>Nickel</b>	Eagle	17,000	–	20,000	\$2.45/lb
	<b>Total</b>	<b>17,000</b>	<b>–</b>	<b>20,000</b>	
<b>Zinc</b>	Neves-Corvo	72,000	–	77,000	
	Zinkgruvan	80,000	–	85,000	\$0.40/lb
	<b>Total</b>	<b>152,000</b>	<b>–</b>	<b>162,000</b>	

1. Production guidance is based on certain estimates and assumptions, including but not limited to; Mineral Resources and Reserves, geological formations, grade and continuity of deposits and metallurgical characteristics. Guidance does not include any amount for Tenke Fungurume. Guidance has not yet been provided by China Molybdenum Co., Ltd. the operation's majority owner.

2. C1 cash costs are based on various assumptions and estimates, including, but not limited to; production volumes, as noted above, commodity prices (2017 - Cu: \$2.25/lb, Zn: \$1.00/lb, Pb: \$0.90/lb, Ni: \$5.00/lb) foreign currency exchange rates (2017 - €/USD:1.15, USD/SEK:8.40, CLP/USD:650) and operating costs. All figures in are in US\$ unless otherwise noted.

# 2017 Capital Expenditure and Exploration Guidance

<b>Capital Expenditures<sup>1</sup> (US\$M)</b>	
Total Capitalized Stripping <sup>2</sup>	105
Los Diques Facility	135
Other Candelaria Sustaining	25
<b>Total Candelaria (100% basis)</b>	<b>265</b>
Eagle Sustaining	10
Neves-Corvo Sustaining	50
Zinkgruvan Sustaining	40
<b>Total Sustaining</b>	<b>365</b>
Eagle Expansionary	35
Zinkgruvan Expansionary	5
<b>Total Expansionary</b>	<b>40</b>
<b>Total Capital Expenditures</b>	<b>\$405M</b>

**Los Diques Tailings Project** – total costs estimated at \$295M. Remaining to be spent:

- \$135M in 2017
- \$30M in 2018

## 2017 exploration budget of \$65M

- aggressive in-mine and near-mine programs at Candelaria and Eagle
- rejuvenated exploration focus at Neves-Corvo and Zinkgruvan
- Two new green fields exploration projects planned – Peru and Eastern Europe

1. Excludes capitalized interest. Amounts forecast above are on a cash basis, and may vary from accruals based estimates.

2. During the production phase, waste stripping costs which provide probable future economic benefits and improved access to the orebody are capitalized to mineral properties. The Company capitalizes waste costs when experienced strip ratios are above the average planned strip ratio for each open pit phase under development.

# Candelaria



Copper / Gold / Silver – Region III, Chile

# Candelaria

2016 copper production of 166.6 kt (100% basis)

- exceeded target on mill throughput performance
- \$1.31/lb copper cash cost bettered guidance of \$1.35/lb

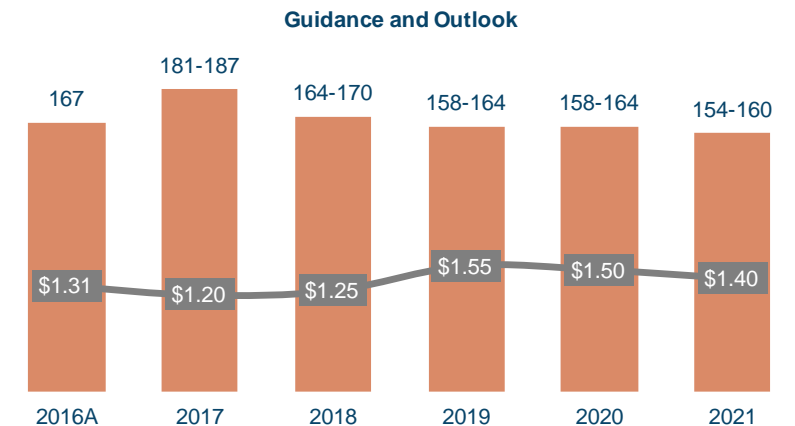
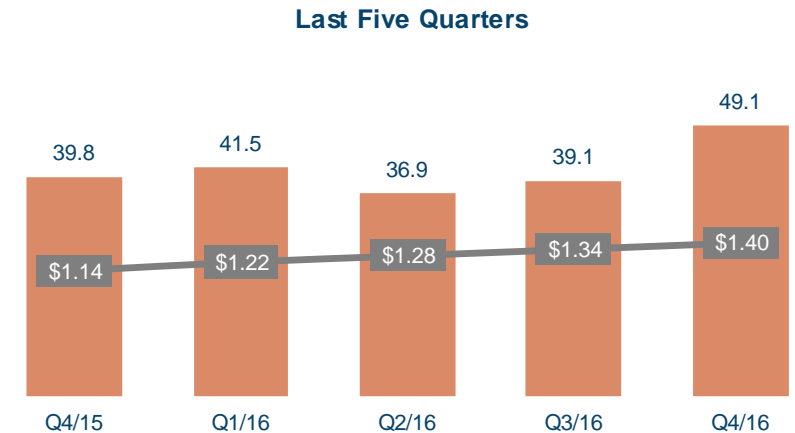
Increased production expected in 2017

- 181-187 kt (100% basis) at \$1.20/lb cash cost
- Increasing copper grade YOY

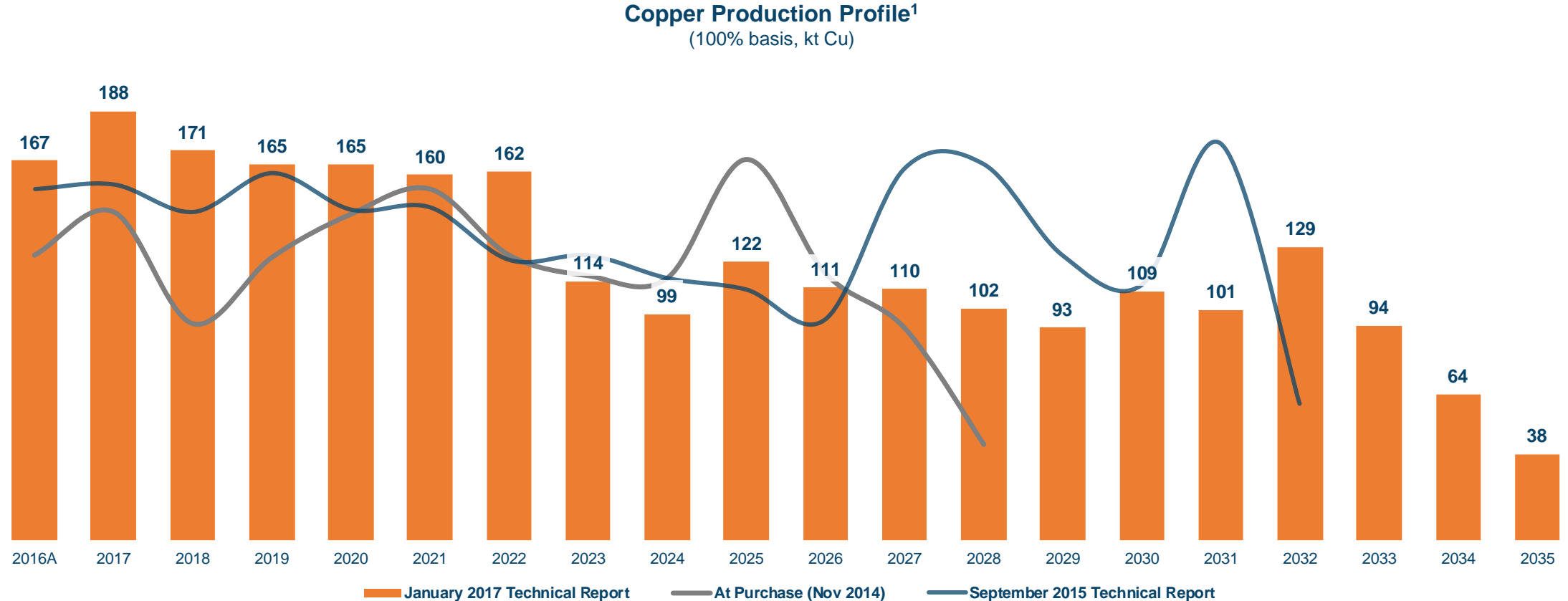
Los Diques tailings facility construction progressing on schedule and on budget

Conceptual studies advancing to increase production from five underground deposits to optimize life-of-mine plan

**Copper Production & Cash Cost**  
(100% basis; kt & \$/lb Cu, net of by-product credits)



# Candelaria LOM Production Profile



Since acquisition contained copper and gold in the Mineral Reserves has increased by approximately 50%, when mined depletion is included, and the production profile has been significantly improved

Potential for further improvement to production profile and mine life extension

1. Production shown on 100% basis and reflects NI 43-101 Technical Report filed January 2017.



# Candelaria – Los Diques Construction



As at January 28, 2017

# Eagle



Nickel / Copper / PGMs – Michigan, U.S.A.

2016 production of 24.1 kt nickel and 23.4 kt copper

- met guidance on continued robust performance
- excellent margins even at low nickel prices
- cash cost of \$1.75/lb nickel beat guidance of \$1.90/lb

Eagle East Feasibility Study nearing completion

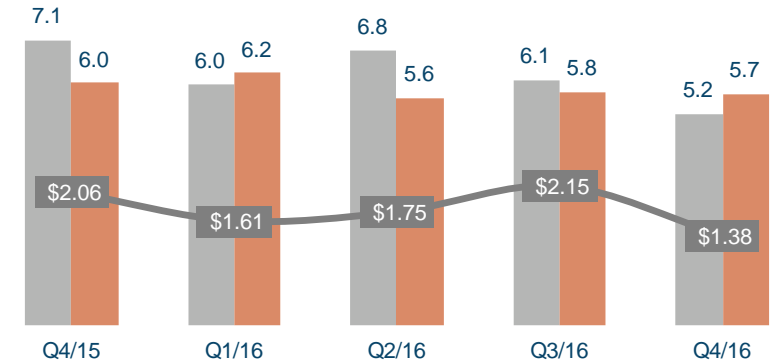
Project is advancing in the permitting phase

Exploration ramp development is progressing on plan

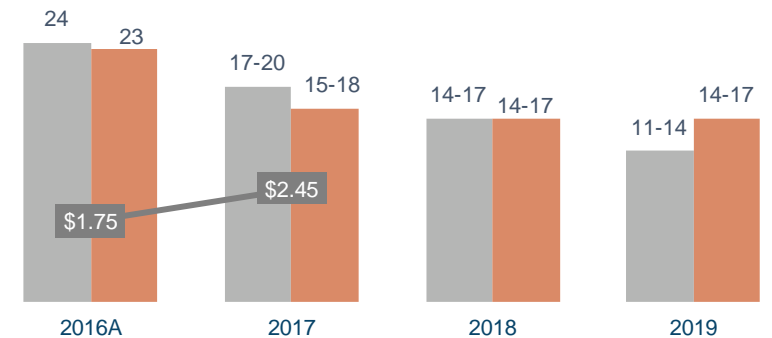
## Nickel, Copper Production & Cash Cost

(kt & \$/lb Ni, net of by-product credits)

### Last Five Quarters





### Guidance and Outlook



# Eagle and Eagle East Overview



-  Eagle Decline & Development
-  Eagle East Proposed Ramp





2016 production of 46.6 kt copper and 69.5 kt zinc

- zinc plant stable with improved recoveries
- initiatives underway to improve copper recoveries in complex ore zones
- met cash cost guidance of \$1.55/lb copper
- increased zinc production for 2017

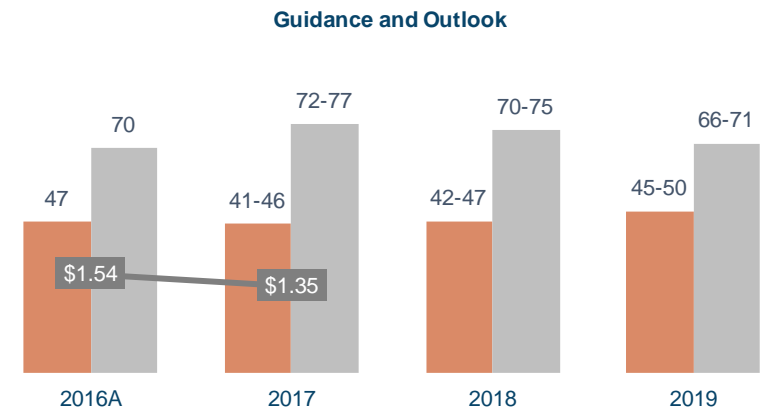
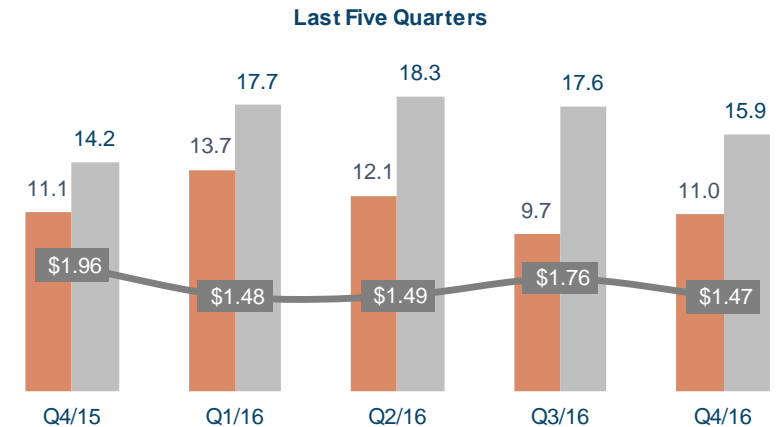
## Zinc Expansion Project (ZEP)

- EIA submitted in Q4/16
- approximately €250 million initial capital
- doubling of current zinc production levels within 28 months of full project approval
- low risk brownfields project

Exploration program rejuvenated targeting additional copper and zinc resources

## Copper, Zinc Production & Cash Cost

(kt & \$/lb Cu, net of by-product credits)



# Zinkgruvan



Zinc / Lead / Copper – Sweden

# Zinkgruvan

2016 production of 78.5 kt zinc and 1.9 kt copper

- cash cost of \$0.40/lb zinc beat guidance of \$0.37/lb zinc

Increased zinc production targeted for 2017 of 80-85 kt

## 1350 Zinc Expansion Project

- increase overall mill capacity by ~10%
- on schedule for mid-2017 commissioning
- Low capital cost brownfield project; expected high return on investment

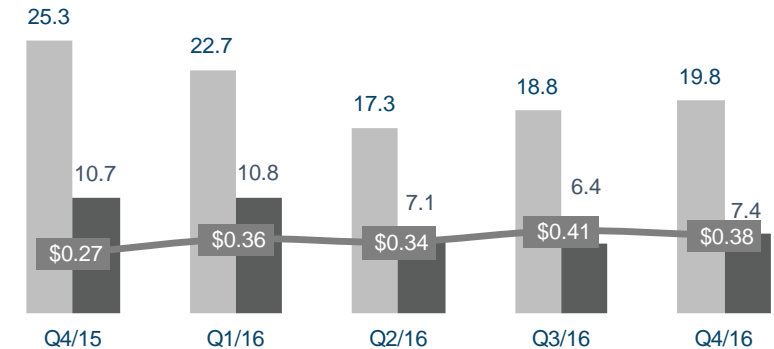
Expansion of Enemossen tailings facility advancing on schedule and budget – new dam expected complete Q3/17

Exploration program rejuvenated targeting two deposits currently not in mine plan

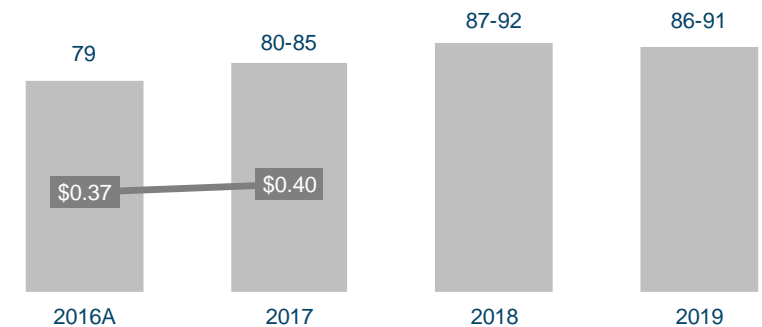
## Zinc, Lead Production & Cash Cost

(kt & \$/lb Zn, net of by-product credits)

Last Five Quarters



YTD and Outlook





# Tenke Fungurume



# Tenke Fungurume

2016 production of 215.9 kt copper and 16.1 kt cobalt (100% basis)

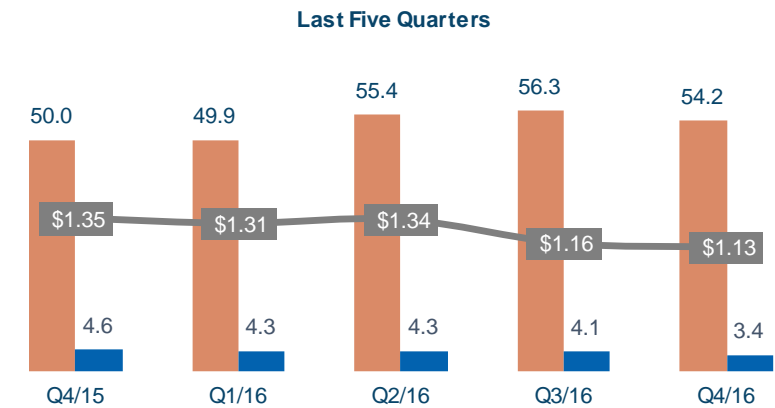
- record copper production in 2016
- cash cost of \$1.23/lb copper slightly bettered full year guidance

Distributions from related investments totaled \$70M in 2016

Agreement to sell indirect interest in TF Holdings Limited

- \$1.136B cash and contingent consideration of up to \$51.4M
- Termination fee of \$100M secured by letter of credit
- Expected to close in H1/17

**Copper, Cobalt Production & Cash Cost**  
(100% basis; kt & \$/lb Cu, net of by-product credits)



# Questions?

**lundin mining**

TSX: LUN OMX: LUMI