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## NEWS RELEASE

# LUNDIN MINING FOURTH QUARTER AND FULL YEAR RESULTS

**Toronto, February 22, 2017 (TSX: LUN; OMX: LUMI) Lundin Mining Corporation** (“Lundin Mining” or the “Company”) today reported cash flows of \$107.9 million generated from operations in the quarter and \$363.2 million for the year, not including the Company’s attributable cash flows from Tenke Fungurume. Helped by higher metal prices at the end of the year and asset impairment reversals, net earnings attributable to Lundin Mining shareholders were \$162.9 million (\$0.23 per share) for the quarter ended December 31, 2016. For the year ended 2016, a net loss of \$661.7 million (\$0.92 per share) was attributable to shareholders, inclusive of a \$772.1 million impairment taken on our investment in Tenke.

Mr. Paul Conibear, President and CEO commented, *“We are extremely proud of the performance achieved in 2016 in a very tough part of the metals cycle. We achieved the best ever safety performance across the Company. Delivery on production optimization initiatives and discretionary spending restraint measures enabled the Company to generate more than \$360 million of operating cash flow resulting in a lower net debt position by year end. We enter 2017 in excellent shape in all regards. We have exploration upside and growth projects at each of our mine sites. Our financial strength and disciplined capital allocation enable us to continue to deliver superior shareholder returns through advancement of internal growth projects, rejuvenated exploration programs, and potential external growth opportunities.”*

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

US\$ Millions (except per share amounts)	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	2016	2015
Sales	<b>459.2</b>	316.0	<b>1,545.6</b>	1,701.9
Operating costs	<b>(226.4)</b>	(208.2)	<b>(864.4)</b>	(962.7)
Operating earnings <sup>1</sup>	<b>225.3</b>	101.0	<b>654.2</b>	712.1
Impairment reversals / (impairment)	<b>95.9</b>	(293.3)	<b>95.9</b>	(293.3)
Continuing, attributable net earnings / (loss) <sup>2</sup>	<b>148.7</b>	(375.5)	<b>92.4</b>	(318.7)
<b>Attributable net earnings / (loss)<sup>2</sup></b>	<b>162.9</b>	(377.7)	<b>(661.7)</b>	(294.1)
Net earnings / (loss)	<b>180.2</b>	(383.5)	<b>(630.2)</b>	(281.8)
Basic and diluted earnings / (loss) per share <sup>3</sup>	<b>0.23</b>	(0.52)	<b>(0.92)</b>	(0.41)
Cash flow from operations	<b>107.9</b>	107.1	<b>363.2</b>	713.9
Cash and cash equivalents	<b>715.3</b>	556.5	<b>715.3</b>	556.5
Net debt <sup>4</sup>	<b>(284.1)</b>	(441.3)	<b>(284.1)</b>	(441.3)

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

<sup>2</sup> Attributable to shareholders of Lundin Mining Corporation.

<sup>3</sup> Basic and diluted earnings / (loss) per share attributable to shareholders of Lundin Mining Corporation.

<sup>4</sup> Net 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

2016 cash costs<sup>1</sup> at all our operations and total copper and nickel production met our most recent guidance with a marginal shortfall in zinc production for the year. Cash costs benefited from on-going spending restraint programs and higher by-product metal prices. Capital spending for the year was also in-line with most recent guidance, with actual spend of \$187.6 million.

**Candelaria (80%):** The Candelaria operations produced, on a 100% basis, 166,592 tonnes of copper, approximately 1,700,000 ounces of silver and 97,000 ounces of gold in concentrate. Copper production exceeded expectations on strong mill throughput and increased head grades. Copper cash costs of \$1.31/lb for the year were lower than full year guidance of \$1.35/lb.

Construction of the Los Diques tailings dam facility continues on schedule and on budget. Of the total project forecast of \$295 million, \$130 million has been spent to date. All key construction permits are in place and main dam embankment construction is proceeding well.

**Eagle (100%):** Eagle continued its robust performance, with both nickel (24,114 tonnes) and copper (23,417 tonnes) production meeting guidance. Nickel cash costs of \$1.75/lb for the year were lower than guidance of \$1.90/lb, benefiting from higher by-product sales and metal prices.

The Eagle East Project advanced as planned, with Feasibility Study work proceeding in parallel with exploration ramp advancement and overall Eagle East mine permitting.

**Neves-Corvo (100%):** Neves-Corvo produced 46,557 tonnes of copper and 69,527 tonnes of zinc for the year ended December 31, 2016. Zinc production marginally missed most recent production targets while copper production was impacted by variations in ore grade and characteristics in the fourth quarter. Copper cash costs of \$1.54/lb for the year met the latest full-year guidance (\$1.55/lb).

**Zinkgruvan (100%):** Zinc production of 78,523 tonnes at Zinkgruvan was negatively impacted by lower than expected head grades in the fourth quarter and was slightly below the latest guidance. Cash costs for zinc of \$0.37/lb were better than guidance (\$0.40/lb).

**Tenke (24%):** Tenke operations continue to perform well, with new records being set for copper and cobalt production. Lundin's attributable share of annual production included 51,826 tonnes of copper cathode and 3,853 tonnes of cobalt in hydroxide. The Company's attributable share of sales included 52,789 tonnes of copper at an average realized price of \$2.15/lb and 3,998 tonnes of cobalt at an average realized price of \$7.99/lb. Tenke operating cash costs for the year ended December 31, 2016 were \$1.23/lb of copper sold, better than the latest guidance (\$1.26/lb). Cash distributions received during the year from Tenke were \$60.4 million, with an additional \$9.3 million received from the Freeport Cobalt operations. Total Tenke related distributions to the Company of \$69.7 million were received for the year, exceeding our most recent guidance range of \$50 million to \$60 million.

<sup>1</sup> 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

- Sales for the year ended December 31, 2016 were \$1,545.6 million, a decrease of \$156.3 million in comparison to the \$1,701.9 million reported in 2015. The decrease was mainly due to lower sales volumes (\$135.3 million) and the shutdown and subsequent sale of the Aguablanca operation (\$64.6 million), partially offset by higher realized metal prices and price adjustments (\$45.2 million).
- Operating costs (excluding depreciation) for the year ended December 31, 2016 were \$864.4 million, a decrease of \$98.3 million in comparison to the \$962.7 million reported in 2015. The decrease was largely due to lower sales volume (\$68.4 million) and the shutdown of Aguablanca operations (\$46.5 million) and favourable changes in foreign exchange rates (\$13.3 million), partially offset by higher per unit costs (\$42.1 million).
- Operating earnings for the year ended December 31, 2016 were \$654.2 million, a decrease of \$57.9 million in comparison to the \$712.1 million reported in 2015. The decrease was primarily due to lower sales volumes (\$66.9 million) and the shutdown of Aguablanca (\$18.1 million) and higher per unit operating costs (\$42.1 million), partially offset by higher realized metal prices and price adjustments (\$45.2 million), favourable foreign exchange movements (\$13.3 million) and lower treatment and refining charges (\$9.9 million).
- Net loss for the year ended December 31, 2016 was \$630.2 million, an increase of \$348.4 million over the net loss of \$281.8 million reported in 2015. Net losses in both years were primarily a result of impairment related adjustments, as cost and production performance at mine operations met or exceeded expectations. Net loss was impacted by:
  - higher net impairment (\$389.2 million);
  - lower operating earnings (\$57.9 million);
  - effect of foreign exchange (\$39.5 million); and
  - loss on disposal of Aguablanca assets (\$22.3 million); partially offset by
  - lower depreciation, depletion and amortization (\$120.1 million); and
  - lower income taxes (\$21.9 million).
- Cash flow from operations for the year ended December 31, 2016 was \$363.2 million, a decrease of \$350.7 million in comparison to the \$713.9 million reported in 2015. The decrease was primarily attributable to a comparative change in non-cash working capital, namely with the timing of sales and changes in metal prices having a significant impact on trade receivables.

## Corporate Highlights

- On June 29, 2016, the Company announced a maiden Eagle East Inferred Mineral Resource estimate. Eagle East is located 2 km east and 650 metres below the Eagle mine deposit. The Company also announced the results of a Preliminary Economic Assessment that indicate that these Inferred Mineral Resources can potentially be mined with no significant changes to the current mine, ore transport, mill and tailings disposal infrastructure.

Similar mining methods to Eagle are proposed and the potential mine production will significantly increase nickel and copper production. Subject to permitting, formal Board investment approval and project progress, the intent is to develop Eagle East such that it starts contributing to mill feed in 2020 and extends the mine life to at least the end of 2023.

Given the robust results of the Preliminary Economic Assessment, the Company initiated a Feasibility Study which is expected to be completed in the first half of 2017. Permitting with Michigan authorities is in progress.

- On October 20, 2016, the Company announced it had executed an amending agreement to its \$350 million revolving credit facility that reduces costs of borrowing and extends the term to June 2020, from October 2017.
- On November 15, 2016, the Company announced that it had entered into a definitive agreement to sell its indirect interest in TF Holdings Limited (“TF Holdings”) to an affiliate of BHR Partners, a Chinese private equity firm, for \$1.136 billion in cash and up to \$51.4 million in contingent consideration. Lundin Mining’s effective 24% interest in Tenke is held through its 30% indirect interest in TF Holdings.
- In the fourth quarter of 2016, the Company disposed of Aguablanca and other exploration licenses in Spain to Valoriza Minería, a subsidiary of Grupo Sacyr. As part of the transaction, the Company provided funding of approximately €30 million to support environmental, employee and other liabilities.

## **Financial Position and Financing**

- Cash and cash equivalents increased \$158.8 million, over the year ended December 31, 2016, from \$556.5 million to \$715.3 million. The increase is primarily as a result of cash generated from operating cash flows of \$363.2 million and production cash flow distributions from Tenke and Freeport Cobalt of \$69.7 million, partially offset by investments in mineral properties, plant and equipment of \$187.6 million and total interest paid of \$74.7 million.
- Net debt position at December 31, 2016 was \$284.1 million compared to \$441.3 million at December 31, 2015.
- The Company has a revolving credit facility available for borrowing up to \$350 million. As at December 31, 2016, the Company had no amount drawn on the credit facility. Letters of credit totalling approximately \$24.0 million are outstanding.
- As of February 20, 2017, cash and net debt balances were approximately \$850 million and \$150 million, respectively.

## Outlook

Production, cash cost, capital expenditures and exploration guidance for 2017 remains unchanged from that provided on November 30, 2016 (see news release entitled “Lundin Mining Provides Operating Outlook”).

Annual guidance has not been provided for Tenke, given the agreement to sell Lundin Mining’s indirect interest.

## 2017 Production and Cost Guidance

(contained tonnes)		Tonnes	Cash Costs <sup>a</sup>
<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	
	Total attributable	202,000 - 216,000	
<b>Nickel</b>	Eagle	17,000 - 20,000	\$2.45/lb
<b>Zinc</b>	Neves-Corvo	72,000 - 77,000	
	Zinkgruvan	80,000 - 85,000	\$0.40/lb
	Total	152,000 - 162,000	

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.15, USD/SEK:8.40, USD/CLP:650) and metal prices (forecast at Cu: \$2.25/lb, Ni: \$5.00/lb, Zn: \$1.00/lb, Pb: \$0.90/lb, Au: \$1,250/oz, Ag: \$16.50/oz).

## 2017 Capital Expenditure Guidance

Capital expenditures, excluding capitalized interest, are expected to be \$405 million, as outlined below.

2017 Guidance	\$millions
Capitalized Stripping	105
Los Diques Tailings	135
Other Sustaining	25
Candelaria (100% basis)	265
Eagle	10
Neves-Corvo	50
Zinkgruvan	40
<b>Total Sustaining Capital</b>	<b>365</b>
Eagle East	35
Zinkgruvan Expansion (1350)	5
<b>Total Expansionary Capital</b>	<b>40</b>
<b>Total Capital Expenditures</b>	<b>405</b>

## Exploration Investment

Exploration expenditures are expected to approximate \$65 million in 2017.

On Behalf of the Board,

Paul Conibear  
President and CEO

The information in this release is subject to the disclosure requirements of Lundin Mining under the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was publically communicated on February 22, 2017 at 7:00 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 herein is "forward-looking information" within the meaning of applicable Canadian securities legislation. This report includes, but is not limited to, forward looking statements with respect to the Company's estimated annual metal production, cash costs, exploration expenditures and capital expenditures, as noted in the Outlook section and elsewhere in this document. These estimates 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 from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to estimated operating and cash costs, foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; including risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, and commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed price 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, readers are advised not to place undue reliance on forward-looking statements.*

*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 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.*