Lundin Gold Reports Q2 2020 Results

VANCOUVER, BC, Aug. 11, 2020 /CNW/ - **Lundin Gold Inc.** ("Lundin Gold" or the "Company") (TSX: LUG) (Nasdaq Stockholm: LUG) is pleased to announce its results for the three and six months ended June 30, 2020. References to the "2020 Period" and "2019 Period" relate to the six months ended June 30, 2020 and June 30, 2019, respectively. All amounts are in U.S. dollars unless otherwise indicated. View PDF version

"We have adapted our operations in response to COVID-19 and together with maintenance work carried out during the suspension, we have resumed operations quickly and safely, and mine and mill restart is going well," said Ron Hochstein, Lundin Gold President and CEO. "Our study on the feasibility of increasing the mine and mill throughput is proceeding, and we are evaluating implementation in 2021."

Fruta del Norte Site Activities during Suspension

- Strict COVID-19 protocols were implemented, which include off-site quarantine followed by a Polymerase Chain Reaction (PCR) test for all employees and contractors prior to access to Fruta del Norte, mandatory use of PPE, health monitoring, physical distancing, and enhanced disinfection and restricted access to common areas.
- Limited mine development activities and stope drilling were carried out to facilitate the restart of mine production.
- Maintenance of mine infrastructure such as roads, power, ventilation and dewatering systems were carried out.
- Crushing plant maintenance and relining of the SAG mill was completed.
- Some re-piping in the process plant was completed to send more material to the gravity circuit and to optimize flotation reagent additions.

Financial Results during the 2020 Period

- Recognized revenues of $50.0 million based on sales of 30,906 ounces ("oz") of gold at an average realized gold price of $1,680 per oz sold[1].
- Sales were comprised of 10,727 oz of gold in doré and 20,179 oz of gold in concentrate which includes 2,430 oz in doré and 4,367 oz in concentrate produced in the first quarter prior to the onset of the temporary suspension and sold during the suspension.
- Cash operating costs[1] and all-in sustaining costs ("AISC")[1] were $876 and $952 per oz of gold sold, respectively.
- Suspension costs were $29.3 million and comprised principally of wages, site activities as described above, COVID-19 related costs and ongoing indirect fixed costs such as insurance and property taxes.
- Made scheduled principal and interest payments of $14.4 million under the stream facility and interest payments under the senior debt.

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[1] Refer to "Non-IFRS Measures" section at the end of this news release

Corporate

On July 31, 2020, Tamara Brown of Newcrest Mining Limited ("Newcrest") resigned from the board. On August 11, 2020, Bob Thiele was appointed to the board as Newcrest's nominee. Mr. Thiele has over 35 years of operational and corporate project and mining experience and currently serves as General Manager – Technical Services & Business Improvement for Newcrest.

Fruta del Norte Mine Development

Existing development is well advanced in a high-grade area where long-hole stoping mining methods versus drift and fill are now planned.

Work on the completion of the South Ventilation Raise ("SVR") resumed in June. The SVR has been filled with concrete due to a localized ground fall, and the Company will grout the raise prior to the re-start of raise boring. Work on the SVR is anticipated to be completed by the end of the fourth quarter of 2020. The timing of this work does not impact planned production in 2020.

The installation of the permanent ventilation fans underground was substantially completed.

Construction

Paste plant commissioning and construction of the Zamora River bridge are the only remaining significant project work areas to be completed. The paste plant is expected to be in operation in the latter part of the third quarter of 2020. Construction of the Zamora River bridge is anticipated to resume in the third quarter of 2020 and be completed in the first half of 2021.

Health and Safety

Total Recordable Incident Rate for the 2020 Period was 0.41 per 200,000 hours worked and there were no recordable incidents during the quarter.

Community

The Company continued to provide support to the Ministry of Health and local governments and authorities in their COVID-19 pandemic activities.

Exploration

As a result of the COVID-19 pandemic, all exploration activities have also been suspended.

Financial Results

(in thousands, except per share amounts)	Three months ended June 30, 2020	2019	Six months ended June 30, 2020	2019
Results of Operations:				
Revenues	$ 13,146	$ -	$ 50,002	$ -
Income from mining operations	4,442	-	14,778	-
Derivative loss	(25,732)	(24,745)	(28,301)	(24,277)
Net loss for the period	(64,374)	(30,797)	(73,705)	(38,508)
Basic and diluted loss per share	(0.29)	(0.14)	(0.33)	(0.18)

(in thousands)	As at June 30, 2020	As at December 31, 2019
Financial Position:		
Cash	74,205	75,684
Working capital	(7,205)	32,800
Property, plant and equipment	882,839	924,982
Mineral properties	239,260	240,665
Total assets	1,407,231	1,408,961
Long-term debt	651,181	821,008

The significant increase in net loss from $30.8 million during the second quarter of 2019 to $64.4 million during the second quarter of 2020 was mainly due to $25.9 million of costs relating to the suspension of operations; derivative loss of $25.7 million compared to $24.7 million in the second quarter of 2019; and finance expense of $13.1 million compared to finance income of $0.4 million in the second quarter of 2019. Suspension costs were comprised principally of wages, maintenance of the mine and plant, ongoing site service and other fixed costs as well as COVID-19 costs. The increase in finance expense is due to the achievement of commercial production in February 2020. As a result, interest expense associated with the Company's debt facilities are no longer being capitalized. These are offset by the recognition of revenues resulting in income from mining operations of $4.4 million during the period.

The loss in the 2020 Period is higher by $35.2 million compared to that of the 2019 Period mainly due to the same items noted above. During the 2020 Period, the Company incurred suspension costs of $29.3 million and an increase in finance expense and derivative loss of $19.0 million and $4.0 million, respectively. These are offset by the recognition of income from mining operations of $14.8 million during the 2020 Period.

Liquidity and Capital Resources

As at June 30, 2020, the Company had cash of $74.2 million and a working capital deficit of $7.2 million compared to cash of $75.7 million and a working capital balance of $32.8 million at December 31, 2019. The change in cash was primarily due to costs incurred, net of sales generated, for the development of Fruta del Norte of $21.7 million and cash flow used for operating activities of $4.8 million. This is offset by net proceeds from a bought deal equity financing in June 2020 of $41.4 million (the "Offering"); proceeds of $3.0 million from stock option exercises and $4.2 million from the issuance of shares to Newcrest Mining Limited under the anti-dilution rights related to its shareholding in the Company. The change in working capital balance is mainly due to the reclassification of long-term debt to current to reflect scheduled repayments over the next 12 months.

The Company's treasury was sufficient to support the Company's reduced activities during the temporary suspension and to meet obligations under its existing loans. In addition, the Offering has added further funds to the Company's treasury. Further, with the re-start of operations in early July, the Company expects to generate net sale receipts well in excess of its obligations due in the next twelve months.

Outlook

The Company re-started operations at Fruta del Norte at the beginning of the third quarter, having re-established transportation of supplies and product and mobility of personnel with a focus on the health and safety of its personnel to minimize the risks of a breakout of COVID-19 at site and in the local communities.

Gold production at Fruta del Norte for the second half of 2020 is estimated to be in the range of 150,000 to 170,000 ounces. Together with actual production achieved prior to the onset of the temporary suspension, total 2020 gold production is estimated to be between 200,000 and 220,000 ounces. Average mill production in the second half of 2020 is projected at 3,200 tonnes per day at an estimated average head grade of 10 grams per tonne. Average gold recovery is anticipated to be approximately 85% during this time and is targeted to reach design levels of 92% in late 2020.

AISC for the second half of 2020 is expected to range between $770 and $850 per ounce of gold sold. AISC for the second half of 2020 reflects additional COVID-19 costs and the ramping up of production originally anticipated to have occurred once commercial production was achieved in February 2020. AISC includes $10.4 million in sustaining capital that includes costs for the tailings dam raise, the purchase of surface mobile equipment and other efficiency improvement projects.

The following capital project activities are also planned:

- Complete paste plant commissioning.
- Complete the Zamora River Bridge construction.
- Complete the South Ventilation Raise.

The initial technical results of the internal throughput expansion studies are expected to be completed late in the third quarter.

The reactivation of the exploration program is planned to occur after regulatory approvals are received.

Qualified Person

The technical information relating to Fruta del Norte contained in this News Release has been reviewed and approved by Ron Hochstein P. Eng, Lundin Gold's President and CEO who is a Qualified Person under National Instrument 43-101.

Conference Call and Webcast

A conference call and webcast to discuss the second quarter results, as well as give an update on operations at Fruta del Norte gold will take place Wednesday, August 12 at 8:00 a.m. PT, 11:00 a.m. ET, 5:00 p.m. CET.

Conference Call Dial-In Numbers:

Participant Dial-In North America:	+1 416-764-8659
Toll-Free Participant Dial-In North America:	+1 888-664-6392
Participant Dial-In Sweden:	0200899189
Conference ID:	Lundin Gold / 57310939

A link to the webcast is available on the Company's website, www.lundingold.com.

A replay of the conference call will be available two hours after the completion of the call until September 12, 2020.

Toll Free North America Replay number:	+1 888-390-0541
International Replay number:	+1 416-764-8677
Replay passcode:	310939 #

About Lundin Gold

Lundin Gold, headquartered in Vancouver, Canada, owns the Fruta del Norte gold mine in southeast Ecuador. Fruta del Norte is among the largest and highest-grade gold projects in the world currently in production.

The Company's board and management team have extensive expertise in mine operations and are dedicated to operating Fruta del Norte responsibly. The Company operates with transparency and in accordance with international best practices. Lundin Gold is committed to delivering value to its shareholders, while simultaneously providing economic and social benefits to impacted communities, fostering a healthy and safe workplace and minimizing the environmental impact. The Company believes that the value created through the operation of Fruta del Norte will benefit its shareholders, the Government and the citizens of Ecuador.

Non-IFRS Measures

This news release refers to certain financial measures, such as average realized gold price per oz sold, cash operating cost per oz sold, and all-in sustaining cost, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies. These measures have been derived from the Company's financial statements because the Company believes that, with the achievement of commercial production, they are of assistance in the understanding of the results of operations and its financial position. Please refer to the Company's MD&A for the second quarter of 2020 for an explanation of non-IFRS measures used.

Additional Information

The information in this release is subject to the disclosure requirements of Lundin Gold under the EU Market Abuse Regulation. This information was publicly communicated on August 11, 2020 at 3:00 p.m. Pacific Time through the contact persons set out below.

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Caution Regarding Forward-Looking Information and Statements

Certain of the information and statements in this press release are considered "forward-looking information" or "forward-looking statements" as those terms are defined under Canadian securities laws (collectively referred to as "forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "believes", "anticipates", "expects", "is expected", "scheduled", "estimates", "pending", "intends", "plans",

"forecasts", "targets", or "hopes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "will", "should" "might", "will be taken", or "occur" and similar expressions) are not statements of historical fact and may be forward-looking statements.

By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. Lundin Gold believes that the expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. This information speaks only as of the date of this press release, and the Company will not necessarily update this information, unless required to do so by securities laws.

This press release contains forward-looking information in a number of places, such as in statements relating to the Company's resumption of operations, its plans to ramp up mill and mining operations, its efforts to protect its workforce from COVID-19, the feasibility of increasing mine and mill throughput and the timing of implementation, its 2020 production outlook, including estimates of gold production, grades and recoveries and its expectations regarding all-in-sustaining costs, the expected timing of completion of capital projects including the SVR, the Company's continued support to community initiatives, and its plans to reactivate exploration activities and the receipt of permits. There can be no assurance that such statements will prove to be accurate, as Lundin Gold's actual results and future events could differ materially from those anticipated in this forward-looking information as a result of the factors discussed in the "Risk Factors" section in Lundin Gold's Annual Information Form dated March 24, 2020 and its short form prospectus dated June 8, 2020, which are available at www.lundingold.com or on SEDAR.

Lundin Gold's actual results could differ materially from those anticipated. Factors that could cause actual results to differ materially from any forward-looking statement or that could have a material impact on the Company or the trading price of its shares include: risks relating to the impacts of a pandemic virus outbreak; risks associated with the Company's community relationships; risks related to financing requirements; failure by the Company to maintain its obligations under its credit facilities; operating risks; risks associated with the ramp up of mining operations; risks related to political and economic instability in Ecuador; risks related to production estimates; risks related to Lundin Gold's compliance with environmental laws and liability for environmental contamination; volatility in the price of gold; shortages of critical supplies; lack of availability of infrastructure; deficient or vulnerable title to mining concessions; easements and surface rights; risks related to the Company's workforce and its labour relations; inherent safety hazards and risk to the health and safety of the Company's employees and contractors; risks related to the Company's ability to obtain, maintain or renew regulatory approvals, permits and licenses; the imprecision of mineral reserve and resource estimates; key talent recruitment and retention of key personnel; volatility in the market price of the Company's shares; the potential influence of the Company's largest shareholders; uncertainty with the tax regime in Ecuador; measures to protect endangered species and critical habitats; the cost of non-compliance and compliance costs; exploration and development risks; the Company's reliance on one project; risks related to illegal mining; the reliance of the Company on its information systems and the risk of cyber-attacks on those systems; the adequacy of the Company's insurance; uncertainty as to reclamation and decommissioning; the ability of Lundin Gold to ensure compliance with anti-bribery and anti-corruption laws; the uncertainty regarding risks posed by climate change; the potential for litigation; limits of disclosure and internal controls; security risks to the Company; its assets and its personnel; conflicts of interest; the risk that the Company will not declare dividends; and social media and the Company's reputation.

SOURCE Lundin Gold Inc.

For further information: Lundin Gold Inc., Ron F. Hochstein, President and CEO, +593 2-299-6400, +1-604-806-3589; Lundin Gold Inc., Sabina Srubiski, Manager, Investor Relations, +1-604-806-3089, info@lundingold.com, www.lundingold.com

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Additional assets available online: Documents (1)

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