Lundin Gold Reports Q3 2020 Results

VANCOUVER, BC, Nov. 9, 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 nine months ended September 30, 2020. All amounts are in U.S. dollars unless otherwise indicated. View PDF version

The Company had a very strong re-start of operations at its Fruta del Norte gold mine ("Fruta del Norte") following the temporary suspension in the second quarter due to the COVID-19 pandemic. Fruta del Norte produced 94,250 ounces ("oz") and sold 62,160 oz of gold, at a low cash operating cost of $632 per oz[1] sold during the quarter. This resulted in net revenues of $119 million, income from mining operations of $62.8 million and cash flow from operations of $23.4 million.

"Fruta del Norte has proven it is a low-cost producer. Our low cash operating costs coupled with higher gold prices have resulted in the Company achieving positive cash flow from operations during its first full quarter of commercial production," said Ron Hochstein, President and CEO of Lundin Gold. "Looking forward to 2021, the Company has a number of initiatives aimed at increasing shareholder value. They include the mill throughput expansion to 4,200 tonnes per day, a 10,000 metre resource expansion Fruta del Norte drill program and drilling the Barbasco exploration target."

Third Quarter Operating Highlights

- Mining ramped up, reaching an average mining rate of 3,750 tonnes per day ("tpd") in September.
- Underground mine development remains in line with plan. A total of 1,556 metres ("m") of development was completed, with development rates averaging 26.6 m per day in September. Good ground conditions have allowed mining to switch to long-hole stoping mining methods versus drift and fill in key high-grade areas.
- Process plant operated better than plan and processed a total of 324,143 tonnes of ore at an average gold grade of 10.4 g/t.
- Average gold recovery was 86.8%, which is higher than recoveries achieved in the brief period of commissioning, ramp up and operations prior to the suspension of operations.
- Produced 94,250 oz of gold, comprised of 66,790 oz of concentrate and 27,460 oz of doré, and sold 62,160 oz. The balance of the third quarter production was sold in October.

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[1] Refer to "Non-IFRS Measures" section.

The table below summarizes operating data for the quarter, and period-to-date from March 1, 2020, following declaration of commercial production.

	July 1 – September 30, 2020	March 1 – September 30, 2020
Tonnes mined (tonnes)	265,298	322,432
Tonnes milled (tonnes)	324,143	386,861
Average head grade (g/t)	10.4	10.2
Average recovery (%)	86.8	85.8
Average mill throughput (tpd)	3,340	3,424
Gold ounces produced	94,250	106,000
Gold ounces sold	62,160	93,066

In addition, for the year to date, from January 1, 2020 to September 30, 2020, a total of 145,570 oz of gold has been produced and 128,274 oz has been sold, including 35,208 oz sold prior to declaration of commercial production.

Third Quarter Financial Highlights

- Recognized gross revenues of $123 million based on sales of 62,160 oz at an average realized gold price of $1,986 per oz sold[1]. Net of treatment and refining charges, revenues were $119 million.
- Sales were comprised of 46,041 oz of gold in concentrate and 16,119 oz of gold in doré.
- Cash operating costs[1] and all-in-sustaining costs ("AISC")[1] were $632 and $728 per oz of gold sold, respectively. This strong financial performance reflects, in part, the benefits of the advance preparation during the suspension of operations in anticipation of re-starting operations and accessing high-grade ore in the mine.

- Income from mining operations was $62.8 million.
- Net income was $27.8 million, after deducting corporate, exploration and finance costs and derivative losses. Adjusted net earnings[1] for the quarter were $45.8 million and $0.20 per share[1].
- Generated cash flow of $23.4 million from operations.

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[1] Refer to "Non-IFRS Measures" section.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net revenues ($'000)	$ 118,904	$ -	$ 168,906	$ -
Income from mining operations ($'000)	62,751	-	77,529	-
Net income (loss) ($'000)	27,780	(39,672)	(45,925)	(78,180)
Average gold sales price ($/oz sold)[1]	1,986	-	1,884[2]	-
Average cash operating cost ($/oz sold)[1]	632	-	713[2]	-
Average all-in sustaining cost ($/oz sold)[1]	728	-	803[2]	-
Operating cash flow per share ($)[1]	0.10	(0.04)	0.08	(0.08)
Adjusted net earnings ($'000)[1]	45,790	(5,949)	29,690	(20,180)
Adjusted net earnings per share ($)[1]	0.20	(0.03)	0.13	(0.09)

(in thousands)	As at September 30, 2020	As at December 31, 2019
Financial Position:		
Cash	68,760	75,684
Working capital	31,172	32,800
Total assets	1,452,070	1,408,961
Long-term debt	640,987	821,008

Following the re-start of operations, in the third quarter the Company generated $23.4 million (year-to-date: $18.6 million) of net cash from its operating activities, while increasing finished product inventory and trade receivables to expected operating levels. On a year-to-date basis, the change in cash was also the result of shares issued under an equity financing, option exercises and Newcrest Mining Limited's anti-dilution rights totaling $49.5 million, offset by costs incurred for the development of Fruta del Norte and the payment of interest and principal under its long-term debt. Going forward, the Company expects to generate net sale receipts and net operating cash flows well in excess of its known obligations due in the next twelve months.

Construction

Work on the South Ventilation Raise ("SVR") resumed in June and is continuing. Drilling of the pilot hole is underway and, progress has been slower than anticipated. Work on the SVR is now anticipated to be completed in early 2021 and timing of this work does not impact planned production.

Commissioning of the mine paste backfill plant was substantially completed by quarter end with paste poured in one stope. Ramp up of operating time is continuing and full production is planned for the fourth quarter of 2020.

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[1] Refer to "Non-IFRS Measures" section.

[2] Calculated from March 1 to September 30, 2020 to reflect period since commercial production was declared.

The restart of construction of the Company's Zamora River bridge is anticipated in the coming weeks following implementation of stringent COVID-19 protocols to minimize health risks to the nearby communities and is expected to be completed early in the second quarter of 2021.

Health and Safety

The health and safety of personnel at site is of paramount importance, with stringent procedures followed to minimize the impact of COVID-19 on the workforce. To date, only 34 cases were identified at site, with no known active cases currently at site.

During the quarter there was one Lost Time Incident and two Medical Aid Incidents. The Total Recordable Incident Rate for the first nine months of the year was 0.51 per 200,000 hours worked.

Community

In October, a public bridge over the Zamora River which connected local communities and was used in part for access to Fruta del Norte collapsed, with no reported injuries. Lundin Gold is supporting the affected communities through assistance with transportation of people and supplies and has reaffirmed its commitment to fund the replacement of the public bridge to be constructed under the authority of the provincial government, estimated at $3.0 million. Following the collapse of the bridge, a group of local residents erected a blockade on the public road used to access Fruta del Norte. A resolution has since been reached through the efforts of the Company and the national government and the blockade was removed.

Exploration

In September, the Company received the permit for drilling one of its priority targets, Barbasco, located 7 kilometres ("km") from Fruta del Norte, along the 16 km long Suarez Pull-Apart Basin structure. Plans for a drilling campaign at Barbasco, including establishing separate COVID-19 protocols for these activities, are underway targeting a start date in early 2021.

Outlook

Guidance for the second half of 2020 remains unchanged and gold production at Fruta del Norte for the fourth quarter of 2020 is estimated to be in the range of 60,000 to 75,000 oz. Production is expected to be lower in the fourth quarter compared to the third quarter due to a planned mill maintenance shutdown to expand the concentrate filter press capacity and lower feed grades, which are more reflective of the overall average resource grade. Total 2020 gold production is estimated to be between 200,000 and 220,000 oz.

AISC for the second half of 2020 is expected to range between$770 and $850 per oz of gold sold. AISC includes$10.4 million in sustaining capital, most of which is planned for the fourth quarter and is comprised of costs for the tailings dam raise which commenced in September, the purchase of surface mobile equipment and other efficiency improvement projects.

The following capital project activities, which are still part of the construction scope of Fruta del Norte, are also continuing:

- Complete the construction of the Company's bridge over the Zamora River early in the second quarter of 2021.
- Complete the South Ventilation Raise early in the first quarter of 2021.

An initial internal throughput expansion study has confirmed the technical feasibility of increasing throughput in the plant from 3,500 to 4,200 tpd. Engineering, costing, procurement of additional equipment and scheduling are underway with the objective of completing this project before the end of 2021.

In early 2021, the Company plans to also commence a 10,000 meter drill program targeting conversion and expansion of the Fruta del Norte mineral resource.

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

The Company will host a conference call and webcast to discuss its results onTuesday, November 10 at 7:30 a.m. PT, 10:30 a.m. ET, 4:30 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 / 46270724

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 untiTuesday, November 24, 2020.

Toll Free North America Replay number:	+1 888-390-0541
International Replay number:	+1 416-764-8677
Replay passcode:	270724 #

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 advancing 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 development 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 third quarter of 2020 for an explanation of non-IFRS measures used.

Additional Information

The information in this release is subject to the disclosure requirements ofLundin Gold under the EU Market Abuse Regulation. This information was publicly communicated on November 9, 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 efforts to protect its workforce from COVID-19, 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 and the Company's bridge over the Zamora River, the Company's continued support to community initiatives, the timing of completion and implementation of the throughput expansion study and its plans to reactivate exploration activities. 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 toLundin 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.

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Additional assets available online: Documents (1)

https://lundingold.mediaroom.com/2020-11-09-Lundin-Gold-Reports-Q3-2020-Results