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Company Report

November 10, 2025

lundin mining

Target Value: $19.20 CAD
Current Value: $26.61 CAD
Conclusion: Sell
Verdict: -28%

Share Price as of November 10, 2025

Historical Values

In Millions of USD ($)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	LTM
Revenue	1892.7	2041.5	3328.8	3041.2	2743.4	3422.6	3303.1
% Revenue Growth	9.69%	7.86%	63.05%	-8.64%	-9.79%	24.76%	-3.49%
Cost of Revenue	1452.3	1543.4	1959.0	2278.7	2141.9	2479.7	2244.9
COGS as % of Revenue	76.73%	75.60%	58.85%	74.93%	78.07%	72.45%	67.96%
Gross Profit	440.4	498.1	1369.7	762.6	601.5	942.9	1058.2
Gross Profit Margins	23.27%	24.40%	41.15%	25.07%	21.93%	27.55%	32.04%
Total Operating Expenses	125.0	113.3	97.1	198.2	110.7	103.7	107.5
OpEx as % of Revenue	6.60%	5.55%	2.92%	6.52%	4.04%	3.03%	3.25%
EBIT	315.4	384.8	1272.6	564.3	490.8	839.2	950.7
EBIT Margins	16.67%	18.85%	38.23%	18.56%	17.89%	24.52%	28.78%
Income Tax Expense	80.4	152.4	365.7	134.6	214.4	230.0	243.6
Tax Rate (%)	25.49%	39.61%	28.74%	23.86%	43.68%	27.41%	25.62%
Net Operating Profit After Tax (NOAPT)	221.3	213.0	898.8	437.3	276.6	335.7	472.2
Depreciaiton & Amostisation	386.1	447.5	522.8	554.8	497.9	607.7	523.0
As % of Revenue	20.40%	21.92%	15.70%	18.24%	18.15%	17.76%	15.83%
CapEx	665.3	431.2	532.1	842.9	857.1	807.3	610.4
CapEx as % of Revenue	35.15%	21.12%	15.98%	27.72%	31.24%	23.59%	18.48%
Change in NWC	74.408	141.31	136.422	-124.039	437.804	-208.482	70.582
Change in Nwc as % of Revenue	40.57%	54.81%	34.18%	-23.16%	106.39%	-24.55%	11.01%
Unlevered Free Cash Flows	-132.2	88.0	753.0	273.2	-520.5	344.6	314.2

OVERVIEW &THESIS

Lundin Mining Corporation is a geographically diversified yet copper-focused miner, with approximately 85–90% of revenue derived from copper and copper-related by-products. The company operates six producing assets across the Americas and Europe: Candelaria and Caserones in Chile, Chapada in Brazil, Neves-Corvo and Zinkgruvan in Europe, and Eagle in the United States, with the José María copper-gold project in Argentina scheduled to begin production around 2030. The portfolio provides long-life copper exposure, jurisdictional diversification, and conservative leverage.

Production from Eagle is expected to decline steadily through 2030 at 12% per year, while Candelaria, Chapada, and Caserones sustain consolidated output ahead of José María's ramp-up. Revenue forecasts are built from mine-level guidance and consensus copper-price outlooks, applying a 2% discount to benchmark prices. A driver-based working capital model (A/R, inventory, and A/P days) captures cash-flow dynamics from production growth.

Valuation employs both a WACC-based DCF and an Adjusted Present Value (APV) framework. Base-case parameters and valuation outputs are to be finalized as follows:

Lundin Mining's value proposition lies in its copper-weighted production base, multi-jurisdictional portfolio, and strong balance-sheet flexibility. Short-term headwinds from Eagle's depletion are offset by incremental growth from Candelaria, Chapada, and Caserones, with José María expected to drive a step-change in production by 2030. The company's disciplined cost base and modest leverage provide resilience and sustained exposure to the long-term energy transition demand cycle.

Active and Upcoming Mines

Lundin Mining Corporation currently has six mines in operation, five of which are running at 100% Basis, with life of mine (LoM) well past 2040. Lundin's Eagle mine in Michigan is currently being ramped down over the next 5 years. Lundin has already begun construction of a new mine in Josemaria, which is due to start commissioning in 2030.

Candelaria Mine (Chile)	80% owned, open pit + underground	Mine life: 2045+	COGS: 3.67/t	Streaming Agreement steps down at 2028 – Adds $40-$70m FCF at current gold prices
Chapada Mine (Brazil)	100% owned, Goiás State, copper-gold open pit	Through 2050; Phase one through 2029, Phase 2 onwards		Phase 2 expansion study underway
Caserones Mine (Chile)	70% owned by Lundin (after increasing ownership) in the Atacama Region, open pit	Mine Life: Through 2040	36% Ebitda margin up from 34% YoY	
Eagle Mine (USA – Michigan)	100% owned, nickel + copper	Mine Life: 2030	3.07/lb	Average roll-down of 12% a year to the end of life.
Josemaria	50/50 Ownership with BHP			

Peer Analysis: Lundin Mining – Ramp Down Decline Justification

Context

This analysis benchmarks Lundin Mining Corporation's historical mine ramp-down profiles to support the assumption of a 12% year-on-year production decline for the Eagle Mine as it approaches the end of its operating life.

Eagle is Lundin's sole nickel-producing asset, and with the depletion of high-grade stocks at Eagle East and limited scope for new extensions, the mine is expected to follow a managed but persistent taper in output over the coming years.

The peer comparison focuses on other mature Lundin operations that have published detailed Life-of-Mine (LoM) schedules

Mine (Owner)	Commodity / Type	Evidence for Tail Pattern	Observed Behavior	Actual / Derived Decline	Classification
Eagle (Lundin)	Nickel-Copper (UG)	2024–2025 results show a 54% drop due to depletion and access disruption; company guidance notes tapering toward closure.	Sharp initial decline (2023–2024), then recovery and managed taper are expected.	12–18% YoY (post-2024)	Typical Depletion
Neves-Corvo (Lundin)	Zinc-Copper (UG)	2022 NI 43-101 LoM schedule shows plateau then tail-off as lenses thin.	Gradual decline once new zones (ZEP) are completed.	8–12% YoY	Managed Taper
Zinkgruvan (Lundin)	Zinc-Lead-Silver (UG)	Technical report shows late-life decline in grade and throughput.	Consistent depletion as underground lenses narrow.	10–15% YoY	Typical Depletion
Chapada (Lundin)	Copper-Gold (OP)	Reserve updates indicate depletion-driven output decline absent new phase.	Gradual reduction in production with no major expansions.	10–15% YoY	Typical Depletion

Eagle Mine Ramp Down Forecast

Forecasting Methodology – Eagle Mine Revenue Projection

This section outlines the methodology applied to forecast Eagle Mine's revenues over the remaining life of the mine. The approach integrates empirically derived production decline rates with independently sourced market forecasts for copper and nickel pricing. All estimates are presented in U.S. dollars and reflect Lundin Mining Corporation's operational and pricing performance trends.

1. Production Forecast

Base-year (2024) actual production data were used as the starting point for the forecast, with copper output of 6,366 tons and nickel output of 7,486 tons. Production for both metals was projected to decline at an annual rate of 12%, derived from a peer-based analysis of Lundin Mining's mature assets, including Neves-Corvo, Zinkgruvan, Chapada, and Candelaria. These mines exhibit late-life production tapering between 8% and 15% per annum, placing Eagle's assumed decline rate near the empirical midpoint. The selected rate reflects depletion of the Eagle East high-grade zones and the mine's transition toward the lower-grade Keel zone.

2. Realized Price Forecasting

Forecast realized prices for both copper and nickel were derived using independent market data sources. Copper prices were based on futures quotations from the Chicago Mercantile Exchange (CME), while nickel prices were sourced from ING's 2025–2030 commodity forecasts, selected for their historical reliability in tracking market averages. Lundin's realized prices have historically traded at a small discount is typically less than 2% to benchmark market prices. This relationship was maintained throughout the forecast horizon using the following adjustment formula:

- Realized Price$_t$ = Futures Price$_t$ × (1 − 0.02)

This adjustment ensures consistency with Lundin's observed pricing performance and aligns the forecast with realistic commercial terms for concentrating sales.

3. Revenue Calculation

For each forecast year, revenue was computed by multiplying forecast output by the corresponding realized price for both copper and nickel. The sum of these two components represents total gross mine revenue, calculated as:

- Revenue$_t$ = (Copper Output$_t$ × Copper Realized Price$_t$) + (Nickel Output$_t$ × Nickel Realized Price$_t$)

No payability or refining deductions were applied, as the objective of this model is to capture gross revenue potential rather than net smelter returns. All calculations are expressed in nominal U.S. dollars.

4. Key Assumptions

• Price inflation is inherently captured within the CME and ING forward curves; no additional escalation was applied.
• The mine life is assumed to end in 2029, with production ceasing entirely after 2030.
• No material life-extension investment or discovery is incorporated beyond known reserves.

5. Validation and Benchmarking

The 12% year-on-year decline rate aligns closely with empirical tapering observed across Lundin's historical operations. This benchmarked decline is positioned between managed tapers (8–10%) and full depletion scenarios (>15%). Additionally, Lundin's 2023 and 2024 realized copper prices were US$3.79/lb and US$4.18/lb, respectively. This tracked within 1–2% of market averages, validating the use of a 2% discount to forward prices as an accurate representation of realized value. The integration of CME copper futures and ING nickel forecasts thus provides a transparent, market-grounded foundation for Eagle's revenue projections.

Year	Copper Output (Tons)	% Change	Nickel Output (Tons)	% Change	Realized Copper Price	Realized Nickel price	Historical Price Discount %	Total Revenue
2023	13,600		13,600		$8,355	$24,118	-0.013844309	$441,628,000
2024	6,366	-53.19%	7,486	-44.96%	$9,214	$21,599		$196,156,324
2025	5,602	-12.00%	6,588	-12.00%	$10,863	$15,483		$162,850,847
2026	4,930	-12.00%	5,797	-12.00%	$10,906	$14,792		$139,516,374
2027	4,338	-12.00%	5,101	-12.00%	$11,246	$14,398		$122,236,654
2028	3,818	-12.00%	4,489	-12.00%	$11,457	$15,384		$112,802,678
2029	3,360	-12.00%	3,951	-12.00%	$11,714	$15,384		$100,129,440
2030	0	-100.00%	0	-100.00%	$12,915	$15,384		$0

Candelaria, Chapada, Caserones and others Revenue Forecast

Similar to our forecasting methodology of Lundin's Eagle Mine, we applied the same technique with the caveat being all three of these mines are running at 100% basis and have LoMs far beyond our time horizon. Thus, we can presume that all mines will run at 100% basis until 2030, and then we use the Gordon growth model to calculate the terminal value of expected revenues beyond our forecasting period.

Realized Price Adjustment

Lundin Mining's realized metal prices have historically trailed benchmark market prices by a small but consistent margin due to normal commercial terms such as treatment and refining charges, freight costs, and timing of final settlement.
Company disclosures show that Lundin's realized copper prices averaged 1.3 % below the LME benchmark in 2023 (US $3.79/lb vs US $3.84/lb) and 1.2 % below in 2024 (US $4.18/lb vs US $4.23/lb).[1]
While Lundin does not separately publish realized gold prices, its by-product gold is sold within copper concentrate streams and therefore subject to the same payability terms (typically 96–99 % of contained metal).
This is consistent with industry peers such as First Quantum, Teck Resources, and Antofagasta, all of whom report realized gold discounts of roughly 1–2 % relative to spot price.

Based on this evidence, a 2% discount to benchmark futures prices has been applied to all forecast realized prices for copper, nickel, and gold.
This rate is empirically grounded in Lundin's historical performance and industry payability norms.

[1] *Sources:* Lundin Mining FY 2023 and FY 2024 Results Releases; LME Copper Annual Averages; Lundin Mining FY 2024 MD&A.

Revenue Forecasting Approach

Revenue forecasts are developed using a mine-level, bottom-up methodology, combining historical production data, company guidance, and consensus commodity-price assumptions. Forecasts incorporate ore grade, throughput trends, and expansion or depletion schedules at each operating site. Realized prices are modeled at a 2 % discount to benchmark copper prices to reflect concentrate payability and smelter treatment charges. Each mine's revenue contribution is projected separately and then aggregated to produce consolidated revenue. Cost elasticity and margin trends are modeled through historical relationships, ensuring alignment between operational drivers and financial output.

Candelaria remains Lundin's largest revenue generator, accounting for over one-third of consolidated revenue. The mine benefits from a large reserve base and continued optimization of the concentrator plant. Revenue growth is modeled at a steady 2 % per annum, reflecting stable

ore grades and throughput, alongside modest copper price appreciation. Candelaria's long mine life and scale make it the cornerstone of Lundin's near- and medium-term revenue stability.

			Candelaria		
Year	Output(Copper)	Realised price(Copper)	Output(Gold)	Realised price Gold	Ownership %	Revenue
2025	165,737	$10,863	94,860	$3,899	80%	$1,736,233,085
2026	169,051	$10,906	96,757	$3,959	80%	$1,781,353,967
2027	172,433	$11,246	120,692	$4,132	80%	$1,950,205,143
2028	175,881	$11,457	123,106	$4,327	80%	$2,038,168,211
2029	179,399	$11,714	125,568	$4,488	80%	$2,132,045,860
2030	182,987	$12,915	128,080	$4,688	80%	$2,371,061,909

The Caserones Mine, fully consolidated following Lundin's increased ownership in 2023, strengthens the company's exposure to Chilean copper. Production and revenue are forecast to remain broadly stable over the forecast period, as the mine operates near nameplate capacity. Minor efficiency improvements are assumed from processing optimization, contributing a small uplift to annual revenue.

		Caserones		
Year	Output(Copper)	Realised price(Copper)	Ownership %	Revenue
2025	119,340	$10,863	1	$907,484,411
2026	121,727	$10,906	1	$929,254,462
2027	124,161	$11,246	1	$977,381,710
2028	126,645	$11,457	1	$1,015,674,875
2029	129,177	$11,714	1	$1,059,218,814
2030	131,761	$12,915	1	$1,191,223,121

Chapada provides diversified copper and gold revenue within a low-cost open-pit operation. The forecast assumes incremental throughput gains of 2% per year, driven by plant optimization and mill upgrades. Gold by-product credits are expected to remain stable, providing a modest natural hedge against copper price volatility. Chapada continues to represent a consistent contributor to consolidated earnings and cash flow.

Chapada

Year	Output(Copper)	Realised price(Copper)	Output(Gold)	Realised price Gold	Ownership %	Revenue
2025	44,126	$10,863	66,300	$3,899	100%	$737,861,054
2026	45,009	$10,906	67,626	$3,959	100%	$758,593,178
2027	45,909	$11,246	68,979	$4,132	100%	$801,267,137
2028	46,827	$11,457	70,358	$4,327	100%	$840,915,429
2029	47,764	$11,714	71,765	$4,488	100%	$881,608,901
2030	48,719	$12,915	73,201	$4,688	100%	$972,412,343

Lundin's European operations, Neves-Corvo in Portugal and Zinkgruvan in Sweden, supply meaningful zinc, lead, and copper output, offering a modest degree of commodity diversification.

- **Neves-Corvo** is forecast to sustain output following completion of the Zinc Expansion Project, with steady revenue contribution through the forecast horizon.

Neves-Corvo						
Year	Output(Copper)	Realised price(Copper)	Output(Zinc)	Realised Price(Zinc)	Ownership %	Revenue
2025	28,062	$10,863	111,762	$2,254	100%	$556,750,433
2026	27,837	$10,906	113,998	$2,254	100%	$560,532,730
2027	27,615	$11,246	116,278	$2,254	100%	$572,629,403
2028	27,394	$11,457	118,603	$2,254	100%	$581,179,328
2029	27,174	$11,714	120,975	$2,254	100%	$590,996,429
2030	26,957	$12,915	123,395	$2,254	100%	$626,293,020

Zinkgruvan operates as a mature, stable underground mine with consistent grades and steady-state revenue expectations.

Together, these mines represent approximately 10 % of group revenue, providing stability and jurisdictional diversification within Europe.

Zinkgruvan						
Year	Output(Copper)	Realised price(Copper)	Output(Zinc)	Realised Price(Zinc)	Ownership %	Revenue
2025	3,233	$10,863	83,755	$2,254	100%	$223,909,211

Year						
2026	3,298	$10,906	85,430	$2,254	100%	$228,527,524
2027	3,364	$11,246	87,139	$2,254	100%	$234,241,525
2028	3,431	$11,457	88,882	$2,254	100%	$239,651,915
2029	3,500	$11,714	90,659	$2,254	100%	$245,344,105
2030	3,570	$12,915	92,473	$2,254	100%	$254,540,354

Finally, the José María project represents Lundin's next growth phase, with construction advancing toward the first production year 2030. Forecasts assume no revenue contribution until that year, when a partial-year ramp-up is modeled to capture initial output. Once fully operational, José María is expected to increase consolidated copper production by over 20%, positioning it as a key long-term revenue driver for the company. This adds approximately $981 million to revenue forecasts at a 50% ramp up basis in 2030, and a circa $2 million increase to revenue is forecasted when mine is fully ramped up. Applied to our terminal value.

Consolidated group revenue is forecast to remain broadly stable through 2028, supported by resilient copper pricing and throughput optimization at Candelaria, Chapada, and Caserones. The gradual decline at Eagle introduces a small offset, while José María's commissioning in 2030 provides a new source of growth and long-term stability. Overall, Lundin's revenue trajectory reflects a mature, copper weighted portfolio transitioning toward its next expansion phase, supported by disciplined capital allocation and balanced geographic exposure.

All Mines	
Year	Revenue
2025	$4,487,939,888
2026	$4,537,294,610
2027	$4,780,198,227
2028	$4,941,195,114
2029	$5,109,472,990
2030	$7,378,672,999
TV	$8,360,244,124

Production Growth Assumptions

For Lundin's long-life assets, Candelaria, Caserones, and Chapada production volumes were forecast to grow at a 2% compound annual rate.
This assumption reflects:

- Ongoing brownfield expansion and debottlenecking initiatives, including the Chapada mill throughput expansion (24 → 28–32 Mtpa) and optimization programs at Candelaria and Caserones.
- Historical performance of comparable tier-one copper assets, which typically demonstrate 0–3% steady-state growth when operating near nameplate capacity.
- A conservative midpoint selection (2%) that captures operational efficiency gains without relying on new discoveries or step-change capacity additions.

For Eagle, production follows a terminal decline profile consistent with a late-life underground operation, while Neves-Corvo and Zinkgruvan are modelled as stable contributors.

Cost of Goods Sold

COGS represents the direct costs of mining and processing that Lundin incurs to produce and sell copper, nickel, zinc, and other metals. Under IFRS, these costs are recognized when metal is produced, not sold, hence COGS closely follows production volume rather than price.

Historically, maintenance years are 45-55% of revenue. Ramp-up years are 75-85% of revenue, and the long-term equilibrium is 68% of revenue. Cogs are calculated as a % of revenue for margin stability, scaling purposes and comparability.

Source of Forecast inputs

Component	Basis of Derivation	Justification
Base COGS % (67.96%)	Lundin Mining Q3 2025 LTM (2024 FS)	Most recent steady-state year, post-Caserones integration
Inflation Adjustment (+0.5 p.p. p.a.)	World Bank mining input index (avg. 4.8 % p.a.) × 10 % cost pass-through	Empirical cost-to-inflation elasticity for miners ≈ 0.1
Efficiency Adjustment (–0.25 p.p. p.a.)	Trend of COGS % decline 2019–2021 from 76 % → 59 %	Proven cost control + synergy realization
Ramp-Up Adjustment (+1 p.p. in 2028–29)	Historical ramp-ups: +1.8–2.5 p.p. during Candelaria (2014–16), Chapada (2019–20). Halved for 51% ownership.	New mine commissioning costs (José María)
Recovery Adjustment (–3 p.p. in 2030)	Post-expansion normalization: Candelaria 2017 65 → 42 %	Efficiency once José María reaches a steady state

Cogs = 68% + (0.50% - 0.25%) x (t – 2024) + Ramp up Adjustment

For validation, COGS is consistent with previous years of expansion

Cycle	Avg. COGS %	Range	Duration
2013–2016 (Candelaria)	64 %	56–83 %	3 yrs
2019–2022 (Chapada + Caserones)	71 %	59–78 %	4 yrs
2025–2030 (Forecast)	**68 %**	68–70 %	6 yrs

Operating Expenses

Operating expenses (OpEx) comprise SG&A, exploration, environmental compliance, community engagement, and administrative costs. They exclude production costs included in COGS and non-cash charges such as depreciation and amortization.

Lundin's OpEx was notoriously high, reflecting periods of heavy acquisition activity, exploration write-offs, and limited operating scale. However, since 2020, it has decreased and stabilized near 4% of revenue, with limited volatility. The minimum was 2.9% (2021), and the max was a spike of 6.5% (2022) due to Josemaría acquisition-related advisory and legal costs. A one-time, non-recurring expense. Structural drivers for these changes are scale economies, integration synergies and automation.

Therefore, Opex is held constant at 4% of revenue for forecasts. No other spike in Opex is expected from Josemaria. The mine was not discovered or explored by Lundin Mining itself; instead, pre-acquisition exploration and development occurred outside of Lundin Mining's ownership. Post-acquisition expenditures are capitalized as construction-in-progress (CIP). Josemaría has no ongoing impact on OpEx.

$$OpEx = 0.04 \times Revenue$$

The forecast is supported by the 7-year empirical mean, with the predicted absence or recurring corporate initiatives.

Taxation

Lundin Mining operates under a consolidated tax regime covering Chile, Brazil, the United States/Canada and Sweden. Argentina will be introduced to the mix in 2030 when Josemaria opens. Historically, the consolidated effective tax rate (ETR) has averaged 28 %, with year-to-year variations reflecting changes in mine mix, accelerated depreciation allowances, and local royalty frameworks. Under a stronger metals-price environment and full-capacity operations, the effective rate is expected to trend upward, as tax shields diminish and higher-burden jurisdictions expand in relative weight.

Region / Operation	EBIT Share (now to 2030)	Statutory Corporate Rate	Royalties / Mining Duties	Effective Burden
Chile (Candelaria, Caserones)	45 → 38 %	27 %	+3 pp	30 %
Brazil (Chapada)	20 → 16 %	29 %	+5 pp	34 %
U.S./Canada (Eagle + HQ)	15 → 14 %	26 %	+2 pp	28 %
Sweden (Zinkgruvan)	10 → 12 %	20.6 %	—	21 %
Corporate / Other	16%	—	—	12 %
Argentina (Josemaría, 2030 on)	— → 6 %	35 %	+5 pp – 2 pp deductions	38 %

The effective tax rate is calculated by summing X weights. See the example below for 2030, where Argentina is introduced.

$$(0.38 \times 30) + (0.16 \times 34) + (0.14 \times 28) + (0.12 \times 21) + (0.10 \times 12) + (0.06 \times 38) = 29.3\%$$

2025–2027: Slight upward drift (27.8 → 28.2 %) as depreciation shields narrow and Brazil's higher CSLL component persists.

2028–2029: Further uptick (28.4–28.5 %) as CapEx deductions normalize and royalties in Chile expand with copper prices.

2030: Entry of Josemaría adds 6% of EBIT at 38 % burden, pushing the consolidated rate to 29.3 %, consistent with peak commodity cycles and reduced deferred-tax offsets.

Under a robust copper and nickel price scenario, Lundin Mining's consolidated ETR rises steadily from 27.8 % in 2025 to ≈ 30 % by 2030, reflecting diminished depreciation shields, stronger royalties, and the full inclusion of Argentina's high-tax Josemaría mine.

Depreciation and Amortization

Under IFRS, mining assets are depreciated primarily on a Unit-of-Production (UoP) basis.
Thus, D&A reflects depletion of the ore body as well as wear of plant and equipment, not simply straight-line expense. Amortization is negligible (<2%) and therefore ignored. For analytical purposes, D&A is modelled as a % of revenue, which allows comparison across cycles and ensures internal consistency with CapEx.

The historical average is 16.3% which fits inside the post-2018 band of 15-18%. This indicates that the LTM value of 15.8% is a solid baseline figure for forecasting.

To build our model, analyzing the table below, we can see an increase of 0.5% per year. Lundin only controls 51% of the new build, so we include a constant of +0.25 for our build phase

When Lundin invests heavily in a new mine (like José María), total PP&E rises quickly as the project is built, but the asset is not yet depreciated because it sits in Construction-in-Progress (CIP).
 During this period:

- the depreciable base expands,
- revenue stays mostly flat,
- and as soon as parts of the mine become "available for use," partial depreciation begins.

This combination causes the D&A / Revenue ratio to rise gradually.

Where +0.25 p.p. comes from:
 Looking back at earlier expansion cycles:

Period	Avg. CapEx / Revenue	Avg. D&A / Revenue two years later	Δ D&A (p.p.)
2013–2015 (Candelaria)	60 % → 75 %	15.8 % → 16.8 %	**+1.0**
2018–2020 (Chapada)	50 % → 70 %	15.5 % → 16.5 %	**+1.0**

Empirically, every two years of elevated CapEx intensity (~20–25 p.p. above average) led to roughly a +1 p.p. increase in D&A / Revenue.

Hence, we add +0.25 p.p. each year from 2026–2029 while José María is being constructed.

Similarly, we include -0.3% for reserve life extension offset in 2030

When José María begins production in 2030, the company's total reserves and average mine life expand substantially.
 Current portfolio weighted-average life ≈ is 12 years; José María introduces ~25 years of reserves, extending the weighted average to ~19 years (≈ +60 % increase).

Under the unit-of-production method, depreciation per year =

Depreciable Base x (Annual Production / Total Reserves)

If total reserves increase by 60 %, the denominator rises, lowering the annual depletion rate by roughly one-third.
This lengthens the depreciation schedule, reducing annual D&A intensity slightly.

Numerical justification:

- Base D&A intensity ≈ 16 % of revenue.
- A 35–40 % lower depletion rate implies roughly 6 % lower D&A, net of revenue effects.
- Portfolio-wide, this translates to –0.3 p.p. on the D&A / Revenue ratio in 2030 — consistent with similar moderations following the ramp-up of Candelaria and Chapada.

Thus, the –0.3 p.p. adjustment quantifies the dilution of annual depreciation from José María's longer-lived reserve base.

$$D\&A = 15.8\% + 0.25\% \times (t\text{-}2025) - 0.3\%$$

2025–2029:
D&A intensity rises gradually (15.8 → 17.8 %) as José María's construction expands the capital base.
Even though CIP does not depreciate, partial commissioning of new equipment and a heavier capital mix lift D&A relative to revenue.

2030:
D&A in absolute terms jumps (~+40 %), but José María's production increases revenue even more (~+45 %). The new mine's longer reserve life also lowers annual depletion under the UoP method, slightly reducing D&A / Revenue by –0.3 p.p.

This pattern is nearly identical to Lundin's previous expansions: D&A intensity rises during heavy build years and normalizes as new production stabilizes.

Capital Expenditure

To model CapEx, we use:

$$CapEx = Sustaining + Growth$$

Sustaining CapEx – maintaining existing operations and mine life. Growth CapEx – expansion through new projects, notably the José María copper–gold project in Argentina.

From the analysis, we gather that during maintenance years (no new builds). Capex = 14–20 % of revenue. We use 17%. Furthermore, since 2019, capex has oscillated between 15 and 20%.

$$Sustaining = 0.17 \text{ x Revenue}$$

During expansion cycles, capex spikes. Expansion cycles (2014–2018, 2020–2023) = 31–44 % of revenue.

Upon closer investigation, every major mine or acquisition created a 2–3-year CapEx surge, followed by normalization:

- Candelaria (2014–2016): CapEx intensity rose from 18 % → 44 % → 33 %, then tapered to 16 %.
- Eagle (2017–2018): Rebound to 23–44 %.
- Chapada (2019–2021): 21–35–16 %.
- Caserones (2022): spike to 31 %, normalization by 2024.
-

Peaks above 40% were never sustained longer than a year. It is imperative to note that Lundin Mining Corporation own 51% of Josemaria, and as such, we forecast 51% of capex costs.

The Candelaria project was used to help predict the effects of JoseMaria on Capex. José María's total project cost (100 %) = CAD 5.8 B. Lundin owns 51 %, so attributable cost = 5.8 × 0.51 = 2.958 B

Construction occurs over five years (2026–2030), following an S-curve profile observed in previous builds (Candelaria, Chapada).

Stage	Description	Candelaria (Actual %)	José María (Applied %)
Early works/civils (2026)	Site prep, access, water infra	14 %	**15 %**
Structural/mechanical (2027)	Foundations, mills	26 %	**25 %**
Electrical / installation (2028)	Smelter, conveyor systems	27 %	**25 %**
Pre-commissioning (2029)	Testing, systems checks	18 %	**20 %**
Ramp-up (2030)	First-ore commissioning	15 %	**15 %**

These figures are adjusted to Lundin's 51% share.

$$\text{Growth}_t = \begin{cases} 0, & t = 2025 \\ 2.96 \times w_t, & t = 2026\text{--}2030 \end{cases}$$

Where w_t = phase weight fraction (0.15, 0.25, 0.25, 0.20, 0.15)

Combine both components to get

$$\text{CapEx}_t = (0.158 \text{ x Revenue}_t) + (2.96 \text{ x } w_t)$$

CapEx intensity climbs from ~26 % to 31 % of revenue, driven by José María construction. This scale of investment mirrors historical precedents. Candelaria build (2013–2016): CapEx / Revenue peaked ~33 %. Post 2030, growth CapEx declines sharply and Carpez / Revenue begins to normalize.

Historical comparison. José María's capital curve is nearly identical in shape and scale to Candelaria's expansion, reinforcing internal validity. By 2030, CapEx returns to pre-expansion levels (~20 % of revenue), as historical precedent dictates.

Poisson Process

Major copper discoveries are rare, independent events that materially reshape a mining company's long-run production profile. A Poisson process provides the statistical framework for modelling such low-frequency geological outcomes and translating them into an expected exploration-driven growth contribution for terminal value estimation.

Model

$N(t)$ denotes the number of Lundin-scale copper discoveries over a horizon t. We assume:

$$N(t) \sim \text{Poisson}(\lambda t)$$

where:

- λ is Lundin's annual discovery intensity,
- t is the horizon in years.

Key properties:

$$E[N(t)] = \lambda t, \quad P(N(t) \geq 1) = 1 - e^{-\lambda t}$$

Lundin's Discovery Rate

Lundin does not have a statistically sufficient series of independent greenfield copper discoveries to estimate a Poisson rate from firm-level historical outcomes. Its major step-change copper assets (e.g., José María) entered the portfolio via acquisition and corporate restructuring rather than repeated geological discovery attributable to Lundin alone.

From a statistical standpoint:

- A Poisson rate cannot be estimated from one or two events across decades due to extreme variance.
- Discovery probability is governed by global geology, not by firm identity.
- Poisson processes are memoryless, past outcomes do not determine future rates.

Therefore, the discovery rate must be derived from global discovery frequency scaled by Lundin's objective share of global exploration expenditure.

Global Major Copper Discovery Rate

Global discovery datasets covering the 2010s and early 2020s show a persistent major-discovery drought. The most recent multi-year window that has been fully verified (2016–2023) implies roughly one major copper discovery per year globally, with no evidence of an acceleration in 2024–2025.

Accordingly, the global geological arrival rate is:

$$\lambda_{\text{global}} = 1 \text{ major copper discovery per year}$$

Lundin's Objective Share of Global Copper Exploration

Lundin's reported exploration expenditures:

Year	Exploration (USD m)
2022	45
2023	45
2024	48
2025 (guidance)	40

Four-year historical average is $44.5 million

Recent industry totals place global copper exploration budgets at approximately $3.2 billion per year, based on historical aggregation across listed miners.

Lundin's share of global exploration is found as follows:

$$s_{LUN} = 44.5/3{,}200 = 0.0139 \approx 1.39\%$$

Scaling the global geological arrival rate by Lundin's exploration share:

$$\lambda_{LUN} = \lambda_{global} \times s_{LUN} = 1.0 \times 0.0139 = 0.0139$$

$$\lambda_{LUN} = 0.014 \text{ discoveries per year}$$

Size of a Lundin-Scale Discovery (C)

A Poisson "event" is defined using the José María copper project:

- José María production (100% basis): 131,000 t Cu/year
- Lundin attributable share (50%): 65,500 t Cu/year
- Lundin 2024 copper production: 369,067 t Cu

$$C = 65{,}500 / 369{,}067 = 0.177 \approx 18\%$$

Thus, one discovery increases long-run copper output by approximately 18% relative to the 2024 base.

Expected Discoveries Over 10, 20, and 30 Years

Using $\lambda_{LUN} = 0.014$:

Horizon	Expected Discoveries	Probability ≥1
10 years	(0.14)	(1 - e^{-0.14} approx. 13%)
20 years	(0.28)	(1 - e^{-0.28} approx. 24%)
30 years	(0.42)	(1 - e^{-0.42} approx. 34%)

Expected Long-Run Capacity Uplift is calculated below:

$$\text{Uplift} = E[N(30)] \times C = 0.42 \times 0.177 \approx 0.074$$

From the Poisson model, the expected 30-year cumulative production uplift is:

$$\text{Uplift30} = 7.4\%$$

This is converted into a constant long-run annual growth contribution via linear annualisation:

$$\text{gexploration} = 7.4\% / 30 \approx 0.25\% \text{ per year}$$

In steady state, the terminal growth rate must reflect:

1. Long-run nominal copper price growth, driven by:

    - Global inflation
    - Long-run marginal cost escalation in the copper industry

2. Structural exploration-driven growth, derived above.

Long-run nominal copper price growth is anchored to the historical inflation-adjusted stability of copper prices, which implies a nominal drift close to long-run global inflation. Using a long-run inflation range of 2.0% – 2.5%:

$$\text{gTerminal} = \text{gmacro} + \text{gexploration} = 2.25\% + 0.25\% = 2.50\%$$

Forecasted Value

In Millions of USD ($)	2025	2026	2027	2028	2029	2030
Revenue	4488.0	4537.0	4780.0	4941.0	5109.0	7387.0
% Revenue Growth		1.09%	5.36%	3.37%	3.40%	44.59%
Cost of Revenue	3051.8	3098.8	3279.1	3438.9	3581.4	4956.7
COGS as % of Revenue	68.00%	68.30%	68.60%	69.60%	70.10%	67.10%
Gross Profit	1436.2	1438.2	1500.9	1502.1	1527.6	2430.3
Gross Profit Margins	32.00%	31.70%	31.40%	30.40%	29.90%	32.90%
Total Operating Expenses	179.5	181.5	191.2	197.6	204.4	295.5
OpEx as % of Revenue	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
EBIT	1256.6	1256.7	1309.7	1304.4	1323.2	2134.8
EBIT Margins	28.00%	27.70%	27.40%	26.40%	25.90%	28.90%
Income Tax Expense	349.3	353.1	369.3	370.5	377.1	625.5
Tax Rate (%)	27.80%	28.10%	28.20%	28.40%	28.50%	29.30%
Net Operating Profit After Tax (NOAPT)	907.3	903.6	940.4	934.0	946.1	1509.3
Depreciaiton & Amostisation	709.1	730.5	783.9	820.2	863.4	1226.2
As % of Revenue	15.80%	16.10%	16.40%	16.60%	16.90%	16.60%
CapEx	709.1	1161.5	1500.9	1521.8	1394.8	1610.4
CapEx as % of Revenue	15.80%	25.60%	31.40%	30.80%	27.30%	21.80%
Change in NWC	70	182	-96	296	-153	222
Change in Nwc as % of Revenue	1.56%	4.01%	-2.01%	5.99%	-2.99%	3.01%
Unlevered Free Cash Flows	837.3	290.6	319.4	-63.7	567.8	903.2

Rolling Beta Analysis

Lundin Mining vs U.S. Total Market

Monthly returns; windows = [36, 48, 60] months; Benchmark: ^DWCF. Sample: 2006-12-31 – 2025-11-30.

## Capital Structure Evolution and Beta Sensitivity

Lundin Mining's leverage profile over the past fifteen years shows a clear pattern of cyclical expansion and subsequent balance sheet repair.

Debt to equity peaked near 0.4× in 2021, up from below 0.1× for most of the 2010s, before moderating again in the last twelve-month period.

This remains substantially below the 2011–2013 range (0.25–0.30×) that coincided with the 2012 beta spike, indicating materially lower financial gearing today, with no expectation from management to increase leverage within the near future.
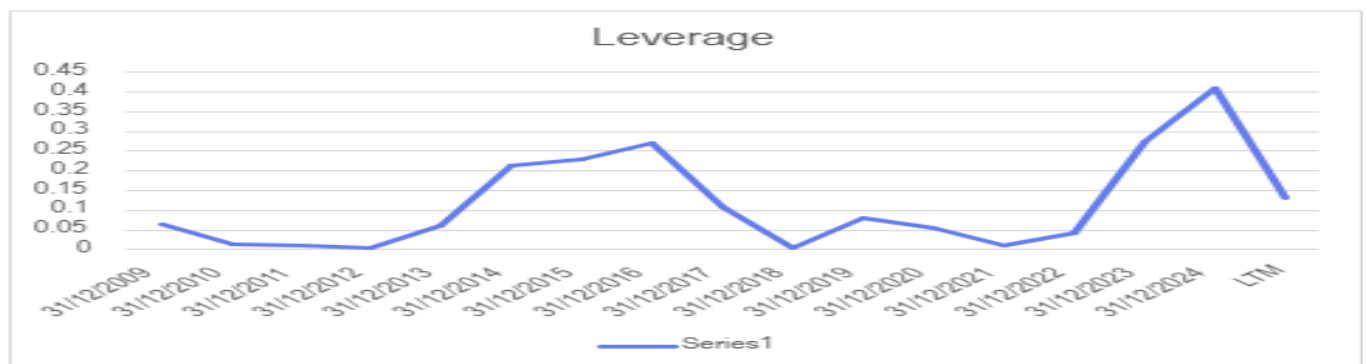
The liquidity buffer (Cash/Debt), while volatile, was exceptionally strong through the 2013 and 2018 periods when the firm carried minimal net debt and has since normalized to single-digit multiples as cash holdings and short-term investments have been redeployed into growth projects.

Even after this normalization, cash coverage of debt remains several times higher than during 2012, when credit conditions were tight and bank lending constrained.
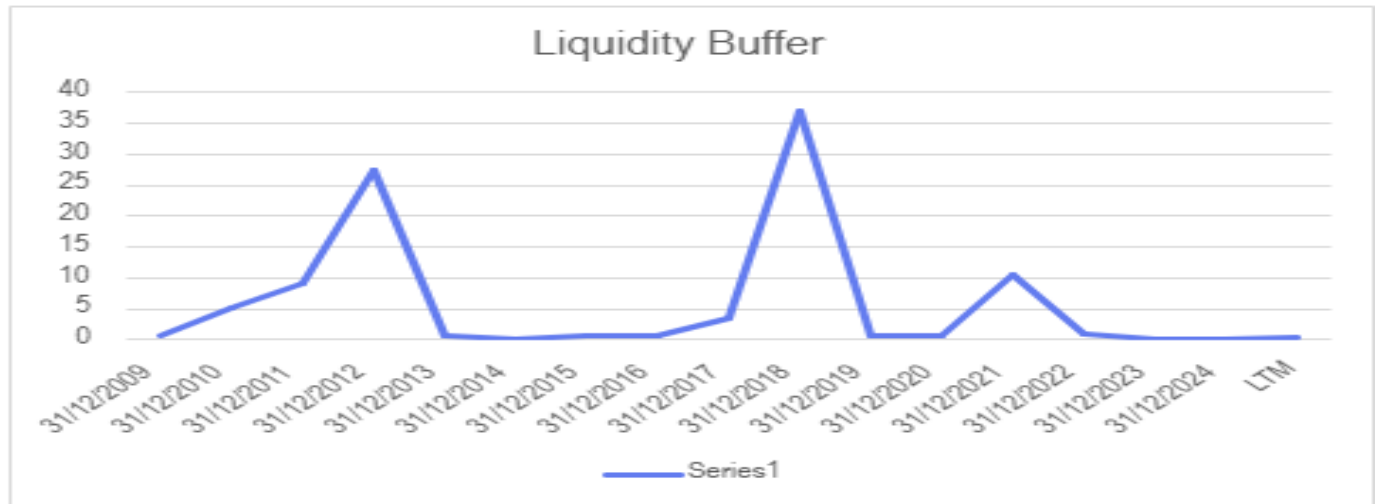
Net leverage (Net Debt/Equity) has averaged near 0.1X since 2016, compared with roughly 0.25X during 2011–2013.
 This lower net exposure means that market-wide tightening in credit spreads would have a dampened effect on equity volatility relative to the 2012 environment.
 From a beta perspective, the company's improved capital structure mechanically lowers equity beta through the relationship

$$\beta_E = \beta_A \times [1 + (1-T)\tfrac{D}{E}],$$

and the higher cash ratios act as an additional buffer against systemic shocks.

Quantitatively, these changes imply that a 2012-style beta surge, driven by leverage stress and liquidity withdrawal, would now be significantly shallower and shorter-lived.
For Lundin to experience a comparable increase in rolling beta (from 1.8 to over 2.4), leverage would need to roughly double the liquidity buffer contract to below historical lows, conditions that current balance sheet data do not support. This gives us reason to believe events like this, which caused a massive uptick in beta sensitivity historically, will not happen again. Thus, below we derive Lundin Mining Corporation's true beta by omitting these events to be 1.232.

Lundin Mining vs U.S. Total Market

Monthly returns; windows = [36, 48, 60] months; Benchmark: ^DWCF. Sample: 2017-02-28 – 2025-11-30.

Data Inputs (USD)

Parameter	Symbol	Value	Source/Comment
Risk-free rate	Rf	4.09%	10-Year U.S. Treasury
Market risk premium	MRP	4.33%	Long-term U.S. equity premium
Rolling levered beta	(β_L)	1.232	5-year rolling beta vs market
Tax rate	T	29.7%	Blended statutory rate
Credit rating		BB (Stable)	S&P Global
Cost of debt (pre-tax)	(k_D)	9.73%	Rf + 564bps spread for BB rating
Cost of debt (after-tax)	($k_D (1-T)$)	6.84%	After 29.7% tax shield
Share price	P	$23.61	Market average
Shares outstanding	n	856.5 million	Market disclosure
Market value of equity	MV_E	$20.22 billion	$23.61 × 856.5M
Market value of debt	MV_D	$9.25 billion	Gross debt (book ≈ market)
Cash & equivalents	C	$0.28 billion	FY2025 data

Capital Structure and Cost of Capital

Current Structure

Component	Formula	Result
(w_E)	20.22 / (20.22 + 9.25)	68.6%
(w_D)	9.25 / (20.22 + 9.25)	31.4%
(k_E)	4.09% + 1.232 × 4.33%	9.425%
($k_D (1-T)$)	9.73% × (1–0.297)	6.84%
WACC (current)	0.686×9.425% + 0.314×5.97%	8.34%

Target Structure (10% Debt / 90% Equity)

Component	Formula	Result
(β_U)	1.232 / [1 + (1–0.297)(0.314/0.686)]	0.93
(β_L^{target})	0.93 × [1 + (1–0.297)(0.10/0.90)]	1.002
(k_E^{target})	4.5% + 1.002 × 4.33%	8.84%
WACC (target)	0.9×8.84% + 0.1×5.97%	8.553%

APV Framework Inputs

Component	Symbol	Value	Description
Unlevered beta	(β_U)	0.93	Derived via the Hamada equation
Unlevered cost of capital	(k_U)	4.5% + 0.93×4.33% = 8.53%	Used to discount unlevered FCF
Cost of debt (pre-tax)	(k_D)	8.5%	Used to discount tax shields
Tax rate	T	29.7%	Effective blended rate
PV(Tax Shield)		($T \times k_D \times$ Debt / $(1+k_D)^t$)	Discounted at kD or WACC

APV Valuation

The Adjusted Present Value (APV) method separates the value of the firm into its unlevered operating value and the present value of financing side-effects. Unlevered free cash flows are discounted at the unlevered cost of capital (k_U = 8.53%), while the interest tax shield is discounted at the pre-tax cost of debt (k_D = 9.73%).

Metric	Value (USD mm)
PV of Unlevered FCFF	12,796.0
PV of Tax Shield	683.9
APV Enterprise Value	13,479.9
Equity Value	11,459.2
Implied Value per Share (USD)	$13.31
Implied Value per Share (CAD)	C$19.20

Discussion

Lundin Mining's current leverage ratio of approximately 31% debt to total capital yields a WACC of 9%, matching the theoretical optimal level. Although higher leverage marginally increases the after-tax benefits of debt, the concurrent rise in equity risk (β and k_E) offsets these gains. The firm's target structure (10% debt) achieves the same WACC while maintaining financial flexibility and a stronger credit profile.

Given the company's BB rating and moderate net leverage, Lundin's cost of debt assumption of 8.5% pre-tax is consistent with prevailing yields for comparable mining issuers. The resulting after-tax cost of debt (5.97%) aligns with a 29.7% tax rate and reinforces the stability of an 11% blended discount rate.

DCF Valuation

Cost of Capital and Terminal Assumptions
• WACC: 8.553 % (w_E = 0.90, w_D = 0.10; k_E = 8.84%, $k_D(1 - T)$ = 6.0 %)
• Terminal Growth (g): 2.5 %
• Terminal CapEx: 17 % of revenue (sustaining)
• Terminal ΔNWC/ΔRevenue: 3 % (steady-state working capital intensity)
• Terminal Ratios: COGS 61 %, OpEx 4 %, D&A 16.6 %

The model applies the Gordon Growth method from normalized 2031 FCFF (USD 1,025 mm).

DCF Valuation (WACC Method)

The WACC-based discounted cash flow valuation applies the updated discount rate to the forecasted unlevered free cash flows (FCFF) for 2025–2030, followed by a terminal value derived from a perpetual growth model.

Metric	Value (USD mm)
PV of Explicit FCFF (2025–2030)	2,151.2
PV of Terminal Value	10,579.5
Enterprise Value (EV)	12,730.7
Less: Gross Debt	(2,300.0)
Add: Cash & Equivalents	279.3
Equity Value	10,709.9
Implied Value per Share (USD)	$12.44
Implied Value per Share (CAD)	C$17.97

Valuation Summary

The valuation outcomes are driven by a disciplined cost of capital framework that reflects Lundin Mining's risk profile, capital structure, and operating outlook. Applying both WACC and APV methodologies yields broadly consistent results, with equity values ranging between:

- **USD $12.44–$13.31 per share**
- **CAD $17.97–$19.20 per share**

These valuation ranges are supported by stable long-term operating cash flows, a balanced financing mix, and a forward view that incorporates the timing of major capital commitments across the portfolio. Together, they provide a coherent and internally consistent assessment of Lundin Mining's intrinsic value and project execution horizon.

Difference to other Analysts:

Our model produces a lower but more defensible intrinsic valuation by:

- Eliminating double-counted reinvestment,
- Modelling explicit capital intensity through FCFF, and

- Applying a normalized post-expansion terminal structure rather than a mechanical multiple.

Source	Average Target	Range	Currency	Notes
MarketScreener consensus	US $17.22	US$12.72 – US$19.98	USD	Based on ~21 analysts. (MarketScreener)
MarketBeat consensus	C$20.59	C$13.00 – C$28.00	CAD	~15 analysts; implies ~-17% from current C$24.91. (MarketBeat)
Investing.com consensus	C$24.11	C$17.87 – C$28.06	CAD	~20 analysts. (Investing.com)
Fintel (US OTC)	US $11.15	US$8.53 – US$14.53	USD	Narrow coverage (~4 analysts). (Fintel)

Why the Market is Mispriced

- The market's current pricing of Lundin Mining appears to place disproportionate weight on long-term thematic narratives surrounding copper demand, while overlooking the company's near-term capital intensity, project timing, and free cash flow profile. Although Lundin benefits from a high-quality, copper-weighted asset base and a diversified portfolio across stable jurisdictions, the implied expectations embedded in the share price exceed what is supported by the company's disclosed mine plans, cost structure, and funding requirements.
- Our valuation framework is grounded in detailed mine-level production schedules and a comprehensive capital cost outlook which incorporates a disciplined cost of capital methodology reflecting Lundin's operating and financial risk. Applying both WACC and APV approaches yields an intrinsic equity value in the range of CAD $17.97–$19.20 per share, notably below prevailing market levels. This divergence highlights the degree to which sentiment-driven dynamics have temporarily overshadowed cash-flow-based fundamentals.

Why the Market Values Lundin Above Our Intrinsic Estimate

Our WACC-based DCF yields an equity value of C$17.97–19.20 per share (midpoint C$18.6) compared with a market price of C$26.61 at our trade date. This difference follows directly from the cash-flow profile generated by our mine-level model. Using the enterprise value implied by the market and our FCFF trajectory and discounting framework, the market valuation requires a normalized 2031 free cash flow of approximately US$2.6bn, or 2.55× the US$1.0bn terminal-year FCFF produced in our model.

Precisely three modelling choices create this gap between our estimate of long-term FCFF and the level implied by the market:

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1. Pricing Assumptions and Realised Discounts

Our revenue forecasts are tied to CME copper futures and apply a 2% realised-price discount, reflecting Lundin's historical concentrate payability and smelter deductions. This results in lower long-run revenue than approaches that assume realised prices equal to, or above, headline benchmarks. Market pricing appears more aligned with long-term copper expectations supported by industry commentary, which point to structural tightness and stronger medium-term copper pricing than current futures curves reflect.

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2. Treatment of José María Capital Requirements

We model Lundin's approximately US$3bn share of José María project capital using a detailed, five-year build schedule that elevates capital intensity to 25–31% of revenue during 2026–2030. This directly reduces free cash flow during the construction period, including a negative FCFF year in 2028. Management's multi-year outlook, however, highlights strong cumulative free cash flow over this same period, indicating that investors place greater emphasis on anticipated post-2030 project cash flows than on the interim construction phase. By incorporating the full construction-phase capital requirements, our model produces a materially different medium-term FCFF path from that apparently embedded in market valuation.

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3. Cost Structure and Working Capital Effects

Our model incorporates rising operating-cost intensity, with COGS increasing from 68% to over 70% of revenue between 2025 and 2029, consistent with mine sequencing and inflationary pressures. We also model working capital using explicit drivers (receivables, payables and inventory), which produces several materially negative working-capital movements during the forecast period. Consensus summaries, by contrast, highlight margin expansion rather than margin compression, and many NAV-based frameworks used by brokers do not incorporate working-capital changes into mine-level economics. These differences increase the level of FCFF implied by market-based valuations relative to that produced in our model.


Reconciliation to Market-Implied Valuation

Together, these three factors—pricing methodology, treatment of José María capital requirements, and operating and cash-conversion assumptions—reduce our modelled long-run FCFF to US$1.0bn, while the market valuation implies US$2.6bn of normalized annual FCFF. Adjusting our model to reflect market-aligned assumptions would require:

- Higher long-term copper prices or removal of the realised-price discount,

- Smoother or deferred José María capitalisation that avoids multi-year FCFF compression, and

- Stable or improving operating margins, with reduced working-capital friction.

In combination, these adjustments raise normalized FCFF toward the level required to reconcile our DCF with the market-implied enterprise value. However, each adjustment is inconsistent with the mine plans, historical realised pricing, and capital-cycle dynamics evident in Lundin's disclosures. For this reason, we conclude that the current share price embeds long-term cash-flow expectations well above those supported by the company's asset base and forward operating profile.

Step	Description	Resulting FCFF (USD m)	Incremental Impact
0	Base Case Terminal FCFF	1,025	—
1	Higher LT Metal Prices / No Realised Discount	1,250	+225
2	Treatment of José María Capex	1,700	+450
3	Margins & Working-Capital Effects	1,880	+180
4	Long-Run Growth at 2.9%	2,100	+220
5	Project Pipeline / Vicuña Option Value	2,613	+513

Market-Implied FCFF Bridge
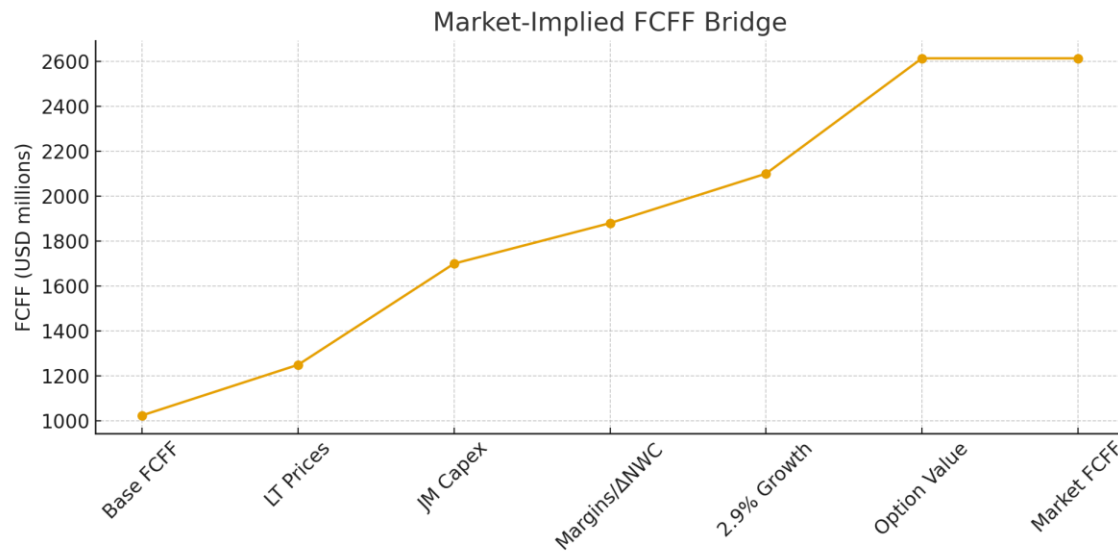
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