

# lundin mining

# REJECT



Inadequate – Opportunistic – Dilutive – \$3.2B Bridge Debt – Lenders over Shareholders



# Cautionary Statements

## Caution Regarding Forward Looking Statements

This presentation contains forward-looking statements including information concerning the Equinox offer, business, operations, prospects and the financial performance of Lundin Mining. These forward-looking statements are based on the reasonable current expectations and beliefs of management at the date of this presentation and on projections about future events. These forward-looking statements are subject to risks and uncertainties. These risks and uncertainties could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

Such risks may include, without limitation: risks and uncertainties relating to foreign currency fluctuations; changes or disruptions in financial and securities markets and market fluctuations in the prices for Lundin securities, the failure to meet terms and conditions of alternative transactions or the lack thereof; risks inherent in mining including environmental hazards, unusual or unexpected geological formations, ground control problems and flooding; 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 labor disputes or other unanticipated difficulties with or shortages of labor 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.

For further details of other risks and uncertainties see Risk Factors Relating to the Company's Business in the Company's Annual Information Form and in each management discussion and analysis.

## Caution Regarding Forward Looking Statements

The Board's recommendation to Lundin Mining shareholders that they **REJECT** the Equinox Offer and **DO NOT TENDER** their Lundin Mining shares, as well as a more detailed discussion of the reasons for rejecting the Equinox Offer and the inadequacy opinions provided by Lundin Mining's financial advisors, is contained in the Directors' Circular that is being mailed today to each of Lundin Mining's shareholders and filed with Canadian securities regulatory authorities. The Directors' Circular will be available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Lundin Mining website at [www.lundinmining.com](http://www.lundinmining.com). Shareholders are advised to read the Directors' Circular carefully and in its entirety, as it contains important information regarding Lundin Mining, Equinox and the Equinox Offer.



## The Lundin Board unanimously recommends:

- Shareholders REJECT the Equinox Offer; and
- Shareholders DO NOT TENDER their shares to the Equinox Offer

## Lundin Shareholders are being asked to grant Equinox and its backers an option:

- exercisable at Equinox discretion
- exercisable at Goldman Sachs/Credit Suisse discretion
- at a price that is inadequate



## 1. The Equinox Offer Is Inadequate

- The Equinox Offer is dilutive on a proforma NAV per share basis
- The bid was never \$8.10 or the 26% quoted by Equinox
- Using the 20-day VWAP ending February 25, 2011 (\$6.99), the current value of the Equinox Offer **represents a 6% premium**
- Since 2004, **the average premium** on completed, unsolicited metals and mining transactions over \$100 million has been **64%**
- Scotia Capital & Haywood Securities advise **Offer inadequate from a financial point of view**

**Q.** The Offer entails a significant amount of stock, will the risk factors allow Equinox to continue to trade at the current premium and multiples to NAV?

**The Board believes the Equinox Offer represents an inadequate premium for control of Lundin**



## 2. The Equinox Offer Entails Significant Financial Risk

- The pro-forma debt-to-equity ratio of combined Equinox/Lundin will increase financial risk and is more highly leveraged than peers
- The lenders to Equinox will have considerable influence over the business decisions of a combined Equinox/Lundin
- Significant indebtedness may impair Equinox's ability to advance Lundin's projects, such as expansion at Tenke Fungurume. How does the 'growth' get financed?

**Q.** Are shareholders of either company being given sufficient understanding of the debt risk by Equinox?

**The Board believes the Equinox Offer does not adequately compensate Lundin Shareholders for the leverage risk**



### 3. Most Of The Cash Goes To Lenders

- Substantially all of existing cash balances and projected near-term cash flow will be utilised to pay for: lenders' fees (\$48M); interest charges (\$320M in year 1 on \$3.2B bridge debt); and the principal repayments of the debt incurred. This
  - Jeopardises growth for the foreseeable future;
  - Transfers the economic benefits from shareholders to lenders;
  - Risks dilution of Tenke;
  - may result in asset sales at distressed levels due to the time pressure of having to repay bridge debt financing.

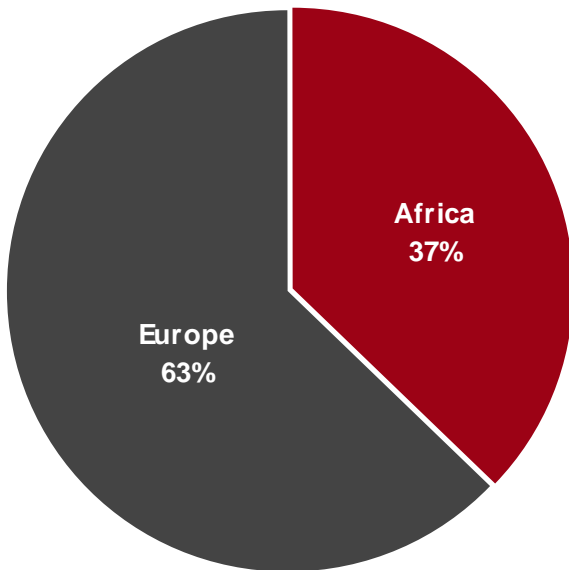
**Q.** Why do Equinox's cash forecasts exclude debt service?

**The Equinox Offer does not adequately explain the debt cost or terms**

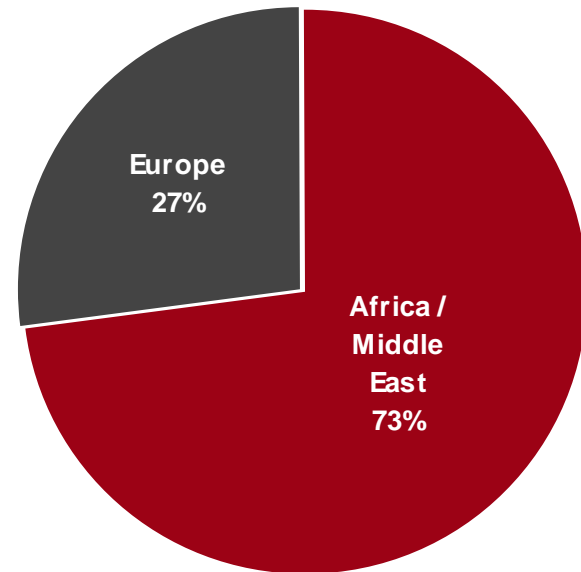


## 4. Geopolitical and Asset Portfolio Risks Increased

Lundin



Equinox + Lundin



The Board believes the Equinox Offer does not adequately compensate Shareholders for the increase in political risk and portfolio risk



## 5. Equinox Offer Highly Opportunistic + Project Risks

- Offer is highly opportunistic: while preparing to bid, Equinox releases its strategy to expand the Lumwana project and uses this to forecast 500kt of copper by 2016 as part of Offer document. The Lumwana expansion is not supported by mineral reserves or mineral resources and is not based on pre-feasibility or feasibility studies. *Credible?*
- To date the Lumwana mine has significantly under-performed original feasibility study projections disclosed by Equinox.
- **Zambian smelter capacity deficit (15% export duty). Power shortages.**
- Jabal Sayid is being built with no approved ESIA. Equinox has not disclosed why an amended ESIA is required. *Lenders condone?*
- Lundin believes that Jabal Sayid mine extraction rates are aggressive.

**Equinox's projections lack credibility**



## 6. No Strategic Benefits For Lundin

- Acquisition results in an African/Middle East concentration with no synergies

## 7. Equinox's Management Expertise

- From a single mine in Zambia to projects or mines in 7 different countries and NO evidence of European experience

The Lundin Board sees no strategic rationale and has reservations about management's experience to run the combined business



## 8. The Equinox Offer Is Highly Conditional

- 18 conditions must be satisfied or waived before Equinox is obliged to pay for any shares deposited
- A number of conditions have no materiality threshold and are in Equinox's 'sole judgment'
- Conditions are subject to Equinox's lenders discretion – **Equinox is not the ultimate decision maker**
- Expiry of lender commitment for the acquisition is redacted from SEDAR-filed document

**Q.** Is there any reasonable certainty of this offer closing?

**Lundin Shareholders are being asked to grant Equinox an option, exercisable at their, & their lenders discretion, at a price that is inadequate**



## 9. Possible Violation of U.S. Securities Act

- Equinox, and its advisors, have used an exemption from SEC registration that is only available if Lundin has <10% U.S. Shareholders
- Lundin believes U.S. Shareholders hold around 20% of Lundin and believes it possible that Equinox or its backers had some knowledge of this or could have worked it out
- If the Offer violates the U.S. Securities Act, any Shareholder who receives Equinox Shares in connection with the Equinox Offer may have rescission rights for one year after receiving such shares.
- A violation cannot be cured

**As a result of Equinox's possible violation of the U.S. Securities Act, the Board has reason to believe that there is significant legal and other risk associated with the Equinox Offer.**



## 10. Lundin Directors/Officers/Certain Shareholders will not tender their Shares

- All Lundin Directors and officers intend to reject the Equinox offer
- Key officers and shareholders have agreed to vote their shares in favour of the Symterra Business Combination



## The Lundin Board unanimously recommends:

- Shareholders REJECT the Equinox Offer; and
- Shareholders DO NOT TENDER their shares to the Equinox Offer



# Appendix

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## Additional Information



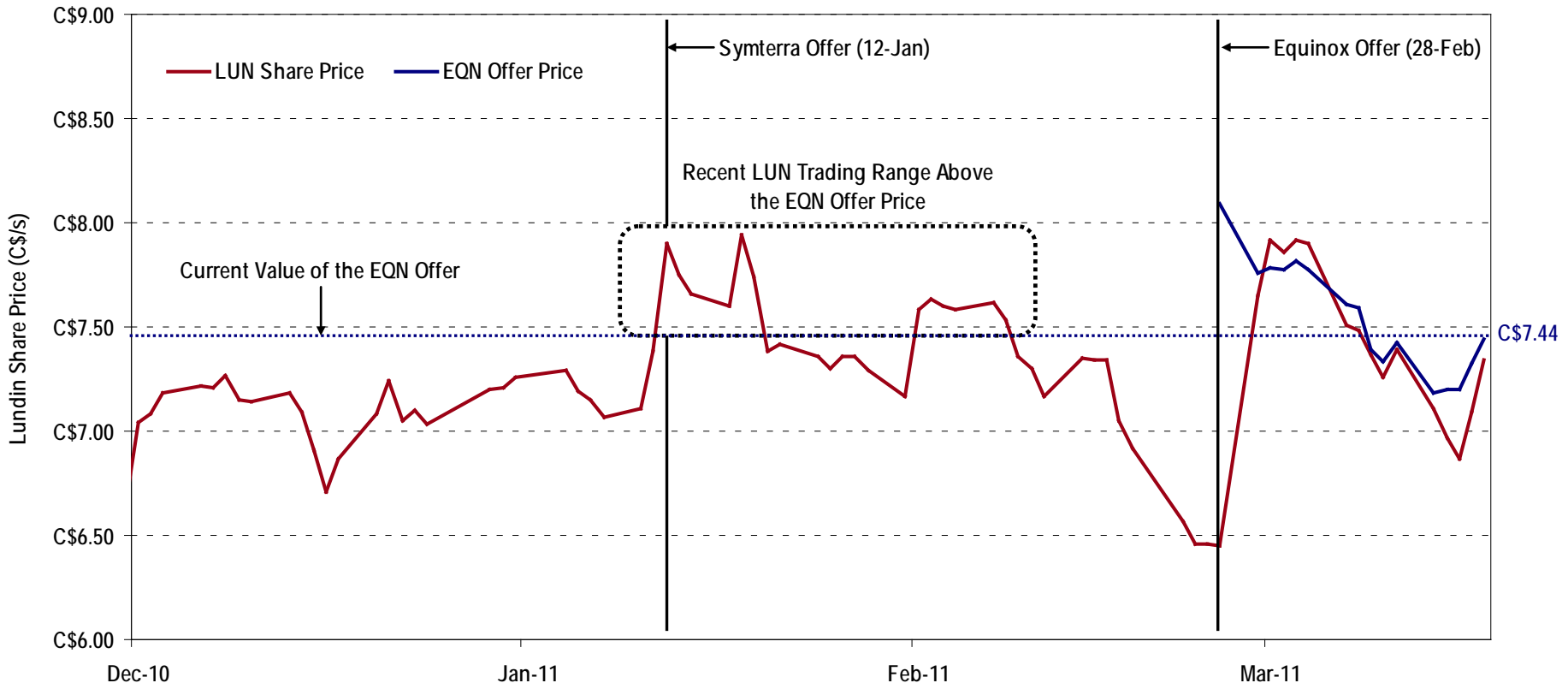
## Highly Conditional Offer

### The Equinox Offer contains the following 18 conditions:

- Minimum Tender Condition of 66 2/3% of Lundin common shares on a fully-diluted basis
- Termination of the Symterra Arrangement Agreement
- Lundin shall not have taken any actions which may result in a Material Adverse Effect
- Lundin shall not take any actions which may result in a Material Adverse Effect
- Lundin shall not have adopted a shareholders rights plan
- Receipt of all necessary government / regulatory consents, authorizations, waivers, permits, reviews, orders, rulings, decisions, approvals or exemptions
- No act, suit or proceeding that would result in a cease trade or Material Adverse Effect
- No prohibition at Law against Equinox making the offer or taking up and paying for Lundin common shares or completing any compulsory acquisition / subsequent acquisition transaction
- Other than the IMN Arrangement Agreement, Lundin shall not have authorized, proposed or announced an intention to effect and shall not have entered into any agreement, arrangement commitment, proposal, offer or understanding with respect to, and there shall not have occurred, a Restricted Event
- No impairment of any of Lundin's properties, rights, franchise of licenses
- Equinox shall have determined that no term, covenant or condition of any of the agreements or instruments Lundin is a party to might make it inadvisable for Equinox to proceed with the offer or with taking up an paying for Lundin common share or any other term, covenant or condition that may be breached due to the offer
- No occurrence of any nature that adversely affects or involves the financial markets in Canada, the United States, Australia or Sweden or that has made or may make it inadvisable for Equinox to proceed with the offer or taking up and paying for Lundin common shares
- Equinox shall not have become aware of any untrue, or omission of a required, statement of material fact in any public document filed by or on behalf of Lundin
- Equinox shall be provided with all non-public information relating to Lundin, including access to Lundin management, in a timely manner
- Equinox simple majority shareholder vote
- Approval and registration of a prospectus in respect of the Equinox shares to be issued to residents of Sweden
- Equinox and Lundin shall not have entered into an agreement, subsequent to the Equinox offer, for Lundin to call a special meeting of shareholders to consider an amalgamation, statutory arrangement, capital reorganization or other transaction involving Lundin and Equinox
- Lundin Directors shall commit to effecting an orderly transition of the Board of Directors including, if requested, resigning in favour of Equinox nominees and to release Lundin from all claims as Directors other than existing rights to indemnification



# Lundin Share Price Performance





## Debt to Equity Profile

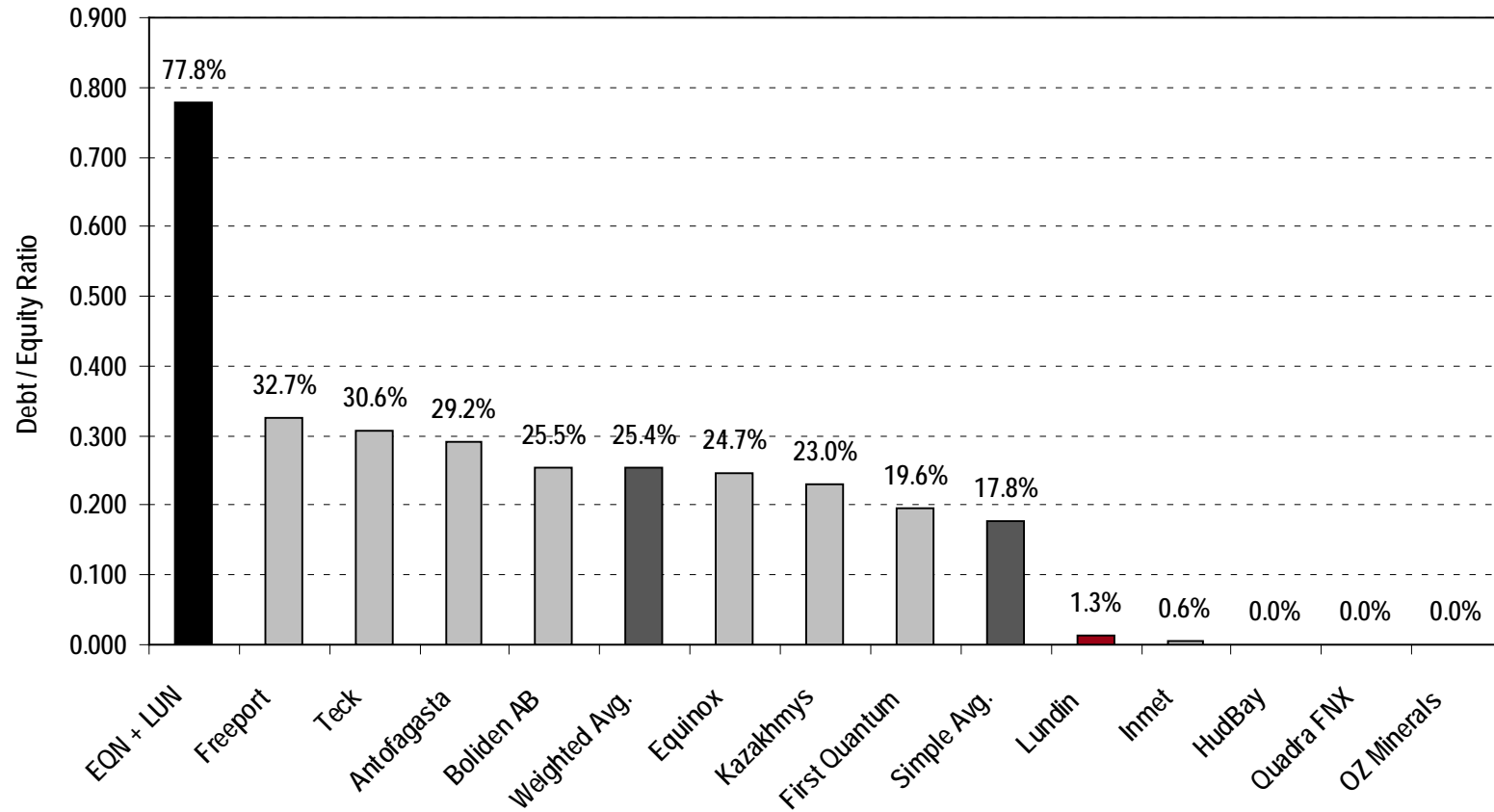
	Debt <sup>(1)</sup>	Equity <sup>(2)</sup>	Debt to Equity	Financials Date
Freeport-McMoRan	US\$4,755M	US\$14,560M	32.7%	As at 31-Dec-10
Teck Resources	C\$4,948M	C\$16,176M	30.6%	As at 31-Dec-10
Antofagasta	US\$2,197M	US\$7,526M	29.2%	As at 31-Dec-10
Kazakhmys	US\$1,684M	US\$7,330M	23.0%	As at 30-Jun-10
First Quantum Minerals	US\$613M	US\$3,129M	19.6%	As at 31-Dec-10
Boliden AB	SEK 4,814M	SEK 18,846M	25.5%	As at 31-Dec-10
HudBay Minerals	--	C\$1,749M	0.0%	As at 31-Dec-10
Quadra FNX	--	US\$2,195M	0.0%	As at 31-Dec-10
OZ Minerals	--	A\$3,291M	0.0%	As at 31-Dec-10
Simple Average			17.8%	
Weighted Average			25.4%	
Median			23.0%	
<b>EQN + LUN</b>	<b>US\$3,221M</b>	<b>US\$4,142M</b>	<b>77.8%</b>	<b>As at 30-Sep-10 Pro Forma</b>
Lundin	US\$40M	US\$3,168M	1.3%	As at 31-Dec-10
Equinox	US\$455M	US\$1,841M	24.7%	As at 30-Sep-10 Pro Forma Citadel
Inmet	C\$17M	C\$2,758M	0.6%	As at 31-Dec-10

(1) Includes interest bearing liabilities only

(2) Balance sheet shareholder's equity



## Debt to Equity Profile





## Precedent Hostile Mining Transactions

Announce Date	Target	Unsolicited Bidder	White Knight / Friendly Bidder	Final Premium <sup>(1)</sup>
Apr-10	Lihir Gold	<b>Newcrest Mining</b>	--	38%
Dec-09	International Royalty	Franco-Nevada	<b>Royal Gold</b>	70%
Oct-09	Freewest Resources	Noront Resources	<b>Cliffs Natural Resources</b>	144%
Aug-08	EURO Ressources	<b>IAMGOLD</b>	--	28%
Jul-08	Petaquilla Copper	<b>Inmet Mining</b>	--	104%
Apr-08	Frontier Pacific Mining	<b>Eldorado</b>	--	39%
Apr-08	Yukon Zinc	<b>Northwest Non-Ferrous / Jinduicheng Moly</b>	Griffin	53%
Oct-07	Tyler Resources	Mercator Minerals	<b>Jinchuan</b>	115%
Jun-07	Meridian Gold	<b>Yamana Gold</b>	--	39%
Mar-07	LionOre Mining	<b>Norilsk Nickel</b>	Xstrata	69%
Jul-06	Aztec Resources	<b>Mount Gibson Iron</b>	--	35%
May-06	Inco	Teck Cominco	<b>CVRD</b>	37%
Oct-05	Placer Dome	<b>Barrick Gold</b>	--	37%
Oct-05	Falconbridge	<b>Xstrata</b>	Inco / Phelps Dodge	110%
Sep-05	Canico	<b>CVRD</b>	--	49%
Oct-04	WMC Resources	Xstrata	<b>BHP Billiton</b>	53%
Mean				64%

(1) Calculated using final premiums to the target's unaffected 20-Day volume weighted average share price

Note: Includes completed mining transactions since 2004 greater than US\$100M in value; **Bold** denotes final acquiror