



FILO MINING | BUY SEK20

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Filo Mining – Just the tip of the iceberg

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MARKETS

Filo Mining (Buy tp SEK20) – Investment case

Why should you be interested in Filo Mining?

1. **The Lundin Group:** Filo Mining is part of the Lundin Group of Companies, which have extensive experience from discovering and developing natural resources, as well as the financial resources to contribute with financial support.
2. **Close proximity to other projects could translate into large synergies:** The Filo del Sol project is located nearby two other Lundin Group projects, on the border of Argentina and Chile. This could save USD100-300m(?) in capex on infrastructure and supply chain. Ability to source ground water from Argentina saves ~USD500m in capex vs sourcing water from Chile.
3. **2019 PFS study estimates IRR 23% and NPV USD1.3bn:** In 2019, the company conducted a pre-feasibility study that concluded with strong economics driven by a low-cost and low capital intensive development (no synergies included). We estimate FCF of ~USD400m. However, the PFS was only done on the oxide portion.
4. **Recent drilling programs indicate potential of 4-8x the oxide resource:** Exploration has led to the discovery of a significant sulphide resource beneath the oxide portion. Estimated Copper Equivalents is 4-8x that of the oxide, with further exploration potentially doubling it.
5. **Liquidity need near-term:** The company will likely need an additional CAD20-30m to fund the 2020/21 drilling program, on our estimates.
6. **Attractive valuation:** We estimate a heavily risked SOTP of SEK22/share (currently at SEK13). Unrisked SOTP of SEK107/share (potential for significantly more if next drilling season is successful).
7. **Gold market is booming, and copper market has positive long-term trends:** Gold is at USD1750/oz, close to ATH, as market uncertainty and negative yields provides an attractive back-drop. Copper has recovered from its March bottoms to USD2.65/lbs. Long-term trend driven by electrical vehicles and Chinese economy.

Company snapshot

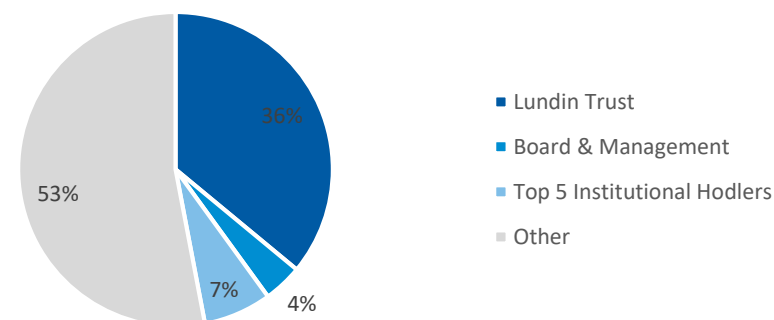
About the company

- Filo Mining is part of the Lundin Group of companies, and is a result of the spin-off from NGEx Resources (now: Josemaria Resources). Previously, JOSE, FIL and NGEx were all part of the same company back in 2016. The company's key asset is the Filo del Sol copper-gold project on the border between Argentina and Chile. The project was subject to a 2019 PFS, but this focused only on part of the system, as recent drilling has indicated a much larger resource beneath. Currently, FIL is focused on exploring the depth and length of this resource with further exploration and appraisals expected in the coming drilling seasons.
- Management:** Jamie Beck (CEO & President), Jeff Yip (CFO), Bob Carmichael (VP Exploration)
- Chairman:** Adam Lundin
- MCAP:** ~CAD135m (~USD100m)
- Ticker:** FIL (Toronto), FIL (Stockholm).

Assets

- Filo del Sol (100%):**
 - The Filo del Sol project is a copper-gold system located on the border of Argentina and Chile. It was subject to a 2019 PFS that estimated IRR 23% and NPV8% of USD1.3bn. However, the study only included the oxide portion of the system, with the most recent drilling seasons having indicated that there is a much larger sulphide system beneath the oxide.
 - The sulphide system beneath is believed to have 26 billion CuEq, or roughly 4-8x that of the oxide portion, as well as higher grades (metal content). Further exploration and appraisal could more than double this.
 - Filo del Sol is located close to other Lundin assets, and will likely see large synergies from other projects. The way forward could either be to develop the oxide portion to generate CF for the sulphide development, or to include a strategic partner.

Ownership



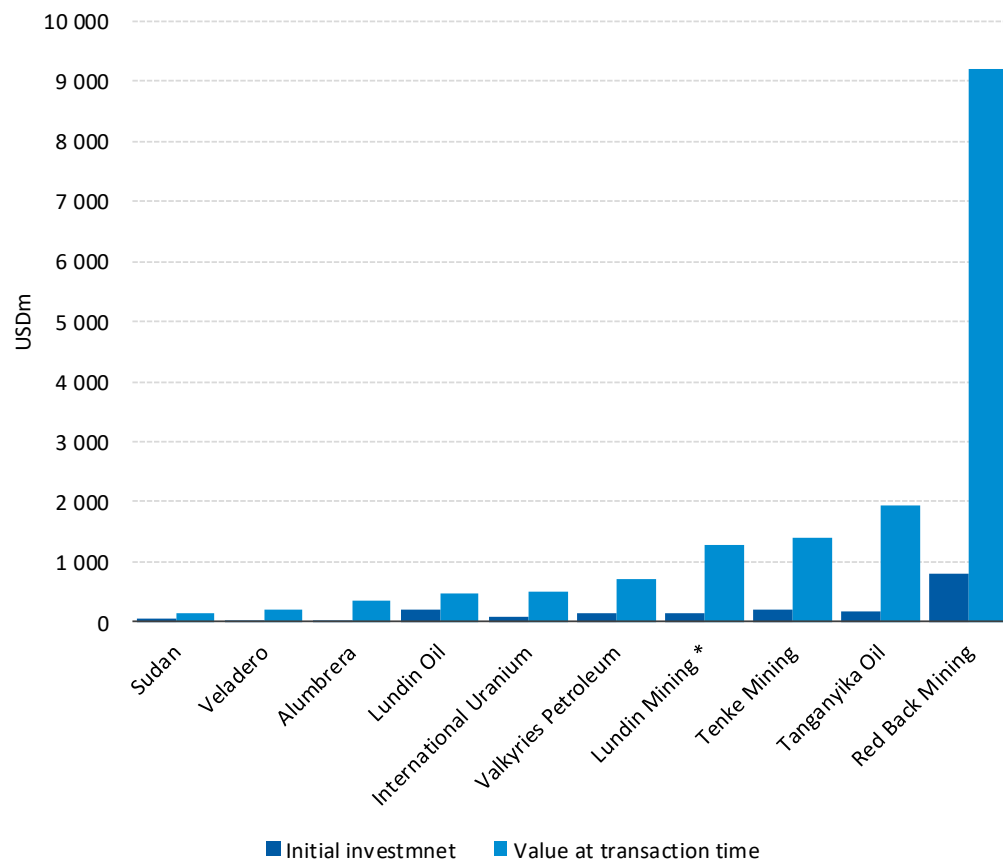
Key financials

Key financials (CADm)	2017	2018	2019	2020	2021
Net revenue	-	-	-	-	-
EBITDA	- 19	- 29	- 28	- 28	30
Net profit	- 19	- 29	- 29	- 27	30
Cash and cash equivalents	2	2	14	11	40
NIBD	- 2	- 0	14	11	40
Operational Cash Flow	- 17	- 26	- 24	- 24	29
Free Cash Flow	- 18	- 26	- 25	- 24	29

The Lundin Group has an undisputable track record of value creation

Past projects have generated near USD16bn. Lundin known for never leaving companies behind, and to always pay its debt.

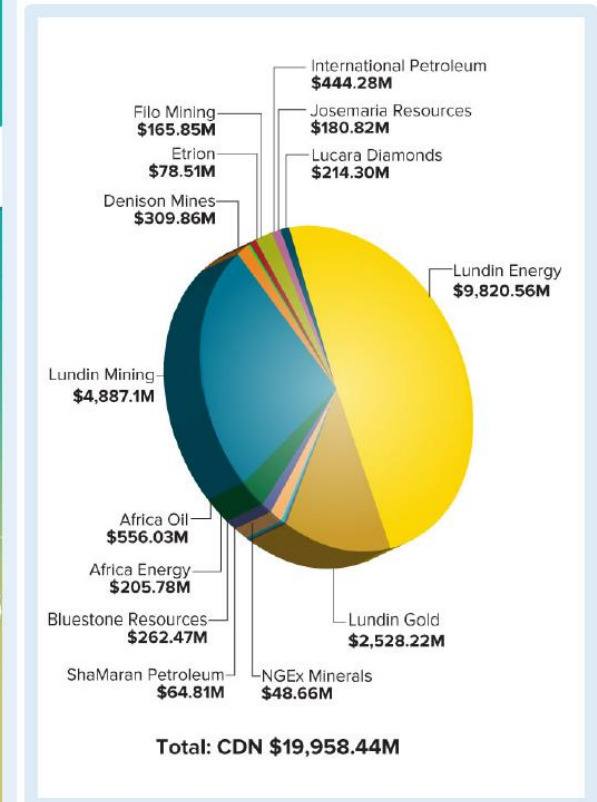
Initial investment vs. value at sale or merger (USDm)



Year and counterpart

Company / Investment	Year Sold to / merged with
Veladero	1999 Homestake
Alumbra	1995 Rio Algom / North limited
Lundin Oil	2001 Talisman Energy
International Uranium	2006 Dension
Valkyries Petroleum	2006 Lundin Petroleum
Lundin Mining *	2006 EuroZinc
Tenke Mining	2007 Lundin Mining
Tanganyika Oil	2008 Sinopec
Red Back Mining	2010 Kinross

Lundin Group of Companies – A core shareholder with a global footprint



Location – Three Lundin projects right next to each other

Additionally there is the partner's Caserones mine, as well as the two prolific gold belts nearby

Three projects within close proximity



Comments

- **Three Lundin projects in close proximity:**
 - » Josemaria, Filo del Sol and Los Helados are all in close proximity. Could be the start of a new prolific mining jurisdiction between two prolific gold belts. Could lead to large savings on infrastructure and supply chain in the USD100-300m order. Josemaria likely developed first.
- **Related mine right next door:**
 - » Caserones mine is owned by the 37% partner in NGEx Minerals' Los Helados. All infrastructure in place, but falling grade. Obvious synergies with Los Helados. Likely M&A case.
- **Sourcing water from Argentina can save USD500m**
 - » In Chile there are many mines and limited water supply. With Filo del Sol located mainly on the Argentine side, water can be sourced from the ample resources of Argentina. Could save some USD500m in capex vs building desalination plants and supply it from Chile.
- **Argentine government needs investments**
 - » Currently export taxes on Argentine goods, but government has initiated a project-by-project initiative that could provide exemptions. San Juan is a pro-mining province.

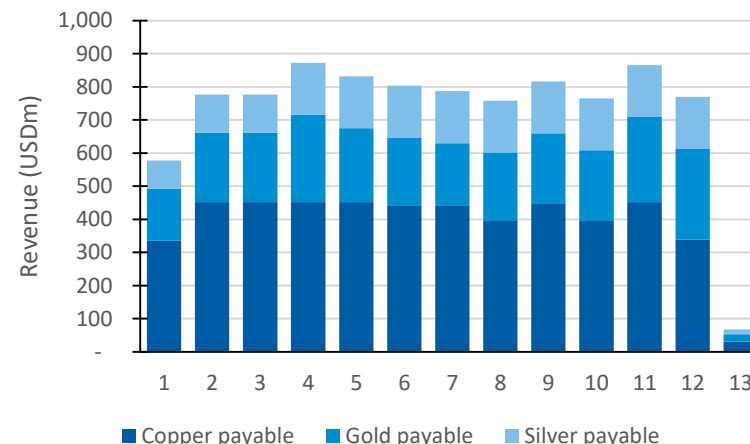
Filo del Sol Pre Feasibility Study (2019) summary

Strong economics. Keep in mind, this is only for the oxide portion of the system. Moreover, synergies with nearby projects not included in the analysis.

PFS summary

Estimated revenue split by metal (USDm)

Summary of project economics		
Project Metric	Units	Value
Pre-tax NPV @ 8%	USDbn	1.86
Pre-tax IRR	%	27%
After-tax NPV @ 8%	USDbn	1.28
After tax IRR	%	23%
Undiscounted After-tax CF (LOM)	USDbn	3.23
Payback period from start of processing	Years	3.40
Initial capex	USDm	1.27
LOM Sustaining Capex	USDm	220
LOM C-1 Cash costs	USD/lb CuEq.	1.23
Nominal Process Capacity	ktpd	60.00
Mine life	Years	14.00



LOM Average annual metal production		
	Units	Value
Copper	tonnes	67,000
Gold	ounces	159,000
Silver	ounces	8,653,000

LOM Average process recovery		
	Units	Value
Copper	% contained metal	80%
Gold	% contained metal	70%
Silver	% contained metal	82%

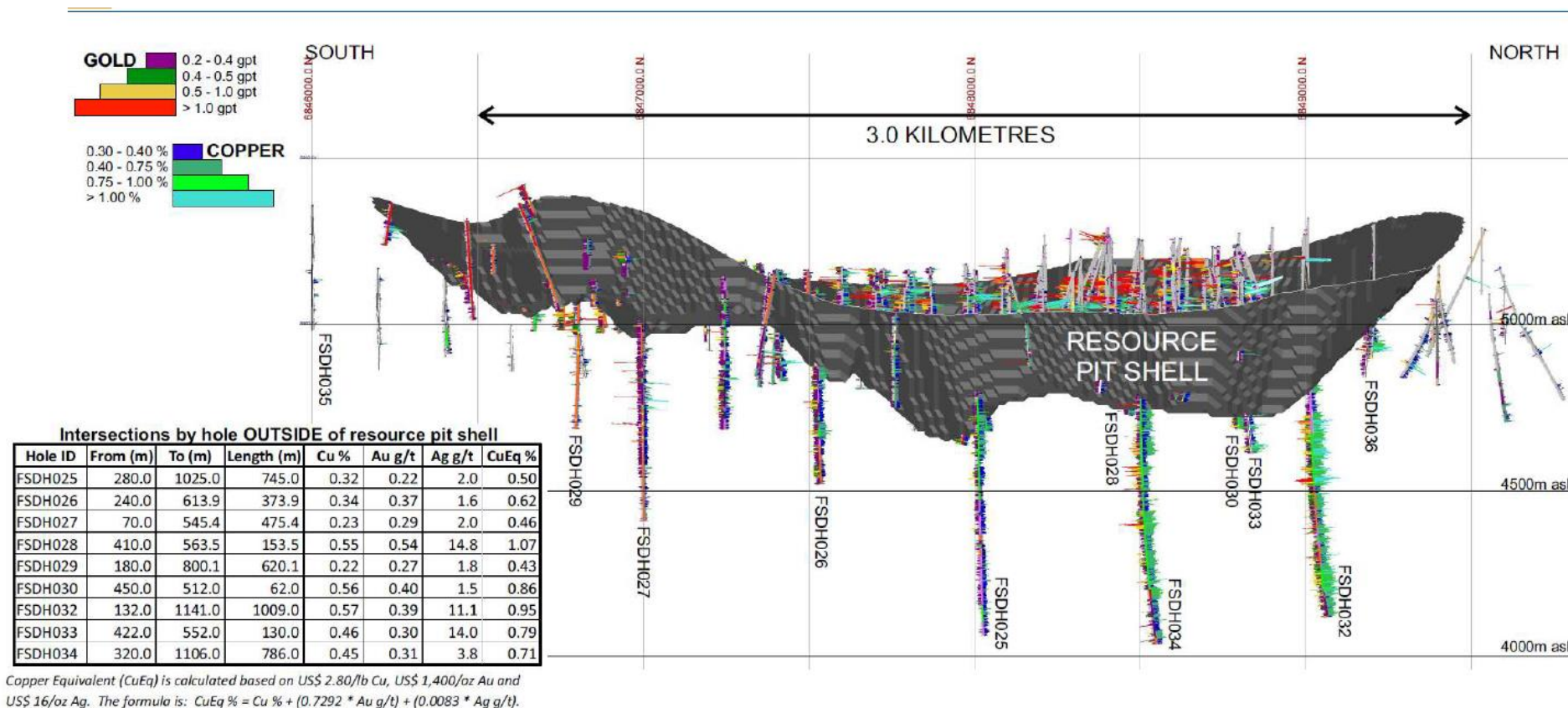
Financial summary Filo del Sol

Based on PFS material only

Financial summary Filo del Sol model (SB1M estimates)

Filo del Sol		1	2	3	4	5	6	7	8	9	10	11	12	13
Ore processed	kt	16300	21900	21900	21900	21900	21900	21900	21900	21900	21900	21900	21900	2000
Copper production	kt	50.9	68.3	68.3	68.3	68.3	66.6	66.6	59.8	67.5	59.8	68.3	51.2	4.7
Gold production	t	3.2	4.3	4.3	5.5	4.6	4.3	3.9	4.3	4.4	4.4	5.3	5.7	0.5
Silver production	t	148	198	198	271	271	271	271	271	271	271	271	271	25
CuEq production	MLbs	193	259	259	291	277	268	262	253	272	255	289	257	22
CuEq production (kt)	kt	87	117	117	132	126	122	119	115	123	116	131	116	10
Revenue		578	776	776	872	832	804	787	759	816	765	866	770	67
EBITDA		341	458	458	515	491	474	464	448	482	452	511	454	40
OCF		272	360	360	403	385	372	365	352	378	355	400	357	46
FCF		254	342	342	384	366	354	346	334	359	337	381	339	28

Significant upside beneath the current resource



World class resources - key to the strategy

Both FIL and JOSE have delivered some of the best copper drill holes last 12 months

Date	Hole Number	Project	Country	Company	From (metres)	To (metres)	Interval (metres)	CuEq (%)	CuEq Grade x Interval ¹ (%-m)	Source Document
2020-02-24	VHD037	Onto	Indonesia	PT Sumbawa Timur Mining	536.00	1,484.60	948.60	1.767	1,675.9	PT Sumbawa Timur Mining
2019-07-25	AK-19-031	AntaKori	Peru	Regulus Resources Inc.	3.70	613.90	610.20	1.672	1,020.0	Regulus Rsrc Inc PR
2020-04-20	FSDH032	Filo del Sol	Argentina	Filo Mining Corp.	132.00	1,141.00	1,009.00	0.950	958.6	Filo Mining PR
2020-01-29	RC595	Red Chris	Canada	Imperial Metals Corp.	394.00	1,114.00	720.00	0.987	710.7	Imperial Metals PR
2019-12-04	CRP0020D	Cortadera	Chile	Hot Chili Ltd.	0.00	972.00	972.00	0.670	651.1	Hot Chili Ltd PR
2019-10-17	AD26	Oak Dam	Australia	BHP Group	1,247.00	1,452.00	205.00	3.054	626.1	BHP Grp PR
2019-10-03	ALD-19-212	Altar	Argentina	Aldebaran Resources Inc.	237.50	1,379.00	1,141.50	0.532	607.3	Aldebaran Rsrc Inc PR
2019-10-16	TTD129	Tatogga	Canada	GT Gold Corp.	488.00	1,281.00	793.00	0.722	572.6	GT Gold Corp PR
2019-06-06	WINU0006	Winu	Australia	Rio Tinto	60.00	741.00	681.00	0.758	516.0	Rio Tinto PR
2019-08-13	DDH19-SD-428D	Stardust	Canada	Sun Metals Corp.	493.45	635.80	142.35	2.496	355.3	Sun Metals Corp PR
2019-06-20	FVS-394	MCSA Mining Comp	Brazil	Ero Copper Corp.	221.90	249.90	28.10	12.600	354.1	Ero Copper PR
2019-06-10	JMGT07	Josemaria	Argentina	Josemaria Resources Inc.	150	800	650.00	0.534	346.8	Josemaria Resources PR
2019-08-18	D1571	Kamoa-Kakula	Dem. Rep. Congo	Ivanhoe Mines Ltd.	NA	NA	18.86	18.000	339.5	Ivanhoe Mines PR

Current exploration target for sulphide is 4-8x the current I&I resources

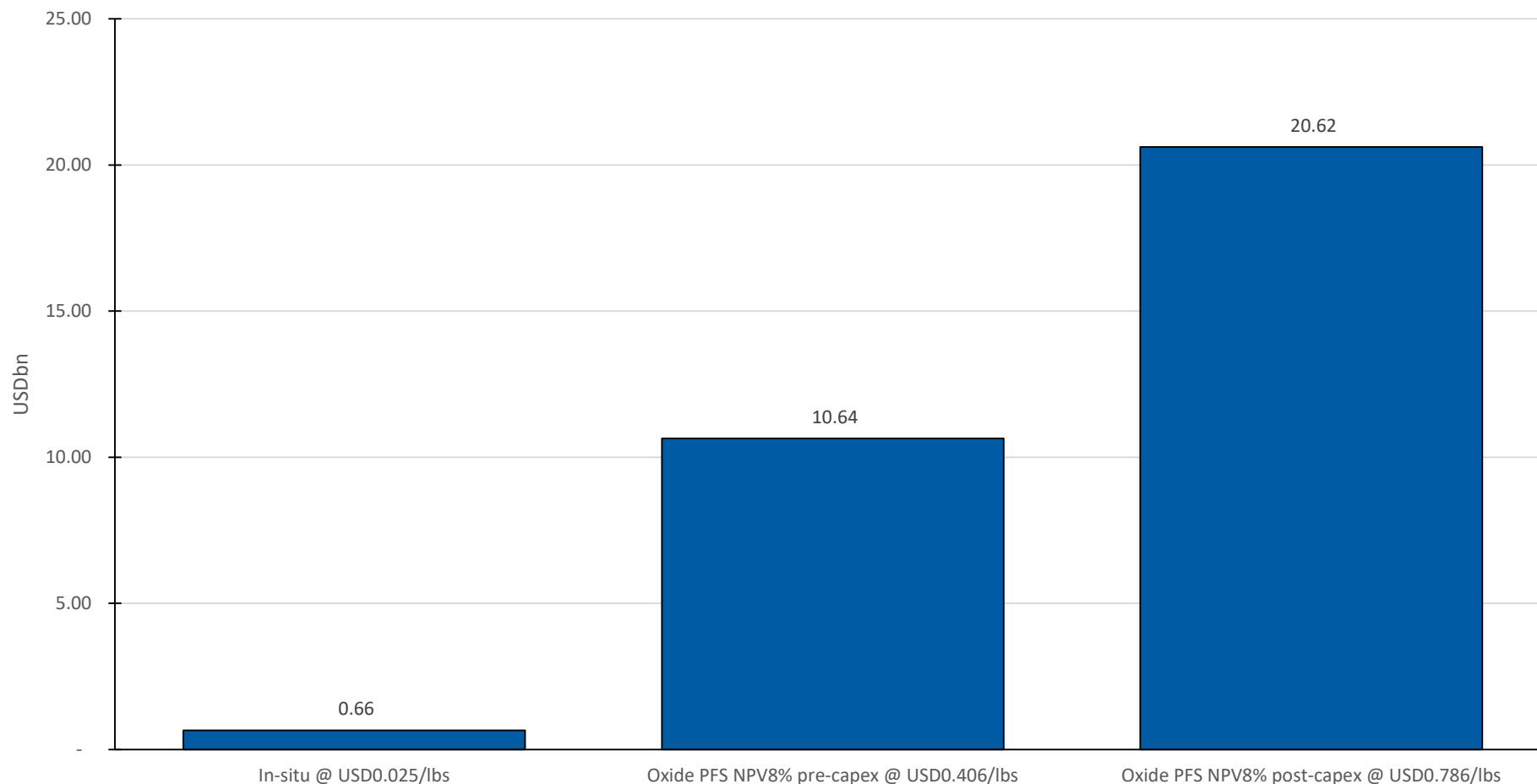
Mineral resources and current exploration target (grades and contained metal)

Zone - category	Tonnes billion	CuEq %	Grades			Contained metal (SB1Me)			
			Cu %	Au gpt	Ag gpt	Cu B lbs	Au M oz	Ag M oz	CuEq B lbs
Oxide - indicated	0.35		0.34%	0.32	12.6	2.7	3.6	141.4	
Oxide - inferred	0.10		0.26%	0.32	8.7	0.6	1.1	29.1	
Sulphide - indicated	0.08		0.27%	0.34	2.2	0.5	0.8	5.4	
Sulphide - inferred	0.07		0.30%	0.33	2.5	0.5	0.8	5.7	
Total - indicated	0.43		0.33%	0.32	10.7	3.1	4.4	146.7	
Total - inferred	0.18		0.27%	0.33	6.2	1.1	1.8	34.8	
Exploration target - Sulphide:									
Low	1.20	0.70%	0.40%	0.30	6	10.6	11.6	231.5	18.5
High	1.60	1.00%	0.60%	0.40	10	21.2	20.6	514.4	35.3
Mid	1.40	0.85%	0.50%	0.35	8	15.4	15.8	360.1	26.2

Valuation could be huge if Filo del Sol enters production

We estimate USD660m in-situ value. Using same multiple as the 2019PFS yields USD11bn value

Valuation scenario on exploration target estimates



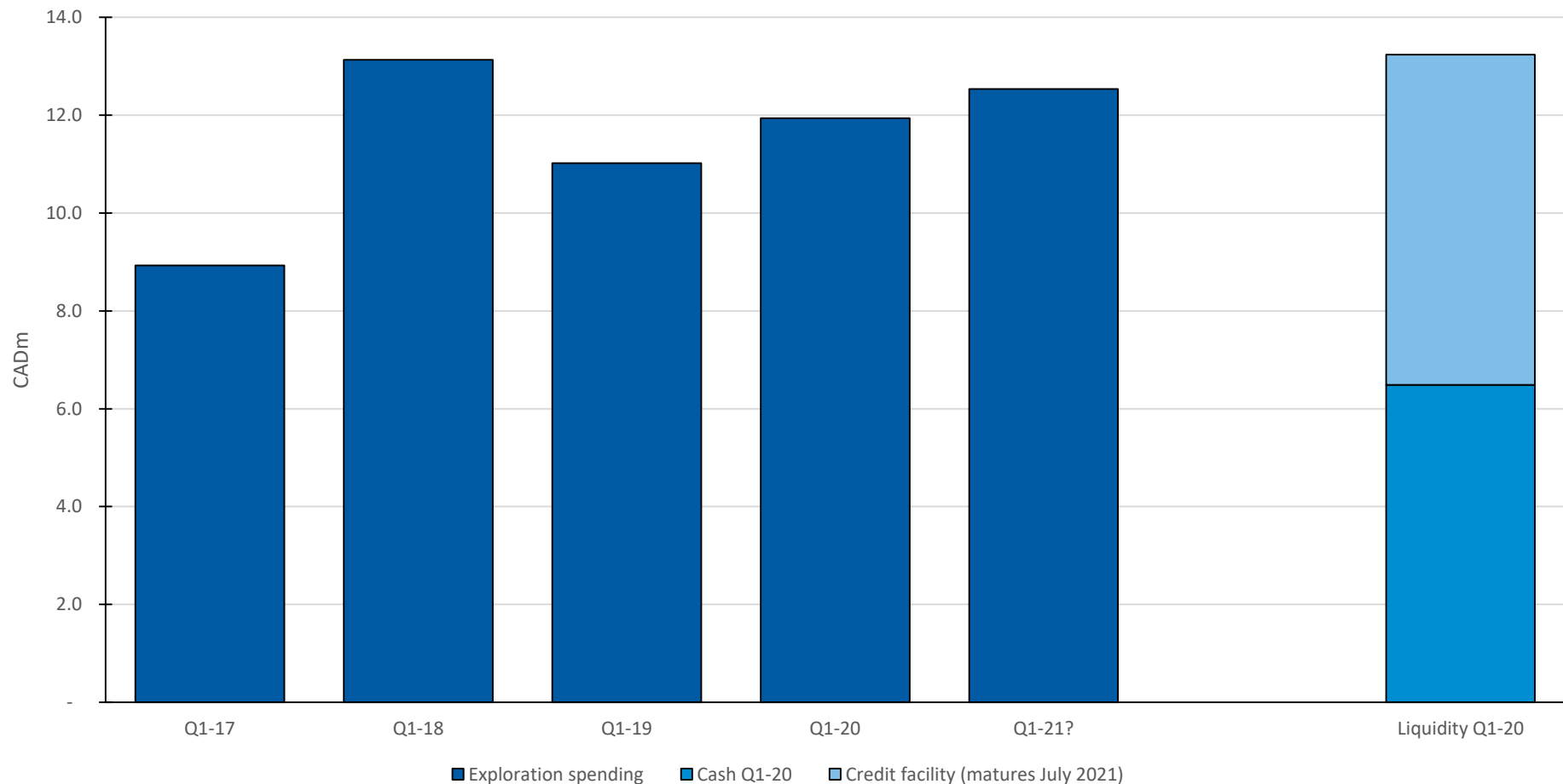
What's the current situation and what's the end game?

3 key opportunities

- **Currently, we expect Filo Mining to focus on continuing the exploration of the sulphide resource beneath. The expansion potential is large, and we could see a doubling of the exploration target figures if the tonnage estimate is increased from 1.4 billion tonnes to 3 billion tonnes. This will be the focus on the 2020/21 drilling season (estimated cost of ~CAD12m).**
 - **A larger drilling program will be needed for resource conversion (prove up the estimated contained metal into resources/reserves). This will likely include a much more extensive drilling program, and probably a strategic partner.**
- 1. Develop oxide portion on its own according to the 2019 PFS, generate CF for sulphide capex development**
 1. The oxide resource would enable a low-cost and low capital intensive development using heap leach methods.
 2. Cash flow from the oxide resource could be used for an eventual development of the sulphide beneath
 3. Likely synergies from infrastructure and supply chains from Josemaria development
 - 2. Include a strategic partner, and seek engineering studies to develop the hole resource**
 1. Another option is if Filo Mining teams up with a strategic partner and perform extensive drilling and engineering studies to prove up and develop the entire resource
 - 3. Sell the project to a major that could develop the project, like Lundin did with two previous projects in Argentina:**
 1. Alumbrera delivered 1800% return on investment when it was taken over by a major that developed it into the top 10 largest copper-gold mines
 2. Veladero delivered 1100% return on investment when it was taken over by a major and developed into one of the world's largest gold mines

2020/21 drilling program will likely need further liquidity

We estimate that Filo likely will need a refill of liquidity in the near-term in the order of CAD20-30m

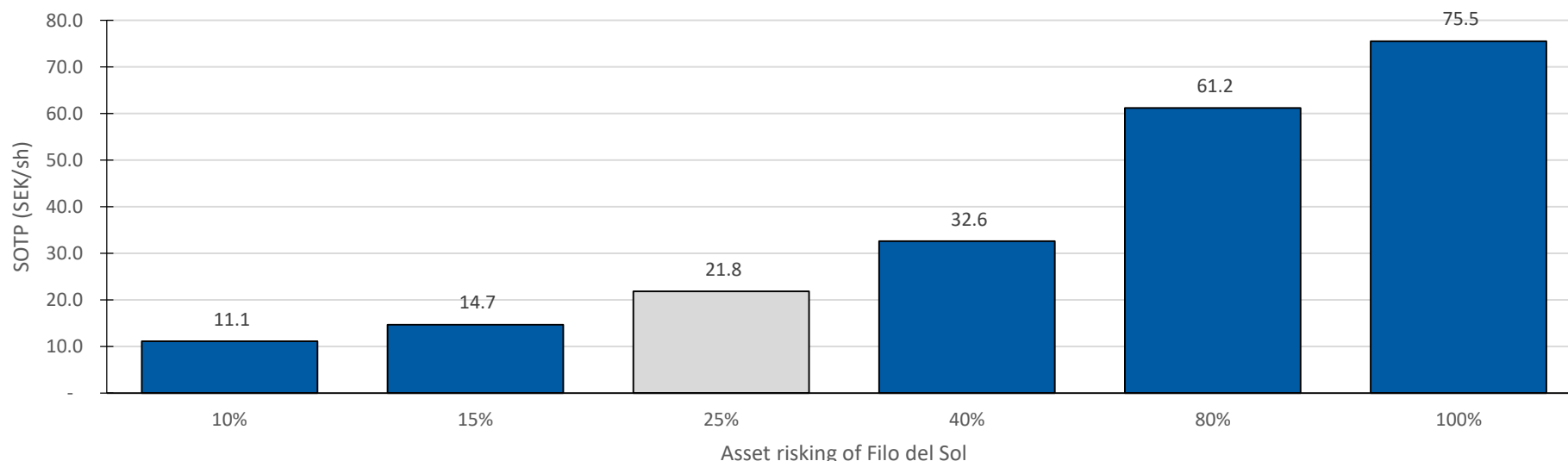


Current heavily risked SOTP of SEK22/sh, unrisked SOTP SEK107/sh

Further exploration and progress towards Feasibility can unlock substantial value

SOTP valuation Filo Mining

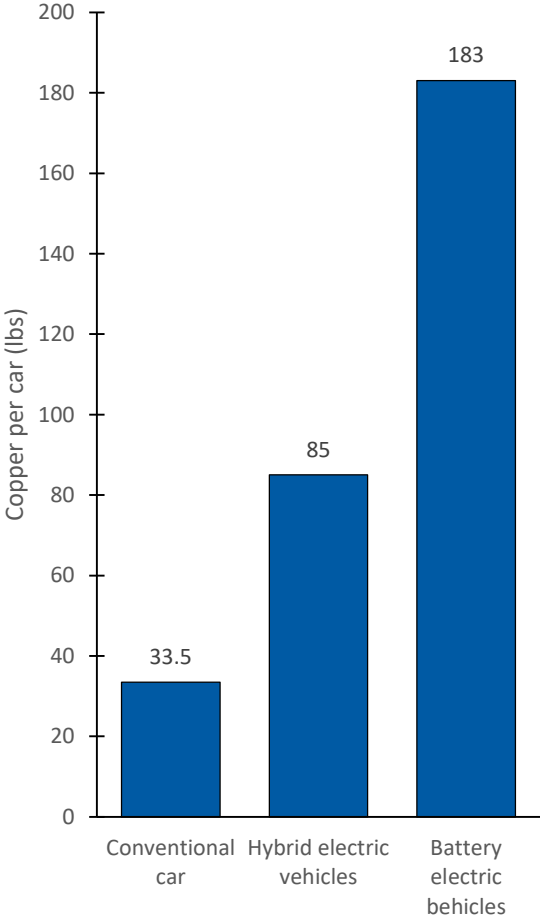
Asset	Stage	Country	Ownership	CuEq B lbs	USD/lbs	Unrisked USDm	Net unrisked USDm	Unrisked SEK/sh	Risk %	SEK/sh
Filo del Sol	PFS	Argentina/Chile	100%	3.2	0.222	701	701	72	25%	17.9
Exploration porphyry asset			100%	14.7	0.025	367	367	37	15%	5.6
Sum Mining Assets				17.8		1,068	1,068	109		23.5
Overhead and other			100%		-	30	30	3	100%	3.1
GAV						1,038	1,038	106		20.4
Net debt (cash)			100%		-	14	14	1	100%	1.4
Equity Value						1,051	1,051	107		21.8



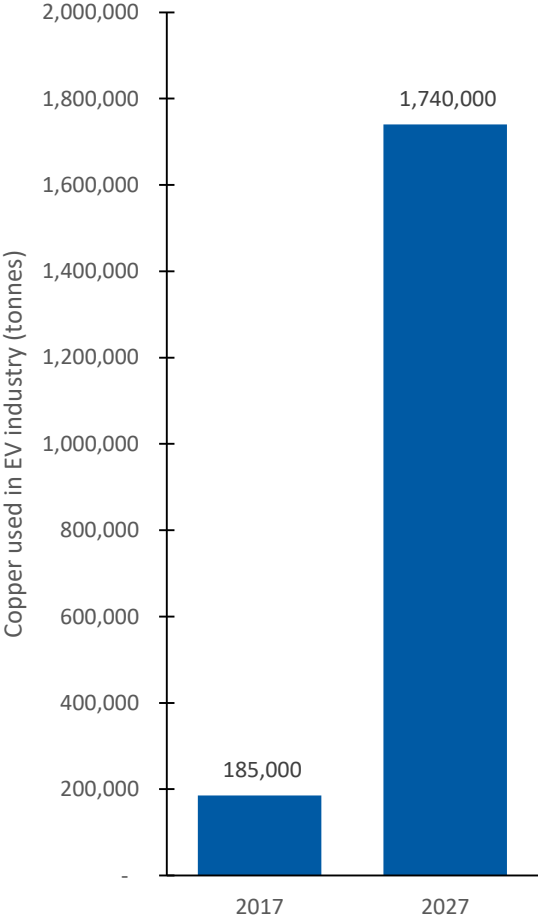
Note: Recently announced exploration target for the porphyry (sulphide) asset is not included. We have included our initial estimate of 14.7B lbs CuEq, while the recent press release indicated 26B lbs CuEq. Moreover, the 26 could potentially be doubled depending on successful drilling campaigns.
Source: SpareBank 1 Markets

Copper to benefit from Electric Vehicle trend

EVs require copper



Copper used in EV industry

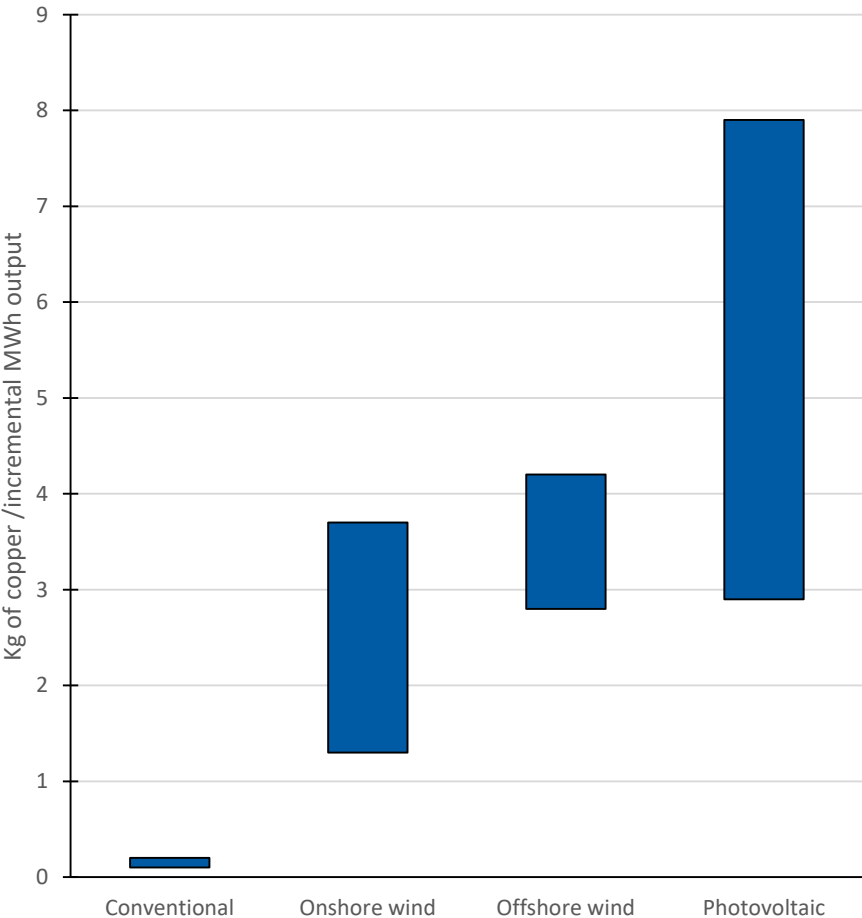


Comments

- An electric vehicle contains 5-10x as much copper as a regular car, and demand for copper from electrical vehicles is estimated by the International Copper Assocaition to grow from 185kt in 2017 to 1.74mt (8-10% of global copper demand) by 2027.
- This roughly corresponds to going from 1% of today's demand to 5-6% of 2027 demand (or to an amount equal to 8-10% of today's demand).

The energy transition is a demand driver for copper

Energy transition requires more copper

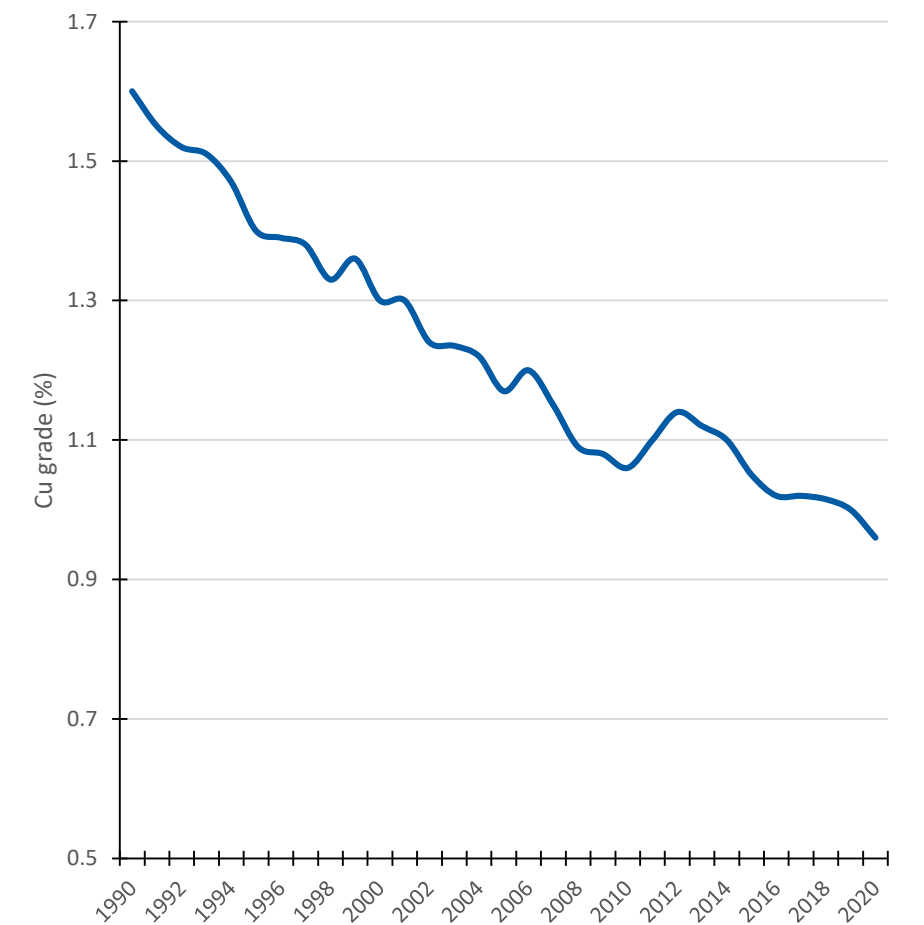


Comments

- The transition from conventional energy to renewable energy is estimated to bump copper demand by 3-8%.
- According to an article by Schrodgers, 1MW installed capacity of renewable energy requires 5x the amount of copper as conventional energy sources.
- Looking at the output in MWh terms, this increases to 37x, due to the lower utilization of many renewable sources.
- Some examples of drivers:
 - » 200 3MW wind turbines are required to replace one large steam coal or gas turbine. Copper will be needed both in the production of the turbines, as well as for electrical wires for grid connection.
 - » A 550MW Californian solar farm covers 6,000 acres of land, and could use some 9,000 lbs of copper per MWh.

The grade keeps on dropping

Average head grade of mined copper per year



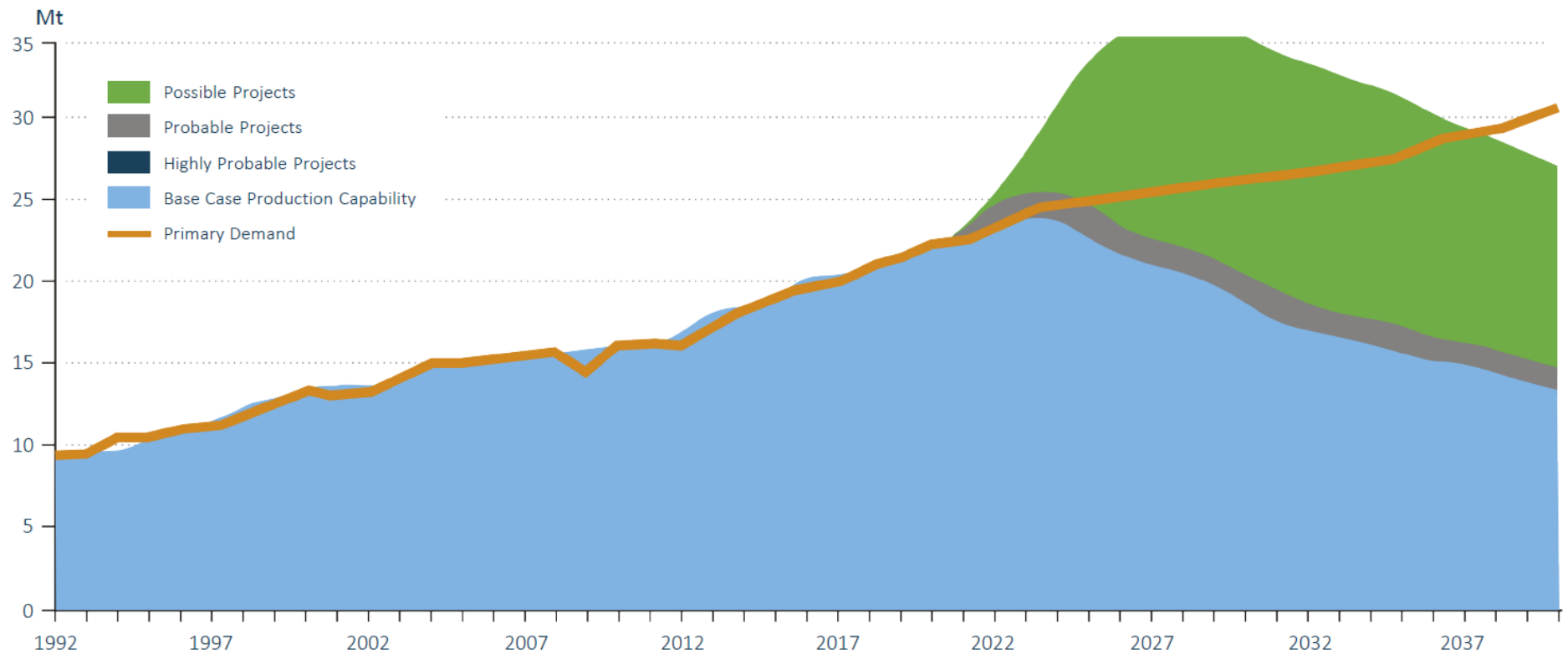
Source: SpareBank 1 Markets, Brook Hunt

Comments

- Based on data from Brook Hunt, we see the downward trend in head grade of mined copper between 1990 and 2020, as large mines are being depleted and reaching tail production. Over this 30 year period, the average head grade has decreased from 1.60% to 1.0%, and is expected to decrease towards 0.87% over the next 4-5 years, according to the same source.
- We believe this trend is happening both on a macro level and on a micro level:
 - » On a micro level we see companies stockpiling and phasing its processing in order to mine the highest concentration ore first. Hence, the tail end of production has the lowest graded ore.
 - » On a macro level we see invested capital going to the most economical properties first (just as it should according to economic theory).
- Everything else equal, lower grade should mean more ore processed for each pound copper, and thus higher operating costs. Note however, that there have been significant innovations in technology over the past 30 years. Fundamentally, we believe what is a commercial ore will be depend highly on the economical and technological environment.

Long-term demand trend positive

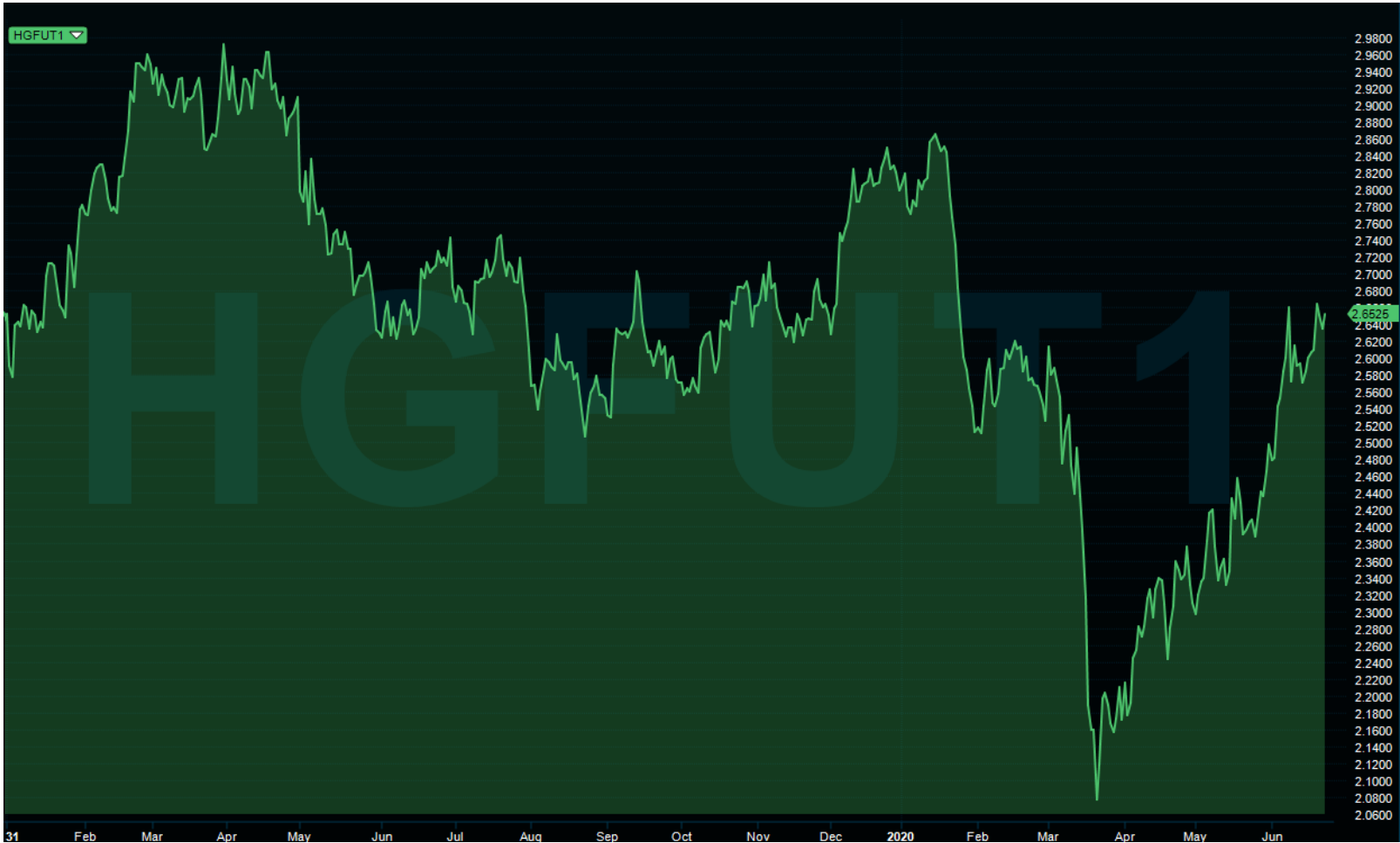
A higher copper price needed to incentivize new supply



Recent recovery in copper as expected, driven by supply response and Chinese demand

Current price at ~USD2.65/lbs. Long-term estimate USD3/lbs.

Copper spot price (USD/lbs)



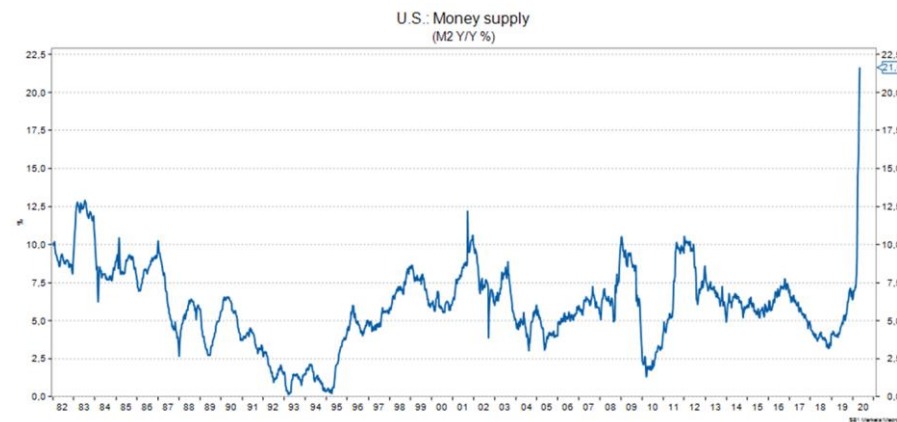
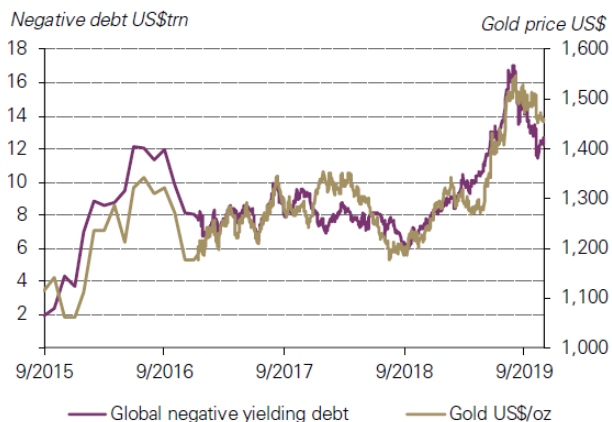
Source: SpareBank 1 Markets, Infront

A perfect storm brewing for gold?

ATH from 2011 could be breached, USD2,000/oz not unreasonable amid current environment

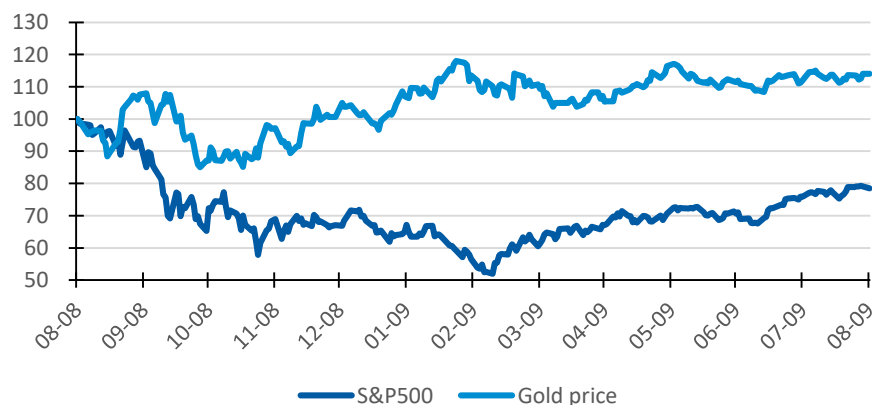
No coupons or dividends, but still better than the alternative

The money supply increases inflation concerns: Gold is a hedge



Case study: Global financial crisis – uncertainty positive for gold

2011 USD1,900/oz ATH due to US debt downgrade

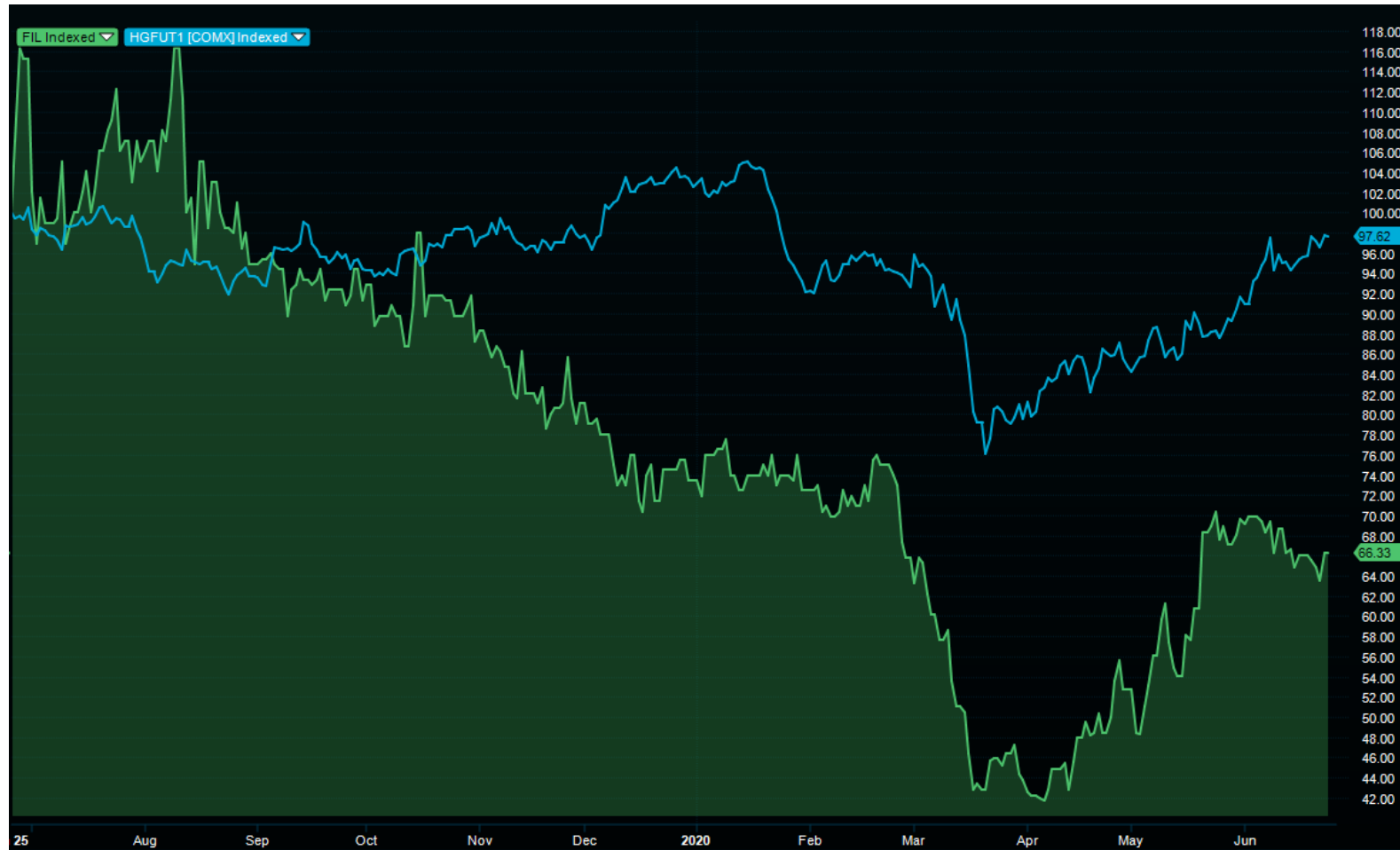


Bullish sentiment in gold, approaching ATH



Filo Mining share price (SEK13/share)

FIL vs Cu 6 month graph, rebased to 100



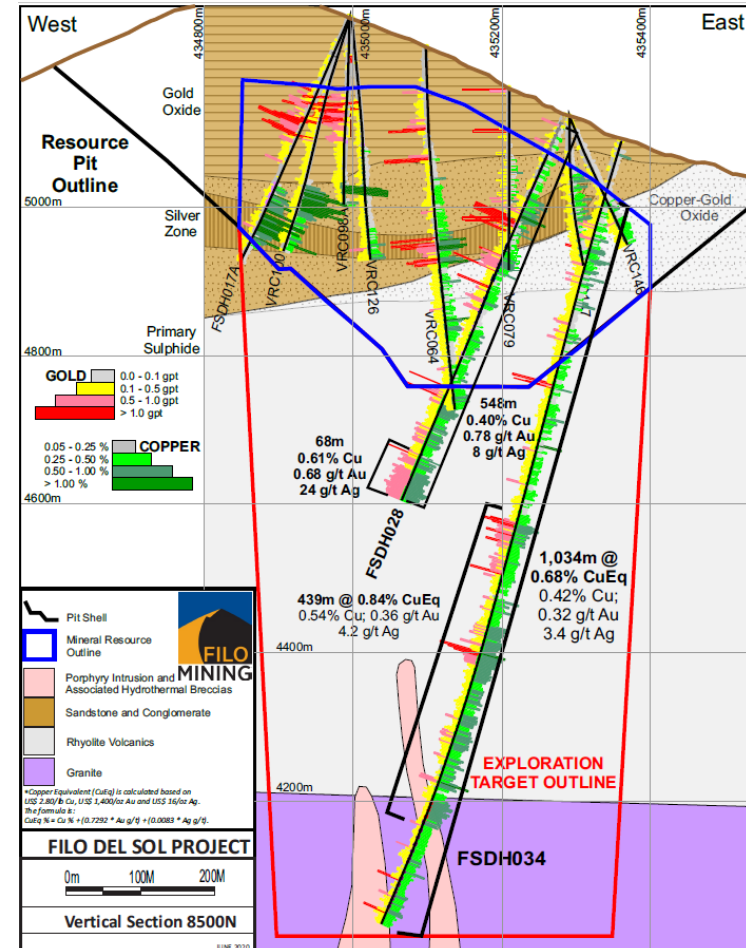
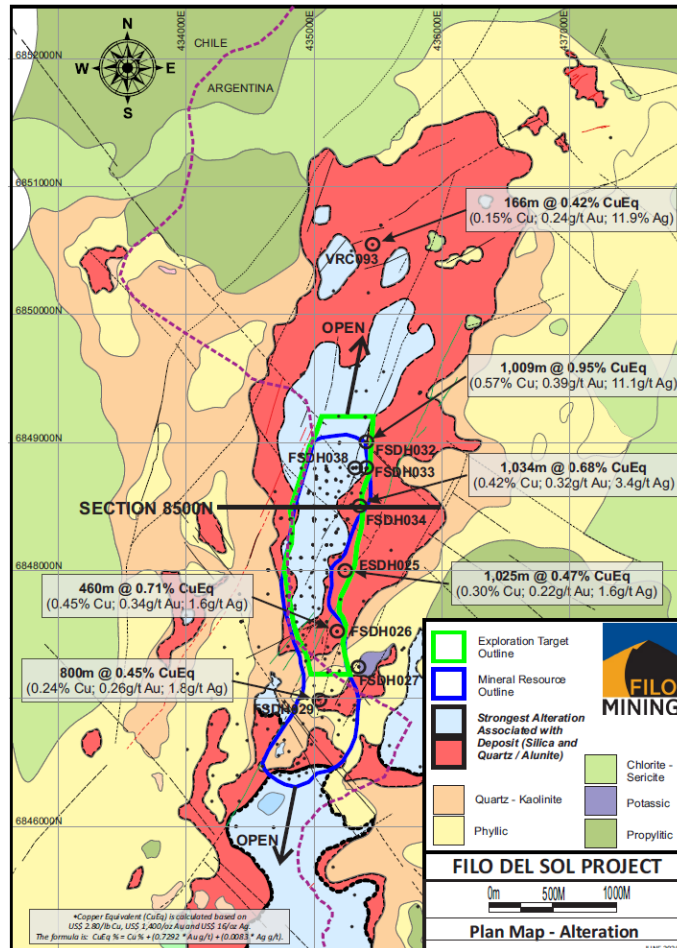
Financial estimates

Annual financial statements

CADm								
PROFIT & LOSS	2018	2019	2020	2021	2022	2023	2024	2025
Net revenue	-	-	-	-	-	-	803	1,078
Total operating expenses	29	28	28	30	31	32	334	447
EBITDA	-	29	28	28	30	31	32	469
EBITDA margin							58%	59%
EBIT	-	29	28	28	30	31	88	394
Pre-tax profit	-	29	29	27	30	31	88	394
Net profit	-	29	29	27	30	31	88	298
Diluted, reported	-	0	0	0	0	0	1	3
Outstanding # shares, fully diluted	79	96	96	96	96	96	96	96
BALANCE SHEET								
	2018	2019	2020	2021	2022	2023	2024	2025
Total Non-Current Assets	7	7	7	7	7	1,823	1,773	1,723
Cash and cash equivalents	2	14	11	40	71	575	185	300
Total Current Assets	5	16	10	40	70	574	177	311
Total Assets	12	24	3	32	63	1,249	1,596	2,035
Total Equity	7	20	7	37	68	156	143	563
Total Current Liabilities	5	4	4	4	4	5	54	72
Total Non-Current Liabilities	-	0	0	0	0	1,400	1,400	1,400
Total Equity and Liabilities	12	24	3	32	63	1,249	1,596	2,035
Gross IBD	2	-	-	-	-	1,400	1,400	1,400
Cash	2	14	11	40	71	575	185	300
NIBD	-	0	14	11	40	71	1,975	1,585
CASH FLOW STATEMENT								
	2018	2019	2020	2021	2022	2023	2024	2025
Operational Cash Flow	-	26	24	24	29	31	32	414
Cash Flow from Investing Activities	-	0	1	-	-	-	1,871	25
Free Cash Flow	-	26	25	24	29	31	1,904	389
Cash flow from Financing Activities	26	36	0	-	-	1,400	-	-
Net change in cash	-	0	11	24	29	31	504	389

Quarterly financial statements

CADm								
PROFIT & LOSS	Q1/19A	Q2/19A	Q3/19A	Q4/19A	Q1/20A	Q2/20E	Q3/20E	Q4/20E
Net revenue	-	-	-	-	-	-	-	-
Total operating expenses	12	5	3	8	13	5	3	8
EBITDA	-	12	5	3	8	13	5	3
... EBITDA margin								
EBIT	-	12	5	3	8	13	5	3
Pre-tax profit	-	12	5	3	8	12	5	3
Net profit	-	12	5	3	8	12	5	3
Diluted, reported	-	0	0	0	0	0	0	0
Outstanding # shares, fully diluted	79	79	94	96	96	96	96	96
BALANCE SHEET								
	Q1/19A	Q2/19A	Q3/19A	Q4/19A	Q1/20A	Q2/20E	Q3/20E	Q4/20E
Total Non-Current Assets	7	8	8	7	7	7	7	7
Cash and cash equivalents	1	1	19	14	6	1	5	11
Total Current Assets	4	4	21	16	9	1	4	10
Total Assets	11	12	29	24	16	7	3	3
Total Equity	-	5	9	20	9	4	1	7
Total Current Liabilities	9	14	2	4	7	3	1	4
Total Non-Current Liabilities	7	7	0	0	0	0	0	0
Total Equity and Liabilities	11	12	29	24	16	7	3	3
Gross IBD	10	18	-	-	-	-	-	-
Cash	1	1	19	14	6	1	5	11
NIBD	9	17	19	14	6	1	5	11
CASH FLOW STATEMENT								
	Q1/19A	Q2/19A	Q3/19A	Q4/19A	Q1/20A	Q2/20E	Q3/20E	Q4/20E
Operational Cash Flow	-	9	8	2	5	7	4	6
Cash Flow from Investing Activities	-	-	1	-	-	-	-	-
Free Cash Flow	-	9	9	2	5	7	4	6
Cash flow from Financing Activities	7	8	21	0	0	-	-	-
Net change in cash	-	1	0	19	6	7	4	6



SB1M price deck

Our commodity price assumptions assume a gradual trend towards long-term prices from 2023

Commodity	Unit	2020	2021	2022	2023
Gold	USD/oz	1650	1600	1550	1500
Copper	USD/lbs	2.35	2.60	2.80	3.00
Nickel	USD/lbs	5.75	6.00	6.75	8.00
Zinc	USD/lbs	0.90	1.00	1.00	1.00
Lead	USD/lbs	0.75	0.85	0.90	1.00
Silver	USD/oz	15.0	16.0	17.0	18.0

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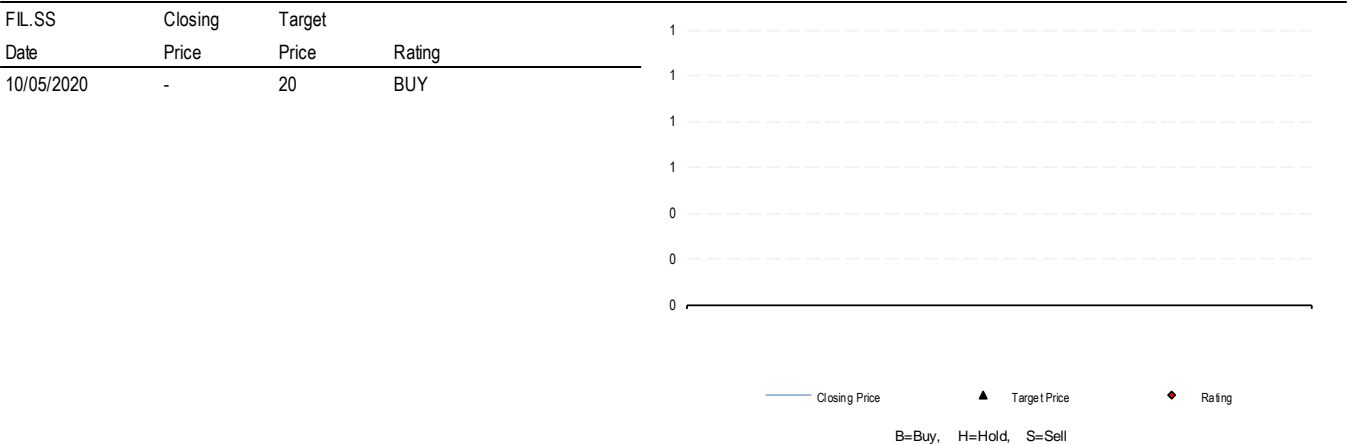
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Neutral	25.9%	19.0%
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IMPORTANT DISCLOSURES AND CERTIFICATIONS

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