

Will Thomson and Adam Lundin on Mining and the Lundin Group

William Thomson, Managing Partner of Massif Capital, led a conversation with business leader Adam Lundin, Chairman of Lundin Mining Corporation. Real asset investors will instantly recognize Adam and his brothers as “outsiders” in the sector, having created enormous shareholder value over time.

Will and Adam joined the MOI Global community at Latticework 2023, held at the Yale Club of New York City on December 12.

This conversation is available as an episode of Invest Intelligently, a member podcast of MOI Global. (Learn [how to access](#) member podcasts.)

The following transcript has been edited for space and clarity.

Will Thomson: Last year, I spoke about real assets and why you could think about them in much the same way you think about other value investing and how it wasn't just a commodity cycle. One of the recurring topics today has been the importance of management, of sometimes sticking with management as they move from one company to the next.

Adam is part of a family that has been in the real asset space in natural resources – oil and natural gas and mining – for three generations. To give you a flavor of what they've done, they have 11 companies right now, with a total market cap of 15 billion. If you had bought every Lundin family company since 2002 and held it through May of last year, you would have compounded at a rate of 23% per annum.

The point is that while there is a commodity cycle, real assets and natural resources are businesses like other businesses that you can invest in thoughtfully and with an eye towards value. Adam and his family – three brothers are in the business and one is out of the business – are a prime example of the type of management teams you want to look for and follow. At the moment, Adam is the chairman of the board of Lundin Mining. He sits on the board of Filo Mining as well as Lucara Diamond, NEX Minerals, and the Lundin Foundation.

One of the things the Lundins have done so well is generate wealth for shareholders on a continuous basis over time. Adam, in preparing for this, I watched a couple of interviews you and your brothers have given recently. One of the reoccurring themes for you guys has been the idea of generational wealth and creating generational wealth. Perhaps you could start by sharing what that means to you.

Adam Lundin: I think the term “generational wealth” began with my grandfather when he was starting the business. When he thought of generational wealth, he wanted to be the Swedish Rockefeller. That was his ambition. I think it was a bit tough on my grandma as work caused my grandfather to travel a lot. His way in was through exploration because that's how he could get into the business. He felt it was about making world-class discoveries with the scale and quality of grade that would last through generations and create that generational wealth for all stakeholders involved.

When my dad, my brothers, and I thought about it, it was that we still get into exploration,

but now we turn to real businesses with cash flow. Can you build, get to scale, and have that great quality that allows you to survive cycles but also deliver returns to shareholders? It was about focusing on tier-one deposits.

Thomson: You run the mining side of the family business, and your younger brother runs the oil and natural gas side. Within the context of deposits and mines that can last a lifetime or beyond, how does the effort to build generational wealth shape the capital allocation decision framework you guys have?

Lundin: You have to be quite disciplined. It's hard to time cycles. If you get these big assets, you know they're going to give you the ability to catch a few cycles, and you're going to end up doing very well. However, it's a very capital-intensive industry.

We're positioning ourselves. We're overweight in oil and gas. We sold Lundin Energy three years ago. We've been investing more on the mining side but also growing another one of our oil companies. When you study the outlook and see the lack of supply and new discoveries being made, then you look at your IRR and your returns and what that profile looks like on a discounted cash flow basis, you have to rank up. You can't do everything at the same time.

We move projects forward, then see which one we can put into production or move forward without being too dilutive for shareholders. You need to have a good macro backdrop where you'll be able to have your lenders come in or to have cash flow from your other operations to go out and build.

How you're going to allocate capital changes quite frequently. Sometimes, it's best to do share buybacks if you're not getting proper value of the business. You must have your finger on the pulse to see the timing of when to build, to buy shares back, to pay a dividend, and all that. There's a no proven formula. You have got to see what it's like at that time and what the outlook is.

Thomson: In terms of the decision to build versus buy back shares, have you guys found that a counter-cyclical approach works best? Or is it working within the cycle and trying to shape it, if you will?

Lundin: I think the best time to explore and buy new assets is at the bottom. Buy and explore. As you get the tide coming in your favor, start to expand and build. However, it's way easier said than done. Putting exploration dollars to work at the bottom of a cycle is not always the most favorable decision. It's tough, but that's why we should be increasing exploration budgets.

I was running one of the exploration companies. I remember that at the bottom of this cycle, we had what was probably the biggest exploration program going on in South America. It didn't make a whole lot of sense when you have many huge companies in the space not running exploration programs. I was like, "Dad, the rig company are favorites right now because we're putting rigs to work." He said, "It's going to pay off." When the tide turns and you're there with an asset that can be developed and people wanting to grow, you're standing above everyone else. We've done it time and again, but it takes a lot of guts.

Thomson: One of the important takeaways is that you can think about how a natural resource company deploys capital in much the same way as any other business. Your concern is how management are deploying the capital, when they are deploying it, and if

they're deploying it thoughtfully. I think a lot of people miss this when they look at natural resource companies – often just looking at the commodity cycle – but there's so much more to it than that. In fact, equity is perhaps a messy way to think about expressing a commodity viewpoint.

One of the things you brought up is the capital intensity of the whole process. Value investors are always greatly concerned with dilution. One of the challenges with a lot of mining or oil and natural gas businesses developing an asset is how to raise that billion dollars to build an asset. One thing the Lundins have always done is put money in when money needed to be raised. They did so at a rate above or at the very least in keeping with how much of the business they already owned. How do you think through and balance the need to raise capital that usually occurs through equity raises with efforts to build generational wealth for the Lundins and your fellow shareholders?

Lundin: I think you see it a lot in the natural resource base and with junior mining companies. They're very good at capping their stock because maybe they're on a run and money is available. When money is available, you should take it, but if you don't have a use for proceeds, you should not take that dilution on. Understanding that money is available can be tempting, but we've been in a position where if we have to raise equity, we like to backstop it.

When running some of the exploration companies, my dad said, "What's the budget? Is that the most efficient? Yes? Okay. How much do you need? We'll do half. Go find the other half." That's worked out well for us. We never want to take on unnecessary dilution. We always find ourselves – more or less – the largest shareholder in our publicly traded companies. We are certainly very focused on dilution.

Thomson: When it comes to dilution, the primary driver is the capital costs associated with the project. The Lundins have always pursued elephants – big projects, oftentimes more associated with companies like Exxon Mobil or Freeport-McMoRan, which are some of the largest names in the industry. Yet, you're often considered a mid-tier player, but perhaps going to be a major shortly. How do you think about balancing the risks associated with taking on both the operational challenges of a major project and the financial risk? How do you balance those two and think through that decision?

Lundin: As a business evolves, it's all about your management team and the people you have in your organization to be able to succeed. We feel like we're the most efficient explorers and starting to become one of the most efficient builders. When it's family and your capital on the line, you don't need to build a Ferrari every time. Sometimes, a Cadillac will do it. You find a lot of the majors gold-plating things and having stretched capex. We very much want to under-promise and over-deliver.

As we move forward, we're happy to take on those challenges. We are becoming a better operator. We see the businesses mature, but we're very proud of the teams we've assembled in our companies and are happy to empower them. We have good mine builders and good explorers, but we feel more comfortable being able to blame ourselves as opposed to being a non-operator and having to blame your partner.

Thomson: One of the things you mentioned is giving decision-making capability down the chain. How important has empowering your employees been to the success of the Lundin businesses?

Lundin: I think it's been everything. Obviously, you don't always get it right. Sometimes, you do have to make tough decisions and changes. We're not going to pay the biggest salaries and be able to compete with some of the biggest companies, but what we focus on is being able to align the management teams with ourselves and the shareholders by offering a friendly option package.

You're going to do well as long as the shares do well. That's how we want to incentivize our guys. We always say, "Grandpa and dad never took a salary." You get some fees as a board member, but I'm not taking a salary. I'm going to do well and the family's going to do well through the share price going higher. That's how we like to incentivize the teams. When they're motivated the same way as us, you see them start to excel.

We are happy to be as hands-off as possible but also happy to be hands-on. We realized growing up that most of the phone calls my dad or grandpa would be getting were about problems that management teams couldn't fix. They needed the help and never shied away from that. You want to be on the front lines with your team, but you also have to give them room to run and come up with solutions together while also letting them know you are just a phone call away if they need anything.

Thomson: Your brother Jack has become the CEO of Lundin Mining. Is he taking a salary for this position?

Lundin: He's not taking the same salary as the past CEOs. However, if you are the CEO and you are responsible, I think it's important to demonstrate you're not put in that organization for just any reason. It is important he's on the senior management team.

There are exceptions when you have a builder come in and it's for a project. He could have a higher compensation than the rest of the management team. I think he's 50,000 more than the CFO and COO, but try to have a bit of a flat structure so that the CEO is not way out of whack compared to the other chiefs.

Thomson: There are four brothers in total, and they've all come up in the business, if you will. As value investors, we come across family businesses that are of interest all the time. As the third generation, how did you guys prepare to be put in the positions you're in now? What lessons have you learned that maybe you would do something different for your kids?

Lundin: What lit a fire was a family meeting and sitting there at 13. Someone comes in and you hear that the success of this third generation is about 15%. Normally, the first generation starts it, the second generation grows it, and you guys are going to fuck it up. I remember me and my brothers looking around and going, "Who's this guy? Is this for real?"

That fire still burns. I still think that being publicly traded, you have proven yourself every day, but for us coming up, it was always our dad saying not to expect anything. It was very important during high school and university that summer jobs be always in the field, working with either the exploration teams or on construction. It was, "Here comes the boss' kid. He must be pretty soft." You always felt like, "I want to gain the respect of my colleagues. I'm going to have to work that much harder to do that." That's the mentality me and my brothers - Jack and Will - had going into it.

Thomson: Your father, Lukas, was renowned in the industry for generating loyalty among his employees and having a very strong following. Do you think the mindset he instilled in you is the mindset that generates this loyalty among employees and willingness to work?

Oftentimes, mines are out in the middle of nowhere. People are flying in and out. You're away from your family for weeks or months on end. Is that mindset key to building loyalty?

Lundin: Yes, I think you have to set the tone, and it comes from the top. Me and my two younger brothers especially are highly driven. It's nice. As you're coming up, you want to be the first one in and last one out. You don't want to be sitting behind the desk doing nothing. You want to lead by example. I think that's what my grandfather and my dad did and what me and my two brothers are trying to do as well. It's only possible if you enjoy it. We thoroughly enjoy what we do. We are very active in the business and definitely on the road a lot, but I am a keen believer in leading by example.

Thomson: At the moment, there are about 11 companies under the Lundin umbrella. There are a couple on the mining side, a couple on the oil and natural gas side, and one renewable energy company. You serve as chairman of the Lundin Group. How do you think about allocating capital across all those companies as opposed to the allocation occurring at one of them?

Lundin: A lot of the companies are good dividend-paying companies today, so we have the ability to reinvest in the business. If we think one is undervalued, we're happy to increase our position there.

With some of the companies being sustaining and having cash flow, we try and find one of those exploration companies, at least for a bit of a runway. If you're not getting good drill results, then people know that's the end of your capital because you are at the end of drilling. Here are the results, and you're not seeing the benefit of those results because everyone knows another capital raise will come. Instead of going higher on good news, you're going lower on good news because they know the financing is coming. That's why we try and structure it so that we give ourselves more runway than just one drill campaign.

With that in mind, you start to have a roadmap of when you'll have to put more money into those companies - if they're on that trajectory - where you're proving up a deposit. You lay out a map of the companies that will require capital down the road and make sure you're prepared for that. It's always super important to be able to have a bit of a war chest to take advantage of opportunities when the sector is not doing so well.

Thomson: What role, if any, does the commodity cycle play in some of this thought process? It sounds like it's primarily driven by operational opportunities at the companies, but does the war chest get used based on the commodity cycle? It clearly gets used based on operational opportunities, but does the commodity cycle also play a role in it?

Lundin: Yes, definitely. When you feel like you're low in the cycle, you definitely want to be buying more. Again, it's easier said than done.

With different companies, you have to silo yourself and make sure you're doing what's best for that set of shareholders in that entity. If it's exploration, you need to deal with financing two years down the road and make sure you have capital tucked away for that, but with the cycle, you can see it's starting to ramp up. When it rolls over, you definitely feel it. That's when you want to put the war chest to work.

Thomson: A lot of the businesses you guys run and the assets you develop are in jurisdictions that many would find somewhat touch or go - Argentina, throughout Africa, the DRC. These are all interesting places, at least in my view. When I think about political risk, I

often think about the skill you guys have had in managing it. The example that always comes to mind is Fruta del Norte in Ecuador. Could you walk us through this case and how you think about political risk now?

Lundin: Fruta del Norte in Lundin Gold is a great case. Starting with Fortress Minerals at the time, we were in Russia, and we felt like we weren't having success with that asset. We decided to cut bait and sold it for cash. With Fortress, I happened to be on the board with Ron. We would always get assets shown to us.

A gold company called Kinross bought Fruta del Norte for \$1.2 billion, I think. It couldn't get anywhere with the country. When we found out it was for sale, Ron and I were viewing another project in Finland at the time. He said, "You guys get back here. I got the asset." We were like, "We're just finishing the report. We're in Finland." He said, "Drop it. This is the one." We flew in and asked what was going on, to which he replied, "There's a buried gold bar in Ecuador that we need to go check out. It's very high grade - 10 grams a ton - and it's 10 million ounces."

The view was that it was extremely hard to get fiscal agreements done with the country. My dad said, "If we don't try, we'll never know." We flew there, met with the country's president, and told him what we wanted to do. I distinctly remember dad telling him, "This is your resource. This is your gold. We're happy to come and help you put it into production. You guys are going to benefit the most. We and our shareholders will benefit as well. But if you want to do this, it has to be a partnership. We have to want to be able to do it together."

He was happy. He said, "What is this Fortress thing?" "Here's the portfolio. This should be in your bigger company. This should be in Lundin Mining." At that time, we didn't want to call any more companies after Lundin but came to an agreement. "Why don't we call it Lundin Gold?" and they said, "Okay. That will work." Then, at the follow-up meeting, the president said, "It's so nice to see you and have you come down to the meetings and take this seriously, Mr. Lundin. I never met Mr. Kinross before." There's no Mr. Kinross. It was Tye Burt running the company at the time, but to have that engagement, go down there, and show that respect, especially in Latin America, goes such a long way.

Thomson: Kinross bought it for a billion. It invested how much?

Lundin: 236.

Thomson: You guys bought it from them for?

Lundin: It was very tough. It was October or November 2014. I think the last day of the equity financing gold dropped \$40. In the last meeting in New York, we went to go see a famous investor in gold. He tried to talk us out of doing it. At the end of the meeting, my dad, who'd had a long relationship with the gentleman, said, "We only had so much time and so many things to do. You didn't have to take this meeting. We won't be seeing you again." That was it.

We put a financing package together for a billion dollars, built it, and it's been a tremendous success. Also, the stability agreements - which are super important when going into these places - set the framework for companies that are now looking to build mines in Ecuador, and those were direct agreements with the company in the country. If anything changed, you'd be going to international court, and the country would not win, but it offered good protection and made banks and creditors happy to lend us money to continue pushing the project

forward.

Thomson: The political risk created a tremendous opportunity. The natural resources space always strikes me as having interesting opportunities created by political risk. It isn't just something you have to suffer from. I think the Lundins are a prime example of investors and capital allocators who have found ways to take advantage of that, but you guys also occasionally sell a business – as last year with Lundin Oil and Gas. Walk us through the decision to sell an asset like that, with the name on the door and one of the top 10 oil and natural gas discoveries in the last decade.

Lundin: With Lundin Energy, we made a big discovery in 2011 – the Johan Sverdrup oil field. We went through unitization, and we had about 21% of the field. It was nice back then because you had reserve-based lending. We did not have to raise any equity to be able to hold on to our position and put the field into production.

We were producing about 200,000 barrels a day by the time the exit occurred two years ago now. Also, at that time, we had other production outside of Norway. The view was you're just getting value for Norway. That's why everyone's investing in the company. We spun out IPC to shareholders. The viewpoint dad had was, "I think this electric revolution is real. I don't think it's going to play out in the time people anticipate, but let's refocus ourselves and start getting more weighted towards copper."

You put this in production. You're having a great time. Johan Sverdrup hasn't got peak production yet, but dad used to say, "I'd rather be early than one day late and not be able to sell the business." We were able to sell it for cash and shares, so we still own the shares today. We are bullish on oil, but we've started to position ourselves more heavily toward the copper space.

Thomson: One of the things I find so fascinating about the Lundin family is this ability to continuously recycle capital at high rates of return into new businesses, which we all look for in compounders but is not something generally associated with the natural resource industries yet. It is something that people like the Lundins accomplish. It becomes a question of finding the right people and the right management teams. It seems like the criticality of management always shines through.

Turning from some of these bigger risk management decisions, you were the CEO of Jose Maria, which was bought by Lundin Mining. It's a copper deposit. It was a project that I think you acquired 24 years ago. You've been working on it since something like 1999, so how do you generate the conviction to stick with something like that for that long?

Lundin: It staked the ground in 1999. We have had a lot of success in Argentina. My dad went there in the late 1980s. Menem came to power. We saw the country opening and were able to get a foothold in Bajo de la Alumbrera. We were a small group then. It was tough for us to hang on to it to development, so we sold it.

Then we went and made the Varadero discovery, which was a massive one. Our geo was telling us it was going to be 20 million ounces. Barrick declared it a 20-million-ounce deposit two years ago. We had to fend off a hostile bid from Barrick and ended up doing a friendly deal with Homestake. Barrick went and bought Homestake.

From there, you're having that success with that team, and you want to continue to do it. We had 10K mining at the time, which was in the DRC and in force majeure. We didn't have a

vehicle, but we said, “Let’s go and stake some ground in the Vicuna district,” as we call it today. That was in 10K in 1999. We brought in the Japanese as partners and started to explore.

The DRC got better. We spun that out into NGEx and started making a lot of discoveries. It was tough at the bottom of the cycle. We were drilling seasonally. We wouldn’t drill through the wintertime because of harsh conditions. I think that made us know that if we were going year-round, maybe we wouldn’t have taken this long to achieve success, but we said it was going to take a bit longer, so we continued to make new discoveries and prove things up. We felt like still having success. “We’re finding metal. Let’s stick with it.”

What truly changed the story for us was that three or three and a half years ago, we made a huge discovery. We drilled a kilometer hull, which was mineralized all the way. On average, it had over 1% copper. We called it “the 20-year overnight success story.” It was just being able to keep with it, knowing that because of the seasonality we probably doubled the length of the time we had to have that success, but kept at it and also made sure we didn’t encumber the asset along the way by selling a royalty or a stream on it. The Japanese got fatigued, and we were able to buy them out of two of the deposits we found at good prices. I think it was just keeping at it and knowing that we were on to something special.

Thomson: As I mentioned, if you owned all the Lundin companies from 2002 to May of last year, you’d have compounded at 23%. Of course, probably 20 years of exploration occurred before that. These are long cycles, and it requires a lot of capital discipline. The Lundins demonstrate that nicely.

Maybe we could now talk about the opportunity in copper. With a generalist audience, when we think about copper or gold allocations, one often might say, “I’m going to look at Freeport-McMoRan or Barrick Gold.” Those are big, safe names that generalists would be comfortable with. Why should a generalist look at something more like Lundin Mining (which has the Jose Maria deposit in the Vicuna district) or NGEx or Filo Mining, which also have deposits in the Vicuna district? Full disclosure: My firm, Massif Capital, is invested in all three.

Lundin: When you look at the big companies, what underpins them is their phenomenal large-scale deposits. For us, when we think about the prize, you have the biggest mine in the world. The copper space is about a 25-million-ton market, and the biggest producer on an asset basis is Escondida, which does a million tons. You have a couple of others that do around 400 to 500. Then it starts getting quite small.

The main owners of Escondida are Rio and BHP. The NAV they’re getting out of that asset is around \$42 billion. When you have those big assets that can underpin your businesses for long periods of time, you want to hang on to as much as you can, but NGEx and Filo are exploration companies, so it’s going to be very hard for them to stay in it. At some point, the Vicuna district will be consolidated, and it will probably be Lundin Mining and another mining player. You would have room to bring in a trading house, as we have done on a couple of our assets. We know it’s there. We have the prize and the goal, and to be able to transform Lundin Mining into a powerhouse, you need that strong asset base, and we’re sitting on it now.

We’ve got to be smart as hell. We put the puzzle together and move it forward in a disciplined manner, but it’s super exciting for me to be able to make those discoveries, to push them forward, and create a lot of shareholder value along the way. It’s super rare and special. We saw it with Lundin Energy and Johan Sverdrup. You have these tremendous

assets that are going to survive cycles and allow you to create a lot of meaningful value for all stakeholders.

Thomson: Could you contextualize for us how big Vicuna looks like it's going to be?

Lundin: Escondida is 36 billion tons, containing 180 million tons of copper.

Thomson: The largest copper mine in the world at the moment.

Lundin: I don't think it's hard to rationalize that with what we've discovered, you're sitting today on 18 billion tons. That should be able to support 90 million tons of copper, and you still haven't found the limits to that. That's talking about one deposit within the broader Vicuna district.

When we talk about these giant metal districts, which is what we're onto, they form in clusters, and then they surprise to the upside. Two years ago, we put a presentation together called "The Vicuna." It was 1.0. We said, "This is starting to become a giant metal district." You're getting to that level where you're pushing 13 million tons and 17 million tons and able to do that. We definitely see we're on our way to proving out one of the major metal districts holding a lot of metal that has been the backbone for a lot of the great mining success stories in the industry today.

Thomson: Before I hand it off for questions, I want to give you an opportunity to talk about the Lundin Foundation, specifically some of the work it is doing around cancer and cancer research.

Lundin: The Lundin Foundation is something we're immensely proud of. It helps differentiate us in the resource space. The Lundin Foundation supports all the companies in the group. It's about helping with sustainable investments around the local communities where we operate.

The goal is to be able to set up sustainable businesses that will survive the mine lives or the oil field's life, so these areas can still prosper after those deposits are depleted. The only way to have success in moving assets and deposits forward is with a social license. It's super important to do that, and the Lundin Foundation helps all the companies in the group with those goals. Also, when it's Lundin Mining doing an initiative versus the Lundin Foundation, there's a bit more trust there because you have some separation, so it's been very helpful.

My father passed away last year from glioblastoma. He had a lot of care and help. He was treated at the hospital in Lausanne, Switzerland, where he passed away. He donated \$10 million. We were working closely with the hospital when we formed the Lundin Cancer Fund.

To raise awareness, my two younger brothers decided to climb Mount Everest this year. They're not mountaineers, but they had an excellent team and trained properly. They were successful in summiting, so we're putting a documentary together - the same guys who did 14 peaks with Nims, who was their guide. We'll roll it out and do some fund-raising events. I'm happy to share it with everyone once it's complete.

Glioblastoma is not common enough for big pharma to see profitability because it's very deadly. I guess it doesn't happen enough to make pharmaceutical companies spend money on research, so we said, "Let's give it a go and see if we can help." We're working closely with the CHUV Foundation in Lausanne on initiatives and seeing if we can make a difference.

Thomson: Let's take some questions now.

Participant: I wonder if you could comment on two things. Firstly, it seems a lot of investment that might otherwise head toward precious metals is getting diverted to crypto. Secondly, valuations on streaming companies seem to be far above those of, say, general mining companies.

Lundin: It's tough for us to catch onto crypto because there's nothing tangible. We don't understand why it was backed, so we never forayed into it. We never truly understood it.

Wheaton Precious Metals and the Francos, which are streaming royalty companies, do extremely well, and their view is not having any asset risk, but it's not all the way true because we saw what happened in Panama. Wheaton overtook Franco in market cap, but I think these are good businesses. Also, for us, that's money. You can go to the streaming companies, but to not be able to have a buyback option on a stream is very tough.

When my dad bought Zinkgruvan in Sweden off Rio Tinto, he paid \$140 million for the deposit. About a month later, he sold a silver stream to Wheaton - Wheaton River at the time - for \$150 million. He thought that was a fantastic deal, but the silver stream was for the life of mine, and silver was at \$450 an ounce at the time. Then it ran and is very painful to see today. You still feel it.

They do extremely well, and they do extremely well with the deals, but I think the industry is a bit more astute in knowing you need a buyback clause if that's the only access to capital you have, but it's not the first option.

Thomson: I would add that from a purely investing perspective, the streaming space is getting a little crowded. At first, this way of financing appeared quite attractive. Over time, it has become perhaps less so and more of a second or third call you make if you can't raise capital otherwise. The books Franco-Nevada has are quite valuable, and while some of the newer guys, like Sandstorm, have a giant book of assets, only one or two of them are producing.

You're paying that premium right now for potential future assets, but you buy into a stream with hopes that you don't have development risk yet. You do have a tremendous amount of development risk across that portfolio because none of those assets are in operation, and since they couldn't find capital elsewhere, they went to a streamer. They may or may not be the best quality assets you want exposure to.

Lundin: Yes, I think it's very tough if you encumber. We had to go with streaming when we were building Fruta del Norte with Lundin Gold. Private equity provided, and we had to sell a stream. We have a buyback option. With things going well, we'll be able to execute on buying back the stream.

Sometimes, it's your only avenue, but private equity is in that game now, which gives you a buyback clause. They still did extremely well, but we were pushing the project forward and needed to pull that lever to continue to build the mine. We're thankful that door was open. Otherwise, we would have gotten stuck with Fruta del Norte in the middle of building. It's good. Sometimes, you have to go that route.

Participant: It's your third time in Argentina with a monster deposit. The country recently had an election, and there is a new leader. Let's call him colorful. Any comments?

Lundin: We are quite optimistic, but it's going to be painful for Javier Milei's administration. Anything he does will require devaluing the peso, and he's trying to ready the population for

that. Still, taking currency controls off, opening up the country, and allowing people to get their money out will be exciting and will allow for a new wave of foreign investment into the country. It was the same when we first went in and Menem was president.

We're optimistic and look forward to seeing what Milei does. The finance minister is talking this afternoon, and I'd be curious to see the beginning of the measures the government will take. However, it's a delicate balance. You want to open it up rather quickly, but you also have to be careful. For the population, it will be tough with further inflation and devaluation, but I think they'll get through it. I'm quite optimistic.

Rajiv: It's great to hear from an operator at this conference. You have multiple listed companies within different spaces. If someone were to think about investing, could you have combined all these companies into one so that an investor could have the benefit of all the diversification inherent in your business? If you cannot, what is the one company you think can give us the best returns today?

Lundin: My dad would always complain that maybe we had too many companies and should rationalize or just consolidate. At the same time, if we're not getting value for this asset that sits in this company, spin it out, but spinning it out creates another public entity. You'll have to put a management team and a board in place and all the rest. Shareholders were not feeling the benefit of what we have, so we've been very successful with the spin-outs.

Even if we think it makes the most sense to bring things together, it's tough doing transactions within the Lundin Group portfolio. Everyone thinks there's some benefit for us to gain, but it's not so. We just want to create the most shareholder value.

So far, it's been very much spin-outs. Also, the view at the time was that if you're investing in oil, you don't want gold; if you're investing in gold, you're pessimistic; you don't want copper because then you believe in growth. We always try to keep things separate to ensure that the shareholder base can get direct exposure to what they're looking for. That's how we felt it was best to keep things separated.

When it comes to the portfolio, a lot of the companies are in good shape. The challenges and the turnarounds are good. We've had a company called Lucara Diamonds in Botswana, and it is a super special diamond pipe where you do about 2% of the diamond production in the world, but you're producing around 50% of the carats – over 10.8 carats per stone. You're a bit insulated because 70% of your revenue is coming from those big stones. The whole synthetic push is not really eating into the company, and your peers are not doing so well. The space hasn't done that well, so you haven't seen a lot of capital flow there.

We're transitioning from an open pit to underground. With such transitions, it's a wait-and-see story. We had a delay on the underground and had to make a few management changes, but now I believe we're coming off a very low floor and getting things back on track. We're quite excited about the story. It's one I think can do quite well from here from a rebound point of view. It's coming off a low level where I feel comfortable with.

Thomson: One of the attractive qualities for natural resource companies or real asset businesses in general is oftentimes the clarity of catalyst that Adam mentioned in saying it's a gold company and it's within a copper company. We'll spin out the gold company into a gold company only, or we're developing an asset and turning it on. There are very clear timelines. You can get great clarity of the thesis and the catalysts. That creates a very clean investment thesis that is often harder to get, and clarity of thesis is something we all search

and hope for.

With many project-based companies, it's something you can achieve. It also enables you to invest intelligently through commodity cycles. You can find some of this research on our website. If you look at a gold company or a copper company, when they turn on an asset, it doesn't matter what the copper price or the gold price is doing. That company will go up.

Again, the commodity cycle is important. It'll go up more if copper or gold is running, but there are ways to think through these businesses, the cycle, and your investment process that enable you to generate returns through the cycle as opposed to just with commodity cycles.

Participant: Could you talk about some of the hardships your company might go through? Your industry might have a bad connotation in terms of mining and disturbing natural resources such as the habitats. I wonder how you try to get a win-win situation in the foreign locations you enter and how you deal with their governments and also social activists.

Lundin: It's a great question. Historically, the oil and the mining sectors haven't done a good job of explaining the benefits of what they're doing and the impact they're making. We shouldn't be shy. We should be a little more vocal in explaining those benefits - being able to create a tremendous number of jobs, bringing stability, and increasing the social standard in the areas around us.

I think the most important people that should benefit are the local communities. We are proud of that. There's also the educational system - you see mining school after mining school or engineering school after engineering school shrink. My brother Jack sits on the board of the mining school at the University of Arizona. It's the shittiest building on campus. No one will want to go and do a major there. We're starting where you can take mining as an elective, putting in money to give the building a bit of a facelift.

It's also important to be present at the student fairs in China and be able to resonate, but I think we should do a better job of talking about the benefits of the space and what we're doing for the local communities. When you're trying to fend off a paid protest or something like that, your community is your best spokesperson. As long as you have that social license and they're backing you, you'll be okay and will get through that stuff. Bring on as many locals as you can when you're building and running these operations.

Participant: You're in many areas, and you're very focused on your specific assets, but do you take a call on commodities long term? Do you say, "I really like copper. I don't like this one. I like the other one, but not those other two"?

Lundin: If you look back and ask how you would proceed if you did it again, I think you know very well you're not in charge of the biggest value driver a lot of the time, which is your commodity price, and you don't have a big say on that. It's very much a volume business and one about margins.

Especially on the mining side, a lot of the big companies that do extremely well are iron ore companies. We try not to get into too many niche metals. We have a bit of a competitive advantage, and copper is a big space. Yes, we do some nickel and zinc with Lundin Mining, but that's why we avoided the lithium space. Maybe we were wrong. People created a tremendous amount of value with lithium, but this being the second most abundant metal in the earth's crust, we felt it wasn't going to be that hard. You had these big lithium deposits in

South America. We felt they could ramp up, but since it was a smaller space than copper, it was one we shied away from.

When you look at more niche metals, there are rules to the exception. We never thought we would get into the diamond business, but when there was a project we felt had the potential for really high quality, we went after it. Still, it has to be something special for us to go into niche markets.

Participant: Denison Mining, a uranium miner, used to be a Lundin company. We can think of uranium as a bit of a niche. Is that still an asset you are involved in? If not, why did you choose to get out?

Lundin: We were in the uranium space for a very long time. We felt we weren't creating the returns for shareholders or ourselves. After Fukushima, we said, "This is going to be tough." When the Kazakhs came out and were able to make money at \$30 a pound, it became extremely challenging, and we thought it may be better we leave it to someone else.

I think it is one of the cleaner sources, and it's good if it can get buy-in. It was just tough all the way through. You had people closing nuclear power plants across Europe. You had the Kazakhs being able to bring on new supply out of nowhere very cheaply, and us not generating the returns we strive for. I still think uranium will play a significant role in the world going forward, but I don't see us getting back into it.

Participant: Speaking of not generating the returns you look for, do you have an internal hurdle rate that you shoot for? Would you share it with us if you did?

Lundin: No, I think you're going to create a tremendous amount of value with exploration success, but we find you can create even more value with building a mine, bringing it online, and getting those cash flows. Then, starting to be a dividend payer or buying back shares, you can continue to create value – not jumping out of bed every morning to go out and make 10%, but to make multiples of what we're doing. My brothers and I have lofty goals. We see where the group is today. If we can't double or quadruple from here in the next 10 years, we'd probably be pretty disappointed in ourselves.

Participant: Can you share your family's philosophy on hedging commodity price risk and how you think about it through your companies?

Lundin: We normally don't hedge and want to be able to have full exposure to the upside.

Right now, IPC is a good example where we're committed to buying up to 7% of the shares outstanding each year. We're committed to building the Black Rod project that will increase our production from 50,000 barrels of oil equivalent per day to 75,000, and we took on some debt to do that. We want to make sure we execute on those two things. We've hedged a bit of our oil production there, but generally, we haven't done it in the past in our operations.

Participant: I would love to hear your thoughts on the oil and gas business and how you guys look at various opportunities relative to what you're doing in mining.

Lundin: I think this transition is going to play out. It's not going to play out as quickly as forecasted because it takes a lot of time to bring new supply online, specifically in the copper space. Electrifying the globe, I believe this trend is happening, but it's not going to happen on the timeline we have. We believe that should lead to elevated prices and some really elevated prices in the mining space, but oil and gas are always going to play a significant

role.

As we increase our production profile at IPC, we are focused on being able to also buy shares back. It's not necessary. Is there a point down the road where you take the company private but get to a level where you have a very tight float, and it makes sense to flip from buybacks or dividends?

It's just that the capital pool has shrunk dramatically going into the equities in the oil and gas space, where the valuations aren't the same. You have got to focus on high-quality assets. We're big fans of SAGD in Canada and heavy oil because your decline rates are around 10% - they are quite steep on the shale side. You have to be constantly reinvesting; especially with reserve-based lending from banks not there, maybe you have to go into the high-yield debt market, so your cost of capital has increased over time.

It's a space we continue to grow in, but we're not looking to be back to where the portfolio was 70-30 oil and gas versus mining.

Participant: A quick follow-up on that. It seems to me that in the last few years, domestic oil and gas producers have found capital discipline that was sorely lacking in the prior - you tell me - 15, 20, or 50 years. I'm curious if you consider that sustainable. What kind of players would you be watching - maybe as a canary in the coal mine - to check if that discipline is slipping away again?

Lundin: Shale is definitely on this wheel. It wasn't about returns; it was about reinvesting, and you had such sharp decline rates. Then people said, "No, we need to make a return," and now you're seeing a wave of consolidation. I think you'll have a few players left, which is healthy, and they will definitely be focused on more returns. Today, the world's consuming the most oil ever in its history, so we're quite bullish on the outlook.

It's tough to say, but I think the discipline should continue, and you also see a bit more spending, but on a necessary basis as well.

Thomson: Let me chime in here. At least in terms of the discipline on the U.S. side and the fracking side in particular, what we've seen over the last couple of years is growth that has occurred at a much slower pace because rather than drill new wells, many fracking companies are either refracking old wells or going back into the so-called DUCs (drilled but uncompleted).

However, the DUCs inventory is dwindling very fast. That has enabled many domestic fracking firms to maintain production at a much lower investment cost because a lot of the wells are already drilled but just uncompleted. As that DUCs inventory gets used up, if they want to sustain or even grow - and my expectation wouldn't be for much growth from here - they'll need to start reinvesting in drilling. They may still remain disciplined, but some of the capex spend will have to increase because they don't have access to that DUCs inventory anymore.

Mihaljevic: Adam, on capital allocation, could you tell us how you think about M&A? In other words, would you ever consider buying up shares of another public company if you thought they were extremely cheap and maybe, instead of acquiring projects, acquire a company if there's a large discount to NAV?

Lundin: On the natural resource side, we know it's all people and management and having those management teams aligned with shareholders - this is extremely important. Going out

and buying a company where you don't know the people or what they're about is hard for us given our history. However, there are certainly opportunities – like people being spooked about Venezuela going into Guyana, which I don't think is going to happen. Then you have Hess trading 10% off the takeover price. Sometimes you see opportunities like that, and those are areas where I feel you can take advantage, but these opportunities are quite rare.

Mihaljevic: Would you ever do a creeping takeover where maybe instead of deploying capital into your own shares, you might buy more of a company that's deeply undervalued? You mentioned Lucara Diamond. Would you ever consider increasing your stake in something like that?

Lundin: I think the first approach is to try a friendly transaction. If that doesn't go anywhere, you have a dialogue with the shareholders on the opposite side to see if they feel this is something that should happen. We've always avoided going hostile because of the time and the cost, but it depends. If someone brought a story to us and said, "We don't believe management are doing the right thing," we take a look, but historically, we haven't done hostile or creeping takeovers.

Thomson: We have heard several times that management teams are crucial in the natural resources space. One of Warren Buffett's famous quotes is "I want to buy businesses an idiot can run." An idiot can't run a natural resource business because it is technically challenging and complicated. That makes management all the more important relative to, say, a brick company. None of the businesses Warren owns seem like an idiot could run any of them, so I don't really know what he's talking about when he says that.

I think the Lundins are a family to keep an eye on. There are other investors and entrepreneurs in the natural resources space who are perennially successful. Hopefully, we'll have some of them with us next year.

Adam, thank you for your time and insight.

Lundin: I appreciate it. Thanks a lot, Will and John, and thank you everyone for listening.

About the session host:

William Thomson is the Founder and Managing Partner of Massif Capital, LLC. Will has experience in private equity and credit/political risk insurance and has served as a strategic and economic adviser to NATO/ISAF in Afghanistan. Before starting Massif Capital, Will worked in the New York office of Chaucer, a Lloyd's of London insurance syndicate, serving as the co-portfolio manager for a \$750 million portfolio of credit and political risk insurance policies. During this time, Will focused on underwriting the credit risk associated with project finance for businesses within the real asset ecosystem, writing bespoke political risk insurance policies for firms operating in emerging and frontier markets, and supporting physical commodity traders in cross-border trade execution. Will also served as strategic and economic advisor to NATO ISAF in Kabul, Afghanistan. In that role, he advised senior leadership at the one- and two-star general staff level on various issues, including economic development, counter-corruption, and planning for the 2014 presidential election. He also served as the flag writer for General Rick Waddell, commander of a joint interagency counter-corruption task force. Will is a Graduate of Trinity College and holds a Masters in Government from Harvard University. Will is a member of the Value Investors Club and has won or been a finalist in several investment contests, including Sohn and the VanBiema Associates Small Cap Challenge hosted by SumZero. He is consistently ranked as one of the top analysts on

SumZero, a buy-side community of 10,000+ members.

About the guest speaker:

Adam Lundin serves as Chair of the Board of Directors of both Lundin Mining and Filo Corp. He also serves on the Board of Directors of Lucara Diamond Corp., NGEx Minerals Ltd., and the Lundin Foundation. Adam has many years of experience in capital markets and public company management across the natural resources sector. His background includes oil & gas and mining technology, investment advisory, international finance, and executive management. He began his career working for several Lundin Group mining companies in various countries before moving into finance where he specialized in institutional equity sales, ultimately becoming co-head of the London office for an international securities firm. For more than five decades and three generations, the Lundin Group has created meaningful value through responsible resource development at scale. The Lundin Group company portfolio has a strong operating foothold in Chile's Atacama region, including a controlling interest in an emerging giant copper-gold-silver district located between two established mining belts straddling the Chile/Argentina border.