

lundin mining

Management's Discussion and Analysis For the three and nine months ended September 30, 2018

This management's discussion and analysis ("MD&A") has been prepared as of October 24, 2018 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2018. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of \$ or USD is to United States dollars, C\$ is to Canadian dollars, CLP is to Chilean pesos, SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

Lundin Mining Corporation ("Lundin", "Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations in Chile, the USA, Portugal, and Sweden, primarily producing copper, zinc and nickel. In addition, Lundin Mining holds an indirect 24% equity stake in the Freeport Cobalt Oy business, which includes a cobalt refinery located in Kokkola, Finland.

Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained or incorporated by reference herein is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts in this document constitute forward-looking information based on current expectations, estimates, forecasts and projections as well as beliefs and assumptions made by the Company's management. Such forward-looking statements include but are not limited to those regarding the Company's outlook and guidance on estimated metal production (or production profile), costs and capital expenditures; exploration; the Zinc Expansion Project (or ZEP) at Neves-Corvo and Eagle East; mine life and plans, and life-of-mine and life-of-mine plans; and mechanics, completion and settlement of the Company's Offer to Acquire Nevsun Resources Ltd. (the "Offer") and the ability of Lundin Mining to complete the transactions contemplated by the Offer; and Mineral Reserve and Mineral Resource estimates. Words such as "aim", "anticipate", "assumption", "believe", "estimate", "expected", "exploration", "exposure", "focus", "forecast", "future", "growth", "guidance", "intends", "opportunities", "outlook", "path", "phase", "plan", "possible", "potential", "program", "progress", "project", "risk", "sensitivity", "schedule", "stage", "strategic", "target" or "trend", or variations of or similar such terms, or statements that certain actions, events or results could, may, might or will be taken or occur or be achieved, identify forward-looking information. Although the Company believes that the expectations reflected in the forward-looking information herein are reasonable, these statements by their nature involve risks and uncertainties and are not guarantees of future performance. These estimates, expectations and other forward-looking statements are based on a number of assumptions and are subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties inherent in and/or relating to: estimates of future production and operations, cash and all-in sustaining costs; metal and commodity price fluctuations; foreign currency fluctuations; mining operations including but not limited to environmental hazards, industrial accidents, ground control problems and flooding; geology including, but not limited to, unusual or unexpected geological formations and events (including but not limited to rock slides and falls of ground), estimation and modelling of grade, tonnes, metallurgy continuity of mineral deposits, dilution, and Mineral Resources and Mineral Reserves, and actual ore mined and/or metal recoveries varying from such estimates; mine life and life-of-mine plans and estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; the potential for and effects of labour actions, disputes or shortages, community or other civil protests or demonstrations or other unanticipated difficulties with or interruptions to operations; potential for unexpected costs and expenses including, without limitation, for mine closure and reclamation at current and historical operations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain and maintain necessary governmental approvals and/or permits; regulatory investigations, enforcement, sanctions and/or related or other litigation; the conditions to the Offer will not be satisfied on a timely basis or at all and the failure of the transaction to be consummated for any other reason, competitive responses to the announcement of the Offer, actions that may be taken by Nevsun Resources Ltd. or by its security holders in respect of the Offer, as well as additional risks disclosed in the Offer and take-over bid circular filed on July 26, 2018 and other filings made by the Company with Canadian securities regulatory authorities; and other risks and uncertainties, including but not limited to those described in the "Managing Risks" section of this Management's Discussion and Analysis, and the "Risks and Uncertainties" section of the Company's most recently filed Annual Information Form. Also, in addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management; assumed prices of copper, zinc, nickel and other metals; that the Company can access financing, appropriate equipment and sufficient labour; and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, there can be no assurance that forward-looking information will prove to be accurate or achieved, including no assurance that the Offer will be successful or that, if successful, the combination of the operations of Lundin Mining and Nevsun Resources Ltd. will achieve the anticipated benefits. Accordingly, readers should not place undue reliance on forward-looking statements. The Company disclaims any intention or obligation to update or revise forward-looking statements or to explain any material difference between such and subsequent actual events, except as required by applicable law.

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Highlights

Operational Performance

Total copper and nickel production are on target to achieve annual guidance. Zinc production for the year is expected to be within guidance, although the range has been lowered to reflect grades realized to date at Zinkgruvan. Planned lower grades at Candelaria led to lower copper production in the quarter compared to the third quarter of 2017. Neves-Corvo had another excellent quarter with year-to-date copper production already exceeding full year 2017 production. Work on projects at Candelaria and Eagle continued throughout the quarter with excellent progress achieved to date.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 35,323 tonnes of copper, and approximately 20,000 ounces of gold and 330,000 ounces of silver in concentrate during the quarter. Copper production in the quarter was lower than the prior year comparable period due to planned mining and processing of lower grade materials. Copper cash costs¹ of \$1.64/lb for the quarter were better than full year guidance, but higher than the prior year quarter. Lower metal production combined with higher diesel and labour costs contributed to the higher per unit production costs in the current quarter.

The Candelaria Mill Optimization Project progressed according to plan during the quarter with construction approximately 32% complete. Ramp-up of the Candelaria Underground North Sector continues to achieve excellent results, mining approximately 9,700 tonnes per day on average throughout the third quarter. All purchase orders for open pit mine fleet replacement equipment have been placed, and thirty eight of eighty five pieces of equipment have already arrived at site.

Eagle (100% owned): Eagle produced 4,697 tonnes of nickel and 5,178 tonnes of copper during the quarter, on track to achieve full year guidance. Nickel quantities were lower than the prior year while copper quantities were higher, both a result of planned mine sequencing. Nickel cash costs of \$0.87/lb for the quarter were better than full year guidance but higher than the prior year comparable period as higher operating per unit costs were driven by lower sales volumes.

Development of the Eagle East access ramp continues ahead of schedule with first ore scheduled into the mill by 2020. Underground definition drilling from the access ramp in Eagle East is ongoing and 4,200 metres have been drilled to September 30, 2018.

Neves-Corvo (100% owned): Neves-Corvo produced 11,746 tonnes of copper and 18,905 tonnes of zinc for the quarter. Copper production in the quarter was higher than the prior year comparable period due to improved mine productivity and higher mill throughput driven by improvements in mine plan execution, and to a lesser extent, higher head grades. Zinc production was slightly lower (3%) than the prior year comparable period, as zinc head grades were negatively impacted by mine resequencing. Copper cash costs of \$1.48/lb for the quarter were higher than full year guidance and the prior year period due to lower by-product credits, but were partly aided by lower per unit mine, mill, and administration costs associated with higher copper sales volumes.

Major surface and underground construction activities are underway on the Zinc Expansion Project (“ZEP”). Approximately 40% of major equipment deliveries have been received with all equipment expected to be received on schedule. Underground mechanical conveyor installation commenced during the quarter. The SAG mill building and flotation building concrete is advancing with SAG mill assembly beginning in October. Overall progress continues to be impacted by contractor under-performance, with the project now expected to commence production ramp-up in the first quarter of 2020. The total forecast cost of the project is currently €270 million, though the Company will be undertaking a third-party project schedule and cost review. Capital expenditure guidance for 2018 has been lowered to \$110 million (from \$130 million) to reflect the deferral of certain surface and underground expenditures to 2019.

Zinkgruvan (100% owned): Zinc production of 17,157 tonnes and lead production of 5,515 tonnes were lower than the prior year quarter driven by lower head grades as a result of mine sequencing and higher than planned dilution and ore loss. The operation is focused on mine stope design optimization and ore tracking in order to improve these factors. Zinc cash costs of \$0.35/lb for the quarter were better than full year guidance, but higher than the prior year comparable quarter due primarily to higher per unit mine, mill and administration costs stemming from lower sales volumes.

¹ Cash cost per pound is a non-GAAP measure – see page 30 of this MD&A for discussion of non-GAAP measures.

Total production, including attributable share of Candelaria (80%):

<i>(Contained metal in concentrate - tonnes)</i>	YTD	2018			2017				
		Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper	131,111	45,706	44,218	41,187	202,989	45,655	52,882	56,448	48,004
Zinc	110,017	36,062	37,075	36,880	149,319	37,332	38,520	36,216	37,251
Nickel	14,072	4,697	4,234	5,141	22,081	4,299	5,618	5,822	6,342

Financial Performance

- Revenue for the quarter ended September 30, 2018 was \$379.7 million, a decrease of \$222.0 million in comparison to the third quarter of the prior year (\$601.7 million). The decrease was mainly due to lower sales volumes (\$136.9 million) and lower realized metal prices and price adjustments (\$80.9 million).

On a year-to-date basis, revenue was \$1,317.8 million, lower than the \$1,544.2 million for the nine months ended September 30, 2017. The decrease was mainly due to lower sales volumes (\$293.4 million), partially offset by higher realized metal prices, net of price adjustments (\$38.6 million) and lower treatment and refining charges (\$27.9 million).

- Cost of goods sold for the quarter ended September 30, 2018 was \$320.1 million, lower than the third quarter of the prior year (\$341.2 million). Lower sales volumes (\$81.3 million) were partially offset by higher per unit production costs (\$53.7 million).

On a year-to-date basis, cost of goods sold was \$953.3 million, slightly lower than the nine months ended September 30, 2017 (\$976.3 million). Lower sales volumes (\$200.0 million) were partially offset by higher per unit production costs (\$157.8 million).

- Gross profit for the quarter ended September 30, 2018 was \$59.6 million, a decrease of \$201.0 million in comparison to the third quarter of the prior year (\$260.6 million). The decrease was primarily due to lower sales volumes (\$55.6 million), lower realized metal prices and price adjustments (\$80.9 million) and higher per unit production costs (\$53.7 million).

On a year-to-date basis, gross profit was \$364.6 million, a decrease of \$203.3 million in comparison to the nine months ended September 30, 2017 (\$567.9 million). The decrease was primarily due to lower sales volumes (\$93.4 million) and higher per unit production costs (\$157.8 million), partially offset by higher realized metal prices, net of price adjustments (\$38.6 million).

- Net earnings for the quarter ended September 30, 2018 were \$9.1 million, a decrease of \$147.5 million in comparison to the three months ended September 30, 2017 (\$156.6 million). Comparative earnings were lower due to:

- lower gross profit (\$201.0 million); partially offset by
- lower net tax expense (\$55.3 million).

On a year-to-date basis, the Company reported net earnings of \$183.7 million, a decrease of \$164.3 million in comparison to the nine months ended September 30, 2017 (\$348.0 million). Comparative earnings in the current year were lower due to:

- lower gross profit (\$203.3 million); and
- lower earnings from discontinued operations (\$55.0 million); partially offset by
- lower net tax expense (\$58.8 million).

- Cash flow from operations for the quarter ended September 30, 2018 was \$140.9 million, a decrease of \$108.6 million in comparison to the third quarter of the prior year (\$249.5 million). The decrease was primarily due to lower sales revenues (\$222.0 million), partly offset by lower current income tax expense (\$63.6 million) and comparative change in non-cash working capital (\$48.2 million).

On a year-to-date basis, cash flow from operations was \$432.1 million, a decrease of \$241.3 million in comparison to the nine months ended September 30, 2017 (\$673.4 million). The decrease was primarily due to lower sales revenues (\$226.4 million), higher production costs (\$58.5 million), and comparative change in non-cash working capital (\$38.0 million), partly offset by lower current income tax expense (\$88.6 million).

Corporate Highlights

- On July 25, 2018, the Company announced that, following a successful seven-year tenure as the Company's President and Chief Executive Officer, Paul Conibear would retire. Following the Board's succession planning process, Marie Inkster, Senior Vice President and Chief Financial Officer, was selected and assumed the role of President and Chief Executive Officer on October 1, 2018.

On October 1, 2018, the Company announced two new executive appointments: Jinhee Magie, previously Lundin Mining's Vice President of Finance, was appointed Senior Vice President and Chief Financial Officer and Peter Rockandel was appointed Senior Vice President, Corporate Development and Investor Relations.

- On July 26, 2018, the Company announced that it had formally commenced an offer ("Offer") to acquire all of the issued and outstanding common shares of Nevsun Resources Ltd. ("Nevsun"). Under the terms of the offer, Nevsun shareholders would receive C\$4.75 in cash for each share tendered to the Offer.

On September 6, 2018, the Company announced that the September 5, 2018 proposal by Zijin Mining Group Co. Ltd. to acquire Nevsun for C\$6.00 per share would not result in an amendment to any of the terms of the Company's bid for Nevsun. Refer to the news releases entitled "Lundin Mining Commences All Cash Offer to Acquire Nevsun" and "Lundin Mining Provides Update on Offer for Nevsun" on the Company's website (www.lundinmining.com).

- On September 6, 2018, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2018, on SEDAR (www.sedar.com). On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totaled 3,672,000 tonnes of copper, 3,374,000 tonnes of zinc and 108,000 tonnes of nickel.
- On October 22, 2018, the Company announced that it had issued a notice to redeem all of its 7.875% Senior Secured Notes due 2022 (the "Notes") on November 21, 2018, in accordance with the Notes Indenture. There is \$439.2 million principal amount of the Notes currently outstanding. Additionally, the Company announced it had executed an amending agreement to its revolving credit facility (the "Facility") that increases the Facility to \$550 million with a \$50 million accordion option, reduces the costs of borrowing and extends the term to October 2022, from June 2020.

Financial Position and Financing

- Cash and cash equivalents decreased \$42.6 million during the quarter from \$1,512.5 million at June 30, 2018 to \$1,469.9 million at September 30, 2018. The decrease is primarily a reflection of investments in mineral properties, plant and equipment of \$173.7 million and shareholder dividends of \$16.9 million, partially offset by cash generated from operating activities of \$140.9 million.

For the nine months ended September 30, 2018, cash decreased by \$97.1 million due primarily to investments in mineral properties, plant and equipment of \$517.7 million and shareholder dividends of \$50.6 million, partially offset by cash generated from operating activities of \$432.1 million and proceeds from the sale of marketable securities of \$35.4 million.

- Net cash¹ position at September 30, 2018 was \$1,031.7 million compared to \$1,063.5 million at June 30, 2018 and \$1,110.5 million at December 31, 2017.
- As at October 24, 2018, cash and net cash were approximately \$1.4 billion and \$1.0 billion, respectively.

¹ Net cash is a non-GAAP measure – see page 30 of this MD&A for discussion of non-GAAP measures.

Outlook

2018 Production and Cost Guidance

Production and cash cost guidance for 2018 has been revised from that disclosed in our Management's Discussion and Analysis for the three and six months ended June 30, 2018. Copper cash costs at Neves-Corvo have been increased from \$1.20/lb to \$1.30/lb to reflect lower forecast zinc by-product prices than previously forecast. A revision to Zinkgruvan's zinc production reflects lower realized grades, and a revision to Zinkgruvan's cash costs reflects year-to-date performance. The remaining revisions aim to provide a tighter production range based on results to date.

2018 Guidance (contained tonnes)		Previous Guidance ^a Tonnes C1 Cost		Revised Guidance ^b Tonnes C1 Cost	
Copper	Candelaria (80%)	104,000 - 109,000	\$1.70/lb	107,000 - 109,000	\$1.70/lb
	Eagle	15,000 - 18,000		16,000 - 18,000	
	Neves-Corvo	42,000 - 45,000	\$1.20/lb	43,000 - 45,000	\$1.30/lb
	Zinkgruvan	1,000 - 2,000		1,000 - 2,000	
	Total attributable	162,000 - 174,000		167,000 - 174,000	
Zinc	Neves-Corvo	72,000 - 75,000		73,000 - 75,000	
	Zinkgruvan	76,000 - 79,000	\$0.45/lb	74,000 - 76,000	\$0.40/lb
	Total	148,000 - 154,000		147,000 - 151,000	
Nickel	Eagle	14,000 - 17,000	\$1.10/lb	15,000 - 17,000	\$1.10/lb

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2018.

b. Cash costs remain dependent upon exchange rates and metal prices. Exchange rate assumptions for the remainder of the year are forecast at €/USD:1.20, USD/SEK:8.75, and USD/CLP:650. Metal price assumptions for the remainder of the year are forecast at Cu: \$2.75/lb, Zn: \$1.10/lb, Ni: \$6.00/lb, Au: \$1,200/oz, Pb: \$0.95/lb, and Ag: \$16.00/oz.

2018 Capital Expenditure Guidance

Total capital expenditures, excluding capitalized interest, are forecast to be \$750 million, \$45 million lower than previously disclosed. Spend on the Candelaria Mill Optimization Project has been reduced to reflect a deferral of certain expenditures to 2019. Neves-Corvo's sustaining expenditures forecast has been reduced by \$10 million but is highly dependent on the delivery of mobile equipment purchases. A reduction in the Zinc Expansion Project guidance reflects slower than anticipated project progress, deferring \$20 million of expenditures to 2019.

Revised Capital Expenditure Guidance

(\$ millions)	Previous Guidance ^a	Revisions	Revised Guidance
Candelaria (100% basis)			
Capitalized Stripping	215	-	215
Los Diques TSF	60	-	60
New Mine Fleet Investment	120	-	120
Candelaria Mill Optimization Project	30	(10)	20
Candelaria Underground Development	15	-	15
Other Sustaining	80	-	80
Candelaria Sustaining	520	(10)	510
Eagle Sustaining	20	(5)	15
Neves-Corvo Sustaining	55	(10)	45
Zinkgruvan Sustaining	40	-	40
Total Sustaining Capital	635	(25)	610
Eagle East	30	-	30
ZEP (Neves-Corvo)	130	(20)	110
Total Expansionary Capital	160	(20)	140
Total Capital Expenditures	795	(45)	750

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2018.

2018 Exploration Investment Guidance

Due largely to the inability to obtain sufficient drill rigs to meet our exploration plans, expenditures are expected to be approximately \$75 million, or \$8 million lower than previously guided for 2018.

Selected Quarterly Financial Information¹

(\$ millions, except share and per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenue	379.7	601.7	1,317.8	1,544.2
Cost of goods sold:				
Production costs	(240.0)	(241.3)	(723.4)	(664.9)
Depreciation, depletion and amortization	(80.1)	(99.8)	(229.8)	(311.4)
Gross profit	59.6	260.6	364.6	567.9
General and administrative expenses	(15.2)	(9.7)	(39.3)	(27.9)
General exploration and business development	(24.3)	(23.5)	(65.2)	(59.2)
Income from equity investment in associate	9.9	5.2	22.2	7.7
Finance income and costs, net	(9.9)	(10.2)	(30.0)	(39.5)
Other income and expenses, net	0.7	1.2	13.4	(15.2)
Earnings before income taxes	20.8	223.6	265.7	433.8
Income tax expense	(11.7)	(67.0)	(82.0)	(140.8)
Net earnings from continuing operations	9.1	156.6	183.7	293.0
Earnings from discontinued operations	-	-	-	55.0
Net earnings	9.1	156.6	183.7	348.0
Attributable to: Lundin Mining shareholders, continuing	7.0	131.8	167.1	238.4
Lundin Mining shareholders, discontinued	-	-	-	55.0
Non-controlling interests	2.1	24.8	16.6	54.6
Net earnings	9.1	156.6	183.7	348.0
Cash flow from operations	140.9	249.5	432.1	673.4
Capital expenditures (including capitalized interest)²	173.7	117.3	517.7	280.9
Total assets	6,289.4	6,636.2	6,289.4	6,636.2
Total long-term debt & finance leases	429.4	990.1	429.4	990.1
Net cash	1,031.7	1,145.5	1,031.7	1,145.5
Shareholders' equity	4,187.0	3,999.7	4,187.0	3,999.7
Key Financial Data:				
Basic and diluted earnings per share attributable to shareholders				
- continuing operations (EPS - Continuing)	0.01	0.18	0.23	0.33
- net earnings (EPS - Total)	0.01	0.18	0.23	0.40
Operating cash flow per share ³	0.11	0.33	0.51	0.79
Dividends declared (C\$/share)	0.03	0.03	0.09	0.09
Shares outstanding:				
Basic weighted average	732,297,368	727,237,280	731,136,149	726,722,669
Diluted weighted average	733,911,931	730,390,380	733,233,117	729,380,431
End of period	733,493,179	727,573,982	733,493,179	727,573,982

1. Except where otherwise noted, financial data has been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

2. Capital expenditures are reported on a cash basis, as presented in the consolidated statement of cash flows.

3. Operating cash flow per share is a non-GAAP measure – see page 30 of this MD&A for discussion of non-GAAP measures.

Summary of Quarterly Results^{1,2}

(\$ millions, except per share data)	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16
Revenue	379.7	467.7	470.5	533.3	601.7	454.7	487.8	459.2
Cost goods of sold	(320.1)	(312.6)	(320.6)	(280.7)	(341.2)	(311.4)	(323.8)	(318.8)
Gross profit	59.6	155.1	149.9	252.6	260.5	143.3	164.0	140.4
Impairment reversals	-	-	-	-	-	-	-	95.9
Net earnings (loss)	9.1	87.5	87.1	154.0	156.6	85.0	106.4	180.2
- attributable to shareholders, continuing	7.0	78.8	81.3	133.0	131.8	49.0	57.6	148.7
- attributable to shareholders, discontinued	-	-	-	-	-	21.0	34.0	14.2
- attributable to shareholders, total	7.0	78.8	81.3	133.0	131.8	70.0	91.6	162.9
EPS Continuing - Basic and diluted	0.01	0.11	0.11	0.18	0.18	0.07	0.08	0.21
EPS Total - Basic and diluted	0.01	0.11	0.11	0.18	0.18	0.10	0.13	0.23
Cash flow from operations	140.9	118.3	172.9	230.1	249.5	179.2	244.7	107.9
Capital expenditures (cash basis)	173.7	193.2	150.7	197.9	117.3	84.5	79.1	59.8

1. The sum of quarterly amounts may differ from year-to-date results due to rounding.

2. 2018 quarterly results have been prepared in accordance with IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers. Comparative information for the previous five quarters has not been restated and is accounted for under IAS 39, Financial Instruments: Recognition and Measurement and IAS 18, Revenue.

Revenue Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)	2018				2017				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)									
Candelaria (100%)	100,161	32,832	34,542	32,787	179,259	38,292	53,062	45,222	42,683
Eagle	12,493	4,678	3,295	4,520	20,127	3,640	4,985	5,253	6,249
Neves-Corvo	34,029	13,525	11,371	9,133	30,399	6,063	7,511	8,058	8,767
Zinkgruvan	1,367	495	872	-	968	48	920	-	-
	148,050	51,530	50,080	46,440	230,753	48,043	66,478	58,533	57,699
Zinc (tonnes)									
Neves-Corvo	45,658	16,434	15,746	13,478	58,434	13,730	16,355	13,654	14,695
Zinkgruvan	42,447	12,288	13,565	16,594	66,621	17,832	16,594	15,306	16,889
	88,105	28,722	29,311	30,072	125,055	31,562	32,949	28,960	31,584
Nickel (tonnes)									
Eagle	11,222	3,400	2,755	5,067	18,960	3,282	4,787	5,554	5,337
	11,222	3,400	2,755	5,067	18,960	3,282	4,787	5,554	5,337
Gold (000 oz)									
Candelaria (100%)	56	19	19	18	100	21	28	26	25
	56	19	19	18	100	21	28	26	25
Lead (tonnes)									
Neves-Corvo	4,334	1,420	1,732	1,182	4,620	1,432	1,000	1,013	1,175
Zinkgruvan	13,667	5,544	3,036	5,087	26,887	8,707	4,989	7,319	5,872
	18,001	6,964	4,768	6,269	31,507	10,139	5,989	8,332	7,047
Silver (000 oz)									
Candelaria (100%)	814	284	264	266	1,645	330	523	427	365
Eagle	56	27	10	19	86	16	29	19	22
Neves-Corvo	564	190	215	159	521	129	116	130	146
Zinkgruvan	872	341	295	236	1,756	562	362	447	385
	2,306	842	784	680	4,008	1,037	1,030	1,023	918

Revenue Analysis

by Mine (\$ thousands)	Three months ended September 30,					Nine months ended September 30,				
	2018		2017		Change	2018		2017		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
Candelaria (100%)	176,511	46	374,207	62	(197,696)	638,338	48	920,288	60	(281,950)
Eagle	59,084	16	74,263	12	(15,179)	214,949	16	210,976	14	3,973
Neves-Corvo	104,730	28	89,561	15	15,169	313,204	24	245,648	16	67,556
Zinkgruvan	39,384	10	63,707	11	(24,323)	151,357	12	167,305	10	(15,948)
	379,709		601,738		(222,029)	1,317,848		1,544,217		(226,369)

by Metal (\$ thousands)	Three months ended September 30,					Nine months ended September 30,				
	2018		2017		Change	2018		2017		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
Copper	264,366	70	415,492	69	(151,126)	848,915	64	1,043,512	68	(194,597)
Zinc	55,297	15	88,561	15	(33,264)	215,917	16	222,522	14	(6,605)
Nickel	28,503	8	38,184	6	(9,681)	122,287	9	99,809	6	22,478
Gold	9,402	2	29,676	5	(20,274)	53,545	4	85,044	6	(31,499)
Lead	12,861	3	13,537	2	(676)	39,260	3	45,948	3	(6,688)
Silver	4,808	1	9,895	2	(5,087)	20,707	2	26,574	2	(5,867)
Other	4,472	1	6,393	1	(1,921)	17,217	2	20,808	1	(3,591)
	379,709		601,738		(222,029)	1,317,848		1,544,217		(226,369)

Revenue for the quarter ended September 30, 2018 was \$379.7 million, a decrease of \$222.0 million in comparison to the third quarter of the prior year (\$601.7 million). The decrease was mainly due to lower sales volumes (\$136.9 million) and lower realized metal prices and price adjustments (\$80.9 million).

On a year-to-date basis, revenue was \$1,317.8 million, lower than the \$1,544.2 million for the nine months ended September 30, 2017. The decrease was mainly due to lower sales volumes (\$293.4 million), partially offset by higher realized metal prices, net of price adjustments (\$38.6 million) and lower treatment and refining charges (\$27.9 million).

Revenue from gold and silver for the three and nine months ended September 30, 2018 includes the partial recognition of an upfront purchase price on the sale of precious metals streams for Candelaria, Neves-Corvo and Zinkgruvan, as well as the cash proceeds which amount to \$404/oz for gold and between \$4.04/oz and \$4.34/oz for silver.

Revenue is recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the expected month of settlement and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting revenue in the period in which the sale (finalization adjustment) is settled. The finalization adjustment recorded for these sales depends on the actual price when the sale settles. Settlement dates can range from one to six months after shipment.

Provisionally valued revenue as of September 30, 2018

Metal	Tonnes Payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	55,935	2.84	6,261
Zinc	15,603	1.20	2,648
Nickel	4,424	5.70	12,559

Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended September 30, 2018				Three months ended September 30, 2017			
	Copper	Zinc	Nickel	Total	Copper	Zinc	Nickel	Total
Current period sales ¹	319,450	73,998	43,081	436,529	430,882	103,663	51,391	585,936
Prior period price adjustments	(27,248)	(7,021)	(3,633)	(37,902)	20,830	15	2,038	22,883
	292,202	66,977	39,448	398,627	451,712	103,678	53,429	608,819
Other metal sales				32,482				61,106
Less: Treatment & refining charges				(51,400)				(68,187)
Total Revenue				379,709				601,738
Payable Metal (tonnes)	51,530	28,722	3,400		66,478	32,949	4,787	
Current period sales (\$/lb) ¹	\$2.81	\$1.17	\$5.75		\$2.94	\$1.43	\$4.87	
Prior period adjustments (\$/lb)	(0.24)	(0.11)	(0.49)		0.14	-	0.19	
Realized prices (\$/lb)	\$2.57	\$1.06	\$5.26		\$3.08	\$1.43	\$5.06	

1. Includes provisional price adjustments on current period sales.

Year to Date Reconciliation of Realized Prices

(\$ thousands)	Nine months ended September 30, 2018				Nine months ended September 30, 2017			
	Copper	Zinc	Nickel	Total	Copper	Zinc	Nickel	Total
Current period sales ¹	947,290	258,224	152,125	1,357,639	1,132,497	266,701	158,223	1,557,421
Prior period price adjustments	(20,364)	(6,245)	1,273	(25,336)	10,019	5,904	(4,100)	11,823
	926,926	251,979	153,398	1,332,303	1,142,516	272,605	154,123	1,569,244
Other metal sales				133,168				184,051
Less: Treatment & refining charges				(147,623)				(209,078)
Total Revenue				1,317,848				1,544,217
Payable Metal (tonnes)	148,050	88,105	11,222		182,710	93,493	15,678	
Current period sales (\$/lb) ¹	\$2.90	\$1.33	\$6.15		\$2.81	\$1.29	\$4.58	
Prior period adjustments (\$/lb)	(0.06)	(0.03)	0.05		0.03	0.03	(0.12)	
Realized prices (\$/lb)	\$2.84	\$1.30	\$6.20		\$2.84	\$1.32	\$4.46	

1. Includes provisional price adjustments on current period sales.

Financial Results

Production Costs

Production costs for the quarter ended September 30, 2018 were \$240.0 million, in line with the third quarter of the prior year (\$241.3 million). Lower sales volumes (\$49.6 million) and the positive impacts of foreign exchange (\$5.4 million) were offset by higher per unit production costs (\$53.7 million), due in large part to higher labour and diesel costs at Candelaria.

On a year-to-date basis, production costs were \$723.4 million, an increase of \$58.5 million in comparison to the nine months of 2017 (\$664.9 million). The increase was largely due to higher per unit production costs (\$157.8 million), due in large part to higher mill maintenance, labour and diesel costs at Candelaria, partially offset by lower sales volumes (\$117.3 million).

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense decreased for the three months ended September 30, 2018 when measured against the comparable period in 2017. The decrease was primarily attributable to lower sales volumes at Eagle and Candelaria in the current quarter, and an increased 2018 Mineral Reserve estimate at Candelaria.

Depreciation, depletion and amortization expense decreased for the nine months ended September 30, 2018 when measured against the comparable period in 2017. The decrease was primarily attributable to lower sales volumes at Eagle and Candelaria in the current year, an increased 2017 Mineral Reserve estimate at Eagle (including a Mineral Reserve estimate on Eagle East) impacting depreciation for the first half of the current year, and an increased 2018 Mineral Reserve estimate at Candelaria.

Depreciation, depletion and amortization rates of mineral assets are adjusted annually to reflect changes in Mineral Reserve estimates.

For the three and nine months ended September 30, 2018, Candelaria's depreciation expense included the amortization of previously capitalized deferred stripping costs of \$5.9 million (Q3 2017 - \$11.3 million) and \$16.4 million (YTD 2017 - \$37.1 million), respectively. The deferred stripping asset at September 30, 2018 was \$510.3 million (June 30, 2018 - \$453.6 million; December 31, 2017 - \$374.5 million), of which \$494.7 million (June 30, 2018 - \$432.1 million; December 31, 2017 - \$342.5 million) is not currently subject to depreciation because the related phases of the open pit mine are not currently in the production stage.

Depreciation by operation (\$ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Change	2018	2017	Change
Candelaria	43,700	50,215	(6,515)	122,646	150,467	(27,821)
Eagle	15,267	25,418	(10,151)	49,372	89,858	(40,486)
Neves-Corvo	15,352	17,146	(1,794)	38,591	52,424	(13,833)
Zinkgruvan	5,369	6,625	(1,256)	18,071	17,243	828
Other	378	401	(23)	1,115	1,413	(298)
	80,066	99,805	(19,739)	229,795	311,405	(81,610)

Income from equity investment in associate

For the three and nine months ended September 30, 2018, income from equity investment in associate was \$9.9 million and \$22.2 million, respectively, an increase in comparison to the three and nine months ended September 30, 2017 of \$5.2 million and \$7.7 million, respectively. The increase is due to higher operating income resulting from higher refined cobalt sales volumes.

Finance Costs

For the three months ended September 30, 2018, net finance costs were \$9.9 million, in line with the \$10.2 million reported in the prior year comparable period.

For the nine months ended September 30, 2018, net finance costs were \$30.0 million, a decrease in comparison to the nine months ended September 30, 2017 of \$39.5 million. Lower interest expense resulting from the early redemption of the 7.50% Senior Secured Notes due 2020 on November 20, 2017 was partially offset by higher interest expense from the adoption of IFRS 15 on January 1, 2018 of \$27.3 million for the nine months ended September 30, 2018.

Other Income and Expenses

Net other income of \$0.8 million for the three months ended September 30, 2018 was in line with the \$1.2 million in the prior year comparable period.

Net other income of \$13.4 million for the nine months ended September 30, 2018 was \$28.6 million higher than the \$15.2 million net other expense in the prior year comparable period. The increase is primarily the result of higher foreign exchange gains (\$25.9 million) and a gain on marketable securities of \$13.1 million (YTD 2017 – nil), partially offset by a loss of \$9.1 million in the current year (YTD 2017 – gain of \$2.7 million) on the derivative asset arising from the sale of Tenke Fungurume.

Foreign exchange gains and losses recorded in Other Income and Expenses relate to working capital denominated in foreign currencies that was held by the Company. Period end exchange rates having a meaningful impact on foreign exchange recorded at September 30, 2018 were \$1.00:CLP662 (June 30, 2018 - \$1.00:CLP648; December 31, 2017 - \$1.00:CLP615), \$1.16:€1.00 (June 30, 2018 - \$1.17:€1.00; December 31, 2017 - \$1.20:€1.00) and \$1.00:SEK8.86 (June 30, 2018 - \$1.00:SEK8.96; December 31, 2017 - \$1.00:SEK8.23).

Income Taxes

Income taxes by mine

Income tax expense (recovery) (\$ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Change	2018	2017	Change
Candelaria	(1,136)	49,280	(50,416)	11,725	99,543	(87,818)
Eagle	-	-	-	7,780	-	7,780
Neves-Corvo	2,090	3,802	(1,712)	22,731	3,141	19,590
Zinkgruvan	1,870	6,376	(4,506)	15,272	16,671	(1,399)
Other	8,892	7,628	1,264	24,521	21,518	3,003
	11,716	67,086	(55,370)	82,029	140,873	(58,844)

Income taxes by classification

Income tax expense (recovery) (\$ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Change	2018	2017	Change
Current income tax	7,585	71,173	(63,588)	80,809	169,409	(88,600)
Deferred income tax	4,131	(4,087)	8,218	1,220	(28,536)	29,756
	11,716	67,086	(55,370)	82,029	140,873	(58,844)

Income tax expense for the three months ended September 30, 2018 was \$11.7 million compared to \$67.0 million recorded in the prior year. The decrease in tax expense was mainly due to lower taxable earnings at Candelaria.

On a year-to-date basis, income tax expense of \$82.0 million was \$58.8 million lower than the \$140.8 million recorded in the prior year. Refundable tax on dividends in Chile increased from 20.9% to 27% resulting in a \$6.5 million increase to deferred tax assets, and taxable earnings were lower in the current year period at Candelaria. This was partly offset by the impact of higher taxable earnings at Neves-Corvo and additional deferred tax of \$4.2 million to reflect the increase in the top tax rate to 31.5% in Portugal.

During the third quarter of 2018, the Chilean Internal Revenue Service ("IRS") issued a tax assessment of \$8.2 million (\$4.2 million in tax refunds and \$4.0 million in interest and penalties) as a result of the denial of a tax deduction related to interest expenses arising from an intercompany debt for the taxation years 2014 and 2015. Management considers the claims to be inconsistent with Chilean tax law and accordingly has filed an appeal with the Department of Administrative Tax Procedures of the IRS. Management believes that it is probable that its original filing position will be sustained and accordingly has not accrued any amount related to the assessment.

Discontinued Operations

On April 19, 2017, the Company completed the sale of its indirect interest in TF Holdings Limited ("TF Holdings") to an affiliate of BHR Partners for \$1.136 billion in cash and contingent consideration. The Company's effective 24% interest in the Tenke Fungurume mine was held through its 30% indirect interest in TF Holdings.

For the nine months ended September 30, 2017, earnings from discontinued operations related to Tenke Fungurume were \$55.1 million.

Mining Operations

Production Overview

(Contained metal in concentrate)	YTD	2018			2017				
		Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)									
Candelaria (80%)	81,254	28,259	27,517	25,478	147,086	34,140	39,363	42,277	31,306
Eagle	14,066	5,178	4,115	4,773	21,302	4,130	4,995	5,674	6,503
Neves-Corvo	34,405	11,746	11,899	10,760	33,624	7,385	7,946	8,098	10,195
Zinkgruvan	1,386	523	687	176	977	-	578	399	-
Tenke (24%)	-	-	-	-	12,932	-	-	-	12,932
	131,111	45,706	44,218	41,187	215,921	45,655	52,882	56,448	60,936
Zinc (tonnes)									
Neves-Corvo	56,970	18,905	20,230	17,835	71,356	15,835	19,562	18,011	17,948
Zinkgruvan	53,047	17,157	16,845	19,045	77,963	21,497	18,958	18,205	19,303
	110,017	36,062	37,075	36,880	149,319	37,332	38,520	36,216	37,251
Nickel (tonnes)									
Eagle	14,072	4,697	4,234	5,141	22,081	4,299	5,618	5,822	6,342
	14,072	4,697	4,234	5,141	22,081	4,299	5,618	5,822	6,342
Gold (000 oz)									
Candelaria (80%)	46	17	15	14	83	19	21	24	19
	46	17	15	14	83	19	21	24	19
Lead (tonnes)									
Neves-Corvo	5,153	1,524	1,872	1,757	5,164	1,267	1,308	1,183	1,406
Zinkgruvan	16,452	5,515	3,914	7,023	28,324	6,925	7,899	5,901	7,599
	21,605	7,039	5,786	8,780	33,488	8,192	9,207	7,084	9,005
Silver (000 oz)									
Candelaria (80%)	720	264	236	220	1,457	319	421	431	286
Eagle	117	46	28	43	200	38	55	49	58
Neves-Corvo	1,283	458	420	405	1,292	305	341	316	330
Zinkgruvan	1,548	531	452	565	2,361	619	710	494	538
	3,668	1,299	1,136	1,233	5,310	1,281	1,527	1,290	1,212

Cash Cost Overview

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Candelaria (cost/lb Cu)				
Gross cost	1.85	1.38	1.90	1.39
By-product ¹	(0.21)	(0.21)	(0.21)	(0.22)
Net Cash Cost	1.64	1.17	1.69	1.17
All-In Sustaining Cost²	3.58	2.04	3.13	1.85
Eagle (cost/lb Ni)				
Gross cost	4.95	4.05	4.50	4.09
By-product	(4.08)	(3.42)	(3.75)	(3.22)
Net Cash Cost	0.87	0.63	0.75	0.87
All-In Sustaining Cost	1.76	1.11	1.59	1.29
Neves-Corvo (cost/lb Cu)				
Gross cost	2.65	3.53	2.83	3.07
By-product	(1.17)	(2.78)	(1.61)	(2.12)
Net Cash Cost	1.48	0.75	1.22	0.95
All-In Sustaining Cost	1.90	1.46	1.73	1.51
Zinkgruvan (cost/lb Zn)				
Gross cost	0.88	0.79	0.84	0.79
By-product	(0.53)	(0.49)	(0.44)	(0.45)
Net Cash Cost	0.35	0.30	0.40	0.34
All-In Sustaining Cost	0.62	0.55	0.68	0.57

1. By-product is after related treatment and refining charges.

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 30 of this MD&A for discussion of non-GAAP measures.

Capital Expenditures (including capitalized interest)^{1,2}

by Mine	Three months ended September 30,							
	2018				2017			
	(\$ thousands)	Sustaining	Expansionsary	Capitalized	Total	Sustaining	Expansionsary	Capitalized
Interest				Interest				
Candelaria	125,440	-	-	125,440	78,141	-	2,289	80,430
Eagle	1,984	6,685	654	9,323	2,768	8,999	740	12,507
Neves-Corvo	11,368	18,567	1,511	31,446	10,186	5,813	-	15,999
Zinkgruvan	7,394	-	-	7,394	7,786	332	-	8,118
Other	127	-	-	127	292	-	-	292
	146,313	25,252	2,165	173,730	99,173	15,144	3,029	117,346
by Mine	Nine months ended September 30,							
	2018				2017			
	(\$ thousands)	Sustaining	Expansionsary	Capitalized	Total	Sustaining	Expansionsary	Capitalized
Interest				Interest				
Candelaria	337,182	-	7,617	344,799	177,311	-	7,573	184,884
Eagle	8,369	21,570	1,660	31,599	7,432	19,561	740	27,733
Neves-Corvo	31,941	72,602	3,159	107,702	26,446	10,704	-	37,150
Zinkgruvan	28,022	-	-	28,022	25,602	5,138	-	30,740
Other	5,532	-	-	5,532	432	-	-	432
	411,046	94,172	12,436	517,654	237,223	35,403	8,313	280,939

1. Capital expenditures are reported on a cash basis, as presented in the consolidated statement of cash flows.

2. Sustaining and expansionsary capital expenditures are non-GAAP measures – see page 30 of this MD&A for discussion of non-GAAP measures.

Candelaria

Compañía Contractual Minera Candelaria ("CCMC") and Compañía Contractual Minera Ojos del Salado ("CCMO"), collectively "Candelaria", are located near Copiapó in the Atacama region of Chile. The Company holds an indirect 80 percent ownership interest in Candelaria with the remaining 20 percent interest indirectly held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation. CCMC consists of an open pit mine and an underground mine providing copper ore to an on-site processing plant. CCMO consists of two underground mines, Santos and Alcaparrosa, and the Pedro Aguirre Cerda ("PAC") processing plant. The Santos mine provides copper ore to the PAC plant, while ore from both the Santos mine and Alcaparrosa mine is treated at the CCMC plant. The CCMC plant has a processing capacity of 27.0 million tonnes per annum ("mtpa"), and the PAC plant has a capacity of 1.3 mtpa, both producing copper in concentrate. The primary metal is copper, with gold and silver as by-product metals.

Operating Statistics

(100% Basis)	Total	2018			2017				
		Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	14,368	3,771	6,225	4,372	28,005	8,139	7,313	6,183	6,370
Ore milled (000s tonnes)	20,568	7,241	7,137	6,190	29,435	7,279	7,316	7,745	7,095
Grade									
Copper (%)	0.54	0.54	0.52	0.56	0.67	0.62	0.73	0.74	0.60
Recovery									
Copper (%)	91.7	91.0	91.6	92.6	92.6	92.9	92.4	92.9	91.7
Production (contained metal)									
Copper (tonnes)	101,567	35,323	34,397	31,847	183,858	42,676	49,203	52,846	39,133
Gold (000 oz)	57	20	20	17	104	24	27	30	23
Silver (000 oz)	900	330	295	275	1,821	398	526	540	357
Revenue (\$000s)	638,338	176,511	243,585	218,242	1,230,196	309,908	374,207	267,741	278,340
Gross profit (\$000s)	142,329	13,568	73,259	55,502	563,677	153,268	188,973	113,244	108,192
Cash cost (\$ per pound)	1.69	1.64	1.71	1.71	1.22	1.38	1.17	1.08	1.27
AISC (\$ per pound)	3.13	3.58	2.92	2.91	2.04	2.76	2.04	1.73	1.73

Gross Profit

Gross profit for the three and nine months ended September 30, 2018 of \$13.6 million and \$142.3 million, respectively, was lower than the prior year comparable periods. The decrease was largely due to planned lower sales volumes (Q3 - \$74.9 million; YTD - \$125.0 million), lower realized metal prices, net of price adjustments (Q3 - \$44.8 million; YTD - \$11.3 million), and higher per unit production costs which were impacted by higher mill maintenance, labour and diesel costs (Q3 - \$38.5 million; YTD - \$109.6 million) in the current periods.

Production

Copper production for the three months ended September 30, 2018 of 35,323 tonnes was lower than the comparable period in 2017. The decrease in copper production is largely a result of planned mining and processing of lower grade material from the open pit and stockpiles in the current period. Waste stripping progressed in the quarter with both new and contractor owned mining equipment continuing to assist the Candelaria fleet in accelerating waste movement. More waste relative to ore was mined during the quarter as Phase 10 through 12 open pit pushbacks progressed.

Copper production of 101,567 tonnes year-to-date was lower than the comparable period in 2017, a result of the above-mentioned mining and processing plan, as well as lower mill throughput resulting from previously deferred mill maintenance and ore granularity.

Copper production remains on track to achieve full year guidance.

Cash Costs

Copper cash costs for the three and nine months ended September 30, 2018 were \$0.47/lb and \$0.52/lb higher, respectively, than cash costs in the prior year comparable periods. The increases were a result of higher operating per unit costs, mainly due to lower metal production and higher diesel, maintenance and labour costs.

All-in sustaining costs of \$3.58/lb and \$3.13/lb for the three and nine months ended September 30, 2018, respectively, were higher than those of the corresponding periods in 2017 primarily due to planned increased spending on sustaining capital expenditures and deferred stripping focused on improving the life-of-mine cost efficiency and production profile.

For the nine months ended September 30, 2018, approximately 37,000 oz of gold and 565,000 oz of silver were subject to terms of a streaming agreement, in which \$404/oz and \$4.04/oz were received for gold and silver, respectively.

Projects

The Candelaria Mill Optimization Project is on track and is approximately 32% complete, mainly focused on construction with detailed engineering nearing completion. More than 95% of mill component purchase orders have been placed. The main construction contract has been awarded and mobilization has commenced. Current construction work is primarily focused on removing interferences in the mill, site preparation for major construction works that will begin in 2019, and construction of a new electrical room to support the primary crushing station.

Ramp-up of Candelaria Underground continues with the North Sector achieving an average production rate of approximately 9,700 tonnes per day throughout the third quarter, and year-to-date Candelaria Underground production 17% higher than planned. The development of the South Sector continues and the project remains on track with production start-up expected prior to the end of 2019. Studies for further optimization of Candelaria Underground continue, including a potential production increase significantly beyond the currently permitted 14,000 tonnes per day.

Delivery of open pit mine fleet replacement equipment including haul trucks, water trucks, wheel dozers, track dozers, motor graders, hydraulic excavators, drills and other minor equipment is underway. Thirty eight of 85 pieces of equipment have already arrived including 10 dozers, five large haul trucks, three water trucks, two graders, a hydraulic shovel, a loader and other minor equipment. During the fourth quarter of 2018, 10 large haul trucks, two hydraulic excavators, one drill, one water truck and other minor service equipment are expected to arrive.

Eagle Mine

The Eagle mine consists of the Eagle underground mine, located approximately 55 km northwest of Marquette, Michigan, U.S.A. and the Humboldt mill, located 45 km west of Marquette. The mill has a processing capacity of 0.7 mtpa, producing nickel and copper in concentrates. Access ramp development is underway from the Eagle mine to the Eagle East deposit, from which feed to the Humboldt mill is forecast to start in 2020. The primary metal is nickel with copper, cobalt, gold, and platinum-group metals as by-product metals.

Operating Statistics

	2018				2017				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	561	192	183	186	760	192	187	185	196
Ore milled (000s tonnes)	559	192	185	182	754	187	191	189	187
Grade									
Nickel (%)	3.0	2.9	2.7	3.4	3.4	2.8	3.5	3.5	4.0
Copper (%)	2.6	2.8	2.3	2.7	2.9	2.3	2.7	3.0	3.5
Recovery									
Nickel (%)	83.3	82.6	83.6	83.6	85.0	83.6	84.1	86.6	85.5
Copper (%)	97.2	97.2	96.8	97.7	97.9	97.5	98.0	98.2	98.1
Production (contained metal)									
Nickel (tonnes)	14,072	4,697	4,234	5,141	22,081	4,299	5,618	5,822	6,342
Copper (tonnes)	14,066	5,178	4,115	4,773	21,302	4,130	4,995	5,674	6,503
Sales (\$000s)	214,949	59,084	63,651	92,214	276,531	65,555	74,263	64,442	72,271
Gross profit (\$000s)	74,346	13,341	24,220	36,785	46,155	19,908	19,081	2,439	4,727
Cash cost (\$ per pound nickel)	0.75	0.87	1.09	0.49	0.93	1.19	0.63	1.02	0.94
AISC (\$ per pound nickel)	1.59	1.76	2.14	1.17	1.42	2.02	1.11	1.46	1.28

Gross Profit

Gross profit for the three months ended September 30, 2018 of \$13.3 million was lower than the prior year comparable period due to higher per unit operating costs (\$7.6 million).

On a year-to-date basis, gross profit of \$74.3 million was \$48.1 million higher than 2017. The increase was primarily due to higher realized metal prices, net of price adjustments (\$51.5 million).

Production

Nickel production for the three months ended September 30, 2018 was 4,697 tonnes compared to 5,618 tonnes in the prior year comparable period. On a year-to-date basis, nickel production was 14,072 tonnes compared to 17,782 tonnes in the prior year comparable period. The decreases were attributable to planned mine sequencing and resulting lower grades.

Copper production for the three months ended September 30, 2018 was 5,178 tonnes compared to 4,995 tonnes in the prior year comparable period. On a year-to-date basis, copper production was 14,066 tonnes in the current year compared with 17,172 tonnes in 2017. The quarterly increase and year-to-date decrease from the prior year comparable periods were attributable to planned mine sequencing.

Both nickel and copper production are on target to achieve full year guidance.

Cash Costs

Nickel cash costs for the three months ended September 30, 2018 of \$0.87/lb were higher than the \$0.63/lb reported in the prior year. The increase in cash costs is primarily a result of higher operating per unit costs (\$0.50/lb) due to lower sales volumes. All-in sustaining costs of \$1.76/lb were higher than that of the corresponding period in 2017 largely as a result of higher cash costs and higher royalties (\$0.36/lb).

On a year-to-date basis, nickel cash costs of \$0.75/lb were lower than the \$0.87/lb reported in the prior year. The decrease in cash costs is due primarily to higher by-product credits (\$0.53/lb) and lower nickel treatment and refining charges (\$0.31/lb) associated with customer mix, partly offset by higher operating per unit costs (\$0.54/lb) due to lower sales volumes. All-in sustaining costs of \$1.59/lb were higher than that of the corresponding period in 2017 largely as a result of higher royalties (\$0.22/lb) and sustaining capital expenditures (\$0.19/lb).

Projects

During the third quarter of 2018, \$6.7 million in expansionary capital expenditures was incurred in support of the Eagle East project. Access ramp development of Eagle East continued during the quarter and is trending ahead of schedule.

Approximately \$52 million is expected to be spent over the remainder of the project, of which \$9 million is expected to be incurred in the fourth quarter of 2018. Production of Eagle East ore remains scheduled into the mill by 2020.

Exploration drilling is continuing on the property testing for possible extensions of the Eagle East mineralization. In addition, the underground definition drilling campaign from the access ramp to Eagle East is ongoing and 4,200 metres have been drilled to September 30, 2018.

Neves-Corvo Mine

Neves-Corvo consists of an underground mine and an on-site processing facility, located 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The copper plant has a processing capacity of 2.5 mtpa, producing copper in concentrate, and the zinc plant has a capacity of 1.2 mtpa with the ability to process zinc or copper ore, producing zinc or copper in concentrate. The primary metal is copper, with zinc, lead and silver as by-product metals. The Zinc Expansion Project is currently in development, and will see zinc mining and processing capacity increased to 2.5 mtpa.

Operating Statistics

	2018				2017				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	1,997	688	618	691	2,110	491	503	530	586
Ore mined, zinc (000 tonnes)	839	273	283	283	996	202	268	260	266
Ore milled, copper (000 tonnes)	1,988	696	641	651	2,122	499	504	528	591
Ore milled, zinc (000 tonnes)	838	280	278	280	1,000	198	267	266	269
Grade									
Copper (%)	2.3	2.2	2.5	2.2	2.1	2.0	2.1	2.0	2.2
Zinc (%)	7.9	7.9	8.3	7.6	8.7	9.6	9.0	8.3	8.3
Recovery									
Copper (%)	75.0	76.3	74.2	74.6	75.8	73.9	73.8	77.7	77.6
Zinc (%)	81.1	81.0	82.0	80.4	79.9	81.7	79.6	80.4	78.6
Production (contained metal)									
Copper (tonnes)	34,405	11,746	11,899	10,760	33,624	7,385	7,946	8,098	10,195
Zinc (tonnes)	56,970	18,905	20,230	17,835	71,356	15,835	19,562	18,011	17,948
Lead (tonnes)	5,153	1,524	1,872	1,757	5,164	1,267	1,308	1,183	1,406
Silver (000 oz)	1,283	458	420	405	1,292	305	341	316	330
Sales (\$000s)	313,204	104,730	110,816	97,658	328,925	83,277	89,561	73,051	83,036
Gross profit (\$000s)	81,903	19,339	37,606	24,958	80,828	35,933	18,723	5,690	20,482
Cash cost (€ per pound)	1.03	1.28	0.81	0.93	0.78	0.48	0.64	1.23	0.70
Cash cost (\$ per pound)	1.22	1.48	0.96	1.14	0.88	0.57	0.75	1.38	0.75
AISC (\$ per pound)	1.73	1.90	1.46	1.84	1.49	1.42	1.46	1.72	1.42

Gross Profit

Gross profit of \$19.3 million for the three months ended September 30, 2018 was in line with the comparable period in 2017. Higher sales volumes (\$24.2 million) were offset by lower metal prices and price adjustments (\$23.4 million).

Gross profit of \$81.9 million for the nine months ended September 30, 2018 was \$37.0 million higher than the comparable period in 2017. The increase was attributable to a lower depreciation rate (\$20.5 million) due to an increased 2017 Mineral Reserve estimate impacting depreciation for the first half of the current year, and higher sales volumes (\$33.7 million), partially offset by higher per unit production costs (\$14.0 million).

Production

Copper production for the three and nine months ended September 30, 2018 was higher than the comparable periods in 2017 by 3,800 tonnes and 8,166 tonnes, respectively. The increase in copper production is a result of improved mine productivity and higher mill throughput driven by improvements in mine plan execution, and to a lesser extent, higher head grades. Year-to-date copper production in 2018 has already exceeded full year 2017 production.

Zinc production of 18,905 tonnes for the three months ended September 30, 2018 was 3% lower than the 19,562 tonnes reported in the prior year comparable period. Head grades in the current quarter were negatively impacted by mine resequencing.

Zinc production of 56,970 tonnes for the nine months ended September 30, 2018 was 3% higher than the comparable period in 2017. Zinc production has also trended positively on an annual basis in large part due to improvements in mine productivity, mill throughput, and metallurgical recoveries.

Copper and zinc production remain on track to achieve full year guidance.

Cash Costs

Copper cash costs of \$1.48/lb and \$1.22/lb for the three and nine months ended September 30, 2018, respectively, were higher than those of the corresponding period in 2017. The increase is primarily a result of lower by-product credits (Q3 - \$1.62/lb; YTD - \$0.51/lb), partially offset by lower per unit mine, mill, and administration costs (Q3 - \$0.76/lb; YTD - \$0.40/lb) due to higher sales volumes.

Full year copper cash cost guidance has been increased to \$1.30/lb (from \$1.20/lb) to reflect lower forecast zinc by-product metal prices than previously forecast.

All-in sustaining costs of \$1.90/lb and \$1.73/lb for the three and nine months ended September 30, 2018, respectively, were higher than the corresponding period in 2017 due to higher cash costs.

Projects

The Zinc Expansion Project advanced with major construction activities underway underground and on surface. Approximately 40% of major equipment deliveries have been received with all equipment expected to be received on schedule; however, overall progress continues to be impacted by contractor under-performance. The Company will be undertaking a third-party project schedule and cost review.

Underground development continues and crushed ore storage silo development has commenced. Structural steel delivery for underground conveyors is underway and all steel is expected to be shipped by the end of the year. Conveyor erection underground also commenced during the third quarter. Concrete work has been initiated in the crusher chamber with mechanical work expected to begin during the fourth quarter. The shaft upgrade activities continue with preparations underway for the next maintenance shutdown in February 2019.

The SAG mill building and flotation building concrete is advancing with SAG mill assembly beginning in October and building structural steel erection expected to commence in the fourth quarter of 2018. Major structural steel fabrication is 80% complete with deliveries well underway. Mechanical and piping contracts have been awarded and work has commenced. Electrical and instrumentation contract award recommendations are complete.

Commissioning and operation's readiness planning is underway. The project is expected to commence production ramp-up in the first quarter of 2020. The slower than originally anticipated construction progress is expected to defer a portion of the 2019 zinc production previously disclosed in the Company's three-year operational outlook, originally announced November 29, 2017.

The project capital cost estimate is currently €270 million, however this is under review as noted above. The 2018 capital expenditure guidance has been lowered to \$110 million (from \$130 million) to reflect the deferral of certain surface and underground expenditures to 2019.

Zinkgruvan Mine

The Zinkgruvan mine consists of an underground mine and on-site processing facilities, located approximately 250 km south-west of Stockholm, Sweden. The zinc plant has processing capacity of 1.4 mtpa, producing zinc and lead in concentrate, and the copper plant has capacity of 0.3 mtpa with the ability to process copper or zinc-lead ore, producing copper, or zinc and lead concentrates. The primary metal is zinc, with lead, silver, and copper as by-products.

Operating Statistics

	2018				2017				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	873	276	288	309	1,189	346	276	252	315
Ore mined, copper (000 tonnes)	97	23	34	40	92	-	41	37	14
Ore milled, zinc (000 tonnes)	877	280	288	309	1,188	346	280	278	284
Ore milled, copper (000 tonnes)	111	35	62	14	76	-	42	34	-
Grade									
Zinc (%)	6.7	6.7	6.6	6.8	7.3	7.0	7.6	7.3	7.6
Lead (%)	2.4	2.5	1.8	2.8	2.9	2.5	3.4	2.7	3.2
Copper (%)	1.4	1.7	1.3	1.4	1.5	-	1.6	1.3	-
Recovery									
Zinc (%)	90.2	91.2	89.4	89.9	89.5	89.3	89.8	89.6	89.4
Lead (%)	78.5	78.8	73.5	81.3	81.1	79.2	82.5	79.6	82.2
Copper (%)	88.4	90.6	87.0	88.2	88.3	-	89.0	87.4	-
Production (contained metal)									
Zinc (tonnes)	53,047	17,157	16,845	19,045	77,963	21,497	18,958	18,205	19,303
Lead (tonnes)	16,452	5,515	3,914	7,023	28,324	6,925	7,899	5,901	7,599
Copper (tonnes)	1,386	523	687	176	977	-	578	399	-
Silver (000 oz)	1,548	531	452	565	2,361	619	710	494	538
Sales (\$000s)	151,357	39,384	49,605	62,368	241,845	74,540	63,707	49,458	54,140
Gross profit (\$000s)	69,717	14,514	21,007	34,196	132,664	43,322	35,003	22,367	31,972
Cash cost (SEK per pound zinc)	3.38	3.13	3.51	3.47	2.65	1.95	2.44	2.97	3.30
Cash cost (\$ per pound zinc)	0.40	0.35	0.41	0.43	0.31	0.23	0.30	0.34	0.37
AISC (\$ per pound zinc)	0.68	0.62	0.71	0.71	0.57	0.55	0.55	0.61	0.57

Gross Profit

Gross profit of \$14.5 million for the quarter was lower than the \$35.0 million reported in the third quarter of 2017. The decrease was largely due to lower realized metal prices and price adjustments (\$12.8 million) and lower sales volumes (\$6.8 million).

For the nine months ended September 30, 2018, gross profit of \$69.7 million was lower than the comparable period in 2017 of \$89.3 million. Lower sales volumes (\$13.0 million) and higher per unit production costs (\$11.6 million) contributed to the decrease.

Production

Zinc production for the three and nine months ended September 30, 2018 of 17,157 tonnes and 53,047 tonnes, respectively, was lower than the prior year comparable periods. Lead production for the three and nine months ended September 30, 2018 of 5,515 tonnes and 16,452 tonnes, respectively, was lower than the prior year comparable periods. The decrease in both metals was due to lower head grades as a result of mine sequencing and higher than planned dilution and ore loss. The operation is focused on mine stope design optimization and ore tracking in order to improve these factors.

Full year zinc production is expected to meet the lower end of guidance, with the range tightened to 74,000 – 76,000 tonnes to reflect the above-mentioned year-to-date production performance.

Cash Costs

Zinc cash costs of \$0.35/lb and \$0.40/lb for the three and nine months ended September 30, 2018, respectively, were higher than the prior year comparable periods (Q3 2017 - \$0.30/lb; YTD 2017 - \$0.34/lb) due to higher per unit mine, mill and administration costs in the current periods, largely as a result of lower sales volumes (Q3 - \$0.18/lb; YTD - \$0.11/lb).

However, zinc cash costs for the quarter and year-to-date were lower than previous guidance (\$0.45/lb). As a result, full year zinc cash cost guidance has been lowered to \$0.40/lb.

All-in sustaining costs of \$0.62/lb and \$0.68/lb for the three and nine months ended September 30, 2018, respectively, were higher than those reported in the corresponding period in 2017 due to higher cash costs.

Exploration

Candelaria Mine, Chile (Copper, Gold)

A total of 42,012 metres were drilled in the third quarter of 2018. Drilling occurred within the existing underground mines, around the Candelaria open pit mine, and on surface in the south district. At La Española, a new target in the south district, there were 4,673 metres drilled in the third quarter of 2018 (22,694 metres year-to-date) to complete the drilling program this year. Drilling of new targets commenced further south in the district with 1,346 metres completed during the quarter.

Eagle Mine, USA (Nickel, Copper)

Eagle exploration continued with four surface rigs testing near-mine targets during the quarter. A total of 11,228 metres were drilled from surface during the third quarter of 2018. A seismic geophysical survey was completed in areas outside the Eagle Mine and results are pending. Permits have been submitted for drill testing regional targets. Underground definition drilling from the access ramp to Eagle East continued throughout the third quarter with one drill rig completing 4,200 metres; a second underground rig is anticipated to commence drilling during the fourth quarter of 2018.

Neves-Corvo, Portugal (Copper, Zinc)

Neves-Corvo drilled a total of 4,946 metres during the third quarter, targeting step-out areas from existing ore bodies as well as other targets within the existing mine lease. The exploration concession surrounding the mine lease was granted, and geophysical surveys and drilling work have commenced.

Zinkgruvan, Sweden (Zinc, Lead)

Zinkgruvan drilled a total of 8,812 metres from surface and in underground exploration drifts during the third quarter. Deep drilling at Flaxen, an exploration concession to the south east of the main ore body, has commenced. Drilling continued at Dalby, both from surface and underground. The underground exploration development drifting at Dalby progressed by more than 165 metres in the third quarter. A 30 linear kilometre seismic survey was completed during the quarter.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

Average metal prices for copper, zinc and nickel for the third quarter of 2018 were lower than the average prices for the second quarter of 2018 by 11%, 18% and 8%, respectively. The metal markets continued to be volatile during the third quarter due to the uncertainty caused by the various political and protective actions affecting world trade.

(Average LME Price)		Three months ended September 30,			Nine months ended September 30,		
		2018	2017	Change	2018	2017	Change
Copper	US\$/pound	2.77	2.88	-4%	3.01	2.70	12%
	US\$/tonne	6,105	6,349		6,642	5,952	
Zinc	US\$/pound	1.15	1.34	-14%	1.37	1.26	9%
	US\$/tonne	2,537	2,963		3,020	2,783	
Nickel	US\$/pound	6.02	4.78	26%	6.20	4.55	36%
	US\$/tonne	13,266	10,528		13,666	10,021	

LME inventory for copper, zinc and nickel decreased during the third quarter of 2018 by 31%, 18% and 16%, respectively, a result of strong metal demand in China.

The treatment charge ("TC") and refining charge ("RC") in the spot market for copper concentrates between mining companies and commodity trading companies increased slightly during the third quarter of 2018. Continued smelter issues in India and the Philippines released additional copper concentrates to the spot market. In July, the spot TC was \$85 per dry metric tonne ("dmt") of concentrate and the spot RC was \$0.085 per lb of payable copper contained. In September, the TC had increased to \$87 per dmt of concentrate with a RC of \$0.087 per lb of payable copper. The spot terms at which the Chinese copper smelters are buying at have also increased from a TC of \$88 per dmt of concentrate and a RC of \$0.088 per lb of payable copper in July to a TC of \$92 per dmt of concentrate and a RC of \$0.092 per lb of payable copper at the end of September.

The spot TC for zinc concentrates in China increased during the quarter as a function of an expected increase in supply due to new mines being opened and closed mines being re-activated. In July, the spot market in China for zinc concentrates traded at \$38 per dmt of concentrate, flat (i.e. without escalators). In September, the spot TC was \$95 per dmt, flat.

The Company's nickel concentrate production from Eagle is sold under long-term contracts at terms in-line with market conditions.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents were \$1,469.9 million at September 30, 2018, a decrease of \$97.1 million from \$1,567.0 million at December 31, 2017 and a decrease of \$42.6 million from the \$1,512.5 million reported at June 30, 2018.

Cash inflows for the three months ended September 30, 2018 included operating cash flows of \$140.9 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$173.7 million and shareholder dividends of \$16.9 million.

For the nine months ended September 30, 2018, cash inflows included operating cash flows of \$432.1 million and proceeds from the sale of marketable securities of \$35.4 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$517.7 million and shareholder dividends of \$50.6 million.

Working Capital

Working capital was \$1,620.4 million as at September 30, 2018, lower than the \$1,772.7 million at December 31, 2017 and the \$1,765.0 million at June 30, 2018.

The decrease in working capital for the three months ended September 30, 2018 is largely a reflection of the lower period-end trade receivables (\$86.6 million) and cash (\$42.6 million) balances.

The decrease in working capital for the nine months ended September 30, 2018 is largely a reflection of the lower period-end trade receivables (\$127.1 million) and cash (\$97.1 million) balances, partly offset by lower income taxes payable (\$85.8 million).

Long-Term Debt

During the second quarter of 2018, the Company completed an offer to purchase (the "Offer") any and all of its \$450.0 million 7.875% Senior Secured Notes due 2022. The Offer was made pursuant to the Notes Indenture.

On October 22, 2018, the Company announced that it had issued a notice to redeem all of the Notes on November 21, 2018, in accordance with the Notes Indenture. There is \$439.2 million principal amount of the Notes currently outstanding (December 31, 2017 - \$445.0 million).

Additionally, on October 22, 2018, the Company announced it had executed an amending agreement to its revolving credit facility that increases the Facility to \$550 million with a \$50 million accordion option, reduces the costs of borrowing and extends the term to October 2022, from June 2020. The facility remains undrawn, although letters of credit have been issued totalling \$25.1 million.

Sociedade Mineira de Neves-Corvo, S.A. ("Somincor"), a subsidiary of the Company which owns the Neves-Corvo mine, has a commercial paper program. The \$34.7 million (€30 million) program bears interest at EURIBOR plus 0.84%. The program matures in December 2020. As at September 30, 2018, no amounts were drawn (June 30, 2018 – nil; December 31, 2017 - nil).

In addition, Somincor has an uncommitted line of credit for equipment financing. The \$28.9 million (€25 million) line of credit bears interest at EURIBOR plus 0.84%. The program matures in December 2019. As at September 30, 2018, the Company had \$6.6 million drawn on the line of credit (June 30, 2018 - \$7.3 million; December 31, 2017 – \$8.3 million).

Subject to various risks and uncertainties, the Company believes it will generate sufficient cash flow and has adequate cash and debt facilities to finance on-going operations, contractual obligations and planned capital and exploration investment programs.

Shareholders' Equity

Shareholders' equity was \$4,187.0 million at September 30, 2018, compared to \$4,151.2 million at December 31, 2017. The increase in shareholders' equity is primarily due to current year's net earnings of \$183.7 million, partially offset by retrospective adoption of IFRS 15 and IFRS 9 on January 1, 2018 (\$76.9 million), as described further in the Changes in Accounting Policies section of this MD&A, and dividends declared of \$51.4 million.

Sensitivities

Revenue and cost of goods sold are affected by certain external factors including fluctuations in metal prices and changes in exchange rates between the €, the SEK, the CLP and the \$.

The following table illustrates the sensitivity of the Company's risk on final settlement of its provisionally priced trade receivables:

Metal	Tonnes Payable	Provisional price on September 30, 2018 (\$US/tonne)	Change	Effect on Revenue (\$millions)
Copper	55,935	6,261	+/-10%	+/- \$35.0
Zinc	15,603	2,648	+/-10%	+/- \$4.1
Nickel	4,424	12,559	+/-10%	+/- \$5.6

The following table presents the Company's sensitivity to certain currencies and the impact of exchange rates, against the US dollar, on cost of goods sold:

Currency	Change	Three months ended September 30, 2018 (\$millions)	Nine months ended September 30, 2018 (\$millions)
Chilean peso	+/-10%	+/- \$10.1	+/- \$31.7
Euro	+/-10%	+/- \$8.4	+/- \$22.7
Swedish krona	+/-10%	+/- \$2.5	+/- \$8.3

Contractual Obligations, Commitments and Contingencies

The Company has the following contractual obligations and capital commitments as at September 30, 2018:

(\$ thousands)

2018	165,567
2019	94,815
2020	27,155
2021	12,630
2022	1,099
Total	301,266

The Company is from time to time involved in legal proceedings that arise in the ordinary course of its business. Refer to Note 20 "Commitments and Contingencies" in the Company's consolidated financial statements.

Financial Instruments

Summary of financial instruments:

	Fair value at September 30, 2018 (\$ thousands)	Basis of measurement	Associated risks
Cash and cash equivalents	1,469,896	FVTPL	Credit/Exchange
Restricted funds	43,505	FVTPL	Market/Liquidity
Trade receivables (provisional)	238,250	FVTPL	Credit/Market/Exchange
Trade and other receivables	60,283	Amortized cost	Credit/Market/Exchange
Marketable securities	20,068	FVTPL	Market/Liquidity
Derivative asset	24,261	FVTPL	Credit/Market
Currency options	601	FVTPL	Market/Liquidity
Trade and other payables	267,982	Amortized cost	Exchange
Long-term debt and finance leases	462,047	Amortized cost	Interest
Derivative liability	8,900	FVTPL	Market

Trade receivables (Fair value through profit or loss (“FVTPL”)) – The fair value of the embedded derivative on provisional sales are valued using quoted market prices based on forward LME prices.

Marketable securities/restricted funds (FVTPL) – The fair value of investments in shares and restricted funds is determined based on quoted market price. Restricted funds include cash that has been pledged for reclamation and closure activities which are not available for immediate disbursement.

Currency options (FVTPL) – The fair value of the currency options are determined using a valuation model which incorporates such factors as the quoted market price, strike price, the volatility of CLP:USD foreign exchange rates and the expiry date of the options.

Derivative asset and liability (FVTPL) – The fair value of derivative assets and liabilities is determined using a valuation model that incorporates such factors as metals prices, metal price volatility and expiry date.

Long-term debt and finance leases (Amortized cost) – The fair value of long-term debt is determined using quoted market prices. The fair value of the finance leases approximates carrying value as interest rates are comparable to current market rates.

The carrying values of certain financial instruments maturing in the short-term approximate their fair values. These financial instruments include trade and other receivables and trade and other payables which are measured at amortized cost.

The Company holds currency options to hedge its CLP exposure. The call options expire between October 2018 and December 2018 and have a strike price of 700 CLP:USD.

For the three months ended September 30, 2018, the Company recognized:

- negative provisional price adjustments on prior period sales of \$37.9 million in revenue (2017: positive provisional price adjustments on prior period sales of \$22.9 million);
- a gain of \$3.3 million on FVTPL securities (2017: nil);
- a loss of \$0.1 million on FVTPL currency options (2017: gain of \$2.4 million); and
- a revaluation loss of \$5.1 million (2017: gain of \$2.7 million) on the derivative asset arising from the sale of TF Holdings.

In addition, a foreign exchange gain of \$2.7 million (2017: loss of \$4.3 million) was realized in the quarter on working capital denominated in foreign currencies that was held in the Company's various entities.

For the nine months ended September 30, 2018, the Company recognized:

- negative provisional price adjustments on prior period sales of \$25.3 million in revenue (2017: positive provisional price adjustments on prior period sales of \$11.8 million);
- a gain of \$13.1 million on FVTPL securities (2017: nil);
- a loss of \$1.8 million on FVTPL currency options (2017: gain of \$2.4 million); and
- a revaluation loss of \$9.1 million (2017: gain of \$2.7 million) on the derivative asset arising from the sale of TF Holdings.

In addition, a foreign exchange gain of \$8.7 million (2017: loss of \$17.2 million, including loss on sale of Galmoy assets) was realized in the year on working capital denominated in foreign currencies that was held in the Company's various entities.

Related Party Transactions

Freeport Cobalt

The Company enters into transactions related to its investment in Freeport Cobalt. These transactions are entered into in the normal course of business and on an arm's length basis.

Key Management Personnel

The Company has identified its directors and certain senior officers as its key management personnel. The employee benefits for key management personnel are as follows:

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Wages and salaries	1,392	1,666	5,449	5,024
Pension and benefits	33	38	121	132
Share-based compensation	640	944	2,356	2,981
Post employment benefits	5,623	-	5,623	-
	7,688	2,648	13,549	8,137

For the three and nine months ended September 30, 2018, the Company paid \$0.5 million (Q3 2017 - \$0.3 million) and \$1.7 million (YTD 2017 - \$1.0 million), respectively, to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

Changes in Accounting Policies

Significant Accounting Policies

The Company adopted *IFRS 15, Revenue from Contracts with Customers* and *IFRS 9, Financial Instruments* effective January 1, 2018. Refer to Note 2 “Basis of Presentation and Significant Accounting Policies” in the Company’s Condensed Interim Consolidated Financial Statements for the period ended September 30, 2018 for further discussion.

New Accounting Pronouncements

In 2016, the International Accounting Standards Board issued *IFRS 16, Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. The Company is in the process of implementing this new standard and plans to adopt the standard on January 1, 2019. Preliminary review of leases commenced in 2017 with further analysis and quantification of impacts performed throughout 2018. Implementation of *IFRS 16* is expected to increase plant and equipment, related debt amounts and corresponding depreciation and finance cost expenses. Additionally, the Company expects production costs to decrease.

Critical Accounting Estimates and Judgements

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements. These estimates and judgements are based on management’s best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ materially from the amounts included in the financial statements. For a discussion of accounting estimates and judgements deemed most critical by the Company, refer to the Company’s annual 2017 Management’s Discussion and Analysis. In addition to those discussed, the following critical accounting judgements were made by the Company on adopting *IFRS 15* on January 1, 2018:

IFRS 15, Revenue from Contracts with Customers – Management exercised judgment in applying *IFRS 15* accounting standards to certain contracts with customers.

To determine the transaction price for streaming agreements, the Company made estimates with respect to interest rates implicit in the agreements, future production of the life of mine and Mineral Resources and Reserves (“R&R”) quantities to adjust the consideration for the effects of the time value of money. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized.

The Company exercised judgment in the identification of performance obligations under its contracts and the allocation of the transaction price thereto. Specifically, the Company considered the following in determining the contract’s relevant performance obligations and the respective allocation of the transaction price to each of the performance obligations (i) the customer’s rights to the interest in R&R, (ii) the customer’s ability to benefit from this interest through the extraction services provided by the Company and (iii) the Company’s role as an agent to provide refined metal through a third party refinery.

Non-GAAP Performance Measures

The Company uses certain performance measures in its analysis. These performance measures have no meaning within generally accepted accounting principles under IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The following are non-GAAP measures that the Company uses as key performance indicators.

Net Cash

Net cash is a performance measure used by the Company to assess its financial position. Net cash is defined as cash and cash equivalents, less long-term debt and finance leases, excluding deferred financing fees and can be reconciled as follows:

(\$thousands)	September 30, 2018	June 30, 2018	December 31, 2017
Current portion of long-term debt and finance leases	(3,139)	(3,247)	(3,431)
Long-term debt and finance leases	(429,396)	(439,868)	(446,515)
	(432,535)	(443,115)	(449,946)
Deferred financing fees (netted in above)	(5,625)	(5,911)	(6,627)
	(438,160)	(449,026)	(456,573)
Cash and cash equivalents	1,469,896	1,512,513	1,567,038
Net cash	1,031,736	1,063,487	1,110,465

Operating Cash Flow per Share

Operating cash flow per share is a performance measure used by the Company to assess its ability to generate cash from its operations, while also taking into consideration changes in the number of outstanding shares of the Company. Operating cash flow per share is defined as cash provided by operating activities, less changes in non-cash working capital items, divided by the basic weighted average number of shares outstanding.

Operating cash flow per share can be reconciled to cash provided by operating activities as follows:

(\$thousands, except share and per share amounts)	Three months ended		Nine months ended	
	September 30, 2018	2017	September 30, 2018	2017
Cash provided by operating activities	140,925	249,520	432,131	673,422
Changes in non-cash working capital items	(57,255)	(9,127)	(60,422)	(98,389)
Operating cash flow before changes in non-cash working capital items	83,670	240,393	371,709	575,033
Weighted average common shares outstanding	732,297,368	727,237,280	731,136,149	726,722,669
Operating cash flow per share	0.11	0.33	0.51	0.79

Capital Expenditures

Identifying capital expenditures, on a cash basis, using a sustaining or expansionary classification provides management with a better understanding of costs required to maintain existing operations, and costs required for future growth of existing or new assets.

- **Sustaining capital expenditures** – Expenditures which maintain existing operations and sustain production levels.
- **Expansionary capital expenditures** – Expenditures which increase current or future production capacity, cash flow or earnings potential.

Where an expenditure both maintains and expands current operations, classification would be based on the primary decision for which the expenditure is being considered/was made.

Cash Cost per Pound

Copper, zinc and nickel cash costs per pound are key performance measures that management uses to monitor performance. Management uses these statistics to assess how well the Company's producing mines are performing and to assess overall efficiency and effectiveness of the mining operations. Cash cost is not an IFRS measure and, although it is calculated according to accepted industry practice, the Company's disclosed cash costs may not be directly comparable to other base metal producers.

- **Cash cost per pound, gross** – Total cash costs directly attributable to mining operations, excluding any allocation of upfront streaming proceeds or capital expenditures for deferred stripping, are divided by the sales volume of the primary metal to arrive at gross cash cost per pound. As this measure is not impacted by fluctuations in sales of by-product metals, it is generally more consistent across periods.
- **Cash cost per pound, net of by-products** – Credits for by-products sales are deducted from total cash costs directly attributable to mining operations. By-product revenue is adjusted for the terms of streaming agreements, but excludes any deferred revenue from the allocation of upfront cash received. The net cash costs are divided by the sales volume of the primary metal to arrive at net cash cost per pound. The inclusion of by-product credits provides a broader economic measurement, incorporating the benefit of other metals extracted in the production of the primary metal.

All-in Sustaining Cost per Pound

All-in sustaining cost per pound is an extension of the cash cost per pound measure discussed above and is also a key performance measure that management uses to monitor performance. Management uses this measure to analyze margins achieved on existing assets while sustaining and maintaining production at current levels. Expansionary capital and certain exploration costs are excluded from this definition as these are costs typically incurred to extend mine life or materially increase the productive capacity of existing assets, or for new operations. Corporate general and administrative expenses have also been excluded from the all-in sustaining cost measure, as any attribution of these costs to an operating site would not necessarily be reflective of costs directly attributable to the administration of the site.

Cash and All-in Sustaining Costs can be reconciled to the Company's production costs as follows:

Three months ended September 30, 2018					
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	32,832	3,400	13,525	12,288	
Pounds (000s)	72,382	7,496	29,817	27,090	
Production costs					240,040
Less: items included in the above					
Non-cash inventory					(7)
Royalties and other					(6,872)
					233,161
Deduct: By-product credits					(94,871)
Add: Treatment and refining charges					40,930
Cash cost	119,007	6,523	44,267	9,423	179,220
Cash cost per pound (\$/lb)	1.64	0.87	1.48	0.35	
Add: Sustaining capital expenditure & exploration ⁽¹⁾					
	138,888	2,073	10,503	7,038	
Royalties	-	4,317	1,847	-	
Accretion	1,064	263	126	119	
Leases & other	-	-	-	217	
All-in sustaining cost	258,959	13,176	56,743	16,797	
AISC per pound (\$/lb)	3.58	1.76	1.90	0.62	

Three months ended September 30, 2017					
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	53,062	4,787	7,511	16,594	
Pounds (000s)	116,982	10,554	16,559	36,583	
Production costs					241,381
Less: items included in the above					
Non-cash inventory					(237)
Royalties and other					(4,308)
					236,836
Deduct: By-product credits					(125,375)
Add: Treatment and refining charges					55,688
Cash cost	137,278	6,623	12,344	10,904	167,149
Cash cost per pound (\$/lb)	1.17	0.63	0.75	0.30	
Add: Sustaining capital expenditure & exploration					
	100,014	2,494	9,794	8,987	
Royalties	-	2,307	1,175	-	
Accretion	1,039	262	157	92	
Leases & other	-	-	640	248	
All-in sustaining cost	238,331	11,686	24,110	20,231	
AISC per pound (\$/lb)	2.04	1.11	1.46	0.55	

1. Sustaining exploration is incurred to further define existing producing ore bodies in order to sustain current operations. Sustaining capital expenditure, as reported in AISC, is presented on an accrual basis and excludes capitalized interest.

Nine months ended September 30, 2018

Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	100,161	11,222	34,029	42,447	
Pounds (000s)	220,817	24,740	75,021	93,580	
Production costs					723,494
Less: items included in the above					
Non-cash inventory					(744)
Royalties and other					(19,669)
					703,081
Deduct: By-product credits					(300,875)
Add: Treatment and refining charges					118,146
Cash cost	373,302	18,611	91,247	37,192	520,352
Cash cost per pound (\$/lb)	1.69	0.75	1.22	0.40	
Add: Sustaining capital expenditure & exploration ⁽¹⁾	315,396	8,770	31,357	25,430	
Royalties	-	11,069	6,650	-	
Accretion	2,990	789	387	372	
Leases & other	-	-	-	706	
All-in sustaining cost	691,688	39,239	129,641	63,700	
AISC per pound (\$/lb)	3.13	1.59	1.73	0.68	

Nine months ended September 30, 2017

Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	140,967	15,678	24,336	48,789	
Pounds (000s)	310,779	34,564	53,652	107,561	
Production cost					664,961
Less: items included in the above					
Non-cash inventory					341
Royalties and other					(12,821)
					652,481
Deduct: By-product credits					(340,475)
Add: Treatment and refining charges					169,597
Cash cost	364,151	30,234	51,182	36,036	481,603
Cash cost per pound (\$/lb)	1.17	0.87	0.95	0.34	
Add: Sustaining capital expenditure & exploration	207,218	5,626	24,559	24,523	
Royalties	-	7,784	3,765	-	
Accretion	2,661	972	446	261	
Leases & other	-	-	1,283	929	
All-in sustaining cost	574,030	44,616	81,235	61,749	
AISC per pound (\$/lb)	1.85	1.29	1.51	0.57	

1. Sustaining exploration is incurred to further define existing producing ore bodies in order to sustain current operations. Sustaining capital expenditure, as reported in AISC, is presented on an accrual basis and excludes capitalized interest.

Managing Risks

Risks and Uncertainties

The operations of Lundin Mining involve certain key risks, including but not limited to fluctuations in commodity prices, foreign exchange rates and other risks as discussed in this document. For a complete discussion on risks, refer to the “Risks and Uncertainties” section of the Company’s most recently filed Annual Information Form.

Outstanding Share Data

As at October 24, 2018, the Company has 733,493,179 common shares issued and outstanding, and 11,686,870 stock options and 2,448,320 share units outstanding under the Company's incentive plans.

Management’s Report on Internal Controls

Disclosure controls and procedures

Disclosure controls and procedures (“DCP”) have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures.

Internal control over financial reporting

The Company’s internal control over financial reporting (“ICFR”) is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud. Management will continue to monitor the effectiveness of its ICFR and may make modifications from time to time as considered necessary.

Control Framework

Management assesses the effectiveness of the Company’s internal control over financial reporting using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (‘COSO’).

Changes in internal control over financial reporting

There have been no changes in the Company’s internal control over financial reporting during the three month period ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Other Information

Additional information regarding the Company is included in the Company’s Annual Information Form (“AIF”) which is filed with the Canadian securities regulators. A copy of the Company’s AIF can be obtained on SEDAR (www.sedar.com) or on the Company’s website (www.lundinmining.com).

For further information, please contact:

Mark Turner, *Director, Business Valuations and Investor Relations*: +1-416-342-5565,
mark.turner@lundinmining.com

Robert Eriksson, *Investor Relations - Sweden*: +46-(0)8-440-54-50, robert.eriksson@lundinmining.com