# Management's Discussion and Analysis
# For the three and nine months ended September 30, 2019

This management's discussion and analysis ("MD&A") has been prepared as of October 23, 2019 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2019. 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, BRL is to Brazilian reais, € refers to euros, and SEK is to Swedish kronor.

**About Lundin Mining**

Lundin Mining Corporation ("Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations in Brazil, Chile, Portugal, Sweden, and the United States of America, 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.

## Table of Contents


Highlights ..... 1
Financial Position ..... 3
Outlook ..... 4
Selected Quarterly Financial Information ..... 5
Revenue Overview ..... 6
Financial Results ..... 9
Mining Operations ..... 11
- Production Overview ..... 11
- Cash Cost Overview ..... 12
- Capital Expenditures ..... 13
- Candelaria ..... 14
- Chapada ..... 16
- Eagle Mine ..... 17
- Neves-Corvo Mine ..... 18
- Zinkgruvan Mine ..... 20

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges ..... 21
Liquidity and Financial Condition ..... 22
Related Party Transactions ..... 23
Changes in Accounting Policies and Critical Accounting Estimates and Judgments ..... 23
Non-GAAP Performance Measures ..... 24
Managing Risks ..... 28
Outstanding Share Data ..... 28
Management's Report on Internal Controls ..... 28

## Cautionary Statement on Forward-Looking Information

*Certain of the statements made and information contained herein is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts included in this document constitute forward-looking information, including but not limited to statements regarding the Company's plans, prospects and business strategies; the Company's guidance on the timing and amount of future production and its expectations regarding the results of operations; expected costs; permitting requirements and timelines; timing and possible outcome of pending litigation; the results of any Preliminary Economic Assessment, Feasibility Study, or Mineral Resource and Mineral Reserve estimations, life of mine estimates, and mine and mine closure plans; anticipated market prices of metals, currency exchange rates, and interest rates; the development and implementation of the Company's Responsible Mining Management System; the Company's ability to comply with contractual and permitting or other regulatory requirements; anticipated exploration and development activities at the Company's projects; and the Company's integration of acquisitions (such as the Chapada mine) and any anticipated benefits thereof. Words such as "believe", "expect", "anticipate", "contemplate", "target", "plan", "goal", "aim", "intend", "continue", "budget", "estimate", "may", "will", "can", "could", "should", "schedule" and similar expressions identify forward-looking statements.*

*Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management, including that the Company can access financing, appropriate equipment and sufficient labour; assumed and future price of copper, nickel, zinc, gold and other metals; anticipated costs; ability to achieve goals; the prompt and effective integration of acquisitions; that the political environment in which the Company operates will continue to support the development and operation of mining projects; and assumptions related to the factors set forth below. While these factors and assumptions are considered reasonable by Lundin Mining as at the date of this document in light of management's experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information. Such factors include, but are not limited to: risks inherent in and/or associated with operating in foreign countries; uncertain political and economic environments; community activism, shareholder activism and risks related to negative publicity with respect to the Company or the mining industry in general; changes in laws, regulations or policies including but not limited to those related to permitting and approvals, environmental and tailings management, labour, trade relations, and transportation; delays or the inability to obtain necessary governmental approvals and/or permits; regulatory investigations, enforcement, sanctions and/or related or other litigation; risks associated with business arrangements and partners over which the Company does not have full control; risks associated with acquisitions and related integration efforts (including with respect to the Chapada mine), including the ability to achieve anticipated benefits, unanticipated difficulties or expenditures relating to integration and diversion of management time on integration; competition; development or mining results not being consistent with the Company's expectations; estimates of future production and operations; operating, cash and all-in sustaining cost estimates; allocation of resources and capital; litigation; uninsurable risks; volatility and fluctuations in metal and commodity prices; the estimation of asset carrying values; funding requirements and availability of financing; indebtedness; foreign currency fluctuations; interest rate volatility; changes in the Company's share price, and equity markets, in general; changing taxation regimes; counterparty and credit risks; health and safety risks; risks related to the environmental impact of the Company's operations and products and management thereof; unavailable or inaccessible infrastructure and risks related to ageing infrastructure; risks inherent in mining including but not limited to risks to the environment, industrial accidents, catastrophic equipment failures, unusual or unexpected geological formations or unstable ground conditions; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; ore processing efficiency; risks relating to attracting and retaining of highly skilled employees; ability to retain key personnel; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; the price and availability of energy and key operating supplies or services; the inherent uncertainty of exploration and development, and the potential for unexpected costs and expenses including, without limitation, for mine closure and reclamation at current and historical operations; risks associated with the estimation of Mineral Resources and Mineral Reserves and the geology, grade and continuity of mineral deposits including but not limited to models relating thereto; actual ore mined and/or metal recoveries varying from Mineral Resource and Mineral Reserve estimates; mine plans, and life of mine estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; natural phenomena such as earthquakes, flooding, and unusually severe weather; potential for the allegation of fraud and corruption involving the Company, its customers, suppliers or employees, or the allegation of improper or discriminatory employment practices, or human rights violations; security at the Company's operations; breach or compromise of key information technology systems; materially increased or unanticipated reclamation obligations; risks related to mine closure activities; risks related to closed and historical sites; title risk and the potential of undetected encumbrances; risks associated with the structural stability of waste rock dumps or tailings storage facilities; and other risks and uncertainties, including but not limited to those described in the "Risk and Uncertainties" section of the Annual Information Form for the year ended December 31, 2018 and the "Managing Risks" section of the Company's MD&A for the year ended December 31, 2018, which are available on SEDAR at www.sedar.com under the Company's profile. All of the forward-looking statements made in this document are qualified by these cautionary statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, forecast or intended and readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. 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 information. Accordingly, there can be no assurance that forward-looking information will prove to be accurate and forward-looking information is not a guarantee of future performance. Readers are advised not to place undue reliance on forward-looking information. The forward-looking information contained herein speaks only as of the date of this document. The Company disclaims any intention or obligation to update or revise forward-looking information or to explain any material difference between such and subsequent actual events, except as required by applicable law.*

# Highlights

## Operational Performance

Operations performed well in the quarter with production in-line with expectations. The Company remains on track to meet annual guidance and has lowered cash cost guidance for both Neves-Corvo and Chapada. Furthermore, several significant project milestones were achieved in the third quarter. Candelaria South Sector project was successfully completed and the Eagle East project reached first ore.

***Candelaria (80% owned):*** Candelaria produced 40,698 tonnes of copper, and approximately 24,000 ounces of gold and 355,000 ounces of silver in concentrate on a 100% basis. Copper production in the quarter was higher than the prior year comparable quarter as well as the second quarter of 2019, primarily due to improved copper head grades as more ore was sourced directly from the open pit and less from stockpiles. Copper cash costs[1] of $1.39/lb for the quarter were better than the prior year comparable quarter and the previous quarter owing to improved per unit operating costs, as well as the impact of favourable foreign exchange.

The Candelaria South Sector underground mine was successfully transferred to operations in the quarter, ahead of schedule. Mine production from the Candelaria North and South Sector underground mines is ramping up to an average of 14,000 tonnes per day.

***Chapada (100% owned):*** Acquisition of the Chapada copper-gold mine in Brazil was completed on July 5, 2019. Cash consideration paid was $757.0 million, net of cash held in the acquired operations and working capital adjustments which amounted to $43.0 million.

During the period of Lundin Mining's ownership, Chapada produced 17,645 tonnes of copper and approximately 34,000 ounces of gold and 81,000 ounces of silver. Copper cash costs of $0.35/lb were better than expected with lower operating costs, favourable exchange rate and higher precious metal credits. Cash cost guidance for the second half of 2019 has been lowered to $0.80/lb to reflect this better than expected performance.

***Eagle (100% owned):*** Eagle produced 3,232 tonnes of nickel and 3,042 tonnes of copper during the quarter, in-line with expectations and well positioned to meet annual guidance. Although gross operating costs were lower and better than plan, nickel cash costs of $3.25/lb for the quarter were higher than the prior year quarter and the second quarter of 2019 due to lower sales volumes of nickel and copper. Cash costs remain on track to meet annual guidance of $2.60/lb.

Development of Eagle East reached an important milestone with first ore extracted at the end of September, ahead of budget and schedule. First Eagle East ore was fed to the mill on October 1, 2019.

***Neves-Corvo (100% owned):*** Neves-Corvo produced 12,055 tonnes of copper and 18,232 tonnes of zinc for the quarter. Copper production was higher than the prior year comparable quarter and each of the first two quarters of 2019, benefitting from improved recoveries. Zinc production was generally in-line with both the prior year comparable period and the second quarter 2019. With lower than expected gross operating costs in the quarter, copper cash cost guidance has been lowered to $1.60/lb from $1.70/lb.

The Zinc Expansion Project ("ZEP") has advanced in accordance with the revised schedule and budget for the phased start-up strategy and production during 2020. Construction progress focused on mechanical and electrical installation of the underground crusher and materials handling system, plant infrastructure and a new paste tailings thickener.

***Zinkgruvan (100% owned):*** Zinc production of 16,796 tonnes was lower than the prior year quarter and second quarter of 2019 due to ore availability and lower mill throughput, but remains on track to meet full year guidance. Lead production of 6,291 tonnes was better than both the prior year comparable period and the previous quarter owing to improved grades and recoveries. Zinc cash costs of $0.42/lb in the third quarter were higher than the prior year comparable period largely owing to higher zinc treatment and refining charges; however, annual zinc cash cost guidance remains unchanged at $0.40/lb.

[1] Cash cost per pound is a non-GAAP measure – see page 24 of this MD&A for discussion of non-GAAP measures.

**Total production**

| *(Contained metal in concentrate - tonnes)* | 2019 | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **YTD** | **Q3** | Q2 | Q1 | **Total** | Q4 | Q3 | Q2 | Q1 |
| Copper[a] | **168,367** | **74,560** | 47,685 | 46,122 | **199,630** | 48,206 | 52,770 | 51,098 | 47,556 |
| Zinc | **112,590** | **35,028** | 37,116 | 40,446 | **152,041** | 42,024 | 36,062 | 37,075 | 36,880 |
| Nickel | **10,843** | **3,232** | 3,398 | 4,213 | **17,573** | 3,501 | 4,697 | 4,234 | 5,141 |

a - Copper production includes results from Chapada for the period of Lundin Mining's ownership, as well as Candelaria's production on a 100% basis.

## Financial Performance

- Gross profit for the quarter ended September 30, 2019 was $128.6 million, an increase of $69.0 million compared to the $59.6 million reported in the third quarter of the prior year. The increase was primarily due to the addition of Chapada mine during the current quarter ($47.9 million). The impact of higher copper and precious metals sales volumes ($20.2 million) and higher realized metal prices net of price adjustments ($14.6 million), primarily attributable to nickel, was partially offset by higher depreciation expense at Candelaria ($25.6 million).

  On a year-to-date basis, gross profit was $294.9 million, a decrease of $69.7 million from the $364.6 million reported in the prior year comparative period. The decrease was primarily due to lower metal prices and price adjustments ($67.5 million), higher depreciation ($44.8 million) and higher zinc treatment and refining charges ($12.5 million). This was partially offset by the addition of Chapada mine which contributed $47.9 million to gross profit since acquisition.

- Net earnings for the quarter ended September 30, 2019 were $32.1 million, an increase of $23.0 million from net earnings of $9.1 million reported in the prior year quarter. The increase was attributable to higher gross profit, partially offset by higher income taxes ($34.0 million).

  On a year-to-date basis, net earnings were $84.4 million, a decrease of $99.3 million from the $183.7 million reported in the prior year comparative period. The decrease was attributable to lower gross profit for reasons as noted above, and lower income from the equity investment in Freeport Cobalt ($33.7 million), partially offset by lower income taxes ($10.6 million).

- Net debt[1] as at September 30, 2019 was $185.0 million, a change of $989.4 million compared to net cash of $804.4 million at December 31, 2018. The movement from a net cash to a net debt position was largely attributed to the acquisition of Chapada ($757.0 million), cash used for capital investments exceeding operating cash flow in the current year of approximately $147.5 million and $49.7 million in dividend payments.

## Corporate Highlights

- On July 5, 2019, the Company announced the closing of the acquisition of a 100% ownership stake in Mineração Maracá Indústria e Comércio SA, which owns the Chapada copper-gold mine located in Brazil from Yamana Gold Inc.

  The net purchase price of $757.0 million was funded by cash on hand and a drawdown of $285.0 million on the Company's revolving credit facility.

- On August 28, 2019, the Company announced that it had executed a third amended and restated credit agreement that increases its secured revolving credit facility (the "Credit Facility") to $800.0 million, with a $200.0 million accordion option to total $1.0 billion, reduces the cost of borrowing, and extends the term to August 2023, from October 2022.

[1] Net (debt) cash is a non-GAAP measure – see page 24 of this MD&A for discussion of non-GAAP measures.

- On September 5, 2019, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2019. On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totalled 5,507 thousand tonnes of copper, including 1,800 thousand tonnes from Chapada, 3,231 thousand tonnes of zinc, 108 thousand tonnes of nickel, 977 thousand tonnes of lead and 6.8 million ounces of gold.
- During the third quarter of 2019, the Company purchased over 1.3 million shares under the existing normal course issuer bid ("NCIB"). On a year-to-date basis, nearly 2.6 million shares have been purchased. All shares purchased under the NCIB were cancelled.

## Financial Position

- Cash and cash equivalents of $184.6 million as at September 30, 2019 has decreased from the $735.1 million reported in the second quarter of 2019 and the $815.4 million reported at December 31, 2018.
- The Company ended the third quarter of 2019 with a net debt balance of $185.0 million, compared to net cash positions of $661.1 million at June 30, 2019 and $804.4 million at December 31, 2018.
- During the quarter ended September 30, 2019, the Company acquired the Chapada copper-gold mine for net cash consideration of $757.0 million. The purchase price of $800.0 million at the date of acquisition was paid using cash on hand of $515.0 million and a $285.0 million drawdown on the revolving credit facility. Offsetting this was cash held in the acquired operations and working capital adjustments totalling $43.0 million.
- For the quarter ended September 30, 2019, cash and cash equivalents decreased by $550.5 million, a reduction of $507.9 million in comparison to the prior year quarter's decline in cash and cash equivalents of $42.6 million. The decrease was largely due to the net impact of the acquisition of Chapada ($472.0 million), a comparative change in non-cash working capital ($100.7 million), partially offset by higher gross profit before depreciation.

  On a year-to-date basis, cash and cash equivalents decreased by $630.9 million compared with the reduction of $97.1 million in the prior year. The incremental decrease in the current period was largely due to the net cash impact of the acquisition of Chapada ($472.0 million), a comparative change in non-cash working capital ($26.3 million) and lower gross profit before depreciation.

  As of October 23, 2019, the Company had a cash and net debt balance of approximately $167 million and $192 million, respectively.

## Outlook

### 2019 Production and Cash Cost

Production and cash cost guidance for 2019 has been improved from that disclosed in the Management's Discussion and Analysis for the three and six months ended June 30, 2019. Cash cost guidance has been lowered for Chapada and Neves-Corvo, reflecting lower operating costs as well as higher by-product credits at Chapada. The production guidance range has been tightened, with the lower end of the range being increased for both copper and zinc.

Since October 18, 2019, Chile has experienced widespread civil unrest that started in Santiago and has spread to other regions including Atacama. Candelaria operations continue with a focus on maintaining the safety and security of our employees, as well as the environment and our facilities. To the date of this report, there has been no material impact on our operations. However, the situation continues to evolve and further negative developments could materially impact the operations of Candelaria.

| **2019 Guidance** (contained tonnes) | | **Previous Guidance**[a] **Tonnes** | **C1 Cost** | **Revised Guidance**[b] **Tonnes** | **C1 Cost** |
|---|---|---|---|---|---|
| **Copper** | Candelaria (100%) | *145,000 - 155,000* | *$1.60/lb* | *145,000 - 155,000* | *$1.60/lb* |
| | Chapada[c] | *27,000 - 30,000* | *$1.10/lb* | *27,000 - 30,000* | ***$0.80/lb***[d] |
| | Eagle | *12,000 - 15,000* | | ***13,000 - 15,000*** | |
| | Neves-Corvo | *38,000 - 42,000* | *1.70/lb* | ***40,000 - 42,000*** | ***1.60/lb*** |
| | Zinkgruvan | *2,000 - 3,000* | | *2,000 - 3,000* | |
| | Total | *224,000 - 245,000* | | ***227,000 - 245,000*** | |
| **Zinc** | Neves-Corvo | *71,000 - 76,000* | | ***73,000 - 76,000*** | |
| | Zinkgruvan | *76,000 - 81,000* | *$0.40/lb* | *76,000 - 81,000* | *$0.40/lb* |
| | Total | *147,000 - 157,000* | | ***149,000 - 157,000*** | |
| **Nickel** | Eagle | *12,000 - 14,000* | *$2.60/lb* | *12,000 - 14,000* | *$2.60/lb* |

a. Guidance as outlined in the Management's Discussion and Analysis for the three and six months ended June 30, 2019.
b. Cash costs are based on various assumptions and estimates, including but not limited to; production volumes, as noted above, commodity prices (Cu: $2.60/lb, Zn: $1.05/lb, Ni: $7.50/lb, Pb: $0.90/lb, Au: $1,450/oz.), foreign exchange rates (€/USD:1.15, USD/SEK:9.50, USD/CLP:700, USD/BRL:3.95) and operating costs, for the remainder of 2019.
c. Chapada is expected to produce 50,000 to 55,000 ounces of gold under Lundin Mining's ownership period.
d. Chapada cash costs are calculated on a by-product basis and do not include the effects of copper stream agreements. Effects of copper stream agreements are reflected in copper revenue and will impact realized revenue per pound.

### 2019 Capital Expenditure Guidance

Total capital expenditures for 2019 , excluding capitalized interest, remains unchanged at $695 million.

| **2019 Guidance**[a] | **$ millions** |
|---|---|
| Candelaria Sustaining (100% basis) | *375* |
| Chapada Sustaining | *25* |
| Eagle Sustaining | *15* |
| Neves-Corvo Sustaining | *65* |
| Zinkgruvan Sustaining | *45* |
| **Total Sustaining Capital** | ***525*** |
| Eagle East | *30* |
| ZEP (Neves-Corvo) | *140* |
| **Total Expansionary Capital** | ***170*** |
| **Total Capital Expenditures** | ***695*** |

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2019.

### 2019 Exploration Investment Guidance

Exploration expenditures are expected to be $60 million, $10 million lower than previously guided. This reflects the conclusion of the regional exploration drilling program at Eagle and reduced drilling metres at Zinkgruvan.

## Selected Quarterly Financial Information[1]

| ($ millions, except share and per share amounts) | Three months ended September 30, 2019 | Three months ended September 30, 2018 | Nine months ended September 30, 2019 | Nine months ended September 30, 2018 |
|---|---|---|---|---|
| **Revenue** | **538.7** | 379.7 | **1,324.4** | 1,317.8 |
| Cost of goods sold: | | | | |
| Production costs | **(293.9)** | (240.0) | **(754.8)** | (723.4) |
| Depreciation, depletion and amortization | **(116.2)** | (80.1) | **(274.6)** | (229.8) |
| **Gross profit** | **128.6** | 59.6 | **294.9** | 364.6 |
| **Net earnings attributable to:** Lundin Mining shareholders | **26.4** | 7.0 | **70.2** | 167.1 |
| Non-controlling interests | **5.7** | 2.1 | **14.1** | 16.6 |
| **Net earnings** | **32.1** | 9.1 | **84.4** | 183.7 |
| **Cash flow from operations** | **111.6** | 140.9 | **378.2** | 432.1 |
| **Capital expenditures (including capitalized interest)**[2] | **165.0** | 173.7 | **525.7** | 517.7 |
| **Total assets** | **6,842.3** | 6,289.4 | **6,842.3** | 6,289.4 |
| **Total debt & lease liabilities** | **367.5** | 429.4 | **367.5** | 429.4 |
| **Net (debt) cash** | **(185.0)** | 1,031.7 | **(185.0)** | 1,031.7 |
| **Key Financial Data:** | | | | |
| Basic and diluted earnings per share ('EPS') attributable to shareholders | **0.04** | 0.01 | **0.10** | 0.23 |
| Operating cash flow per share[3] | **0.21** | 0.11 | **0.47** | 0.51 |
| Dividends declared (C$/share) | **0.03** | 0.03 | **0.09** | 0.09 |

## Summary of Quarterly Results[4]

| ($ millions, except per share data) | Q3-19 | Q2-19 | Q1-19 | Q4-18 | Q3-18 | Q2-18 | Q1-18 | Q4-17 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | 538.7 | 369.3 | 416.4 | 407.7 | 379.7 | 467.7 | 470.5 | 533.3 |
| **Cost of goods sold** | (410.1) | (344.1) | (275.2) | (335.7) | (320.1) | (312.6) | (320.6) | (280.7) |
| **Gross profit** | 128.6 | 25.1 | 141.2 | 72.0 | 59.6 | 155.1 | 149.9 | 252.6 |
| **Net earnings (loss)** | 32.1 | (8.6) | 60.9 | 31.8 | 9.1 | 87.5 | 87.1 | 154.0 |
| **- attributable to shareholders** | 26.4 | (7.8) | 51.7 | 28.8 | 7.0 | 78.8 | 81.3 | 133.0 |
| **EPS** - Basic and diluted | 0.04 | (0.01) | 0.07 | 0.04 | 0.01 | 0.11 | 0.11 | 0.18 |
| **Cash flow from operations** | 111.6 | 204.5 | 62.1 | 44.2 | 140.9 | 118.3 | 172.9 | 230.1 |
| **Capital expenditures (cash basis)** | 165.0 | 178.7 | 182.0 | 234.1 | 173.7 | 193.2 | 150.7 | 197.9 |

1. Except where otherwise noted, financial data has been prepared in accordance with IFRS as issued by the IASB. Upon the adoption of new standards, the Company has elected not to restate comparative periods presented.
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 24 of this MD&A for discussion of non-GAAP measures.
4. The sum of quarterly amounts may differ from year-to-date results due to rounding.

## Revenue Overview

### Sales Volumes by Payable Metal

| (Contained metal in concentrate) | 2019 Total | 2019 Q3 | 2019 Q2 | 2019 Q1 | 2018 Total | 2018 Q4 | 2018 Q3 | 2018 Q2 | 2018 Q1 |
|---|---|---|---|---|---|---|---|---|---|
| **Copper (tonnes)** | | | | | | | | | |
| Candelaria (100%) | **104,487** | **42,276** | 31,138 | 31,073 | 132,626 | 32,465 | 32,832 | 34,542 | 32,787 |
| Chapada[1] | **13,757** | **13,757** | - | - | - | - | - | - | - |
| Eagle | **9,948** | **2,615** | 4,286 | 3,047 | 16,480 | 3,987 | 4,678 | 3,295 | 4,520 |
| Neves-Corvo | **29,941** | **12,343** | 9,888 | 7,710 | 44,729 | 10,700 | 13,525 | 11,371 | 9,133 |
| Zinkgruvan | **1,894** | **981** | 913 | - | 1,385 | 18 | 495 | 872 | - |
| | **160,027** | **71,972** | 46,225 | 41,830 | 195,220 | 47,170 | 51,530 | 50,080 | 46,440 |
| **Zinc (tonnes)** | | | | | | | | | |
| Neves-Corvo | **44,430** | **14,567** | 14,466 | 15,397 | 61,150 | 15,492 | 16,434 | 15,746 | 13,478 |
| Zinkgruvan | **48,149** | **12,657** | 19,466 | 16,026 | 62,922 | 20,475 | 12,288 | 13,565 | 16,594 |
| | **92,579** | **27,224** | 33,932 | 31,423 | 124,072 | 35,967 | 28,722 | 29,311 | 30,072 |
| **Nickel (tonnes)** | | | | | | | | | |
| Eagle | **7,515** | **1,889** | 3,935 | 1,691 | 15,151 | 3,929 | 3,400 | 2,755 | 5,067 |
| **Gold (000 oz)** | | | | | | | | | |
| Candelaria (100%) | **63** | **25** | 19 | 19 | 76 | 20 | 19 | 19 | 18 |
| Chapada[1] | **27** | **27** | - | - | - | - | - | - | - |
| | **90** | **52** | 19 | 19 | 76 | 20 | 19 | 19 | 18 |
| **Lead (tonnes)** | | | | | | | | | |
| Neves-Corvo | **3,381** | **792** | 1,313 | 1,276 | 5,577 | 1,243 | 1,420 | 1,732 | 1,182 |
| Zinkgruvan | **14,357** | **4,684** | 5,799 | 3,874 | 23,097 | 9,430 | 5,544 | 3,036 | 5,087 |
| | **17,738** | **5,476** | 7,112 | 5,150 | 28,674 | 10,673 | 6,964 | 4,768 | 6,269 |
| **Silver (000 oz)** | | | | | | | | | |
| Candelaria (100%) | **877** | **342** | 252 | 283 | 1,103 | 289 | 284 | 264 | 266 |
| Chapada[1] | **52** | **52** | - | - | - | - | - | - | - |
| Eagle | **60** | **22** | 25 | 13 | 72 | 16 | 27 | 10 | 19 |
| Neves-Corvo | **612** | **185** | 201 | 226 | 871 | 307 | 190 | 215 | 159 |
| Zinkgruvan | **1,023** | **335** | 460 | 228 | 1,401 | 529 | 341 | 295 | 236 |
| | **2,624** | **936** | 938 | 750 | 3,447 | 1,141 | 842 | 784 | 680 |

1. Production results are for the period of Lundin Mining's ownership.

## Revenue Analysis[1]

| by Mine | Three months ended September 30, 2019 | | 2018 | | Change | Nine months ended September 30, 2019 | | 2018 | | Change |
|---|---|---|---|---|---|---|---|---|---|---|
| ($ thousands) | $ | % | $ | % | $ | $ | % | $ | % | $ |
| Candelaria (100%) | **249,930** | 46 | 176,511 | 46 | 73,419 | **661,268** | 50 | 638,338 | 48 | 22,930 |
| Chapada | **114,867** | 21 | - | - | 114,867 | **114,867** | 9 | - | - | 114,867 |
| Eagle | **53,717** | 10 | 59,084 | 16 | (5,367) | **159,337** | 12 | 214,949 | 16 | (55,612) |
| Neves-Corvo | **86,009** | 16 | 104,730 | 28 | (18,721) | **248,675** | 19 | 313,204 | 24 | (64,529) |
| Zinkgruvan | **34,192** | 7 | 39,384 | 10 | (5,192) | **140,203** | 10 | 151,357 | 12 | (11,154) |
| | **538,715** | | 379,709 | | 159,006 | **1,324,350** | | 1,317,848 | | 6,502 |

| by Metal | Three months ended September 30, 2019 | | 2018 | | Change | Nine months ended September 30, 2019 | | 2018 | | Change |
|---|---|---|---|---|---|---|---|---|---|---|
| ($ thousands) | $ | % | $ | % | $ | $ | % | $ | % | $ |
| Copper | **366,077** | 68 | 264,366 | 70 | 101,711 | **859,120** | 65 | 848,915 | 64 | 10,205 |
| Zinc | **44,119** | 8 | 55,297 | 15 | (11,178) | **186,472** | 14 | 215,917 | 16 | (29,445) |
| Nickel | **39,175** | 7 | 28,503 | 8 | 10,672 | **98,352** | 7 | 122,287 | 9 | (23,935) |
| Gold | **68,161** | 13 | 9,402 | 2 | 58,759 | **114,622** | 9 | 53,545 | 4 | 61,077 |
| Lead | **10,842** | 2 | 12,861 | 3 | (2,019) | **33,045** | 2 | 39,260 | 3 | (6,215) |
| Silver | **7,868** | 2 | 4,808 | 1 | 3,060 | **24,665** | 2 | 20,707 | 2 | 3,958 |
| Other | **2,473** | - | 4,472 | 1 | (1,999) | **8,074** | 1 | 17,217 | 2 | (9,143) |
| | **538,715** | | 379,709 | | 159,006 | **1,324,350** | | 1,317,848 | | 6,502 |

1. Chapada's revenue is for the period of Lundin Mining's ownership.

Revenue for the quarter ended September 30, 2019 increased in comparison to the third quarter of the prior year. The increase was mainly due to the acquisition of Chapada mine in the quarter ($114.9 million) as well as higher copper sales volumes ($32.6 million) primarily at Candelaria, and higher realized metal prices net of price adjustments ($14.6 million), mainly attributable to nickel.

On a year-to-date basis, revenue was in-line with the prior year period. The increase in revenue from the addition of the Chapada mine ($114.9 million) was offset by lower realized metal prices, net of price adjustments ($67.5 million) and lower nickel sales volumes ($40.4 million), as well as higher zinc treatment and refining charges ($12.5 million).

Revenue from gold and silver for the three and nine months ended September 30, 2019 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 $408/oz for gold and between $4.08/oz and $4.39/oz for silver.

Revenue from copper for the three months ended September 30, 2019 includes the recognition of deferred revenue from the copper streams acquired with the Chapada mine, as well as the cash proceeds of 30% of the market price of copper sold.

## Provisionally valued revenue as of September 30, 2019

| Metal | Tonnes Payable | Valued at $ per lb | Valued at $ per tonne |
|---|---|---|---|
| Copper | 64,048 | 2.60 | 5,734 |
| Zinc | 26,115 | 1.09 | 2,412 |
| Nickel | 2,664 | 7.77 | 17,140 |

## Quarterly Reconciliation of Realized Prices

| | Three months ended September 30, 2019 | | | | Three months ended September 30, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| ($ thousands) | Copper | Zinc | Nickel | Total | Copper | Zinc | Nickel | Total |
| Current period sales[1] | 412,419 | 65,332 | 32,356 | 510,107 | 319,450 | 73,998 | 43,081 | 436,529 |
| Prior period price adjustments | (13,263) | (4,230) | 12,340 | (5,153) | (27,248) | (7,021) | (3,633) | (37,902) |
| | 399,156 | 61,102 | 44,696 | 504,954 | 292,202 | 66,977 | 39,448 | 398,627 |
| Other metal sales | | | | 92,144 | | | | 32,482 |
| Copper stream cash effect | | | | (1,047) | | | | - |
| Less: Treatment & refining charges | | | | (57,336) | | | | (51,400) |
| **Total Revenue** | | | | **538,715** | | | | **379,709** |
| **Payable Metal (tonnes)** | **71,972** | **27,224** | **1,889** | | **51,530** | **28,722** | **3,400** | |
| Current period sales ($/lb)[1] | $2.60 | $1.09 | $7.77 | | $2.81 | $1.17 | $5.75 | |
| Prior period adjustments ($/lb) | (0.08) | (0.07) | 2.96 | | (0.24) | (0.11) | (0.49) | |
| **Realized prices ($/lb)** | **$2.52** | **$1.02** | **$10.73** | | **$2.57** | **$1.06** | **$5.26** | |

1. Includes provisional price adjustments on current period sales.

## Year-to-Date Reconciliation of Realized Prices

| | Nine months ended September 30, 2019 | | | | Nine months ended September 30, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| ($ thousands) | Copper | Zinc | Nickel | Total | Copper | Zinc | Nickel | Total |
| Current period sales[1] | 925,447 | 235,665 | 111,644 | 1,272,756 | 947,290 | 258,224 | 152,125 | 1,357,639 |
| Prior period price adjustments | 10,856 | 774 | 13,365 | 24,995 | (20,364) | (6,245) | 1,273 | (25,336) |
| | 936,303 | 236,439 | 125,009 | 1,297,751 | 926,926 | 251,979 | 153,398 | 1,332,303 |
| Other metal sales | | | | 185,648 | | | | 133,168 |
| Copper stream cash effect | | | | (1,047) | | | | - |
| Less: Treatment & refining charges | | | | (158,002) | | | | (147,623) |
| **Total Revenue** | | | | **1,324,350** | | | | **1,317,848** |
| **Payable Metal (tonnes)** | **160,027** | **92,579** | **7,515** | | **148,050** | **88,105** | **11,222** | |
| Current period sales ($/lb)[1] | $2.62 | $1.15 | $6.74 | | $2.90 | $1.33 | $6.15 | |
| Prior period adjustments ($/lb) | 0.03 | 0.01 | 0.81 | | (0.06) | (0.03) | 0.05 | |
| **Realized prices ($/lb)** | **$2.65** | **$1.16** | **$7.55** | | **$2.84** | **$1.30** | **$6.20** | |

1. Includes provisional price adjustments on current period sales.

## Financial Results

### Production Costs

Production costs for the quarter ended September 30, 2019 were $293.9 million, $53.9 million higher than the third quarter of the prior year, primarily attributable to the inclusion of production costs from the Chapada mine in the current quarter ($49.7 million).

On a year-to-date basis, production costs were $754.8 million, an increase of $31.3 million in comparison to the nine months of 2018 ($723.5 million). The increase was largely due to the inclusion of Chapada mine production costs ($49.7 million), partially offset by lower nickel sales volumes ($22.0 million).

### Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased for the quarter and nine months ended September 30, 2019 when measured against the comparable periods in 2018. The increase was primarily attributable to increased amortization of deferred stripping at Candelaria as Phase 10 of the open pit has ramped up production, as well as the inclusion of Chapada. This was partially offset by a decrease in depreciation at Eagle and Neves-Corvo as a result of lower sales volumes.

| **Depreciation by operation** | **Three months ended September 30,** | | | **Nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ thousands) | **2019** | 2018 | Change | **2019** | 2018 | Change |
| Candelaria | **69,261** | 43,700 | 25,561 | **155,022** | 122,646 | 32,376 |
| Chapada | **17,299** | - | 17,299 | **17,299** | - | 17,299 |
| Eagle | **10,261** | 15,267 | (5,006) | **40,577** | 49,372 | (8,795) |
| Neves-Corvo | **12,908** | 15,352 | (2,444) | **38,306** | 38,591 | (285) |
| Zinkgruvan | **6,033** | 5,369 | 664 | **22,063** | 18,071 | 3,992 |
| Other | **441** | 378 | 63 | **1,333** | 1,115 | 218 |
| | **116,203** | 80,066 | 36,137 | **274,600** | 229,795 | 44,805 |

### Loss from Equity Investment in Associate

For the three months ended September 30, 2019 a loss from equity investment in associate of $0.9 million was recognized, compared to an income of $9.9 million in the prior year quarter. Year-to-date a loss of $11.5 million was recognized, due mainly to inventory revaluations as a result of lower cobalt prices in the first quarter of 2019.

### General Exploration and Business Development

General exploration and business development expenses for the three and nine months ended September 30, 2019 were $16.9 million and $59.6 million, respectively, a decrease against the prior year comparable periods by $7.4 million and $5.5 million, respectively. The lower expenditures reflect reduced exploration activities at Eagle.

### Finance Income and Costs

Net finance costs of $18.9 million for the three months ended September 30, 2019 reflect lower interest income when compared to net finance costs of $9.9 in the prior year comparable period. On a year-to-date basis, net finance cost is in-line with the prior year comparable period.

### Other Income and Expenses

Net other expenses for the nine months ended September 30, 2019 were $5.6 million, compared to net other income of $13.3 million in the prior year comparable period. The higher expense in the current period reflects negative revaluation of the derivative liability related to the acquisition of the Chapada mine ($16.0 million). Net other expense for the three months ended September 30, 2019 was comparable to the prior year quarter.

Foreign exchange gains and losses recorded in other income and expenses relate to working capital denominated in foreign currencies that were held by the Company. Period end exchange rates having a meaningful impact on foreign exchange recorded at September 30, 2019 were $1.00:CLP726 (June 30, 2019 - $1.00:CLP680; December 31, 2018 - $1.00:CLP695), $1.09:€1.00 (June 30, 2019 - $1.14:€1.00; December 31, 2018 - $1.15:€1.00), $1.00:BRL4.16 (June 30, 2019 - $1.00:BRL3.83) and $1.00:SEK9.80 (June 30, 2019 - $1.00:SEK9.27; December 31, 2018 - $1.00:SEK8.97).

## Income Taxes

**Income taxes by mine**

| **Income tax expense (recovery)** | **Three months ended September 30,** | | | **Nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ thousands) | **2019** | 2018 | Change | **2019** | 2018 | Change |
| Candelaria | **7,727** | (1,136) | 8,863 | **11,106** | 11,725 | (619) |
| Chapada | **26,981** | - | 26,981 | **26,981** | - | 26,981 |
| Eagle | **772** | - | 772 | **(1,137)** | 7,780 | (8,917) |
| Neves-Corvo | **193** | 2,090 | (1,897) | **(322)** | 22,731 | (23,053) |
| Zinkgruvan | **3,548** | 1,870 | 1,678 | **12,802** | 15,272 | (2,470) |
| Other | **6,536** | 8,892 | (2,356) | **22,004** | 24,521 | (2,517) |
| | **45,757** | 11,716 | 34,041 | **71,434** | 82,029 | (10,595) |

**Income taxes by classification**

| **Income tax expense** | **Three months ended September 30,** | | | **Nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ thousands) | **2019** | 2018 | Change | **2019** | 2018 | Change |
| Current income tax | **29,046** | 7,585 | 21,461 | **60,438** | 80,809 | (20,371) |
| Deferred income tax | **16,711** | 4,131 | 12,580 | **10,996** | 1,220 | 9,776 |
| | **45,757** | 11,716 | 34,041 | **71,434** | 82,029 | (10,595) |

Income tax expense for the three months ended September 30, 2019 was higher than the prior year comparable period due primarily to the acquisition of Chapada mine ($27.0 million), which includes the deferred tax impact of a weakening BRL on translation of non-monetary assets ($15.6 million). Income tax expense for the nine months ended September 30, 2019 was lower than the tax expense recorded in the prior year comparable period due to lower taxable earnings across all sites, partially offset by the increase in tax expense from Chapada.

# Mining Operations

## Production Overview

| (Contained metal in concentrate) | 2019 YTD | 2019 Q3 | 2019 Q2 | 2019 Q1 | 2018 Total | 2018 Q4 | 2018 Q3 | 2018 Q2 | 2018 Q1 |
|---|---|---|---|---|---|---|---|---|---|
| **Copper (tonnes)** | | | | | | | | | |
| Candelaria (100%) | **107,109** | **40,698** | 33,633 | 32,778 | 134,578 | 33,011 | 35,323 | 34,397 | 31,847 |
| Chapada[1] | **17,645** | **17,645** | - | - | - | - | - | - | - |
| Eagle | **10,671** | **3,042** | 3,732 | 3,897 | 17,974 | 3,908 | 5,178 | 4,115 | 4,773 |
| Neves-Corvo | **30,538** | **12,055** | 9,615 | 8,868 | 45,692 | 11,287 | 11,746 | 11,899 | 10,760 |
| Zinkgruvan | **2,404** | **1,120** | 705 | 579 | 1,386 | - | 523 | 687 | 176 |
| | **168,367** | **74,560** | 47,685 | 46,122 | 199,630 | 48,206 | 52,770 | 51,098 | 47,556 |
| **Zinc (tonnes)** | | | | | | | | | |
| Neves-Corvo | **55,256** | **18,232** | 18,251 | 18,773 | 75,435 | 18,465 | 18,905 | 20,230 | 17,835 |
| Zinkgruvan | **57,334** | **16,796** | 18,865 | 21,673 | 76,606 | 23,559 | 17,157 | 16,845 | 19,045 |
| | **112,590** | **35,028** | 37,116 | 40,446 | 152,041 | 42,024 | 36,062 | 37,075 | 36,880 |
| **Nickel (tonnes)** | | | | | | | | | |
| Eagle | **10,843** | **3,232** | 3,398 | 4,213 | 17,573 | 3,501 | 4,697 | 4,234 | 5,141 |
| **Gold (000 oz)** | | | | | | | | | |
| Candelaria (100%) | **65** | **24** | 21 | 20 | 78 | 21 | 20 | 20 | 17 |
| Chapada[1] | **34** | **34** | - | - | - | - | - | - | - |
| | **99** | **58** | 21 | 20 | 78 | 21 | 20 | 20 | 17 |
| **Lead (tonnes)** | | | | | | | | | |
| Neves-Corvo | **4,109** | **1,106** | 1,350 | 1,653 | 6,571 | 1,418 | 1,524 | 1,872 | 1,757 |
| Zinkgruvan | **18,342** | **6,291** | 6,219 | 5,832 | 24,613 | 8,161 | 5,515 | 3,914 | 7,023 |
| | **22,451** | **7,397** | 7,569 | 7,485 | 31,184 | 9,579 | 7,039 | 5,786 | 8,780 |
| **Silver (000 oz)** | | | | | | | | | |
| Candelaria (100%) | **968** | **355** | 292 | 321 | 1,207 | 307 | 330 | 295 | 275 |
| Chapada[1] | **81** | **81** | - | - | - | - | - | - | - |
| Eagle | **112** | **40** | 45 | 27 | 158 | 41 | 46 | 28 | 43 |
| Neves-Corvo | **1,321** | **431** | 392 | 498 | 1,791 | 508 | 458 | 420 | 405 |
| Zinkgruvan | **1,740** | **630** | 631 | 479 | 2,155 | 607 | 531 | 452 | 565 |
| | **4,222** | **1,537** | 1,360 | 1,325 | 5,311 | 1,463 | 1,365 | 1,195 | 1,288 |

1. Production results are for the period of Lundin Mining's ownership.

## Cash Cost Overview[3]

| ($/lb) | Three months ended September 30, 2019 | Three months ended September 30, 2018 | Nine months ended September 30, 2019 | Nine months ended September 30, 2018 |
|---|---|---|---|---|
| **Candelaria (cost/lb Cu)** | | | | |
| Gross cost | **1.67** | 1.85 | **1.86** | 1.90 |
| By-product[1] | **(0.28)** | (0.21) | **(0.26)** | (0.21) |
| **Net Cash Cost** | **1.39** | 1.64 | **1.60** | 1.69 |
| **All-In Sustaining Cost[2]** | **2.49** | 3.58 | **3.10** | 3.13 |
| **Chapada (cost/lb Cu)[4]** | | | | |
| Gross cost | **1.69** | - | **1.69** | - |
| By-product | **(1.34)** | - | **(1.34)** | - |
| **Net Cash Cost** | **0.35** | - | **0.35** | - |
| **All-In Sustaining Cost** | **0.62** | - | **0.62** | - |
| **Eagle (cost/lb Ni)** | | | | |
| Gross cost | **6.74** | 4.95 | **6.22** | 4.50 |
| By-product | **(3.49)** | (4.08) | **(3.68)** | (3.75) |
| **Net Cash Cost** | **3.25** | 0.87 | **2.54** | 0.75 |
| **All-In Sustaining Cost** | **4.37** | 1.76 | **3.38** | 1.59 |
| **Neves-Corvo (cost/lb Cu)** | | | | |
| Gross cost | **2.55** | 2.65 | **2.97** | 2.83 |
| By-product | **(0.95)** | (1.17) | **(1.45)** | (1.61) |
| **Net Cash Cost** | **1.60** | 1.48 | **1.52** | 1.22 |
| **All-In Sustaining Cost** | **2.35** | 1.90 | **2.27** | 1.73 |
| **Zinkgruvan (cost/lb Zn)** | | | | |
| Gross cost | **0.97** | 0.88 | **0.80** | 0.84 |
| By-product | **(0.55)** | (0.53) | **(0.38)** | (0.44) |
| **Net Cash Cost** | **0.42** | 0.35 | **0.42** | 0.40 |
| **All-In Sustaining Cost** | **0.70** | 0.62 | **0.67** | 0.68 |

1. By-product is after related treatment and refining charges.
2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 24 of this MD&A for discussion of non-GAAP measures.
3. Beginning in 2019, resulting from the implementation of IFRS 16, *Leases*, sustaining lease liability costs previously recorded in cash cost are presented in AISC.
4. Cash costs and AISC for Chapada are for the period of Lundin Mining's ownership. Cash costs and AISC for the nine months are equivalent to those for the three months.

## Capital Expenditures[1,2]

| by Mine | Three months ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | | | | 2018 | | | |
| ($ thousands) | Sustaining | Expansionary | Capitalized Interest | **Total** | Sustaining | Expansionary | Capitalized Interest | Total |
| Candelaria | 80,773 | - | - | **80,773** | 125,440 | - | - | 125,440 |
| Chapada | 12,342 | - | - | **12,342** | - | - | - | - |
| Eagle | 1,577 | 8,846 | 126 | **10,549** | 1,984 | 6,685 | 654 | 9,323 |
| Neves-Corvo | 17,238 | 36,735 | 545 | **54,518** | 11,368 | 18,567 | 1,511 | 31,446 |
| Zinkgruvan | 6,696 | - | - | **6,696** | 7,394 | - | - | 7,394 |
| Other | 72 | - | - | **72** | 127 | - | - | 127 |
| | 118,698 | 45,581 | 671 | **164,950** | 146,313 | 25,252 | 2,165 | 173,730 |

| by Mine | Nine months ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | | | | 2018 | | | |
| ($ thousands) | Sustaining | Expansionary | Capitalized Interest | **Total** | Sustaining | Expansionary | Capitalized Interest | Total |
| Candelaria | 313,665 | - | - | **313,665** | 337,182 | - | 7,617 | 344,799 |
| Chapada | 12,342 | - | - | **12,342** | - | - | - | - |
| Eagle | 4,751 | 25,818 | 126 | **30,695** | 8,369 | 21,570 | 1,660 | 31,599 |
| Neves-Corvo | 41,635 | 100,579 | 545 | **142,759** | 31,941 | 72,602 | 3,159 | 107,702 |
| Zinkgruvan | 26,053 | - | - | **26,053** | 28,022 | - | - | 28,022 |
| Other | 150 | - | - | **150** | 5,532 | - | - | 5,532 |
| | 398,596 | 126,397 | 671 | **525,664** | 411,046 | 94,172 | 12,436 | 517,654 |

1. Capital expenditures are reported on a cash basis, including capitalized interest where applicable, as presented in the consolidated statement of cash flows.
2. Sustaining and expansionary capital expenditures are non-GAAP measures – see page 24 of this MD&A for discussion of non-GAAP measures.

## Candelaria (Chile)

### Operating Statistics

| | 2019 | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (100% Basis) | **Total** | **Q3** | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| Ore mined (000s tonnes) | **18,686** | **9,329** | 5,620 | 3,737 | 17,799 | 3,432 | 3,771 | 6,225 | 4,372 |
| Ore milled (000s tonnes) | **19,951** | **6,295** | 6,450 | 7,206 | 27,585 | 7,017 | 7,241 | 7,137 | 6,190 |
| Grade | | | | | | | | | |
| Copper (%) | **0.58** | **0.70** | 0.57 | 0.49 | 0.53 | 0.52 | 0.54 | 0.52 | 0.56 |
| Recovery | | | | | | | | | |
| Copper (%) | **92.2** | **92.9** | 91.4 | 91.9 | 91.2 | 89.8 | 91.0 | 91.6 | 92.6 |
| Production (contained metal) | | | | | | | | | |
| Copper (tonnes) | **107,109** | **40,698** | 33,633 | 32,778 | 134,578 | 33,011 | 35,323 | 34,397 | 31,847 |
| Gold (000 oz) | **65** | **24** | 21 | 20 | 78 | 21 | 20 | 20 | 17 |
| Silver (000 oz) | **968** | **355** | 292 | 321 | 1,207 | 307 | 330 | 295 | 275 |
| Revenue ($000s) | **661,268** | **249,930** | 178,677 | 232,661 | 838,772 | 200,434 | 176,511 | 243,585 | 218,242 |
| Gross profit ($000s) | **122,661** | **42,612** | 1,390 | 78,659 | 180,959 | 38,630 | 13,568 | 73,259 | 55,502 |
| Cash cost ($ per pound copper) | **1.60** | **1.39** | 1.86 | 1.62 | 1.68 | 1.65 | 1.64 | 1.71 | 1.71 |
| AISC ($ per pound copper) | **3.10** | **2.49** | 3.73 | 3.30 | 3.34 | 3.99 | 3.58 | 2.92 | 2.91 |

### Gross Profit

Gross profit for the three months ended September 30, 2019 was higher than the prior year comparable period. The increase was largely due to higher sales volumes.

Gross profit for the nine months ended September 30, 2019 was $19.7 million lower than the comparable period in 2018. The decrease was largely due to lower realized metal prices net of price adjustments ($31.5 million) and higher depreciation expense ($32.4 million), partially offset by higher sales volumes ($35.8 million).

### Production

Copper production for the three and nine months ended September 30, 2019 was higher than the comparable periods in 2018. The increase in copper production is largely the result of higher grades, as more ore was sourced from the open pit and less from the low-grade stockpile in the current quarter. This was partially offset by lower throughput in the current quarter due to ore hardness and processing plant maintenance stops.

#### Cash Costs

Copper cash costs for the three and nine months ended September 30, 2019 were lower than cash costs in the prior year comparable periods. The decrease was largely due to the positive impact of foreign exchange (Q3 - $0.07/lb; YTD - $0.10/lb). Cash costs in the third quarter of 2019 further benefitted from lower per unit mine, mill and administration costs as a result of higher sales volumes.

All-in sustaining costs for the three and nine months ended September 30, 2019 were lower than those of the corresponding periods in 2018 due to lower cash costs. All-in sustaining costs in the third quarter of 2019 were also impacted by lower spending on sustaining capital ($0.85/lb) as projects were completed or were winding down during the current quarter.

For the nine months ended September 30, 2019, approximately 41,000 oz of gold and 600,000 oz of silver were subject to terms of a streaming agreement in which $408/oz and $4.08/oz were received for gold and silver, respectively.

## Projects

The Candelaria Mill Optimization Project to improve metal recoveries, increase throughput capacity and reduce maintenance costs for the mill is progressing and is now expected to be completed early in the first quarter of 2020 (previously in the fourth quarter of 2019). This schedule is optimized to correspond to expected timing of mill maintenance stops to minimize disruption to production. The primary crusher re-powering is complete and the first of four replacement 9,100 hp ball mill motors has been installed. Most of the remaining equipment to be installed is on site.

Development of the Candelaria South Sector project is complete and has been handed over to operations ahead of schedule. South Sector operations are currently ramping up production to an additional 4,000 tonnes per day to bring the total production from Candelaria underground operations up to an average of 14,000 tonnes per day.

Delivery of open pit mine fleet replacement equipment under the Mine Fleet Investment program is nearing completion, with 95% of the equipment received and placed into service.

## Chapada (Brazil)

### Operating Statistics[1]

| | | 2019 | | |
|---|---|---|---|---|
| | **Total** | **Q3** | Q2 | Q1 |
| Ore mined (000s tonnes) | **10,648** | **10,648** | - | - |
| Ore milled (000s tonnes) | **6,180** | **6,180** | - | - |
| Grade | | | | |
| Copper (%) | **0.34** | **0.34** | - | - |
| Gold (%) | **0.28** | **0.28** | - | - |
| Recovery | | | | |
| Copper (%) | **83.7** | **83.7** | - | - |
| Gold (%) | **61.0** | **61.0** | - | - |
| Production (contained metal) | | | | |
| Copper (tonnes) | **17,645** | **17,645** | - | - |
| Gold (000 oz) | **34** | **34** | - | - |
| Silver (000 oz) | **81** | **81** | - | - |
| Revenue ($000s) | **114,867** | **114,867** | - | - |
| Gross profit ($000s) | **47,864** | **47,864** | - | - |
| Cash cost ($ per pound copper) | **0.35** | **0.35** | - | - |
| AISC ($ per pound copper) | **0.62** | **0.62** | - | - |

1. Operating results are for the period of Lundin Mining's ownership.

The Chapada mine was acquired from Yamana Gold Inc. on July 5th, 2019. Chapada is comprised of three open pit mines and an on-site processing facility located in the northern Goiás State of Brazil, approximately 270 km northwest of the national capital, Brasilia. The processing plant has a capacity of 24.0 mtpa, producing high-quality gold-rich copper concentrate. The primary metal is copper, with gold and silver as by-product metals.

### Gross Profit

Gross profit for the quarter was impacted by the delayed arrival of an incoming vessel resulting in the postponement of a shipment to the fourth quarter. Several operational excellence projects undertaken earlier this year reduced operating costs in the quarter contributing to better than expected results in the quarter.

### Production

The production of both copper and gold significantly exceeded expectations as a result of both better than planned head grades and processing plant throughput over the 87-day period. The mill benefitted from lower than expected maintenance during the quarter and the processing of softer ore, primarily from the Corpo Sul open pit, which generated the better than expected throughput in the period.

#### Cash Costs

Copper cash costs for the quarter of $0.35/lb were better than expected. Cash cost benefitted from higher by-product credits, lower operating costs and favourable foreign exchange. As a result, full year cash cost guidance has been reduced to $0.80/lb.

#### Projects

The Company is evaluating options for mine and plant expansion. In parallel, a significant increase in exploration efforts are underway, largely focused on near-mine targets, with results to be incorporated in any future expansionary plans.

## Eagle (USA)

### Operating Statistics

| | 2019 | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **Q3** | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| Ore mined (000s tonnes) | **554** | **197** | 192 | 165 | 753 | 192 | 192 | 183 | 186 |
| Ore milled (000s tonnes) | **557** | **197** | 194 | 165 | 754 | 195 | 192 | 185 | 182 |
| Grade | | | | | | | | | |
| Nickel (%) | **2.4** | **2.0** | 2.1 | 3.0 | 2.8 | 2.2 | 2.9 | 2.7 | 3.4 |
| Copper (%) | **2.0** | **1.6** | 2.0 | 2.4 | 2.5 | 2.1 | 2.8 | 2.3 | 2.7 |
| Recovery | | | | | | | | | |
| Nickel (%) | **82.1** | **80.4** | 81.3 | 85.0 | 82.8 | 81.5 | 82.6 | 83.6 | 83.6 |
| Copper (%) | **96.2** | **95.5** | 95.7 | 97.6 | 97.0 | 96.4 | 97.2 | 96.8 | 97.7 |
| Production (contained metal) | | | | | | | | | |
| Nickel (tonnes) | **10,843** | **3,232** | 3,398 | 4,213 | 17,573 | 3,501 | 4,697 | 4,234 | 5,141 |
| Copper (tonnes) | **10,671** | **3,042** | 3,732 | 3,897 | 17,974 | 3,908 | 5,178 | 4,115 | 4,773 |
| Revenue ($000s) | **159,337** | **53,717** | 59,412 | 46,208 | 265,863 | 50,914 | 59,084 | 63,651 | 92,214 |
| Gross profit ($000s) | **37,008** | **19,350** | (800) | 18,458 | 74,218 | (128) | 13,341 | 24,220 | 36,785 |
| Cash cost ($ per pound nickel) | **2.54** | **3.25** | 3.14 | 0.37 | 1.01 | 1.76 | 0.87 | 1.09 | 0.49 |
| AISC ($ per pound nickel) | **3.38** | **4.37** | 3.65 | 1.65 | 1.84 | 2.55 | 1.76 | 2.14 | 1.17 |

### Gross Profit

Gross profit for the three months ended September 30, 2019 was higher than the prior year comparable period due to higher nickel metal prices and price adjustments ($22.7 million), partially offset by lower sales volumes in the current period ($13.5 million) as lower grades impacted metal production.

On a year-to-date basis, gross profit was lower than the comparative period in 2018. The decrease was primarily due to lower sales volumes ($38.8 million) resulting from extreme weather conditions in the first quarter of 2019 and from lower metal production due to planned lower grades, partially offset by higher nickel metal prices ($22.2 million).

### Production

Nickel and copper production for the three and nine months ended September 30, 2019 were lower than the prior year comparable periods as expected, reflecting planned lower grades due to mine sequencing. On a year-to-date basis, production of both metals was also impacted by extreme weather conditions in the first quarter of 2019 which reduced mill throughput, though full year guidance for both nickel and copper are expected to be met.

### Cash Costs

Nickel cash costs for the three and nine months ended September 30, 2019 were higher than cash costs reported in the prior year comparable periods. The increase in cash costs is primarily due to higher per unit operating costs resulting from lower sales volumes. Cash costs in the third quarter were impacted by lower copper by-product credits. Cash costs remain on track to meet annual guidance of $2.60/lb.

All-in sustaining costs for the three and nine months ended September 30, 2019 were higher than those of the corresponding periods in 2018, largely as a result of higher cash costs.

### Projects

Development of Eagle East reached an important milestone with first ore extracted at the end of September, ahead of budget and schedule. First Eagle East ore was successfully fed to the mill on October 1, 2019. During the third quarter, $8.8 million in expansionary capital expenditures were incurred in support of the Eagle East project. Access ramp development to Eagle East and vertical development for ventilation and the emergency egress system progressed during the quarter. Underground definition drilling continued throughout the quarter.

## Neves-Corvo (Portugal)

### Operating Statistics

| | 2019 | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **Q3** | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| Ore mined, copper (000 tonnes) | **2,016** | **699** | 628 | 689 | 2,693 | 696 | 688 | 618 | 691 |
| Ore mined, zinc (000 tonnes) | **863** | **284** | 283 | 296 | 1,119 | 280 | 273 | 283 | 283 |
| Ore milled, copper (000 tonnes) | **1,998** | **702** | 626 | 670 | 2,692 | 704 | 696 | 641 | 651 |
| Ore milled, zinc (000 tonnes) | **851** | **285** | 280 | 286 | 1,125 | 287 | 280 | 278 | 280 |
| Grade | | | | | | | | | |
| Copper (%) | **1.9** | **2.1** | 2.0 | 1.7 | 2.2 | 2.1 | 2.2 | 2.5 | 2.2 |
| Zinc (%) | **7.9** | **7.8** | 7.9 | 8.0 | 7.8 | 7.6 | 7.9 | 8.3 | 7.6 |
| Recovery | | | | | | | | | |
| Copper (%) | **78.6** | **80.6** | 75.8 | 79.3 | 75.5 | 76.8 | 76.3 | 74.2 | 74.6 |
| Zinc (%) | **79.1** | **80.2** | 78.6 | 78.3 | 80.6 | 79.1 | 81.0 | 82.0 | 80.4 |
| Production (contained metal) | | | | | | | | | |
| Copper (tonnes) | **30,538** | **12,055** | 9,615 | 8,868 | 45,692 | 11,287 | 11,746 | 11,899 | 10,760 |
| Zinc (tonnes) | **55,256** | **18,232** | 18,251 | 18,773 | 75,435 | 18,465 | 18,905 | 20,230 | 17,835 |
| Lead (tonnes) | **4,109** | **1,106** | 1,350 | 1,653 | 6,571 | 1,418 | 1,524 | 1,872 | 1,757 |
| Silver (000 oz) | **1,321** | **431** | 392 | 498 | 1,791 | 508 | 458 | 420 | 405 |
| Revenue ($000s) | **248,675** | **86,009** | 77,519 | 85,147 | 404,263 | 91,059 | 104,730 | 110,816 | 97,658 |
| Gross profit ($000s) | **34,124** | **11,546** | 3,834 | 18,744 | 85,311 | 3,408 | 19,339 | 37,606 | 24,958 |
| Cash cost (€ per pound copper) | **1.35** | **1.44** | 1.68 | 0.81 | 1.09 | 1.31 | 1.28 | 0.81 | 0.93 |
| Cash cost ($ per pound copper) | **1.52** | **1.60** | 1.88 | 0.92 | 1.28 | 1.49 | 1.48 | 0.96 | 1.14 |
| AISC ($ per pound copper) | **2.27** | **2.35** | 2.60 | 1.72 | 1.95 | 2.64 | 1.90 | 1.46 | 1.84 |

### Gross Profit

Gross profit for the three months and nine months ended September 30, 2019 was lower than the comparable periods in 2018. The decrease was largely due to lower metal prices net of price adjustments for both copper and zinc. Lower sales volumes for both metals also impacted gross profit.

### Production

Copper production for the three months ended September 30, 2019 was higher than the prior year comparable period largely due to improved recoveries. On a year-to-date basis, copper production was lower than the prior year comparable period as a result of lower head grades.

Zinc production for the three months and nine months ended September 30, 2019 was lower than the prior year comparable periods. Head grades in the current year were negatively impacted by mine resequencing, as well as complex ore characteristics resulting in lower recoveries.

#### Cash Costs

Copper cash costs for the three months ended September 30, 2019 were higher than those of the corresponding period in 2018. The increase is a result of lower by-product credits ($0.22/lb) in the current quarter, partially offset by favourable foreign exchange ($0.11/lb). Though higher than the prior year period, cash costs in the quarter were in-line with expectations.

Year-to-date, copper cash costs were higher than the prior year comparable period, largely as a result of higher per unit mine, mill, and administration costs ($0.41/lb) due to lower sales volumes and higher plant maintenance costs, partially offset by favourable foreign exchange ($0.17/lb). Given performance to date, and assumed foreign exchange for the fourth quarter, annual cash cost guidance has been revised lower to $1.60/lb.

All-in sustaining costs for the three and nine months ended September 30, 2019 were higher than the corresponding periods in 2018 due to higher cash costs and increased spending on sustaining capital expenditures (Q3 - $0.31/lb; YTD – $0.23/lb).

**Projects**

ZEP advanced in accordance with the revised schedule and budget for the phased start-up strategy and production during 2020.

During the third quarter, underground materials handling civil works advanced and are nearing completion. Mechanical and electrical equipment installations for the 3.5 km of conveyor systems are well advanced and mechanical installation of the jaw crusher has commenced. Development of the lower zinc ore stopes is underway with the first sublevel accesses ongoing in the lower Lombador orebody.

Surface construction continued with a focus on mechanical and electrical installation of the materials handling system, SAG mill, flotation equipment, backfill cyclone station, tailings and water supply piping systems, and a new paste fill tailings thickener. Steel erection of the zinc filtration building also commenced during this quarter.

## Zinkgruvan (Sweden)

### Operating Statistics

| | 2019 | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **Q3** | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| Ore mined, zinc (000 tonnes) | **802** | **230** | 303 | 269 | 1,203 | 330 | 276 | 288 | 309 |
| Ore mined, copper (000 tonnes) | **154** | **65** | 37 | 52 | 97 | - | 23 | 34 | 40 |
| Ore milled, zinc (000 tonnes) | **798** | **254** | 292 | 252 | 1,202 | 325 | 280 | 288 | 309 |
| Ore milled, copper (000 tonnes) | **152** | **63** | 48 | 41 | 111 | - | 35 | 62 | 14 |
| Grade | | | | | | | | | |
| Zinc (%) | **7.9** | **7.2** | 7.2 | 9.3 | 7.0 | 7.9 | 6.7 | 6.6 | 6.8 |
| Lead (%) | **2.9** | **3.1** | 2.7 | 2.9 | 2.6 | 3.1 | 2.5 | 1.8 | 2.8 |
| Copper (%) | **1.8** | **1.9** | 1.7 | 1.6 | 1.4 | - | 1.7 | 1.3 | 1.4 |
| Recovery | | | | | | | | | |
| Zinc (%) | **91.5** | **92.2** | 89.7 | 92.5 | 90.6 | 91.7 | 91.2 | 89.4 | 89.9 |
| Lead (%) | **79.8** | **80.8** | 80.0 | 78.6 | 79.1 | 80.2 | 78.8 | 73.5 | 81.3 |
| Copper (%) | **88.9** | **90.8** | 86.0 | 89.1 | 88.4 | - | 90.6 | 87.0 | 88.2 |
| Production (contained metal) | | | | | | | | | |
| Zinc (tonnes) | **57,334** | **16,796** | 18,865 | 21,673 | 76,606 | 23,559 | 17,157 | 16,845 | 19,045 |
| Lead (tonnes) | **18,342** | **6,291** | 6,219 | 5,832 | 24,613 | 8,161 | 5,515 | 3,914 | 7,023 |
| Copper (tonnes) | **2,404** | **1,120** | 705 | 579 | 1,386 | - | 523 | 687 | 176 |
| Silver (000 oz) | **1,740** | **630** | 631 | 479 | 2,155 | 607 | 531 | 452 | 565 |
| Revenue ($000s) | **140,203** | **34,192** | 53,643 | 52,368 | 216,691 | 65,334 | 39,384 | 49,605 | 62,368 |
| Gross profit ($000s) | **57,413** | **8,557** | 21,873 | 26,983 | 100,517 | 30,800 | 14,514 | 21,007 | 34,196 |
| Cash cost (SEK per pound zinc) | **3.98** | **4.02** | 3.88 | 4.08 | 2.97 | 2.12 | 3.13 | 3.51 | 3.47 |
| Cash cost ($ per pound zinc) | **0.42** | **0.42** | 0.41 | 0.44 | 0.34 | 0.23 | 0.35 | 0.41 | 0.43 |
| AISC ($ per pound zinc) | **0.67** | **0.70** | 0.63 | 0.69 | 0.62 | 0.50 | 0.62 | 0.71 | 0.71 |

### Gross Profit

Gross profit for the three and nine months ended September 30, 2019 was lower than the comparable periods in 2018. The decrease is largely attributable to lower metal prices net of price adjustments and higher zinc treatment charges.

### Production

Zinc production for the three months ended September 30, 2019 were modestly lower than the prior year comparable period as higher realized grades were more than offset by issues with mine equipment and stope availability, resulting in an ore shortfall for the mill, as well as planned mill maintenance in the quarter. Zinc and lead production for the nine months ended September 30, 2019, and lead production for the three months ended September 30, 2019, were higher than the prior year comparable periods due to higher head grades and metal recoveries.

Copper production for the nine months ended September 30, 2019 was higher than the comparable period due to a combination of higher throughput in the mill, higher grades and better recoveries.

### Cash Costs

Zinc cash costs for the three months ended September 30, 2019 were higher than the prior year comparable period, largely attributable to higher treatment and refining charges in the quarter. Year-to-date, zinc cash costs are in-line with the prior year comparable period and remain on track to meet full year guidance.

All-in sustaining costs for the three months ended September 30, 2019 were higher than those reported in the corresponding period in 2018 due to higher cash costs. Year-to-date, all-in sustaining costs are in-line with the prior year comparable period.

## Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper and zinc for the third quarter 2019 were lower than the average prices for the second quarter by: 5% copper and 15% zinc, while the price for nickel in the third quarter of 2019 was 27% higher than the price during the second quarter. The uncertainty of global trade discussions continued to have a negative impact on metal prices for copper and zinc while nickel fared slightly better due to possible enforcement of a nickel ore export ban from Indonesia.

| | | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|---|
| **(Average LME Price)** | | **2019** | 2018 | Change | **2019** | 2018 | Change |
| Copper | US$/pound | **2.63** | 2.77 | -5% | **2.74** | 3.01 | -9% |
| | US$/tonne | **5,802** | 6,105 | | **6,040** | 6,642 | |
| Zinc | US$/pound | **1.07** | 1.15 | -7% | **1.18** | 1.37 | -14% |
| | US$/tonne | **2,348** | 2,537 | | **2,600** | 3,020 | |
| Nickel | US$/pound | **7.05** | 6.02 | 17% | **6.09** | 6.20 | -2% |
| | US$/tonne | **15,540** | 13,266 | | **13,424** | 13,666 | |

The LME inventories for copper increased during the third quarter of 2019 by 10%, while the LME inventories for zinc and nickel decreased by 31% and 4%, respectively.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates between mining companies and commodity trading companies continued to decrease during the third quarter of 2019. July saw miner-to-trader spot TC's at $43 per dmt of concentrate and a spot RC at $0.043 per lb of payable copper; August saw terms fall even further with TC's dropping to $35 per dmt of concentrate and a spot RC at $0.035 per lb of payable copper however, by the end of September the TC had rebounded to $42 per dmt of concentrate with a RC of $0.042 per payable lb of copper contained. Additionally, the spot terms at which the Chinese copper smelters buy have increased slightly from a TC of $57 per dmt of concentrate and a RC of $0.057 per payable lb of copper during July to a TC of $58 per dmt of concentrate and a RC of $0.058 per payable lb of copper at the end of September. The terms for annual contracts for copper concentrates for 2019 were reached in November 2018 at a TC of $80.80 per dmt of concentrate with a RC of $0.0808 per payable lb of copper. This represents an improvement for the mines compared to the 2018 annual terms at a TC of $82.25 per dmt of concentrates and a RC of $0.08225 per payable lb of copper.

The Company's nickel concentrate production from Eagle is sold under long-term contracts.

The spot TC for zinc concentrates in China has traded in a range of $270-$290 per dmt, flat, during the third quarter of 2019 and ended the quarter at the higher end of the range. Chinese smelters that have been closed or operating at reduced capacity since Q4 2018 due to environmental restrictions imposed by the government are slowly coming back into the market increasing the demand for concentrates although reported imports in August were down 13% from the prior month. During the second quarter, the terms for annual contracts for zinc concentrates between miners and smelters were agreed. Though there have been several different sets of terms agreed, the most widely reported is a settlement at $245 per dmt at a base price range of $2,700 to $3,000, with the reintroduction of small up and down scales. This and other settlements represent an improvement of approximately $100 per dmt of concentrate in favour of the smelters compared to the reported 2018 annual settlement.

## Liquidity and Capital Resources

As at September 30, 2019, the Company had cash and cash equivalents of $184.6 million. The Company expects to be able to fund all its contractual commitments and obligations through operating cash flow generated, cash on hand and available debt facilities.

### Capital Resources

As at September 30, 2019, the Company had $367.5 million of debt and lease liabilities. Lease liabilities increased during 2019 due to the implementation of IFRS 16, *Leases*.

During the third quarter 2019, the Company drew $285.0 million on its revolving credit facility to fund the purchase of the Chapada mine. As at September 30, 2019, $35.0 million in term loans and $10.9 million in commercial paper had been advanced to Candelaria and Neves-Corvo, respectively, for short-term financing of capital expenditures.

During the quarter, the Company executed a third amended and restated credit agreement that increases its revolving credit facility from $550.0 million to $800.0 million, with a $200.0 million accordion option. At September 30, 2019, the Company has $492.0 million available under the credit facility.

### Contractual Obligations, Commitments and Contingencies

The Company has contractual obligations and capital commitments as described in the Note 26 "Commitments and Contingencies" in the Company's Condensed Interim Consolidated Financial Statements. From time to time, the Company may also be involved in legal proceedings that arise in the ordinary course of its business.

## Financial Instruments

The Company does not currently utilize complex financial instruments in hedging metal price, foreign exchange or interest rate exposure. Any hedging activity requires approval of the Company's Board of Directors. The Company will not hold or issue derivative instruments for speculation or trading purposes.

The Company has no Level 3 fair value financial instruments.

Provisionally priced trade receivables are valued using forward LME prices until final prices are settled at a future date. The derivative asset is related to contingent consideration and is determined using a valuation method that incorporates metal price, metal price volatility and expiry date.

The Company's revenue from operations is received in US dollars while a significant portion of its expenses are incurred in CLP, €, SEK, BRL and other currencies. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results. The Company regularly reviews its exposure to currency price volatility as part of its financial risk management efforts. Hedging activities approved by the Company's Board of Directors may be undertaken from time to time to mitigate the potential impact of currency price volatility.

For a detailed discussion of the Company's financial instruments refer to Note 25 of the Company's Condensed Interim Consolidated Financial Statements.

### Market and Liquidity Risks and 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, the BRL and the $.

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

| Metal | Tonnes Payable | Provisional price on September 30, 2019 ($US/tonne) | Change | Effect on Revenue ($millions) |
|---|---|---|---|---|
| Copper | 64,048 | 5,734 | +/- 10% | +/- $36.7 |
| Zinc | 26,115 | 2,412 | +/- 10% | +/- $6.3 |
| Nickel | 2,664 | 17,140 | +/- 10% | +/- $4.6 |

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, 2019 ($millions) | Nine months ended September 30, 2019 ($millions) |
|---|---|---|---|
| Chilean peso | +/-10% | +/-$10.1 | +/-$31.7 |
| Euro | +/-10% | +/-$6.9 | +/-$20.3 |
| Swedish krona | +/-10% | +/-$2.6 | +/-$8.3 |
| Brazilian real[1] | +/-10% | +/-$5.7 | +/-$5.7 |

1. Sensitivities are for the period of Lundin Mining's ownership.

## Related Party Transactions

The Company enters into related party transactions that are in the normal course of business and on an arm's length basis. Related party disclosures can be found in Note 28 of the Company's September 30, 2019 Condensed Interim Consolidated Financial Statements.

## Changes in Accounting Policies and Critical Accounting Estimates and Judgments

The Company describes its significant accounting policies as well as any changes in accounting policies in Note 2 "Basis of Presentation and Significant Accounting Policies" of the September 30, 2019 Condensed Interim Consolidated Financial Statements. No significant changes in accounting policies have occurred other than the implementation of new IFRS as issued by the IASB.

## 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 (Debt) Cash

Net (debt) cash is a performance measure used by the Company to assess its financial position. Net (debt) cash is defined as cash and cash equivalents, less debt and lease liabilities, excluding deferred financing fees and can be reconciled as follows:

| ($thousands) | **September 30, 2019** | June 30, 2019 | December 31, 2018[1] |
|---|---|---|---|
| Current portion of debt and lease liabilities | **(57,010)** | (45,666) | (3,830) |
| Debt and lease liabilities | **(310,525)** | (28,300) | (7,162) |
| | **(367,535)** | (73,966) | (10,992) |
| Deferred financing fees (netted in above) | **(2,039)** | - | - |
| | **(369,574)** | (73,966) | (10,992) |
| Cash and cash equivalents | **184,553** | 735,068 | 815,429 |
| **Net (debt) cash** | **(185,021)** | 661,102 | 804,437 |

### 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:

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| ($thousands, except share and per share amounts) | **2019** | 2018 [1] | **2019** | 2018 [1] |
| Cash provided by operating activities | **111,593** | 140,925 | **378,202** | 432,131 |
| Changes in non-cash working capital items | **43,418** | (57,255) | **(34,131)** | (60,422) |
| Operating cash flow before changes in non-cash working capital items | **155,011** | 83,670 | **344,071** | 371,709 |
| Weighted average common shares outstanding | **735,149,783** | 732,297,368 | **735,447,121** | 731,136,149 |
| **Operating cash flow per share** | **0.21** | 0.11 | **0.47** | 0.51 |

1. Upon adoption of new IFRS standards as issued by the IASB, the Company has elected not to restate comparative periods presented.

## 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 made. Sustaining and expansionary capital expenditures are reported excluding capitalized interest.

## 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 (AISC) per Pound

AISC 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, 2019 | | | | | | |
|---|---|---|---|---|---|---|
| **Operations** ($000s, unless otherwise noted) | **Candelaria (Cu)** | **Chapada (Cu)** | **Eagle (Ni)** | **Neves-Corvo (Cu)** | **Zinkgruvan (Zn)** | **Total** |
| Sales volumes (Contained metal in concentrate): | | | | | | |
| Tonnes | 42,276 | 13,757 | 1,889 | 12,343 | 12,657 | |
| Pounds (000s) | 93,203 | 30,329 | 4,165 | 27,212 | 27,904 | |
| Production costs | | | | | | 293,899 |
| Less: items included in the above | | | | | | |
| Royalties and other | | | | | | (7,439) |
| | | | | | | 286,460 |
| Deduct: By-product credits | | | | | | (121,973) |
| Add: Treatment and refining charges | | | | | | 44,759 |
| Cash cost | 129,970 | 10,621 | 13,517 | 43,442 | 11,696 | 209,246 |
| **Cash cost per pound ($/lb)** | **1.39** | **0.35** | **3.25** | **1.60** | **0.42** | |
| Add: Sustaining capital expenditure[1] | 99,565 | 3,530 | 2,240 | 18,018 | 7,489 | |
| Royalties | - | 3,017 | 1,568 | 1,446 | - | |
| Interest expense | 1,412 | 1,294 | 503 | (198) | 70 | |
| Leases & other[2] | 785 | 293 | 388 | 1,161 | 298 | |
| All-in sustaining cost | 231,732 | 18,755 | 18,216 | 63,869 | 19,553 | |
| **AISC per pound ($/lb)** | **2.49** | **0.62** | **4.37** | **2.35** | **0.70** | |

| Three months ended September 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|
| **Operations** ($000s, unless otherwise noted) | **Candelaria (Cu)** | **Chapada (Cu)** | **Eagle (Ni)** | **Neves-Corvo (Cu)** | **Zinkgruvan (Zn)** | **Total** |
| Sales volumes (Contained metal in concentrate): | | | | | | |
| Tonnes | 32,832 | - | 3,400 | 13,525 | 12,288 | |
| Pounds (000s) | 72,382 | - | 7,496 | 29,817 | 27,090 | |
| Production costs | | | | | | 240,040 |
| Less: items included in the above | | | | | | |
| Royalties and other | | | | | | (6,879) |
| | | | | | | 233,161 |
| Deduct: By-product credits | | | | | | (94,871) |
| Add: Treatment and refining charges | | | | | | 40,930 |
| Cash cost | 119,007 | - | 6,523 | 44,267 | 9,423 | 179,220 |
| **Cash cost per pound ($/lb)** | **1.64** | **-** | **0.87** | **1.48** | **0.35** | |
| Add: Sustaining capital expenditure[1] | 138,888 | - | 2,073 | 10,503 | 7,038 | |
| Royalties | - | - | 4,317 | 1,847 | - | |
| Interest expense | 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** | |

1. Sustaining capital expenditure, as reported in AISC, is presented on an accrual basis and excludes capitalized interest.
2. Beginning in 2019, resulting from the implementation of IFRS 16, *Leases*, sustaining lease liability costs previously recorded in cash cost are included in AISC.

| Nine months ended September 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|
| **Operations** ($000s, unless otherwise noted) | **Candelaria (Cu)** | **Chapada (Cu)** | **Eagle (Ni)** | **Neves-Corvo (Cu)** | **Zinkgruvan (Zn)** | **Total** |
| Sales volumes (Contained metal in concentrate): | | | | | | |
| Tonnes | 104,487 | 13,757 | 7,515 | 29,941 | 48,149 | |
| Pounds (000s) | 230,354 | 30,329 | 16,568 | 66,009 | 106,150 | |
| Production costs | | | | | | 754,807 |
| Less: items included in the above | | | | | | |
| Royalties and other | | | | | | (14,116) |
| | | | | | | 740,691 |
| Deduct: By-product credits | | | | | | (298,453) |
| Add: Treatment and refining charges | | | | | | 124,084 |
| Cash cost | 368,551 | 10,621 | 42,102 | 100,104 | 44,944 | 566,322 |
| **Cash cost per pound ($/lb)** | **1.60** | **0.35** | **2.54** | **1.52** | **0.42** | |
| Add: Sustaining capital expenditure[1] | 338,629 | 3,530 | 6,069 | 42,566 | 24,816 | |
| Royalties | - | 3,017 | 5,322 | 3,447 | - | |
| Interest expense | 366 | 21 | 264 | 91 | 69 | |
| Leases & other[2] | 6,472 | 1,566 | 2,236 | 3,586 | 1,052 | |
| All-in sustaining cost | 714,018 | 18,755 | 55,993 | 149,794 | 70,881 | |
| **AISC per pound ($/lb)** | **3.10** | **0.62** | **3.38** | **2.27** | **0.67** | |

| Nine months ended September 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|
| **Operations** ($000s, unless otherwise noted) | **Candelaria (Cu)** | **Chapada (Cu)** | **Eagle (Ni)** | **Neves-Corvo (Cu)** | **Zinkgruvan (Zn)** | **Total** |
| Sales volumes (Contained metal in concentrate): | | | | | | |
| Tonnes | 100,161 | - | 11,222 | 34,029 | 42,447 | |
| Pounds (000s) | 220,817 | - | 24,740 | 75,021 | 93,580 | |
| Production cost | | | | | | 723,494 |
| Less: items included in the above | | | | | | |
| Royalties and other | | | | | | (20,413) |
| | | | | | | 703,081 |
| Deduct: By-product credits | | | | | | (300,875) |
| Add: Treatment and refining charges | | | | | | 118,146 |
| Cash cost | 373,302 | - | 18,611 | 91,247 | 37,192 | 520,352 |
| **Cash cost per pound ($/lb)** | **1.69** | **-** | **0.75** | **1.22** | **0.40** | |
| Add: Sustaining capital expenditure[1] | 315,396 | - | 8,770 | 31,357 | 25,430 | |
| Royalties | - | - | 11,069 | 6,650 | - | |
| Interest expense | 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** | |

1. Sustaining capital expenditure, as reported in AISC, is presented on an accrual basis and excludes capitalized interest.
2. Beginning in 2019, resulting from the implementation of IFRS 16, *Leases*, sustaining lease liability costs previously recorded in cash cost are included in AISC.

## Managing Risks

### Risks and Uncertainties

The operations of Lundin Mining are exposed to a number of inherent risks and uncertainties, including those related to health and safety, environment, 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 ("AIF").

## Outstanding Share Data

As at October 23, 2019, the Company has 734,875,908 common shares issued and outstanding, and 12,344,525 stock options and 2,181,010 share units outstanding under the Company's incentive plans.

## Management's Report on Internal Controls

***Disclosure controls and procedures ("DCP")***

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 DCP.

***Internal control over financial reporting ("ICFR")***

The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations ICFR 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 ICFR using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO').

***Limitations on scope of design***

On July 5, 2019, the Company acquired Mineração Maracá Indústria e Comércio SA in Brazil. However, the Company has not had sufficient time during the third quarter 2019 to fully assess the design of DCP and ICFR inherent in the organization and accordingly has limited the scope of the above assessment on the design of DCP and ICFR to exclude this entity.

***Changes in ICFR***

There have been no changes in the Company's ICFR during the three-month period ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

### Other Information

Additional information regarding the Company is included in the Company's 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).