

lundin mining

Management's Discussion and Analysis For the three and six months ended June 30, 2019

This management's discussion and analysis ("MD&A") has been prepared as of July 24, 2019 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 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.

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.

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Highlights

Operational Performance

Production remains largely on target to achieve the Company's annual guidance. Copper grades are expected to be higher in the second half of the year as higher-grade ore is accessed at Neves-Corvo and Candelaria. Copper and nickel cash costs are higher than the prior year comparatives due to lower metal prices for by-products.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 33,633 tonnes of copper, and approximately 21,000 ounces of gold and 292,000 ounces of silver in concentrate during the quarter. Copper production in the quarter was lower than the prior year comparable period primarily due to lower mill throughput resulting from maintenance stops. Copper cash costs¹ of \$1.86/lb for the quarter were higher than the prior year quarter owing to higher maintenance and diesel and energy costs. Ore grades are expected to increase and cash costs decrease over the remainder of the year as more ore is sourced directly from the open pit and less from the low grade stockpile.

Development of the Candelaria Underground South Sector is progressing well with production start-up expected before the end of the third quarter of 2019.

Eagle (100% owned): Eagle produced 3,398 tonnes of nickel and 3,732 tonnes of copper during the quarter. Nickel and copper production were both lower than the prior year quarter reflecting the planned lower ore grades. Nickel cash costs of \$3.14/lb for the quarter were higher than the prior year comparable period, primarily as a result of lower by-product credits.

Development of Eagle East continues to progress ahead of schedule and under budget, with first ore feed to the mill scheduled in the fourth quarter of 2019.

Neves-Corvo (100% owned): Neves-Corvo produced 9,615 tonnes of copper and 18,251 tonnes of zinc for the quarter, both lower than the prior year comparable period. For copper, production was affected by lower head grades resulting from a change in mine sequencing. Zinc production was also negatively affected by lower head grades, as well as lower recoveries. Copper cash costs of \$1.88/lb for the quarter were higher than the prior year period owing primarily to lower by-product credits.

Construction progressed on the Zinc Expansion Project ("ZEP") in the quarter, with underground development of conveyor ramps completed. Surface construction in the second quarter was focused on mechanical installation of the materials handling system, as well as continuing construction on the SAG mill, flotation equipment, tailings and water supply piping systems, and a new paste fill thickener.

Rates of advance during the quarter on surface facilities were negatively affected by engineering and construction delays and lagged targeted advance rates. Total project capital cost is now estimated to be \$450 million (€380 million), with pre-production costs expected to be \$430 million (€360 million). Capital spend for 2019 has been reduced to \$140 million (€120 million) as project work is deferred to 2020. See additional detail in the Outlook section.

Zinkgruvan (100% owned): Zinc production of 18,865 tonnes and lead production of 6,219 tonnes were higher than the prior year quarter due to planned higher grades of both metals. Second quarter zinc cash costs of \$0.41/lb were in-line with the prior year comparable period.

Total production

(Contained metal in concentrate - tonnes)	2019			2018				
	YTD	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper ^a	93,807	47,685	46,122	199,630	48,206	52,770	51,098	47,556
Zinc	77,562	37,116	40,446	152,041	42,024	36,062	37,075	36,880
Nickel	7,611	3,398	4,213	17,573	3,501	4,697	4,234	5,141

a - Candelaria's production is on a 100% basis.

¹ Cash cost per pound is a non-GAAP measure – see page 25 of this MD&A for discussion of non-GAAP measures.

Financial Performance

- Gross profit for the quarter ended June 30, 2019 was \$25.1 million, a decrease of \$130.0 million in comparison to the \$155.1 million reported in the second quarter of the prior year. The decrease was primarily due to lower revenues as a result of lower metal prices (\$57.7 million) and price adjustments (\$41.4 million), higher depreciation expense (\$21.0 million) as well as higher zinc treatment and refining charges resulting from the finalization of the 2019 contractual terms during the current quarter.

On a year-to-date basis, gross profit was \$166.3 million, a decrease of \$138.7 million from the \$305.0 million reported in the prior year comparative period. The decrease was primarily due to lower revenues as a result of lower realized metal prices arising largely from negative price adjustments in the second quarter (\$78.2 million), lower sales volumes (\$29.8 million), higher depreciation (\$10.3 million) and higher zinc treatment and refining charges.

- Net loss for the quarter ended June 30, 2019 was \$8.6 million, a decrease of \$96.1 million from net earnings of \$87.5 million reported in the prior year quarter. The decrease was attributable to lower gross profit, partially offset by lower income taxes (\$49.9 million).

On a year-to-date basis, net earnings were \$52.3 million, a decrease of \$122.3 million from the \$174.6 million reported in the prior year comparative period. The decrease was attributable to lower gross profit, and lower income from our equity investment in Freeport Cobalt (\$22.9 million), partially offset by lower income taxes (\$44.6 million).

- Net cash¹ as at June 30, 2019 was \$661.1 million, a decrease of \$143.3 million in comparison to December 31, 2018. The decrease resulted from cash used for capital investments exceeding operating cash flow in the current year, as well as a \$63.0 million increase in debt consisting of a fixed term loan for \$35 million and an increase in lease liabilities of \$39.0 million as a result of the implementation of IFRS 16, *Leases*.

Corporate Highlights

- On May 23, 2019, the Company announced that Freeport Cobalt, the Company's joint venture with Freeport-McMoRan Inc. had entered into a definitive agreement to sell its cobalt refinery in Kokkola, Finland and related cobalt cathode precursor business to Umicore for cash consideration of approximately US\$150 million, plus working capital at the time of close (the "Transaction"). Lundin Mining is entitled to receive 30 percent of the proceeds of the Transaction. The joint venture will retain Freeport Cobalt's fine powders, chemicals, catalyst, ceramics and pigments businesses.

The Transaction is subject to the completion of the separation of Freeport Cobalt, the receipt of required regulatory approvals, and other customary closing conditions. The Transaction is expected to close by year-end 2019.

- 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.

Total cash consideration paid at closing by the Company was \$800 million, funded by cash on hand and a drawdown of \$285 million on the Company's revolving credit facility.

¹ Net cash is a non-GAAP measure – see page 25 of this MD&A for discussion of non-GAAP measures.

Financial Position

- Cash and cash equivalents of \$735.1 million as at June 30, 2019 remained relatively unchanged from the \$734.7 million reported in the first quarter of 2019.
- Cash flow from operations for the quarter ended June 30, 2019 was \$204.5 million, an increase of \$86.2 million in comparison to the \$118.3 million reported in the second quarter of 2018. The increase was primarily attributable to higher comparative change in non-cash working capital (\$153.8 million) and lower current taxes partially offset by lower revenues.

On a year-to-date basis, cash flow from operations was \$266.6 million, a decrease of \$24.6 million in comparison to the six months ended June 30, 2018 (\$291.2 million). The decrease was primarily due to lower sales revenues (\$152.5 million), partially offset by comparative change in non-cash working capital (\$74.3 million) and lower current taxes.

- Cash used in investing activities decreased when compared to the prior year comparable period for the quarter, reflecting lower investment in mineral properties, plant and equipment, as well as higher distributions received from the investment in associate. On a year-to-date basis cash used in investing activities increased due mainly to capital expenditures related to Candelaria Underground South Sector and the Mill Optimization project.
- Cash used in financing activities remained relatively consistent quarter over quarter. On a year-to-date basis, financing activities include proceeds of \$35.0 million from a term loan in the first quarter of 2019.

As of July 24, 2019, the Company had a cash balance of approximately \$190.0 million and net debt of approximately \$170.0 million. This change from June 30, 2019 reflects the Company's acquisition of the Chapada mine which was financed by \$515 million in cash and a \$285 million draw against the Company's revolving credit facility.

Outlook

2019 Production and Cash Cost

Production and cash cost guidance for 2019 has been revised from that disclosed in our Management's Discussion and Analysis for the three months ended March 31, 2019 to reflect higher cash costs at our Eagle mine, primarily due to expected lower by-product price, as well as lower grades resulting in lower nickel metal produced and sold. In addition, production guidance has been updated for copper production at our Neves-Corvo mine and nickel production at our Eagle mine. The revised guidance also includes six months of production and cash cost guidance for the Chapada mine. 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 will be a component of the copper revenue and will impact realized revenue per pound.

2019 Guidance (contained tonnes)		Previous Guidance ^a		Revised Guidance ^b	
		Tonnes	C1 Cost	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
	Eagle	12,000 - 15,000		12,000 - 15,000	
	Neves-Corvo	40,000 - 45,000	\$1.70/lb	38,000 - 42,000	1.70/lb
	Zinkgruvan	2,000 - 3,000		2,000 - 3,000	
	Total attributable	199,000 - 218,000		224,000 - 245,000	
Zinc	Neves-Corvo	71,000 - 76,000		71,000 - 76,000	
	Zinkgruvan	76,000 - 81,000	\$0.40/lb	76,000 - 81,000	\$0.40/lb
	Total	147,000 - 157,000		147,000 - 157,000	
Nickel	Eagle	12,000 - 15,000	\$2.20/lb	12,000 - 14,000	\$2.60/lb

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2019.

b. Cash costs are based on various assumptions and estimates, including but not limited to: production volumes, as noted above, commodity prices (Cu: \$2.70/lb, Zn: \$1.10/lb, Ni: \$5.50/lb, Pb: \$0.80/lb, Au: \$1,250/oz), foreign exchange rates (€/USD:1.15, USD/SEK:9.00, USD/CLP:675, USD/BRL:3.75) and operating costs.

c. Chapada is expected to produce 50,000 to 55,000 ounces of gold for the second half of 2019.

2019 Capital Expenditure Guidance

Total capital expenditures, excluding capitalized interest, are forecast to be \$695 million, \$50 million lower than previously disclosed. A project cost review of ZEP has confirmed lower spending requirements in 2019 as costs are deferred to 2020; however, total cost for the project is increasing. The revised capital expenditure guidance includes capital spending over the second half of 2019 for the Chapada mine.

Revised Capital Expenditure Guidance

(\$ millions)	Previous Guidance ^a	Revisions	Revised Guidance
Candelaria (100% basis)			
Capitalized Stripping	130	-	130
Los Diques TSF	10	-	10
New Mine Fleet Investment	75	-	75
Candelaria Mill Optimization Project	50	-	50
Candelaria Underground Development	40	-	40
Other Sustaining	70	-	70
Candelaria Sustaining	375	-	375
Chapada	-	25	25
Eagle Sustaining	15	-	15
Neves-Corvo Sustaining	65	-	65
Zinkgruvan Sustaining	50	(5)	45
Total Sustaining Capital	505	20	525
Eagle East	30	-	30
ZEP (Neves-Corvo)	210	(70)	140
Total Expansionary Capital	240	(70)	170
Total Capital Expenditures	745	(50)	695

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2019.

Zinc Expansion Project (Neves-Corvo)

The Company expects total pre-production project costs to increase to \$430 million (€360 million). The Company has been actively monitoring and regularly updating the cost and schedule estimates including trend analysis to predict costs and completion dates. The updated pre-production cost estimate of €360 million is an increase of €55 million over the previous estimate. The increase includes the following new items:

- €7 million for underground paste backfill expansion (not included in the initial project scope)
- €10 million of potential contractor claims for surface delays and time extensions
- €10 million of owners and indirect costs on schedule delays, and
- €28 million contingency (representing 15% of remaining spend).

Capital spend for 2019 has been reduced to \$140 million (€120 million) as project work is deferred to 2020.

While commissioning of surface facilities is still expected to commence by the end of the first quarter of 2020, a phased approach is expected to take several quarters to ramp up with full throughput rates expected by the fourth quarter of 2020. Commissioning of the underground crushing and conveying systems is expected to occur during the second quarter of 2020.

2019 Exploration Investment Guidance

Exploration expenditures remain unchanged at \$70 million, of which \$4 million is related to Chapada.

Selected Quarterly Financial Information¹

(\$ millions, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue	369.3	467.7	785.6	938.1
Cost of goods sold:				
Production costs	(255.8)	(243.7)	(460.9)	(483.4)
Depreciation, depletion and amortization	(88.3)	(68.9)	(158.4)	(149.7)
Gross profit	25.1	155.1	166.3	305.0
Net (loss) earnings	(8.6)	87.5	52.3	174.6
Attributable to: Lundin Mining shareholders	(7.8)	78.8	43.9	160.1
Non-controlling interests	(0.8)	8.7	8.5	14.5
Net (loss) earnings	(8.6)	87.5	52.3	174.6
Cash flow from operations	204.5	118.3	266.6	291.2
Capital expenditures (including capitalized interest)²	178.7	193.2	360.7	343.9
Total assets	6,012.6	6,265.5	6,012.6	6,265.5
Total debt & lease liabilities	74.0	443.1	74.0	443.1
Net cash	661.1	1,063.1	661.1	1,063.1
Key Financial Data:				
Basic and diluted (loss) earnings per share ('EPS')				
attributable to shareholders	(0.01)	0.11	0.06	0.22
Operating cash flow per share ³	0.07	0.16	0.26	0.39
Dividends declared (C\$/share)	0.03	0.03	0.06	0.06

Summary of Quarterly Results¹

(\$ millions, except per share data)	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
Revenue	369.3	416.4	407.7	379.7	467.7	470.5	533.3	601.7
Cost of goods sold	(344.1)	(275.2)	(335.7)	(320.1)	(312.6)	(320.6)	(280.7)	(341.2)
Gross profit	25.1	141.2	72.0	59.6	155.1	149.9	252.6	260.5
Net (loss) earnings	(8.6)	60.9	31.8	9.1	87.5	87.1	154.0	156.6
- attributable to shareholders	(7.8)	51.7	28.8	7.0	78.8	81.3	133.0	131.8
EPS - Basic and diluted	(0.01)	0.07	0.04	0.01	0.11	0.11	0.18	0.18
Cash flow from operations	204.5	62.1	44.2	140.9	118.3	172.9	230.1	249.5
Capital expenditures (cash basis)	178.7	182.0	234.1	173.7	193.2	150.7	197.9	117.3

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

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 25 of this MD&A for discussion of non-GAAP measures.

Revenue Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)								
	Total	2019		2018				
		Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)								
Candelaria (100%)	62,211	31,138	31,073	132,626	32,465	32,832	34,542	32,787
Eagle	7,333	4,286	3,047	16,480	3,987	4,678	3,295	4,520
Neves-Corvo	17,598	9,888	7,710	44,729	10,700	13,525	11,371	9,133
Zinkgruvan	913	913	-	1,385	18	495	872	-
	88,055	46,225	41,830	195,220	47,170	51,530	50,080	46,440
Zinc (tonnes)								
Neves-Corvo	29,863	14,466	15,397	61,150	15,492	16,434	15,746	13,478
Zinkgruvan	35,492	19,466	16,026	62,922	20,475	12,288	13,565	16,594
	65,355	33,932	31,423	124,072	35,967	28,722	29,311	30,072
Nickel (tonnes)								
Eagle	5,626	3,935	1,691	15,151	3,929	3,400	2,755	5,067
Gold (000 oz)								
Candelaria (100%)	38	19	19	76	20	19	19	18
Lead (tonnes)								
Neves-Corvo	2,589	1,313	1,276	5,577	1,243	1,420	1,732	1,182
Zinkgruvan	9,673	5,799	3,874	23,097	9,430	5,544	3,036	5,087
	12,262	7,112	5,150	28,674	10,673	6,964	4,768	6,269
Silver (000 oz)								
Candelaria (100%)	535	252	283	1,103	289	284	264	266
Eagle	38	25	13	72	16	27	10	19
Neves-Corvo	427	201	226	871	307	190	215	159
Zinkgruvan	688	460	228	1,401	529	341	295	236
	1,688	938	750	3,447	1,141	842	784	680

Revenue Analysis

by Mine (\$ thousands)	Three months ended June 30,					Six months ended June 30,				
	2019		2018		Change	2019		2018		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
Candelaria (100%)	178,677	48	243,585	52	(64,908)	411,338	52	461,827	49	(50,489)
Eagle	59,412	16	63,651	14	(4,239)	105,620	13	155,865	17	(50,245)
Neves-Corvo	77,519	21	110,816	24	(33,297)	162,666	21	208,474	22	(45,808)
Zinkgruvan	53,643	15	49,605	10	4,038	106,011	14	111,973	12	(5,962)
	369,251		467,657		(98,406)	785,635		938,139		(152,504)

by Metal (\$ thousands)	Three months ended June 30,					Six months ended June 30,				
	2019		2018		Change	2019		2018		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
Copper	226,953	62	309,187	66	(82,234)	493,043	63	584,549	62	(91,506)
Zinc	59,679	16	73,916	16	(14,237)	142,353	18	160,620	17	(18,267)
Nickel	33,352	9	38,969	8	(5,617)	59,177	8	93,784	10	(34,607)
Gold	23,756	6	21,893	5	1,863	46,461	6	44,143	5	2,318
Lead	12,438	3	11,368	2	1,070	22,203	3	26,399	3	(4,196)
Silver	8,883	3	8,310	2	573	16,797	2	15,899	2	898
Other	4,190	1	4,014	1	176	5,601	-	12,745	1	(7,144)
	369,251		467,657		(98,406)	785,635		938,139		(152,504)

Revenue for the quarter ended June 30, 2019 decreased in comparison to the second quarter of the prior year. The decrease was mainly due to lower realized metal prices and price adjustments (\$99.1 million). Copper and nickel prices were negatively impacted by uncertainty in global trade discussions in the second quarter of 2019; however a fundamental shortage of zinc metal mitigated the impacts of trade uncertainty on zinc prices during the quarter.

On a year-to-date basis, revenue was lower than the prior year period. The decrease was mainly due to lower realized metal prices, net of price adjustments (\$78.2 million) and lower sales volumes (\$67.4 million).

Revenue from gold and silver for the three and six months ended June 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 \$4.34/oz for silver.

Provisionally valued revenue as of June 30, 2019

Metal	Tonnes Payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	57,449	2.72	5,996
Zinc	24,314	1.15	2,529
Nickel	3,796	5.75	12,680

Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended June 30, 2019				Three months ended June 30, 2018			
	Copper	Zinc	Nickel	Total	Copper	Zinc	Nickel	Total
Current period sales ¹	277,238	87,472	50,171	414,881	334,820	86,497	41,304	462,621
Prior period price adjustments	(27,274)	(7,466)	(1,067)	(35,807)	248	(1,702)	5,220	3,766
	249,964	80,006	49,104	379,074	335,068	84,795	46,524	466,387
Other metal sales				50,595				46,263
Less: Treatment & refining charges				(60,418)				(44,993)
Total Revenue				369,251				467,657
Payable Metal (tonnes)	46,225	33,932	3,935		50,080	29,311	2,755	
Current period sales (\$/lb) ¹	\$2.72	\$1.17	\$5.78		\$3.03	\$1.34	\$6.80	
Prior period adjustments (\$/lb)	(0.27)	(0.10)	(0.12)		-	(0.03)	0.86	
Realized prices (\$/lb)	\$2.45	\$1.07	\$5.66		\$3.03	\$1.31	\$7.66	

1. Includes provisional price adjustments on current period sales.

Year-to-Date Reconciliation of Realized Prices

(\$ thousands)	Six months ended June 30, 2019				Six months ended June 30, 2018			
	Copper	Zinc	Nickel	Total	Copper	Zinc	Nickel	Total
Current period sales ¹	529,453	173,870	71,924	775,247	650,953	186,469	108,507	945,929
Prior period price adjustments	7,695	1,467	8,389	17,551	(16,229)	(1,467)	5,443	(12,253)
	537,148	175,337	80,313	792,798	634,724	185,002	113,950	933,676
Other metal sales				93,503				100,686
Less: Treatment & refining charges				(100,666)				(96,223)
Total Revenue				785,635				938,139
Payable Metal (tonnes)	88,055	65,355	5,626		96,520	59,383	7,822	
Current period sales (\$/lb) ¹	\$2.73	\$1.21	\$5.80		\$3.06	\$1.42	\$6.29	
Prior period adjustments (\$/lb)	0.04	0.01	0.68		(0.08)	(0.01)	0.32	
Realized prices (\$/lb)	\$2.77	\$1.22	\$6.48		\$2.98	\$1.41	\$6.61	

1. Includes provisional price adjustments on current period sales.

Financial Results

Production Costs

Production costs for the quarter ended June 30, 2019 were \$255.8 million, \$12.1 million higher than the second quarter of the prior year primarily attributable to higher diesel and energy costs at Candelaria and higher mill maintenance costs at Candelaria and Neves-Corvo, which were partially offset by the positive impacts of foreign exchange.

On a year-to-date basis, production costs were \$460.9 million, a decrease of \$22.6 million in comparison to the six months of 2018 (\$483.5 million). The decrease was largely due to lower sales volumes and positive impacts of foreign exchange.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased for the quarter and six months ended June 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. In addition, for the quarter ended June 30, 2019, Eagle's depreciation expense increased in comparison to the prior comparable period due to higher sales volumes.

Depreciation by operation (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Candelaria	45,962	40,346	5,616	85,761	78,946	6,815
Eagle	20,141	13,129	7,012	30,316	34,105	(3,789)
Neves-Corvo	12,795	8,585	4,210	25,398	23,239	2,159
Zinkgruvan	8,966	6,411	2,555	16,030	12,702	3,328
Other	429	388	41	892	737	155
	88,293	68,859	19,434	158,397	149,729	8,668

Loss from Equity Investment in Associate

For the six months ended June 30, 2019, a loss of \$10.6 million from equity investment in associate was recognized due mainly to inventory revaluations as a result of lower cobalt prices in the first quarter of 2019.

Finance Income and Costs

Net finance income and costs of \$4.7 million for the three months and \$8.4 million for the six months ended June 30, 2019 reflects a decrease of \$5.2 million and \$11.6 million, respectively, against the prior year comparable periods. The decrease is mainly attributable to lower interest expense in 2019 due to the repayment of long-term debt in 2018.

Other Income and Expenses

Net other expense for the three and six months ended June 30, 2019 was \$13.6 million and \$15.3 million, respectively, lower than net other income in the prior year comparable periods. The decrease is primarily the result of lower foreign exchange gains and lower revaluation gains recorded for marketable securities, as well as a \$5.2 million expense related to a liability for ZEP contractor claims.

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 June 30, 2019 were \$1.00:CLP680 (March 31, 2019 - \$1.00:CLP681; December 31, 2018 - \$1.00:CLP695), \$1.14:€1.00 (March 31, 2019 - \$1.12:€1.00; December 31, 2018 - \$1.15:€1.00) and \$1.00:SEK9.27 (March 31, 2019 - \$1.00:SEK9.28; December 31, 2018 - \$1.00:SEK8.97).

Income Taxes

Income taxes by mine

Income tax (recovery) expense (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Candelaria	(10,335)	12,999	(23,334)	3,379	12,861	(9,482)
Eagle	(2,086)	2,533	(4,619)	(1,909)	7,780	(9,689)
Neves-Corvo	(5,185)	16,142	(21,327)	(515)	20,641	(21,156)
Zinkgruvan	3,124	6,397	(3,273)	9,254	13,402	(4,148)
Other	9,314	6,697	2,617	15,468	15,629	(161)
	(5,168)	44,768	(49,936)	25,677	70,313	(44,636)

Income taxes by classification

Income tax (recovery) expense (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Change	2019	2018	Change
Current income tax	5,684	44,240	(38,556)	31,392	73,224	(41,832)
Deferred income tax	(10,852)	528	(11,380)	(5,715)	(2,911)	(2,804)
	(5,168)	44,768	(49,936)	25,677	70,313	(44,636)

Income tax recovery for the three months and expense for the six months ended June 30, 2019 are lower than the tax expense recorded in the prior year comparable periods due to lower taxable earnings across all sites. Included in the current year is an investment tax credit of \$4.0 million at Neves-Corvo for capital investments in ZEP, which further reduced current taxes payable.

Mining Operations

Production Overview

(Contained metal in concentrate)	2019			2018				
	YTD	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)								
Candelaria (100%)	66,411	33,633	32,778	134,578	33,011	35,323	34,397	31,847
Eagle	7,629	3,732	3,897	17,974	3,908	5,178	4,115	4,773
Neves-Corvo	18,483	9,615	8,868	45,692	11,287	11,746	11,899	10,760
Zinkgruvan	1,284	705	579	1,386	-	523	687	176
	93,807	47,685	46,122	199,630	48,206	52,770	51,098	47,556
Zinc (tonnes)								
Neves-Corvo	37,024	18,251	18,773	75,435	18,465	18,905	20,230	17,835
Zinkgruvan	40,538	18,865	21,673	76,606	23,559	17,157	16,845	19,045
	77,562	37,116	40,446	152,041	42,024	36,062	37,075	36,880
Nickel (tonnes)								
Eagle	7,611	3,398	4,213	17,573	3,501	4,697	4,234	5,141
Gold (000 oz)								
Candelaria (100%)	41	21	20	78	21	20	20	17
Lead (tonnes)								
Neves-Corvo	3,003	1,350	1,653	6,571	1,418	1,524	1,872	1,757
Zinkgruvan	12,051	6,219	5,832	24,613	8,161	5,515	3,914	7,023
	15,054	7,569	7,485	31,184	9,579	7,039	5,786	8,780
Silver (000 oz)								
Candelaria (100%)	613	292	321	1,207	307	330	295	275
Eagle	72	45	27	158	41	46	28	43
Neves-Corvo	890	392	498	1,791	508	458	420	405
Zinkgruvan	1,110	631	479	2,155	607	531	452	565
	2,685	1,360	1,325	5,311	1,463	1,365	1,195	1,288

Cash Cost Overview³

(\$/lb)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Candelaria (cost/lb Cu)				
Gross cost	2.12	1.91	1.99	1.92
By-product ¹	(0.26)	(0.20)	(0.25)	(0.21)
Net Cash Cost	1.86	1.71	1.74	1.71
All-In Sustaining Cost²	3.73	2.92	3.52	2.92
Eagle (cost/lb Ni)				
Gross cost	6.14	5.15	6.04	4.30
By-product	(3.00)	(4.06)	(3.74)	(3.60)
Net Cash Cost	3.14	1.09	2.30	0.70
All-In Sustaining Cost	3.65	2.14	3.05	1.51
Neves-Corvo (cost/lb Cu)				
Gross cost	3.14	2.73	3.27	2.94
By-product	(1.26)	(1.77)	(1.81)	(1.90)
Net Cash Cost	1.88	0.96	1.46	1.04
All-In Sustaining Cost	2.60	1.46	2.23	1.63
Zinkgruvan (cost/lb Zn)				
Gross cost	0.81	0.87	0.74	0.82
By-product	(0.40)	(0.46)	(0.32)	(0.40)
Net Cash Cost	0.41	0.41	0.42	0.42
All-In Sustaining Cost	0.63	0.71	0.66	0.71

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

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 25 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.

Capital Expenditures^{1,2}

by Mine	Three months ended June 30,						
	2019			2018			
	Sustaining	Expansionary	Total	Sustaining	Expansionary	Capitalized Interest	Total
(\$ thousands)							
Candelaria	123,946	-	123,946	120,874	-	7,617	128,491
Eagle	1,257	9,277	10,534	3,537	8,087	1,006	12,630
Neves-Corvo	13,521	21,473	34,994	9,092	29,620	1,648	40,360
Zinkgruvan	9,208	-	9,208	9,451	-	-	9,451
Other	35	-	35	2,280	-	-	2,280
	147,967	30,750	178,717	145,234	37,707	10,271	193,212
by Mine	Six months ended June 30,						
	2019			2018			
	Sustaining	Expansionary	Total	Sustaining	Expansionary	Capitalized Interest	Total
(\$ thousands)							
Candelaria	232,892	-	232,892	211,742	-	7,617	219,359
Eagle	3,174	16,972	20,146	6,385	14,885	1,006	22,276
Neves-Corvo	24,397	63,844	88,241	20,573	54,035	1,648	76,256
Zinkgruvan	19,357	-	19,357	20,628	-	-	20,628
Other	78	-	78	5,405	-	-	5,405
	279,898	80,816	360,714	264,733	68,920	10,271	343,924

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 25 of this MD&A for discussion of non-GAAP measures.

Candelaria - Chile

Operating Statistics

(100% Basis)	2019			2018				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	9,357	5,620	3,737	17,799	3,432	3,771	6,225	4,372
Ore milled (000s tonnes)	13,656	6,450	7,206	27,585	7,017	7,241	7,137	6,190
Grade								
Copper (%)	0.53	0.57	0.49	0.53	0.52	0.54	0.52	0.56
Recovery								
Copper (%)	91.5	91.4	91.9	91.2	89.8	91.0	91.6	92.6
Production (contained metal)								
Copper (tonnes)	66,411	33,633	32,778	134,578	33,011	35,323	34,397	31,847
Gold (000 oz)	41	21	20	78	21	20	20	17
Silver (000 oz)	613	292	321	1,207	307	330	295	275
Revenue (\$000s)	411,338	178,677	232,661	838,772	200,434	176,511	243,585	218,242
Gross profit (\$000s)	80,049	1,390	78,659	180,959	38,630	13,568	73,259	55,502
Cash cost (\$ per pound)	1.74	1.86	1.62	1.68	1.65	1.64	1.71	1.71
AISC (\$ per pound)	3.52	3.73	3.30	3.34	3.99	3.58	2.92	2.91

Gross Profit

Gross profit for the three and six months ended June 30, 2019 was lower than the prior year comparable periods. The decrease was largely due to lower realized metal prices and price adjustments and lower sales volumes.

Production

Copper production for the three months ended June 30, 2019 was lower than the comparable period in 2018. The decrease in copper production is largely the result of lower throughput in the current period due to maintenance stops, partially offset by higher grades. Ore grades are expected to continue to increase over the remainder of the year as more ore is sourced from the open pit and less from the low grade stockpile.

Copper production year-to-date was in-line with the comparable period in 2018. Copper production remains on track to achieve full year guidance.

Cash Costs

Copper cash costs for the three and six months ended June 30, 2019 were \$0.15/lb and \$0.03/lb higher, respectively, than cash costs in the prior year comparable periods. The increases were a result of higher power and diesel costs, as well as higher maintenance costs. These increases were partially offset by lower labour costs, reduced operating cost from new mine equipment performance and the positive impact of foreign exchange.

All-in sustaining costs of \$3.73/lb and \$3.52/lb for the three and six months ended June 30, 2019, respectively, were higher than those of the corresponding periods in 2018 primarily due to planned increased spending on sustaining capital and deferred stripping focused on improving the life-of-mine cost efficiency and production profile.

For the six months ended June 30, 2019, approximately 25,000 oz of gold and 365,000 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 on track with commissioning expected by the end of the year.

Development of the Candelaria Underground South Sector continues and is progressing ahead of schedule with production start-up projected before the end of the third quarter 2019.

Delivery of open pit mine fleet replacement equipment under the Mine Fleet Investment program is well underway. Overall, the Mine Fleet Investment program is 87% complete with 74 of 85 units being placed into operations. The new equipment is performing as expected, increasing productivity as well as improving equipment availability and reliability, thereby reducing operational and maintenance costs.

Eagle Mine - USA

Operating Statistics

	2019			2018				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	357	192	165	753	192	192	183	186
Ore milled (000s tonnes)	360	194	165	754	195	192	185	182
Grade								
Nickel (%)	2.5	2.1	3.0	2.8	2.2	2.9	2.7	3.4
Copper (%)	2.2	2.0	2.4	2.5	2.1	2.8	2.3	2.7
Recovery								
Nickel (%)	83.0	81.3	85.0	82.8	81.5	82.6	83.6	83.6
Copper (%)	96.6	95.7	97.6	97.0	96.4	97.2	96.8	97.7
Production (contained metal)								
Nickel (tonnes)	7,611	3,398	4,213	17,573	3,501	4,697	4,234	5,141
Copper (tonnes)	7,629	3,732	3,897	17,974	3,908	5,178	4,115	4,773
Sales (\$000s)	105,620	59,412	46,208	265,863	50,914	59,084	63,651	92,214
Gross profit (loss) (\$000s)	17,658	(800)	18,458	74,218	(128)	13,341	24,220	36,785
Cash cost (\$ per pound)	2.30	3.14	0.37	1.01	1.76	0.87	1.09	0.49
AISC (\$ per pound)	3.05	3.65	1.65	1.84	2.55	1.76	2.14	1.17

Gross Profit

A gross loss was recorded for the three months ended June 30, 2019 compared to a gross profit recorded in the prior year comparable period. The loss was due to lower metal prices and price adjustments in the current period.

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 resulting from extreme weather conditions in the first quarter of 2019, combined with lower metal prices.

Production

Nickel and copper production for the three months and six months ended June 30, 2019 were lower than the prior year comparable periods reflecting planned lower grades as well as a change in mining method. 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 throughput.

Due to the extreme weather in the first quarter of 2019 and the change in mining method, the full year guidance range for nickel production has been modestly reduced to 12,000 – 14,000 tonnes.

Cash Costs

Nickel cash costs for the three and six months ended June 30, 2019 were higher than cash costs reported in the prior year comparable period. The increase in cash costs is primarily a result of higher treatment and refining charges, as well as lower copper by-product credits due to metal prices.

Full year nickel cash cost guidance has been increased to \$2.60/lb, primarily as a result of lower forecast nickel sales and lower copper prices impacting by-product credits.

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

Projects

During the second quarter of 2019, \$9.3 million in expansionary capital expenditures were incurred in support of the Eagle East project. Access ramp development to Eagle East and vertical development for the ventilation and emergency egress system progressed during the quarter and development is tracking ahead of schedule and under

budget. Main booster fans were installed and commissioned in Eagle East to support production mining later this year. The underground definition drilling campaign from the access ramp to Eagle East is ongoing with 5,600 metres drilled in the second quarter. Production of Eagle East ore remains scheduled into the mill in the fourth quarter of this year.

Neves-Corvo Mine - Portugal

Operating Statistics

	2019			2018				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	1,317	628	689	2,693	696	688	618	691
Ore mined, zinc (000 tonnes)	579	283	296	1,119	280	273	283	283
Ore milled, copper (000 tonnes)	1,296	626	670	2,692	704	696	641	651
Ore milled, zinc (000 tonnes)	566	280	286	1,125	287	280	278	280
Grade								
Copper (%)	1.8	2.0	1.7	2.2	2.1	2.2	2.5	2.2
Zinc (%)	8.0	7.9	8.0	7.8	7.6	7.9	8.3	7.6
Recovery								
Copper (%)	77.6	75.8	79.3	75.5	76.8	76.3	74.2	74.6
Zinc (%)	78.5	78.6	78.3	80.6	79.1	81.0	82.0	80.4
Production (contained metal)								
Copper (tonnes)	18,483	9,615	8,868	45,692	11,287	11,746	11,899	10,760
Zinc (tonnes)	37,024	18,251	18,773	75,435	18,465	18,905	20,230	17,835
Lead (tonnes)	3,003	1,350	1,653	6,571	1,418	1,524	1,872	1,757
Silver (000 oz)	890	392	498	1,791	508	458	420	405
Sales (\$000s)	162,666	77,519	85,147	404,263	91,059	104,730	110,816	97,658
Gross profit (\$000s)	22,578	3,834	18,744	85,311	3,408	19,339	37,606	24,958
Cash cost (€ per pound)	1.30	1.68	0.81	1.09	1.31	1.28	0.81	0.93
Cash cost (\$ per pound)	1.46	1.88	0.92	1.28	1.49	1.48	0.96	1.14
AISC (\$ per pound)	2.23	2.60	1.72	1.95	2.64	1.90	1.46	1.84

Gross Profit

Gross profit for the three months ended June 30, 2019 was lower than the comparable period in 2018 largely due to lower metal prices and price adjustments.

Gross profit for the six months ended June 30, 2019 was \$40.0 million lower than the comparable period in 2018. The decrease was attributable to lower prices net of price adjustments and lower sales volumes, partially offset by the positive impacts of foreign exchange.

Production

Copper production for the three and six months ended June 30, 2019 was lower than the comparable periods in 2018 by 2,284 tonnes and 4,176 tonnes, respectively. The decrease in copper production is a result of lower head grades due to a change in mine sequencing. Full-year production guidance has been moderately reduced to 38,000 – 42,000 tonnes.

Zinc production for the three months ended June 30, 2019 was lower than the prior year comparable period. Head grades in the current quarter were negatively impacted by mine resequencing, as well as complex ore characteristics resulting in lower recoveries. Zinc production for the six months ended June 30, 2019 was largely impacted by reduced metallurgical recoveries leading to lower production than the comparable period in 2018.

Zinc production remains on track to achieve full year guidance.

Cash Costs

Copper cash costs for the three and six months ended June 30, 2019 were higher than those of the corresponding periods in 2018. The increase is a result of higher per unit mine, mill, and administration costs (Q2 - \$0.59/lb; YTD - \$0.53/lb) due to lower sales volumes and higher plant maintenance costs, as well as lower by-product credits (Q2 - \$0.51/lb; YTD - \$0.10/lb).

All-in sustaining costs for the three and six months ended June 30, 2019 were higher than the corresponding period in 2018 due to higher cash costs and increased spending on sustaining capital expenditures (Q2 - \$0.29/lb; YTD – \$0.18/lb).

Projects

During the second quarter of 2019, ZEP continued increasing construction manpower with nearly 800 workers in total. Underground development of materials handling ramps was completed this quarter with work now focused on civil, mechanical, and electrical equipment installations for the 3.5 km of conveyor systems and the new crusher station. Concrete foundation work, including ore storage silos, progressed well throughout the quarter. Development of the lower zinc ore stopes was well underway with the first sublevel accesses established in the lower Lombador orebody. Surface construction was focused on mechanical installation of the materials handling system, SAG mill, flotation equipment, tailings and water supply piping systems, and a new paste fill thickener.

Capital spend for 2019 has been reduced to \$140 million as project work is deferred into 2020 and total pre-production project cost is expected to increase as a result of a schedule and cost review of the project as discussed in the Outlook section.

Zinkgruvan Mine - Sweden

Operating Statistics

	2019			2018				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	572	303	269	1,203	330	276	288	309
Ore mined, copper (000 tonnes)	89	37	52	97	-	23	34	40
Ore milled, zinc (000 tonnes)	544	292	252	1,202	325	280	288	309
Ore milled, copper (000 tonnes)	89	48	41	111	-	35	62	14
Grade								
Zinc (%)	8.2	7.2	9.3	7.0	7.9	6.7	6.6	6.8
Lead (%)	2.8	2.7	2.9	2.6	3.1	2.5	1.8	2.8
Copper (%)	1.7	1.7	1.6	1.4	-	1.7	1.3	1.4
Recovery								
Zinc (%)	91.2	89.7	92.5	90.6	91.7	91.2	89.4	89.9
Lead (%)	79.3	80.0	78.6	79.1	80.2	78.8	73.5	81.3
Copper (%)	87.4	86.0	89.1	88.4	-	90.6	87.0	88.2
Production (contained metal)								
Zinc (tonnes)	40,538	18,865	21,673	76,606	23,559	17,157	16,845	19,045
Lead (tonnes)	12,051	6,219	5,832	24,613	8,161	5,515	3,914	7,023
Copper (tonnes)	1,284	705	579	1,386	-	523	687	176
Silver (000 oz)	1,110	631	479	2,155	607	531	452	565
Sales (\$000s)	106,011	53,643	52,368	216,691	65,334	39,384	49,605	62,368
Gross profit (\$000s)	48,856	21,873	26,983	100,517	30,800	14,514	21,007	34,196
Cash cost (SEK per pound)	3.97	3.88	4.08	2.97	2.12	3.13	3.51	3.47
Cash cost (\$ per pound)	0.42	0.41	0.44	0.34	0.23	0.35	0.41	0.43
AISC (\$ per pound)	0.66	0.63	0.69	0.62	0.50	0.62	0.71	0.71

Gross Profit

Gross profit for the quarter was in-line with the second quarter of 2018. For the six months ended June 30, 2019, gross profit of \$48.9 million was lower than the comparable period in 2018 of \$55.2 million. Higher sales volumes were more than offset by lower metal prices which contributed to the lower gross profit on a year-to-date basis.

Production

Zinc and lead production for the three and six months ended June 30, 2019 were higher than the prior year comparable periods. The production increase in both metals was due to higher head grades as a result of mine sequencing.

Copper production for the six months ended June 30, 2019 was higher than the comparable period due to a combination of higher throughput in the mill and higher grades from sequencing.

Full year zinc and copper production remain on track to meet guidance.

Cash Costs

Zinc cash costs for the three and six months ended June 30, 2019 were in-line with the prior year comparable periods and remain on track to meet full year guidance.

All-in sustaining costs for the three and six months ended June 30, 2019 were lower than those reported in the corresponding period in 2018 due to planned lower spending on sustaining capital expenditures.

Exploration

Candelaria Mine, Chile (Copper, Gold)

A planned reduction to three exploration drill rigs was completed early in the second quarter of 2019. Drilling completed in the second quarter was 10,352 metres between Candelaria Underground North, South and other near-mine targets. Plans have been finalized for an airborne geophysical survey to commence during the fourth quarter of 2019.

Eagle Mine, USA (Nickel, Copper)

The near-mine surface exploration program was completed at the end of the second quarter following systematic testing of targets. A regional exploration program is in the early stages of activity. A total of 2,538 metres were drilled in support of exploration in the second quarter of 2019.

Neves-Corvo, Portugal (Copper, Zinc)

12,287 metres were drilled by three rigs on the Zambujal east extension towards Semblana and on the wider exploration concession during the second quarter of 2019. The surface geophysics program was finalized during the quarter.

Zinkgruvan, Sweden (Zinc, Lead)

Six surface and three underground rigs completed 17,758 metres of drilling in the second quarter of 2019. Surface drilling continued to focus in the Dalby and Flaxen exploration concessions.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper and nickel for the second quarter 2019 were lower than the average prices for the first quarter by: 2% copper and 1% nickel, while the price for zinc in the second quarter of 2019 was 2% higher than the price during the first quarter. The uncertainty of global trade discussions continued to have a negative impact on metal prices for copper and nickel while zinc fared slightly better due to a fundamental shortage of metal which kept zinc trading in a backwardation during the quarter.

(Average LME Price)		Three months ended June 30,			Six months ended June 30,		
		2019	2018	Change	2019	2018	Change
Copper	US\$/pound	2.77	3.12	-11%	2.80	3.14	-11%
	US\$/tonne	6,113	6,872		6,165	6,917	
Zinc	US\$/pound	1.25	1.41	-11%	1.24	1.48	-16%
	US\$/tonne	2,763	3,112		2,732	3,268	
Nickel	US\$/pound	5.56	6.57	-15%	5.59	6.29	-11%
	US\$/tonne	12,258	14,476		12,315	13,871	

The LME inventories for copper and zinc increased during the second quarter of 2019 by 42% and 81%, respectively, while the LME inventory for nickel decreased by 10%.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates between mining companies and commodity trading companies decreased during the second quarter of 2019. April saw miner-to-trader spot TC's at \$58 per dmt of concentrate and a spot RC at \$0.058 per lb of payable copper; however, by the end of June the TC had decreased to \$45 per dmt of concentrate with a RC of \$0.045 per payable lb of copper contained. Additionally, the spot terms at which the Chinese copper smelters buy have fallen from a TC of \$69 per dmt of concentrate and a RC of \$0.069 per payable lb of copper during April to a TC of \$60 per dmt of concentrate and a RC of \$0.06 per payable lb of copper at the end of June. 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-\$275 per dmt, flat, during the second quarter of 2019 and ended the quarter at the lower 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. 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 June 30, 2019, the Company had cash and cash equivalents of \$735.1 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 June 30, 2019, the Company had \$74.0 million of debt and lease liabilities, including a term loan of \$35.0 million. Lease liabilities increased in the first quarter due to the implementation of IFRS 16, *Leases*. Subsequent to the quarter end, the Company drew \$285.0 million on its \$550.0 million revolving credit facility to fund the purchase of Chapada mine.

Contractual Obligations, Commitments and Contingencies

The Company has contractual obligations and capital commitments as described in the Note 22 “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 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 21 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 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 June 30, 2019 (\$US/tonne)	Change	Effect on Revenue (\$millions)
Copper	57,449	5,996	+/- 10%	+/- \$34.4
Zinc	24,314	2,529	+/- 10%	+/- \$6.1
Nickel	3,796	12,680	+/- 10%	+/- \$4.8

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 June 30, 2019 (\$millions)	Six months ended June 30, 2019 (\$millions)
Chilean peso	+/-10%	+/--\$11.0	+/--\$21.6
Euro	+/-10%	+/--\$7.3	+/--\$13.7
Swedish krona	+/-10%	+/--\$3.3	+/--\$5.8

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 24 of the Company's June 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 June 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 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 debt and lease liabilities, excluding deferred financing fees and can be reconciled as follows:

(\$thousands)	June 30, 2019	March 31, 2019	December 31, 2018 ¹
Current portion of debt and finance leases	(45,666)	(45,214)	(3,830)
Debt and finance leases	(28,300)	(30,676)	(7,162)
	(73,966)	(75,890)	(10,992)
Cash and cash equivalents	735,068	734,742	815,429
Net cash	661,102	658,852	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:

(\$thousands, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2019	2018 ¹	2019	2018 ¹
Cash provided by operating activities	204,469	118,348	266,609	291,206
Changes in non-cash working capital items	(154,530)	(735)	(77,549)	(3,167)
Operating cash flow before changes in non-cash working capital items	49,939	117,613	189,060	288,039
Weighted average common shares outstanding	735,934,553	731,481,815	735,598,232	730,545,931
Operating cash flow per share	0.07	0.16	0.26	0.39

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.

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

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 June 30, 2019					
Operations	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Total
(\$000s, unless otherwise noted)	(Cu)	(Ni)	(Cu)	(Zn)	
Sales volumes (Contained metal in concentrate):					
Tonnes	31,138	3,935	9,888	19,466	
Pounds (000s)	68,647	8,675	21,799	42,915	
Production costs					255,838
Less: items included in the above					
Royalties and other					(2,531)
					253,307
Deduct: By-product credits					(88,337)
Add: Treatment and refining charges					48,352
Cash cost	127,478	27,213	41,073	17,558	213,322
Cash cost per pound (\$/lb)	1.86	3.14	1.88	0.41	
Add: Sustaining capital expenditure ⁽¹⁾					
Royalties	-	2,550	447	-	
Interest expense	1,544	490	193	73	
Leases & other ⁽²⁾	841	315	1,164	305	
All-in sustaining cost	256,112	31,641	56,744	26,866	
AISC per pound (\$/lb)	3.73	3.65	2.60	0.63	

Three months ended June 30, 2018					
Operations	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Total
(\$000s, unless otherwise noted)	(Cu)	(Ni)	(Cu)	(Zn)	
Sales volumes (Contained metal in concentrate):					
Tonnes	34,542	2,755	11,371	13,565	
Pounds (000s)	76,152	6,074	25,069	29,906	
Production costs					243,718
Less: items included in the above					
Royalties and other					(7,910)
					235,808
Deduct: By-product credits					(97,866)
Add: Treatment and refining charges					35,377
Cash cost	130,518	6,622	24,059	12,120	173,319
Cash cost per pound (\$/lb)	1.71	1.09	0.96	0.41	
Add: Sustaining capital expenditure ⁽¹⁾					
Royalties	-	2,553	3,014	-	
Interest expense	1,044	263	129	122	
Leases & other	-	-	646	237	
All-in sustaining cost	222,224	12,990	36,677	21,100	
AISC per pound (\$/lb)	2.92	2.14	1.46	0.71	

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.

Six months ended June 30, 2019					
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	62,211	5,626	17,598	35,492	
Pounds (000s)	137,152	12,403	38,797	78,246	
Production costs					460,908
Less: items included in the above Royalties and other					(6,677)
					454,231
Deduct: By-product credits					(176,480)
Add: Treatment and refining charges					79,325
Cash cost	238,581	28,585	56,662	33,248	357,076
Cash cost per pound (\$/lb)	1.74	2.30	1.46	0.42	
Add: Sustaining capital expenditure ⁽¹⁾	239,064	3,829	25,271	17,327	
Royalties	-	3,754	2,001	-	
Interest expense	255	167	57	48	
Leases & other ⁽²⁾	4,386	1,442	2,657	705	
All-in sustaining cost	482,286	37,777	86,648	51,328	
AISC per pound (\$/lb)	3.52	3.05	2.23	0.66	

Six months ended June 30, 2018					
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	67,329	7,822	20,504	30,159	
Pounds (000s)	148,435	17,245	45,204	66,489	
Production cost					483,454
Less: items included in the above Royalties and other					(13,534)
					469,920
Deduct: By-product credits					(206,004)
Add: Treatment and refining charges					77,216
Cash cost	254,295	12,088	46,980	27,769	341,132
Cash cost per pound (\$/lb)	1.71	0.70	1.04	0.42	
Add: Sustaining capital expenditure ⁽¹⁾	176,508	6,697	20,403	18,392	
Royalties	-	6,752	4,803	-	
Interest expense	1,926	526	261	253	
Leases & other	-	-	1,281	489	
All-in sustaining cost	432,729	26,063	73,728	46,903	
AISC per pound (\$/lb)	2.92	1.51	1.63	0.71	

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 July 24, 2019, the Company has 735,638,390 common shares issued and outstanding, and 12,769,445 stock options and 2,247,210 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’).

Changes in ICFR

There have been no changes in the Company’s ICFR during the three-month period ended June 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).