FORM 51-102F4
BUSINESS ACQUISITION REPORT

Item 1 – Identity of Company

1.1 Name and Address of Company

Lundin Mining Corporation ("**Lundin Mining**" or the "**Company**")
150 King Street West, Suite 2200
P.O. Box 38
Toronto, Ontario M5H 1J9

1.2 Executive Officer

Further information regarding the matters described in this Report may be obtained from **Jinhee Magie, Senior Vice President and Chief Financial Officer**, who is knowledgeable about the details of the Acquisition (as defined below) and this Report and may be contacted at (416) 342-5560.

Item 2 - Details of Acquisition

2.1 Nature of Business Acquired

Lundin Mining acquired (the "**Acquisition**"), among other things, all of the issued and outstanding shares of Yamana Brazil Holdings B.V. ("**Holdco**"), which owns a 100% ownership stake in Mineração Maracá Indústria e Comércio S/A ("**MMIC**"), which, in turn, owns the Chapada copper-gold mine located in Brazil ("**Chapada**"), from Yamana Gold Inc. ("**Yamana**").

The Acquisition property is a high quality copper-gold asset with a long mine life, proven operational performance and supporting infrastructure. The producing operation comes with a mine property package in a highly prospective district with significant exploration potential.

The Chapada mine is a traditional open pit truck/shovel operation that has been in continuous operation since 2007. It is located in the northern Goiás State, approximately 320 km north of the state capital of Goiania and 270 km northwest of the national capital of Brasilia. The Chapada deposit comprises Chapada Cava Central, Chapada SW, Sucupira, Baru, Baru NE, Corpo Sul and Santa Cruz zones, while the Sucura deposit comprises Suruca Oxide, Suruca Sulphide and Surcuca SW zones.

The Chapada property consists of 38 mining and exploration claims totalling 43,391 hectares ("ha") held in the name of MMIC.

The Chapada concentrator is designed to process copper sulphide ore at a nominal rate of 65,000 tonnes per day for a total of 24.0 million tonnes per annum. In 2018, the mill processed 22.9 million tonnes ("Mt") of ore with average recoveries for copper and gold of

82.4% and 63.3%, respectively. In the months of January through June 2019, the mill processed 11.2 Mt of ore with average recoveries for copper and gold of 81.6% and 59.7%, respectively. Average concentrate grades for 2018 were 24.1% Cu and 15.5 g/t Au; for January through June 2019, average concentrate grades were 23.7% Cu and 13.8 g/t Au.

For further details, including the mineral reserves and mineral resources, relating to Chapada, please refer to the Company's technical report entitled "Technical Report on the Chapada Mine, Goias State, Brazil" dated October 10, 2019, which is filed under the Company's SEDAR profile at www.sedar.com.

2.2 Acquisition Date

The date of the Acquisition used for accounting purposes is July 5, 2019.

2.3 Consideration

Total cash consideration paid relating to the Acquisition was US$783.1 million, consisting of base purchase price of US$800 million, less US$16.9 million in working capital adjustments. The Acquisition was funded from the Company's cash on hand and US$285 million drawdown on its US$550 million revolving credit facility.

On closing, Yamana retained contingent consideration if certain gold price thresholds are met and development of a pyrite roaster is completed, as outlined below:

- up to US$125 million in aggregate over five years of contingent annual gold price payments based on the following structure:
  - a US$10 million payment if the gold price averages at least US$1,350/oz in any sequential annual period over the five years commencing on closing of the Acquisition,
  - a US$10 million payment if the gold price averages at least US$1,400/oz in any sequential annual period over the five years commencing on closing of the Acquisition, and
  - a US$5 million payment if the gold price averages at least US$1,450/oz in any sequential annual period over the five years commencing on closing of the Acquisition; and
- a US$100 million contingent payment based on the construction and commencement of commercial production of a pyrite roaster.

In addition, Yamana retained a 2.0% net smelter return royalty on any future gold production from the Suruca gold deposit.

2.4 Effect on Financial Position

The completion of the Acquisition has resulted in the Company adding another producing copper-gold mine to its international portfolio of base metal operations. The Company intends to continue the current operation of Chapada and no material changes to the business or affairs of Chapada are planned at this time.

The Acquisition is expected to be immediately accretive on key operating and financial metrics including cash flow and earnings per share and will allow the Company to increase its scale of operation and asset diversification.

The effect of the Acquisition on the financial position of Lundin Mining is outlined in the unaudited pro-forma financial statements, referred to in Item 3 below, which shows the effect of the Acquisition on the results of operations and financial position of the Company, and which are attached to this Report.

2.5 Prior Valuations

None.

2.6 Parties to Transaction

The Acquisition did not involve an informed person, associate or affiliate of the Company.

2.7 Date of Report

September 28, 2020.

Item 3 - Financial Statements and Other Information

The financial statements included in this Report are as follows:

Appendix A – The Acquisition Financial Statements

1. The audited financial statements for LMC Brazil Holdings B.V. (formerly Yamana Brazil Holdings B.V.) as of and for the years ended December 31, 2018 and 2017, together with the notes thereto and the auditor's report thereon.

2. The unaudited interim financial statements for LMC Brazil Holdings B.V. (formerly Yamana Brazil Holdings B.V.) as of and for the six-month period ended June 30, 2019, together with the notes thereto.

3. The audited financial statements for MMIC as of and for the years ended December 31, 2018 and 2017, together with the notes thereto and the auditor's report thereon.

4. The interim unaudited financial statements for MMIC as of and for the six-month period ended June 30, 2019, together with the notes thereto.

Appendix B – The Pro Forma Financial Statements

5. The unaudited pro-forma consolidated balance sheet as at June 30, 2019 and unaudited pro-forma consolidated statements of earnings for the six-month period ended June 30, 2019 and the year ended December 31, 2018.

Cautionary Statement in 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 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 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: volatility and fluctuations in metal and commodity prices; global financial conditions and inflation; 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, and natural phenomena such as earthquakes, flooding or unusually severe weather; uninsurable risks; changes in the Company's share price, and volatility in the equity markets in general; the threat associated with outbreaks of viruses and infectious diseases, including the novel COVID-19 virus; risks related to negative publicity with respect to the Company or the mining industry in general; reliance on a single asset; 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; actual ore mined and/or metal recoveries varying from Mineral Resource and Mineral Reserve estimates, estimates of grade, tonnage, dilution, mine plans and metallurgical and other characteristics; 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; ore processing efficiency; risks inherent in and/or associated with operating in foreign countries and emerging markets; security at the Company's operations; changing taxation regimes; health and safety risks; exploration, development or mining results not being consistent with the Company's expectations; unavailable or inaccessible infrastructure and risks related to ageing infrastructure; counterparty and credit risks and customer concentration; risks related to the environmental regulation and environmental impact of the Company's operations and products and management thereof; exchange rate fluctuations; reliance on third parties and consultants in foreign jurisdictions; community and stakeholder opposition; civil disruption; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; uncertain political and economic environments; litigation; regulatory investigations, enforcement, sanctions and/or related or other litigation; risks associated with the structural stability of waste rock dumps or tailings storage facilities; changes in laws, regulations or policies including but not limited to those related to mining regimes, permitting and approvals, environmental and tailings management, labour, trade relations, and transportation; climate change; compliance with environmental, health and safety laws; enforcing legal rights in foreign jurisdictions; information technology and cybersecurity risks; estimates of future production and operations; estimates of operating, cash and all-in sustaining cost estimates; delays or the inability to obtain, retain or comply with permits; compliance with foreign laws; risks related to mine closure activities and closed and historical sites; challenges or defects in title; the price and availability of key operating supplies or services; historical environmental liabilities and ongoing reclamation obligations; indebtedness; funding requirements and availability of financing; liquidity risks and limited financial resources; risks relating to attracting and retaining of highly skilled employees; risks associated with acquisitions and related integration efforts, including the ability to achieve anticipated benefits, unanticipated difficulties or expenditures relating to integration and diversion of management time on integration; the estimation of asset carrying values; internal controls; competition; dilution; existence of significant shareholders; conflicts of interest; activist shareholders and proxy solicitation matters; risks relating to dividends; risks associated with business arrangements and partners over which the Company does not have full control; and other risks and uncertainties, including but not limited to those described in the "Risks and Uncertainties" section of the Annual Information Form and the "Managing Risks" section of the Company's MD&A for the year ended December 31, 2019, 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.

APPENDIX A

ACQUISITION FINANCIAL STATEMENTS

Financial Statements
for the year ended 31 December, 2018

LMC Brazil Holdings B.V. (formerly known as: Yamana Brazil Holdings B.V.)
Amsterdam, The Netherlands

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Managing Director's Report

General

Management hereby presents to the Shareholder the annual report of LMC Brazil Holdings B.V. (formerly known as: Yamana Brazil Holdings B.V.) ("the Company") for the year ended 2018.

Activities and results

During the year under review, activities and results of the Company developed in line with expectations.

On 20 January 2018, the Company received a share premium contribution in the amount of USD 30,000,000 from Yamana International Holdings Coöperatie U.A. ("the Shareholder"). Subsequently, the Company contributed the same amount to its Subsidiary Mineração Maracá Industria e Comércio S.A. ("the Subsidiary").

On 20 February 2018, the dividend receivable from its Subsidiary in the amount of USD 9,430,183 (BRL 29,851,221) was converted into share capital of the Subsidiary.

On 25 April 2018, the Company entered into a contribution agreement with the Shareholder. The Shareholder agreed to make cash contributions up to the maximum amount of USD 200,000,000 to the Company. The Company will contribute these funds into its Subsidiary.

During the year 2018, the Company received a dividend contribution in the total amount of USD 22,000,000 from the Shareholder under the above mentioned contribution agreement. Subsequently, the Company contributed the same amounts to its Subsidiary.

On 19 December 2018, the Company received a share premium contribution in the net amount of USD 4,200,452 (BRL 16,147,799) by way of a receivable from its Subsidiary. On the same date, the dividend was converted into share capital of the Subsidiary.

The equity of the Company as at 31 December 2018 amounts to USD 687,883,850 (2017: USD 631,580,527). The result for the year amounts to a profit of USD 4,303,323 (2017: USD 9,144,178 profit).

Financial instruments

The Company is exposed to currency risk on transaction and borrowings that are denominated in a currency other than the functional currency of the Company, the USD. The currency in which these transactions primarily are denominated are EUR and BRL. The borrowings are with group companies, mitigating the overall currency risk to the ultimate parent. The Company does not make use of derivative financial instruments to mitigate the currency risk on investments in foreign subsidiaries. The currency risk is mitigated as investments are stated at cost.

Future outlook

No material change in activities is contemplated for the coming year. It is expected that the result will be in line with that of the reporting period. Furthermore, management has no current plans which would have significant influence on expectations concerning future activities, investments, financing, staffing and profitability.

COVID-19

On March 15, 2020 and March 25, 2020, Lundin Company provided updates on its readiness and response to the global COVID-19 outbreak for its business units in the world. As also noted on March 25, 2020, in preparing for what would be a sustained period of depressed prices for the Company's primary metals, Lundin is actively identifying and reviewing measures across the Chapada operation (Chapada is an open pit copper-gold mine producing high-quality copper concentrate. The operation is wholly owned and operated by the Subsidiary) and offices in order to reduce operating costs and defer

discretionary capital and exploration expenditures.
Chapada production has not been impacted yet by COVID-19 outbreak. Additional health and safety measures have been adopted by Chapada in order to prevent and protect its employees, contractors and the local community.

Subsequent events

On 24 June 2019, Yamana International Holdings Coöperatie U.A. declared to issue 1 new share (number 192) in the capital of the Company for a nominal value of EUR 100 including an overpayment of USD 1,500 and EUR 219,539 (USD 249,589) as share premium. The Shareholder's obligation to pay this amount to the Company will be off set against the payables due to the Shareholder.

On 27 June 2019, the Shareholder of the Company declared to issue 1 new share (number 193) in the capital of the Company for the nominal value of EUR 100. The payment on the share shall be made in kind by way of contribution of 693 shares, each having a par value of BRL 235,165 (USD 61,115) in the capital of its Subsidiary.

The company went through a process of changing its shareholders in a way that was controlled, until July 5, 2019, by Yamana International Holdings Coöperatie U.A. (a subsidiary of Yamana Gold Inc. whose are listed on the Toronto Stock Exchange – TSX and New York) and, from that date by LMC Netherlands Holding B.V. (incorporated on May 14, 2019), a subsidiary of Lundin Mining Corporation, whose shares are listed on the Toronto (TSX) and Sweden (Nasdaq Stockholm Exchange).

On 5 July, 2019 all the share capital of the Company was purchased by its new shareholder LMC Netherlands Holdings B.V., subsequently the Company changed its name to LMC Brazil Holdings B.V.

On 31 December 2019, the Company declared to have the net profit reserve of the Subsidiary, amounting to USD 8,646,141 converted into capital.

Change in management

On 5 July 2019, Ms. L.F.M. Heine and Mr. M.F.A. van Schijndel resigned as director B of the Company and Mr. J.J. LeBlanc resigned as director A of the Company. On the same date, Ms. T.M.S. Murakami was appointed as director A and Intertrust (Netherlands) B.V. as director B of the Company.

On 12 September 2019, Intertrust (Netherlands) B.V. resigned as director B of the Company. On the same date, Mr. A. Lanting and Mr. M.F.A. van Schijndel were appointed as director B of the Company.

On 1 January 2020, Mr. C.A. Bruijnzeels was appointed as director A of the Company.

Amsterdam, 28 September 2020

Managing directors,

Ms. T.M.S. Murakami

Mr. A. Lanting

Mr. M.F.A. van Schijndel

Mr. C.A. Bruijnzeels

1. Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Other Income	5	4,200,452	9,250,111
General costs	6	(86,154)	(96,463)
Operating result		**4,114,298**	**9,153,648**
Currency exchange results	7	189,025	(9,470)
Result for the year before tax		**4,303,323**	**9,144,178**
Corporate income tax		-	-
Result for the year after tax		**4,303,323**	**9,144,178**
Other comprehensive income net of income tax		-	-
Total comprehensive income for the year		**4,303,323**	**9,144,178**

The result for the year is equal to the total comprehensive income for the year.

2. Statement of Financial Position

	Notes	Year Ended 31 December 2018		Year Ended 31 December 2017	
		USD	USD	USD	USD
Assets					
Non-current Assets					
Investment in Subsidiary	8	688,090,154		622,459,519	
Total Non-Current Assets			688,090,154		622,459,519
Current Assets					
Receivables from Related Parties	9	22,931		9,274,121	
Cash and Bank Balances	10	1,636		1,363	
Total Current Assets			24,567		9,275,484
Total Assets			688,114,721		631,735,003
Equity and Liabilities					
Capital and Reserves					
Share Capital	11	21,899		22,209	
Share Premium	12	558,602,359		506,603,065	
Other Reserves	13	124,956,269		115,811,075	
Unappropriated Results		4,303,323		9,144,178	
Total Equity			687,883,850		631,580,527
Current Liabilities					
Amounts due to Related Parties	14	227,338		135,187	
Accrued Expenses and Other Liabilities	15	3,533		19,289	
Total Current Liabilities			230,871		154,476
Total Equity and Liabilities			688,114,721		631,735,003

3. Statement of Changes in Equity

	Share capital	Share premium	Other reserves	Unappropriated results	Total
	USD	USD	USD	USD	USD
Balance at 31 December 2016	**19,146**	**370,086,001**	**115,856,717**	**(42,917)**	**485,918,947**
Profit for the year	-	-	-	9,144,178	9,144,178
Allocation of prior year result	-	-	(42,917)	42,917	-
Total comprehensive income for the year 2017	**-**	**-**	**-**	**9,144,178**	**9,144,178**
Capital increase	338	136,517,064	-	-	136,517,402
Exchange results	2,725	-	(2,725)	-	-
Balance at 31 December 2017	**22,209**	**506,603,065**	**115,811,075**	**9,144,178**	**631,580,527**
Profit for the year	-	-	-	4,303,323	4,303,323
Allocation of prior year result	-	-	9,144,178	(9,144,178)	-
Total comprehensive income for the year 2018	**-**	**-**	**-**	**4,303,323**	**4,3203,323**
Capital increase	706	51,999,294	-	-	52,000,000
Exchange results	(1,016)	-	1,016	-	-
Balance at 31 December 2018	**21,899**	**558,602,359**	**124,956,269**	**4,303,323**	**687,883,850**

Please also refer to notes 11 to 13 of the notes to the financial statements.

4. Statement of Cash Flows

	Notes	Year Ended 31 December 2018	Year Ended 31 December 2017
		USD	USD
Cash flows generated from operating activities			
Profit for the year before taxation		4,303,323	9,144,178
Movements in working capital:			
Movement in trade and other receivables	9	9,251,190	(9,253,082)
Movement in trade and other payables	14,15	76,395	109,649
Net cash generated from operating activities		**13,630,908**	**745**
Cash flows generated from investing activities			
Investments in MMIC	8	(65,630,635)	(136,517,402)
Net cash used in investing activities		**(65,630,635)**	**(136,517,402)**
Cash flows generated from financing activities			
Capital contributions received	11,12	52,000,000	136,517,402
Net cash generated from financing activities		**52,000,000**	**136,517,402**
Net increase in cash and cash equivalents		**273**	**745**
Cash and cash equivalents at the beginning of the year	10	1,363	618
Cash and cash equivalents at the end of the year		**1,636**	**1,363**

5. Notes to the Financial Statements

1.1 General information

LMC Brazil Holdings B.V. (the “Company”), a Company with limited liability, was incorporated under the laws of the Netherlands on 10 December 2007. The statutory seat of the Company is in Amsterdam, the Netherlands. As per balance sheet date the registered office of the Company is at Rapenburgerstraat 179 P, 1011 VM Amsterdam, The Netherlands. The objectives of the Company are to act as holding and financing Company.

1.2 Group

As per the balance sheet date the Company was part of a group headed by Yamana Gold Inc., incorporated and domiciled in Toronto, Canada.

LMC Brazil Holdings B.V. has one investment in a Subsidiary:

Name of Subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company	
		31/12/18	31/12/17
Mineração Maracá Industria e Comércio S.A.	Brazil	99.997%	99.997%

1.3 Going concern

These financial statements have been prepared on a going concern basis, which basis for the valuation and determination of results assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

1.4 Basis of preparation

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the IASB. The Company does not prepare consolidated financial statements in accordance with article 408 sub 2 of Book 2 of the Dutch Civil Code. The figures of the Company are included in the consolidated financial statements of Yamana Gold Inc. that are filed with the Chamber of Commerce in the Netherlands.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New standards, interpretations and amendment effective from 1 January 2018

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory for the year ending 31 December 2018, and had no significant impact.

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.
IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.
The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets
The date of initial application is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have been restated where appropriate. All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:
- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.
Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

(b) Impairment of financial assets
In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:
(1) Debt investments measured subsequently at amortised cost or at FVTOCI;
(2) Lease receivables;
(3) Trade receivables and contract assets; and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Because the Company has elected to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2017.

See (e) and (f) below for further financial details of the adjustments.

Items existing as at 01/01/18 that are subject to the impairment provisions of IFRS 9	Credit risk attributes at 01/01/17 and 01/01/18	Cumulative additional loss allowance recognised on: 01/01/2017 01/01/2018
Trade and other receivables	The Company applies the simplified approach and recognises lifetime ECL for these assets.	None
Cash and bank balances	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	None

(c) Classification and measurement of financial liabilities
A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

(d) General hedge accounting
The new general hedge accounting requirements retain the three types of hedge accounting. However, the Company does not use hedge accounting.

(e) Disclosures in relation to the initial application of IFRS 9
There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The application of IFRS 9 has had no impact on the cash flows of the Company.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016), which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

IFRS 15 uses the terms ‘contract asset’ and ‘contract liability’ to describe what might more commonly be known as ‘accrued revenue’ and ‘deferred revenue’, however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has adopted the terminology used in IFRS 15 to describe such balances.

The Company’s accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Company’s revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the ‘date of transaction’ for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

New standards, interpretations and amendments not yet effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective [and, in some cases, had not yet been adopted by the EU]:

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 9 ‘Prepayment Features with Negative Compensation’ (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)
- Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments Settlement (effective for annual periods beginning on or after 1 January 2019)

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the entity in the period of initial application.

3. Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

3.2 Basis of preparation

The financial statements have been prepared using the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

Amounts are presented in US Dollar unless indicated otherwise.

The principal accounting policies are set out below.

3.3 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in US Dollar (USD), which is the Company’s functional and presentation currency. All values are rounded to the nearest USD except when otherwise indicated.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within ‘finance income or cost’. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within ‘other (losses)/gains – net’.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in comprehensive income, and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through comprehensive income are recognized in comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

c) Foreign exchange rates used

The following exchange rates were used:

	2018	2017
	Foreign exchange rate end of year	**Foreign exchange rate end of year**
1 USD (US Dollar) = EUR (EURO)	0.8722	0.8330
1 USD (US Dollar) = BRL (Brazil Real)	3.8748	3.3080

3.4 Revenue recognition

Dividends from subsidiaries are recognized when the Company's right to receive the dividends is established. The dividend is recognized in Statement of profit and loss and other comprehensive income as other income.

3.5 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. During the financial year, the Company is member of a fiscal unity for the corporate income tax with Yamana International Holdings Coöperatie U.A. (head of the fiscal unity), Yamana Jacobina Holdings B.V., Yamana Santa Cruz Holdings B.V., Yamana Mendoza Holdings B.V. and Yamana Argentina Holdings II B.V. and for that reason it is jointly and severally liable for the tax liabilities of the whole fiscal unity. Corporate income tax due / receivable by the fiscal unity will be borne by and accounted by the head of the fiscal unity.

3.6 Financial fixed assets

a) Classification

The Company classifies its investments for the following categories: MMIC and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Subsidiary

In accordance with IAS 27.10 the Company values it Subsidiary at cost.

b) Recognition and measurement

Purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.7 Trade and other receivables

Trade receivables are amounts due from Group companies. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

3.8 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks. Cash and cash equivalents are presented at the statement of financial position at their nominal value.

The amount of cash and cash equivalents presented in cash flow statement includes cash and cash equivalents mentioned above.

3.9 Equity

a) Share capital
Ordinary shares are classified as equity. Share capital is presented as a nominal value of shares issued.

b) Share premium
Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

c) Other reserves
Other reserves reflect the entity's accumulated earnings and losses in the current and previous financial years.

d) Unappropriated results
Unappropriated results reflect the entity’s prior year’s result after tax that is available for shareholders to appropriate at the Shareholders meeting.

3.10 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Other payables include:

- accruals recognized at amounts of likely liabilities which relate to the current reporting period, in particular with regard to goods and services provided to the Company by its suppliers, if the amount of liability can be reliably estimated;

4. Critical accounting judgments and key sources of estimation uncertainty

4.1 Critical judgments in applying accounting policies

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.2 Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based in historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

4.2.1 Investment in Subsidiary

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset. Expected losses as a result of future events, no matter how likely, are not recognized. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of assets may be impaired.

5. Other income

During the financial year the Company received the following dividends:

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Dividends	4,200,452	9,250,111
	4,200,452	9,250,111

6. General costs

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
General costs	86,154	96,463
	86,154	96,463

7. Financial income

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Currency exchange results	189,025	(9,470)
	189,025	(9,470)

8. Investment in Subsidiary

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Mineração Maracá Industria e Comércio S.A	688,090,154	622,459,519
	688,090,154	622,459,519

Changes in Subsidiary Mineração Maracá Industria e Comércio S.A. can be detailed as follows:

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Opening balance	622,459,519	485,942,116
Merger Mineração Fazenda Brasileiro S.A.	-	1
Capital contributions	65,630,635	136,517,402
Closing balance	688,090,154	622,459,519

9. Receivables from related parties

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Yamana Jacobina Holdings B.V.	22,931	24,010
Mineração Maracá Industria e Comércio S.A.	-	9,250,111
	22,931	9,274,121

The amount due from Yamana Jacobina Holdings B.V. relates to an interest free advance, which is receivable at request. There are no securities given for this advance. A provision is not deemed necessary.

The movement of the dividend receivable of Mineração Maracá Industria e Comércio S.A. can be specified as follows:

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Opening balance	9,250,111	9,250,111
Currency exchange result	180,072	-
Conversion into share capital	(9,430,183)	-
Closing balance	-	9,250,111

10. Cash and bank balances

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
ABN-AMRO Bank N.V. (EUR account)	927	674
ABN-AMRO Bank N.V. (USD account)	210	210
Citibank (USD account)	499	479
	1,636	1,363

The cash and cash equivalents are at the free disposal of the Company. The Company has no credit facility.

11. Issued capital

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Opening balance	22,209	19,146
Issuance of shares	706	338
Revaluation	(1,016)	2.725
Closing balance	21,899	22,209

	Year Ended 31 December 2018 Number of Shares	Year Ended 31 December 2017 Number of Shares
Opening balance	185	182
Issuance of shares	6	3
Closing balance	191	185

During the financial year the Company issued 6 shares (2017: 3 shares) with a nominal value of EUR 100 each. The issued share capital of the Company as per 31 December 2018 amounts to € 19,100, divided into 191 ordinary shares of EUR 100 each.

In accordance with article 373, section 5, Book 2 of the Dutch Civil Code, the issued and paid-up capital is translated at the year-end rate of USD 1 = EUR 0.8722 (2017: USD 1 = EUR 0.8330). Gains or losses resulting from this translation are charges to the other reserves.

12. Share premium

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Opening balance	506,603,065	370,086,001
Capital contributions	51,999,294	136,517,064
Closing balance	558,602,359	506,603,065

13. Other reserves

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Opening balance	115,811,075	115,856,717
Exchange result	1,016	(2,725)
Transfer from unappropriated results	9,144,178	(42,917)
Closing balance	124,956,269	115,811,075

In the general meeting held on 7 May 2018, it was decided to add the result for the financial year 2017 to the other reserves. The management proposes to the general meeting that the result for the financial year 2018, amounting to a profit of USD 4,303,323 should be added fully to the other reserves. This proposal has not yet been incorporated in the financial statements.

14. Amounts due to related parties

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Yamana International Holdings Coöperatie U.A	227,338	135,187
	227,338	135,187

The amount due to related parties relates to an interest free advance, which is repayable at request. No securities are given.

15. Accrued expenses and other liabilities

	Year Ended 31 December 2018 USD	Year Ended 31 December 2017 USD
Administration fees payable	3,533	16,336
Legal fees payable	-	2,953
	3,533	19,289

16. Subsequent events

On 24 June 2019, Yamana International Holdings Coöperatie U.A declared to issue 1 new share (number 192) in the capital of the Company for a nominal value of EUR 100 including an overpayment of USD 1,500 and EUR 219,539 (USD 249,589) as share premium. The Shareholder its obligation to pay these amounts to the Company will be off set against the payables to the Shareholder in the same amount.

On 27 June 2019, the Shareholder of the Company declared to issue 1 new share (number 193) in the capital of the Company for the nominal value of EUR 100. The payment on the share shall be made in kind by way of contribution of 693 shares, each having a par value of BRL 235,165 (USD 61,115) in the capital of Mineração Maracá Industria e Comércio S.A..

The company went through a process of changing its shareholders in a way that was controlled, until July 5, 2019, by Yamana International Holdings Coöperatie U.A. (a subsidiary of Yamana Gold Inc. whose are listed on the Toronto Stock Exchange – TSX and New York) and, from that date by LMC Netherlands Holding B.V. (incorporated on May 14, 2019), a subsidiary of Lundin Mining Corporation, whose shares are listed on the Toronto (TSX) and Sweden (Nasdaq Stockholm Exchange).

On 5 July, 2019 all the share capital of the Company was purchased by its new shareholder LMC Netherlands Holdings B.V., subsequently the Company changed its name to LMC Brazil Holdings B.V.

On 31 December 2019, the Company declared to have the net profit reserve of the Subsidiary, amounting to USD 8,646,141 converted into capital.

Amsterdam, 28 September 2020

Managing directors

Ms. T.M.S. Murakami

Mr. A. Lanting

Mr. M.F.A. van Schijndel

Mr. C.A. Bruijnzeels

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INDEPENDENT AUDITOR'S REPORT

To: The shareholders of LMC Brazil Holdings B.V.

A. Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of LMC Brazil Holdings B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of LMC Brazil Holdings B.V., as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with IFRS as issued by the IASB.

The financial statements comprise:
1. the statement of financial position as at 31 December 2018
2. the following statements for 2018 : the income statement, the statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of LMC Brazil Holdings B.V., in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Blue Line
Auditors and Tax advisors
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B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management report;
- other information

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.
Management is responsible for the preparation of the management report.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

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Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

• identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
• obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
• evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
• concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Company to cease to continue as a going concern;
• evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
• evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Almere, 28 September 2020

Blue Line Accountants en Belastingadviseurs B.V.

Drs. J. ter Stroot – Van Meurs RA

Interim Financial Statements
for the period ended 30 June 2019

LMC Brazil Holdings B.V. (formerly known as:
Yamana Brazil Holdings B.V.)
Amsterdam, The Netherlands

Index

Managing Director's Report

General

Management hereby presents to the Shareholder the interim report of LMC Brazil Holdings B.V. (formerly known as: Yamana Brazil Holdings B.V.) ("the Company") for the 6-month period ending 30 June 2019.

Activities and results

During the period under review, activities and results of the Company developed in line with expectations.

On 24 June 2019, Yamana International Holdings Coöperatie U.A. (the "Shareholder") declared to issue 1 new share (number 192) in the capital of the Company for a nominal value of EUR 100 including an overpayment of USD 1,500 and EUR 219,539 (USD 249,589) as share premium. The Shareholder's obligation to pay this amount to the Company will be off set against the payables due to the Shareholder.

On 27 June 2019, the Shareholder of the Company declared to issue 1 new share (number 193) in the capital of the Company for the nominal value of EUR 100. The payment on the share shall be made in kind by way of contribution of 693 shares, each having a par value of BRL 235,165 (USD 61,115) in the capital of Mineração Maracá Industria e Comércio S.A. (the "Subsidiary" or "MMIC").

The equity of the Company as at 30 June 2019 amounts to USD 730,186,540 (31 December 2018: USD 687,883,850). The result for the period amounts to a loss of USD 114,073 (6 month period until 30 June 2018: USD 137,535 profit).

Financial instruments

The Company is exposed to currency risk on transaction and borrowings that are denominated in a currency other than the functional currency of the Company, the USD. The currency in which these transactions primarily are denominated are EUR and BRL. The borrowings are with group companies, mitigating the overall currency risk to the ultimate parent. The Company does not make use of derivative financial instruments to mitigate the currency risk on investments in foreign subsidiaries. The currency risk is mitigated as investments are stated at cost.

Future outlook

No material change in activities is contemplated for the coming year. It is expected that the result will be in line with that of the reporting period. Furthermore, management has no current plans which would have significant influence on expectations concerning future activities, investments, financing, staffing and profitability.

COVID-19

On March 15, 2020 and March 25, 2020, Lundin Company provided updates on its readiness and response to the global COVID-19 outbreak for its business units in the world. As also noted on March 25, 2020, in preparing for what would be a sustained period of depressed prices for the Company's primary metals, Lundin is actively identifying and reviewing measures across Chapada operation (Chapada is an open pit copper-gold mine producing high-quality copper concentrate. The operation is wholly owned and operated by the Subsidiary) and offices in order to reduce operating costs and defer discretionary capital and exploration expenditures.

Chapada production has not been impacted yet by COVID-19 outbreak. Additional health and safety measures has been adopted by Chapada in order to prevent and protect its employees, contractors and the local community.

Subsequent events

The company went through a process of changing its shareholders in a way that was controlled, until July 5, 2019, by Yamana International Holdings Coöperatie U.A. (a subsidiary of Yamana Gold Inc. whose are listed on the Toronto Stock Exchange – TSX and New York) and, from that date by LMC Netherlands Holding B.V. (incorporated on May 14, 2019), a subsidiary of Lundin Mining Corporation, whose shares are listed on the Toronto (TSX) and Swedish (Nasdaq Stockholm Exchange) stock exchanges.

On 5 July, 2019 all the share capital of the Company was purchased by its new shareholder LMC Netherlands Holdings B.V., subsequently the Company changed its name to LMC Brazil Holdings B.V.

On 31 December 2019, the Company declared to have the net profit reserve of the Subsidiary, amounting to USD 8,646,141 (BRL 34,850,000) converted into capital.

Change in management

On 5 July 2019, Ms. L.F.M. Heine and Mr. M.F.A. van Schijndel resigned as director B of the Company and Mr. J.J. LeBlanc resigned as director A of the Company. On the same date, Ms. T.M.S. Murakami was appointed as director A and Intertrust (Netherlands) B.V. as director B of the Company.

On 12 September 2019, Intertrust (Netherlands) B.V. resigned as director B of the Company. On the same date, Mr. A. Lanting and Mr. M.F.A. van Schijndel were appointed as director B of the Company.

On 1 January 2020, Mr. C.A. Bruijnzeels was appointed as director A of the Company.

Amsterdam, 28 September 2020

Managing directors

Ms. T.M.S. Murakami

Mr. A. Lanting

Mr. M.F.A. van Schijndel

Mr. C.A. Bruijnzeels

1. Statement of Profit or Loss and Other Comprehensive Income

	Notes	6-month period Ended 30 June 2019	6-month period Ended 30 June 2018
		USD	USD
Other Income	5	-	-
General costs	6	(54,676)	(47,971)
Operating result		**(54,676)**	**(47,971)**
Currency exchange results	7	(59,397)	185,506
Result for the year before tax		**(114,073)**	**137,535**
Corporate income tax		-	-
Result for the year after tax		**(114,073)**	**137,535**
Other comprehensive income net of income tax		-	-
Total comprehensive income for the year		**(114,073)**	**137,535**

The result for the period is equal to the total comprehensive income for the period.

2. Statement of Financial Position

	Notes	6-month Period Ended 30 June 2019		Year end 31 December 2018	
		USD	USD	USD	USD
Assets					
Non-current Assets					
Investment in Subsidiary	8	730,194,869		688,090,154	
Total Non-Current Assets			730,194,869		688,090,154
Current Assets					
Receivables from Related Parties	9	-		22,931	
Cash and Bank Balances	10	814		1,636	
Total Current Assets			814		24,567
Total Assets			730,195,683		688,114,721
Equity and Liabilities					
Capital and Reserves					
Share Capital	11	21,949		21,899	
Share Premium	12	601,018,895		558,602,359	
Other Reserves	13	129,259,769		124,956,269	
Unappropriated Results		(114,073)		4,303,323	
Total Equity			730,186,540		687,883,850
Current Liabilities					
Amounts due to Related Parties	14	-		227,338	
Accrued Expenses and Other Liabilities	15	9,143		3,533	
Total Current Liabilities			9,143		230,871
Total Liabilities			9,143		230,871
Total Equity and Liabilities			730,195,683		688,114,721

3. Statement of Changes in Equity

	Share capital	Share premium	Other reserves	Unappropriated results	Total
	USD	USD	USD	USD	USD
Balance at 31 December 2017	**22,209**	**506,603,065**	**115,811,075**	**9,144,178**	**631,580,527**
Result for the 6-month period	-	-	-	137,535	137,535
Allocation of prior year result	-	-	9,144,178	(9,144,178)	-
Total comprehensive income for the 6 month period ending June 2018	**-**	**-**	**-**	**137,535**	**137,535**
Capital increase	706	51,999,294	-	-	52,000,000
Exchange results	(551)	-	551	-	-
Balance at 30 June 2018	**22,364**	**558,602,359**	**124,955,804**	**137,535**	**683,718,062**
Result for the 6-month period	-	-	-	4,165,788	4,165,788
Total comprehensive income for the 6-month period	**-**	**-**	**-**	**4,165,788**	**4,165,788**
Capital increase	-	-		-	-
Exchange results	(465)	-	465	-	-
Balance at 31 December 2018	**21,899**	**558,602,359**	**124,956,269**	**4,303,323**	**687,883,850**
Profit for the period	-	-	-	(114,073)	(114,073)
Allocation or prior year result	-	-	4,303,323	(4,303,323)	-
Total comprehensive income for the 6-month period	**-**	**-**	**-**	**(114,073)**	**(114,073)**
Capital increase	227	42,416,536	-	-	42,416,763
Exchange results	(177)	-	177	-	-
Balance at 30 June 2019	**21,949**	**601,018,895**	**129,259,769**	**(114,073)**	**730,186,540**

Please also refer to notes 11 to 13 of the notes to the financial statements.

4. Statement of cash flows for the period ended 30 June 2019

	Notes	6-month period Ended 30 June 2019 USD	6-month period Ended 30 June 2018 USD
Cash flows generated from operating activities			
(Loss) / Profit for the period before taxation		(114,073)	137,535
Movements in working capital:			
Movement in trade and other receivables	9	22,931	9,245,809
Movement in trade and other payables	14,15	(221,728)	47,009
Net cash (decrease) / Increase in operating activities		**(312,870)**	**9,430,353**
Cash flows generated from investing activities			
Investments in MMIC	8	(42,104,715)	(61,430,183)
Net cash used in investing activities		**(42,416,763)**	**(61,430,183)**
Cash flows generated from financing activities			
Capital contributions received	11,12	42,416,763	52,000,000
Net cash generated from financing activities		**42,416,763**	**52,000,000**
Net (decrease) / increase in cash and cash equivalents		**(822)**	**170**
Cash and cash equivalents at the beginning of the period	10	1,636	1,363
Cash and cash equivalents at the end of the period		**814**	**1,533**

5. Notes to the Financial Statements

1.1 General information

LMC Brazil Holdings B.V. (the “Company), a company with limited liability, was incorporated under the laws of the Netherlands on 10 December 2007. The statutory seat of the Company is in Amsterdam, the Netherlands. As per balance sheet date the registered office of the Company is at Rapenburgerstraat 179 P, 1011 VM Amsterdam, The Netherlands. The objectives of the Company are to act as holding and financing company.

1.2 Group

As per the balance sheet date the Company is part of a Group headed by Yamana Gold Inc., incorporated and domiciled in Toronto, Canada.

LMC Brazil Holdings B.V. has one investment in a Subsidiary:

Name of Subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company	
		30/06/19	31/12/18
Mineração Maracá Industria e Comércio S.A.	Brazil	100.00%	99.997%

1.3 Going concern

These financial statements have been prepared on a going concern basis, which basis for the valuation and determination of results assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

1.4 Basis of preparation

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the IASB. The Company does not prepare consolidated financial statements in accordance with article 408 sub 2 of Book 2 of the Dutch Civil Code. The figures of the Company are included in the consolidated financial statements of Yamana Gold Inc. that are filed with the Chamber of Commerce in the Netherlands.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New standards, interpretations and amendment effective for the current year

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory for the current year and had no significant impact.

Impact of initial application of IFRS 16 *Leases*

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

Since the Company does not have any leased assets, the implementation of this new accounting principle does not have any impact on the financial statements of the Company.

Amendments to IFRS 9 *Prepayment features with negative compensation*

The Company has adopted the amendments to IFRS 9 for the first time in the current period. The amendments to IFRS clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principle and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Amendments to IAS 28 *Long-term interests in associates and joint ventures*

The Company has adopted the amendments to IAS 28 for the first time in the current financial year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interest that, in substance, form part of the entity's net investment in an associate or joint venture. The Company applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Company does not take account of any adjustments to the carrying amount of long-term interests required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Annual improvements to IFRS Standards 2015-2017

The Company has adopted the amendments included in the *Annual improvements to IFRS Standards 2015-2017 Cycle* for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 *Income Taxes*
The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 *Borrowing costs*
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the borrowing becomes part of the general funds that an entity borrows when calculating the capitalisation rate on general borrowings.

IFRS 3 *Business Combinations*
The amendments clarify that when the Company obtains control of a business that is a joint operation the Company applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 *Joint arrangements*
The amendments clarify that when a party participates in, but does not have joint control of a joint operation that is a business obtains joint control of such a joint operation, the Company does not remeasure its PHI in the joint operation.

Amendments to IAS 19 Employee Benefits Plan

The Company has adopted the amendments of IAS 19 for the first time in the current financial year. The amendments clarify that the past service cost (or the gain or loss on settlement) is calculated by measuring the defined benefit liability / assets using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (curtailment or settlement) but ignoring the effect of the assets ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

IFRIC 23 Uncertainty over Income Tax Treatments

The Company has adopted IFRIC 23 for the first time in the current financial year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Company to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to use, by an entity in its income tax filings:
  - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to use in its income tax filings.
  - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount of the expected value method.

New standards, interpretations and amendments not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective [and, in some cases, had not yet been adopted by the EU]:

- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021).
- IFRS 10 and IAS 28 amendments “Sale or Contribution of Assets between an investor and its associate or Joint Venture” effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 3 “Definitions of a business”
- Amendments to IAS 1 and IAS 8 “Definition of material”.
- Conceptual framework “amendments to References to the Conceptual Framework in IFRS Standards”.

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the entity in the period of initial application.

3. Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

3.2 Basis of preparation

The financial statements have been prepared using the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

Amounts are presented in US Dollar unless indicated otherwise.

The principal accounting policies are set out below.

3.3 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in US Dollar (USD), which is the Company’s functional and presentation currency. All values are rounded to the nearest USD except when otherwise indicated.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within ‘finance income or cost’. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within ‘other (losses)/gains – net’.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in comprehensive income, and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through comprehensive income are recognized in comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

3.4 Revenue recognition

Dividends from subsidiaries are recognized when the Company’s right to receive the dividends is established. The dividend is recognized in Statement of Profit and Loss and Comprehensive Income as other income.

3.5 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. During the financial year, the Company is member of a fiscal unity for the corporate income tax with Yamana International Holdings Coöperatie U.A. (head of the fiscal unity), Yamana Jacobina Holdings B.V., Yamana Santa Cruz Holdings B.V., Yamana Mendoza Holdings B.V. and Yamana Argentina Holdings II B.V. and for that reason it is jointly and severally liable for the tax liabilities of the whole fiscal unity. Corporate income tax due / receivable by the fiscal unity will be borne by and accounted by the head of the fiscal unity.

3.6 Financial fixed assets

a) Classification

The Company classifies its investments for the following categories: MMIC and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Subsidiary

In accordance with IAS 27.10 the Company values it Subsidiary at cost.

b) Recognition and measurement

Purchases and sales of investments are recognized on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.7 Trade and other receivables

Trade receivables are amounts due from Group companies. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

3.8 Cash and cash equivalents

Cash and cash equivalents include deposits held on call with banks. Cash and cash equivalents are presented at the statement of financial position at their nominal value.

The amount of cash and cash equivalents presented in cash flow statement includes cash and cash equivalents mentioned above.

3.9 Equity

a) Share capital
Ordinary shares are classified as equity. Share capital is presented as a nominal value of shares issued.

b) Share premium
Share premium represents the fair value of amounts paid to the Company by shareholders over and above the nominal value of shares issued to them.

c) Other reserves
Other reserves reflect the entity's accumulated earnings and losses in the previous financial years.

d) Unappropriated results
Unappropriated results reflect the entity's prior year's result after tax that is available for shareholders to appropriate at the Shareholders meeting.

3.10 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Other payables include:

- accruals recognized at amounts of likely liabilities which relate to the current reporting period, in particular with regard to goods and services provided to the Company by its suppliers, if the amount of liability can be reliably estimated;

4. Critical accounting judgments and key sources of estimation uncertainty

4.1 Critical judgments in applying accounting policies

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.2 Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based in historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

4.2.1 Investment in Subsidiary

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset. Expected losses as a result of future events, no matter how likely, are not recognised. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of assets may be impaired.

5. Other income

During the financial year the Company received the following dividends:

	6month period ended 30 June 2019 USD	6-month period ended 30 June 2018 USD
Dividends	-	-
	-	-

6. General costs

	6-month period ended 30 June 2019 USD	6-month period ended 30 June 2018 USD
General costs	54,676	47,971
	54,676	47,971

7. Financial income / (expense)

	6-month period ended 30 June 2019 USD	6-month period ended 30 June 2018 USD
Currency exchange results	(59,397)	185,506
	(59,397)	185,506

8. Investment in Subsidiary

	6-month period ended 30 June 2019 USD	Year end 31 December 2018 USD
Mineração Maracá Industria e Comércio S.A	730,194,869	688,090,154
	730,194,869	688,090,154

Changes in Subsidiary Mineração Maracá Industria e Comércio S.A. can be detailed as follows:

	6-month period ended 30 June 2019 USD	Year end 31 December 2018 USD
Opening balance	688,090,154	622,459,519
Capital contributions	42,104,715	65,630,635
Closing balance	730,194,869	688,090,154

9. Receivables from related parties

	6-month period ended 30 June 2019 USD	Year end 31 December 2018 USD
Yamana Jacobina Holdings B.V.	-	22,931
	-	22,931

10. Cash and bank balances

	6-month period ended 30 June 2019 USD	Year end 31 December 2018 USD
ABN-AMRO Bank N.V. (EUR account)	327	927
ABN-AMRO Bank N.V. (USD account)	210	210
Citibank (USD account)	277	499
	814	1,636

The cash and cash equivalents are at the free disposal of the Company. The Company has no credit facility.

11. Issued capital

	6-month period ended 30 June 2019 USD	Year end 31 December 2018 USD
Opening balance	21,899	22,209
Issuance of shares	227	706
Revaluation	(177)	(1,016)
Closing balance	21,949	21,899

	6-month period ended 30 June 2018 Number of Shares	Year end 31 December 2018 Number of shares
Opening balance	191	185
Issuance of shares	2	6
Closing balance	193	191

During the financial period the Company issued 2 shares (2018: 6 shares) with a nominal value of EUR 100 each. The issued share capital of the Company as per 30 June 2019 amounts to € 19,300, divided into 193 ordinary shares of EUR 100 each.

In accordance with article 373, section 5, Book 2 of the Dutch Civil Code, the issued and paid-up capital is translated at the period-end rate of USD 1 = EUR 0.8793 (2018: USD 1 = EUR 0.8722). Gains or losses resulting from this translation are charges to the other reserves.

12. Share premium

	6-month period ended 30 June 2019 USD	Year end 31 December 2018 USD
Opening balance	558,602,359	506,603,065
Capital contributions	42,416,536	51,999,294
Closing balance	601,018,895	558,602,359

13. Other reserves

	6-month period ended 30 June 2019 USD	Year end 31 December 2018 USD
Opening balance	124,956,269	115,811,075
Exchange result	177	1,016
Transfer from unappropriated result	4,303,323	9,144,178
Closing balance	129,259,769	124,956,269

In the general meeting held on 1 April 2019, it was decided to add the result for the financial year 2018 to the other reserves.

14. Amounts due to related parties

	6-month period ended 30 June 2019 USD	Year end 31 December 2018 USD
Yamana International Holdings Coöperatie U.A	-	227,338
	-	227,338

The amount due to related parties relates to an interest free advance, which is repayable at request. No securities are given.

15. Accrued expenses and other liabilities

	6-month period ended 30 June 2019 USD	Year end 31 December 2018 USD
Administration fees payable	9,143	3,533
	9,143	3,533

16. Subsequent events

The company went through a process of changing its shareholders in a way that was controlled, until July 5, 2019, by Yamana International Holdings Coöperatie U.A. (a subsidiary of Yamana Gold Inc. whose shares are listed on the Toronto Stock Exchange – TSX and New York Stock Exchange and, from that date by LMC Netherlands Holding B.V. (incorporated on May 14, 2019), a subsidiary of Lundin Mining Corporation, whose shares are listed on the Toronto (TSX) and Swedish (Nasdaq Stockholm Exchange) stock exchanges.

On 5 July, 2019 all the share capital of the Company was purchased by its new shareholder LMC Netherlands Holdings B.V., subsequently the Company changed its name to LMC Brazil Holdings B.V.

On 31 December 2019, the Company declared to have the net profit reserve of the Subsidiary, amounting to USD 8,646,141 converted into capital.

Mineração Maracá Indústria e Comércio S.A.

Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditor’s Report

Deloitte Touche Tohmatsu Auditores Independentes

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of
Mineração Maracá Indústria e Comércio S.A.

Opinion

We have audited the financial statements of Mineração Maracá Indústria e Comércio S.A. ("Company"), which comprise the balance sheet as of December 31, 2018 and 2017, and the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mineração Maracá Indústria e Comércio S.A. as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

Related-party transactions

We draw attention to note 12 to the financial statements, which contains information on significant transactions between the Company and its related parties, as well as their impacts on profit and loss and the corresponding assets and liabilities. Our opinion is not qualified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in the Lundin Mining Corporation Business Acquisiton Report date September 28, 2020 which includes, in addition to other information, this financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belo Horizonte, September 28, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

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MINERAÇÃO MARACÁ INDÚSTRIA E COMÉRCIO S.A.

BALANCE SHEETS AS OF DECEMBER 2018 AND 2017
(In thousands of Dollars - US$)

ASSETS	Note	12/31/2018	12/31/2017	01/01/2017
CURRENT ASSETS				
Cash and cash equivalents	5	4,709	10,875	3,733
Trade receivables	6	9	6,403	236
Trade receivables from related parties	12	114,922	94,102	53,943
Inventories	7	31,220	28,028	47,585
Recoverable taxes and contributions	8	9,179	18,959	23,436
Other receivables		310	1,120	1,503
Total current assets		160,349	159,487	130,436
NONCURRENT ASSETS				
Long-term assets:				
Inventories	7	110,341	60,926	-
Recoverable taxes and contributions	8	3,650	13,410	10,353
Intercompany loans	12	-	-	7,951
Escrow deposits		2,064	2,519	796
Total long-term assets		116,055	76,855	19,100
Property, plant and equipment	9	638,554	639,470	613,741
Intagible assets	9	120	340	586
Total noncurrent assets		754,729	716,665	633,427
TOTAL ASSETS		915,078	876,152	763,863

LIABILITIES AND EQUITY	Note	12/31/2018	12/31/2017	01/01/2017
CURRENT LIABILITIES				
Trade payables	10	35,248	27,979	30,225
Trade payables to related parties	12	57	122	528
Borrowings	13	40,595	40,413	40,420
Intercompany loans	12	52,485	-	21,114
Income tax payables	14	28,178	22,765	2,298
Payroll and related taxes		8,512	9,822	6,646
Provision for asset retirement obligation	11	1,169	-	-
Taxes, fees and contributions	15	3,822	70,438	3,483
Dividends		-	9,250	-
Other payables		940	2,014	1,534
Total current liabilities		171,006	182,803	106,248
NONCURRENT LIABILITIES				
Intercompany loans	12	209,778	297,366	216,941
Provision for asset retirement obligation	11	55,480	53,264	39,506
Deferred taxes	16	64,099	62,038	49,572
Taxes, fees and contributions	15	7,912	9,506	9,457
Provisions for tax, labor and civil risks	17	16,151	21,718	9,846
Total noncurrent liabilities		353,420	443,892	325,322
SHAREHOLDERS EQUITY	18			
Capital		266,924	190,201	254,057
Shareholders transactions		-	11,092	-
Treasury shares		(7,016)	(7,016)	(7,016)
Earnings reserves		130,744	55,180	85,252
Total equity		390,652	249,457	332,293
TOTAL LIABILITIES AND EQUITY		915,078	876,152	763,863

The accompanying notes are an integral part of these financial statements.

MINERAÇÃO MARACÁ INDÚSTRIA E COMÉRCIO S.A.

STATEMENTS OF PROFIT AND LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Dollars - US$, except earnings per share)

	Note	12/31/2018	12/31/2017
NET REVENUE	19	422,545	458,375
COST OF SALES	20	(253,767)	(255,752)
GROSS PROFIT		168,778	202,623
OPERATING EXPENSES			
Selling	20	(896)	(1,749)
General and administrative	20	(14,462)	(12,544)
Other operating expenses, net	21	(15,919)	(2,265)
OPERATING PROFIT BEFORE FINANCE INCOME (COSTS)		137,501	186,065
FINANCE INCOME (COSTS)			
Finance income	22	747	199
Finance costs	22	(17,295)	(17,604)
Translation gains		47,097	3,268
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		168,050	171,928
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	16	(85,674)	(178,008)
Deferred	16	(1,870)	(16,721)
PROFIT (LOSS) FOR THE YEAR		80,506	(22,801)
EARNINGS (LOSS) PER SHARE (BASIC AND DILUTED) - US$	18 f)	11,645.48	(575.70)

The accompanying notes are an integral part of these financial statements.

MINERAÇÃO MARACÁ INDÚSTRIA E COMÉRCIO S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Dollars - US$)

	12/31/2018	12/31/2017
PROFIT (LOSS) FOR THE YEAR	80,506	(22,801)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	80,506	(22,801)

The accompanying notes are an integral part of these financial statements.

MINERAÇÃO MARACÁ INDÚSTRIA E COMÉRCIO S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Dollars - US$)

	Note	Capital	Shareholders transactions	Treasury shares	Earnings reserve	Total
BALANCES AS OF JANUARY 1, 2017		254,057	-	(7,016)	85,252	332,293
Loss for the year		-	-	-	(22,801)	(22,801)
Capital reduction	1 and 18 a.)	(199,615)	-	-	-	(199,615)
Capital increase	18 a.)	135,759	-	-	-	135,759
Shareholders transaction	18 b.)	-	11,092	-	-	11,092
Merger adjustments	1	-	-	-	3,664	3,664
Interest on capital	18 c.)	-	-	-	(10,935)	(10,935)
BALANCES AS OF DECEMBER 31, 2017		190,201	11,092	(7,016)	55,180	249,457
Net profit for the year		-	-	-	80,506	80,506
Capital increase	18 a.)	61,431	-	-	-	61,431
Shareholders transaction	18 b.)	11,092	(11,092)	-	-	-
Capital increase by capitalization of interest on capital	18 c.)	4,200	-	-	(4,942)	(742)
BALANCES AS OF DECEMBER 31, 2018		266,924	-	(7,016)	130,744	390,652

The accompanying notes are an integral part of these financial statements.

MINERAÇÃO MARACÁ INDÚSTRIA E COMÉRCIO S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Dollars - US$)

	Note	12/31/2018	12/31/2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss) for the year		80,506	(22,801)
Adjustments to reconcile profit (loss) for the year to cash provided by (used in) operating activities:			
Mark-to-market of trade receivables	19	19,640	(17,910)
Depreciation and amortization	20	42,851	41,663
Reversal of provision for tax, labor and civil risks, net of additions	17	(1,018)	(1,508)
Provision for losses on Value-Added Tax on Sales and Services "ICMS"		7,274	-
Provision for losses on federal VAT "Pis and Cofins"		(44)	(209)
Allowance (Reversal of allowance) for losses of material and supplies	7	(878)	780
Income tax and social contribution expenses	16	87,544	194,729
Gain or loss on disposal of property, plant and equipment		6,785	(4,228)
Reversal of provision for property, plant and equipment	9	-	(2,194)
Interest on mine closure costs	11	4,552	3,937
Interest on intragroup loans	12	11,173	11,367
Translation gains		(47,097)	(3,268)
Interest expenses	13	673	1,408
Decrease (increase) of operating assets:			
Trade receivables		6,393	(6,167)
Trade receivables from related parties		(40,460)	(22,147)
Inventories		(50,971)	(21,546)
Recoverable taxes and contributions		(11,380)	(12,243)
Other current and noncurrent assets		1,265	549
Increase (decrease) of operating liabilities:			
Trade payables		5,099	832
Trade payables to related parties		(65)	(502)
Payment relating to tax, labor and civil lawsuits	17	(1,517)	(1,200)
Realized costs on the provision for environmental remediation	11	(212)	(207)
Taxes, fees and contributions		(833)	(3,308)
Payroll and related taxes		(1,310)	3,176
Other payables		(20,850)	1,660
Cash provided by operating activities, before taxes and interest paid		97,120	140,663
Interest paid	12 and 13	(9,860)	(21,326)
Income tax and social contribution paid		(119,780)	(68,209)
Cash provided by (used in) operating activities		(32,520)	51,128
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(39,122)	(66,243)
Cash from the sale of property, plant and equipment		5,445	3,978
Intragroup borrowing		-	(1,099)
Cash and cash equivalents from MFB merger	1	-	6
Cash used in investing activities		(33,677)	(63,358)
CASH FLOW FROM FINANCING ACTIVITIES			
Related parties:			
Borrowings	12	102,971	-
Borrowings paid	12	(95,326)	(116,110)
Capital increase	18	52,001	135,759
Third parties:			
Advances on exchange contracts - borrowings	13	50,900	79,488
Advances on exchange contracts - payments	13	(50,515)	(79,765)
Cash provided by financing activities		60,031	19,372
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(6,166)	7,142
Cash and cash equivalents at the beginning of the year		10,875	3,733
Cash and cash equivalents at the end of the year		4,709	10,875
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(6,166)	7,142

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

Mineração Maracá Indústria e Comércio S.A. (the "Company" or "Maracá"), a company located in the municipality of Alto Horizonte, in the State of Goiás, at Fazenda Genipapo, Rodovia GO 347, is a privately closely-held corporation.

During 2019, the Company went through a process of changing its controlling shareholders. Until July 5, 2019, the Company was controlled by Yamana Brazil Holdings BV (a subsidiary of Yamana Gold Inc. whose shares are listed on the Toronto Stock Exchanges - TSX and New York) and, from that date, is being controlled by LMC Brazil Holdings BV, a subsidiary of Lundin Mining Corporation, whose shares are listed on the Toronto Stock Exchange (TSX) and Sweden (Nasdaq Stockholm Exchange).

The Company is engaged in the production and sale of mineral resources at the domestic and foreign markets, mainly copper concentrate, and in the performance of mine exploration, extraction, processing and reclamation activities, and research and transportation activities, as well as in holding stake in other entities.

The Company has been operating in the exploration of the Maracá mine, installed in the north of the State of Goiás, in the region called Chapada. Exploration activities began in November 2006, and commercial production began in February 2007. During 2014, production in the area called Corpo Sul began. The Company also has other areas with exploratory potential, including Suruca, Santa Cruz and Sucupira.

Maracá is an open-pit copper ore mine, with grinding facilities producing copper concentrate. The copper concentrate corresponds to copper ore which, through a process of grinding the rocks and mixing with water and reagents and, for the year ended December 31, 2018 presented averages between 23% and 25% of fine copper, gold and other types of ore in less representativeness. Its processing in 2018 was approximately 23 million tons (23 million tons in 2017) producing approximately 58,582 tons of copper contained (57,710 tons of copper contained in 2017) and 121.003 ounces of gold (119,852 ounces in 2017). The remaining useful life of the mine is estimated at 32 years (2050).

The Company depends on its parent company in terms of financing and for the administrative and governance structures maintained by those companies.

The Company's cash flows, as well as its profitability, are affected by several factors, such as production output, ability to extract ore from rocks, environmental and mine reclamation costs, commodities prices, interest rates, and exchange rate fluctuations. Even though the Company seeks to constantly manage the risks related to these factors, many of them are volatile and driven by market conditions; therefore, the Company is exposed to these uncertainties.

In November 2017, as a result of corporate reorganization of Yamana Group Brazilian entities, Mineração Fazenda Brasileiro ("MFB") was merged into the Company, based on the carrying amount of MFB net assets as of November 30 2017, as follow:

ASSETS		LIABILITIES AND EQUITY	
CURRENT		CURRENT LIABILITIES	
Cash and cash equivalents	6	Trade payables	51
Trade receivables from related parties	102	Trade payables to related parties	96
Recoverable taxes and contributions	1	Income tax payables	2
Total current assets	109	Other payables	13
		Total current liabilities	162
NON-CURRENT ASSETS			
Long-term assets:		NON-CURRENT LIABILITIES	
Recoverable taxes and contributions	15,211	Intercompany loans	196,079
Escrow deposits	1,894	Taxes, fees and contributions	2,295
Total long-term assets	17,105	Provisions for tax, labor and civil risks	14,838
Mining rights	11,092	Shareholders transaction	11,092
Fixed assets	208	Total non-current liabilities	224,304
Total non-current assets	28,405		
		SHAREHOLDERS EQUITY	(195,951)
TOTAL ASSETS	28,514	TOTAL LIABILITIES AND EQUITY	28.514

As of November 30, 2017, the negative shareholders' equity of the parent company Mineração Fazenda Brasileiro ("MFB") at the amount of US$195,951, arising from a corporate reorganization of the subsidiary companies of Yamana Gold Inc. As a consequence, considering the movement in November 2017, the Company's capital was reduced by US$199,615, based on the appraisal report at book value dated October 31, 2017, and the difference of US$3,664 were accounted for as earning reserve. The transaction resulted in the cancellation of 23,927 common shares and 20,382 preferred shares of the Company at that date.

2. SIGNIFICANT ACCOUNTING PRACTICES

2.1. Basis of preparation

The presented financial statements are the first full of financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and, as such, the financial statements were prepared as a first-time adopter under IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). In conjunction with the application of IFRS 1, the Company is presenting an opening statement of financial position as of January 1, 2017.

Previously, the Company´s accounting policies were based on Brazilian General Accounting Policies, harmonized with IFRS since 2010. As a consequence, IFRS adoption had not caused any major impact on the profit and loss from previous and current periods, allowing full comparability with the previous periods. Considering that, there is no accounting impacts from the first-time adoption of IFRS for the Company.

The financial statements have been prepared under the historical cost, except for certain financial instruments measured at their fair values, as described in the accounting practices below. The historical cost is generally based on the fair value of the consideration paid or received in exchange for assets or liabilities.

The main accounting practices adopted in the preparation of these financial statements are described below.

2.2. Functional and reporting currency of financial statements

After analyzing the Company's operation and business on the applicability of technical pronouncement IAS 21 — The Effects of Changes in Foreign Exchange Rates, Management concluded that the US dollar (“US$”) is the Company's functional currency. This conclusion is based on the Company's business environment, with revenues from the ores explored, whose prices are determined in the international market and traded in the US$, which was considered a determining factor in the definition of the Company’s functional currency.

Transactions in Brazilian Reais and currencies other than the US$ have been translated into US$ using the criteria established by IAS 21, whereby monetary items in the financial position are translated using the exchange rate at the balance sheet dates, and non-monetary items are translated at the exchange rate on the date of the transaction, with the changes being recognized in the statement of profit and loss, under the heading “Translation gain (loss)”.

The financial statements are presented in US$, which corresponds to the Company’s functional and presentation currency.

2.3. Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short term commitments, rather than for investment or other purposes. Include bank deposits and short-term investments redeemable within up to ninety days from the investment date, highly liquid or convertible to a known cash amount and subject to immaterial change in value, which are recorded at cost plus income earned through the end of the reporting period and do not exceed their fair or realizable values.

2.4. Financial instruments

On January 1, 2018, the Company adopted IFRS 9 - Financial Instruments by the modified retrospective approach. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities, including new rules for Hedge Accounting and a new model for determining the recoverable value of financial assets.

The following summarizes the significant changes in IFRS 9 compared to IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"):

a. Classification and Measurement of Financial instruments assets and liabilities:

   IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

   Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Management reviewed and assessed the Company’s existing financial assets and liabilities as at January 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no impact on the Company’s financial assets and liabilities as regards their classification and measurement.

b. Impairment of Financial Assets:

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have an impact on the carrying amounts of the Company's financial assets on the transition date given the Company has no impairment on financial assets as of December 31, 2018 and 2017.

c. Hedge Accounting:

IFRS 9 changes the requirements for hedge effectiveness and consequently for the application of hedge accounting. The IAS 39 effectiveness test is replaced with a requirement for an economic relationship between the hedged item and hedging instrument, and for the ‘hedged ratio’ to be the same as that used by the entity for risk management purposes. Certain restrictions that prevented some hedging strategies and hedging instruments from qualifying for hedge accounting were removed under IFRS 9. The adoption IFRS 9 did not have an impact on the Company's accounting on the transition date since the Company has no hedge accounting transactions as of December 31, 2018 and 2017.

Management has revised the Company's financial assets on January 1, 2018 as well as for the balances as of January 1, 2017 and, based on the facts and circumstances described above, concluded that the initial application of IFRS 9 had no significant impact on the Company's financial statements. Financial assets classified as loans and receivables in accordance with IAS 39, which were measured at amortized cost, continue to be measured at amortized cost in accordance with IFRS 9.

The classes and categories of financial instruments and their fair values are determined based on their nature and characteristics whose levels of fair value hierarchy (1 to 3) are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are obtained based on prices quoted (unadjusted) in active markets for identical assets and liabilities.
- Level 2 fair value measurements are obtained based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are obtained based on valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Recognition and measurement

(i) Non-derivative financial assets

Financial assets are initially recognized and measured according to the classification of financial instruments in the following categories: (i) amortized cost; (ii) fair value through comprehensive income and (iii) fair value through profit and loss. In order to define the classification of financial assets in accordance with IFRS 9, the Company evaluated the business model in which the financial asset is managed and its characteristics of contractual cash flows.

The Company initially recognizes trade receivable and escrow deposits on the date they were originated, considering that the fair value is close to the book value. All other financial assets (including assets designated at fair value through profit and loss) are initially recognized on the date of the transaction in which the Company becomes a party to the contractual provisions of the instrument.

The Company writes off a financial asset when the contractual rights to the asset's cash flows expire, or when it transfers the rights to receive the contractual cash flows on a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets are held by the Company to obtain contractual cash flows arising from the principal and interest. These assets are subsequently measured at amortized cost using the effective interest method. Interest income, foreign exchange gains and losses are recognized in the statements of profit and loss, as well as any gain or loss on derecognition. Cash and cash equivalents, trade receivables, trade receivables from related parties, other receivables and escrow deposits are classified in this category, with interest recognized in the profit and loss. The Company also records uncollected trade receivables for the sale of copper concentrate at fair value considering the commodity future value as per the available market trade prices (mark to market) through profit and loss, calculating the corresponding fair value on the balance sheet.

At the balance sheet dates, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is recorded at a value above its recoverable value ("impairment"), with any loss being recognized in the profit and loss for the year.

(ii) Non-derivative financial liabilities

The Company recognizes debt securities issued and subordinated liabilities initially on the date they are originated. All other financial liabilities are initially recognized on the trade date on which the Company becomes a party to the contractual provisions of the instrument.

The Company writes off a financial liability when its contractual obligations are expired, canceled or paid. The Company has the following non-derivative financial liabilities: trade payables, trade payables to related parties, borrowings and intercompany loans. Such financial liabilities are initially recognized at fair value plus any attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has the legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company's financial instruments as of December 31, 2018 and 2017 and January 1st 2017 are as follows:

	12/31/2018	12/31/2017	01/01/2017
Financial assets at amortized cost:			
Cash and cash equivalents (a)	4,709	10,875	3,733
Trade receivables (a)	9	6,403	236
Trade receivables from related parties (a)	2,791	2,442	40
Intercompany loans	-	-	7.951
Escrow deposits (a)	2,064	2,519	796
Total financial assets at amortized cost	9,573	22,239	12,756
Financial assets at fair value:			
Trade receivables from related parties (b)	112,131	91,660	53,903
Total financial assets at fair value	112,131	91,660	53,903
Financial liabilities at amortized cost:			
Trade payables (a)	(35,248)	(27,979)	(30,225)
Trade payables to related parties (a)	(57)	(122)	(528)
Borrowings (a)	(40,595)	(40,413)	(40,420)
Intercompany loans	(262,263)	(297,366)	(238,055)
Total financial liabilities at amortized cost:	(338,163)	(365,880)	(309,228)

(a) Except for the intercompany loans, which the nature and conditions of the transactions are disclosed in the note 12, Management understands that the fair value of financial instruments measured at amortized cost is close to their book values, considering the characteristics of these transactions.

(b) The trade receivables from related parties related to the sale of copper concentrate is fair valued considering the commodity future value as per the available market trade prices (mark to market) through profit and loss, calculating the corresponding fair value on the balance sheet. The fair value measurement is classified as level 2, under IFRS 13 classification.

2.5. Trade receivables and allowance for doubtful accounts

Trade receivables are comprised by the amount of invoices issued (quantities, humidity levels and preliminary grades), valued based on the commodities price stipulated by the London Metal Exchange (LME), less contractual deductions, on the shipment date or on a close date, as set forth in each customer agreement.

Outstanding balances are marked to the market at the end of each quarter, based on the commodities future price for the next three months that would be used for final settlement, upon the issuance of final invoices.

Final invoices, which finalize export operations and are usually issued after receipt and analysis of the commodities (approval of quantities, moisture indexes and metal contents contained by customers), are valued based on the price of the commodities in time close to or after receipt, as established by each contract.

The result from the necessary adjustments, both for issuance of final invoices and mark-to-market, is recognized as proceeds from sales when made.

Management, based on the history of collection of trade receivables and the absence of expected trade receivable losses, did not identify the need to recognize any amount as allowance for doubtful accounts.

2.6. Inventories

Inventories include ore extracted from the mine subject to crushing and processing, defined as work in progress and finished product (copper concentrate), stored at the warehouse located at the Company’s head office and the outside warehouse located in the municipality of Vitória, State of Espírito Santo. Inventories are stated at the lower of cost of production and net realizable value.

In 2017, the Company has changed its operating strategy, prioritizing consumption in the production of copper concentrate that shows the highest grade of contained metal, storing the ore that shows the lowest grade, with consumption objective in the long term. Consequently, the ore stored was recorded in noncurrent assets and expected to be realized within more than 12 months after the end of the reporting period.

Warehouse materials and supplies are recorded based on the acquisition cost and transferred to production cost when they are consumed or become obsolete.

2.7. Property, plant and equipment

Recorded at acquisition, formation or construction cost, plus financial charges incurred during the construction or development of projects, less accumulated depreciation and the provision for adjustment to recoverable value, controlled in US dollars. Depreciation of assets is calculated using the straight-line method at the annual useful life rates mentioned in note 9 and takes into account the estimated useful life of the assets or the useful life of the project in which they are inserted, whichever is the shorter. The capitalized finance charges are depreciated using the same criteria and useful life of the item to which they are allocated.

The acquisition costs of mining rights, properties, exploration and development/expansion rights, and the stripping costs incurred before reaching the ore reserves are capitalized. The costs incurred in the exploration in general, which are not carried out for specific projects, are appropriated to profit and loss in the cost of current operations. The costs incurred related to abandoned projects are reverted to the profit and loss in the caption “Cost of sales”, when the decision is made.

The aforementioned costs are amortized based on the proportion of units produced in relation to the possible, proven and probable ore reserves, as well as the number of possible reserves expected for extraction over the mine's useful life.

In open pit mines, it is necessary to remove land and ore in order to reach the appropriate grade ore to be explored. During the pre-operating and production periods, these costs, called “stripping costs”, are capitalized and classified in property, plant and equipment since they are necessary costs that aim to bring future economic benefits to the Company and foreseen within its production plan. With the start of the production process, these costs are amortized over the useful life of the area to be explored, based on the units produced in relation to the ore reserves and resources expected to be extracted during the exploration period.

Gains and losses on disposals are determined by comparing the disposal amounts with the residual book value and are included in the statement of profit and loss under “Other operating expenses, net”.

Repairs and maintenance are appropriated to profit and loss during the year in which they are incurred.

2.8. Intangible

Expenses directly associated to exclusive, identifiable software, controlled by the Company, which will probably generate economic benefits higher than the costs during more than one year are recognized as intangible assets and amortized on a straight-line basis over their useful lives or the useful life of the project to which they are allocated, whichever is shorter.

2.9. Asset retirement obligation

The provision for asset retirement obligation is associated with the future retirement of long-lived assets that result from the construction, development or normal operation of these assets. The environmental recovery obligations related to the Company's mining assets are also recorded under this item. Such provisions include the demobilization and demolition of infrastructure, the removal of residual materials and the remediation of degraded areas. These estimated costs are recorded in the period in which the recovery obligation occurs, even during the development of the mine, or during the production phase, based on the present value of future costs. Costs are estimated based on the mine closure plan. Cost estimates are updated annually, throughout the useful life of operations, to reflect known developments (for example, revisions to cost estimates and the estimated useful lives of operations). Recovery costs are estimated based on regulatory requirements and measured at fair value. The fair value is determined based on the estimated net present value of future cash outflows that are estimated to occur after the recovery and closure of activities. These estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

The appropriation of the portion of the discount applied in determining the present value of the provision is recorded on a straight-line basis in the statement of profit and loss, under the heading "Financial costs".

The initial provision for recovery and restoration of the mine, as well as subsequent movements resulting from new degradations, changes in cost estimates, changes in the estimated useful life and revisions to discount rates on future cash flows, are attributed to property, plant and equipment. Recovery and closing costs are capitalized and amortized over the useful life of the mine based on the units produced in relation to the total reserves and mineral resources.

2.10. Impairment of property, plant and equipment

Annually, the Company analyzes the existence of impairment indicators of non-current assets or whenever events or changes in circumstances indicate that an asset or group of assets might be impaired. An eventual loss is recognized in the statement of profit and loss for the year by an amount by which the asset's accounting balance exceeds its recoverable amount. Recoverable amount is the higher of the asset's fair value less the cost of sale and its value in use. To estimate the value in use, the Company makes projections based on discounted cash flows at present value, based on expectations about the Company's operations.

2.11. Income tax and social contribution

Income tax and social contribution expenses represent the aggregate of current and deferred taxes.

a) Current taxes

The provision for income tax and social contribution is based on the taxable income for the year. Taxable income differs from the profit shown in the statement of profit and loss because it excludes taxable or deductible income or expenses for other years, in addition to permanently excluding nontaxable or nondeductible items. The provision for income tax and social contribution is calculated based on the tax rate in effect at the balance sheet dates.

b) Deferred taxes

Deferred income tax and social contribution are recognized on temporary differences at the balance sheet dates between the balances of assets and liabilities recognized in the financial statements and the corresponding tax bases used to calculate taxable income, including the balance of tax losses and negative social contribution basis, when applicable. Deferred tax liabilities are generally recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences, only when it is probable that the Company will present future taxable income in an amount sufficient for such deductible temporary differences to be recognized. Deferred tax assets or liabilities are not recognized on temporary differences resulting from goodwill or initial recognition (except for business combinations) of other assets and liabilities in a transaction that does not affect taxable income or accounting income.

The recoverability of the deferred tax asset balance is revised on the balance sheet dates and, when it is no longer probable that future taxable profits will be available to allow the recovery of all or part of the asset, the asset balance is adjusted by the amount that is expected to be recovered.

Deferred tax assets and liabilities are measured at the rates applicable in the timing in which the liability is expected to be settled or the asset is realized, based on the rates provided for in the tax legislation in effect at the balance sheet dates or when a new legislation has been substantially approved. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the way in which the Company expects, at the end of each reporting period, to recover or settle the carrying amount of these assets and liabilities.

Current and deferred taxes are recognized in profit and loss, except when they correspond to items recorded in "Other comprehensive income", or directly in equity, in which case they are also recognized in "Other comprehensive income" or directly in equity. When current and deferred taxes result from the initial accounting for a business combination, the tax effect is considered when accounting for the business combination.

2.12. Provisions

Recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the considerations required to settle the obligation, considering the risks and uncertainties related to the obligation. When the provision is measured based on the estimated cash flows to settle the obligation, its carrying amount corresponds to the present value of such cash flows (when the effect of the time value of the money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognized if, and only if, the reimbursement is virtually certain and the amount can be reliably measured.

2.13. Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are incurred as expenses as the related service is provided. The liability is recognized at the expected amount to be paid under cash bonus plans or short-term profit sharing if the Company has a legal or constructive obligation to pay this amount due to the service provided by the employee and the obligation can be estimated reliably.

2.14. Interest on capital

The distribution of interest on capital to the Company's shareholders is initially recognized as a liability in the financial statements at the end of the reporting period, based on the Company's bylaws. The tax benefit of interest on capital is recognized in the statement of profit and loss.

2.15. Revenue and expense calculation and revenue recognition

On January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") by the modified retrospective approach and updated the Company’s policies considering the new standard.

Revenue from copper concentrate sales is recognized when control of the concentrate has transferred to the customer, which is upon loading of the concentrate onto the shipping vessel for shipment to the customer. At this point in time, the customer has the significant risks and rewards and consequently, the control of ownership of the concentrate, and is committed to accept and pay for the concentrate.

Copper concentrate sales include provisional pricing features whereby the price is provisional at the time of the sale, with the final price usually subject to product inspection by the customer and the market price at a future specified date. In those cases, the quantity, humidity and contained metal grade are initially recognized on a provisional basis, using Management's best estimate and adjusted on a subsequent date, which may range between 30 and 90 days.

The provisional pricing is a variable consideration that is not subjected to a significant reversal, therefore, at the point in time that control of the concentrate transfers to the customer, the Company recognizes revenue and a receivable.

2.16. Earnings per share

Calculated based on the weighted average number of shares outstanding (except treasury shares) during the year.

No figure for diluted earnings per share has been presented as the Company has not issued any instruments that would have an impact on earnings per share when exercised, under that, the basic and diluted earnings per share are the same.

2.17. New and revised standards and interpretations

<u>New and revised standards and interpretations effective beginning January 1, 2017</u>

- Amendments to IAS 7 - Need to Include Disclosure of Changes in Liabilities arising from Financing Activities
- Modification to IAS 12 - Recognition of deferred tax assets for unrealized losses
- Amendments to IFRS 12 - 2014-2016 Annual Improvement Cycle

The application of these standards had no material impact on the amounts disclosed in the current year or in previous years.

<u>New and revised standards and interpretations effective beginning January 1, 2018</u>

- IFRS 9 - Financial instruments.

On January 1, 2018, the Company adopted IFRS 9 - Financial Instruments and any effect of the adoption were disclosed in note 2.4.

- IFRS 15 - Revenue from Contract with Customers

  On January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers and any effect of the adoption were disclosed in note 2.15.

- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40 - Transfers of Investment Property
- Amendments to IFRS 4 – Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts
- Annual Improvements to the 2014-2016 IFRS Cycle. Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures.
- IFRIC 22 - Foreign Currency Transactions and Advances Consideration

The application of these standards had no other material impact on the amounts disclosed in the current and prior years, beyond the disclosed above.

<u>New and revised standards and interpretations already issued, but not effective as of December 31, 2018</u>

- IFRS 16 - Leases (a)

  On January 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16"). The Company adopted IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and will continue to be reported under IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.

  By this new standard, distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability are required to be recognized for all leases, with limited exceptions for short-term leases and leases of low value assets. The criteria for recognizing and measuring leases in the lessors' financial statements are substantially maintained.

The Company applied some practical expedients permitted by the standard, as follows:

- Using of a single discount rate on a lease portfolio with reasonably similar characteristics.
- Not accounting the operating leases with a remaining term of less than 12 months at January 1, 2019, that were classified as short-term leases.
- Use of retrospective analyzes to determine the lease period, when the contract includes options for extending or terminating the lease.

These liabilities were measured at the present value of the remaining lease payments discounted using the incremental borrowing rate on the leasing on January 1, 2019 by the average of 7.05% p.a. The accounting effect at January 1, 2019 were US$33,410 as right of use of the assets against a leasing liability.

- Amendments to IFRS 9 - Prepayment Features with Negative Compensation (a)
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures (a)
- Annual Improvements to the 2015-2017 IFRS Cycle - Amendments to IFRS 3 - Business Combinations, IFRS 11 - Joint Business, IAS 12 - Income Taxes and IAS 23 - Borrowing Costs (a)
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement (a)
- IFRIC 23 - Uncertainty over Income Tax Treatment (a)

IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty about the tax treatment on profit.

The interpretation determines that the entity shall recognize and measure its current or deferred tax assets or liabilities, applying the requirements of IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined.

In the assessment of the Company's Management, the interpretation does not have a significant impact on the financial statements, as the procedures adopted for the calculation and payment of taxes on profit are supported by legislation, internal and external consultants' opinions, and precedents for Administrative and Judicial courts.

- Amendments to IFRS 3 – Definition of Business (b)
- Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material (b)
- IFRS 17 - Insurance contract (c)
- IFRS 10 - Consolidated Statements and amendment to IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or "Joint Venture" (date for application not yet defined by the IASB)

  Effective for annual periods beginning on or after:

  (a) January 1, 2019.

  (b) January 1, 2020

  (c) January 1, 2022.

  The Company did not adopt such changes in its financial statements as of December 31, 2018 in advance.

2.18 Operating segments

The Company has one reportable operating segments, based on open-pit copper ore mined and the producing of copper concentrate.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the accounting policies described in note 2, the Company's management must make judgments and make estimates regarding the carrying amount of assets and liabilities for which they are not easily obtained from other sources. The estimates and the respective assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates. However, the uncertainty related to these assumptions and estimates can lead to results that require a significant adjustment to the carrying amount of the asset or liability affected in future years.

The main sources of uncertainty related to assumptions and estimates are described below:

a) Recognition of revenue

Revenue from the sale of copper concentrate is initially recorded to depict the transfer of promised metal to its customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of it, as well as the transfer of the product's control to the buyer. The revenue is measured based on the estimate of the price of the "commodities" established by the "London Metal Exchange - LME", less contractual deductions, on the date boarding or close date, as established by the contract of each client on the expected date for fixing the price.

b) Impairment of property, plant and equipment

There are specific rules to assess the recoverable value of tangible and intangible assets, especially property, plant and equipment and other intangible assets. At the end of each year, the Company performs an analysis to determine whether there is evidence that the amount of these assets will not be recoverable. As of the balance sheet dates, no evidence to that effect has been identified.

The recoverable amount of an asset is determined by the higher of: (i) its fair value less estimated selling costs; and (ii) its value in use. The value in use is measured based on discounted cash flows (before taxes) derived from the continuous use of an asset until the end of its useful life.

c) Provision for tax, labor and civil risks

The Company is a party to several lawsuits. Provisions are recognized for all contingencies arising on lawsuits and administrative proceedings for which it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. The likelihood of loss is assessed based on the available evidence, the hierarchy of laws, available case rulings, most recent court decisions and their relevance within the legal system, and the opinion of the legal counsel. Provisions are revised and adjusted to take into account changes in circumstances, such as relevant statute of limitation, conclusions of tax audits or additional exposures identified based on new matters or court decisions.

d) Mineral reserves and useful life of mine

The estimates of mineral reserves are annually evaluated and updated by the Company's specialists, with the participation of other independent specialists. Possible, proven and probable reserves are determined using generally accepted geological estimation techniques. The calculation of reserves requires the Company to take positions on future conditions that are uncertain, including future ore prices, exchange rates, inflation rates, mining technology, availability of licenses and production costs. Changes in some of these assumed positions may have a significant impact on the possible, proven and probable reserves recorded. The estimate of the volume of mineral reserves is the basis for calculating the depletion portion of the respective mines, and their estimated useful life is a major factor for quantifying the provision for environmental recovery of mines. Any change in the estimates of the volume of reserves in the mines and the useful life of the assets linked to them may have a significant impact on the depreciation, depletion and amortization charges, recognized in the financial statements as "cost of sales". Changes in the estimated useful life of the mines may have a significant impact on the estimates of the provision for environmental expenses, their recovery when their write-off of property, plant and equipment and the analysis of impairment.

e) Provision for asset retirement obligation

An asset retirement obligation is a legal obligation associated with the permanent removal of a long-lived asset from service. The obligation is recognized at the best estimate of the amount required to settle the obligation at the balance sheet date. The provision recognized by the Company refer, basically, to mine closure, upon discontinuance of mining activities and decommissioning of the mine-related assets.

The Company recognizes an obligation for asset decommissioning in the period in which the obligation is expected to occur. The Company considers accounting estimates related to the reclamation of degraded areas and mine closure costs as one of its key sources of uncertainty, as it involves material provision amounts and refers to estimates that involve numerous assumptions, such as interest rate, inflation and useful life of the asset, considering the current depletion status and the projected depletion dates of each mine.

f) Inventory valuation

Finished goods and work-in-progress inventories are recognized at the lower of the production cost and their net realizable value. The assumptions used in the estimative include estimates on the gold and copper volume contained in the work-in-progress and their expected realization prices.

4. FINANCIAL RISK MANAGEMENT

The exploration, development and mining of precious metals involves numerous risks as a result of the inherent business nature, economic trends and impact of the local social, political, environmental and economic conditions at the numerous operating areas. Consequently, the Company is subject to numerous financial and operating risks that may have a significant impact on its profitability, financial instruments and operating cash flow levels. In particular, financial risks include market risk (including foreign exchange risk, commodities price risk and interest rate risk), credit risk and liquidity risk.

Risk is managed by the Company's Treasury function, in accordance with the authorization level policies approved by the local Board of Directors. The Treasury function identifies, assesses and hedges the Company against potential financial risks together with the Company's operating units. The local Board of Directors sets the overall risk management principles as well as the criteria for specific areas and process, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the investment of cash surpluses.

4.1. Market risk

Market risk is the risk that changes in market factors, such as exchange rates, commodities prices or interest rates affect the amount of the Company's financial instruments. Market risks are managed by accepting or mitigating the risk through the use of derivatives and other hedging instruments.

a) Exchange rate risk

As the Company's functional currency is the US dollar, the Company is exposed to local currency exchange rate fluctuations, mainly in case of appreciation, which could have an impact in US dollars on the Brazilian real-denominated monetary assets and liabilities and on future operating cost.

Any variation (appreciation or devaluation) of 10% in the exchange rate of the local currency against the US dollar should have an impact of approximately US$28,951, gain or loss, respectively, based on the carrying amount of financial assets and liabilities as of December 31, 2018. The closing US dollar rate on December 31, 2018 is R$3.8748 and, considering the 30% devaluation and appreciation in Real, the rate considered would be R$5.0372 and R$2.7124 respectively.

The following table describes the Company's exposure to foreign exchange risk and the effects before taxes on income and equity at the end of the year, considering a 10% change in foreign currency for monetary items denominated in foreign currency.

	Exposure as of 12/31/2018	Effect of 30% increase	Effect of 30% decrease
Cash and cash equivalents	4,709	1,413	(1,413)
Trade receivables	9	3	(3)
Trade receivables from related parties	2,791	837	(837)
Trade payables	(34,699)	(10,410)	10,410
Due to related parties	(57)	(17)	17
Intercompany loans	(262,263)	(78,679)	78,679
Total	(289,510)	(86,853)	86,853

The sensitivity analysis included in the tables above must be carefully used as the results are theoretical, based on best assumptions made using material and practicable data that may generate results that do not necessarily indicate future performance. Also, when making such analysis, the Company has adopted assumptions based on the structure and relationship of the variables, which could differ due to fluctuations during the year, with all other permanent variables. Actual changes in one variable can contribute to changes in another variable, which can increase or offset the effect on profit.

b) Commodity price risk

The Company's long-term profitability and viability depends, to a large extent, on the market price of metals owned by the Company, mainly copper and gold. Fluctuations in the market price of such commodities can adversely affect operations and lead to losses in mineral properties. Metal prices fluctuate widely and are affected by a number of factors beyond the Company's control including, but not limited to, supply and demand, consumption patterns, macroeconomic factors (interest, exchange and inflation), banking and political conditions, and specific factors mining.

Sales of copper concentrate are not subject to any hedging instrument or any other derivative.

The Company’s balance sheet exposure to the commodities prices is limited to trade receivables associated with the provisional pricing of metals contained in the concentrate sold. A 25% increase or decrease in the average copper price on the balance sheet date in relation to all other variables would result in the following impact for the Company profit before taxes:

	Profit before taxes 12/31/2018
Copper	73,283

c) Interest rate risk

As of December 31, 2018 the amount exposed to variable interest rate risk are US$4,650 in bank accounts and US$19,025 of intercompany loans, as detailed on the notes 5 and 12 respectively. Considering the lower exposure of financial instruments to variable interest rates, the sensibility analysis over this interest rate is not being presented, as it is considered immaterial.

The Company has no interest rate swaps as of December 31, 2018.

4.2. Credit risk

Credit risk is the risk that a third party will fail to meet its obligations under a financial instrument. The Company is exposed to several counterparty risks, including, but not limited to: (i) financial institutions that hold the Company's cash and short-term investments; ii) companies that have accounts payable to the Company; (iii) transportation service providers that handle the Company's material; and (iv) the Company's creditors. The Company seeks to limit counterparty risk by entering into commercial agreements with high credit quality counterparties, limiting the amount of exposure to each counterparty and monitoring the counterparties' financial situation.

Cash and cash equivalents are deposited only with first line rating financial institutions and the credit risk associated with these deposits is low. The Company sells its products mainly to Yamana Gold Inc. Historical levels of non-performing receivables and overdue balances under normal credit conditions are insignificant, so the credit risk associated with accounts receivable is also considered insignificant. The Company has no assets committed as collateral.

The Company's maximum exposure to credit risk is as follows:

	12/31/2018
Cash and cash equivalents	4,709
Trade receivables	9
Trade receivables from related parties	114,922
Escrow deposits	2,064
Total	121,704

4.3. Liquidity risk

Liquidity risk is the risk related to an entity’s difficulty to settle its obligations associated with its financial liabilities, which are settled upon delivery of cash or using another financial asset. As the Company’s sales are mainly carried out with the Company’s related parties, the liquidity risk is mitigated through the implementation of the Company’s Capital Management Policy, by managing its capital expenditures, expected cash flows and operating cash flows and maintaining appropriate credit lines. The Company manages its capital structure and adjusts it in accordance with overall economic conditions, risk characteristics of the underlying assets and the Company’s working capital requirements. In order to maintain or adjust is capital structure, the Company can issue new shares or carry out other activities, as applicable, upon approval of its local Board of Directors. As part of the capital allocation strategy, the Company can analyze the opportunity to sell assets, other than those considering the Company’s investment criteria.

	12/31/2018				
	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
Trade payables	(35,248)	-	-	-	(35,248)
Principal payment on intercompany loans	(41,494)	(56,973)	(106,790)	(2,085)	(207,342)
Interest payments on intercompany loans	(10,991)	(15,091)	(28,286)	(552)	(54,920)
Borrowings	(40,595)	-	-	-	(40,595)

5. CASH AND CASH EQUIVALENTS

	12/31/2018	12/31/2017	01/01/2017
Cash funds	59	72	-
Bank accounts	4,650	10,803	3,733
Total	4,709	10,875	3,733

Cash in bank accounts are remunerated in R$ by a rate between 10% and 30% of the Interbank Deposit Certificate - CDI (15% on December 31, 2017 and 15% on January 1, 2017), recorded at cost, plus income earned until the balance sheet dates and can be redeemed at any time.

6. TRADE RECEIVABLES

	12/31/2018	12/31/2017	01/01/2017
Domestic sale of copper concentrate (a)	9	6,403	236
Total	9	6,403	236

(a) As of December 31, 2017 and January 1, 2017, the balances refers to domestic copper concentrate sale that was substantially collected in the first quarter of 2018 and 2017, respectively.

7. INVENTORIES

	12/31/2018	12/31/2017	01/01/2017
Finished goods	10,882	11,036	9,687
Stockpile (a)	111,612	62,026	17,407
Warehouse materials	20,045	17,748	21,567
Provision for losses of warehouse materials	(978)	(1,856)	(1,076)
Total	141,561	88,954	47,585
Current	31,220	28,028	47,585
Non-current (long-term ore stockpile)	110,341	60,926	-

(a) Refer to note 2.6.

The balances of warehouse materials are in line with the production and consumption plans planned for the next year. The change in the provision for losses of warehouse materials is as follows:

	12/31/2018	12/31/2017	01/01/2017
Opening balance	(1,856)	(1,076)	(549)
Additions	(978)	(2,191)	(984)
Write off	1,621	1,366	-
Other movements	235	45	457
Closing balance	(978)	(1,856)	(1,076)

8. RECOVERABLE TAXES AND CONTRIBUTIONS

	12/31/2018	12/31/2017	01/01/2017
Federal VAT - PIS and COFINS (a)	12,489	21,824	26,114
Value-Added Tax on Sales and Services "ICMS" (b)	-	7,475	5,159
Withhold income tax	-	1,768	1,795
Income tax and social contribution	-	1,168	563
Other	340	134	158
Total	12,829	32,369	33,789
Current	9,179	18,959	23,436
Non-current	3,650	13,410	10,353

(a) The Company uses its PIS and COFINS credits to pay federal tax debts, such as income and social contribution taxes, as well as withhold income tax. During 2018, US$23,690 (US$29,039 in 2017) related to these tax liabilities were offset.

(b) The Company has been accumulating ICMS credits originating from purchases of warehouse materials and machinery and equipment for the mines. Until the year ended December 31, 2017, the Company had the practice to perform part of its sales in the local market, and therefore, was able to offset the ICMS credits with the tax on these sales. However, in the beginning of 2018, the Company started to sale its products only to foreign market. Since, sales to foreign market are not taxable by ICMS, the Company started to recognize a full provision for the ICMS recoverable balance.

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Land	Installations	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Mineral rights: Mineral properties and exploration expenses	Mineral rights: Asset retirement obligation	PP&E total	Software	PP&E and intangible assets total
Cost:											
Balance as of January 1, 2017	39,953	236,044	201,199	37,714	7,497	43,437	357,488	19,155	942,487	1,469	943,956
Additions	-	14,805	7,124	1,582	832	4,612	40,849	(488)	69,316	-	69,316
Transfers	-	(855)	32	-	7	(4,679)	5,495	-	-	-	-
Annual revaluation adjustments - note 11	-	-	-	-	-	-	-	10,430	10,430	-	10,430
Disposals	-	(353)	(1,692)	-	(97)	-	(778)	(99)	(3,019)	-	(3,019)
Reversal for loss of machinery and equipment with third party	-	-	2,194	-	-	-	-	-	2,194	-	2,194
Balance as of December 31, 2017	39,953	249,641	208,857	39,296	8,239	43,370	403,054	28,998	1,021,408	1,469	1,022,877
Additions	-	8,949	5,510	349	1,120	4,508	28,841	(7,985)	41,292	-	41,292
Transfers	-	(316)	(2,422)	2,666	-	(36,938)	37,010	-	-	-	-
Annual revaluation adjustments - note 11	-	-	-	-	-	-	-	7,108	7,108	-	7,108
Disposals (a)		(2,760)	(6,788)	(209)	(130)	-	(17,057)	-	(26,944)	(69)	(27,013)
Reversal for loss of machinery and equipment with third party	-	-	24	-	-	-	-	-	24	-	24
Balance as of December 31, 2018	39,953	255,514	205,181	42,102	9,229	10,940	451,848	28,121	1,042,888	1,400	1,044,288
Accumulated depreciation / amortization:											
Balance as of January 1, 2017	-	(111,559)	(95,589)	(31,834)	(2,732)	-	(79,930)	(7,102)	(328,746)	(883)	(329,629)
Depreciation and amortization expenses	-	(8,647)	(20,132)	(3,114)	(980)	-	(27,148)	(439)	(60,460)	(225)	(60,685)
Disposals	-	-	1,037	-	29	-	6,202	-	7,268	(21)	7,247
Balance as of December 31, 2017	-	(120,206)	(114,684)	(34,948)	(3,683)	-	(100,876)	(7,541)	(381,938)	(1,129)	(383,067)
Depreciation and amortization expenses	-	(8,954)	(15,944)	(4,825)	(1,000)	-	(11,354)	(508)	(42,585)	(190)	(42,775)
Disposals	-	2,071	6,517	188	103	-	11,310	-	20,189	39	20,228
Transfer	-	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2018	-	(127,089)	(124,111)	(39,585)	(4,580)	-	(100,920)	(8,049)	(404,334)	(1,280)	(405,614)
Net balance as of January 1, 2017	39,953	124,485	105,610	5,880	4,765	43,437	277,558	12,053	613,741	586	614,327
Net balance as of December 31, 2017	39,953	129,435	94,173	4,348	4,556	43,370	302,178	21,457	639,470	340	639,810
Net balance as of December 31, 2018	39,953	128,425	81,070	2,517	4,649	10,940	350,928	20,072	638,554	120	638,674

(a) In 2018 the main disposals in Property, plant and equipment are related to the write-off of Bacilândia project, in the amount of US$3,600, due to the end of the activities of retirement of the mining project.

Average useful lives	12/31/2018	12/31/2017	01/01/2017
Facilities	26	24	25
Machinery & equipment	11	10	10
Vehicles	6	3	3
Furniture and fixtures	7	9	9
Mineral properties	27	24	25
Software	6	3	3

The Company reviews the useful lives of its assets annually.

10. TRADE PAYABLES

	12/31/2018	12/31/2017	01/01/2017
Domestic suppliers	34,699	26,897	29,294
International suppliers	549	1,082	931
Total	35,248	27,979	30,225

As of December 31, 2018, the average payment term is 27 days (35 days as of December 31, 2017 and 35 days as of January 1st, 2017).

11. PROVISION FOR ASSET RETIREMENT OBLIGATION

The variations in the provision for environmental remediation are as follows:

	12/31/2018	12/31/2017	01/01/2017
Opening balance	53,264	39,506	35,335
Annual revaluation adjustments	7,108	10,430	(4,509)
Interest	4,552	3,937	4,370
Translation gain or loss	(8,063)	(402)	7,276
Realization cost	(212)	(207)	(2,966)
Closing balance	56,649	53,264	39,506
Current	1,169	-	-
Non-current	55,480	53,264	39,506

The provision for environmental remediation was estimated considering the necessary mine closure expenditures, based on the current degraded area and an annual discount rate of 8.50% (9.41% in 2017 and 10.55% in January 1, 2017). Such rate reflects the current Brazilian economic scenario where the expenditures will be incurred.

12. RELATED PARTIES

The related-party balances refer basically to amounts due from related parties, mainly relating to the sale of copper concentrate to a foreign related party, domestic providers of administrative services and funds received under loan agreements, with preset maturity dates, as shown below:

	12/31/2018	12/31/2017	01/01/2017
Balances			
Current assets - due from related parties:			
Yamana Gold Inc. - sale of copper concentrate	112,251	72,235	52,292
Yamana Gold Inc. - mark-to-market	(120)	19,425	1,611
Pilar de Goiás Desenvolvimento Mineral S.A. (a)	735	783	19
Fazenda Brasileiro Desenvolvimento Mineral Ltda. (a)	685	735	5
Mineração Riacho dos Machados (a)	465	598	-
Santa Luz Desenvolvimento Mineral Ltda. (a)	159	173	3
Jacobina Mineração Comércio Ltda. (a)	747	153	11
Serra Da Borda Mineração e Metalurgia	-	-	2
Total	114,922	94,102	53,943
Non-current assets			
Mineração Fazenda Brasileiro S.A. (b)	-	-	7,951
Total	-	-	7,951
Current liabilities - trade payables:			
Yamana Desenvolvimento Mineral S.A. – cost sharing	36	6	511
Yamana Resources Incs – expatriate pension plan balance	21	21	17
Fazenda Brasileiro Desenvolvimento Mineral Ltda. – purchase of fixed assets	-	95	-
Total	57	122	528
Current liabilities – loans:			
Yamana International Finance B.V. (c)	52,485	-	-
Yamana Desenvolvimento Mineral S.A. (c)	-	-	21,114
Total	52,485	-	21,114
Non-current liabilities – loans:			
Yamana Desenvolvimento Mineral (c)	19,026	20,489	-
Yamana Gold Inc. (c)	100,480	20,881	8,848
Yamana International Finance B.V. (c)	90,272	255,996	208,093
Total	209,778	297,366	216,941

	12/31/2018	12/31/2017
Transactions		
Sale of copper concentrate:		
Yamana Gold Inc.	429,206	398,115
Intercompany loans:		
Interest expense (c)	11,173	11,751
Shared services costs (a)	2,416	692

(a) Refers to shared services costs arisen from administrative expenses.

(b) On July 7, 2015 the Company signed a loan agreement with MFB remunerated at 12% per year. In 2017 it was granted the additional amount of US$1,099 and generated an interest of US$384. In November 2017 MFB was incorporated by the Company, according to note 1, resulting in the settlement of the loan in the amount of US$9,433.

(c) The variations in borrowings payable in the years ended December 31, 2018 and 2017 are as follows:

Related party	Currency	Annual rate	Maturity	Balance as of 12/31/2017	New borrowings	Accrued interest	Provision for IRRF	Payments: Principal	Payments: Interest	Translation gain/loss	Balance as of 12/31/2018
Yamana International Finance B.V.	R$	2.81% to 8.69%	2022	255,996	-	6,557	(854)	(79,907)	(6,158)	(32,877)	142,757
Yamana Desenvolvimento Mineral	R$	IGPM	2022	20,489	-	1,781	-	(155)	-	(3,090)	19,025
Yamana Gold Inc.	R$	2% to 14.02%	2025	20,881	102,971	2,835	(80)	(15,264)	(2,826)	(8,036)	100,481
Total				297,366	102,971	11,173	(934)	(95,326)	(8,984)	(44,003)	262,263
Current				-							52,485
Non-current				297,366							209,778

Year - Maturity	Amount
2019	52,485
2020	14,892
2021	57,173
2022	52,124
2023	82,952
2025	2,637
Total	262,263

Related party	Currency	Annual rate	Maturity	Balance as of 01/01/2017	Additions due to merger of MFB – note 1	Accrued interest	Provision for IRRF	Payments: Principal	Payments: Interest	Translation gain/loss	Balance as of 12/31/2017
Yamana International Finance B.V.	R$	2.81% to 8.69%	2021	208,093	174,061	11,649	(1,029)	(115,969)	(19,963)	(846)	255,996
Yamana Desenvolvimento Mineral	R$	IGPM	2022	21,114	-	(184)	-	(141)	-	(300)	20,489
Yamana Gold Inc.	R$	2%	2020	8,848	12,585	286	(40)	-	(225)	(573)	20,881
Total				238,055	186,646	11,751	(1,069)	(116,110)	(20,188)	(1,719)	297,366
Current				21,114							-
Non-current				216,941							297,366

Management compensation

During the years ended December 31, 2018 and 2017, management compensation, totaled US$3,107 and US$2,502, respectively, which amounts were allocated to profit and loss, in line items 'Selling expenses' and 'General and administrative expenses', as follows:

	2018	2017
Short-term employee benefits:		
Payroll	1,452	1,482
Bonus	1,396	700
Other benefits	259	320
Total	3,107	2,502

13. BORROWINGS

Borrowings are comprised of advances of foreign exchange agreements from financial institutions, which are not subject to covenants and collaterals, as follows:

Financial institution	Currency	Maturity year	Annual rate	Balance as of 12/31/2017	New borrowings	Interest	Payments Principal	Payments Interest	Balance as of 12/31/2018
Scotiabank	US$	2018	From 2.65% to 3.18%	-	8,000	136	(8,000)	(136)	-
Scotiabank	US$	2019	From 3.15% to 3.56%	-	31,000	41	-	-	31,041
Banco do Brasil	US$	2018	From 2.75% to 2.85%	6,613	-	52	(6,598)	(67)	-
Santander	US$	2018	From 2.10% to 3.10%	33,800	2,500	290	(35,917)	(673)	-
Santander	US$	2019	3.10%	-	9,400	154	-	-	9,554
Total				40,413	50,900	673	(50,515)	(876)	40,595

Financial institution	Currency	Maturity year	Annual rate	Balance as of 01/01/2017	New borrowings	Interest	Payments Principal	Payments Interest	Balance as of 12/31/2017
Banco do Brasil	US$	2017	From 1,92% to 3,25%	20,789	-	42	(20,488)	(343)	-
Scotiabank	US$	2017	From 2,02% to 2,56%	19,631		650	(19,929)	(352)	-
Banco do Brasil	US$	2018	From 2,20% to 3,23%	-	23,822	94	(17,115)	(188)	6,613
Santander	US$	2018	From 2,10% to 2,67%	-	38,215	481	(4,816)	(80)	33,800
Scotiabank	US$	2018	From 2,10% to 2,78%	-	17,451	141	(17,417)	(175)	-
Total				40,420	79,488	1.408	(79,765)	(1,138)	40,413

14. INCOME TAX PAYABLES

Income tax is calculated at the rate of 15% plus a 10% surtax on taxable income exceeding R$240, and social contribution is calculated at the rate of 9% on taxable income, adjusted pursuant to law, based on the taxable income regime.

	12/31/2018	12/31/2017	01/01/2017
Income tax and social contribution payable	28,178	22,765	2,298
Total	28,178	22,765	2,298

The nature of the liability derives from the taxable income according to the annual taxable income tax regime. The total income tax and social contribution payable as of December 31, 2018 was settled in the first quarter of 2019. The variance related to January 1, 2017 when compared with December 31, 2018 and 2017 is a reflex of its operation level and respective taxable income.

15. TAXES, FEES AND CONTRIBUTIONS

Represented by amounts payable to the Municipal, State and Federal governments, calculated according to the applicable law, and correspond to taxes (PIS/COFINS, ICMS, ISS and CFEM), withholding taxes due to legal obligation (INSS and IRRF) and those relating to the Special Tax Regularization Program (PERT) (note 16), as follows:

	12/31/2018	12/31/2017	01/01/2017
Tax Regularization Program (PERT) – note 16	-	65,526	-
Taxes on revenue (PIS and COFINS – Federal VAT)	4,267	4,834	8,242
Withholding income tax (IRRF)	4,194	6,950	1,925
Financial Compensation for the Exploration of Mineral Resources (CFEM)	1,627	1,223	1,182
State VAT (ICMS)	467	631	850
Social Security Tax (INSS) – third parties	640	629	515
Service tax (ISSQN)	535	149	209
Tax on Financial Transactions (IOF)	4	2	17
Total	11,734	79,944	12,940
Current	3,822	70,438	3,483
Non-current	7,912	9,506	9,457

16. INCOME TAX AND SOCIAL CONTRIBUTION

Income tax is calculated at the rate of 15% plus a 10% surtax on taxable income exceeding US$62 (R$240), and social contribution is calculated at the rate of 9% on taxable income, adjusted pursuant to law, based on the taxable income regime.

The reconciliation between income tax and social contribution expenses at statutory rates and the expense recorded is as follows:

	12/31/2018	12/31/2017
Profit before income tax and social contribution	168,050	171,928
Combined income tax and social contribution statutory rate	34%	34%
Estimated income tax and social contribution expenses at nominal rate	(57,137)	(58,456)
Adjustment to reconcile the effective expense:		
Effect of income tax and social contribution on exchange differences of non-monetary items	(28,500)	(5,443)
Permanent differences:		
Principal - Special Tax Regularization Program (PERT) (a)	-	(82,943)
Interest and fine - Special Tax Regularization Program (PERT) (a and b)	(33,507)	(54,788)
Adjustment to the provision for prior-year deferred income tax and social contribution	6,893	(4,835)
Exchange differences arising on translating US dollar-denominated assets and liabilities recognized for tax purposes	(502)	(1,869)
Non-taxable exchange variation	11,976	450
Translation adjustments – effect on current and deferred income tax	7,293	4,966
Interest on capital	1,680	3,718
Late payment interest on income tax and social contribution	5,465	5,452
Other permanent differences, net	(1,205)	(981)
Income tax and social contribution credit (expenses) in profit and loss for the year	(87,544)	(194,729)
Current	(85,674)	(178,008)
Deferred	(1,870)	(16,721)

(a) In the third quarter of 2017, the Company has joined the tax amnesty program named Special Tax Regularization Program (PERT) to settle income tax debts, resigning the objections and administrative appeals related to these debts and, in this regard, it has paid US$67,551 in 2017. As part of the program, the Company has elected to fully pay the outstanding balance, in the amount of US$65,526, in January 2018. The income tax expense relating to the debts included in the program was recorded in profit and loss for 2017.

(b) In December 2018 the Brazilian government concluded the consolidation process for the PERT. The consolidation process was made electronically through Brazilian Federal Revenue Service's website (RFB) and the amounts resulting from the amnesty were automatically calculated. After the process, the differences between the amount calculated by RFB and the amounts paid by the Company, of US$33,507, was paid by the Company in December 2018.

Deferred income tax and social contribution

Deferred income tax and social contribution are recorded to reflect the future tax effects attributable to temporary differences between the tax base of assets and liabilities and the corresponding carrying amounts.

The Company's deferred income tax and social contribution are derived from:

	12/31/2018	12/31/2017	01/01/2017
Differences between the tax and accounting bases of non-monetary assets (functional currency difference)	(214,059)	(166,594)	(164,038)
Depreciation differences	(27,543)	(43,649)	(28,816)
Provision for mine closure costs	22,269	16,427	26,377
Mark-to-market of trade receivables	119	(19,426)	(1,611)
Provision for tax, labor and civil risks	16,151	21,718	9,846
Accrued profit sharing	6,011	6,894	3,588
Allowance for losses of warehouse materials and supplies	978	1,856	657
Allowance for PP&E impairment	-	8	95
Other	7,547	302	8,101
Deferred income tax and social contribution base	(188,527)	(182,464)	(145,801)
Tax rate	34%	34%	34%
Deferred income tax and social contribution	(64,099)	(62,038)	(49,572)

17. PROVISION FOR TAX, LABOR AND CIVIL RISKS

	Civil lawsuits	Tax lawsuits	Labor lawsuits	Total
Balance as of January 1, 2017	147	3,036	6,663	9,846
MFB merged balance – note 1	9	1,130	13,699	14,838
Additional provisions and increase in existing provisions	2	118	2,848	2,968
Reversal of provisions	(106)	(3)	(4,367)	(4,476)
Write-offs by payments	(44)	-	(1,156)	(1,200)
Translation qain/loss	3	(88)	(173)	(258)
Balance on December 31, 2017	11	4,193	17,514	21,718
Additional provisions and increase in existing provisions	1	2,858	2,652	5,511
Reversal of provisions	-	-	(6,529)	(6,529)
Write-offs by payments	-	-	(1,517)	(1,517)
Translation gain/loss	(2)	(776)	(2,254)	(3,032)
Balance on December 31, 2018	10	6,275	9,866	16,151

The Company is a party to lawsuits and administrative proceedings arising from the normal course of its business, involving tax, civil and labor matters, among others.

Management believes that possible disbursements at the end of the relevant proceedings higher than the amounts provided for, if any, will not have a material impact on the Company's operations or its financial condition. The Company recognized a provision for losses for lawsuits with unfavorable outcome amounting to US$16,151 as of December 31, 2018 (US$21,718 as of December 31, 2017 and US$9,846 as of January 1, 2017).

In addition to the amounts already provided for, as shown above, as of December 31, 2018, the Company is a party to other labor, civil and tax disputes and litigation totaling approximately US$66,384 (US$238,710 as of December 31, 2017 and US$198,277 as of January 1, 2017). Based on the assessment made by Management and its legal counsel, the likelihood of loss was assessed as possible in those cases; therefore, no provision for risks was recognized.

	12/31/2018	12/31/2017	01/01/2017
Civil lawsuits (a)	752	925	480
Tax lawsuits (b)	61,194	225,054	196,828
Labor lawsuits (c)	4,438	12,731	969
Total	66,384	238,710	198,277

(a) Civil lawsuits – refers mainly to claims involving disputes on contractual inflation adjustments clauses and environmental lawsuits, comprising claims of possible noncompliance with existing environmental licenses or environmental damages.

(b) Tax lawsuits – refer mainly to the disallowance of PIS and COFINS tax credits questioned by the tax authorities and collections, related to the State VAT (ICMS) of goods received.

The main variance from 2017 to 2018 is related to the closing of one tax lawsuit after the Company joined to the amnesty program PERT, as disclosed in the note 16, in the amount of US$159,475.

(c) Labor lawsuits – refers to individuals claims filed by employees and service providers, mainly comprising the payment of overtime, health hazard and hazardous duty premium.

The main lawsuits are:

- Declaratory Action for tax credits cancellation - also declaring the lack of legal and tax relationship between the Plaintiffs and the Defendant state, with respect to the collection of ICMS levied on such electric power transmission and connection charges, in particular the Transmission System Use Tariff (TUST) or Distribution System Use Tariff (TUSD). Such lawsuit amounts to US$14,611 as of December 31, 2018 (US$15,487 as of December 31, 2017 and US$13,382 as of January 1, 2017).

- Action relating to the electronic request for refund and related offset declarations (PER/DECOMPs), which was denied by tax authorities, based on non-cumulative COFINS credits – export calculated during the 1st, 2nd, 3rd and 4th quarters of calendar year 2007, in the amount of US$3,754. Such lawsuit amounts to US$8,104 as of December 31, 2018 (US$9,213 as of December 31, 2017 and US$12,486 as of January 31, 2017).

- Tax assessment notice for the collection of ICMS (state VAT) arising from the acquisition of goods and assets from other Brazilian states, allegedly for use and consumption in the establishment, in which event it would characterize the rate difference ICMS taxable event. Such lawsuit amounts to US$7,073 as of December 31, 2018 (US$7,343 as of December 31, 2017 and US$6,899 as of January 1, 2017).

- Tax assessment notice for the collection of CFEM, due to the alleged underpayment, from 2007 to December 2016, December 2013 to October 2016, as a result of alleged undue deduction of freight and insurance expenses without the corresponding separate inclusion of these amounts in the specific field of the sales invoices, without adding them to the total amount. Also, the tax assessment notice did not allow the deduction of taxes incurred on the sale of the mineral asset (ICMS and PIS/COFINS) under the allegation that these taxes were offset against credits held by the Company and also did not believe that such deduction was possible in some cases. Such lawsuit amounts to US$19,004 as of December 31, 2018.

Income tax returns are subject to tax audits by the tax authorities for a five-year period as from the filing date, which must occur by the 31st of July of the year subsequent to the respective year. Possible tax assessments, in addition to the assessed income tax and social contribution, include fines and interest calculated at the interest rate of federal government bonds.

18. SHAREHOLDERS EQUITY

a) Share Capital

The Company's authorized, subscribed and paid-in capital as of December 31, 2018, December 31, 2017 and January 1, 2017 amounted to US$266,924, US$190,201 and US$254,057, respectively. Capital in December 31, 2018 is represented by 4,850 (3,159 in December 31, 2017 and 12,532 in January 1, 2017) registered common shares and 2,568 (2,568 in December 31, 2017 and 22,950 in January 1, 2017) registered preferred shares, without par value, held as follows:

	12/31/2018		12/31/2017		01/01/2017	
Shareholder	Number of shares	%	Number of shares	%	Number of shares	%
Yamana Brazil Holdings B.V.	7,417	99.99	5,726	99.99	35,482	99.99
Yamana International Holdings Cooperatie U.A.	1	0.01	1	0.01	1	0.01
Total	7,418	100.00	5,727	100.00	35,483	100.00

Throughout 2017 and as per approvals obtained on Shareholders 'Meeting, it was approved an increase in Company`s capital in the amount of US$135,759 upon the issuance of 14,554 new registered common shares, fully subscribed in local currency.

On November 30, 2017, the Company incorporated the negative shareholders' equity of related party MFB in the amount of US$195,951 (as of October 31, 2017), as per Note 1. As a consequence, considering the movement in November 2017, its capital was reduced by US$199,615, based on the appraisal report at book value dated October 31, 2017, resulting in the cancellation of 23,927 common shares and 20,382 preferred shares.

On February 20, 2018, the Shareholders' Meeting approved the capital increase, in the amount of US$30,001, fully subscribed in local currency, and the capitalization of US$9,430 relating to the interest on capital declared on December 14, 2017, upon the issuance of 913 new registered common shares.

On April 30, 2018, the Shareholders' Meeting approved the increase in the Company's capital, in the amount of US$11,092 relating to the transactions between shareholders pursuant to note 18-b, upon the issuance of 245 new registered common shares.

On May 30, 2018, the Shareholders' Meeting approved the increase in the Company's capital, in the amount of US$9,000, upon the issuance of 207 new registered common shares, fully subscribed in local currency.

On July 19, 2018, the Shareholders' Meeting approved the increase in the Company's capital, in the amount of US$13,000, upon the issuance of 247 new registered common shares, fully subscribed in local currency.

On December 19, 2018, the Shareholders' Meeting approved the increase in the Company's capital, in the amount of US$4,200, upon the issuance of 79 new registered common shares, fully subscribed through the partial capitalization of interest on capital proposed on the same date by Yamana Brazil Honding B.V.

b) Transactions between shareholders

Refers to the portion of mining rights relating to the "Lavra Velha" project, which was incorrectly included in the spin-off report of MFB when its mining activities were transferred to related party Fazenda Brasileiro Desenvolvimento Mineral Ltda.
As MFB, merged on November 30, 2017, still holds these rights and they will not be transferred, the Company has recorded again the asset with a contra-entry in equity. Due to the Company's merger process and as this transaction was carried out by entities under common control, the amount was recorded in equity in 'Transactions between shareholders' in the amount of US$11,092.

On April 30, 2018, the Shareholders' Meeting approved the Company's capital increase at the total amount recognized on November 30, 2017.

c) Shareholders' rights

Common shares entitle their holds to vote at the shareholders' general meetings and, under the bylaws, shareholders have the preemptive right to subscribe new shares.

Preferred shares have priority in case of capital refund, without premium.

The Company's bylaws do not provide for any mandatory minimum dividends and only and solely grants Management the power to recommend the amount of dividends to be distributed after the recognition of the legal reserve and any other required statutory allocations. Such recommendation must be approved by the shareholders at an Annual Shareholders' Meeting.

The Annual Shareholders' Meeting held on December 19, 2018 approved the distribution of interest on capital in the amount of US$4,942 (US$10,935 for the year ended December 31, 2017), based on retained earnings and earnings reserve calculated between December 31, 2017 and November 30, 2018, which are distributed proportionally among shareholders Yamana Brazil Holdings B.V. and Yamana International Holdings Coöperatie U.A.

d) Treasury shares

As of December 31, 2018 and 2017, line item 'Treasury shares' was comprised of 1,746 shares with par value of US$7,016, corresponding to US$4.018 per share.

e) Retained earnings reserve

The purpose of this reserve is to provide funds for the maintenance and development of the Company's core activities.

f) Earnings (loss) per share

The Company does not hold outstanding potentially dilutive shares that could result in the dilution of the earnings (loss) per share.

The amounts of basic earnings per share in 2018 are as follows:

	Number of shares	Weighted number of shares
Opening number - common shares - 2018	3,159	3,159
Opening number - preferred shares - 2018	2,568	2,568
Addition of common shares as of February 20, 2018	913	785
Addition of common shares as of April 30, 2018	245	164
Addition of common shares as of May 30, 2018	207	122
Addition of common shares as of July 19, 2018	247	112
Addition of common shares as of December 19, 2018	79	3
Closing number - common shares	4,850	
Closing number - preferred shares	2,568	
Weighted average number of preferred and common shares		6,913
Profit for the year		80,506
Earnings per share - US$		11,645.48

The amounts of basic loss per share in 2017 are as follows:

	Number of shares	Weighted number of shares
Opening number - common shares – January 1, 2017	12,532	12,532
Opening number - preferred shares - January 1, 2017	22,950	22,950
Addition of common shares as of January 26, 2017	1,626	1,510
Addition of common shares as of March 6, 2017	1,761	1,447
Addition of common shares as of April 19, 2017	2,154	1,511
Addition of common shares as of May 30, 2017	1,652	973
Addition of common shares as of June 28, 2017	2,743	1,398
Addition of common shares as of July 31, 2017	1,005	421
Addition of common shares as of September 5, 2017	651	209
Addition of common shares as of October 2, 2017	1,029	254
Addition of common shares as of November 30, 2017	1,933	164
Deduction of common shares as of November 30, 2017	(23,927)	(2,032)
Deduction of preferred shares as of November 30, 2017	(20,382)	(1,731)
Closing number - common shares	3,159	
Closing number - preferred shares	2,568	
Weighted average number of common and preferred shares		39,606
Loss for the year		(22,801)
Loss per share - US$		(575.70)

19. NET REVENUE

	12/31/2018	12/31/2017
Gross sales revenue - foreign market	429,204	398,238
Gross sales revenue - domestic market	12,981	42,227
Mark-to-market	(19,640)	17,910
Total	422,545	458,375

20. INFORMATION ON THE NATURE OF EXPENDITURE RECOGNIZED IN THE STATEMENT OF PROFIT AND LOSS

The Company’s statement of profit and loss is presented based on a classification of expenses according to their function. As required by technical pronouncement IAS 1 - Presentation of Financial Statements, the information on the nature of these expenses is as follows:

	12/31/2018	12/31/2017
Cost of sales:		
Service providers	(43,498)	(48,820)
Depreciation and amortization	(42,027)	(40,523)
Utilities, maintenance and upkeep	(37,019)	(35,228)
Fuel	(35,533)	(34,422)
Personnel expenses	(18,016)	(18,155)
Electricity	(16,631)	(16,062)
Explosives	(11,643)	(13,207)
Steel balls	(10,901)	(12,307)
CFEM (Government royalties)	(9,125)	(8,906)
Other raw materials and consumables	(8,759)	(10,603)
Coating	(4,292)	(4,024)
Tires	(3,880)	(3,390)
Royalties	(2,804)	(3,168)
Sundry insurance	(1,368)	(1,697)
Lime	(1,239)	(676)
Chemical reagents	(1,192)	(1,583)
Drilling materials	(836)	(994)
Xantha	(447)	(419)
Inventory adjustments	(183)	1,098
Other expenses	(4,374)	(2,666)
Total	(253,767)	(255,752)

	12/31/2018	12/31/2017
Selling, general and administrative expenses:		
Other taxes (a)	(4,871)	-
Personnel expenses	(3,963)	(7,430)
Consulting, audit and data processing	(2,684)	(2,572)
Contingencies paid	(1,561)	(1,186)
Selling expenses	(897)	(1,749)
Depreciation and amortization	(824)	(1,140)
Collaterals	(867)	-
Travels and representations	(214)	(386)
Restructuring costs	(185)	(775)
Service providers	(147)	(271)
Fees and licenses	(135)	(635)
Electricity	(11)	(18)
Reversal of provision for risks	2,209	2,729
Other expenses	(1,208)	(860)
Total	(15,358)	(14,293)

(a) In January 2018, after an inspection over the tax over services (“ISS”) paid by the Company from 2013 to 2017, the Company received a notification from the tax authorities. The penalty was paid by the Company in January 2019.

21. OTHER OPERATING EXPENSES, NET

Other operating income and expenses are broken down as follows:

	12/31/2018	12/31/2017
Other operating income:		
Reversal of provision for loss of machinery and equipment held by third parties	-	2,194
Reversal of the allowance for losses of materials and supplies – profit and loss	878	-
Scrap sale	169	236
Loss reimbursement	-	118
Other operating income	138	340
Total	659	2,888
Other operating expenses:		
Provision for losses on ICMS (b)	(7,274)	-
Expenses on greenfield exploration (a)	(3,065)	(3,176)
Other taxes and fees	(2,737)	(857)
ICMS on sundry transactions	(874)	(50)
Gain (loss) on sale of property, plant and equipment	(1,340)	(250)
Allowance for losses of materials and supplies	-	(780)
Other operating expenses	(1,814)	(40)
Total	(16,895)	(5,152)
Total other operating expenses, net	(15,919)	(2,265)

(a) Expenses related to the exploration team relating to research and sampling costs.

(b) Refers to the provision for losses on ICMS credits due to the Company’s merely exporting nature and lack of expected realization.

22. FINANCIAL INCOME

Finance income and costs are broken down as follows:

	2018	2017
Finance income:		
Interest income on short-term investments	712	188
Other finance income	35	11
Total	747	199
Finance costs:		
Interest expenses	(11,846)	(13,159)
Interest on mine closure costs	(4,552)	(3,937)
Tax on financial transactions (IOF)	(199)	(174)
Interest and fine on tax payment	(198)	(164)
Interest and fine on late payment to suppliers	(3)	(44)
Other	(497)	(126)
Total	(17,295)	(17,604)

23. CONTRACTUAL COMMITMENTS

As of December 31, 2018, the commitments, primarily the purchase of electric power, fuel oil, and lubricants, rock moving services and mineral aggregate production and the engagement of third-party contractors to work in the mining and ore transportation to the plant and from the plant to the ore concentrate shipment port, were as follows:

Year	US$
2019	26,154
2020	17,214
2021	14,220
2022	4,500
2023 and thereafter	1,125

24. INSURANCE COVERAGE

As of December 31, 2018, insurance coverage is as follows:

Insured item	Coverage	Currency	Insured amount
Property insurance and machinery breakage insurance	Property damages and loss of profit as a result of insured accidents	US$	447,000
Civil liability	Bodily injuries or property damages caused to third parties, including employees	US$	24,500
International transportation (export)	Property damages caused to sea transportation of copper concentrate	US$	40,000 per trip
Domestic transportation	Property damages caused to highway transportation of copper concentrate	US$	2,500 per trip
International transportation - import	Property damages caused inputs/equipment inherent in mining activities	US$	2,500 per trip
Civil liability	Directors & Officers (D&O) civil liability	US$	15,000
Corporate	Fire, harmful acts, windstorm, theft and robbery	US$	3,100
Fleet insurance	Hull	R$	100% FIPE
Fleet insurance	Personnel passenger accident (APP)	US$	2.60
Fleet insurance	Civil liability - single amount DM/DC	US$	130
Fleet insurance	Pain and suffering	US$	13

25. NON-CASH TRANSACTIONS

In the years 2018 and 2017, the Company conducted the following operating and investing noncash transactions:

- On December 19, 2018, Management has decided on and approved the distribution of interest on capital in the total amount of US$4,942 based on retained earnings and earnings reserve calculated between December 31, 2017 and November 30, 2018, which are distributed proportionally among shareholders Yamana Brazil Holdings B.V. and Yamana International Holdings Coöperatie U.A. Capital was increased in the same sate upon capitalization of interest on capital in the amount of R$4,200.
- As allowed by the current tax rules, the Company use its PIS and COFINS tax credits for some federal tax debts payments, such as income tax and social contribution, as well as withholding taxes. During 2018, US$23,690 (US$29,039 in 2017) related to these tax liabilities were offset.
- During 2018, the adjustment to the costs related to the mine closure in the amount of US$7,108 were added to the cost of property, plant and equipment (derecognition of US$10,430 in 2017), which contra-entry is recognized in liabilities in line item 'Provision for environmental remediation'.
- As of December 31, 2018, the Company had acquired property, plant and equipment items, of which US$5,409 were not yet paid (US$3,239 as of December 31, 2017 and US$6,368 as of December 31, 2016) with cash flow effect of US$2,170 in 2018 and US$3,129 in 2017.

26. SUBSEQUENT EVENTS

Capital increase

On June 24, 2019, the Shareholders' Meeting approved the increase in the Company's capital, in the amount of US$42,105, upon the issuance of 692 new registered common shares, fully subscribed through the partial capitalization of interest on intercompany loans facility agreements proposed on the same date by Yamana International Holdings Cooperatie U.A.

On December 31, 2019, the Shareholders' Meeting declared the interest on capital of US$10,172 and approved, in the same meeting, the capital increase in the amount of US$8,646, upon the issuance of 130 new registered common shares.

Company's control sale to Lundin Mining

On July 5, 2019, the Company's control was sold to Lundin Mining Corporation ("Lundin") for total expected consideration of over US$1,000,000, that included: i) an initial upfront cash payment of US$783,100; ii) US$125,000 cash payment in aggregate over five years contingent to the gold market price; iii) US$100,000 contingent payment based on the construction and commencement of commercial production of a pyrite roaster; and iv) 2% net smelter return royalty on the Suruca gold project.

COVID-19 pandemic

In March 2020, the World Health Organization declared a worldwide pandemic situation related to COVID-19, resulting in the closing of non-essential business, and the health and economic insecurity around the world. Considering all business impact that are noted on the market, the Company created a Crises Committee to manage the impacts in the Company’s operations. Currently the operations are being kept with the needed adjustment to follow the World Health Organization as well as the domestic Ministry of Health and Brazil acts and Laws in place. The Company has no impacts in the operation’s level and no adjustments on the financial statements are required.

The Company in preparing for what could be a sustained period of depressed prices for the Company’s primary metals, actively identifying and reviewing measures across its operation and office in order to reduce operating costs and defer discretionary capital and exploration expenditures.

Until now, the Company’s production has not been impacted by COVID-19 outbreak. Additional health and safety measures have been adopted by the Company in order to prevent and protect its employees, contractors and the local community.

Other events

In February 6, 2020 LMC Netherlands Holdings B.V. was included in the shareholding structure of the Company with 0,01% of the shares, and LMC Brazil Holdings B.V. remained as the main shareholder with 99,99% of the shares.

In 2020 Mr. Edney Maia Drummond was appointed as CEO of MMIC.

In 2020 the board of directors approved the transfer of the treasury shares, in the amount of US$7,016, to earnings reserves.

27. APPROVAL FOR ISSUE OF FINANCIAL STATEMENTS

The Company’s financial statements for the year ended December 31, 2018 issued in US$ were approved and authorized for issuance by the members of the Board of Directors on September 28, 2020.

Mineração Maracá Indústria e Comércio S.A.

Interim Financial
Statements for the
Six-Month Period
Ended June 30, 2019

MINERAÇÃO MARACÁ INDÚSTRIA E COMÉRCIO S.A.

BALANCE SHEETS AS OF JUNE 30, 2019 AND DECEMBER 31, 2018
(In thousands of Dollars - US$)

ASSETS	Note	06/30/2019	12/31/2018
		(Unaudited)	
CURRENT ASSETS			
Cash and cash equivalents	5	3,821	4,709
Trade receivables	6	1,011	9
Trade receivables from related parties	14	92,288	114,922
Inventories	7	29,992	31,220
Tax credits	8	11,433	9,179
Other receivables		1,085	310
Total current assets		139,630	160,349
NON-CURRENT ASSETS			
Long-term assets:			
Inventories	7	137,967	110,341
Tax credits	8	4,100	3,650
Escrow deposits		2,241	2,064
Total long-term assets		144,308	116,055
Property and equipment	10	637,846	638,554
Right of use assets	9	5,196	-
Intangible assets	10	190	120
Total non-current assets		787,540	754,729
TOTAL ASSETS		927,170	915,078

LIABILITIES AND EQUITY	Note	06/30/2019	12/31/2018
		(Unaudited)	
CURRENT LIABILITIES			
Trade payables	11	32,714	35,248
Trade payables to related parties	14	-	57
Borrowings	15	40,708	40,595
Intercompany loans	14	47,316	52,485
Income tax payables	16	17,209	28,178
Payroll and related taxes		6,139	8,512
Provision for asset retirement obligation	13	1,164	1,169
Taxes, fees and contributions	17	3,031	3,822
Leases	12	1,565	-
Other payables		739	940
Total current liabilities		150,585	171,006
NON-CURRENT LIABILITIES			
Intercompany loans	14	163,873	209,778
Provision for asset retirement obligation	13	58,433	55,480
Deferred taxes	18	57,933	64,099
Taxes, fees and contributions	17	8,182	7,912
Leases	12	3,325	-
Provisions for tax, labor and civil risks	19	12,398	16,151
Total non-current liabilities		304,144	353,420
SHAREHOLDERS EQUITY			
Capital	20	309,029	266,924
Treasury shares		(7,016)	(7,016)
Earnings reserves		170,428	130,744
Total equity		472,441	390,652
TOTAL LIABILITIES AND EQUITY		927,170	915,078

The accompanying notes are an integral part of these financial statements.

MINERAÇÃO MARACÁ INDÚSTRIA E COMÉRCIO S.A.

STATEMENTS OF PROFIT AND LOSS
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018
(In thousands of Dollars - US$, except earnings per share)

	Note	06/30/2019	06/30/2018
		(Unaudited)	(Unaudited)
NET REVENUE	21	199,501	213,288
COST OF SALES	22	(116,047)	(115,297)
GROSS PROFIT		83,454	97,991
OPERATING EXPENSES			
Commercial	22	(382)	(561)
General and administrative	22	(3,671)	(6,328)
Other operating expenses, net	23	(4,613)	(2,795)
OPERATING PROFIT BEFORE FINANCE INCOME (COSTS)		74,788	88,307
FINANCIAL INCOME (COSTS)			
Financial income	24	253	73
Financial expenses	24	(11,701)	(8,342)
Translation gain (loss)		(3,589)	45,927
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		59,751	125,965
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	18	(26,232)	(35,112)
Deferred	18	6,165	(19,113)
PROFIT FOR THE PERIOD		39,684	71,740
EARNINGS PER SHARE (BASIC AND DILUTED) - US$		5,341.77	11,739.49

The accompanying notes are an integral part of these financial statements.

MINERAÇÃO MARACÁ INDÚSTRIA E COMÉRCIO S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018
(In thousands of Dollars - US$)

	06/30/2019	06/30/2018
	(Unaudited)	(Unaudited)
PROFIT (LOSS) FOR THE YEAR	39,684	71,740
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	39,684	71,740

The accompanying notes are an integral part of these financial statements.

MINERAÇÃO MARACÁ INDÚSTRIA E COMÉRCIO S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018
(In thousands of Dollars - US$)

	Note	Capital	Shareholders transaction	Treasury shares	Earnings reserve	Total
BALANCES AS OF DECEMBER 31, 2018		266,924	-	(7,016)	130,744	390,652
Profit for the period		-	-	-	39,684	39,684
Capital increase	20 a.)	42,105	-	-	-	42,105
BALANCES AS OF JUNE 30, 2019 (unaudited)		309,029	-	(7,016)	170,428	472,441
BALANCES AS OF DECEMBER 31, 2017		190,201	11,092	(7,016)	55,180	249,457
Profit for the period		-	-	-	71,740	71,740
Capital increase	20 a.)	48,431	-	-	-	48,431
Shareholders transaction	20 b.)	11,092	(11,092)	-	-	-
BALANCES AS OF JUNE 30, 2018 (unaudited)		249,724	-	(7,016)	126,920	369,628

The accompanying notes are an integral part of these financial statements.

MINERAÇÃO MARACÁ INDÚSTRIA E COMÉRCIO S.A.

STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018
(In thousands of Dollars - US$)

	Note	06/30/2019	06/30/2018
		(Unaudited)	(Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		39,684	71,740
Adjustments to reconcile profit for the year to cash provided by (used in) operating activities:			
Mark-to-market of trade receivables	21	992	11,125
Depreciation, depletion and amortization	22	15,988	15,097
Reversal of provision for tax, labor and civil risks, net of additions	19	(3,556)	1,549
Provision for losses on recoverable taxes	8	3,946	-
Provision (reversal of provision) of the allowance for losses of materials and supplies	7	117	(165)
Income tax and social contribution expenses	18	20,067	54,225
Cost of property, plant and equipment sold		16,576	167
Interest on mine closure costs	13	2,355	2,372
Interest on intragroup loans	14	8,165	5,089
Translation gains		3,589	(45,927)
Interest on leases	12	263	-
Interest on borrowings	15	746	499
Decrease (increase) of operating assets:			
Trade receivables		1,125	6,205
Trade receivables from related parties		21,942	(3,602)
Inventories		(24,994)	(21,310)
Recoverable taxes and contributions		(17,206)	2,108
Other current and noncurrent assets		(6,557)	675
Increase (decrease) of operating liabilities:			
Trade payables		(4,354)	(6,200)
Trade payables to related parties		(57)	(101)
Payment relating to tax, labor and civil lawsuits	19	(363)	-
Realized costs on the provision for environmental remediation	13	(43)	(38)
Taxes, fees and contributions		(1,040)	(69,565)
Payroll and related taxes		(2,373)	(4,564)
Other payables		(3,758)	(1,349)
Cash provided by operating activities, before taxes and interest paid		71,254	18,030
Interest paid	14 and 15	(3,101)	(9,840)
Interest paid over leases	12	(318)	-
Income tax and social contribution paid		(25,414)	(19,977)
Cash provided by (used in) operating activities		42,421	(11,787)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(34,650)	(15,539)
Cash from the sale of property, plant and equipment		9,577	123
Cash used in investing activities		(25,073)	(15,416)
CASH FLOW FROM FINANCING ACTIVITIES			
Related parties:			
Borrowings paid	14	(17,466)	(33,120)
Capital increase	20	-	61,431
Third parties:			
Advances on exchange contracts - borrowings	15	28,431	31,860
Advances on exchange contracts - payments	15	(28,331)	(42,954)
Leases:			
Leases - Principal	12	(870)	-
Cash provided by financing activities		(18,236)	17,217
DECREASE IN CASH AND CASH EQUIVALENTS		(888)	(9,986)
Cash and cash equivalents at the beginning of the year		4,709	10,875
Cash and cash equivalents at the end of the year		3,821	889
DECREASE IN CASH AND CASH EQUIVALENTS		(888)	(9,986)

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

Mineração Maracá Indústria e Comércio S.A. (the "Company" or "Maracá"), a company located in the municipality of Alto Horizonte, in the State of Goiás, at Fazenda Genipapo, Rodovia GO 347, without number, is a privately closely-held corporation.

During 2019, the Company went through a process of changing its controlling shareholders. Until July 5, 2019, the Company was controlled by Yamana Brazil Holdings BV (a subsidiary of Yamana Gold Inc. whose shares are listed on the Toronto Stock Exchanges - TSX and New York) and, from that date, is being controlled by LMC Brazil Holdings BV, a subsidiary of Lundin Mining Corporation, whose shares are listed on the Toronto Stock Exchange (TSX) and Sweden (Nasdaq Stockholm Exchange).

The Company is engaged in the production and sale of mineral resources at the domestic and foreign markets, mainly copper concentrate, and in the performance of mine exploration, extraction, processing and reclamation activities, and research and transportation activities, as well as in holding stake in other entities.

The Company has been operating in the exploration of the Maracá mine, installed in the north of the State of Goiás, in the region called Chapada. Exploration activities began in November 2006, and commercial production began in February 2007. During 2014, production in the area called Corpo Sul began. The Company also has other areas with exploratory potential, including Suruca, Santa Cruz and Sucupira.

Maracá is an open-pit copper ore mine, with grinding facilities producing copper concentrate. The copper concentrate corresponds to copper ore which, through a process of grinding the rocks and mixing with water and reagents and, for the period ended June 30, 2019 presented averages between 23% and 25% of fine copper, gold and other types of ore in less representativeness. Its processing in the first six months of 2019 was approximately 11 million tons (11 million tons in 2018) producing approximately 26,917 tons of copper contained (27,907 tons of copper contained in 2018) and 50,539 ounces of gold (53,082 ounces in 2018). The remaining useful life of the mine is estimated at 31 years (2050).

The Company depends on its parent companies, Lundin Mining Corporation and LMC Brazil Holdings BV, in terms of financing, and for the administrative and governance structures maintained by Lundin Mining Corporation.

The Company's cash flows, as well as its profitability, are affected by several factors, such as production output, ability to extract ore from rocks, environmental and mine reclamation costs, commodities prices, interest rates, and exchange rate fluctuations. Even though the Company seeks to constantly manage the risks related to these factors, many of them are volatile and driven by market conditions; therefore, the Company is exposed to these uncertainties.

2. SIGNIFICANT ACCOUNTING PRACTICES

2.1. Basis of preparation

This condensed interim financial statements for the six months period ended 30 June, 2019 has been prepared and are presented in accordance with International Accounting Standard IAS 34 Interim Financial Reporting.

These condensed interim financial statements do not include all the notes of the type normally included in an annual financial statement. Accordingly, this report should be read in conjunction with the Company’s last annual financial statements for the year ended December 31, 2018, issued in September 28, 2020, which include information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies were presented in Note 2: Significant accounting practices to the financial statement for the year ended December 31, 2018.

The financial statements have been prepared under the historical cost, except for certain financial instruments measured at their fair values, as described in the accounting practices below. The historical cost is generally based on the fair value of the consideration paid or received in exchange for assets or liabilities.

The accounting policies, presentation and methods followed in this condensed financial statements are consistent with those of the Company’s financial statements for the year ended December 31, 2018, with the exception of certain new and amended IFRSs issued by the IASB, which were effective from January 1, 2019. Those new and amended IFRSs that had a significant impact on the Company’s condensed interim financial statement are described in Note 2.2: Application of new and amended standards and interpretations.

2.2. Application of new and amended standards and interpretations

- IFRS 16 - Leases

  On January 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16"). The Company adopted IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and will continue to be reported under IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.

  In the transition process, the Company decided not to use the practical expedient that would allow the Company to not reassess whether a contract is or contains a lease. Consequently, the new lease definitions contained in IFRS 16 were applied to all contracts in force on the transition date.

  By this new standard, distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability are required to be recognized for all leases, with limited exceptions for short-term leases and leases of low value assets. The criteria for recognizing and measuring leases in the lessors' financial statements are substantially maintained.

  The right-of-use asset is initially measured at cost and comprises the initial amount of the lease liability adjusted for any payment made on or before the contract start date, plus any direct initial costs incurred and estimated disassembly, removal costs, restoration of the asset in the place where it is located, less any incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the useful life of the right of use or the end of the lease term. The options for extending the term or early termination of contracts are analyzed individually considering the type of asset involved as well as its relevance in the Company's production process. The estimated useful life of the right-of-use asset is determined on the same basis as the assets owned by the Company. Additionally, the right-of-use asset is periodically reduced to its recoverable amount in accordance with IAS 36, when applicable, and readjusted by remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change (i) in future payments resulting from a change in index or rate (ii) in the estimate of the expected amount to be paid in the guaranteed residual value or (iii) in the assessment of whether the Company will exercise a purchase option, extension or termination. When the lease liability is remeasured, the corresponding adjustment amount is recorded in the book value of the right-of-use asset or in the profit and loss statement, if the book value of the right-of-use asset has been reduced to zero.

<u>Impact on the Company's condensed interim financial statements</u>

These liabilities were measured at the present value of the remaining lease payments discounted using the incremental borrowing rate on the leasing on January 1, 2019 by the average of 7.05% p.a. The accounting effect at January 1, 2019 was the recognition of US$5,917 as right of use assets against a lease liability.

<u>Practical expedient applied</u>

The Company applied some practical expedients permitted by the standard, as follows:

- Using of a single discount rate on a lease portfolio with reasonably similar characteristics.
- Do not to recognize right of use assets and lease liabilities for contracts with a remaining term of 12 months or less at January 1, 2019, that were classified as short-term leases.
- Leases for which the underlying asset is of low value, considering US$5 as parameter.
- Use of retrospective analyzes to determine the lease period, when the contract includes options for extending or terminating the lease.

Significant accounting policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use.
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset if either:
  - The Company has the right to operate the asset.
  - The Company has designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the Condensed Interim Financial Statements in accordance with IAS 34, the Company's Management must make judgments and make estimates regarding the carrying amount of assets and liabilities for which they are not easily obtained from other sources. The estimates and the respective assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates. However, the uncertainty related to these assumptions and estimates can lead to results that require a significant adjustment to the carrying amount of the asset or liability affected in future years.

Beyond the disclosed in note 2.2, as the consideration if the contract contain a lease, the lease term and the discount rate, the critical judgements made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty were consistent with those disclosed in Note 3: Significant Accounting Judgments, Estimates and Assumptions to the Company's Financial Statements for the year ended December 31, 2018.

4. FINANCIAL RISK MANAGEMENT

The exploration, development and mining of precious metals involves numerous risks as a result of the inherent business nature, economic trends and impact of the local social, political, environmental and economic conditions at the numerous operating areas. Consequently, the Company is subject to numerous financial and operating risks that may have a significant impact on its profitability, financial instruments and operating cash flow levels. In particular, financial risks include market risk (including foreign exchange risk, commodities price risk and interest rate risk), credit risk and liquidity risk.

Risk is managed by the Company’s Treasury function, in accordance with the authorization level policies approved by the local Board of Directors. The Treasury function identifies, assesses and hedges the Company against potential financial risks together with the Company’s operating units. The local Board of Directors sets the overall risk management principles as well as the criteria for specific areas and process, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the investment of cash surpluses.

4.1. Market risk

Market risk is the risk that changes in market factors, such as exchange rates, commodities prices or interest rates affect the amount of the Company’s financial instruments. Market risks are managed by accepting or mitigating the risk through the use of derivatives and other hedging instruments.

a) Exchange rate risk

As the Company’s functional currency is the US dollar, the Company is exposed to local currency exchange rate fluctuations, mainly in case of appreciation, which could have an impact in US dollars on the Brazilian real-denominated monetary assets and liabilities and on future operating cost.

Any variation (appreciation or devaluation) of 40% in the exchange rate of the local currency against the US dollar should have an impact of approximately US$95,359, gain or loss, respectively, based on the carrying amount of financial assets and liabilities as of June 30, 2019. The closing US dollar rate on June 30, 2019 is R$3.8322 and, considering the 40% devaluation and appreciation in Real, the rate considered would be R$5.3651 and R$2.2993 respectively.

The following table describes the Company's exposure to foreign exchange risk and the effects before taxes on income and equity at the end of the year, considering a 10% change in foreign currency for monetary items denominated in foreign currency.

		Effect of	
	Exposure as of 06/30/2019	40% increase	40% decrease
Cash and cash equivalents	2,811	1,124	(1,124)
Trade receivables	997	399	(399)
Trade receivables from related parties	834	334	(334)
Trade payables	(31,851)	(12,740)	12,740
Intercompany loans	(211,189)	(84,476)	84,476
Total	(238,398)	(95,359)	95,359

The sensitivity analysis included in the tables above must be carefully used as the results are theoretical, based on best assumptions made using material and practicable data that may generate results that do not necessarily indicate future performance. Also, when making such analysis, the Company has adopted assumptions based on the structure and relationship of the variables that could differ due to fluctuations during the year, with all other permanent variables. Actual changes in one variable which contribute to changes in another variable, which can increase or offset the effect on profit.

b) Commodity price risk

The Company's long-term profitability and viability depends, to a large extent, on the market price of metals owned by the Company, mainly copper and gold. Fluctuations in the market price of such commodities can adversely affect operations and lead to losses in mineral properties. Metal prices fluctuate widely and are affected by a number of factors beyond the Company's control including, but not limited to, supply and demand, consumption patterns, macroeconomic factors (interest, exchange and inflation), banking and political conditions, and specific factors mining.

Sales of copper concentrate are not subject to any hedging instrument or any other derivative.

The Company’s balance sheet exposure to the commodities prices is limited to trade receivables associated with the provisional pricing of metals contained in the concentrate sold. A 10% increase or decrease in the average copper price on the balance sheet date in relation to all other variables would result in the following impact for the Company profit before taxes:

	Profit before taxes 06/30/2019
Copper	22,088

c) Interest rate risk

As of June 30, 2019 the amount exposed to variable interest rate risk are US$3,810 in bank accounts, as detailed on the notes 5. Considering the lower exposure of financial instruments to variable interest rates, the sensibility analysis over this interest rate is not being presented, as it is considered immaterial.

The Company has no interest rate swaps as of June 30, 2019 and December 31, 2018.

4.2. Credit risk

Credit risk is the risk that a third party will fail to meet its obligations under a financial instrument. The Company is exposed to several counterparty risks, including, but not limited to: (i) financial institutions that hold the Company's cash and short-term investments; ii) companies that have accounts payable to the Company; (iii) transportation service providers that handle the Company's material; (iv) the Company's insurance companies; and (v) the Company's creditors. The Company seeks to limit counterparty risk by entering into commercial agreements with high credit quality counterparties, limiting the amount of exposure to each counterparty and monitoring the counterparties' financial situation.

Cash and cash equivalents are deposited only with first line rating financial institutions and the credit risk associated with these deposits is low. The Company sells its products mainly to Yamana Gold Inc. and eventually to other organizations with high credit ratings and mandatorily upon financial guarantees. Historical levels of non-performing receivables and overdue balances under normal credit conditions are insignificant, so the credit risk associated with accounts receivable is also considered insignificant. The Company has no assets committed as collateral.

The Company's maximum exposure to credit risk is as follows:

	06/30/2019
Cash and cash equivalents	3,821
Trade receivables	1,011
Trade receivables from related parties	92,288
Escrow deposits	2,241
Total	99,361

4.3. Liquidity risk

Liquidity risk is the risk related to an entity's difficulty to settle its obligations associated with its financial liabilities, which are settled upon delivery of cash or using another financial asset. As the Company's sales are mainly carried out with the Company's related parties, the liquidity risk is mitigated through the implementation of the Company's Capital Management Policy, by managing its capital expenditures, expected cash flows and operating cash flows and maintaining appropriate credit lines. The Company manages its capital structure and adjusts it in accordance with overall economic conditions, risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company can issue new shares or carry out other activities, as applicable, upon approval of its local Board of Directors. As part of the capital allocation strategy, the Company can analyze the opportunity to sell assets, other than those considering the Company's investment criteria.

	06/30/2019				
	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
Trade payables	(32,714)	-	-	-	(32,714)
Intercompany loans	(47,316)	(72,601)	(89,200)	(2,072)	(211,189)
Borrowings	(40,708)	-	-	-	(40,708)
Leases	(1,565)	(3,325)	-	-	(4,890)

5 CASH AND CASH EQUIVALENTS

	06/30/2019	12/31/2018
Cash funds	11	59
Bank accounts	3,810	4,650
Total	3,821	4,709

Cash in bank accounts denominated in R$, US$2,811 in June 30, 2019 (US$4,709 in December 31, 2018), are remunerated in R$ by a rate between 50% and 60% of the Interbank Deposit Certificate - CDI (10% and 30% on December 31, 2018), recorded at cost, plus income earned until the balance sheet dates and can be redeemed at any time.

6. TRADE RECEIVABLES

	06/30/2019	12/31/2018
Domestic market	1,011	9
Total	1,011	9

As of June 30, 2019, the balance refers mainly to receivables from the supplier U&M based on current service contract which is related to diesel reimbursement.

7. INVENTORIES

	06/30/2019	12/31/2018
Finished goods	8,909	10,882
Stockpile	139,386	111,612
Warehouse materials	20,759	20,045
Provision for losses of warehouse materials	(1,095)	(978)
Total	167,959	141,561
Current	29,992	31,220
Non-current (long-term ore stockpile)	137,967	110,341

The balances of warehouse materials are in line with the production and consumption plans planned for the next year. The change in the provision for losses of warehouse materials is as follows:

	06/30/2019	06/30/2018
Opening balance	(978)	(1,856)
Additions	(137)	(104)
Write-off	20	-
Other movements	-	269
Closing balance	(1,095)	(1,691)

8. TAX CREDITS

	06/30/2019	12/31/2018
Federal VAT - PIS and COFINS (a)	15,132	12,489
Value-Added Tax on Sales and Services "ICMS" (b)	8,394	7,274
Provision for ICMS losses (b)	(8,394)	(7,274)
Other	401	340
Total	15,533	12,829
Current	11,433	9,179
Non-current	4,100	3,650

(a) The Company uses its PIS and COFINS credits to pay federal tax debts, such as income and social contribution taxes, as well as withhold income tax. During the period ended June 30, 2019, US$11,787 (US$15,205 in June 30, 2018) related to these tax liabilities were offset.

(b) The Company has been accumulating ICMS credits originating from purchases of warehouse materials and machinery and equipment for the mines. Until the year ended December 31, 2017, the Company had the practice to perform part of its sales in the local market, and therefore, was able to offset the ICMS credits with the tax on these sales. However, in the beginning of 2018, the Company started to sell its products only to foreign market. Since, sales to foreign market are not taxable by ICMS, therefore the Company started to recognize a provision for the ICMS recoverable balance.

Provision for losses on recoverable PIS/COFINS:

	06/30/2019	06/30/2018
Opening balance	(258)	(302)
Increase	(2,937)	-
Translation gain or loss	(50)	44
Closing balance	(3,245)	(258)

The increase of US$2,937 refers to the provision for losses on PIS and COFINS credits and, after internal review, the Company concluded that these credits are not creditable under the tax law.

The variance in the provision for losses on ICMS is as follows:

	06/30/2019
Opening balance	(7,293)
Additions	(1,009)
Translation gain or loss	(92)
Closing balance	(8,394)

9. RIGHT OF USE ASSETS

A significant proportion of the Company’s lease arrangements, by value, relate to Machinery, equipment and vehicles used at the Company's mine sites. Information about leases for which the Company is a lessee is presented below:

	Machinery and equipment	Vehicles	Total
Beginning balance at January 1, 2019	4,945	972	5,917
Amortization	(635)	(86)	(721)
Balance as of June 30, 2019	4,310	886	5,196

The right of use assets are amortized over the term of the lease contract.

10. PROPERTY, PLANT AND EQUIPMENT

							Mineral rights				
	Land	Installations	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Mineral properties and exploration expenses	Asset retirement obligation	Fixed asset total	Software	Total
Cost:											
Balance as of December 31, 2018	39,953	255,452	204,846	42,102	9,228	10,940	452,246	28,121	1,042,888	1,400	1,044,288
Additions	-	1,055	1,504	3,000	610	7,913	20,012	618	34,712	115	34,827
Transfers	-	22	-	-	-	(94)	66	-	(6)	6	-
Disposals (a)	(448)	(4,173)	(208)	-	(1,199)	(1,015)	(16,075)	-	(23,118)	(30)	(23,148)
Balance as of June 30, 2019	39,505	252,356	206,142	45,102	8,639	17,744	456,249	28,739	1,054,476	1,491	1,055,967
Accumulated depreciation / amortization:											
Balance as of December 31, 2018	-	(127,089)	(124,111)	(39,585)	(4,580)	-	(100,920)	(8,049)	(404,334)	(1,280)	(405,614)
Depreciation and amortization expenses	-	(3,937)	(4,684)	(252)	(255)	-	(9,178)	(560)	(18,866)	(23)	(18,889)
Disposals	-	4,173	70	-	391	-	1,936	-	6,570	2	6,572
Balance as of June 30, 2019	-	(126,853)	(128,725)	(39,837)	(4,444)	-	(108,162)	(8,609)	(416,630)	(1,301)	(417,931)
Net balance as of December 31, 2018	39,953	128,363	80,735	2,517	4,648	10,940	351,326	20,072	638,554	120	638,674
Net balance as of June 30, 2019	39,505	125,503	77,417	5,265	4,195	17,744	348,087	20,130	637,846	190	638,036
Cost:											
Balance as of December 31, 2017	39,953	249,579	208,522	39,296	8,238	43,370	403,452	28,998	1,021,408	1,469	1,022,877
Additions	-	1,715	1,625	212	501	886	12,071	(7,759)	9,251	-	9,251
Transfers	-	(187)	(61)	-	-	248	-	-	-	-	-
Disposals	-	-	(119)	-	(15)	-	(75)	-	(209)	-	(209)
Balance as of June 30, 2018	39,953	251,107	209,967	39,508	8,724	44,504	415,448	21,239	1,030,450	1,469	1,031,919
Accumulated depreciation / amortization:											
Balance as of December 31, 2017	-	(120,206)	(114,684)	(34,948)	(3,683)	-	(100,876)	(7,541)	(381,938)	(1,129)	(383,067)
Depreciation and amortization expenses	-	(4,149)	(9,167)	(1,671)	(559)	-	(6,904)	(292)	(22,742)	(116)	(22,858)
Disposals	-	-	30	-	10	-	2	-	42	-	42
Balance as of June 30, 2018	-	(124,355)	(123,821)	(36,619)	(4,232)	-	(107,778)	(7,833)	(404,638)	(1,245)	(405,883)
Net balance as of December 31, 2017	39,953	129,373	93,838	4,348	4,555	43,370	302,576	21,457	639,470	340	639,810
Net balance as of June 30, 2018	39,953	126,752	86,146	2,889	4,492	44,504	307,670	13,406	625,812	224	626,036

(a) In 2019 the main disposals were related to some assets that were not object of Company's sale to Lundin, so these assets were sold to other Yamana's group companies, as mineral rights by US$16,075. These sales were done by book value.

Average useful lives	06/30/2019	12/31/2018
Facilities	25	26
Machinery & equipment	11	11
Vehicles	6	6
Furniture and fixtures	7	7
Mineral properties	26	27
Software	6	6

The Company reviews the useful lives of its assets at the end of each reporting period.

At the end of each reporting period the Company analyzes the existence of impairment indicators of non-current assets or whenever events or changes in circumstances indicate that an asset or group of assets might be impaired. As of June 30, 2019 no impairment indicators was identified.

11. TRADE PAYABLES

	06/30/2019	12/31/2018
Domestic suppliers	31,851	34,699
International suppliers	863	549
Total	32,714	35,248

As of June 30, 2019, the average payment term is 27 days (27 days as of December 31, 2018).

The Company's financial risk management policy aims to ensure that all obligations are paid in accordance with the originally agreed-upon terms.

12. LEASES

The lease liabilities are comprised of the following:

	2019
Beginning balance at January 1, 2019	5,917
Interest expense	263
Write-off	(102)
Lease payment	(1,188)
Balance as of June 30, 2019	4,890
Current	1,565
Non-current	3,325

Lease liabilities relate to leases on machinery, equipment and vehicles, which have remaining lease terms between one to five years and the weighted-average interest rate of 7% per year over the terms of the leases.

The maturity analysis of the lease liability are as following:

Aging	Amount
2019	1,565
2020	2,035
2021	1,290
Total	4,890

13. PROVISION FOR ASSET RETIREMENT OBLIGATION

The variations in the provision for environmental remediation for the period ended June 30, 2019 and June 30, 2018 are as follows:

	06/30/2019	06/30/2018
Opening balance	56,649	53,264
Interest	2,355	2,372
Translation gain or loss	636	(7,834)
Realization cost	(43)	(38)
Closing balance	59,597	47,764
Current	1,164	-
Non-current	58,433	47,764

The provision for environmental remediation was estimated considering the necessary mine closure expenditures, based on the current degraded area and an annual discount rate of 8.50% (9.41% in 2018). Such rate reflects the current Brazilian economic scenario where the expenditures will be incurred.

14. RELATED PARTIES

The related-party balances refer basically to amount due from related parties, mainly relating to the sale of copper concentrate to a foreign related party, domestic providers of administrative services and funds received under loan agreements, with preset maturity dates, as shown below:

	06/30/2019	12/31/2018
Balances		
Current assets - trade receivables:		
Yamana Gold Inc. - sale of copper concentrate	92,566	112,251
Yamana Gold Inc. - mark-to-market	(1,112)	(119)
Yamana Desenvolvimento Mineral S.A	198	-
Pilar de Goiás Desenvolvimento Mineral S.A. (a)	-	735
Fazenda Brasileiro Desenvolvimento Mineral Ltda. (a)	-	685
Mineração Riacho dos Machados (a)	-	465
Santa Luz Desenvolvimento Mineral Ltda. (a)	-	160
Jacobina Mineração Comércio Ltda. (a)	636	747
Total	92,288	114,922
Current liabilities - trade payables:		
Yamana Desenvolvimento Mineral S.A. - innumerable fund	-	36
Yamana Resources Incs - expatriate pension plan balance	-	21
Total	-	57
Current liabilities - loans:		
Yamana International Finance B.V. (b)	47,316	52,485
Total	47,316	52,485
Noncurrent liabilities - loans:		
Yamana Desenvolvimento Mineral (b)	-	19,026
Yamana Gold Inc. (b)	107,128	100,480
Yamana International Finance B.V. (b)	56,745	90,272
Total	163,873	209,778

	06/30/2019	12/31/2018
Transactions		
Sale of copper concentrate:		
Yamana Gold Inc. (Canada)	200,493	192,728
Intercompany loans:		
Interest expense	8,165	5,089

(a) Refers to shared services costs arisen from administrative expenses.

(b) The variations in borrowings payable in the period ended June 30, 2019 are as follows:

Related party	Currency	Annual rate	Balance as of 12/31/2018	Accrued interest	Provision for IRRF	Payments Principal	Payments Interest	Translation gain (loss)	Balance as aof 06/30/2019
Yamana International Finance B.V.	R$	2.81% to 6.69%	142,757	2,178	(384)	-	(42,326)	1,836	104,061
Yamana Desenvolvimento Mineral	R$	IGPM	19,025	439	-	(17,466)	(2,147)	149	-
Yamana Gold Inc.	R$	2% to 14.02%	100,481	5,548	(36)	-	-	1,135	107,128
Total			262,263	8,165	(420)	(17,466)	(44,473)	3,120	211,189
Current			52,485						47,316
Non-current			209,778						163,873

Year- Maturity	Amount
2020	47,316
2021	72,601
2022	-
2023	89,200
2024	-
2025	2,072
Total	211,189

The interest payment of US$44,473 considers the portion capitalized as share capital on June 30th, 2019 in the amount of US$42,105 (non-cash transaction).

In June 2019 the Company sold some fixed assets and mineral rights to other Yamana’s group companies, which were not object of Company’s sale to Lundin, by the amount of US$16,075.

Management compensation

During the periods ended June 30, 2019 and June 30, 2018, management compensation, totaled US$1,776 and US$2,213, respectively, which amounts were allocated to profit or loss, in line items ‘Cost of sales’ and ‘General and administrative expenses’, as follows:

	06/30/2019	06/30/2018
Short-term employee benefits:		
Payroll	635	787
Bonus	1,075	1,298
Other benefits	66	128
Total	1,776	2,213

15. BORROWINGS

Borrowings are comprised of advances of foreign exchange agreements from financial institutions, which are not subject to covenants and collaterals, as follows:

Financial institution	Currency	Maturity year	Annual rate	Balance as of 12/31/2018	New borrowings	Interest	Payments Principal	Payments Interest	Balance as of 06/30/2019
Scotiabank	US$	2019	from 3,15 to 3,56%	31,041	8,819	540	18,878	456	21,066
Santander	US$	2019	3,10%	9,554	11,012	174	(9,453)	(277)	11,010
Bradesco	US$	2019	from 3,05% to 3,14%	-	6,600	29	-	-	11,010
Votorantim	US$	2019	2,70%	-	2,000	3	-	-	2,003
Total				40,595	28,431	746	(28,331)	(733)	40,708

16. INCOME TAX PAYABLES

Income tax is calculated at the rate of 15% plus a 10% surtax on taxable income exceeding R$240, and social contribution is calculated at the rate of 9% on taxable income, adjusted pursuant to law, based on the taxable income regime.

	06/30/2019	12/31/2018
Income tax and social contribution payable	17,209	28,178
Total	17,209	28,178

The nature of the liability derives from the taxable income according to the annual taxable income tax regime. As of June 30, 2019, the advanced amount of US$2,439 was paid the following month and the remaining balance, US$14,770, was paid in the first quarter of 2020.

17. TAXES, FEES AND CONTRIBUTIONS

Represented by amounts payable to the Municipal, State and Federal governments, calculated according to the applicable law, and correspond to taxes (PIS/COFINS, ICMS, ISS and CFEM), withholding taxes due to legal obligation (INSS and IRRF), as follows:

	06/30/2019	12/31/2018
Taxes on revenue (PIS and COFINS - Federal VAT)	4,326	4,267
Withholding income tax (IRRF)	4,121	4,194
Financial Compensation for the Exploration of Mineral Resources (CFEM)	1,113	1,627
State VAT (ICMS)	531	467
Social Security Tax (INSS) - third parties	616	640
Service tax (ISSQN)	506	535
Tax on Financial Transactions (IOF)	-	4
Total	11,213	11,734
Current	3,031	3,822
Non-current	8,182	7,912

18. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation between income tax and social contribution expenses at statutory rates and the expense recorded is as follows:

	06/30/2019	06/30/2018
Profit before income tax and social contribution	59,751	125,965
Combined income tax and social contribution statutory rate	34%	34%
Estimated income tax and social contribution expenses at nominal rate	(20,315)	(42,828)
Adjustment to reconcile the effective expense:		
Effect of income tax and social contribution on exchange differences of monetary and non-monetary items	6,352	(31,683)
Permanent differences:		
Adjustment to the provision for prior-year deferred income tax and social contribution	(5)	(121)
Non-taxable exchange variation	(4,610)	12,271
Translation adjustments - effect on current and deferred income tax	863	7,378
Late payment interest on income tax and social contribution	(269)	(287)
Other permanent differences, net	(2,083)	1,045
Income tax and social contribution credit (expenses) in profit or loss for the year	(20,067)	(54,225)
Current	(26,232)	(35,112)
Deferred	6,165	(19,113)

Deferred income tax and social contribution

Deferred income tax and social contribution are recorded to reflect the future tax effects attributable to temporary differences between the tax base of assets and liabilities and the corresponding carrying amounts.

The Company's deferred income tax and social contribution are derived from:

	06/30/2019	12/31/2018
Differences between the tax and accounting bases of non-monetary assets (functional currency difference)	(195,640)	(214,059)
Depreciation differences	(29,632)	(27,543)
Provision for mine closure costs	25,332	22,269
Mark-to-market of trade receivables	1,112	119
Provision for tax, labor and civil risks	12,398	16,151
Accrued profit sharing	3,138	6,011
Allowance for losses of warehouse materials and supplies	1,095	978
Other	11,806	7,547
Deferred income tax and social contribution base	(170,391)	(188,526)
Tax rate	34%	34%
Deferred income tax and social contribution	(57,933)	(64,099)

19. PROVISION FOR TAX, LABOR AND CIVIL RISKS

	Civil lawsuits	Tax lawsuits	Labor lawsuits	Total
Balance on December 31, 2018	10	6,275	9,866	16,151
Additional provisions and increase in existing provisions	1	2,889	1,053	3,943
Reversal of provisions (a)	-	(6,296)	(1,203)	(7,499)
Write-offs by payments	-	-	(363)	(363)
Translation gain or loss	-	59	107	166
Balance on June 30, 2019	11	2,927	9,460	12,398

(a) In 2019 the Company reversed the amount of US$3,975 for provisions of success fees related to some Tax lawsuits ended during the year and also ISS tax disputes were written-off in the amount of US$2,730.

The Company is a party to lawsuits and administrative proceedings arising from the normal course of its business, involving tax, civil and labor matters, among others.

Management believes that possible disbursements at the end of the relevant proceedings higher than the amounts provided for, if any, will not have a material impact on the Company's operations or its financial condition. The Company recognized a provision for losses for lawsuits with unfavorable outcome amounting to US$12,398 as of June 30, 2019 (US$16,151 as of December 31, 2018).

In addition to the amounts already provided for, as shown above, as of June 30, 2019, the Company is a party to other labor, civil and tax disputes and litigation totaling US$117,768 (US$130,130 as of December 31, 2018). Based on the assessment made by Management and its legal counsel, the likelihood of loss was assessed as possible in those cases; therefore, no provision for risks was recognized.

	06/30/2019	12/31/2018
Civil lawsuits (a)	810	1,504
Tax lawsuits (b)	116,411	119,420
Labor lawsuits (c)	547	9,206
Total	117,768	130,130

(a) Civil lawsuits - refers mainly to claims involving disputes on contractual inflation adjustments clauses and environmental lawsuits, comprising claims of possible noncompliance with existing environmental licenses or environmental damages.

(b) Tax lawsuits - refer mainly to the disallowance of PIS and COFINS tax credits questioned by the tax authorities and collections, related to the State VAT (ICMS), of goods received.

(c) Labor lawsuits - refers to individuals claims filed by employees and service providers, mainly comprising the payment of overtime, health hazard and hazardous duty premium.

The main lawsuits are:

- Declaratory Action for tax credits cancellation, also declaring the lack of legal and tax relationship between the Plaintiffs and the Defendant state, with respect to the collection of ICMS levied on such electric power transmission and connection charges, in particular the Transmission System Use Tariff (TUST) or Distribution System Use Tariff (TUSD). Such lawsuit amounts to US$15,023 as of June 30, 2019 (US$14,611 as of December 31, 2018).

- Action relating to the electronic request for refund and related offset declarations (PER/DECOMPs), which was denied by tax authorities, based on non-cumulative COFINS credits - export calculated during the 1st, 2nd, 3rd and 4th quarters of calendar year 2007, in the amount of US$3,796. Such lawsuit amounts to US$8,308 as of June 30, 2019 (US$8,104 as of December 31, 2018).

- Tax assessment notice for the collection of ICMS (state VAT) arising from the acquisition of goods and assets from other Brazilian states, allegedly for use and consumption in the establishment, in which event it would characterize the rate difference ICMS taxable event. Such lawsuit amounts to US$7,346 as of June 30, 2019 (US$7,073 as of December 31, 2018).

- Tax assessment notice for the collection of CFEM, due to the alleged underpayment, from 2007 to December 2016, December 2013 to October 2016, as a result of alleged undue deduction of freight and insurance expenses without the corresponding separate inclusion of these amounts in the specific field of the sales invoices, without adding them to the total amount. Also, the tax assessment notice did not allow the deduction of taxes incurred on the sale of the mineral asset (ICMS and PIS/COFINS) under the allegation that these taxes were offset against credits held by the Company and also did not believe that such deduction was possible in some cases. Such lawsuit amounts to US$21,731 as of June 30, 2019 (US$19,004 as of December 31, 2018).

Income tax returns are subject to tax audits by the tax authorities for a five-year period as from the filing date, which must occur by the 31st of July of the year subsequent to the respective year. Possible tax assessments, in addition to the assessed income tax and social contribution, include fines and interest calculated at the interest rate of federal government bonds.

20. SHAREHOLDERS EQUITY

a) Share Capital

The Company's authorized, subscribed and paid-in capital as of June 30, 2019 and December 31, 2018 amounted to US$309,029 and US$266,924, respectively. Capital in June 30, 2018 is represented by 5,542 (4,850 in December 31, 2018) registered common shares and 2,568 (2,568 in 2018) registered preferred shares, without par value, held as follows:

	06/30/2019		12/31/2018	
Shareholder	Number of shares	%	Number of shares	%
Yamana Brazil Holdings B.V.	7,417	91.45	7,417	99.99
Yamana International Holdings Cooperative U.A.	693	8.55	1	0.01
Total	8,110	100.00	7,418	100.00

On February 20, 2018, the Annual Shareholders' Meeting approved the capital increase, in the amount of US$30,001, fully subscribed in local currency, and the capitalization of US$9,430 relating to the interest on capital declared on December 14, 2017, upon the issuance of 913 new registered common shares.

On April 30, 2018, the Annual Shareholders' Meeting approved the increase in the Company's capital, in the amount of US$11,092 relating to the transactions between shareholders pursuant to note 20-b, upon the issuance of 245 new registered common shares.

On May 30, 2018, the Annual Shareholders' Meeting approved the increase in the Company's capital, in the amount of US$9,000, upon the issuance of 207 new registered common shares, fully subscribed in local currency.

On June 24, 2019, the Extraordinary Shareholders' Meeting approved the capital increase, in the amount of US$42,105, upon the issuance of 692 new registered common shares, fully subscribed through the partial capitalization of interest on intercompany loans facility agreements proposed on the same date by Yamana International Holdings Cooperative U.A.

b) Transactions between shareholders

Refers to the portion of mining rights relating to the “Lavra Velha” project, which was incorrectly included in the spin-off report of MFB when its mining activities were transferred to related party Fazenda Brasileiro Desenvolvimento Mineral Ltda. As MFB, merged on November 30, 2017, still holds these rights and they will not be transferred, the Company has recorded again the asset with a contra-entry in equity. Due to the Company’s merger process and as this transaction was carried out by entities under common control, the amount was recorded in equity in ‘Transactions between shareholders’ in the amount of US$11,092.

On April 30, 2018, the Annual Shareholders’ Meeting approved the Company’s capital increase at the total amount recognized on November 30, 2017.

c) Shareholders’ rights

Common shares entitle their holds to vote at the shareholders’ general meetings and, under the bylaws, shareholders have the preemptive right to subscribe new shares.

Preferred shares have priority in case of capital refund, without premium.

The Company’s bylaws do not provide for any mandatory minimum dividends and only and solely grants Management the power to recommend the amount of dividends to be distributed after the recognition of the legal reserve and any other required statutory allocations. Such recommendation must be approved by the shareholders at an Annual Shareholders’ Meeting.

d) Treasury shares

As of June 30, 2019 and December 31, 2018, line item ‘Treasury shares’ was comprised of 1,746 shares with par value of US$7,016, corresponding to US$4.018 per share.

e) Retained earnings reserve

The purpose of this reserve is to provide funds for the maintenance and development of the Company’s core activities.

f) Earnings per share

The Company does not hold outstanding potentially dilutive shares that could result in the dilution of the earnings per share.

The amounts of basic and diluted earnings per share in June 30, 2019 as follows:

	Number of shares	Weighted number of shares
Opening number - common shares - 2018	4,850	4,850
Opening number - preferred shares - 2018	2,568	2,568
Addition of common shares as at June 24, 2019	692	11
Closing number - common shares	5,542	
Closing number - preferred shares	2,568	
Weighted average number of common and preferred shares		7,429
Profit for the year		39,684
Basic and diluted earnings per share - US$		5,341.77

The amounts of basic and diluted earnings per share in June 30, 2018 are as follows:

	Number of shares	Weighted number of shares
Opening number - common shares - 2018	3,159	3,159
Opening number - preferred shares - 2018	2,568	2,568
Addition of common shares as at February 20, 2018	913	325
Addition of common shares as at April 30, 2018	245	41
Addition of common shares as at May 30, 2018	207	18
Closing number - common shares	4,524	
Closing number - preferred shares	2,568	
Weighted average number of common and preferred shares		6,111
Profit for the year		71,740
Basic and diluted earnings per share - US$		11,739.49

21. NET REVENUE

	06/30/2019	06/30/2018
Gross sales revenue - foreign market	200,494	212,249
Gross sales revenue - domestic market	-	12,260
Mark-to-market	(993)	(11,221)
Total	199,501	213,288

22. INFORMATION ON THE NATURE OF EXPENDITURE RECOGNIZED IN THE STATEMENT OF PROFIT AND LOSS

The Company’s statement of profit and loss is presented based on a classification of expenses according to their function. As required by technical pronouncement IAS 1 - Presentation of Financial Statements, the information on the nature of these expenses is as follows:

	06/30/2019	06/30/2018
Cost of sales:		
Service providers	(22,208)	(14,613)
Depreciation and amortization	(15,955)	(14,560)
Utilities, maintenance and upkeep	(18,915)	(18,555)
Fuel	(17,240)	(17,445)
Personnel expenses	(5,966)	(9,078)
Electricity	(7,646)	(9,442)
Explosives	(5,662)	(5,819)
Steel balls	(5,134)	(5,962)
CFEM (Government royalties)	(4,389)	(3,203)
Other raw materials and consumables	(4,567)	(4,890)
Coating	(2,717)	(2,805)
Tires	(1,910)	(1,981)
Royalties	(653)	(1,138)
Sundry insurance	(651)	(761)
Lime	(637)	(523)
Chemical reagents	(533)	(592)
Drilling materials	(458)	(424)
Xantha	(198)	(203)
Inventory adjustments	10	(117)
Other expenses	(618)	(3,186)
Total	(116,047)	(115,297)

	06/30/2019	06/30/2018
Selling, general and administrative expenses:		
Other taxes	(2,348)	(6)
Personnel expenses	(1,987)	(1,047)
Contingencies paid	(1,971)	(1,059)
Consulting, audit and data processing	(930)	(536)
Selling expenses	(381)	(1,305)
Service providers	(100)	(454)
Depreciation and amortization	(33)	(537)
Collaterals	(28)	(623)
Travels and representations	(49)	(20)
Electricity	(6)	(7)
Restructuring costs	-	(2)
Fees and licenses	29	(20)
Reversal of provision for risks	3,556	153
Other expenses	195	(1,426)
Total	(4,053)	(6,889)

23. OTHER OPERATING EXPENSES, NET

Other operating income and expenses are broken down as follows:

	06/30/2019	06/30/2018
Other operating income:		
Other taxes and fees (a)	7,434	-
Scrap sale	39	139
Other operating income	402	43
Total	7,875	182
Other operating expenses:		
Loss on sale of property, plant and equipment (b)	(6,999)	(44)
Provision for losses on PIS/COFINS (c)	(2,937)	-
Expenses on greenfield exploration (d)	(1,220)	(915)
Provision for losses on ICMS (c)	(1,009)	-
Other taxes and fees	-	(1,010)
ICMS on sundry transactions	(156)	(797)
Allowance for losses of materials and supplies	(117)	(211)
Other operating expenses	(50)	-
Total	(12,488)	(2,977)
Total other operating expenses, net	(4,613)	(2,795)

(a) After reviewing the PIS and COFINS tax credit, related to the years 2015 to 2018, the Company identified tax credits not recognized in the previous years.

(b) Refers to sales of mineral properties and fixed assets between the Company and others Yamana’s group entities which were not object of the Company’s sale transaction to Lundin.

(c) Refers to the provision for losses on PIS, COFINS and ICMS credits not recoverable by the Company.

(d) Expenses related to the exploration team relating to research and sampling costs.

24. FINANCIAL INCOME (EXPENSES)

Finance income and costs are broken down as follows:

	06/30/2019	06/30/2018
Finance income:		
Interest income on short-term investments	91	61
Other finance income	162	12
Total	253	73
Finance expenses:		
Interest expenses	(8,911)	(5,694)
Interest on mine closure costs	(2,355)	(2,372)
Lease interest expenses	(263)	-
Tax on financial transactions (IOF)	(20)	(210)
Interest and fine on tax payment	(81)	(60)
Banking expenses	(63)	(5)
Interest and fine on late payment to suppliers	(6)	(1)
Other	(2)	-
Total	(11,701)	(8,342)

25. CONTRACTUAL COMMITMENTS

As of June 30, 2019, the commitments, primarily the maintenance services, truck refurbishment, acquisition of tires and spare parts were as follows:

Year	US$
2019	6,932
2020	3,432
2021 and thereafter	745

26. INSURANCE COVERAGE

As of June 30, 2019, insurance coverage is as follows:

Insured item	Coverage	Currency	Insured amount
Property insurance and machinery breakage insurance	Property damages and loss of profit as a result of insured accidents	US$	452,000
Civil liability	Bodily injuries or property damages caused to third parties, including employees	US$	24,500
International transportation (export)	Property damages caused to sea transportation of copper concentrate	US$	40,000 per trip
Domestic transportation	Property damages caused to highway transportation of copper concentrate	US$	2,500 per trip
International transportation - import	Property damages caused inputs/equipment inherent in mining activities	US$	2,500 per trip
Civil liability	Directors & Officers (D&O) civil liability	US$	14,633
Corporate	Fire, harmful acts, windstorm, theft and robbery	US$	3,000
Fleet insurance	Hull	R$	100% FIPE
Fleet insurance	Personnel passenger accident (APP)	US$	3
Fleet insurance	Civil liability - single amount DM/DC	US$	130
Fleet insurance	Pain and suffering	US$	13

27. NON-CASH TRANSACTIONS

In the period as of June 19 and year 2018, the Company conducted the following operating and investing noncash transactions:

- On June 24, 2019, the Extraordinary Shareholders' Meeting approved the increase in the Company's capital, in the amount of US$42,105, upon the issuance of 692 new registered common shares, fully subscribed through the partial capitalization of interest on intercompany loans facility agreements proposed on the same date by Yamana International Holdings Cooperative U.A.
- Company utilizes its PIS and COFINS credits in the payment of federal tax debts, such as income tax and social contribution, as well as withholding taxes. During the first semester of 2019 US$11,787 (US$20,626 in 2018) related to these tax liabilities were offset.
- As of June 30, 2019 the Company had acquired property, plant and equipment items, of which US$5,586 were not yet paid (US$5,409 as of December 31, 2018) with cash flow effect of US$177.

28. SUBSEQUENT EVENTS

Capital increase

On December 31, 2019, the Shareholders' Meeting declared the interest on capital of US$10,172 and approved, in the same meeting, the capital increase in the amount of US$8,646, upon the issuance of 130 new registered common shares.

Company's control sale to Lundin Mining

On July 5, 2019, the Company's control was sold to Lundin Mining Corporation ("Lundin") for total expected consideration of over US$1,000,000, that included: i) an initial upfront cash payment of US$783,100; ii) US$125,000 cash payment in aggregate over five years contingent to the gold market price; iii) US$100,000 contingent payment based on the construction and commencement of commercial production of a pyrite roaster; and iv) 2% net smelter return royalty on the Suruca gold project.

COVID-19 pandemic

In March 2020, the World Health Organization declared a worldwide pandemic situation related to COVID-19, resulting in the closing of non-essential business, and the health and economic insecurity around the world. Considering all business impact that are noted on the market, the Company created a Crises Committee to manage the impacts in the Company's operations. Currently the operations are being kept with the needed adjustment to follow the World Health Organization as well as the domestic Ministry of Health and Brazil acts and Laws in place. The Company has no impacts in the operation's level and no adjustments on the financial statements are required.

The Company in preparing for what could be a sustained period of depressed prices for the Company's primary metals, actively identifying and reviewing measures across its operation and office in order to reduce operating costs and defer discretionary capital and exploration expenditures.

Until now, the Company's production has not been impacted by COVID-19 outbreak. Additional health and safety measures have been adopted by the Company in order to prevent and protect its employees, contractors and the local community.

Other events

In February 6, 2020 LMC Netherlands Holdings B.V. was included in the shareholding structure of the Company with 0,01% of the shares, and LMC Brazil Holdings B.V. remained as the main shareholder with 99,99% of the shares.

In 2020 Mr. Edney Maia Drummond was appointed as CEO of MMIC.

In 2020 the board of directors approved the transfer of the treasury shares, in the amount of US$7,016, to earnings reserves.

29. APPROVAL FOR ISSUE OF FINANCIAL STATEMENTS

The Company’s interim, financial statements for the six month period ended June 30, 2019 issued in US$ were approved and authorized for issuance by the members of the Board of Directors on September 28, 2020.

APPENDIX B

PRO FORMA FINANCIAL STATEMENTS

LUNDIN MINING CORPORATION
PRO FORMA FINANCIAL STATEMENTS

LUNDIN MINING CORPORATION

PRO FORMA CONSOLIDATED BALANCE SHEET

As at June 30, 2019

Unaudited (in thousands of US dollars, except where indicated)

	Lundin Mining	Mineração Maracá Indústria e Comércio S.A.	Yamana Brazil Holdings B.V.	Note 4	Pro forma adjustments	Pro forma consolidated Lundin Mining
ASSETS						
Cash and cash equivalents	735,068	3,821	1	a),b)	(473,112)	265,778
Trade and other receivables	321,129	107,296	-	a)	(91,454)	336,971
Income taxes receivable	32,781	-	-		-	32,781
Inventories	173,052	28,507	-	c)	4,847	206,406
Other current assets	37,276	15	-		-	37,291
Total current assets	1,299,306	139,639	1		(559,719)	879,227
Restricted cash	45,246	2,241	-		-	47,487
Long-term inventory	253,402	137,967	-	c)	88,883	480,252
Other non-current assets	12,128	4,100	730,195	a)	(730,195)	16,228
Mineral properties, plant and equipment	4,081,311	643,223	-	c)	285,490	5,010,024
Investment in associate	110,566	-	-		-	110,566
Deferred tax assets	101,491	-	-		-	101,491
Goodwill	109,189	-	-	d)	134,284	243,473
Total non-current assets	4,713,333	787,531	730,195		(221,538)	6,009,521
Total assets	6,012,639	927,170	730,196		(781,257)	6,888,748
LIABILITIES						
Trade and other payables	373,951	88,828	9	a),e)	(33,002)	429,786
Income taxes payable	38,034	18,322	-		-	56,356
Current portion of debt and lease liabilities	45,666	42,272	-	f)	(40,708)	47,230
Current portion of deferred revenue	61,239	-	-		-	61,239
Current portion of reclamation and closure provisions	3,871	1,164	-		-	5,035
Total current liabilities	522,761	150,586	9		(73,710)	599,646
Debt and lease liabilities	28,300	3,325	-	a)	285,000	316,625
Deferred revenue	516,664	-	-	g)	175,360	692,024
Reclamation and other closure provisions	314,898	58,433	-	c)	11,557	384,888
Other long-term liabilities	2,886	184,453	-	a),c),e),g)	(117,609)	69,730
Provision for pension obligations	10,266	-	-		-	10,266
Deferred tax liabilities	405,481	57,933	-	c)	151,854	615,268
Total non-current liabilities	1,278,495	304,144	-		506,162	2,088,801
Total liabilities	1,801,256	454,730	9		432,452	2,688,447
SHAREHOLDERS´ EQUITY						
Share capital	4,188,873	184,655	22	a)	(184,677)	4,188,873
Contributed surplus	48,448	-	601,019	a)	(601,019)	48,448
Accumulated other comprehensive loss	(270,934)	122,336	-	a)	(122,336)	(270,934)
Retained (losses) earnings	(265,874)	165,449	129,146	a),b),c),g)	(305,677)	(276,956)
Non-controlling interest	510,870	-	-		-	510,870
Total shareholders' equity	4,211,383	472,440	730,187		(1,213,709)	4,200,301
Total shareholders' equity and liabilities	6,012,639	927,170	730,196		(781,257)	6,888,748

(see accompanying notes)

LUNDIN MINING CORPORATION

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS

For the six months ended June 30, 2019

Unaudited (in thousands of US dollars, except where indicated)

	Lundin Mining	Mineração Maracá Indústria e Comércio S.A.	Yamana Brazil Holdings B.V.	Note 4	Pro forma adjustments	Pro forma consolidated Lundin Mining
Revenue	785,635	199,501	-	h),i)	25,041	1,010,177
Cost of goods sold						
Production costs	(460,908)	(84,508)	-	h),j),k)	(6,701)	(552,117)
Depreciation, depletion and amortization	(158,397)	(31,422)	-	l)	(6,944)	(196,763)
Gross profit	166,330	83,571	-		11,396	261,297
General and administrative expense	(23,787)	-	(55)		-	(23,842)
General exploration and business development	(42,695)	(1,217)	-	b),k)	200	(43,712)
Finance income	8,815	762	(59)		-	9,518
Finance costs	(17,221)	(12,757)	-	i)	(5,734)	(35,712)
Loss from equity investment in associate	(10,647)	-	-		-	(10,647)
Other expenses	(2,795)	(11,695)	-		-	(14,490)
Earnings (loss) before income taxes	78,000	58,664	(114)		5,862	142,412
Current income tax expense	(31,392)	(25,578)	-		-	(56,970)
Deferred tax recovery	5,715	6,598	-	j),k),l)	3,121	15,434
Net earnings (loss)	52,323	39,684	(114)		8,983	100,876
Net earnings (loss) attributable to:						
Lundin Mining Corporation Shareholders	43,873	39,684	(114)		8,983	**92,426**
Non-controlling interests	8,450	-	-		-	**8,450**
Basic and diluted net earnings per share attributable to Lundin Mining Corporation shareholders (Note 5):	**$0.06**				`	**$0.13**

(see accompanying notes)

LUNDIN MINING CORPORATION

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS

For the six months ended December 31, 2018

Unaudited (in thousands of US dollars, except where indicated)

	Lundin Mining	Mineração Maracá Indústria e Comércio S.A.	Yamana Brazil Holdings B.V.	Note 4	Pro forma adjustments	Pro forma consolidated Lundin Mining
Revenue	1,725,589	422,546	-	h),i)	50,747	2,198,882
Cost of goods sold						
Production costs	(969,610)	(218,794)	-	c),h),j),k)	(20,263)	(1,208,667)
Depreciation, depletion and amortization	(319,376)	(42,853)	-	l)	(15,248)	(377,477)
Gross profit	436,603	160,899	-		15,236	612,738
General and administrative expenses	(49,438)	-	(86)		-	(49,524)
General exploration and business development	(85,296)	(4,080)	-	b),k)	(7,500)	(96,876)
Finance income	25,490	797	189		-	26,476
Finance costs	(85,682)	(17,583)	-	i)	(11,909)	(115,174)
Income from equity investment in associate	29,933	-	-		-	29,933
Other income (expense)	20,199	38,258	4,200	m)	(4,200)	58,457
Earnings (loss) before income tax	291,809	178,291	4,303		(8,373)	466,030
Current income tax expense	(76,761)	(84,028)	-		-	(160,789)
Deferred tax recovery (expense)	392	(13,757)	-	c),j),k),l)	9,536	(3,829)
Net earnings	215,440	80,506	4,303		1,163	301,412
Net earnings attributable to:						
Lundin Mining Corporation Shareholders	195,850	80,506	4,303		1,163	**281,822**
Non-controlling interests	19,590	-	-		-	**19,590**
Net earnings per share attributable to Lundin Mining Corporation shareholders:						
Basic net earnings per share (Note 5)	**$0.27**					**$0.39**
Diluted net earnings per share (Note 5)	**$0.27**					**$0.38**

(see accompanying notes)

1. DESCRIPTION OF TRANSACTION

On July 5, 2019, Lundin Mining Corporation ("the Company", "Lundin Mining") acquired 100% of Mineração Maracá Indústria e Comércio S.A. ("MMIC"), which owns the Chapada copper-gold mine located in Brazil from Yamana Gold Inc. ("Yamana") and Yamana Brazil Holdings B.V ("YBH") it's parent company (the "Acquisition"). The total cash consideration paid was $783.1 million, consisting of an $800 million base purchase price less $16.9 million of working capital adjustments, funded by cash on hand and the Company's $550 million revolving credit facility.

Contingent consideration of up to $125 million may be payable over five years from the acquisition date if certain gold price thresholds are met, as outlined below:

- a $10 million payment per year if the gold price averages at least $1,350/oz in any sequential annual period over five years,
- a $10 million payment per year if the gold price averages at least $1,400/oz in any sequential annual period over five years,
- a $5 million payment per year if the gold price averages at least $1,450/oz in any sequential annual period over five years.

In addition, the Company must pay a 2.0% net smelter return royalty on future gold production from the Suruca gold deposit, if the Company chooses to develop the project, and contingent consideration of $100 million on potential construction of a pyrite roaster.

The Company also assumed the following streaming agreements from Yamana:

Up to 39 million pounds ("Mlbs"), Sandstorm Gold Ltd. ("Sandstorm") is entitled to purchase 4.2% of the payable copper produced annually from Chapada at 30% of the market price. The percentage of payable copper is subject to two reduction thresholds. Once an aggregate of 39 Mlbs has been delivered, the percentage of payable copper reduces to 3.0%. Upon delivery of 50 Mlbs of copper, the percentage of payable copper reduces to 1.5% for the remaining life of mine.

Altius Minerals Corporation ("Altius") is entitled to purchase 3.7% of the payable copper produced from Chapada at 30% of the market price. The percentage of payable copper is subject to two reduction thresholds. In the event of a specified expansion at Chapada, the percentage of payable copper reduces to 2.65%. Also, upon delivery of 75 Mlbs of copper in aggregate, the percentage of payable copper reduces to 1.5% for the remaining life of mine.

2. BASIS OF PRESENTATION

The unaudited pro forma consolidated financial statements have been prepared in connection with the Transaction. The unaudited pro forma consolidated financial statements have been prepared for illustrative purposes only and are presented using Lundin Mining consolidated headings which may differ to those headings presented in the Mineração Maracá Indústria e Comércio S.A. and Yamana Brazil Holdings B.V annual and interim financial statements. The pro forma statements do not contain all of the information required for financial statements and accordingly they should be read in conjunction with the most recent annual and interim financial statements of Lundin Mining, Mineração Maracá Indústria e Comércio S.A. and Yamana Brazil Holdings B.V. The unaudited pro forma consolidated balance sheet as at June 30, 2019 gives pro forma effect to the Transaction as if it had occurred as of June 30, 2019. The unaudited pro forma consolidated statements of earnings for the six months ended June 30, 2019 and the year ended December 31, 2018 gives pro forma effect to the Transaction as if it was completed on January 1, 2018.

The unaudited pro forma consolidated financial statements are not necessarily indicative of the operating results or financial condition that would have been achieved if the transactions had been completed on the dates or for the periods presented, nor do they purport to project the results of operations or financial position of the consolidated entities for any future period or as of any future date. The unaudited pro forma consolidated financial statements do not reflect any items such as integration costs or operating synergies that may be incurred or achieved as a result of the Acquisition.

Accounting policies used in the preparation of these pro forma financial statements are those disclosed in Lundin Mining's audited financial statements for the year ended December 31, 2018 and Lundin Mining's unaudited consolidated financial statements for the six months ended June 30, 2019. Management of Lundin Mining performed a review to identify Mineração Maracá Indústria e Comércio S.A. and Yamana Brazil Holdings B.V accounting policy differences where the impact was potentially material and could be reasonably estimated. The significant accounting policies are believed to conform in all material aspects to those of Lundin Mining, unless otherwise indicated. Further accounting policy differences may be identified after completion of the Acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES

Lundin Mining, Mineração Maracá Indústria e Comércio S.A. and Yamana Brazil Holdings B.V prepare their consolidated financial statements using similar accounting policies following International Financial Reporting Standards ("IFRS"). The unaudited pro forma consolidated financial statements have been prepared on the basis that Lundin Mining will account for the Acquisition using the purchase price method of accounting. The pro forma adjustments and allocations of the consideration are based on estimates of the fair value of assets to be acquired and liabilities to be assumed. Certain reclassification adjustments have been made to the unaudited pro forma consolidated financial statements to make the financial statement presentation consistent among Lundin Mining, Mineração Maracá Indústria e Comércio S.A. and Yamana Brazil Holdings B.V.

Unaudited (in thousands of US dollars, except where indicated)

4. PURCHASE PRICE CALCULATION AND ALLOCATION

The transaction described in Note 1 has resulted in the following purchase price allocation:

Cash consideration	$	783,057
Contingent consideration		69,261
Cash acquired		(26,103)
	$	**826,215**

The fair value of the contingent consideration was calculated using a valuation method that incorporates such factors as metal prices, metal price volatility and expiry date. This liability has been recorded in other payables and long-term liabilities. The consideration associated with the NSR and pyrite roaster were valued at nil.

Fair value of net assets acquired

Trade and other receivables		15,335
Inventories		37,905
Long-term inventory		228,406
Mineral Properties, Plant and Equipment		928,713
Goodwill		134,284
Other assets		4,499
Total assets		1,349,142
Trade and other payables		53,920
Deferred revenue		175,360
Reclamation and other closure provisions		71,154
Deferred tax liabilities		209,787
Other liabilities		12,706
Total liabilities		522,927
Fair value of net assets acquired	**$**	**826,215**

The unaudited pro forma consolidated financial statements include the following pro forma adjustments and assumptions:

Consolidated Balance Sheet

a) To record the payment of cash consideration, recognition of the credit facility drawdown and elimination of historical intercompany balances

b) Legal, consulting and other acquisition costs

c) To record the acquisition fair value adjustments and related tax effects

d) Goodwill recognized on the acquisition

e) To recognize the fair value of the gold price contingent consideration

f) To reflect the settlement of debt immediately prior to acquisition

Unaudited (thousands of US dollars, except where indicated)

g) To assume streaming agreements with Sandstorm and Altius

Unaudited (in thousands of US dollars, except where indicated)

Consolidated Statement of Earnings

h) To recognize commercial terms with third party offtakers

i) To recognize deferred revenue and interest expense under streaming agreements

j) To record amortization related to the valuation adjustment on inventory and the related tax effects

k) To align the exploration accounting policies of MMIC with Lundin Mining and related tax effects

l) To recognize additional depreciation expense arising from the purchase price adjustment and related tax effects

m) To eliminate intercompany dividends

5. PRO FORMA NET EARNINGS PER SHARE

	Six months ended June 30, 2019	Year ended December 31, 2018
Pro forma net earnings attributable to Lundin Mining	92,426	281,822

thousands of shares	Six months ended June 30, 2019	Year ended December 31, 2018
Weighted average number of common shares outstanding	735,598	731,734
Plus incremental shares from assumed conversions		
Effect of dilutive securities	739	1,818
Diluted weighted average common shares outstanding	**736,337**	**733,552**

per share amounts	Six months ended June 30, 2019	Year ended December 31, 2018
Pro forma basic net earnings per share attributable to Lundin Mining	0.13	0.39
Pro forma diluted net earnings per share attributable to Lundin Mining	0.13	0.38