

Condensed Interim Consolidated Financial Statements of

Lundin Mining Corporation

June 30, 2020
(Unaudited)

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands of US dollars)

June 30, December 31,
2020 2019

ASSETS

Cash and cash equivalents (Note 3)	\$ 283,940	\$ 250,563
Trade and other receivables (Note 4)	375,559	335,782
Income taxes receivable	47,982	52,523
Inventories (Note 5)	221,741	216,503
Other current assets	24,478	14,330
Total current assets	953,700	869,701
Restricted cash	45,432	47,666
Long-term inventory (Note 5)	613,352	550,561
Other non-current assets	7,129	7,970
Mineral properties, plant and equipment (Note 6)	5,004,561	5,065,556
Investment in associate	24,886	28,957
Deferred tax assets	89,546	104,627
Goodwill	241,895	242,208
	6,026,801	6,047,545
Total assets	\$ 6,980,501	\$ 6,917,246

LIABILITIES

Trade and other payables (Note 7)	\$ 334,630	\$ 370,067
Income taxes payable	41,609	66,825
Current portion of debt and lease liabilities (Note 8)	127,616	80,782
Current portion of deferred revenue (Note 9)	83,325	83,960
Current portion of reclamation and other closure provisions (Note 10)	2,860	3,735
Total current liabilities	590,040	605,369
Debt and lease liabilities (Note 8)	374,349	227,767
Deferred revenue (Note 9)	660,048	674,186
Reclamation and other closure provisions (Note 10)	374,407	380,049
Other long-term liabilities	96,556	84,837
Provision for pension obligations	10,273	10,938
Deferred tax liabilities	689,478	636,700
	2,205,111	2,014,477
Total liabilities	2,795,151	2,619,846

SHAREHOLDERS' EQUITY

Share capital (Note 11)	4,183,605	4,184,667
Contributed surplus	53,122	51,339
Accumulated other comprehensive loss	(288,390)	(284,649)
Deficit	(294,774)	(178,298)
Equity attributable to Lundin Mining Corporation shareholders	3,653,563	3,773,059
Non-controlling interests	531,787	524,341
	4,185,350	4,297,400
	\$ 6,980,501	\$ 6,917,246

Commitments and contingencies (Note 19)

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(Unaudited - in thousands of US dollars, except for shares and per share amounts)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Revenue (Note 12)	\$ 533,319	\$ 369,251	\$ 911,304	\$ 785,635
Cost of goods sold				
Production costs (Note 13)	(273,024)	(255,838)	(551,709)	(460,908)
Depreciation, depletion and amortization	(118,204)	(88,293)	(240,179)	(158,397)
Gross profit	142,091	25,120	119,416	166,330
General and administrative expenses	(10,608)	(10,169)	(22,552)	(23,787)
General exploration and business development	(9,405)	(23,995)	(22,620)	(42,695)
Finance income (Note 15)	1,701	3,749	686	8,815
Finance costs (Note 15)	(16,973)	(8,419)	(32,122)	(17,221)
Income (loss) from equity investment in associate	2,030	1,288	1,946	(10,647)
Other (expense) income (Note 16)	(9,865)	(1,368)	19,180	(2,795)
Earnings (loss) before income taxes	98,971	(13,794)	63,934	78,000
Current tax expense (Note 17)	(9,671)	(5,684)	(35,834)	(31,392)
Deferred tax (expense) recovery (Note 17)	(41,042)	10,852	(93,410)	5,715
Net earnings (loss)	\$ 48,258	\$ (8,626)	\$ (65,310)	\$ 52,323
Net earnings (loss) attributable to:				
Lundin Mining Corporation shareholders	\$ 38,729	\$ (7,793)	\$ (72,756)	\$ 43,873
Non-controlling interests	9,529	(833)	7,446	8,450
Net earnings (loss)	\$ 48,258	\$ (8,626)	\$ (65,310)	\$ 52,323
Basic and diluted earnings (loss) per share attributable to				
Lundin Mining Corporation shareholders	\$ 0.05	\$ (0.01)	\$ (0.10)	\$ 0.06
Weighted average number of shares outstanding (Note 11)				
Basic	733,632,700	735,934,553	734,059,980	735,598,232
Diluted	734,501,902	735,934,553	734,059,980	736,337,361

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited - in thousands of US dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net earnings (loss)	\$ 48,258	\$ (8,626)	\$ (65,310)	\$ 52,323
Other comprehensive income (loss), net of taxes				
Item that may be reclassified subsequently to net earnings (loss):				
Effects of foreign exchange	29,110	9,396	(3,741)	(10,755)
Other comprehensive income (loss)	29,110	9,396	(3,741)	(10,755)
Total comprehensive income (loss)	\$ 77,368	\$ 770	\$ (69,051)	\$ 41,568
Comprehensive income (loss) attributable to:				
Lundin Mining Corporation shareholders	67,839	\$ 1,603	\$ (76,497)	\$ 33,118
Non-controlling interests	9,529	(833)	7,446	8,450
Total comprehensive income (loss)	\$ 77,368	\$ 770	\$ (69,051)	\$ 41,568

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited - in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non- controlling interests	Total
Balance, December 31, 2019	734,233,642	\$ 4,184,667	\$ 51,339	\$ (284,649)	\$ (178,298)	\$ 524,341	\$ 4,297,400
Exercise of share-based awards	1,061,505	5,862	(3,597)	-	-	-	2,265
Share-based compensation	-	-	5,380	-	-	-	5,380
Dividends declared (Note 11(c))	-	-	-	-	(43,217)	-	(43,217)
Share purchase (Note 11(d))	(1,591,600)	(6,924)	-	-	(503)	-	(7,427)
Net (loss) earnings	-	-	-	-	(72,756)	7,446	(65,310)
Other comprehensive loss	-	-	-	(3,741)	-	-	(3,741)
Total comprehensive (loss) income	-	-	-	(3,741)	(72,756)	7,446	(69,051)
Balance, June 30, 2020	733,703,547	\$ 4,183,605	\$ 53,122	\$ (288,390)	\$ (294,774)	\$ 531,787	\$ 4,185,350
Balance, January 1, 2019	733,534,879	\$ 4,177,660	\$ 49,424	\$ (260,179)	\$ (275,759)	\$ 502,420	\$ 4,193,566
Exercise of share-based awards	3,337,085	16,704	(8,424)	-	-	-	8,280
Share-based compensation	-	-	7,448	-	-	-	7,448
Dividends declared	-	-	-	-	(32,985)	-	(32,985)
Share purchase	(1,283,674)	(5,491)	-	-	(1,003)	-	(6,494)
Net earnings	-	-	-	-	43,873	8,450	52,323
Other comprehensive loss	-	-	-	(10,755)	-	-	(10,755)
Total comprehensive (loss) income	-	-	-	(10,755)	43,873	8,450	41,568
Balance, June 30, 2019	735,588,290	\$ 4,188,873	\$ 48,448	\$ (270,934)	\$ (265,874)	\$ 510,870	\$ 4,211,383

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - in thousands of US dollars)

Cash provided by (used in)	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Operating activities				
Net earnings (loss)	\$ 48,258	\$ (8,626)	\$ (65,310)	\$ 52,323
Items not involving cash and other adjustments				
Depreciation, depletion and amortization	118,204	88,293	240,179	158,397
Share-based compensation	2,391	2,752	5,380	7,448
Foreign exchange gain	(12,599)	(1,417)	(37,873)	(863)
Finance costs, net	15,272	4,670	31,436	8,406
Recognition of deferred revenue (Note 9)	(16,510)	(12,811)	(34,514)	(25,335)
Deferred tax expense (recovery)	41,042	(10,852)	93,410	(5,715)
(Income) loss from equity investment in associate	(2,030)	(1,288)	(1,946)	10,647
Revaluation of derivative asset and liability (Note 16)	12,826	(192)	17,664	(362)
Revaluation of marketable securities (Note 16)	(1,635)	(589)	553	(581)
Other	(4,999)	3,869	(1,963)	4,496
Reclamation payments (Note 10)	(567)	(2,202)	(1,222)	(6,367)
Other payments	(301)	(662)	(761)	(3,052)
Changes in long-term inventory	(20,382)	(11,006)	(38,181)	(10,382)
Changes in non-cash working capital items (Note 22)	(141,359)	154,530	(85,830)	77,549
	37,611	204,469	121,022	266,609
Investing activities				
Investment in mineral properties, plant and equipment	(100,161)	(178,717)	(241,227)	(360,714)
Contingent consideration received (Note 4)	-	-	25,714	-
Interest received	234	3,797	612	7,921
Distributions from associate	6,000	15,505	6,017	15,730
Other	90	(2,644)	694	(2,273)
	(93,837)	(162,059)	(208,190)	(339,336)
Financing activities				
Interest paid	(2,854)	(1,034)	(6,418)	(2,421)
Dividends paid to shareholders	(42,624)	(33,061)	(42,624)	(33,061)
Share purchase (Note 11)	-	(6,494)	(7,427)	(6,494)
Principal payments of lease liabilities	(3,700)	(2,712)	(7,270)	(5,350)
Proceeds from debt (Note 8)	38,862	-	245,867	35,000
Principal repayments of debt (Note 8)	(17,496)	-	(48,122)	-
Proceeds from common shares issued	208	1,921	2,265	8,280
	(27,604)	(41,380)	136,271	(4,046)
Effect of foreign exchange on cash balances	850	(704)	(15,726)	(3,588)
(Decrease) increase in cash and cash equivalents during the period	(82,980)	326	33,377	(80,361)
Cash and cash equivalents, beginning of period	366,920	734,742	250,563	815,429
Cash and cash equivalents, end of period	\$ 283,940	\$ 735,068	\$ 283,940	\$ 735,068
Supplemental cash flow information (Note 22)				

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

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2020

(Unaudited - Tabular amounts in thousands of US dollars, except for shares and per share amounts)

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company primarily producing copper, zinc, gold and nickel. The Company owns 80% of the Candelaria and Ojos del Salado mining complex ("Candelaria") located in Chile. The Company's wholly-owned operating assets include the Chapada mine located in Brazil, the Eagle mine located in the United States of America ("USA"), the Neves-Corvo mine located in Portugal, and the Zinkgruvan mine located in Sweden.

The Company's common shares are listed on the Toronto Stock Exchange ("TSX") in Canada and the Nasdaq Stockholm Exchange in Sweden. The Company is incorporated under the Canada Business Corporations Act. The Company is domiciled in Canada and its registered address is 150 King Street West, Toronto, Ontario, Canada.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting including IAS 34 Interim financial reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value.

The Company's presentation currency is United States ("US") dollars. Reference herein of \$ or USD is to US dollars, C\$ is to Canadian dollars, SEK is to Swedish krona, € refers to the Euro, CLP refers to the Chilean peso and BRL refers to the Brazilian real.

Balance sheet items are classified as current if receipt or payment is due within twelve months. Otherwise, they are presented as non-current.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on July 29, 2020.

(ii) Critical accounting estimates and judgments in applying the entity's accounting policies

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2019, except for those noted below.

Lundin Mining continues to manage and respond to the COVID-19 pandemic within the framework of its Crisis Management and Pandemic Response Plan, along with recommendations of health authorities and local and national regulatory requirements. The Company has implemented preventative measures to ensure the safety of its workforce, local communities and other key stakeholders. The Zinc Expansion Project at Neves-Corvo continues to be temporarily suspended and business continuity measures have been implemented at all of our sites in an effort to mitigate and minimize potential future impacts of this pandemic, particularly with travel and contractors from outside the immediate mine regions.

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During the second quarter of 2020, the fast-growing infection rates in Brazil, Chile and the USA have increased the risk of outbreaks in the communities near Chapada, Candelaria and Eagle whereas rates of infection in the areas near our operations in Sweden and Portugal remained relatively stable. In the event of a localized outbreak in any of our operating jurisdictions, there may be a need to implement increased isolation and containment measures to prevent the spread of the virus. These actions could impact production levels, delay maintenance activities and disrupt supply chains.

To date, production disruptions have been minimal and there has been no significant disruption in the delivery or receipt of goods at our operations as a result of COVID-19.

As at June 30, 2020, a trigger of impairment of long-lived assets was identified. As a result, an impairment assessment was performed with no impairments identified. Future metal prices, exchange rates, discount rates and other key assumptions used in the Company's assessment are subject to greater uncertainty given the current economic environment. Changes in these assumptions could significantly impact the valuation of the Company's assets in the future.

The carrying value of the Neves-Corvo cash generating unit of \$1,005.6 million, Chapada's ore stockpile of \$266.0 million, and deferred tax assets of \$32.8 million relating to Eagle are most sensitive to changes in these key assumptions.

(iii) Significant accounting policies

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2019.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	June 30, 2020	December 31, 2019
Cash	\$ 264,760	\$ 233,466
Short-term deposits	19,180	17,097
	\$ 283,940	\$ 250,563

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	June 30, 2020	December 31, 2019
Trade receivables	\$ 319,922	\$ 229,730
Value added tax	23,953	44,948
Prepaid expenses	16,720	21,726
Other receivables	14,964	39,378
	\$ 375,559	\$ 335,782

In 2019, other receivables included \$25.7 million for contingent consideration due under the terms of the TF Holdings Limited disposal that occurred in 2017. The Company received this payment in January 2020.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2020

(Unaudited - Tabular amounts in thousands of US dollars, except for shares and per share amounts)

5. INVENTORIES

Inventories are comprised of the following:

	June 30, 2020	December 31, 2019
Ore stockpiles	\$ 59,226	\$ 49,696
Concentrate stockpiles	32,370	44,015
Materials and supplies	130,145	122,792
	\$ 221,741	\$ 216,503

Long-term inventory is comprised of ore stockpiles. As at June 30, 2020, the Company had \$347.4 million (December 31, 2019 - \$297.3 million) and \$266.0 million (December 31, 2019 - \$253.3 million) of long-term ore stockpiles at Candelaria and Chapada, respectively.

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment are comprised of the following:

Cost	Mineral properties	Plant and equipment	Assets under construction	Total
As at January 1, 2019	\$ 3,656,432	\$ 2,458,440	\$ 350,269	\$ 6,465,141
Additions	148,649	938	245,524	395,111
Disposals and transfers	118	151,914	(153,414)	(1,382)
Effects of foreign exchange	(20,884)	(7,349)	(1,519)	(29,752)
As at June 30, 2019	3,784,315	2,603,943	440,860	6,829,118
Chapada acquisition	672,642	237,371	18,700	928,713
Additions	80,954	29,124	241,447	351,525
Disposals and transfers	125,106	117,987	(271,749)	(28,656)
Effects of foreign exchange	(15,411)	(6,560)	(1,621)	(23,592)
As at December 31, 2019	4,647,606	2,981,865	427,637	8,057,108
Additions	84,129	11,787	123,667	219,583
Disposals and transfers	30,363	83,994	(117,815)	(3,458)
Effects of foreign exchange	(4,448)	(2,399)	77	(6,770)
As at June 30, 2020	\$ 4,757,650	\$ 3,075,247	\$ 433,566	\$ 8,266,463

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2020

(Unaudited - Tabular amounts in thousands of US dollars, except for shares and per share amounts)

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Assets under construction	Total
As at January 1, 2019	\$ 1,719,761	\$ 883,198	\$ -	\$ 2,602,959
Depreciation	78,211	84,720	-	162,931
Disposals and transfers	-	(513)	-	(513)
Effects of foreign exchange	(13,622)	(3,948)	-	(17,570)
As at June 30, 2019	1,784,350	963,457	-	2,747,807
Depreciation	180,027	98,354	-	278,381
Disposals and transfers	(282)	(22,204)	-	(22,486)
Effects of foreign exchange	(8,939)	(3,211)	-	(12,150)
As at December 31, 2019	1,955,156	1,036,396	-	2,991,552
Depreciation	173,500	101,169	-	274,669
Disposals and transfers	-	(924)	-	(924)
Effects of foreign exchange	(2,443)	(952)	-	(3,395)
As at June 30, 2020	\$ 2,126,213	\$ 1,135,689	\$ -	\$ 3,261,902

Net book value	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2019	\$ 2,692,450	\$ 1,945,469	\$ 427,637	\$ 5,065,556
As at June 30, 2020	\$ 2,631,437	\$ 1,939,558	\$ 433,566	\$ 5,004,561

During the six months ended June 30, 2020, the Company capitalized \$3.1 million of finance costs to assets under construction, at a weighted average interest rate of 4.4%. There were no finance costs capitalized for the three months ended June 30, 2020. During the three and six months ended June 30, 2019, the Company capitalized \$2.8 million and \$5.1 million, respectively, of finance costs to assets under construction, at a weighted average interest rate of 5.1% for both periods.

During the three and six months ended June 30, 2020, the Company capitalized \$29.7 million (Q2 2019 - \$33.3 million) and \$63.6 million (YTD Q2 2019 - \$83.9 million), respectively, of deferred stripping costs to mineral properties. The depreciation expense related to deferred stripping for the three and six months ended June 30, 2020, was \$46.8 million (Q2 2019 - \$18.1 million) and \$87.8 million (YTD Q2 2019 - \$21.3 million), respectively. Included in the mineral properties balance at June 30, 2020, is \$262.9 million (December 31, 2019 - \$205.4 million) related to deferred stripping at Candelaria and \$88.0 million (December 31, 2019 - \$84.3 million) related to underground development of the Zinc Expansion Project at the Neves-Corvo mine, which are currently non-depreciable.

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Notes to condensed interim consolidated financial statements

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(Unaudited - Tabular amounts in thousands of US dollars, except for shares and per share amounts)

The Company leases various assets including buildings, rail cars, vehicles, machinery and equipment. The following table summarizes the changes in right-of-use assets within plant and equipment:

Plant and equipment	Net book value
As at January 1, 2019	\$ 43,262
Additions	879
Depreciation	(5,173)
Effects of foreign exchange	84
As at June 30, 2019	39,052
Additions	14,786
Depreciation	(7,469)
Disposals	(1,800)
Effects of foreign exchange	(205)
As at December 31, 2019	44,364
Additions	5,639
Depreciation	(6,999)
Disposals	(450)
Effects of foreign exchange	(114)
As at June 30, 2020	\$ 42,440

The Company acts as lessee in certain leases that contain variable lease payment terms that are primarily based on usage of the right-of-use assets.

7. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	June 30, 2020	December 31, 2019
Trade payables	\$ 136,200	\$ 188,430
Unbilled goods and services	76,349	72,702
Employee benefits payable	57,525	59,792
Chapada derivative liability - current portion	25,000	22,472
Royalties payable	10,942	8,769
Prepayment from customer	9,198	6,562
Other	19,416	11,340
	\$ 334,630	\$ 370,067

The current portion of the Chapada derivative liability (\$25.0 million) is expected to be paid in early August 2020.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2020

(Unaudited - Tabular amounts in thousands of US dollars, except for shares and per share amounts)

8. DEBT AND LEASE LIABILITIES

Debt and lease liabilities are comprised of the following:

	June 30, 2020	December 31, 2019
Revolving credit facility (a)	\$ 343,062	\$ 222,762
Term loans (b)	90,000	35,000
Lease liabilities (c)	37,608	42,616
Commercial paper (d)	22,396	-
Line of credit (e)	8,899	8,171
Debt and lease liabilities	501,965	308,549
Less: current portion	127,616	80,782
Long-term portion	\$ 374,349	\$ 227,767

The changes in debt and lease liabilities are comprised of the following:

	Leases	Debt	Total
As at January 1, 2019	\$ 42,644	\$ -	\$ 42,644
Additions	1,583	35,000	36,583
Payments	(5,981)	-	(5,981)
Interest	632	-	632
Effects of foreign exchange	88	-	88
As at June 30, 2019	38,966	35,000	73,966
Additions	12,319	418,418	430,737
Payments	(7,502)	(187,754)	(195,256)
Disposals	(1,870)	-	(1,870)
Interest	1,009	-	1,009
Financing fee amortization	-	196	196
Effects of foreign exchange	(306)	73	(233)
As at December 31, 2019	42,616	265,933	308,549
Additions	5,187	245,867	251,054
Payments	(7,969)	(48,122)	(56,091)
Disposals	(464)	-	(464)
Interest	699	-	699
Financing fee amortization	-	300	300
Effects of foreign exchange	(2,461)	379	(2,082)
As at June 30, 2020	37,608	464,357	501,965
Less: current portion	12,671	114,945	127,616
Long-term portion	\$ 24,937	\$ 349,412	\$ 374,349

- a) The Company has a secured revolving credit facility of \$800.0 million with a \$200.0 million accordion option, maturing in August 2023. The credit facility bears interest on drawn funds at rates of LIBOR +1.75% to LIBOR +2.75%, depending on the Company's net leverage ratio. The revolving credit facility is subject to customary covenants. During the first quarter of 2020, the Company repaid \$30.0 million and subsequently drew down \$150.0 million on the credit facility. As at June 30, 2020, the balance outstanding was \$345.0 million (December 31, 2019 - \$225.0 million), along with letters of credit totalling \$23.9 million (SEK 162.0 million and €5.9 million) (December 31, 2019 - \$23.6 million). Deferred financing fees of \$1.9 million, at June 30, 2020, have been netted against borrowings (December 31, 2019 - \$2.2 million).

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Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2020

(Unaudited - Tabular amounts in thousands of US dollars, except for shares and per share amounts)

- b) During 2019, Candelaria obtained an unsecured fixed term loan ("Term loan A") in the amount of \$50.0 million, of which \$15.0 million was subsequently repaid. The net balance accrues interest at a rate of 2.2% per annum, with interest payable upon maturity on August 29, 2020. During the first quarter of 2020, Candelaria obtained two additional unsecured fixed term loans ("Term loan B" and "Term loan C") in the amount of \$20.0 million and \$35.0 million, respectively. Term loan B accrues interest at a rate of 2.3% per annum, with interest payable upon maturity on January 28, 2021. Term loan C accrues interest at a rate of 2.7% per annum, with interest payable upon maturity on March 1, 2021. As at June 30, 2020, the total balance outstanding was \$90.0 million (December 31, 2019 - \$35.0 million).
- c) Lease liabilities relate to leases on buildings, rail cars, vehicles, machinery and equipment which have remaining lease terms of one to fifteen years and interest rates of 0.8% - 7.1% over the terms of the leases.
- d) Sociedade Mineira de Neves-Corvo, S.A. ("Somincor"), a subsidiary of the Company which owns the Neves-Corvo mine, has a commercial paper program which matures in October 2021. The \$33.6 million (€30.0 million) program bears interest at EURIBOR +0.84%. During the second quarter of 2020, Somincor drew down \$16.4 million (€15.0 million) under this program with a required repayment date of June 29, 2020. Upon full repayment, Somincor drew down an additional \$22.5 million (€20 million) with a required repayment date of July 29, 2020. As at June 30, 2020, the total balance outstanding was \$22.4 million (€20 million).
- e) Somincor has a \$28.0 million (€25.0 million) line of credit for equipment financing. During the first quarter of 2020, Somincor drew \$2.0 million (€1.8 million) on the line of credit for purchases of equipment. As at June 30, 2020, the balance outstanding was \$8.9 million (€7.9 million). Interest rates vary from a fixed rate of 0.88% to EURIBOR +0.84%, dependent on the piece of equipment, with the debt maturing throughout 2023 and 2024.

The schedule of undiscounted lease payment and debt obligations is as follows:

	Leases		Debt		Total
Less than one year	\$	14,346	\$	114,945	\$ 129,291
One to five years		22,579		351,324	373,903
More than five years		3,807		-	3,807
Total undiscounted obligations as at June 30, 2020	\$	40,732	\$	466,269	\$ 507,001

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(Unaudited - Tabular amounts in thousands of US dollars, except for shares and per share amounts)

9. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2018	\$	588,854
Recognition of revenue		(25,335)
Finance costs		14,995
Effects of foreign exchange		(611)
As at June 30, 2019		577,903
Chapada acquisition		175,360
Recognition of revenue		(33,760)
Variable consideration adjustment		18,227
Finance costs		20,776
Effects of foreign exchange		(360)
As at December 31, 2019		758,146
Recognition of revenue		(34,514)
Finance costs		20,627
Effects of foreign exchange		(886)
As at June 30, 2020		743,373
Less: current portion		83,325
Long-term portion	\$	660,048

Consideration from the Company's stream agreements are considered variable. Gold, silver and copper revenue can be subject to cumulative adjustments when the volume to be delivered under the contracts changes. In 2019, the Company recognized an adjustment to gold and silver revenue and finance costs due to an increase in the Company's Mineral Resources and Mineral Reserves estimates.

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10. RECLAMATION AND OTHER CLOSURE PROVISIONS

Reclamation and other closure provisions relating to the Company's mining operations are as follows:

	Reclamation provisions	Other closure provisions	Total
Balance, December 31, 2018	\$ 253,484	\$ 45,206	\$ 298,690
Accretion	4,008	-	4,008
Changes in estimate	4,069	(1,220)	2,849
Changes in discount rate	20,687	-	20,687
Payments	(6,367)	-	(6,367)
Effects of foreign exchange	(1,147)	49	(1,098)
Balance, June 30, 2019	274,734	44,035	318,769
Chapada acquisition	71,154	-	71,154
Accretion	5,717	-	5,717
Changes in estimate	(5,626)	(2,297)	(7,923)
Changes in discount rate	2,129	-	2,129
Payments	(4,128)	-	(4,128)
Effects of foreign exchange	(868)	(1,066)	(1,934)
Balance, December 31, 2019	343,112	40,672	383,784
Accretion	5,299	-	5,299
Changes in estimate	(27,399)	(225)	(27,624)
Changes in discount rate	18,486	-	18,486
Payments	(1,222)	-	(1,222)
Effects of foreign exchange	(409)	(1,047)	(1,456)
Balance, June 30, 2020	337,867	39,400	377,267
Less: current portion	2,860	-	2,860
Long-term portion	\$ 335,007	\$ 39,400	\$ 374,407

The Company expects these liabilities to be settled between 2020 and 2055. The provisions are discounted using current market pre-tax discount rates which range from 0.2% to 6.9% (December 31, 2019 – 0.3% to 7.0%).

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11. SHARE CAPITAL

a) Basic and diluted weighted average number of shares outstanding

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Basic weighted average number of shares outstanding	733,632,700	735,934,553	734,059,980	735,598,232
Effect of dilutive securities (i)	869,202	-	-	739,129
Diluted weighted average number of shares outstanding	734,501,902	735,934,553	734,059,980	736,337,361
Antidilutive securities	3,249,000	3,513,000	4,251,500	4,518,500

(i) As a result of the Company's net loss position for the six months ended June 30, 2020, 938,673 shares that would have been dilutive had the Company been in a net earnings position were excluded from diluted weighted average number of shares outstanding.

For the three months ended June 30, 2019, 750,580 shares that would have been dilutive had the Company been in a net earnings position were excluded from diluted weighted average number of shares outstanding.

The effect of dilutive securities relates to in-the-money outstanding stock options and share units ("SUs").

b) Stock options and SUs granted

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Stock options	75,000	-	3,974,000	3,934,000
SUs	25,000	-	1,027,500	1,029,500

c) Dividends

During the three and six months ended June 30, 2020, the Company declared dividends in the amount of \$21.1 million (Q2 2019 - \$16.4 million) or C\$0.04 per share (Q2 2019 - C\$0.03), and \$43.2 million (YTD Q2 2019 - \$33.0 million) or C\$0.08 per share (YTD Q2 2019 - C\$0.06), respectively.

d) Normal course issuer bid

In 2019, the Company obtained approval from the TSX for the renewal of its normal course issuer bid ("NCIB") to purchase up to 63,797,653 common shares between December 9, 2019 and December 8, 2020. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to a maximum of 517,131 common shares. The price that the Company will pay for common shares in open market transactions will be the market price at the time of purchase.

For the six months ended June 30, 2020, 1,591,600 shares were purchased under the NCIB at an average price of C\$6.24 per share for total consideration of \$7.4 million. All the common shares purchased were cancelled. During the three months ended June 30, 2020, no shares were purchased under the NCIB.

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(Unaudited - Tabular amounts in thousands of US dollars, except for shares and per share amounts)

For the three and six months ended June 30, 2019, 1,283,674 shares were purchased under the NCIB at an average price of C\$6.82 per share for total consideration of \$6.5 million. All the common shares purchased were cancelled.

12. REVENUE

The Company's analysis of revenue from contracts with customers, segmented by product, is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Copper	\$ 320,908	\$ 257,881	\$ 628,438	\$ 503,335
Gold	67,012	23,805	123,353	46,410
Zinc	35,583	69,800	76,048	147,636
Nickel	29,330	32,702	65,687	48,911
Silver	11,183	7,488	18,835	14,551
Lead	8,327	13,503	18,310	23,497
Other	4,451	4,782	9,838	7,739
	476,794	409,961	940,509	792,079
Provisional pricing adjustments on concentrate sales	56,525	(40,710)	(29,205)	(6,444)
Revenue	\$ 533,319	\$ 369,251	\$ 911,304	\$ 785,635

The Company's geographical analysis of revenue from contracts with customers, segmented based on the destination of product, is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Europe	\$ 274,306	\$ 227,628	\$ 460,409	\$ 389,041
Asia	111,951	150,795	316,013	334,137
North America	43,801	26,508	99,772	51,856
South America	46,736	5,030	64,315	17,045
	476,794	409,961	940,509	792,079
Provisional pricing adjustments on concentrate sales	56,525	(40,710)	(29,205)	(6,444)
Revenue	\$ 533,319	\$ 369,251	\$ 911,304	\$ 785,635

13. PRODUCTION COSTS

The Company's production costs are comprised of the following:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Direct mine and mill costs	\$ 244,480	\$ 234,322	\$ 493,393	\$ 421,282
Transportation	22,058	18,519	44,317	33,871
Royalties	6,486	2,997	13,999	5,755
Total production costs	\$ 273,024	\$ 255,838	\$ 551,709	\$ 460,908

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(Unaudited - Tabular amounts in thousands of US dollars, except for shares and per share amounts)

14. EMPLOYEE BENEFITS

The Company's employee benefits are comprised of the following:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Production costs				
Wages and benefits	\$ 64,420	\$ 58,831	\$ 123,244	\$ 116,084
Retirement benefits	57	213	828	444
Share-based compensation	634	739	1,395	1,864
	65,111	59,783	125,467	118,392
General and administrative expenses				
Wages and benefits	4,701	4,903	9,552	10,842
Retirement benefits	182	195	473	402
Share-based compensation	1,733	1,965	3,907	5,474
	6,616	7,063	13,932	16,718
General exploration and business development				
Wages and benefits	965	1,591	2,073	3,687
Retirement benefits	9	13	22	29
Share-based compensation	24	48	78	110
	998	1,652	2,173	3,826
Total employee benefits	\$ 72,725	\$ 68,498	\$ 141,572	\$ 138,936

15. FINANCE INCOME AND COSTS

The Company's finance income and costs are comprised of the following:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Interest income	\$ 315	\$ 3,704	\$ 686	\$ 7,770
Deferred revenue finance costs	(10,337)	(4,648)	(17,976)	(9,851)
Interest expense and bank fees	(3,687)	(1,417)	(6,607)	(2,730)
Accretion expense on reclamation provisions	(2,600)	(2,038)	(5,299)	(4,008)
Lease liability interest	(349)	(316)	(699)	(632)
Other	1,386	45	(1,541)	1,045
Total finance costs, net	\$ (15,272)	\$ (4,670)	\$ (31,436)	\$ (8,406)
Finance income	\$ 1,701	\$ 3,749	\$ 686	\$ 8,815
Finance costs	(16,973)	(8,419)	(32,122)	(17,221)
Total finance costs, net	\$ (15,272)	\$ (4,670)	\$ (31,436)	\$ (8,406)

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16. OTHER INCOME AND EXPENSE

The Company's other income and expense are comprised of the following:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Foreign exchange gain (loss)	\$ 6,845	1,578	\$ 46,674	(17)
Revaluation of marketable securities	1,635	589	(553)	581
Revaluation of derivative asset and liability	(12,826)	192	(17,664)	362
Other expense	(5,519)	(3,727)	(9,277)	(3,721)
Total other (expense) income, net	\$ (9,865)	\$ (1,368)	\$ 19,180	\$ (2,795)

Other expenses for the three and six months ended June 30, 2020 includes \$3.8 million and \$6.3 million, respectively, of idle project costs.

17. INCOME TAXES

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

For the three and six months ended June 30, 2020, the deferred tax expense includes \$13.2 million (Q2 2019 - nil) and \$75.7 million (YTD Q2 2019 - nil), respectively, arising from the revaluation of non-monetary assets from BRL to USD. During the first quarter of 2020, the Company also recorded a \$13.6 million (2019 - nil) write-down of recoverable taxes in Chile due to a change in tax rates.

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at June 30, 2020 and December 31, 2019:

	Level	June 30, 2020		December 31, 2019	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Restricted cash	1	\$ 45,432	\$ 45,432	\$ 47,666	\$ 47,666
Trade receivables (provisional)	2	280,312	280,312	203,565	203,565
Marketable securities	1	3,590	3,590	4,331	4,331
Derivative asset	2	-	-	25,714	25,714
		\$ 329,334	\$ 329,334	\$ 281,276	\$ 281,276
Financial liabilities					
Amortized cost					
Debt	2	\$ 464,357	\$ 464,357	\$ 265,933	\$ 265,933
Fair value through profit or loss					
Chapada derivative liability	2	\$ 109,511	\$ 109,511	\$ 91,817	\$ 91,817

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Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

Level 1 – Quoted market price in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. observed prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities are not based on observable market data.

The Company calculates fair values based on the following methods of valuation and assumptions:

Marketable securities/restricted cash – The fair value of investments in shares is determined based on the quoted market price.

Trade receivables – The fair value of the embedded derivatives on provisional sales are valued using quoted forward market prices. The Company recognized positive pricing adjustments of \$56.5 million in revenue during the three months ended June 30, 2020 (Q2 2019 - \$40.7 million negative pricing adjustments) and negative pricing adjustments of \$29.2 million in revenue during the six months ended June 30, 2020 (YTD Q2 2019 - \$6.4 million negative pricing adjustments).

Derivative asset & derivative liability – The fair value of these derivatives is determined using a valuation model that incorporates such factors as metal prices, metal price volatility, expiry date, and risk-free interest rate.

Debt – The fair values approximate carrying values as the interest rates are comparable to current market rates.

The carrying values of certain financial instruments maturing in the short-term approximate their fair values. These financial instruments include cash and cash equivalents, trade and other receivables other than those provisionally priced, and trade and other payables which are classified as amortized cost.

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19. COMMITMENTS AND CONTINGENCIES

- a) The Company has capital commitments of \$87.4 million on various initiatives, of which \$52.4 million is expected to be paid during 2020.
- b) The Company may be involved in legal proceedings arising in the ordinary course of business. The potential amount of the liability with respect to such legal proceedings is not expected to materially affect the Company's financial position.
- c) Significant changes to commitments and contingencies, since that reported at December 31, 2019, are described below:
 - i) In March 2020, a tax claim was filed with the Chilean tax court related to the 2016 tax assessment for additional withholding taxes on intercompany interest payments.
 - ii) In July 2020, a tax assessment was received for the 2017 taxation year relating to the same matter as above. The Chilean Internal Revenue Service issued a tax assessment of \$144.3 million (\$66.0 million in withholding taxes plus interest and penalties of \$78.3 million) on interest payments made in 2017. The Company will file an administrative appeal in response to the assessment. While not yet assessed, a similar position taken on interest payments made for taxation years 2018 to 2020 year-to-date could equate to approximately \$28.4 million in additional withholding taxes, excluding possible penalties and interest.

No tax expenses were accrued for the above assessments as the Company believes its original filing positions were in compliance with tax regulations and intends to vigorously defend this position.

20. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Chile, Brazil, USA, Portugal and Sweden. Operating segments are reported in a manner consistent with the internal reporting provided to executive management who act as the chief operating decision-maker. Executive management are responsible for allocating resources and assessing performance of the operating segments.

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For the three months ended June 30, 2020

	Candelaria		Chapada		Eagle	Neves-Corvo	Zinkgruvan	Other	Total
	Chile	Brazil	USA	Portugal	Sweden				
Revenue	\$ 255,132	\$ 114,125	\$ 52,689	\$ 81,188	\$ 30,185		\$ -		\$ 533,319
Cost of goods sold									
Production costs	(115,523)	(43,985)	(31,788)	(60,945)	(20,159)		(624)		(273,024)
Depreciation, depletion and amortization	(68,065)	(10,820)	(17,139)	(13,944)	(7,787)		(449)		(118,204)
Gross profit (loss)	71,544	59,320	3,762	6,299	2,239		(1,073)		142,091
General and administrative expenses	-	-	-	-	-		(10,608)		(10,608)
General exploration and business development	(6,924)	(796)	(112)	(151)	(699)		(723)		(9,405)
Finance (costs) income	(7,719)	(4,111)	(428)	580	(863)		(2,731)		(15,272)
Income from equity investment in associate	-	-	-	-	-		2,030		2,030
Other (expense) income	(4,318)	7,424	(1,718)	(2,182)	(1,486)		(7,585)		(9,865)
Income tax (expense) recovery	(17,481)	(29,506)	41	(657)	2,935		(6,045)		(50,713)
Net earnings (loss)	\$ 35,102	\$ 32,331	\$ 1,545	\$ 3,889	\$ 2,126		\$ (26,735)		\$ 48,258
Capital expenditures	\$ 53,615	\$ 8,304	\$ 2,214	\$ 26,441	\$ 9,571		\$ 16		\$ 100,161

For the six months ended June 30, 2020

	Candelaria		Chapada		Eagle	Neves-Corvo	Zinkgruvan	Other	Total
	Chile	Brazil	USA	Portugal	Sweden				
Revenue	\$ 428,104	\$ 198,246	\$ 100,026	\$ 126,965	\$ 57,963		\$ -		\$ 911,304
Cost of goods sold									
Production costs	(234,211)	(94,663)	(69,146)	(112,999)	(39,278)		(1,412)		(551,709)
Depreciation, depletion and amortization	(139,134)	(22,430)	(35,906)	(27,593)	(14,243)		(873)		(240,179)
Gross profit (loss)	54,759	81,153	(5,026)	(13,627)	4,442		(2,285)		119,416
General and administrative expenses	-	-	-	-	-		(22,552)		(22,552)
General exploration and business development	(11,587)	(1,590)	(208)	(1,323)	(4,531)		(3,381)		(22,620)
Finance (costs) income	(15,616)	(8,153)	(850)	54	(1,768)		(5,103)		(31,436)
Income from equity investment in associate	-	-	-	-	-		1,946		1,946
Other (expense) income	377	38,811	(2,262)	(443)	1,012		(18,315)		19,180
Income tax (expense) recovery	(20,208)	(105,719)	83	6,220	223		(9,843)		(129,244)
Net earnings (loss)	\$ 7,725	\$ 4,502	\$ (8,263)	\$ (9,119)	\$ (622)		\$ (59,533)		\$ (65,310)
Capital expenditures	\$ 130,195	\$ 12,028	\$ 7,645	\$ 73,639	\$ 17,505		\$ 215		\$ 241,227

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For the three months ended June 30, 2019

	Candelaria		Chapada		Eagle	Neves-Corvo	Zinkgruvan	Other	Total
	Chile	Brazil	USA	Portugal	Sweden				
Revenue	\$ 178,677	\$ -	\$ 59,412	\$ 77,519	\$ 53,643	\$ -	\$ -	\$ 369,251	
Cost of goods sold									
Production costs	(131,325)	-	(40,071)	(60,890)	(22,804)	(748)	(255,838)		
Depreciation, depletion and amortization	(45,962)	-	(20,141)	(12,795)	(8,966)	(429)	(88,293)		
Gross profit (loss)	1,390	-	(800)	3,834	21,873	(1,177)	25,120		
General and administrative expenses	-	-	-	-	-	(10,169)	(10,169)		
General exploration and business development	(9,317)	-	(3,015)	(2,208)	(5,487)	(3,968)	(23,995)		
Finance (costs) income	(8,035)	-	(213)	(954)	(784)	5,316	(4,670)		
Income from equity investment in associate	-	-	-	-	-	1,288	1,288		
Other income (expense)	1,745	-	24	(5,835)	388	2,310	(1,368)		
Income tax recovery (expense)	10,335	-	2,086	5,185	(3,124)	(9,314)	5,168		
Net (loss) earnings	\$ (3,882)	\$ -	\$ (1,918)	\$ 22	\$ 12,866	\$ (15,714)	\$ (8,626)		
Capital expenditures	\$ 123,946	\$ -	\$ 10,534	\$ 34,994	\$ 9,208	\$ 35	\$ 178,717		

For the six months ended June 30, 2019

	Candelaria		Chapada		Eagle	Neves-Corvo	Zinkgruvan	Other	Total
	Chile	Brazil	USA	Portugal	Sweden				
Revenue	\$ 411,338	\$ -	\$ 105,620	\$ 162,666	\$ 106,011	\$ -	\$ 785,635		
Cost of goods sold									
Production costs	(245,528)	-	(57,646)	(114,690)	(41,125)	(1,919)	(460,908)		
Depreciation, depletion and amortization	(85,761)	-	(30,316)	(25,398)	(16,030)	(892)	(158,397)		
Gross profit (loss)	80,049	-	17,658	22,578	48,856	(2,811)	166,330		
General and administrative expenses	-	-	-	-	-	(23,787)	(23,787)		
General exploration and business development	(15,168)	-	(8,120)	(4,036)	(9,662)	(5,709)	(42,695)		
Finance (costs) income	(16,054)	-	(386)	(684)	(1,634)	10,352	(8,406)		
Loss from equity investment in associate	-	-	-	-	-	(10,647)	(10,647)		
Other (expense) income	(73)	-	44	(3,950)	2,028	(844)	(2,795)		
Income tax (expense) recovery	(3,379)	-	1,909	515	(9,254)	(15,468)	(25,677)		
Net earnings (loss)	\$ 45,375	\$ -	\$ 11,105	\$ 14,423	\$ 30,334	\$ (48,914)	\$ 52,323		
Capital expenditures	\$ 232,892	\$ -	\$ 20,146	\$ 88,241	\$ 19,357	\$ 78	\$ 360,714		

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21. RELATED PARTY TRANSACTIONS

- a) **Transactions with associates** - The Company enters into transactions related to its investment in associate. These transactions are entered into in the normal course of business and on an arm's length basis.
- b) **Key management personnel** - The Company has identified its directors and senior officers as its key management personnel. Employee benefits for key management personnel are as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Wages and benefits	\$ 1,527	\$ 1,508	\$ 3,363	\$ 3,276
Pension benefits	41	41	82	79
Share-based compensation	954	849	2,114	1,719
	\$ 2,522	\$ 2,398	\$ 5,559	\$ 5,074

22. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Changes in non-cash working capital items consist of:				
Trade and income tax receivables, inventories, and other current assets	\$ (136,890)	\$ 92,588	\$ (72,337)	\$ 74,453
Trade and income taxes payable, and other current liabilities	(4,469)	61,942	(13,493)	3,096
	\$ (141,359)	\$ 154,530	\$ (85,830)	\$ 77,549
Operating activities included the following cash payments:				
Income taxes (refunded) paid	\$ (4,926)	\$ (57,623)	\$ 35,195	\$ (7,214)