

# lundin mining

## Management's Discussion and Analysis For the three and six months ended June 30, 2020

This management's discussion and analysis ("MD&A") has been prepared as of July 29, 2020 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2020. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of \$ or USD is to United States dollars, C\$ is to Canadian dollars, CLP is to Chilean pesos, BRL is to Brazilian reais, € refers to euros, and SEK is to Swedish kronor.

### About Lundin Mining

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

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## Cautionary Statement on Forward-Looking Information

*Certain of the statements made and information contained herein is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts included in this document constitute forward-looking information, including but not limited to statements regarding the Company's plans, prospects and business strategies; the Company's guidance on the timing and amount of future production and its expectations regarding the results of operations; expected costs; permitting requirements and timelines; timing and possible outcome of pending litigation; the results of any 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](http://www.sedar.com) under the Company's profile. All of the forward-looking statements made in this document are qualified by these cautionary statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, forecast or intended and readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information. Accordingly, there can be no assurance that forward-looking information will prove to be accurate and forward-looking information is not a guarantee of future performance. Readers are advised not to place undue reliance on forward-looking information. The forward-looking information contained herein speaks only as of the date of this document. The Company disclaims any intention or obligation to update or revise forward-looking information or to explain any material difference between such and subsequent actual events, except as required by applicable law.*

## Highlights

### Operational Performance

Operations performed well in the quarter with copper production at all operations higher than the prior year comparable quarter and record combined throughput of over 1.0 million tonnes at Neves-Corvo. With the exception of Candelaria, production at all mines remain on target to achieve previously disclosed annual guidance, despite challenges of the COVID-19 pandemic. Furthermore, cash costs at all operations were in-line or better than expected. For Chapada and Eagle, annual cash cost guidance is improving by 24% and 15%, respectively.

As the Company adapts to a new way of operating under COVID-19, Lundin Mining continues to manage and respond to the 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 (“ZEP”) 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.

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.

**Candelaria (80% owned):** Candelaria produced 35,060 tonnes of copper, and approximately 21 thousand ounces of gold in concentrate on a 100% basis. Copper production for the quarter was higher than the prior year quarter primarily due to higher copper head grades and recoveries as more higher-grade open pit and underground ore was mined. However, throughput was lower than planned due to ore hardness, operational issues and an unplanned maintenance stop. In addition, COVID-19 has further delayed the Candelaria Mill Optimization Project (“CMOP”) and installation of the final ball mill motor is now planned for January 2021; accordingly, full year production guidance has been reduced. Copper cash costs<sup>1</sup> of \$1.36/lb for the quarter were better than the prior year comparable quarter largely owing to the impact of favourable foreign exchange.

**Chapada (100% owned):** Chapada produced 13,799 tonnes of copper and approximately 23 thousand ounces of gold, in-line with plan. Copper cash costs of \$0.21/lb were better than expected benefitting from favourable foreign exchange and higher gold by-product prices.

**Eagle (100% owned):** Eagle produced 3,380 tonnes of nickel and 4,102 tonnes of copper during the quarter. Nickel production was comparable to the prior year comparable quarter. Copper production was higher than the prior year quarter as a result of higher grades. Nickel cash costs of \$1.13/lb for the quarter were lower than the prior year comparable quarter due primarily to lower treatment and refining costs.

**Neves-Corvo (100% owned):** Neves-Corvo produced 10,559 tonnes of copper and 18,986 tonnes of zinc for the quarter. Copper production was higher than the prior year quarter benefitting from record throughput and better recoveries, while zinc production was higher due to higher grades. Copper cash costs of \$1.75/lb for the quarter were lower than the prior year quarter due to favourable foreign exchange which was partially offset by lower by-product credits stemming from lower realized zinc prices.

<sup>1</sup> This is a non-GAAP measure – see page 26 of this MD&A for discussion of non-GAAP measures.

Major construction and commissioning of ZEP continues to be temporarily suspended to reduce the risk of the spread of COVID-19 to employees, contractors and local communities.

**Zinkgruvan (100% owned):** Zinc production of 12,596 tonnes and lead production of 3,799 tonnes was lower than the prior year quarter due to grades and lower throughput as a result of the sequencing of copper production. Zinc cash costs of \$0.56/lb were higher than the prior year quarter as a result of lower sales volumes and by-product credit metal prices.

### Total production

<i>(Contained metal in concentrate)</i>	2020			2019				
	YTD	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (t) <sup>ab</sup>	127,452	65,285	62,167	235,498	67,131	74,560	47,685	46,122
Zinc (t)	68,529	31,582	36,947	151,515	38,925	35,028	37,116	40,446
Gold (koz) <sup>ab</sup>	83	44	39	142	43	58	21	20
Nickel (t)	6,955	3,380	3,575	13,494	2,651	3,232	3,398	4,213

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

b - Chapada results included are for the Company's ownership period.

## Financial Performance

- Gross profit for the quarter ended June 30, 2020 increased by \$117.0 million compared to the prior year quarter. The increase was primarily due to the addition of the Chapada mine (\$59.3 million), higher realized metal prices and price adjustments (\$40.0 million) and favourable foreign exchange (\$19.0 million), partially offset by higher depreciation expense at Candelaria (\$22.1 million).

On a year-to-date basis, gross profit decreased by \$46.9 million from the prior year comparative period. The decrease was primarily due to lower metal prices and price adjustments (\$154.4 million) and higher depreciation (\$59.4 million). These decreases were partially offset by the addition of Chapada mine which contributed \$81.2 million to gross profit, favourable foreign exchange (\$36.7 million) and higher net sales volumes (\$19.9 million).

- Net earnings for the quarter ended June 30, 2020 increased by \$56.9 million from the prior year quarter. The increase was attributable to higher gross profit, partially offset by higher income taxes (\$55.9 million).

On a year-to-date basis, net earnings decreased by \$117.6 million from the prior year comparative period. The decrease was attributable to lower gross profit, higher income taxes (\$103.6 million) and higher finance costs, partially offset by lower general exploration and business development expenses and higher foreign exchange gains.

- Adjusted earnings<sup>1</sup> for the quarter were \$63.8 million higher than the prior year quarter due mainly to higher gross profit offset by higher income taxes. On a year-to-date basis, adjusted earnings were \$40.2 million lower than the prior year due to lower gross profit.

## Corporate Highlights

- On June 30, 2020, the Company published its annual Sustainability Report which provides updates on the economic, safety, environmental and social issues that are of greatest interest to communities near the Company's operations, employees, investors, and other stakeholders. A copy of the Sustainability Report is available on the Company's website ([www.lundinmining.com](http://www.lundinmining.com)).

## Financial Position and Financing

- Cash and cash equivalents of \$283.9 million as at June 30, 2020 decreased by \$83.0 million during the quarter including cash flow from operations of \$37.6 million, which included an outflow of \$141.4 million for changes in working capital. \$100.2 million was invested in capital expenditures.

On a year-to-date basis, cash and cash equivalents increased by \$33.4 million. In addition to \$121.0 million in operating cash flow, the Company drew down approximately \$200.0 million in debt, invested \$241.2 million in capital expenditures and returned \$42.6 million to shareholders in dividend payments.

- Net debt<sup>1</sup> of \$220.0 million as at June 30, 2020 reflects an increase of \$159.7 million since December 31, 2019. Operating cash flow of \$121.0 million was more than offset by capital investment (\$241.2 million) and dividend payments to shareholders (\$42.6 million).
- As of July 29, 2020, the Company had a cash and net debt balance of approximately \$225.0 million and \$190.0 million, respectively.

<sup>1</sup>These are a non-GAAP measure – see page 26 of this MD&A for discussion of non-GAAP measures.

## Outlook

All operations had a good quarter and, other than Candelaria, are on track to meet previously disclosed production guidance. Candelaria continued to experience lower throughput than planned due to ore hardness, operational issues and unplanned maintenance stops. Production guidance for Candelaria has been reduced to reflect the lower production to date, as well as a further delay in CMOP due to COVID-19. Cash costs at Chapada and Eagle have been better than expected due to favourable by-product metal prices and, at Chapada, favourable foreign exchange; accordingly, cash cost guidance for these two operations has been reduced.

While the Company has not experienced significant disruptions to production, shipments of concentrate, or its supply chain due to COVID-19, we caution that the global effects of COVID-19 are continuing to evolve. The number of new cases in the USA, Brazil and Chile have continued to increase. Given the uncertainty of the duration and magnitude of the impact of COVID-19, our production and cash cost estimates are subject to a higher than normal degree of uncertainty. The guidance below does not reflect any potential for additional suspensions or other significant disruption to operations due to COVID-19.

### 2020 Production and Cash Cost

(contained metal in concentrate)		Previous Guidance <sup>a</sup>		Revised Guidance	
		Tonnes	C1 Cost	Tonnes	C1 Cost <sup>b</sup>
<b>Copper (t)</b>	Candelaria (100%)	160,000 - 175,000	\$1.35/lb	<b>145,000 - 155,000</b>	\$1.35/lb <sup>c</sup>
	Chapada	51,000 - 56,000	\$0.85/lb	51,000 - 56,000	<b>\$0.65/lb<sup>d</sup></b>
	Eagle	15,000 - 18,000		<b>17,000 - 19,000</b>	
	Neves-Corvo	35,000 - 40,000	\$2.10/lb	35,000 - 40,000	\$2.10/lb <sup>c</sup>
	Zinkgruvan	3,000 - 4,000		3,000 - 4,000	
	<b>Total</b>	<b>264,000 - 293,000</b>		<b>251,000 - 274,000</b>	
<b>Zinc (t)</b>	Neves-Corvo	70,000 - 75,000		70,000 - 75,000	
	Zinkgruvan	72,000 - 77,000	\$0.60/lb	72,000 - 77,000	\$0.60/lb <sup>c</sup>
	<b>Total</b>	<b>142,000 - 152,000</b>		<b>142,000 - 152,000</b>	
<b>Gold (oz)</b>	Candelaria (100%)	90,000 - 100,000		<b>80,000 - 90,000</b>	
	Chapada	85,000 - 90,000		85,000 - 90,000	
	<b>Total</b>	<b>175,000 - 190,000</b>		<b>165,000 - 180,000</b>	
<b>Nickel (t)</b>	Eagle	15,000 - 18,000	\$1.00/lb	15,000 - 18,000	<b>\$0.85/lb</b>

a. Guidance as outlined in the Management's Discussion and Analysis for the three months ended March 31, 2020.

b. Cash costs are based on various assumptions and estimates, including but not limited to; production volumes, as noted above, commodity prices (Cu: \$2.35/lb, Zn: \$0.85/lb, Ni: \$5.25/lb, Pb: \$0.75/lb, Au: \$1,600/oz.), foreign exchange rates (€/USD:1.15, USD/SEK:9.25, USD/CLP:800, USD/BRL:5.00) and operating costs, for the remainder of 2020.

c. 68% of Candelaria's total gold and silver production are subject to a streaming agreement and as such costs are calculated based on receipt of \$412/oz and \$4.12/oz respectively, on gold and silver sales. Silver production at Zinkgruvan and Neves-Corvo are also subject to streaming agreements, and cash costs are calculated based on receipt of approximately \$4.40/oz and \$4.30/oz, respectively, on silver sales.

d. Chapada cash costs are calculated on a by-product basis and do not include the effects of copper stream agreements. Effects of copper stream agreements are reflected in copper revenue and will impact realized revenue per pound.

## 2020 Capital Expenditure Guidance

Sustaining capital expenditure guidance remains the same as the prior quarter. ZEP capital expenditure guidance has been updated to include a limited number of critical path items that can be undertaken without introducing additional risk to the operation. Total pre-production cost for ZEP remains unchanged from previous guidance at €360 million.

(\$ millions)	Previous Guidance <sup>a</sup>	Revisions	Revised Guidance
Candelaria (100% basis)	230	-	230
Chapada	40	-	40
Eagle	15	-	15
Neves-Corvo	55	-	55
Zinkgruvan	45	-	45
<b>Total Sustaining Capital</b>	<b>385</b>	<b>-</b>	<b>385</b>
<b>Zinc Expansion Project (Neves-Corvo)</b>	<b>55</b>	<b>10</b>	<b>65</b>
<b>Total Capital Expenditures</b>	<b>440</b>	<b>10</b>	<b>450</b>

a. Guidance as outlined in the Management's Discussion and Analysis for the three months ended March 31, 2020.

## 2020 Exploration Investment Guidance

Planned exploration expenditures of \$35.0 million in 2020 remain unchanged from guidance provided in the previous quarter. Most of the planned expenditures for 2020 will be spent supporting in-mine and near-mine targets at our operations including \$15.0 million at Candelaria, \$6.0 million at Zinkgruvan, \$6.0 million at Chapada, and \$2.0 million at Neves-Corvo.

## Selected Quarterly Financial Information<sup>1</sup>

(\$ millions, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
<b>Revenue</b>	<b>533.3</b>	369.3	<b>911.3</b>	785.6
Cost of goods sold:				
Production costs	<b>(273.0)</b>	(255.8)	<b>(551.7)</b>	(460.9)
Depreciation, depletion and amortization	<b>(118.2)</b>	(88.3)	<b>(240.2)</b>	(158.4)
<b>Gross profit</b>	<b>142.1</b>	25.1	<b>119.4</b>	166.3
<b>Net earnings (loss) attributable to:</b>				
Lundin Mining shareholders	<b>38.7</b>	(7.8)	<b>(72.7)</b>	43.9
Non-controlling interests	<b>9.6</b>	(0.8)	<b>7.4</b>	8.5
<b>Net earnings (loss)</b>	<b>48.3</b>	(8.6)	<b>(65.3)</b>	52.3
<b>Adjusted earnings (loss)<sup>3</sup></b>	<b>52.8</b>	(11.1)	<b>11.7</b>	51.9
<b>Adjusted EBITDA<sup>3</sup></b>	<b>231.5</b>	75.6	<b>321.8</b>	252.6
<b>Cash flow from operations</b>	<b>37.6</b>	204.5	<b>121.0</b>	266.6
<b>Adjusted operating cash flow<sup>3</sup></b>	<b>179.0</b>	49.9	<b>206.9</b>	189.1
<b>Capital expenditures<sup>4</sup></b>	<b>100.2</b>	178.7	<b>241.2</b>	360.7
<b>Per share amounts:</b>				
Basic and diluted earnings (loss) per share attributable to shareholders	<b>0.05</b>	(0.01)	<b>(0.10)</b>	0.06
Adjusted earnings (loss) per share <sup>3</sup>	<b>0.07</b>	(0.02)	<b>0.02</b>	0.07
Adjusted operating cash flow per share <sup>3</sup>	<b>0.24</b>	0.07	<b>0.28</b>	0.26
Dividends declared (C\$/share)	<b>0.04</b>	0.03	<b>0.08</b>	0.06

	June 30, 2020	December 31, 2019
<b>Total assets</b>	<b>6,980.5</b>	6,917.2
<b>Total debt and lease liabilities</b>	<b>502.0</b>	308.5
<b>Net debt<sup>3</sup></b>	<b>220.0</b>	60.2

## Summary of Quarterly Results<sup>1,2,5</sup>

(\$ millions, except per share data)	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18
<b>Revenue</b>	533.3	378.0	568.4	538.7	369.3	416.4	407.7	379.7
<b>Cost of goods sold</b>	(391.2)	(400.7)	(422.9)	(410.1)	(344.1)	(275.2)	(335.7)	(320.1)
<b>Gross profit (loss)</b>	142.1	(22.7)	145.5	128.6	25.1	141.2	72.0	59.6
<b>Net earnings (loss)</b>	48.3	(113.6)	104.8	32.1	(8.6)	60.9	31.8	9.1
- attributable to shareholders	38.7	(111.5)	97.0	26.4	(7.8)	51.7	28.8	7.0
<b>EPS - Basic and diluted</b>	0.05	(0.15)	0.13	0.04	(0.01)	0.07	0.04	0.01
<b>Cash flow from operations</b>	37.6	83.4	186.4	111.6	204.5	62.1	44.2	140.9
<b>Adjusted operating cash flow per share</b>	0.24	0.04	0.28	0.21	0.07	0.19	0.16	0.11
<b>Capital expenditures<sup>4</sup></b>	100.2	141.1	139.6	165.0	178.7	182.0	234.1	173.7

1. Except where otherwise noted, financial data has been prepared in accordance with IFRS as issued by the IASB. Upon the adoption of new standards, the Company has elected not to restate comparative periods presented.

2. Results reflect the inclusion of Chapada for the period of Lundin Mining's ownership.

3. These are non-GAAP measures please see 26 of this MD&A for discussion of non-GAAP measures.

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

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

## Revenue Overview

### Sales Volumes by Payable Metal

(Contained metal in concentrate)

	2020			2019				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
<b>Copper (tonnes)</b>								
Candelaria (100%)	71,896	34,130	37,766	139,051	34,564	42,276	31,138	31,073
Chapada <sup>1</sup>	24,933	13,446	11,487	29,884	16,127	13,757	-	-
Eagle	8,067	3,668	4,399	12,767	2,819	2,615	4,286	3,047
Neves-Corvo	19,199	11,471	7,728	41,252	11,311	12,343	9,888	7,710
Zinkgruvan	1,453	910	543	2,673	779	981	913	-
	<b>125,548</b>	<b>63,625</b>	61,923	225,627	65,600	71,972	46,225	41,830
<b>Zinc (tonnes)</b>								
Neves-Corvo	30,960	15,896	15,064	59,143	14,713	14,567	14,466	15,397
Zinkgruvan	24,749	10,465	14,284	67,463	19,314	12,657	19,466	16,026
	<b>55,709</b>	<b>26,361</b>	29,348	126,606	34,027	27,224	33,932	31,423
<b>Gold (000 oz)</b>								
Candelaria (100%)	41	19	22	83	20	25	19	19
Chapada <sup>1</sup>	40	23	17	55	28	27	-	-
	<b>81</b>	<b>42</b>	39	138	48	52	19	19
<b>Nickel (tonnes)</b>								
Eagle	5,228	2,419	2,809	10,682	3,167	1,889	3,935	1,691
<b>Lead (tonnes)</b>								
Neves-Corvo	2,607	1,309	1,298	4,591	1,210	792	1,313	1,276
Zinkgruvan	11,729	5,705	6,024	23,875	9,518	4,684	5,799	3,874
	<b>14,336</b>	<b>7,014</b>	7,322	28,466	10,728	5,476	7,112	5,150
<b>Silver (000 oz)</b>								
Candelaria (100%)	593	272	321	1,152	275	342	252	283
Chapada <sup>1</sup>	65	31	34	119	67	52	-	-
Eagle	42	22	20	72	12	22	25	13
Neves-Corvo	450	270	180	801	189	185	201	226
Zinkgruvan	776	427	349	1,594	571	335	460	228
	<b>1,926</b>	<b>1,022</b>	904	3,738	1,114	936	938	750

1. Chapada's sales volumes are presented for the period of Lundin Mining's ownership.

## Revenue Analysis

by Mine (\$ thousands)	Three months ended June 30,					Six months ended June 30,				
	2020		2019		Change	2020		2019		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
Candelaria (100%)	<b>255,132</b>	48	178,677	48	76,455	<b>428,104</b>	47	411,338	52	16,766
Chapada	<b>114,125</b>	21	-	-	114,125	<b>198,246</b>	22	-	-	198,246
Eagle	<b>52,689</b>	10	59,412	16	(6,723)	<b>100,026</b>	11	105,620	13	(5,594)
Neves-Corvo	<b>81,188</b>	15	77,519	21	3,669	<b>126,965</b>	14	162,666	21	(35,701)
Zinkgruvan	<b>30,185</b>	6	53,643	15	(23,458)	<b>57,963</b>	6	106,011	14	(48,048)
	<b>533,319</b>		369,251		164,068	<b>911,304</b>		785,635		125,669

by Metal (\$ thousands)	Three months ended June 30,					Six months ended June 30,				
	2020		2019		Change	2020		2019		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
Copper	<b>376,510</b>	71	226,953	62	149,557	<b>620,019</b>	68	493,043	63	126,976
Zinc	<b>35,120</b>	7	59,679	16	(24,559)	<b>67,224</b>	7	142,353	18	(75,129)
Gold	<b>69,645</b>	13	23,756	6	45,889	<b>126,229</b>	14	46,461	6	79,768
Nickel	<b>30,086</b>	6	33,352	9	(3,266)	<b>54,464</b>	6	59,177	8	(4,713)
Lead	<b>8,490</b>	2	12,438	3	(3,948)	<b>18,349</b>	2	22,203	3	(3,854)
Silver	<b>10,914</b>	1	8,883	3	2,031	<b>19,633</b>	2	16,797	2	2,836
Other	<b>2,554</b>	-	4,190	1	(1,636)	<b>5,386</b>	1	5,601	-	(215)
	<b>533,319</b>		369,251		164,068	<b>911,304</b>		785,635		125,669

Revenue for the quarter ended June 30, 2020 increased in comparison to the second quarter of the prior year mainly due to the addition of Chapada mine (\$114.1 million) as well as higher realized copper metal prices (\$50.9 million)

On a year-to-date basis, revenue was also higher than the prior year comparable period. The increase in revenue from the addition of the Chapada mine (\$198.2 million) as well as higher sales volumes (\$62.2 million) was partially offset by lower realized metal prices, net of price adjustments (\$154.4 million).

Revenue from gold and silver for the three and six months ended June 30, 2020 includes the partial recognition of an upfront purchase price on the sale of precious metals streams for Candelaria, Neves-Corvo and Zinkgruvan, as well as the cash proceeds which amount to \$412/oz for gold and between \$4.12/oz and \$4.40/oz for silver.

Revenue from copper for the three and six months ended June 30, 2020 includes the recognition of deferred revenue from the copper streams acquired with the Chapada mine, as well as the cash proceeds of 30% of the market price of copper sold.

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

## Provisionally valued revenue as of June 30, 2020

Metal	Payable metal	Valued at \$ per lb/oz
Copper	60,742 t	\$2.73 /lb
Zinc	14,778 t	\$0.92 /lb
Gold	30,859 oz	\$1,826 /oz
Nickel	682 t	\$5.79 /lb

## Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended June 30, 2020				
	Copper	Zinc	Gold	Nickel	Total
Current period sales <sup>1</sup>	370,779	53,589	74,549	30,480	529,398
Prior period price adjustments	29,532	(571)	3,378	(701)	31,637
	400,311	53,018	77,927	29,779	561,035
Other metal sales					38,720
Copper stream cash effect					(2,690)
Gold stream cash effect					(17,951)
Less: Treatment & refining charges					(45,795)
<b>Total Revenue</b>					<b>533,319</b>
<b>Payable Metal</b>	<b>63,625 t</b>	<b>26,361 t</b>	<b>42 koz</b>	<b>2,419 t</b>	
Current period sales <sup>1, 2</sup>	\$2.64	\$0.92	\$1,784	\$5.72	
Prior period adjustments	0.21	(0.01)	81	(0.14)	
<b>Realized prices</b>	<b>\$2.85 /lb</b>	<b>\$0.91 /lb</b>	<b>\$1,865 /oz</b>	<b>\$5.58 /lb</b>	

	Three months ended June 30, 2019				
	Copper	Zinc	Gold	Nickel	Total
Current period sales <sup>1</sup>	277,238	87,472	24,216	50,171	439,097
Prior period price adjustments	(27,274)	(7,466)	2,580	(1,067)	(33,227)
	249,964	95,331	26,796	49,104	405,870
Other metal sales					35,634
Gold stream cash effect					(11,835)
Less: Treatment & refining charges					(60,418)
<b>Total Revenue</b>					<b>369,251</b>
<b>Payable Metal</b>	<b>46,225 t</b>	<b>33,932 t</b>	<b>19 koz</b>	<b>3,935 t</b>	
Current period sales <sup>1, 2</sup>	\$2.72	\$1.17	\$1,275	\$5.78	
Prior period adjustments	(0.27)	(0.10)	136	(0.12)	
<b>Realized prices</b>	<b>\$2.45 /lb</b>	<b>\$1.07 /lb</b>	<b>\$1,410 /oz</b>	<b>\$5.66 /lb</b>	

1. Includes provisional price adjustments on current period sales.

2. The realized price for copper inclusive of the impact of streaming agreements for 2020 is \$2.83/lb (2019: n/a). The realized price for gold inclusive of the impact of streaming agreements for 2020 is \$1,435/oz (2019: \$830/oz).

## Year-to-Date Reconciliation of Realized Prices

(\$ thousands)	Six months ended June 30, 2020				
	Copper	Zinc	Gold	Nickel	Total
Current period sales <sup>1</sup>	709,479	114,214	140,494	65,509	1,029,695
Prior period price adjustments	(42,771)	(11,015)	1,119	(12,017)	(64,683)
	666,708	103,199	141,613	53,492	965,012
Other metal sales					77,899
Copper stream cash effect					(6,477)
Gold stream cash effect					(34,518)
Less: Treatment & refining charges					(90,612)
<b>Total Revenue</b>					<b>911,304</b>
<b>Payable Metal</b>	<b>125,548 t</b>	<b>55,709 t</b>	<b>81 koz</b>	<b>5,228 t</b>	
Current period sales <sup>1, 2</sup>	\$2.56	\$0.93	\$1,744	\$5.68	
Prior period adjustments	(0.15)	(0.09)	14	(1.04)	
<b>Realized prices</b>	<b>\$2.41 /lb</b>	<b>\$0.84 /lb</b>	<b>\$1,758 /oz</b>	<b>\$4.64 /lb</b>	

	Six months ended June 30, 2019				
	Copper	Zinc	Gold	Nickel	Total
Current period sales <sup>1</sup>	529,453	173,870	48,941	71,924	824,188
Prior period price adjustments	7,695	1,467	2,380	8,389	19,931
	537,148	175,337	51,321	80,313	844,119
Other metal sales					64,740
Gold stream cash effect					(22,558)
Less: Treatment & refining charges					(100,666)
<b>Total Revenue</b>					<b>785,635</b>
<b>Payable Metal</b>	<b>88,055 t</b>	<b>65,355 t</b>	<b>38 koz</b>	<b>5,626 t</b>	
Current period sales <sup>1, 2</sup>	\$2.73	\$1.21	\$1,351	\$5.80	
Prior period adjustments	0.04	0.01	63	0.68	
<b>Realized prices</b>	<b>\$2.77 /lb</b>	<b>\$1.22 /lb</b>	<b>\$1,413 /oz</b>	<b>\$6.48 /lb</b>	

1. Includes provisional price adjustments on current period sales.

2. The realized price for copper inclusive of the impact of streaming agreements for 2020 is \$2.39/lb (2019: n/a). The realized price for gold inclusive of the impact of streaming agreements for 2020 is \$1,330/oz (2019: \$710/oz).

## Financial Results

### Production Costs

Production costs for the quarter and six months ended June 30, 2020 were \$17.2 million and \$90.8 million higher, respectively, than the comparable prior year periods, due to the inclusion of production costs from the Chapada mine (Q2 2020 - \$44.0 million, YTD 2020 - \$94.7 million) and higher sales volumes at Candelaria, partially offset by favourable foreign exchange.

### Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased for the quarter and six months ended June 30, 2020 compared to the prior year periods. The increase was primarily attributable to increased amortization of deferred stripping at Candelaria of Phase 10, as well as the inclusion of Chapada.

Depreciation by operation (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Change	2020	2019	Change
Candelaria	68,065	45,962	22,103	139,134	85,761	53,373
Chapada	10,820	-	10,820	22,430	-	22,430
Eagle	17,139	20,141	(3,002)	35,906	30,316	5,590
Neves-Corvo	13,944	12,795	1,149	27,593	25,398	2,195
Zinkgruvan	7,787	8,966	(1,179)	14,243	16,030	(1,787)
Other	449	429	20	873	892	(19)
	118,204	88,293	29,911	240,179	158,397	81,782

### Loss from Equity Investment in Associate

In the fourth quarter of 2019, Freeport Cobalt sold its interest in the cobalt refinery and related cobalt precursor business. In the prior six-month period ended June 30, 2019 a loss of \$10.6 million was recognized, due mainly to inventory revaluations as a result of lower cobalt prices.

### General Exploration and Business Development

General exploration and business development expenses for the three and six months ended June 30, 2020 decreased against the prior year comparable periods by \$14.6 million and \$20.1 million, respectively. Due to the COVID-19 pandemic, surface exploration drilling and geophysical work at Neves-Corvo and Zinkgruvan continued to be postponed. The Chapada exploration program was stopped throughout April while related health and safety measures were implemented, and subsequently, a reduced drilling program was re-started later in the quarter. Limited exploration drilling at Candelaria has primarily focused on known mineralized trends within the underground workings.

### Finance Income and Costs

Net finance costs for the three and six months ended June 30, 2020 increased over the prior year comparable periods by \$10.6 million and \$23.0 million respectively, primarily due to higher interest expense from deferred revenue and lower interest income.

### Other Income and Expenses

Net other income for the six months ended June 30, 2020 was \$19.2 million, compared to net other expense of \$2.8 million in the prior year to date period. The higher income in the current year period reflects higher foreign exchange gains of \$46.7 million offset by the negative revaluation of a derivative liability related to the acquisition of the Chapada mine (\$17.7 million). Net other expense for the three months ended June 30, 2020 was \$8.5 million higher than the prior year quarter, primarily due to the revaluation of the Chapada derivative liability.

Foreign exchange gains and losses recorded in other income and expenses relate to working capital denominated in foreign currencies that were held by the Company. Period end exchange rates having a meaningful impact on foreign exchange recorded at June 30, 2020 were as follows:

	June 30, 2020	March 31, 2020	December 31, 2019
Chilean Peso	\$1.00:CLP813	\$1.00:CLP846	\$1.00:CLP749
Euro	\$1.12:€1.00	\$1.10:€1.00	\$1.12:€1.00
Brazilian Real	\$1.00:BRL5.48	\$1.00:BRL5.20	\$1.00:BRL4.03
Swedish Kroner	\$1.00:SEK9.35	\$1.00:SEK10.08	\$1.00:SEK9.32

## Income Taxes

### Income taxes by mine

Income tax expense (recovery) (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Change	2020	2019	Change
Candelaria	17,481	(10,335)	27,816	20,208	3,379	16,829
Chapada	29,506	-	29,506	105,719	-	105,719
Eagle	(41)	(2,086)	2,045	(83)	(1,909)	1,826
Neves-Corvo	657	(5,185)	5,842	(6,220)	(515)	(5,705)
Zinkgruvan	(2,935)	3,124	(6,059)	(223)	9,254	(9,477)
Other	6,045	9,314	(3,269)	9,843	15,468	(5,625)
	50,713	(5,168)	55,881	129,244	25,677	103,567

### Income taxes by classification

Income tax expense (recovery) (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Change	2020	2019	Change
Current income tax	9,671	5,684	3,987	35,834	31,392	4,442
Deferred income tax (recovery)	41,042	(10,852)	51,894	93,410	(5,715)	99,125
	50,713	(5,168)	55,881	129,244	25,677	103,567

Income tax expense for the three months ended June 30, 2020 was higher than the prior year comparable period due primarily to the acquisition of Chapada mine (\$29.5 million), which includes the deferred tax impact of a weakening BRL on non-monetary assets (\$13.2 million), and higher taxable earnings at Candelaria.

Income tax expense for the six months ended June 30, 2020 was higher than the tax expense recorded in the prior year comparable period due primarily to the acquisition of Chapada mine. Included in Chapada's tax expense of \$105.7 million for the six months ended June 30, 2020 is a non-cash expense of \$75.7 million arising from the revaluation of non-monetary assets in BRL to USD. In addition, higher taxable earnings at Candelaria were partially offset by lower taxable earnings across the other operations, as well as a \$4.5 million tax recovery from prior periods in Chile.

## Mining Operations

### Production Overview

(Contained metal in concentrate)	2020			2019				
	YTD	Q2	Q1	Total	Q4	Q3	Q2	Q1
<b>Copper (tonnes)</b>								
Candelaria (100%)	71,357	35,060	36,297	146,330	39,221	40,698	33,633	32,778
Chapada	25,680	13,799	11,881	30,529	12,884	17,645	-	-
Eagle	8,480	4,102	4,378	14,297	3,626	3,042	3,732	3,897
Neves-Corvo	19,634	10,559	9,075	41,436	10,898	12,055	9,615	8,868
Zinkgruvan	2,301	1,765	536	2,906	502	1,120	705	579
	<b>127,452</b>	<b>65,285</b>	62,167	235,498	67,131	74,560	47,685	46,122
<b>Zinc (tonnes)</b>								
Neves-Corvo	36,934	18,986	17,948	73,202	17,946	18,232	18,251	18,773
Zinkgruvan	31,595	12,596	18,999	78,313	20,979	16,796	18,865	21,673
	<b>68,529</b>	<b>31,582</b>	36,947	151,515	42,024	35,028	37,116	40,446
<b>Gold (000 oz)</b>								
Candelaria (100%)	42	21	21	88	23	24	21	20
Chapada	41	23	18	54	20	34	-	-
	<b>83</b>	<b>44</b>	39	142	43	58	21	20
<b>Nickel (tonnes)</b>								
Eagle	6,955	3,380	3,575	13,494	2,651	3,232	3,398	4,213
<b>Lead (tonnes)</b>								
Neves-Corvo	3,027	1,559	1,468	5,474	1,365	1,106	1,350	1,653
Zinkgruvan	11,812	3,799	8,013	27,703	9,361	6,291	6,219	5,832
	<b>14,839</b>	<b>5,358</b>	9,481	33,177	10,726	7,397	7,569	7,485
<b>Silver (000 oz)</b>								
Candelaria (100%)	636	305	331	1,305	337	355	292	321
Chapada	126	69	57	144	63	81	-	-
Eagle	70	35	35	143	31	40	45	27
Neves-Corvo	856	479	377	1,706	385	431	392	498
Zinkgruvan	1,051	389	662	2,464	724	630	631	479
	<b>2,739</b>	<b>1,277</b>	1,462	5,762	1,540	1,537	1,360	1,325

## Cash Cost Overview

(\$/lb)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
<b>Candelaria (cost/lb Cu)</b>				
Gross cost	1.68	2.12	1.62	1.99
By-product <sup>1</sup>	(0.32)	(0.26)	(0.29)	(0.25)
<b>Net Cash Cost</b>	<b>1.36</b>	<b>1.86</b>	<b>1.33</b>	<b>1.74</b>
<b>All-In Sustaining Cost<sup>2</sup></b>	<b>2.10</b>	<b>3.73</b>	<b>2.19</b>	<b>3.52</b>
<b>Chapada (cost/lb Cu)</b>				
Gross cost	1.56	-	1.79	-
By-product	(1.35)	-	(1.25)	-
<b>Net Cash Cost</b>	<b>0.21</b>	<b>-</b>	<b>0.54</b>	<b>-</b>
<b>All-In Sustaining Cost</b>	<b>0.64</b>	<b>-</b>	<b>0.91</b>	<b>-</b>
<b>Eagle (cost/lb Ni)</b>				
Gross cost	5.36	6.14	5.24	6.04
By-product	(4.23)	(3.00)	(3.95)	(3.74)
<b>Net Cash Cost</b>	<b>1.13</b>	<b>3.14</b>	<b>1.29</b>	<b>2.30</b>
<b>All-In Sustaining Cost</b>	<b>2.48</b>	<b>3.65</b>	<b>3.02</b>	<b>3.05</b>
<b>Neves-Corvo (cost/lb Cu)</b>				
Gross cost	2.64	3.14	2.91	3.27
By-product	(0.89)	(1.26)	(0.96)	(1.81)
<b>Net Cash Cost</b>	<b>1.75</b>	<b>1.88</b>	<b>1.95</b>	<b>1.46</b>
<b>All-In Sustaining Cost</b>	<b>2.32</b>	<b>2.60</b>	<b>2.71</b>	<b>2.23</b>
<b>Zinkgruvan (cost/lb Zn)</b>				
Gross cost	1.18	0.81	1.00	0.74
By-product	(0.62)	(0.40)	(0.47)	(0.32)
<b>Net Cash Cost</b>	<b>0.56</b>	<b>0.41</b>	<b>0.53</b>	<b>0.42</b>
<b>All-In Sustaining Cost</b>	<b>1.03</b>	<b>0.63</b>	<b>0.89</b>	<b>0.66</b>

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

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 26 of this MD&A for discussion of non-GAAP measures.

## Capital Expenditures<sup>1,2</sup>

Three months ended June 30,									
by Mine (\$ thousands)	2020				2019				
	Sustaining	Expansionary	Capitalized Interest	Total	Sustaining	Expansionary	Capitalized Interest	Total	
Candelaria	53,615	-	-	<b>53,615</b>	123,946	-	-	123,946	
Chapada	8,304	-	-	<b>8,304</b>	-	-	-	-	
Eagle	2,214	-	-	<b>2,214</b>	1,257	9,277	-	10,534	
Neves-Corvo	11,730	14,711	-	<b>26,441</b>	13,521	21,473	-	34,994	
Zinkgruvan	9,571	-	-	<b>9,571</b>	9,208	-	-	9,208	
Other	16	-	-	<b>16</b>	35	-	-	35	
	<b>85,450</b>	<b>14,711</b>	-	<b>100,161</b>	<b>147,967</b>	<b>30,750</b>	-	<b>178,717</b>	

Six months ended June 30,									
by Mine (\$ thousands)	2020				2019				
	Sustaining	Expansionary	Capitalized Interest	Total	Sustaining	Expansionary	Capitalized Interest	Total	
Candelaria	130,195	-	-	<b>130,195</b>	232,892	-	-	232,892	
Chapada	12,028	-	-	<b>12,028</b>	-	-	-	-	
Eagle	7,645	-	-	<b>7,645</b>	3,174	16,972	-	20,146	
Neves-Corvo	27,531	45,657	451	<b>73,639</b>	24,397	63,844	-	88,241	
Zinkgruvan	17,505	-	-	<b>17,505</b>	19,357	-	-	19,357	
Other	215	-	-	<b>215</b>	78	-	-	78	
	<b>195,119</b>	<b>45,657</b>	<b>451</b>	<b>241,227</b>	<b>279,898</b>	<b>80,816</b>	-	<b>360,714</b>	

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

2. Sustaining and expansionary capital expenditures are non-GAAP measures – see page 26 of this MD&A for discussion of non-GAAP measures.

## Candelaria (Chile)

### Operating Statistics

(100% Basis)	2020			2019				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	17,166	9,085	8,081	28,753	10,067	9,329	5,620	3,737
Ore milled (000s tonnes)	11,811	6,104	5,707	26,287	6,336	6,295	6,450	7,206
Grade								
Copper (%)	0.65	0.62	0.67	0.60	0.66	0.70	0.57	0.49
Gold (g/t)	0.15	0.14	0.15	0.14	0.15	0.16	0.14	0.11
Recovery								
Copper (%)	94.0	93.5	94.7	92.3	92.8	92.9	91.4	91.9
Gold (%)	73.6	74.0	73.0	72.1	74.4	71.8	70.6	70.5
Production (contained metal)								
Copper (tonnes)	71,357	35,060	36,297	146,330	39,221	40,698	33,633	32,778
Gold (000 oz)	42	21	21	88	23	24	21	20
Silver (000 oz)	636	305	331	1,305	337	355	292	321
Revenue (\$000s)	428,104	255,132	172,972	896,283	235,015	249,930	178,677	232,661
Gross profit (loss) (\$000s)	54,759	71,544	(16,785)	180,650	57,989	42,612	1,390	78,659
Cash cost (\$ per pound)	1.33	1.36	1.31	1.54	1.38	1.39	1.86	1.62
AISC (\$ per pound)	2.19	2.10	2.26	2.88	2.22	2.49	3.73	3.30

### Gross Profit

Gross profit for the three months ended June 30, 2020 was higher than the prior year quarter largely due to higher realized metal prices, lower mine and mill costs and the positive impact of foreign exchange, partially offset by higher depreciation.

Gross profit for the six months ended June 30, 2020 was \$25.3 million lower than the comparable period in 2019. The decrease was largely due to lower realized copper prices (\$58.2 million) and higher depreciation expense, partially offset by higher sales volumes (\$21.6 million) and the positive impact of foreign exchange.

### Production

Copper production for the three and six months ended June 30, 2020 was higher than the comparable periods in 2019. The increase in copper production is largely attributable to higher head grades and recoveries as more high-grade open pit and underground ore was mined in the current year. This increase in copper production was offset partially by lower throughput due to ore hardness and fewer available operational hours at the mill.

Full year production guidance for both copper and gold have been reduced to reflect actual results to date, as well as the expectation of lower than previously planned throughput for the balance of the year.

Candelaria open pit mining is advancing in Phase 10 areas in proximity to and with geomechanical conditions similar to where previous pit wall displacement issues occurred in Phase 9. Additional caution is being taken to plan and monitor ground conditions while mining in this area. Candelaria continuously performs geomechanical analysis and monitoring of pit walls, including internal operating and blasting protocols, daily inspections, high precision radars, prism with robotic control and extensometers, all aligned with industry best practices and Chilean safe mining regulations.

### Cash Costs

Copper cash costs for the three and six months ended June 30, 2020 were lower than cash costs in the prior year comparable periods. The decrease was largely due to the favourable impact of foreign exchange as well as lower per unit production costs from better diesel prices and higher sales volumes. Candelaria is well positioned to meet full year cash cost guidance of \$1.35/lb.

All-in sustaining costs for the three and six months ended June 30, 2020 were lower than those of the

corresponding periods in 2019 due to lower cash costs. All-in sustaining costs further benefitted from lower sustaining capital expenditures in the current periods as several major projects, such as the mine fleet reinvestment and development of the South Sector underground mine, were concluded by the end of 2019.

For the six months ended June 30, 2020, approximately 27,000 oz of gold and 406,000 oz of silver were subject to terms of a streaming agreement in which \$412/oz and \$4.12/oz were received for gold and silver, respectively.

### **Projects**

CMOP achieved substantial completion in the first half of 2020, with the exception of the replacement of the fourth ball mill motor. The installation of the final ball mill has been postponed to January 2021 due to the limited ability to safely mobilize contractors and consultants as a result of COVID-19 and the objective to follow planned mill maintenance down-time to optimize production. All remaining equipment necessary to complete the project is on site and available for installation.

## Chapada (Brazil)

### Operating Statistics

(100% Basis)	2020			2019				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	15,980	7,528	8,452	18,240	7,592	10,648	-	-
Ore milled (000s tonnes)	10,766	5,278	5,488	11,911	5,731	6,180	-	-
Grade								
Copper (%)	0.28	0.30	0.27	0.31	0.27	0.34	-	-
Gold (g/t)	0.21	0.23	0.20	0.24	0.20	0.28	-	-
Recovery								
Copper (%)	83.7	86.1	80.9	82.7	81.6	83.7	-	-
Gold (%)	55.8	60.0	51.0	59.4	57.0	61.0	-	-
Production (contained metal)								
Copper (tonnes)	25,680	13,799	11,881	30,529	12,884	17,645	-	-
Gold (000 oz)	41	23	18	54	20	34	-	-
Silver (000 oz)	126	69	57	144	63	81	-	-
Revenue (\$000s)	198,246	114,125	84,121	248,011	133,144	114,867	-	-
Gross profit (\$000s)	81,153	59,320	21,833	104,445	56,581	47,864	-	-
Cash cost (\$ per pound)	0.54	0.21	0.92	0.58	0.77	0.35	-	-
AISC (\$ per pound)	0.91	0.64	1.22	0.97	1.28	0.62	-	-

### Gross Profit

Gross profit for the three and six months ended June 30, 2020 was lower than expected due to negative copper price adjustments, partially offset by higher gold prices and favourable foreign exchange rates.

### Production

The production of both copper and gold was in-line with expectations for the three and six months ended June 30, 2020, as improving ore grades and recoveries for both metals offset lower throughput resulting from ore hardness.

Chapada remains on-track to achieve full year copper and gold production guidance.

### Cash Costs

Copper cash costs for the three and six months ended June 30, 2020 were better than expected, benefitting primarily from favourable foreign exchange rates, as well as continued strong gold prices which improved the realized by-product credit. As a result, full year cash cost guidance has improved to \$0.65/lb from \$0.85/lb.

AISC was also better than expected due to lower cash costs and sustaining capital expenditures.

### Projects

The Company is continuing to evaluate options for long-term mine and plant expansion. Study work progressed during the second quarter and is being completed in parallel with exploration efforts, largely focused on near-mine targets, with results to be incorporated in any future expansionary plans.

The 2020 exploration program includes approximately 40,000 metres of planned drilling and geophysical surveys. During the quarter, 4,416 metres of drilling were completed, for a total of 9,810 metres year-to-date. Drilling during the second half of the year will continue to focus primarily on the Buriti, Santa Cruz Extension and Cava Norte NE near mine targets. Restrictions on contractors due to COVID-19 have impacted exploration drilling and, if prolonged, could impact the overall achievement of annual drilling plans.

## Eagle (USA)

### Operating Statistics

	2020			2019				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	374	185	189	748	194	197	192	165
Ore milled (000s tonnes)	377	183	194	747	191	197	194	165
Grade								
Nickel (%)	2.2	2.2	2.2	2.2	1.7	2.0	2.1	3.0
Copper (%)	2.3	2.3	2.4	2.0	2.0	1.6	2.0	2.4
Recovery								
Nickel (%)	83.2	82.5	83.9	82.1	80.5	80.4	81.3	85.0
Copper (%)	96.4	96.6	96.3	96.0	95.3	95.5	95.7	97.6
Production (contained metal)								
Nickel (tonnes)	6,955	3,380	3,575	13,494	2,651	3,232	3,398	4,213
Copper (tonnes)	8,480	4,102	4,378	14,297	3,626	3,042	3,732	3,897
Revenue (\$000s)	100,026	52,689	47,337	212,929	53,592	53,717	59,412	46,208
Gross profit (loss) (\$000s)	(5,026)	3,762	(8,788)	35,987	(1,021)	19,350	(800)	18,458
Cash cost (\$ per pound)	1.29	1.13	1.43	2.84	3.53	3.25	3.14	0.37
AISC (\$ per pound)	3.02	2.48	3.50	3.74	4.53	4.37	3.65	1.65

### Gross Profit

Gross profit for the three months ended June 30, 2020 was higher than the gross loss recorded in the prior year comparable period due primarily to lower treatment and refining costs in the current quarter.

On a year-to-date basis, a gross loss was recorded compared to the gross profit recorded in the prior year comparative period. The decrease was due to lower realized metal prices (\$27.8 million) in the current year, partially offset by lower treatment and refining costs.

### Production

Nickel production for the three months ended June 30, 2020 was in-line with the prior year comparable periods. On a year-to-date basis nickel production was lower than the prior year period as a result of lower grades.

Copper production for the three and six months ended June 30, 2020 was higher than the comparable periods in 2019 due largely to higher grades.

Full year production guidance for copper has been improved.

### Cash Costs

Nickel cash costs for the three and six months ended June 30, 2020 were lower than cash costs reported in the prior year comparable periods. The decrease in cash costs is primarily due to lower treatment and refining charges. Full year cash cost guidance has been improved to \$0.85/lb from \$1.00/lb due to improved by-product metal price outlook.

All-in sustaining costs for the three and six months ended June 30, 2020 were lower than those of the corresponding periods in 2019, as a result of lower cash costs.

## Neves-Corvo (Portugal)

### Operating Statistics

	2020			2019				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	1,355	715	640	2,702	686	699	628	689
Ore mined, zinc (000 tonnes)	558	272	286	1,153	290	284	283	296
Ore milled, copper (000 tonnes)	1,373	734	639	2,679	681	702	626	670
Ore milled, zinc (000 tonnes)	570	286	284	1,137	286	285	280	286
Grade								
Zinc (%)	1.8	1.8	1.8	2.0	2.1	2.1	2.0	1.7
Copper (%)	8.3	8.5	8.0	7.9	7.8	7.8	7.9	8.0
Recovery								
Copper (%)	79.4	81.3	77.4	78.3	77.9	80.6	75.8	79.3
Zinc (%)	77.2	76.7	77.7	78.8	78.0	80.2	78.6	78.3
Production (contained metal)								
Copper (tonnes)	19,634	10,559	9,075	41,436	10,898	12,055	9,615	8,868
Zinc (tonnes)	36,934	18,986	17,948	73,202	17,946	18,232	18,251	18,773
Lead (tonnes)	3,027	1,559	1,468	5,474	1,365	1,106	1,350	1,653
Silver (000 oz)	856	479	377	1,706	385	431	392	498
Revenue (\$000s)	126,965	81,188	45,777	337,167	88,492	86,009	77,519	85,147
Gross profit (loss) (\$000s)	(13,627)	6,299	(19,926)	42,896	8,772	11,546	3,834	18,744
Cash cost (€ per pound)	1.76	1.58	2.03	1.42	1.61	1.44	1.68	0.81
Cash cost (\$ per pound)	1.95	1.75	2.24	1.59	1.78	1.60	1.88	0.92
AISC (\$ per pound)	2.71	2.32	3.28	2.38	2.65	2.35	2.60	1.72

### Gross Profit

Gross profit for the three months ended June 30, 2020 was higher than the comparable period in 2019, as higher sales volumes, cost savings, and favourable foreign exchange more than offset lower realized prices.

Gross profit for the six months ended June 30, 2020 was lower than the prior year period resulting from lower metal prices and price adjustments realized primarily in the first quarter.

### Production

Copper production for the three and six months ended June 30, 2020 was higher than the prior year comparable periods, benefitting from record throughput in the current year, as well as improved recoveries.

Zinc production for the three months ended June 30, 2020 was higher than the prior year period largely due to higher head grades. Zinc production for the six months ended June 30, 2020 was comparable to the prior year.

Both copper and zinc full year production guidance targets remain unchanged.

### Cash Costs

Copper cash costs for the three months ended June 30, 2020 were lower than those of the corresponding period in 2019. The decrease is a result of higher sales volumes in the current quarter as well as favourable foreign exchange, partially offset by the effect of lower by-product metal prices.

Year-to-date, copper cash costs were higher than the prior year comparable period, as lower per unit costs and favourable foreign exchange in the current year were more than offset by lower by-product credits arising from lower metal prices.

Full year cash cost guidance of \$2.10/lb remains unchanged.

All-in sustaining costs for the three months ended June 30, 2020 were lower than the corresponding period in 2019 due to lower cash costs and decreased spending on sustaining capital expenditures. For the six months ended

June 30, 2020 all-in sustaining costs were higher than the prior year comparable period, as lower sustaining capital expenditures were more than offset by higher cash costs.

### **Projects**

Major construction and commissioning activities on ZEP continue to be temporarily suspended in order to reduce the risk to our employees, contractors and local communities as a result of the COVID-19 pandemic.

During the second quarter, minor works were carried out to secure the surface and underground construction sites, as well as demobilization of some contractor equipment and supplies. Minor works that can be carried out without introducing additional risk to the operation have been planned for the second half of 2020 include ventilation raise work, pre-commissioning activities on the SAG mill and surface conveyor installations.

A revised 2020 capital expenditure estimate of ZEP is estimated to be \$65 million which includes the above-mentioned remaining 2020 activities. Total project expenditure remains unchanged from previous guidance of €360.0 million.

Restart is planned for early 2021. This timing will be dependent on public health restrictions and recommendations, as well as the Company's internal policies, in order to safeguard and protect the workforce from the spread of COVID-19. If current safety requirements for social distancing and other personnel limitations remain in place in 2021 it is anticipated that the project would mobilize a smaller number of contractors than originally planned with an extended schedule in order to take the project forward.

## Zinkgruvan (Sweden)

### Operating Statistics

	2020			2019				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	603	279	324	1,138	336	230	303	269
Ore mined, copper (000 tonnes)	125	81	44	182	28	65	37	52
Ore milled, zinc (000 tonnes)	569	239	329	1,120	322	254	292	252
Ore milled, copper (000 tonnes)	119	98	21	178	26	63	48	41
Grade								
Zinc (%)	6.2	5.9	6.4	7.6	7.1	7.2	7.2	9.3
Lead (%)	2.6	2.0	2.9	3.1	3.5	3.1	2.7	2.9
Copper (%)	2.2	2.1	2.8	1.8	2.2	1.9	1.7	1.6
Recovery								
Zinc (%)	90.1	89.5	90.4	91.5	91.7	92.2	89.7	92.5
Lead (%)	81.4	78.1	83.0	80.9	83.0	80.8	80.0	78.6
Copper (%)	86.1	84.8	90.6	89.1	89.6	90.8	86.0	89.1
Production (contained metal)								
Zinc (tonnes)	31,595	12,596	18,999	78,313	20,979	16,796	18,865	21,673
Lead (tonnes)	11,812	3,799	8,013	27,703	9,361	6,291	6,219	5,832
Copper (tonnes)	2,301	1,765	536	2,906	502	1,120	705	579
Silver (000 oz)	1,051	389	662	2,464	724	630	631	479
Revenue (\$000s)	57,963	30,185	27,778	198,323	58,120	34,192	53,643	52,368
Gross profit (\$000s)	4,442	2,239	2,203	81,341	23,928	8,557	21,873	26,983
Cash cost (SEK per pound)	5.19	5.50	4.96	3.69	2.95	4.02	3.88	4.08
Cash cost (\$ per pound)	0.53	0.56	0.51	0.39	0.31	0.42	0.41	0.44
AISC (\$ per pound)	0.89	1.03	0.79	0.65	0.62	0.70	0.63	0.69

### Gross Profit

Gross profit for the three and six months ended June 30, 2020 was lower than the comparable periods in 2019. The decrease is largely attributable to lower sales volumes and lower comparable metal prices net of price adjustments.

### Production

Zinc production for the three and six months ended June 30, 2020 was lower than the prior year comparable periods. Ground conditions encountered in certain high-grade stopes in the first quarter resulted in a change in mine sequencing, which has deferred production from these areas into the second half of 2020 and first quarter of 2021.

Lead production for the three and six months ended June 30, 2020 was lower than the prior year comparable periods as a result of lower head grades.

Zinc and lead production have also been negatively affected by increased sequencing of copper production.

Copper production for the three and six months ended June 30, 2020 was significantly higher than the comparable periods due to a combination of higher throughput in the mill and higher grades from sequencing.

Full year zinc and copper production guidance remains unchanged.

### Cash Costs

Zinc cash costs for the three and six months ended June 30, 2020 were higher than the prior year comparable period largely due to lower sales volumes, resulting in higher per unit costs, and lower by-product metal prices.

Zinkgruvan expects to achieve the full year cash cost target of \$0.60/lb.

All-in sustaining costs for the three and six months ended June 30, 2020 were higher than those reported in the corresponding periods in 2019 due to higher cash costs as well as higher per unit sustaining capital expenditures.

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

The average metal prices for copper, zinc and nickel for the second quarter 2020 were lower than the average prices for the first quarter by; 5% copper, 8% zinc and 4% nickel. The average metal price for gold during the second quarter 2020 was higher than the average price for the first quarter by 8%. The prices for copper, zinc and nickel decreased during April and May on the backdrop of concerns surrounding the COVID-19 pandemic but recovered in June as supply cuts and increased demand in China became evident.

(Average LME Price)		Three months ended June 30,			Six months ended June 30,		
		2020	2019	Change	2020	2019	Change
Copper	US\$/pound	<b>2.43</b>	2.77	-12%	<b>2.49</b>	2.80	-11%
	US\$/tonne	<b>5,356</b>	6,113		<b>5,500</b>	6,165	
Zinc	US\$/pound	<b>0.89</b>	1.25	-29%	<b>0.93</b>	1.24	-25%
	US\$/tonne	<b>1,961</b>	2,763		<b>2,047</b>	2,732	
Gold	US\$/ounce	<b>1,711</b>	1,309	31%	<b>1,645</b>	1,307	26%
Nickel	US\$/pound	<b>5.54</b>	5.56	-	<b>5.66</b>	5.59	1%
	US\$/tonne	<b>12,215</b>	12,258		<b>12,475</b>	12,315	

LME inventories for zinc and nickel increased during the second quarter of 2020 by 68% and 2%, respectively while the LME inventory for copper decreased by 3% during the same period.

During the second quarter of 2020 the treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates between miners and commodity traders decreased from an average spot TC during April of \$45 per dmt of concentrate and a spot RC of \$0.045 per lb of payable copper to a spot TC of \$39 per dmt of concentrate and a spot RC of \$0.039 per lb of payable copper during June 2020. Also, the spot terms at which Chinese copper smelters were prepared to buy decreased through the quarter from a TC of \$60 per dmt of concentrate and a RC of \$0.060 per payable lb of copper over April to a TC of \$51 per dmt of concentrate and a RC of \$0.051 per payable lb of copper at the end of June. The terms for annual contracts for copper concentrates for 2020 were reached in November 2019 at a TC of \$62 per dmt with a RC of \$0.062 per payable lb of copper.

The spot TC, delivered China, for zinc concentrates during the second quarter of 2020 decreased from \$265 per dmt, flat, at the end of March to \$170 per dmt, flat, by the end of the second quarter, on limited supply of zinc concentrates due to mine closures in Latin America caused by the COVID-19 pandemic. At the end of March, there had been a reported settlement in the negotiations between a mine and smelters for annual contracts for zinc concentrates at a level of \$299.75 per dmt, flat.

The Company's nickel concentrate production from Eagle is sold under several long-term contracts at terms in-line with market conditions. Gold production from Chapada and Candelaria is sold at terms in-line with market conditions for copper concentrates.

## Liquidity and Capital Resources

As at June 30, 2020, the Company had cash and cash equivalents of \$283.9 million. With the ongoing COVID-19 pandemic, a great deal of uncertainty remains in the marketplace, as well as potential risks to production, supply chain, delivery of concentrates, commodity prices and many other variables. However, the Company continues to expect to be able to fund all its contractual commitments and obligations through operating cash flow generated, cash on hand and available debt facilities.

Cash flow from operations for the quarter ended June 30, 2020 was \$37.6 million, a decrease of \$166.9 million in comparison to the \$204.5 million reported in the prior year quarter. The decrease was primarily attributable to the comparative change in non-cash working capital (\$295.9 million) partially offset by higher gross profit before depreciation. On a year-to-date basis cash flow from operations was \$145.6 million lower than the prior year due primarily to the change in non-cash working capital.

Cash flow used in investing activities decreased when compared to the prior year comparable quarter primarily due to lower investments in mineral properties, plant and equipment. The decrease in capital investments reflects the completion of some major projects at Candelaria and the temporary suspension of ZEP. On a year-to-date basis, less cash flow was used in investing activities due to reduced capital spending and receipt of a contingent consideration on the Company's sale of its interest in the Tenke Fungurume mine (\$25.7 million).

Cash flow used in financing activities decreased by \$13.8 million compared to the prior year quarter due to a net increase in debt proceeds in the current quarter. On a year-to-date basis cash flow generated from financing activities was higher than the prior year period by \$140.3 million also due to a net increase in the proceeds from debt.

### Capital Resources

As at June 30, 2020, the Company had \$502.0 million of debt and lease liabilities.

As at June 30, 2020, the Company had \$345.0 million drawn on its credit facility, \$90.0 million in outstanding term loans, \$22.5 million of commercial paper and \$8.9 million of equipment financing.

During the second quarter of 2020, the Company did not make any purchases under its Normal Course Issuer Bid. For the six months ended June 30, 2020, 1.6 million shares were purchased for total consideration of \$7.4 million. All of the common shares purchased have been cancelled.

### Contractual Obligations, Commitments and Contingencies

The Company has contractual obligations and capital commitments as described in the Note 19 "Commitments and Contingencies" in the Company's Condensed Interim Consolidated Financial Statements. From time to time, the Company may also be involved in legal proceedings that arise in the ordinary course of its business.

### Financial Instruments

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

For details of the Company's financial instruments refer to Note 18 of the Company's Condensed Interim Consolidated Financial Statements.

## Sensitivities

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

### Foreign Currency Denominated Production Costs

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

Currency	Change	Three months ended June 30, 2020 (\$millions)	Six months ended June 30, 2020 (\$millions)
Chilean peso	+/-10%	+/- \$8.7	+/- \$17.3
Euro	+/-10%	+/- \$7.3	+/- \$12.5
Swedish krona	+/-10%	+/- \$2.7	+/- \$4.6
Brazilian real	+/-10%	+/- \$3.1	+/- \$7.7

### Metal Price Sensitivity

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

Metal	Payable Metal	Provisional price on June 30, 2020	Change	Effect on Revenue (\$millions)
Copper	60,742 t	\$2.73/lb	+/- 10%	+/- \$36.6
Zinc	14,778 t	\$0.92/lb	+/- 10%	+/- \$3.0
Gold	30,859 oz	\$1,826/oz	+/- 10%	+/- \$5.6
Nickel	682 t	\$5.79/lb	+/- 10%	+/- \$0.9

## Related Party Transactions

The Company enters into related party transactions that are in the normal course of business and on an arm's length basis. Related party disclosures can be found in Note 21 of the Company's June 30, 2020 Consolidated Financial Statements.

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

The Company describes its significant accounting policies as well as any changes in accounting policies in Note 2 "Basis of Presentation and Significant Accounting Policies" of the June 30, 2020 Condensed Interim Consolidated Financial Statements. No significant changes in accounting policies have occurred.

## Non-GAAP Performance Measures

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

### Net Debt

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

(\$thousands)	June 30, 2020	March 31, 2020	December 31, 2019
Current portion of debt and lease liabilities	127,616	104,754	80,782
Debt and lease liabilities	374,349	377,824	227,767
Deferred financing fees (netted in above)	501,965	482,578	308,549
	1,938	2,088	2,238
Cash and cash equivalents	503,903	484,666	310,787
	(283,940)	(366,920)	(250,563)
<b>Net debt</b>	<b>219,963</b>	<b>117,746</b>	<b>60,224</b>

### Adjusted Operating Cash Flow and Adjusted Operating Cash Flow per Share

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

Adjusted operating cash flow and adjusted operating cash flow per share can be reconciled to cash provided by operating activities as follows:

(\$thousands, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Cash provided by operating activities	37,611	204,469	121,022	266,609
Changes in non-cash working capital items	141,359	(154,530)	85,830	(77,549)
<b>Adjusted operating cash flow</b>	<b>178,970</b>	<b>49,939</b>	<b>206,852</b>	<b>189,060</b>
Weighted average common shares outstanding	733,632,700	735,934,553	734,059,980	735,598,232
<b>Adjusted operating cash flow per share</b>	<b>0.24</b>	<b>0.07</b>	<b>0.28</b>	<b>0.26</b>

## Adjusted EBITDA, Adjusted Earnings and Adjusted Earnings per Share

Adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”), adjusted earnings and adjusted earnings per share are non-GAAP measures. These measures are presented to provide additional information to investors and other stakeholders on the Company’s underlying operational performance. Certain items have been excluded from adjusted EBITDA and adjusted earnings such as unrealized foreign exchange and revaluation gains and losses, impairment charges and reversals, gain or loss on debt settlement, interest on tax refunds and assessments, litigations settlements and other items that do not represent the Company’s current and on-going operations and are not necessarily indicative of future operating results.

Adjusted EBITDA can be reconciled to the Company's Consolidated Statement of Earnings as follows:

(\$thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net earnings (loss)	48,258	(8,626)	(65,310)	52,323
Add back:				
Depreciation, depletion and amortization	118,204	88,293	240,179	158,397
Finance income and costs	15,272	4,670	31,436	8,406
Income taxes	50,713	(5,168)	129,244	25,677
	232,447	79,169	335,549	244,803
Unrealized foreign exchange	(12,599)	(1,417)	(37,873)	(863)
Unrealized revaluation loss (gain) on derivative asset/liability	12,826	(192)	17,664	(362)
Revaluation of marketable securities	(1,635)	(589)	553	(581)
(Income) loss from investment in associates	(2,030)	(1,288)	(1,946)	10,647
Project standby and suspension costs	3,829	-	6,341	-
Other	(1,386)	(45)	1,518	(1,045)
Total adjustments - EBITDA	(995)	(3,531)	(13,743)	7,796
<b>Adjusted EBITDA</b>	<b>231,452</b>	<b>75,638</b>	<b>321,806</b>	<b>252,599</b>

Adjusted earnings and adjusted earnings per share can be reconciled to the Company's Consolidated Statement of Earnings as follows:

(\$thousands, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net earnings (loss) attributable to Lundin Mining shareholders	38,729	(7,793)	(72,756)	43,873
Add back:				
Total adjustments - EBITDA	(995)	(3,531)	(13,743)	7,796
Tax effect on adjustments	3,479	442	11,062	310
Deferred tax arising from foreign exchange translation	13,209	-	75,662	-
Tax asset revaluations	-	-	13,562	-
Other	(1,635)	(170)	(2,062)	(86)
Total	14,058	(3,259)	84,481	8,020
<b>Adjusted earnings (loss)</b>	<b>52,787</b>	<b>(11,052)</b>	<b>11,725</b>	<b>51,893</b>

Weighted average number of shares outstanding:

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

Basic and diluted earnings per share attributable to Lundin Mining shareholders:

Net earnings (loss)	0.05	(0.01)	(0.10)	0.06
Total adjustments	0.02	(0.01)	0.12	0.01
<b>Adjusted earnings (loss) per share</b>	<b>0.07</b>	<b>(0.02)</b>	<b>0.02</b>	<b>0.07</b>

## Capital Expenditures

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

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

Where an expenditure both maintains and expands current operations, classification would be based on the primary decision for which the expenditure is being made. Sustaining and expansionary capital expenditures are reported excluding capitalized interest.

## Cash Cost per Pound

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

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

## All-in Sustaining Cost (AISC) per Pound

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

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

Three months ended June 30, 2020						
Operations	Candelaria	Chapada	Eagle	Neves-Corvo	Zinkgruvan	Total
(\$000s, unless otherwise noted)	(Cu)	(Cu)	(Ni)	(Cu)	(Zn)	
Sales volumes (Contained metal in concentrate):						
Tonnes	34,130	13,446	2,419	11,471	10,465	
Pounds (000s)	75,244	29,643	5,333	25,289	23,071	
Production costs						273,024
Less: Royalties and other						(7,264)
						265,760
Deduct: By-product credits						(123,887)
Add: Treatment and refining charges						29,700
Cash cost	102,099	6,284	6,000	44,220	12,970	171,573
<b>Cash cost per pound (\$/lb)</b>	<b>1.36</b>	<b>0.21</b>	<b>1.13</b>	<b>1.75</b>	<b>0.56</b>	
Add: Sustaining capital expenditure						
Royalties	53,615	8,304	2,214	11,730	9,571	
Interest expense	-	2,709	2,878	899	-	
Leases & other	964	1,249	313	74	-	
	1,629	446	1,803	1,728	1,179	
All-in sustaining cost	158,307	18,992	13,208	58,651	23,720	
<b>AISC per pound (\$/lb)</b>	<b>2.10</b>	<b>0.64</b>	<b>2.48</b>	<b>2.32</b>	<b>1.03</b>	

Three months ended June 30, 2019						
Operations	Candelaria	Chapada	Eagle	Neves-Corvo	Zinkgruvan	Total
(\$000s, unless otherwise noted)	(Cu)	(Cu)	(Ni)	(Cu)	(Zn)	
Sales volumes (Contained metal in concentrate):						
Tonnes	31,138	-	3,935	9,888	19,466	
Pounds (000s)	68,647	-	8,675	21,799	42,915	
Production costs						255,838
Less: Royalties and other						(2,531)
						253,307
Deduct: By-product credits						(88,337)
Add: Treatment and refining charges						48,352
Cash cost	127,478	-	27,213	41,073	17,558	213,322
<b>Cash cost per pound (\$/lb)</b>	<b>1.86</b>	<b>-</b>	<b>3.14</b>	<b>1.88</b>	<b>0.41</b>	
Add: Sustaining capital expenditure						
Royalties	126,249	-	1,073	13,867	8,930	
Interest expense	-	-	2,550	447	-	
Leases & other	1,544	-	490	193	73	
	841	-	315	1,164	305	
All-in sustaining cost	256,112	-	31,641	56,744	26,866	
<b>AISC per pound (\$/lb)</b>	<b>3.73</b>	<b>-</b>	<b>3.65</b>	<b>2.60</b>	<b>0.63</b>	

Six months ended June 30, 2020						
Operations	Candelaria	Chapada	Eagle	Neves-Corvo	Zinkgruvan	Total
(\$000s, unless otherwise noted)	(Cu)	(Cu)	(Ni)	(Cu)	(Zn)	
Sales volumes (Contained metal in concentrate):						
Tonnes	71,896	24,933	5,228	19,199	24,749	
Pounds (000s)	158,503	54,968	11,526	42,326	54,562	
Production costs						551,709
Less: Royalties and other						(17,106)
						534,603
Deduct: By-product credits						(227,147)
Add: Treatment and refining charges						59,275
Cash cost	210,779	29,560	14,871	82,380	29,141	366,731
<b>Cash cost per pound (\$/lb)</b>	<b>1.33</b>	<b>0.54</b>	<b>1.29</b>	<b>1.95</b>	<b>0.53</b>	
Add: Sustaining capital expenditure	130,195	12,028	7,645	27,531	17,505	
Royalties	-	4,947	7,741	1,311	-	
Interest expense	2,180	2,217	625	148	129	
Leases & other	3,333	1,158	3,883	3,177	1,934	
All-in sustaining cost	346,487	49,910	34,765	114,547	48,709	
<b>AISC per pound (\$/lb)</b>	<b>2.19</b>	<b>0.91</b>	<b>3.02</b>	<b>2.71</b>	<b>0.89</b>	

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

## Managing Risks

### Risks and Uncertainties

The Company's business activities are subject to a variety and wide range of inherent risks and uncertainties. Any of these risks could have an adverse effect on the Company, its business and prospects, and could cause actual outcomes and results to differ materially from those described in forward-looking statements relating to the Company.

As a result of the global COVID-19 pandemic increased levels of volatility have adversely impacted the economies and financial markets of many countries. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on commodity prices, demand for metals, availability of credit, investor confidence, and general financial market liquidity, all of which may adversely affect the Company's business and the market price of the Company's securities. In addition, there may not be an adequate response to emerging infectious diseases. There are potentially significant economic and social impacts, including labour shortages and shutdowns, delays and disruption in supply chains, social unrest, government or regulatory actions or inactions (including but not limited to permanent changes in taxation or policies), decreased demand or the inability to sell and deliver concentrates and resulting commodities, declines in the price of commodities, delays in permitting or approvals, governmental disruptions or other unknown but potentially significant impacts. Given the global nature of the Company's operations, the Company may not be able to accurately predict which operations will be impacted. Any outbreak or threat of an outbreak of a contagion or epidemic disease could have a material adverse effect on the Company, its business and operational results.

For a detailed discussion on Lundin Mining's risks, refer to the "Risks and Uncertainties" section of the Company's most recently filed Annual Information Form ("AIF").

## Management's Report on Internal Controls

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

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

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

The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations ICFR may not prevent or detect all misstatements and fraud. Management will continue to monitor the effectiveness of its ICFR and may make modifications from time to time as considered necessary.

### Control Framework

Management assesses the effectiveness of the Company's ICFR using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO').

### Changes in ICFR

There have been no changes in the Company's ICFR during the three-month period ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

## Outstanding Share Data

As at July 29, 2020, the Company has 733,777,747 common shares issued and outstanding, and 12,751,630 stock options and 2,657,000 share units outstanding under the Company's incentive plans.

**Other Information**

Additional information regarding the Company is included in the Company's AIF which is filed with the Canadian securities regulators. A copy of the Company's AIF can be obtained on SEDAR ([www.sedar.com](http://www.sedar.com)) or on the Company's website ([www.lundinmining.com](http://www.lundinmining.com)).