

Condensed Interim Consolidated Financial Statements of

# **Lundin Mining Corporation**

September 30, 2021  
(Unaudited)

**LUNDIN MINING CORPORATION**

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands of US dollars)

	As at	
	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 428,300	\$ 141,447
Trade and other receivables (Note 4)	367,271	360,557
Income taxes receivable	83,574	61,416
Inventories (Note 5)	215,794	254,044
Other current assets	20,301	20,462
<b>Total current assets</b>	<b>1,115,240</b>	<b>837,926</b>
Restricted funds	54,774	56,611
Long-term inventory (Note 5)	759,962	692,362
Other non-current assets	12,347	9,699
Mineral properties, plant and equipment (Note 6)	4,999,992	5,125,611
Investment in associate (Note 7)	36,422	22,342
Deferred tax assets	22,578	62,743
Goodwill	245,193	251,183
<b>Total assets</b>	<b>\$ 7,246,508</b>	<b>\$ 7,058,477</b>
<b>LIABILITIES</b>		
Trade and other payables (Note 8)	\$ 359,974	\$ 317,029
Income taxes payable	132,622	69,738
Current portion of debt and lease liabilities (Note 9)	17,660	116,942
Current portion of deferred revenue (Note 10)	81,924	80,832
Current portion of reclamation and other closure provisions (Note 11)	6,604	2,844
<b>Total current liabilities</b>	<b>598,784</b>	<b>587,385</b>
Debt and lease liabilities (Note 9)	19,974	86,106
Deferred revenue (Note 10)	631,914	658,734
Reclamation and other closure provisions (Note 11)	363,728	441,401
Other long-term liabilities	62,348	76,000
Provision for pension obligations	8,378	11,219
Deferred tax liabilities	745,131	701,103
<b>Total liabilities</b>	<b>1,831,473</b>	<b>1,974,563</b>
<b>Total liabilities</b>	<b>2,430,257</b>	<b>2,561,948</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 12)	4,202,690	4,201,277
Contributed surplus	53,544	52,098
Accumulated other comprehensive loss	(247,116)	(177,215)
Retained earnings (deficit)	262,870	(98,231)
Equity attributable to Lundin Mining Corporation shareholders	4,271,988	3,977,929
Non-controlling interests	544,263	518,600
<b>Total equity</b>	<b>4,816,251</b>	<b>4,496,529</b>
<b>Total equity</b>	<b>\$ 7,246,508</b>	<b>\$ 7,058,477</b>
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

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020 <sup>1</sup>	2021	2020 <sup>1</sup>
Revenue (Note 13)	\$ 756,394	\$ 600,673	\$ 2,310,196	\$ 1,511,977
Cost of goods sold				
Production costs (Note 14)	(331,816)	(279,373)	(996,246)	(831,082)
Depreciation, depletion and amortization	(120,637)	(121,957)	(377,397)	(362,136)
Gross profit	303,941	199,343	936,553	318,759
General and administrative expenses	(10,828)	(10,319)	(33,519)	(32,871)
General exploration and business development	(8,987)	(11,642)	(36,310)	(34,262)
Finance income (Note 16)	206	5,515	1,901	5,524
Finance costs (Note 16)	(10,349)	(12,300)	(32,218)	(43,745)
Income from equity investment in associate (Note 7)	21,088	1,034	22,234	2,980
Other income (expense) (Note 17)	1,184	(8,099)	(7,219)	(14,072)
Earnings before income taxes	296,255	163,532	851,422	202,313
Current tax (expense) recovery	(89,580)	11,464	(149,560)	(24,370)
Deferred tax expense	(16,095)	(41,401)	(88,631)	(109,658)
Net earnings	\$ 190,580	\$ 133,595	\$ 613,231	\$ 68,285
<b>Net earnings attributable to:</b>				
Lundin Mining Corporation shareholders	\$ 173,740	\$ 122,355	\$ 551,568	\$ 49,599
Non-controlling interests	16,840	11,240	61,663	18,686
Net earnings	\$ 190,580	\$ 133,595	\$ 613,231	\$ 68,285
Basic and diluted earnings per share attributable to				
Lundin Mining Corporation shareholders	\$ 0.24	\$ 0.17	\$ 0.75	\$ 0.07
Weighted average number of shares outstanding (Note 12)				
Basic	736,443,985	733,825,007	737,314,204	733,981,090
Diluted	738,663,357	735,514,039	739,906,402	734,981,419

<sup>1</sup>Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iv).

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

**LUNDIN MINING CORPORATION**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited - in thousands of US dollars)

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net earnings	\$ 190,580	\$ 133,595	\$ 613,231	\$ 68,285
<b>Other comprehensive (loss) income, net of taxes</b>				
Item that may be reclassified subsequently to net earnings:				
Effects of foreign exchange	(30,432)	48,293	(69,901)	44,552
<b>Other comprehensive (loss) income</b>	<b>(30,432)</b>	<b>48,293</b>	<b>(69,901)</b>	<b>44,552</b>
<b>Total comprehensive income</b>	<b>\$ 160,148</b>	<b>\$ 181,888</b>	<b>\$ 543,330</b>	<b>\$ 112,837</b>
<b>Comprehensive income attributable to:</b>				
Lundin Mining Corporation shareholders	\$ 143,308	\$ 170,648	\$ 481,667	\$ 94,151
Non-controlling interests	16,840	11,240	61,663	18,686
<b>Total comprehensive income</b>	<b>\$ 160,148</b>	<b>\$ 181,888</b>	<b>\$ 543,330</b>	<b>\$ 112,837</b>

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	Retained earnings (deficit)	Non- controlling interests	Total
Balance, December 31, 2020	736,039,350	\$ 4,201,277	\$ 52,098	\$ (177,215)	\$ (98,231)	\$ 518,600	\$ 4,496,529
Distributions	-	-	-	-	-	(36,000)	(36,000)
Exercise of share-based awards	3,234,454	23,170	(8,142)	-	-	-	15,028
Share-based compensation	-	-	9,588	-	-	-	9,588
Dividends declared (Note 12(c))	-	-	-	-	(176,279)	-	(176,279)
Share purchase (Note 12(d))	(3,798,000)	(21,757)	-	-	(14,188)	-	(35,945)
Net earnings	-	-	-	-	551,568	61,663	613,231
Other comprehensive loss	-	-	-	(69,901)	-	-	(69,901)
Total comprehensive (loss) income	-	-	-	(69,901)	551,568	61,663	543,330
<b>Balance, September 30, 2021</b>	<b>735,475,804</b>	<b>\$ 4,202,690</b>	<b>\$ 53,544</b>	<b>\$ (247,116)</b>	<b>\$ 262,870</b>	<b>\$ 544,263</b>	<b>\$ 4,816,251</b>
Balance, December 31, 2019	734,233,642	\$ 4,184,667	\$ 51,339	\$ (284,649)	\$ (178,298)	\$ 524,341	\$ 4,297,400
Distributions	-	-	-	-	-	(26,000)	(26,000)
Exercise of share-based awards	1,671,923	9,234	(4,595)	-	-	-	4,639
Share-based compensation	-	-	7,680	-	-	-	7,680
Dividends declared	-	-	-	-	(65,187)	-	(65,187)
Share purchase	(2,212,600)	(9,644)	-	-	(1,449)	-	(11,093)
Net earnings	-	-	-	-	49,599	18,686	68,285
Other comprehensive income	-	-	-	44,552	-	-	44,552
Total comprehensive income	-	-	-	44,552	49,599	18,686	112,837
Balance, September 30, 2020	733,692,965	\$ 4,184,257	\$ 54,424	\$ (240,097)	\$ (195,335)	\$ 517,027	\$ 4,320,276

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		Nine months ended	
	September 30,		September 30,	
	2021	2020 <sup>1</sup>	2021	2020 <sup>1</sup>
<b>Operating activities</b>				
Net earnings	\$ 190,580	\$ 133,595	\$ 613,231	\$ 68,285
Items not involving cash and other adjustments				
Depreciation, depletion and amortization	120,637	121,957	377,397	362,136
Share-based compensation	2,952	2,300	9,588	7,680
Foreign exchange (gain) loss	(2,731)	418	3,527	(12,302)
Finance costs, net (Note 16)	10,143	6,785	30,317	38,221
Recognition of deferred revenue (Note 10)	(16,968)	(17,276)	(51,731)	(51,790)
Deferred tax expense	16,095	41,401	88,631	109,658
Income from equity investment in associate (Note 7)	(21,088)	(1,034)	(22,234)	(2,980)
Revaluation of derivative liability (Note 17)	1,274	5,553	(745)	23,217
Other	9,549	3,391	16,006	1,981
Reclamation payments (Note 11)	(1,161)	(375)	(4,009)	(1,597)
Other payments	(529)	(4,798)	(1,737)	(5,559)
Changes in long-term inventory	(14,638)	(29,903)	(52,654)	(68,084)
Changes in non-cash working capital items (Note 22)	228,989	10,187	95,190	(75,643)
	<b>523,104</b>	<b>272,201</b>	<b>1,100,777</b>	<b>393,223</b>
<b>Investing activities</b>				
Investment in mineral properties, plant and equipment	(133,790)	(89,773)	(378,179)	(331,000)
Contingent consideration received	-	-	-	25,714
Payment of Chapada derivative liability (Note 8)	(25,000)	(25,000)	(25,000)	(25,000)
Interest received	127	4,912	305	5,524
Distributions from associate, net (Note 7)	17,154	-	8,154	6,017
Other	(422)	(39)	2,252	655
	<b>(141,931)</b>	<b>(109,900)</b>	<b>(392,468)</b>	<b>(318,090)</b>
<b>Financing activities</b>				
Interest paid	(2,620)	(4,174)	(6,243)	(10,592)
Principal payments of lease liabilities	(4,813)	(3,934)	(13,567)	(11,204)
Principal repayments of debt (Note 9)	(114,175)	(282,243)	(195,152)	(330,365)
Proceeds from debt (Note 9)	13,500	122,927	33,171	368,794
Dividends paid to shareholders	(104,715)	(22,275)	(175,885)	(64,899)
Share purchase (Note 12)	(7,541)	(3,666)	(35,945)	(11,093)
Proceeds from common shares issued	544	2,374	15,028	4,639
Distributions to non-controlling interests	(20,000)	(26,000)	(36,000)	(26,000)
	<b>(239,820)</b>	<b>(216,991)</b>	<b>(414,593)</b>	<b>(80,720)</b>
Effect of foreign exchange on cash balances	(7,967)	(7,286)	(6,863)	(23,012)
Increase (decrease) in cash and cash equivalents during the period	<b>133,386</b>	<b>(61,976)</b>	<b>286,853</b>	<b>(28,599)</b>
Cash and cash equivalents, beginning of period	294,914	283,940	141,447	250,563
Cash and cash equivalents, end of period	\$ 428,300	\$ 221,964	\$ 428,300	\$ 221,964
Supplemental cash flow information (Note 22).				

<sup>1</sup>Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iv).

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 nine months ended September 30, 2021 and 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 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, 2020.

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 October 27, 2021.

### (ii) 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, 2020 except as noted below.

#### *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)*

In 2020, the IASB published *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)* ("IAS 16 amendments") which applies to annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company has elected to early adopt these IAS 16 amendments effective January 1, 2021 and has applied the IAS 16 amendments retrospectively.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

---

These IAS 16 amendments prohibit the deduction from the cost of an item of property, plant and equipment any net proceeds received from the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the Company recognizes the proceeds from the sale of such items, and the cost of producing those items in the Statement of Earnings. There was no impact to the current period or comparative periods presented as a result of the IAS 16 amendments.

### *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)*

In 2020, the IASB published *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)* ("Phase 2 amendments") to address the financial reporting impacts of replacing one benchmark interest rate with an alternative rate. The Phase 2 amendments provide a practical expedient to ease the potential burden of accounting for changes in contractual cash flows and include disclosure requirements at the time of benchmark interest rate replacement. The Company has adopted these Phase 2 amendments effective January 1, 2021 and has applied the Phase 2 amendments retrospectively. Other than certain changes to disclosures, there was no impact to the current period or comparative periods presented as a result of the Phase 2 amendments.

### **(iii) New accounting pronouncements**

In May 2021, the IASB issued amendments to *IAS 12, Income Taxes*. The amendments to IAS 12 narrow the scope of the initial recognition exemption so that it no longer applies to transactions which give rise to equal amounts of taxable and deductible temporary differences. The Company is to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition for certain transactions, including leases and reclamation provisions. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

### **(iv) Voluntary change in accounting policy**

As disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2020, the Company elected to voluntarily change its accounting policy for foreign currency translation differences on deferred foreign tax liabilities and assets. The Company previously reported these translation gains and losses in other income and expense. The Company now reports these translation gains and losses in deferred tax expense/recovery. Management has applied the change in accounting retrospectively and the comparative information has been restated. The following is a summary of the impacts to the Consolidated Statements of Earnings and Cash Flows:

#### Reconciliation of the Consolidated Statements of Earnings:

<b>For the three months ended September 30, 2020</b>	Previous accounting policy	Adjustments	Restated
Other expense	\$ (4,709)	\$ (3,390)	\$ (8,099)
Earnings before income taxes	166,922	(3,390)	163,532
Deferred tax expense	(44,791)	3,390	(41,401)
Net earnings	133,595	-	133,595

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

<b>For the nine months ended September 30, 2020</b>	Previous accounting policy	Adjustments	Restated
Other income (expense)	\$ 14,471	\$ (28,543)	\$ (14,072)
Earnings before income taxes	230,856	(28,543)	202,313
Deferred tax expense	(138,201)	28,543	(109,658)
Net earnings	68,285	-	68,285

### Reconciliation of the Consolidated Statements of Cash Flows:

<b>For the three months ended September 30, 2020</b>	Previous accounting policy	Adjustments	Restated
Foreign exchange (gain) loss	\$ (2,972)	\$ 3,390	\$ 418
Deferred tax expense	44,791	(3,390)	41,401
Cash provided by operating activities	272,201	-	272,201

<b>For the nine months ended September 30, 2020</b>	Previous accounting policy	Adjustments	Restated
Foreign exchange gain	\$ (40,845)	\$ 28,543	\$ (12,302)
Deferred tax expense	138,201	(28,543)	109,658
Cash provided by operating activities	393,223	-	393,223

### (v) 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, 2020.

The Company continues to manage and respond to the COVID-19 pandemic and has implemented preventative measures to ensure the safety of its workforce, local communities and other key stakeholders. To date, production disruptions as a result of COVID-19 have been minimal and there has been no significant disruption in the delivery or receipt of goods at our operations. Future metal prices, exchange rates, discount rates and other key assumptions used in the Company's accounting estimates are subject to greater uncertainty given the current economic environment. Changes in these assumptions could significantly impact the Company's accounting estimates.

## 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	September 30, 2021	December 31, 2020
Cash	\$ 363,502	\$ 127,033
Short-term deposits	64,798	14,414
	<b>\$ 428,300</b>	<b>\$ 141,447</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

### 4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	September 30, 2021	December 31, 2020
Trade receivables	\$ 292,104	\$ 271,113
Value added tax	28,892	38,631
Prepaid expenses	24,181	25,860
Other receivables	22,094	24,953
	<b>\$ 367,271</b>	<b>\$ 360,557</b>

### 5. INVENTORIES

Inventories are comprised of the following:

	September 30, 2021	December 31, 2020
Ore stockpiles	\$ 34,641	\$ 66,312
Concentrate stockpiles	45,290	60,758
Materials and supplies	135,863	126,974
	<b>\$ 215,794</b>	<b>\$ 254,044</b>

Long-term inventory is comprised of ore stockpiles. As at September 30, 2021, the Company had \$417.2 million (December 31, 2020 - \$401.3 million) and \$342.8 million (December 31, 2020 - \$291.1 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 December 31, 2019	\$ 4,647,606	\$ 2,981,865	\$ 427,637	\$ 8,057,108
Additions	142,760	18,955	175,433	337,148
Disposals and transfers	31,163	180,632	(220,543)	(8,748)
Effects of foreign exchange	64,412	28,018	13,392	105,822
As at September 30, 2020	4,885,941	3,209,470	395,919	8,491,330
Additions	45,316	21,135	56,576	123,027
Disposals and transfers	19,424	5,507	(46,654)	(21,723)
Effects of foreign exchange	109,112	44,262	15,856	169,230
As at December 31, 2020	5,059,793	3,280,374	421,697	8,761,864
Additions	115,592	34,022	201,836	351,450
Disposals and transfers	73,931	24,501	(111,618)	(13,186)
Effects of foreign exchange	(112,526)	(48,688)	(19,300)	(180,514)
<b>As at September 30, 2021</b>	<b>\$ 5,136,790</b>	<b>\$ 3,290,209</b>	<b>\$ 492,615</b>	<b>\$ 8,919,614</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 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 December 31, 2019	\$ 1,955,156	\$ 1,036,396	\$ -	\$ 2,991,552
Depreciation	263,216	153,570	-	416,786
Disposals and transfers	-	(5,492)	-	(5,492)
Effects of foreign exchange	40,026	14,504	-	54,530
As at September 30, 2020	2,258,398	1,198,978	-	3,457,376
Depreciation	56,567	50,775	-	107,342
Disposals and transfers	-	(18,877)	-	(18,877)
Effects of foreign exchange	67,400	23,012	-	90,412
As at December 31, 2020	2,382,365	1,253,888	-	3,636,253
Depreciation	219,766	164,064	-	383,830
Disposals and transfers	19,032	(25,107)	-	(6,075)
Effects of foreign exchange	(69,100)	(25,286)	-	(94,386)
<b>As at September 30, 2021</b>	<b>\$ 2,552,063</b>	<b>\$ 1,367,559</b>	<b>\$ -</b>	<b>\$ 3,919,622</b>

  

Net book value	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2020	\$ 2,677,428	\$ 2,026,486	\$ 421,697	\$ 5,125,611
<b>As at September 30, 2021</b>	<b>\$ 2,584,727</b>	<b>\$ 1,922,650</b>	<b>\$ 492,615</b>	<b>\$ 4,999,992</b>

During the three and nine months ended September 30, 2021, the Company capitalized \$3.8 million (Q3 2020 - \$3.8 million) and \$11.4 million (YTD Q3 2020 - \$6.9 million) of finance costs to assets under construction, at a weighted average interest rate of 5.2% (2020 - 4.4%).

During the three and nine months ended September 30, 2021, the Company capitalized \$43.3 million (Q3 2020 - \$19.6 million) and \$134.1 million (YTD Q3 2020 - \$83.2 million), respectively, of deferred stripping costs to mineral properties. The depreciation expense related to deferred stripping for the three and nine months ended September 30, 2021, was \$35.2 million (Q3 2020 - \$46.9 million) and \$88.9 million (YTD Q3 2020 - \$134.7 million), respectively. Included in the mineral properties balance at September 30, 2021 is \$421.6 million (December 31, 2020 - \$292.7 million) related to deferred stripping at Candelaria and \$72.1 million (December 31, 2020 - \$88.0 million) related to underground development of the Zinc Expansion Project at the Neves-Corvo mine which are currently non-depreciable.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

(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:

Right-of-use assets within plant and equipment	Net book value
As at December 31, 2019	\$ 44,364
Additions	8,560
Depreciation	(11,112)
Disposals	(450)
Effects of foreign exchange	441
As at September 30, 2020	41,803
Additions	1,450
Depreciation	(4,492)
Disposals	(602)
Effects of foreign exchange	711
As at December 31, 2020	38,870
Additions	10,316
Depreciation	(14,519)
Effects of foreign exchange	(625)
<b>As at September 30, 2021</b>	<b>\$ 34,042</b>

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. INVESTMENT IN ASSOCIATE

The following table summarizes the changes in the investment in associate:

As at December 31, 2019	\$ 28,957
Distributions	(6,017)
Share of equity income	2,980
As at September 30, 2020	25,920
Distributions	(3,900)
Share of equity income	322
As at December 31, 2020	22,342
Distributions, net	(8,154)
Share of equity income	22,234
<b>As at September 30, 2021</b>	<b>\$ 36,422</b>

The Company has a 24% ownership interest in Freeport Cobalt, a specialty cobalt business based in Kokkola, Finland, held through its 24% owned subsidiary Koblotti Chemicals Holdings Limited ("KCHL"), with the balance held by Freeport-McMoRan Inc. (56%) and La Générale des Carrières et des Mines (20%), a Democratic Republic of the Congo government-owned corporation.

On September 1, 2021, KCHL completed the sale of Freeport Cobalt for \$208 million (including cash and other working capital and subject to post-closing adjustments), consisting of cash consideration of \$173 million and 7% of shares in the purchaser (valued at approximately \$35 million). In addition, the Company and its partners have the right to receive contingent cash consideration of up to \$40 million based on the future performance of Freeport Cobalt. The Company's net share of the proceeds, excluding the contingent consideration, was approximately \$45 million cash plus \$8 million in shares of the purchaser. The Company recognized \$20.7 million through its share of equity income and received partial cash distributions of \$17.2 million from the transaction during the quarter.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

### 8. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	September 30, 2021	December 31, 2020
Trade payables	\$ 146,447	\$ 126,044
Unbilled goods and services	79,996	66,411
Employee benefits payable	68,873	71,943
Chapada derivative liability - current portion	23,495	24,958
Royalties payable	14,126	8,630
Prepayment from customers	7,704	2,543
Other	19,333	16,500
	<b>\$ 359,974</b>	<b>\$ 317,029</b>

In August 2021, the Company paid the second \$25.0 million tranche of the derivative liability related to the Chapada acquisition (Note 19). The third tranche has been reclassified from other long-term liabilities to trade and other payables. The long-term portion of the derivative liability of \$39.4 million (December 31, 2020 - \$63.7 million) is included in other long-term liabilities.

### 9. DEBT AND LEASE LIABILITIES

Debt and lease liabilities are comprised of the following:

	September 30, 2021	December 31, 2020
Revolving credit facility (a)	\$ -	\$ 58,378
Term loans (b)	-	100,000
Lease liabilities (c)	31,730	36,312
Line of credit (d)	5,904	8,358
Debt and lease liabilities	37,634	203,048
Less: current portion	17,660	116,942
<b>Long-term portion</b>	<b>\$ 19,974</b>	<b>\$ 86,106</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

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

	Leases	Debt	Total
As at December 31, 2019	\$ 42,616	\$ 265,933	\$ 308,549
Additions	8,106	368,794	376,900
Payments	(12,296)	(330,365)	(342,661)
Disposals	(464)	-	(464)
Interest	1,092	-	1,092
Financing fee amortization	-	457	457
Effects of foreign exchange	(1,729)	2,041	312
As at September 30, 2020	37,325	306,860	344,185
Additions	1,535	17,757	19,292
Payments	(4,369)	(158,928)	(163,297)
Disposals	(627)	-	(627)
Interest	387	-	387
Financing fee amortization	-	159	159
Effects of foreign exchange	2,061	888	2,949
As at December 31, 2020	36,312	166,736	203,048
Additions	10,607	33,171	43,778
Payments	(14,689)	(195,152)	(209,841)
Interest	1,122	-	1,122
Financing fee amortization	-	322	322
Financing fee reclassification	-	1,300	1,300
Effects of foreign exchange	(1,622)	(473)	(2,095)
As at September 30, 2021	31,730	5,904	37,634
Less: current portion	14,996	2,664	17,660
<b>Long-term portion</b>	<b>\$ 16,734</b>	<b>\$ 3,240</b>	<b>\$ 19,974</b>

- a) The Company has a secured revolving credit facility of \$800.0 million with a \$200.0 million accordion option, maturing August 2023. The credit facility bears interest on drawn funds at rates of LIBOR +1.75% to LIBOR +2.75% (or an alternative benchmark rate as selected by the administrative agent), depending on the Company's net leverage ratio. The revolving credit facility is subject to customary covenants. During the first quarter of 2021, the Company repaid \$15.0 million. During the second quarter of 2021, the Company repaid the remaining outstanding amount of \$45.0 million. As at September 30, 2021, there was no balance outstanding (December 31, 2020 - \$60.0 million), other than letters of credit totalling \$21.0 million (SEK 162.0 million and €2.2 million) (December 31, 2020 - \$22.5 million). Deferred financing fees of \$1.3 million were reclassified to other assets during the second quarter of 2021. As at December 31, 2020, deferred financing fees of \$1.6 million were netted against long-term debt.
- b) At December 31, 2020, Candelaria had two outstanding unsecured fixed term loans in the amounts of \$80.0 million and \$20.0 million. These loans matured on July 27, 2021 and August 12, 2021, respectively, and accrued interest at a rate of 1.1% per annum, with interest payable upon maturity. Both loans were repaid prior to their respective maturity dates on July 19, 2021 and July 30, 2021, respectively. There was no balance outstanding as at September 30, 2021.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

During the first quarter of 2021, Mineração Maracá Indústria e Comércio S/A (“Chapada”), a subsidiary of the Company which owns the Chapada mine, obtained two unsecured fixed term loans, each in the amount of \$2.5 million. The term loans accrued interest at a rate of 1.0% and 1.1% per annum with interest payable upon maturity. Both loans were repaid on their respective maturity dates of May 10, 2021 and June 9, 2021. During the second quarter of 2021, Chapada obtained an additional unsecured fixed term loan in the amount of \$2.5 million with interest accruing at a rate of 1.0% per annum, payable upon maturity on July 9, 2021. The loan was repaid before the maturity date on June 25, 2021.

During the third quarter of 2021, Chapada obtained three additional unsecured fixed term loans, each in the amount of \$4.5 million and maturing on October 8, 2021. The term loans accrued interest at rates of 0.5% to 1.0% per annum with interest payable upon maturity. The three loans were repaid during the third quarter, prior to their maturity date. There was no balance outstanding as at September 30, 2021.

- c) Lease liabilities relate to leases on buildings, rail cars, vehicles, machinery and equipment which have remaining lease terms of one to fourteen 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 \$28.9 million (€25.0 million) line of credit for equipment financing. As at September 30, 2021, the balance outstanding was \$5.9 million (€5.1 million) (December 31, 2020 - \$8.4 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.
- e) Somincor has a commercial paper program which matures in October 2021. The \$34.7 million (€30.0 million) program bears interest at EURIBOR +0.84%. During the first quarter of 2021, Somincor drew down \$12.2 million (€10.0 million) under this program and repaid the amount in full on February 26, 2021. There was no balance outstanding as at September 30, 2021.

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

	Leases		Debt		Total
Less than one year	\$	16,032	\$	2,664	\$ 18,696
One to five years		15,546		3,240	18,786
More than five years		2,316		-	2,316
<b>Total undiscounted obligations as at September 30, 2021</b>	<b>\$</b>	<b>33,894</b>	<b>\$</b>	<b>5,904</b>	<b>\$ 39,798</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

---

### 10. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2019	\$	758,146
Recognition of revenue		(51,790)
Finance costs		31,036
Effects of foreign exchange		1,837
As at September 30, 2020		739,229
Recognition of revenue		(11,278)
Variable consideration adjustment		(3,354)
Finance costs		10,368
Effects of foreign exchange		4,601
As at December 31, 2020		739,566
Recognition of revenue		(51,731)
Finance costs		30,215
Effects of foreign exchange		(4,212)
As at September 30, 2021		713,838
Less: current portion		81,924
<b>Long-term portion</b>	<b>\$</b>	<b>631,914</b>

Consideration received under the Company's gold, silver and copper streaming agreements is deemed to be variable and can be subject to cumulative adjustments when the contractual volume to be delivered changes. In 2020, as a result of changes to the Company's Mineral Resources and Mineral Reserves estimates, an adjustment was made to the deferred revenue liability which was recognized through revenue and finance costs.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

### 11. 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, 2019	\$ 343,112	\$ 40,672	\$ 383,784
Accretion	7,740	-	7,740
Changes in estimate	4,773	24	4,797
Changes in discount rate	16,883	-	16,883
Payments	(1,597)	-	(1,597)
Effects of foreign exchange	2,968	(3,516)	(548)
Balance, September 30, 2020	373,879	37,180	411,059
Accretion	2,623	-	2,623
Changes in estimate	14,012	2,093	16,105
Changes in discount rate	1,050	-	1,050
Payments	(985)	-	(985)
Effects of foreign exchange	9,259	5,134	14,393
Balance, December 31, 2020	399,838	44,407	444,245
Accretion	6,766	-	6,766
Changes in estimate	(11,012)	4,682	(6,330)
Changes in discount rate	(56,609)	-	(56,609)
Payments	(1,786)	(2,223)	(4,009)
Effects of foreign exchange	(8,565)	(5,166)	(13,731)
Balance, September 30, 2021	328,632	41,700	370,332
Less: current portion	6,066	538	6,604
<b>Long-term portion</b>	<b>\$ 322,566</b>	<b>\$ 41,162</b>	<b>\$ 363,728</b>

The Company expects these liabilities to be settled between 2021 and 2055. The provisions are discounted using current market pre-tax discount rates which range from 0.3% to 10.9% (December 31, 2020 - 0.1% to 7.2%).

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

### 12. SHARE CAPITAL

#### a) Basic and diluted weighted average number of shares outstanding

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Basic weighted average number of shares outstanding	736,443,985	733,825,007	737,314,204	733,981,090
Effect of dilutive securities	2,219,372	1,689,032	2,592,198	1,000,329
<b>Diluted weighted average number of shares outstanding</b>	<b>738,663,357</b>	<b>735,514,039</b>	<b>739,906,402</b>	<b>734,981,419</b>
Antidilutive securities	542,500	6,000	542,500	3,991,500

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		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Stock options	-	30,000	1,985,500	4,004,000
SUs	-	6,000	569,250	1,033,500

#### c) Dividends

During the three and nine months ended September 30, 2021, the Company declared dividends in the amount of \$105.5 million (Q3 2020 - \$22.0 million) or C\$0.18 per share (Q3 2020 - C\$0.04), and \$176.3 million (YTD Q3 2020 - \$65.2 million) or C\$0.30 per share (YTD Q3 2020 - C\$0.12), respectively.

#### d) Normal course issuer bid

For the three and nine months ended September 30, 2021, 1,077,000 and 3,798,000 shares were purchased at management's discretion under the Company's normal course issuer bid ("NCIB") at an average price of C\$8.87 and C\$11.59 per share for total consideration of \$7.5 million and \$35.9 million, respectively. All common shares purchased were cancelled.

For the three and nine months ended September 30, 2020, 621,000 and 2,212,600 shares were purchased at management's discretion under the NCIB at an average price of C\$7.84 and C\$6.69 per share for total consideration of \$3.7 million and \$11.1 million, respectively. All common shares purchased were cancelled.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

### 13. REVENUE

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Revenue from contracts with customers:				
Copper	\$ 550,005	\$ 372,798	\$ 1,604,551	\$ 1,001,236
Nickel	60,835	52,253	205,581	117,940
Zinc	71,543	52,863	194,439	128,911
Gold	70,670	66,914	172,430	190,267
Lead	10,382	10,436	31,521	28,746
Silver	9,145	9,134	29,125	27,969
Other	16,432	6,083	45,526	15,921
	789,012	570,481	2,283,173	1,510,990
Provisional pricing adjustments on concentrate sales	(32,618)	30,192	27,023	987
<b>Revenue</b>	<b>\$ 756,394</b>	<b>\$ 600,673</b>	<b>\$ 2,310,196</b>	<b>\$ 1,511,977</b>

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Revenue from contracts with customers:				
<b>Europe</b>				
Spain	\$ 159,700	\$ 114,249	\$ 404,448	\$ 320,080
Finland	85,369	61,232	210,352	173,389
Other	150,257	71,622	442,243	214,043
<b>Asia</b>				
Japan	139,384	111,332	517,953	337,170
China	31,197	63,941	88,357	136,862
Other	29,705	22,064	29,705	39,318
<b>Americas</b>				
Canada	101,570	91,008	346,707	207,769
Other	91,830	35,033	243,408	82,359
	789,012	570,481	2,283,173	1,510,990
Provisional pricing adjustments on concentrate sales	(32,618)	30,192	27,023	987
<b>Revenue</b>	<b>\$ 756,394</b>	<b>\$ 600,673</b>	<b>\$ 2,310,196</b>	<b>\$ 1,511,977</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

### 14. PRODUCTION COSTS

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Direct mine and mill costs	\$ 291,637	\$ 250,347	\$ 886,072	\$ 743,740
Transportation	27,724	20,130	72,867	64,447
Royalties	12,455	8,896	37,307	22,895
<b>Total production costs</b>	<b>\$ 331,816</b>	<b>\$ 279,373</b>	<b>\$ 996,246</b>	<b>\$ 831,082</b>

### 15. EMPLOYEE BENEFITS

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Production costs				
Wages and benefits	\$ 70,538	\$ 62,559	\$ 218,333	\$ 185,803
Retirement benefits	405	290	1,194	1,119
Share-based compensation	578	495	1,818	1,890
	<b>71,521</b>	<b>63,344</b>	<b>221,345</b>	<b>188,812</b>
General and administrative expenses				
Wages and benefits	4,901	4,519	16,265	14,071
Retirement benefits	198	186	609	659
Share-based compensation	2,356	1,780	7,681	5,687
	<b>7,455</b>	<b>6,485</b>	<b>24,555</b>	<b>20,417</b>
General exploration and business development				
Wages and benefits	788	885	3,109	2,958
Retirement benefits	7	10	28	32
Share-based compensation	18	25	89	103
	<b>813</b>	<b>920</b>	<b>3,226</b>	<b>3,093</b>
<b>Total employee benefits</b>	<b>\$ 79,789</b>	<b>\$ 70,749</b>	<b>\$ 249,126</b>	<b>\$ 212,322</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

### 16. FINANCE INCOME AND COSTS

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Interest income	\$ 129	\$ 4,838	\$ 302	\$ 5,524
Deferred revenue finance costs	(6,270)	(7,493)	(19,191)	(25,469)
Accretion expense on reclamation provisions	(2,335)	(2,441)	(6,766)	(7,740)
Interest expense and bank fees	(1,348)	(1,973)	(5,139)	(8,580)
Lease liability interest	(396)	(393)	(1,122)	(1,092)
Other	77	677	1,599	(864)
<b>Total finance costs, net</b>	<b>\$ (10,143)</b>	<b>\$ (6,785)</b>	<b>\$ (30,317)</b>	<b>\$ (38,221)</b>

  

Finance income	\$ 206	\$ 5,515	\$ 1,901	\$ 5,524
Finance costs	(10,349)	(12,300)	(32,218)	(43,745)
<b>Total finance costs, net</b>	<b>\$ (10,143)</b>	<b>\$ (6,785)</b>	<b>\$ (30,317)</b>	<b>\$ (38,221)</b>

### 17. OTHER INCOME AND EXPENSE

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020 <sup>1</sup>	2021	2020 <sup>1</sup>
Foreign exchange gain	\$ 11,861	\$ 355	\$ 6,793	\$ 21,876
Revaluation of marketable securities	237	624	4,299	71
Revaluation of derivative liability	(1,274)	(5,553)	745	(23,217)
Other expense	(9,640)	(3,525)	(19,056)	(12,802)
<b>Total other income (expense), net</b>	<b>\$ 1,184</b>	<b>\$ (8,099)</b>	<b>\$ (7,219)</b>	<b>\$ (14,072)</b>

<sup>1</sup>Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iv).

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

### 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 September 30, 2021 and December 31, 2020:

	Level	September 30, 2021		December 31, 2020	
		Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>					
Fair value through profit or loss					
Restricted funds	1	\$ 54,774	\$ 54,774	\$ 56,611	\$ 56,611
Trade receivables (provisional)	2	304,041	304,041	234,979	234,979
Marketable securities	1	7,695	7,695	3,594	3,594
		<b>\$ 366,510</b>	<b>\$ 366,510</b>	<b>\$ 295,184</b>	<b>\$ 295,184</b>
<b>Financial liabilities</b>					
Amortized cost					
Debt	2	\$ 5,904	\$ 5,904	\$ 166,736	\$ 166,736
Fair value through profit or loss					
Chapada derivative liability (Note 8)	2	\$ 62,914	\$ 62,914	\$ 88,659	\$ 88,659

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 funds – The fair value of investments in shares is determined based on the quoted market price.

Trade receivables – The fair value of trade receivables that contain provisional pricing sales arrangements are valued using quoted forward market prices. The Company recognized negative pricing adjustments of \$32.6 million in revenue during the three months ended September 30, 2021 (Q3 2020 - \$30.2 million positive pricing adjustments) and positive pricing adjustments of \$27.0 million in revenue during the nine months ended September 30, 2021 (YTD Q3 2020 - \$1.0 million positive pricing adjustments).

Derivative liability – The fair value of this derivative 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.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

---

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.

### 19. COMMITMENTS AND CONTINGENCIES

- a) The Company has capital commitments of \$124.2 million on various initiatives, of which \$61.9 million is expected to be paid during 2021.
- b) The Company may be involved in legal proceedings arising in the ordinary course of business, including the action described below. 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 those reported at December 31, 2020, are described below:
  - i) On April 19, 2021, the Valparaíso Court of Appeals dismissed the appeal of the plaintiff Caldera fishermen and confirmed the lower court ruling that dismissed all claims. On May 6, 2021, the plaintiff sought leave to appeal to the Supreme Court of Chile. The Company is awaiting the court's determination.
  - ii) In August 2021, the Company paid \$25.0 million under the Chapada gold price contingent consideration structure. The maximum contingent consideration has since been reduced to \$75.0 million.
  - iii) In August 2021, the Chilean Internal Revenue Service ("IRS") issued an assessment for the 2017 to 2019 taxation years related to the ongoing intercompany debt tax dispute in the amount of \$227.1 million (\$127.6 million in taxes and \$99.5 million in interest and penalties) denying the interest deduction on the intercompany debt. The Company has filed an administrative appeal in response to the assessment.

While not yet assessed by the IRS, a similar position could deny tax refunds receivable of approximately \$76.0 million, excluding possible penalties and interest, related to taxation years 2020 through to September 30, 2021, in addition to a deferred tax asset of \$13.6 million recorded as at September 30, 2021. As with the claim filed in 2019 on the same issue, the Company maintains its position that the assessment is inconsistent with Chilean tax law and, therefore, without merit. No tax expense has been accrued for this assessment as the Company believes its original filing position is in compliance with tax regulations and intends to vigorously defend this position.

In the same month, the IRS also issued an assessment for the 2018 and 2019 taxation years related to withholding taxes paid on intercompany interest payments, on the same intercompany debt. The tax assessment was for \$71.9 million (\$34.4 million in withholding taxes plus interest and penalties of \$37.5 million) on interest payments made in 2018 and 2019. The Company has filed an administrative appeal in response to the assessment.

While not yet assessed by the IRS, a similar position taken on interest payments could result in approximately \$54.5 million in additional withholding taxes, excluding possible penalties and interest, related to the taxation years 2020 through to September 30, 2021. As with the claim filed in 2020 on the same issue, the Company believes it has applied the correct withholding tax rate according to the Canada-Chile tax treaty. No tax expense has been accrued for the additional withholding tax assessments as the Company believes its original filing position is in compliance with tax regulations and intends to vigorously defend this position.

## **LUNDIN MINING CORPORATION**

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

---

### **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.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

### For the three months ended September 30, 2021

	Candelaria		Chapada		Eagle	Neves-Corvo	Zinkgruvan	Other	Total				
	Chile		Brazil		USA	Portugal	Sweden						
Revenue	\$ 326,903	\$	160,332	\$	101,311	\$	108,083	\$	59,765	\$	-	\$	756,394
Cost of goods sold													
Production costs	(140,363)		(59,489)		(39,641)		(69,831)		(21,885)		(607)		(331,816)
Depreciation, depletion and amortization	(65,533)		(10,568)		(18,918)		(15,939)		(9,250)		(429)		(120,637)
Gross profit (loss)	121,007		90,275		42,752		22,313		28,630		(1,036)		303,941
General and administrative expenses	-		-		-		-		-		(10,828)		(10,828)
General exploration and business development	(3,004)		(3,305)		(446)		(977)		(684)		(571)		(8,987)
Finance (costs) income	(7,468)		(3,738)		(264)		3,160		(844)		(989)		(10,143)
Income from equity investment in associate	-		-		-		-		-		21,088		21,088
Other income (expense)	744		3,995		(257)		694		1,795		(5,787)		1,184
Income tax expense	(38,308)		(50,479)		(2,320)		(4,191)		(7,089)		(3,288)		(105,675)
<b>Net earnings (loss)</b>	<b>\$ 72,971</b>	<b>\$</b>	<b>36,748</b>	<b>\$</b>	<b>39,465</b>	<b>\$</b>	<b>20,999</b>	<b>\$</b>	<b>21,808</b>	<b>\$</b>	<b>(1,411)</b>	<b>\$</b>	<b>190,580</b>
<b>Capital expenditures</b>	<b>\$ 74,326</b>	<b>\$</b>	<b>16,425</b>	<b>\$</b>	<b>3,539</b>	<b>\$</b>	<b>30,912</b>	<b>\$</b>	<b>8,486</b>	<b>\$</b>	<b>102</b>	<b>\$</b>	<b>133,790</b>

### For the nine months ended September 30, 2021

	Candelaria		Chapada		Eagle	Neves-Corvo	Zinkgruvan	Other	Total				
	Chile		Brazil		USA	Portugal	Sweden						
Revenue	\$ 1,078,800	\$	394,687	\$	354,072	\$	323,339	\$	159,298	\$	-	\$	2,310,196
Cost of goods sold													
Production costs	(426,068)		(162,136)		(128,428)		(204,376)		(73,317)		(1,921)		(996,246)
Depreciation, depletion and amortization	(207,061)		(30,941)		(62,360)		(45,745)		(29,934)		(1,356)		(377,397)
Gross profit (loss)	445,671		201,610		163,284		73,218		56,047		(3,277)		936,553
General and administrative expenses	-		-		-		-		-		(33,519)		(33,519)
General exploration and business development	(13,658)		(12,607)		(502)		(2,670)		(3,708)		(3,165)		(36,310)
Finance (costs) income	(22,515)		(11,749)		(791)		10,813		(2,609)		(3,466)		(30,317)
Income from equity investment in associate	-		-		-		-		-		22,234		22,234
Other (expense) income	(1,075)		(962)		(536)		(3,266)		2,930		(4,310)		(7,219)
Income tax expense	(130,643)		(59,834)		(18,101)		(12,838)		(13,217)		(3,558)		(238,191)
<b>Net earnings (loss)</b>	<b>\$ 277,780</b>	<b>\$</b>	<b>116,458</b>	<b>\$</b>	<b>143,354</b>	<b>\$</b>	<b>65,257</b>	<b>\$</b>	<b>39,443</b>	<b>\$</b>	<b>(29,061)</b>	<b>\$</b>	<b>613,231</b>
<b>Capital expenditures</b>	<b>\$ 226,641</b>	<b>\$</b>	<b>37,856</b>	<b>\$</b>	<b>12,414</b>	<b>\$</b>	<b>72,714</b>	<b>\$</b>	<b>28,312</b>	<b>\$</b>	<b>242</b>	<b>\$</b>	<b>378,179</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

### For the three months ended September 30, 2020<sup>1</sup>

	Candelaria		Chapada		Eagle		Neves-Corvo		Zinkgruvan		Other	Total
	Chile	Brazil	USA	Portugal	Sweden							
Revenue	\$ 280,417	\$ 113,586	\$ 91,314	\$ 69,287	\$ 46,069	\$ -	\$ 600,673					
Cost of goods sold												
Production costs	(120,597)	(41,723)	(36,973)	(53,034)	(26,540)	(506)	(279,373)					
Depreciation, depletion and amortization	(71,309)	(9,305)	(17,707)	(13,299)	(9,864)	(473)	(121,957)					
Gross profit (loss)	88,511	62,558	36,634	2,954	9,665	(979)	199,343					
General and administrative expenses	-	-	-	-	-	(10,319)	(10,319)					
General exploration and business development	(8,655)	(952)	176	(159)	(838)	(1,214)	(11,642)					
Finance (costs) income	(7,576)	(4,142)	(430)	8,370	(818)	(2,189)	(6,785)					
Income from equity investment in associate	-	-	-	-	-	1,034	1,034					
Other (expense) income	(4,561)	(270)	(1,409)	1,014	(2)	(2,871)	(8,099)					
Income tax (expense) recovery	(19,011)	(20,704)	(1,777)	13,235	89	(1,769)	(29,937)					
Net earnings (loss)	\$ 48,708	\$ 36,490	\$ 33,194	\$ 25,414	\$ 8,096	\$ (18,307)	\$ 133,595					
Capital expenditures	\$ 49,534	\$ 7,959	\$ 1,283	\$ 24,265	\$ 6,677	\$ 55	\$ 89,773					

### For the nine months ended September 30, 2020<sup>1</sup>

	Candelaria		Chapada		Eagle		Neves-Corvo		Zinkgruvan		Other	Total
	Chile	Brazil	USA	Portugal	Sweden							
Revenue	\$ 708,521	\$ 311,832	\$ 191,340	\$ 196,252	\$ 104,032	\$ -	\$ 1,511,977					
Cost of goods sold												
Production costs	(354,808)	(136,386)	(106,119)	(166,033)	(65,818)	(1,918)	(831,082)					
Depreciation, depletion and amortization	(210,443)	(31,735)	(53,613)	(40,892)	(24,107)	(1,346)	(362,136)					
Gross profit (loss)	143,270	143,711	31,608	(10,673)	14,107	(3,264)	318,759					
General and administrative expenses	-	-	-	-	-	(32,871)	(32,871)					
General exploration and business development	(20,242)	(2,542)	(32)	(1,482)	(5,369)	(4,595)	(34,262)					
Finance (costs) income	(23,192)	(12,295)	(1,280)	8,424	(2,586)	(7,292)	(38,221)					
Income from equity investment in associate	-	-	-	-	-	2,980	2,980					
Other (expense) income	(4,184)	13,388	(3,671)	571	1,010	(21,186)	(14,072)					
Income tax (expense) recovery	(39,219)	(101,270)	(1,694)	19,455	312	(11,612)	(134,028)					
Net earnings (loss)	\$ 56,433	\$ 40,992	\$ 24,931	\$ 16,295	\$ 7,474	\$ (77,840)	\$ 68,285					
Capital expenditures	\$ 179,729	\$ 19,987	\$ 8,928	\$ 97,904	\$ 24,182	\$ 270	\$ 331,000					

<sup>1</sup> Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iv).

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2021 and 2020

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

### 21. RELATED PARTY TRANSACTIONS

- a) **Transactions with associates** - The Company may enter 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		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Wages and benefits	\$ 2,033	\$ 1,582	\$ 5,397	\$ 4,945
Pension benefits	48	43	146	125
Share-based compensation	1,442	1,001	4,515	3,115
	\$ 3,523	\$ 2,626	\$ 10,058	\$ 8,185

### 22. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Changes in non-cash working capital items consist of:				
Trade and income taxes receivable, inventories, and other current assets	\$ 172,029	\$ 14,155	\$ (12,591)	\$ (58,182)
Trade and income taxes payable, and other current liabilities	56,960	(3,968)	107,781	(17,461)
	\$ 228,989	\$ 10,187	\$ 95,190	\$ (75,643)
Operating activities included the following cash payments:				
Income taxes paid (refunded)	\$ 21,759	\$ (26,866)	\$ 101,186	\$ 8,329