

# lundin mining

## Management's Discussion and Analysis For the three and six months ended June 30, 2021

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This management's discussion and analysis ("MD&A") has been prepared as of July 28, 2021 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2021. 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 Preliminary Economic Assessment, Feasibility Study, or Mineral Resource and Mineral Reserve estimations, life of mine estimates, and mine and mine closure plans; anticipated market prices of metals, currency exchange rates, and interest rates; the development and implementation of the Company’s Responsible Mining Management System; the Company’s ability to comply with contractual and permitting or other regulatory requirements; anticipated exploration and development activities at the Company’s projects; and the Company’s integration of acquisitions 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 labor; assumed and future price of copper, nickel, zinc, gold and other metals; anticipated costs; ability to achieve goals; the prompt and effective integration of acquisitions; that the political environment in which the Company operates will continue to support the development and operation of mining projects; and assumptions related to the factors set forth below. While these factors and assumptions are considered reasonable by Lundin Mining as at the date of this document in light of management’s experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information. Such factors include, but are not limited to: risks inherent in 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; global financial conditions and inflation; changes in the Company’s share price, and volatility in the equity markets in general; volatility and fluctuations in metal and commodity prices; the threat associated with outbreaks of viruses and infectious diseases, including the COVID-19 virus; changing taxation regimes; reliance on a single asset; delays or the inability to obtain, retain or comply with permits; risks related to negative publicity with respect to the Company or the mining industry in general; 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; 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; community and stakeholder opposition; information technology and cybersecurity risks; 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; regulatory investigations, enforcement, sanctions and/or related or other litigation; uncertain political and economic environments, including in Brazil and Chile; risks associated with the structural stability of waste rock dumps or tailings storage facilities; estimates of future production and operations; estimates of operating, cash and all-in sustaining cost estimates; civil disruption in Chile; the potential for and effects of labor disputes or other unanticipated difficulties with or shortages of labor or interruptions in production; 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; climate change; risks relating to attracting and retaining of highly skilled employees; compliance with environmental, health and safety laws; counterparty and credit risks and customer concentration; litigation; risks inherent in and/or associated with operating in foreign countries and emerging markets; risks related to mine closure activities and closed and historical sites; changes in laws, regulations or policies including but not limited to those related to mining regimes, permitting and approvals, environmental and tailings management, labor, trade relations, and transportation; internal controls; challenges or defects in title; the estimation of asset carrying values; historical environmental liabilities and ongoing reclamation obligations; the price and availability of key operating supplies or services; competition; indebtedness; compliance with foreign laws; existence of significant shareholders; liquidity risks and limited financial resources; funding requirements and availability of financing; enforcing legal rights in foreign jurisdictions; dilution; risks relating to dividends; 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; activist shareholders and proxy solicitation matters; and other risks and uncertainties, including but not limited to those described in the “Risk 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, 2020, 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 during the quarter with production generally in line with expectations, however, Neves-Corvo zinc grades were lower than planned.

**Candelaria (80% owned):** Candelaria produced 36,014 tonnes of copper, and approximately 24,000 ounces of gold in concentrate on a 100% basis in the quarter. Copper and gold production was higher than the prior year quarter mostly due to higher mill throughput. Copper cash costs<sup>1</sup> of \$1.52/lb for the current quarter were higher than the prior year quarter largely owing to the impact of higher mining costs.

**Chapada (100% owned):** Chapada produced 11,258 tonnes of copper and approximately 17,000 ounces of gold in concentrate in the quarter. Copper and gold production increased compared to the previous quarter and expectations, though were lower than the prior year quarter primarily due to planned lower grades. Chapada set a monthly mill throughput record in May. Copper cash costs of \$1.32/lb for the quarter were higher than the prior year quarter due mainly to higher mining costs and lower sales volumes. Gross operating costs were in line with expectations.

**Eagle (100% owned):** Eagle produced 4,774 tonnes of nickel and 5,227 tonnes of copper during the quarter, which was above plan. Nickel and copper production were higher than the prior year quarter as higher than planned ore tonnes continue to be mined in the higher-grade Eagle East orebody. By-product credits, aided by rising copper prices, exceeded gross cash costs in the quarter resulting in nickel cash costs of negative \$2.01/lb.

**Neves-Corvo (100% owned):** Neves-Corvo produced 10,317 tonnes of copper for the quarter, ahead of plan, and 16,662 tonnes of zinc. Copper production increased over the previous quarter and was comparable to the prior year quarter as lower mill throughput was partially offset by higher grades. Zinc production was lower than the prior year due to lower grades. Copper cash costs of \$1.65/lb for the quarter were lower than the prior year quarter and better than plan primarily due to favourable by-product metal prices.

The Zinc Expansion Project (“ZEP”) continues to progress on schedule and on budget.

**Zinkgruvan (100% owned):** Zinc production of 18,171 tonnes was higher than the prior year quarter and plan due to higher grades and throughput. Lead production of 5,095 tonnes was higher than the prior year quarter due to higher grades and recoveries. Zinc cash costs of \$0.42/lb were better than plan and the prior year quarter largely due to higher sales volumes.

### Total production

(Contained metal in concentrate)	2021			2020				
	YTD	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (t) <sup>a</sup>	120,811	63,457	57,354	230,781	41,885	61,444	65,285	62,167
Zinc (t)	68,198	34,833	33,365	142,744	41,428	32,787	31,582	36,947
Gold (koz) <sup>a</sup>	75	41	34	163	35	45	44	39
Nickel (t)	10,128	4,774	5,354	16,718	4,909	4,854	3,380	3,575

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

<sup>1</sup> This is a non-GAAP measure – see page 25 of this MD&A for discussion of non-GAAP measures.

## Financial Performance

- Gross profit for the quarter ended June 30, 2021 was \$380.2 million, an increase of \$238.1 million compared to the prior year quarter. On a year-to-date basis, gross profit was \$632.6 million, an increase of \$513.2 million over the prior year comparative period. The increase was primarily due to higher realized metal prices and price adjustments (Q2 - \$298.1 million, YTD - \$640.5 million), partially offset by higher operating costs at Candelaria and Chapada and the unfavourable effects of foreign exchange (Q2 - \$18.9 million, YTD - \$25.7 million). Total production costs were in line with expectations.
- Net earnings for the quarter ended June 30, 2021 were \$268.4 million, an increase of \$220.2 million compared to the prior year quarter. On a year-to-date basis, net earnings were \$422.7 million, an increase of \$488.0 million from the prior year comparative period. The increases were attributable to higher gross profit partially offset by higher income tax expense.
- Adjusted earnings<sup>1</sup> for the quarter were \$226.3 million, an increase of \$173.5 million over the prior year quarter. On a year-to-date basis, adjusted earnings were \$370.7 million, \$358.9 million higher than the prior year. The increases were primarily due to higher gross profit partially offset by higher income taxes and higher net earnings attributable to non-controlling interests.

## Corporate Updates

- The Company continues to manage and respond to the COVID-19 pandemic and continues to implement preventative measures to ensure the safety of its workforce, local communities and other key stakeholders. The operational impact of second and third wave outbreaks is being closely monitored, especially in Brazil and Chile. Cases in Brazil and Chile have risen since the start of the year and remained high at the end of the quarter. 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.
- On July 6, 2021, 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)).
- On July 27, 2021, the Company announced that its 24% owned subsidiary, Koblotti Chemicals Holding Limited, had entered into an agreement to sell its specialty cobalt business ("Freeport Cobalt") to Jervois Mining Limited ("Jervois") for \$85.0 million, in cash and Jervois shares, plus working capital to be determined at closing with the right to receive up to \$40.0 million in contingent cash consideration based on the future performance of the business. Assuming a full allotment of shares of up to 9.9% of Jervois shares and excluding contingent consideration, the Company estimates its net share of the proceeds would be \$42.0 million in cash plus its pro-rata 24% share of up to 9.9% of Jervois shares. The transaction is expected to close in the third quarter of 2021.

<sup>1</sup> This is a non-GAAP measure – see page 25 of this MD&A for discussion of non-GAAP measures.

## Financial Position and Financing

- Cash and cash equivalents of \$294.9 million as at June 30, 2021 represents an increase of \$113.6 million during the quarter. Cash flow from operations of \$419.0 million was used to invest in capital expenditures (\$131.9 million), pay shareholder dividends (\$71.2 million) and repurchase shares of \$28.4 million. The Company also repaid approximately \$53.2 million in debt including the remaining \$45.0 million balance owing on its revolving credit facility.

On a year-to-date basis, cash and cash equivalents increased by \$153.5 million. Cash flow from operations of \$577.7 million was used to invest in capital expenditure of \$244.4 million, to repay debt (\$81.0 million), pay shareholder dividends (\$71.2 million) and fund share repurchases (\$28.4 million).

- Free cash flow<sup>1</sup> for the three and the six months ended June 30, 2021 has increased (Q2 - \$346.7 million, YTD - \$429.0 million) over the prior year comparative periods due to higher cash provided by operating activities.
- As at June 30, 2021, the Company had a net cash<sup>1</sup> balance of \$153.4 million. As at July 28, 2021, the Company had a cash and net cash balance of approximately \$250.0 million and \$190.0 million, respectively. Subsequent to the end of the quarter, \$80.0 million of Candelaria's term loan was repaid.

<sup>1</sup>This is a non-GAAP measure – see page 25 of this MD&A for discussion of non-GAAP measures.

## Outlook

In late June, the Company announced revised 2021 production guidance for Candelaria due to a change in the near-term mining sequence impacting the amount of direct ore mined and available for processing. Production guidance was reduced to 150,000 – 155,000 tonnes of copper and 85,000 – 90,000 ounces of gold, on a 100% basis.

Annual production guidance ranges have been tightened for all other operations. Chapada gold and Neves-Corvo zinc production saw modest reductions based largely on forecast mill feed grades. All other metals were tightened within the previous ranges.

Full year cash cost guidance for Eagle and Neves-Corvo have been improved given year-to-date performance and forecasts for continued favourable by-product metal prices. Candelaria cash cost guidance has increased reflecting the previously disclosed near-term mine sequence changes in open pit phase 10 for the second half of the year. Cash cost guidance for Chapada and Zinkgruvan is unchanged.

While the Company has not experienced significant disruptions to production, shipments of concentrate, or its supply chain due to COVID-19, we continue to caution that a localized outbreak at the operations may require the need to implement increased isolation and containment measures which could impact production, delay maintenance activities or disrupt supply chains. Given the uncertainty of the duration and magnitude of the impact of COVID-19, 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.

### 2021 Production and Cash Cost

(contained metal in concentrate)		Previous Guidance <sup>a</sup>		Revised Guidance	
		Tonnes	Cash Costs (\$/lb)	Tonnes	Cash Costs (\$/lb) <sup>b</sup>
<b>Copper (t)</b>	Candelaria (100%)	150,000 - 155,000	N/A	150,000 - 155,000	1.55 <sup>c</sup>
	Chapada	48,000 - 53,000	1.10	<b>48,000 - 50,000</b>	1.10 <sup>d</sup>
	Eagle	17,000 - 20,000		<b>18,000 - 20,000</b>	
	Neves-Corvo	35,000 - 40,000	2.20	<b>36,000 - 38,000</b>	2.10 <sup>c</sup>
	Zinkgruvan	3,000 - 4,000		3,000 - 4,000	
	<b>Total</b>	<b>253,000 - 272,000</b>		<b>255,000 - 267,000</b>	
<b>Zinc (t)</b>	Neves-Corvo	70,000 - 75,000		<b>67,000 - 70,000</b>	
	Zinkgruvan	71,000 - 76,000	0.65	<b>73,000 - 76,000</b>	0.65 <sup>c</sup>
	<b>Total</b>	<b>141,000 - 151,000</b>		<b>140,000 - 146,000</b>	
<b>Gold (oz)</b>	Candelaria (100%)	85,000 - 90,000		85,000 - 90,000	
	Chapada	75,000 - 80,000		<b>73,000 - 76,000</b>	
	<b>Total</b>	<b>160,000 - 170,000</b>		<b>158,000 - 166,000</b>	
<b>Nickel (t)</b>	Eagle	17,000 - 20,000	(0.25)	<b>18,000 - 20,000</b>	<b>(1.00)</b>

a. Guidance as outlined in the Management's Discussion and Analysis for the quarter ended March 31, 2021 in the Outlook section. Candelaria production guidance was updated and cash cost guidance temporarily suspended in a news release dated June 21, 2021 entitled "Lundin Mining Updates Candelaria 2021 Production Guidance".

b. Cash costs are based on various assumptions and estimates, including but not limited to: production volumes, as noted above, commodity prices (Cu: \$4.30/lb, Zn: \$1.25/lb, Pb: \$0.90/lb, Au: \$1,800/oz), foreign exchange rates (€/USD:1.25, USD/SEK:8.20, USD/CLP:700, USD/BRL:5.10) and operating costs for the remainder of 2021.

c. 68% of Candelaria's total gold and silver production are subject to a streaming agreement and silver production at Zinkgruvan and Neves-Corvo are also subject to streaming agreements. Cash costs are calculated based on receipt of approximately \$416/oz gold and \$4.16/oz to \$4.48/oz silver.

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

## 2021 Capital Expenditure Guidance

Capital expenditure guidance remains unchanged from the prior quarter. Although Chapada's total sustaining capital guidance has not changed, forecast lower deferred stripping expenditures are expected to offset the cost of land acquisitions that was not included in the original guidance.

Capital Expenditure Guidance	\$ millions
Candelaria (100% basis)	345
Chapada	65
Eagle	20
Neves-Corvo	65
Zinkgruvan	50
<b>Total Sustaining Capital</b>	<b>545</b>
<b>Zinc Expansion Project (Neves-Corvo)</b>	<b>70</b>
<b>Total Capital Expenditures</b>	<b>615</b>

## 2021 Exploration Investment Guidance

Total planned exploration expenditures are expected to be \$40.0 million in 2021, unchanged from previous guidance. Approximately \$38.0 million will be spent supporting significant in-mine and near-mine targets at our operations (\$13.0 million at Candelaria, \$6.0 million at Zinkgruvan, \$16.0 million at Chapada, and \$3.0 million at Neves-Corvo). The remaining amount is planned to advance activities at exploration stage and new business development projects.

## 2022 and 2023 Candelaria Production Guidance

The Company is currently preparing and optimizing Candelaria's life of mine plan as part of the annual planning process.

Preliminary plans for Candelaria consider:

- forecast annual processing of approximately 28 million tonnes per annum for the Candelaria complex utilizing existing infrastructure, and
- allowance for mine to mill copper grade dilution (5-8%) for 2022 and 2023.

While further work is required to complete and confirm the plans, on preliminary review, copper production forecast for 2022 and 2023 is expected to be approximately 10% - 15% lower than prior guidance<sup>1</sup> of 180,000 – 190,000 tonnes for both years.

Alternative plans, trade-off studies and further revisions being evaluated to improve future years' production include adding and debottlenecking pebble crushing and grinding, improved grade control, increased contribution to mill feed from underground mines and earlier and increased contribution of phase 11 ore.

The life of mine plans will be completed in coming months and approved by the Company's Board in November. A three year production outlook, along with one year cost and capital expenditure guidance for all mines will be provided at that time.

1. Guidance provided in the November 30, 2020 news release entitled "Lundin Mining Provides Operational Outlook & Shareholder Returns Update".

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

(\$ millions, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Revenue</b>	<b>872.3</b>	533.3	<b>1,553.8</b>	911.3
Cost of goods sold:				
Production costs	<b>(361.3)</b>	(273.0)	<b>(664.4)</b>	(551.7)
Depreciation, depletion and amortization	<b>(130.9)</b>	(118.2)	<b>(256.8)</b>	(240.2)
<b>Gross profit</b>	<b>380.2</b>	142.1	<b>632.6</b>	119.4
<b>Net earnings (loss) attributable to:</b>				
Lundin Mining shareholders	<b>242.6</b>	38.7	<b>377.8</b>	(72.7)
Non-controlling interests	<b>25.8</b>	9.6	<b>44.8</b>	7.4
<b>Net earnings (loss)</b>	<b>268.4</b>	48.3	<b>422.7</b>	(65.3)
<b>Adjusted earnings<sup>2</sup></b>	<b>226.3</b>	52.8	<b>370.7</b>	11.7
<b>Adjusted EBITDA<sup>2</sup></b>	<b>480.7</b>	231.5	<b>835.2</b>	321.8
<b>Cash flow from operations</b>	<b>419.0</b>	37.6	<b>577.7</b>	121.0
<b>Adjusted operating cash flow<sup>2</sup></b>	<b>431.6</b>	179.0	<b>711.5</b>	206.9
<b>Free cash flow<sup>2</sup></b>	<b>298.9</b>	(47.8)	<b>354.9</b>	(74.1)
<b>Capital expenditures<sup>3</sup></b>	<b>131.9</b>	100.2	<b>244.4</b>	241.2
<b>Per share amounts:</b>				
Basic and diluted earnings (loss) per share attributable to shareholders	<b>0.33</b>	0.05	<b>0.51</b>	(0.10)
Adjusted earnings per share <sup>2</sup>	<b>0.31</b>	0.07	<b>0.50</b>	0.02
Adjusted operating cash flow per share <sup>2</sup>	<b>0.58</b>	0.24	<b>0.96</b>	0.28
Dividends declared (C\$/share)	<b>0.06</b>	0.04	<b>0.12</b>	0.08

	June 30, 2021	December 31, 2020
<b>Total assets</b>	<b>7,316.8</b>	7,058.5
<b>Total debt and lease liabilities</b>	<b>141.5</b>	203.0
<b>Net cash (debt)<sup>2</sup></b>	<b>153.4</b>	(63.2)

## Summary of Quarterly Results<sup>1,4</sup>

(\$ millions, except per share data)	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
<b>Revenue</b>	872.3	681.5	529.5	600.7	533.3	378.0	568.4	538.7
<b>Cost of goods sold</b>	(492.2)	(429.0)	(350.1)	(401.4)	(391.2)	(400.7)	(422.9)	(410.1)
<b>Gross profit (loss)</b>	380.2	252.5	179.4	199.3	142.1	(22.7)	145.5	128.6
<b>Net earnings (loss)</b>	268.4	154.2	120.8	133.6	48.3	(113.6)	104.8	32.1
- attributable to shareholders	242.6	135.2	119.2	122.4	38.7	(111.5)	97.0	26.4
<b>EPS - Basic and diluted</b>	0.33	0.18	0.16	0.17	0.05	(0.15)	0.13	0.04
<b>Cash flow from operations</b>	419.0	158.7	172.7	272.2	37.6	83.4	186.4	111.6
<b>Adjusted operating cash flow per share<sup>2</sup></b>	0.58	0.38	0.24	0.36	0.24	0.04	0.28	0.21
<b>Capital expenditures<sup>3</sup></b>	131.9	112.5	100.2	89.8	100.2	141.1	139.6	165.0

1. Except where otherwise noted, financial data has been prepared in accordance with IFRS as issued by the IASB.

2. These are non-GAAP measures please see page 25 of this MD&A for discussion of non-GAAP measures.

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

4. 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)

	2021			2020				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
<b>Copper (tonnes)</b>								
Candelaria (100%)	71,053	35,537	35,516	123,183	16,574	34,713	34,130	37,766
Chapada	19,626	12,247	7,379	47,119	10,966	11,220	13,446	11,487
Eagle	9,575	5,257	4,318	17,111	4,312	4,732	3,668	4,399
Neves-Corvo	16,879	10,314	6,565	30,799	4,708	6,892	11,471	7,728
Zinkgruvan	928	926	2	3,212	830	929	910	543
	<b>118,061</b>	<b>64,281</b>	53,780	221,424	37,390	58,486	63,625	61,923
<b>Zinc (tonnes)</b>								
Neves-Corvo	26,048	14,443	11,605	58,029	12,506	14,563	15,896	15,064
Zinkgruvan	30,008	14,305	15,703	62,150	22,399	15,002	10,465	14,284
	<b>56,056</b>	<b>28,748</b>	27,308	120,179	34,905	29,565	26,361	29,348
<b>Gold (000 oz)</b>								
Candelaria (100%)	44	23	21	73	11	21	19	22
Chapada	28	16	12	81	23	18	23	17
	<b>72</b>	<b>39</b>	33	154	34	39	42	39
<b>Nickel (tonnes)</b>								
Eagle	8,376	4,258	4,118	12,481	3,714	3,539	2,419	2,809
<b>Lead (tonnes)</b>								
Neves-Corvo	2,299	1,054	1,245	4,149	748	794	1,309	1,298
Zinkgruvan	9,633	4,928	4,705	23,556	5,475	6,352	5,705	6,024
	<b>11,932</b>	<b>5,982</b>	5,950	27,705	6,223	7,146	7,014	7,322
<b>Silver (000 oz)</b>								
Candelaria (100%)	559	287	272	966	119	254	272	321
Chapada	34	14	20	131	40	26	31	34
Eagle	24	9	15	79	21	16	22	20
Neves-Corvo	470	228	242	779	159	170	270	180
Zinkgruvan	648	356	292	1,544	327	441	427	349
	<b>1,735</b>	<b>894</b>	841	3,499	666	907	1,022	904

## Revenue Analysis

by Mine (\$ thousands)	Three months ended June 30,					Six months ended June 30,				
	2021		2020		Change	2021		2020		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
Candelaria (100%)	<b>399,907</b>	46	255,132	48	144,775	<b>751,897</b>	48	428,104	47	323,793
Chapada	<b>148,137</b>	17	114,125	21	34,012	<b>234,355</b>	15	198,246	22	36,109
Eagle	<b>133,893</b>	15	52,689	10	81,204	<b>252,761</b>	16	100,026	11	152,735
Neves-Corvo	<b>134,496</b>	15	81,188	15	53,308	<b>215,256</b>	14	126,965	14	88,291
Zinkgruvan	<b>55,891</b>	7	30,185	6	25,706	<b>99,533</b>	7	57,963	6	41,570
	<b>872,324</b>		533,319		339,005	<b>1,553,802</b>		911,304		642,498

by Metal (\$ thousands)	Three months ended June 30,					Six months ended June 30,				
	2021		2020		Change	2021		2020		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
Copper	<b>626,615</b>	72	376,510	71	250,105	<b>1,105,525</b>	71	620,019	68	485,506
Zinc	<b>71,362</b>	8	35,120	7	36,242	<b>127,939</b>	8	67,224	7	60,715
Gold	<b>59,810</b>	7	69,645	13	(9,835)	<b>103,281</b>	7	126,229	14	(22,948)
Nickel	<b>75,009</b>	9	30,086	6	44,923	<b>145,234</b>	9	54,464	6	90,770
Lead	<b>11,660</b>	1	8,490	2	3,170	<b>21,662</b>	1	18,349	2	3,313
Silver	<b>10,925</b>	1	10,914	1	11	<b>19,775</b>	1	19,633	2	142
Other	<b>16,943</b>	2	2,554	-	14,389	<b>30,386</b>	3	5,386	1	25,000
	<b>872,324</b>		533,319		339,005	<b>1,553,802</b>		911,304		642,498

Revenue for the three and six months ended June 30, 2021 increased in comparison to the prior year comparatives, mainly due to higher realized metal prices. Quarter over quarter revenue was also higher due to overall higher sales volumes.

Revenue from gold and silver for the three and six months ended June 30, 2021 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 \$416/oz for gold and between \$4.16/oz and \$4.48/oz for silver.

Revenue from copper for the three and six months ended June 30, 2021 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, 2021

Metal	Payable metal	Valued at
Copper	86,373 t	\$4.25 /lb
Zinc	15,000 t	\$1.35 /lb
Gold	33 koz	\$1,776 /oz
Nickel	1,375 t	\$8.26 /lb

## Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended June 30, 2021				
	Copper	Zinc	Gold	Nickel	Total
Current period sales <sup>1</sup>	603,469	85,533	68,359	76,425	833,786
Prior period price adjustments	46,203	1,943	2,217	(957)	49,406
	649,672	87,476	70,576	75,468	883,192
Other metal sales					55,090
Copper stream cash effect					(2,911)
Gold stream cash effect					(20,860)
Less: Treatment & refining charges					(42,187)
<b>Total Revenue</b>					<b>872,324</b>
<b>Payable Metal</b>	<b>64,281 t</b>	<b>28,748 t</b>	<b>37 koz</b>	<b>4,258 t</b>	
Current period sales <sup>1</sup>	\$4.26	\$1.35	\$1,776	\$8.14	
Prior period adjustments	0.32	0.03	57	(0.10)	
<b>Realized prices<sup>2</sup></b>	<b>\$4.58 /lb</b>	<b>\$1.38 /lb</b>	<b>\$1,833 /oz</b>	<b>\$8.04 /lb</b>	

	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	529,397
Prior period price adjustments	29,532	(571)	3,378	(701)	31,637
	400,311	53,018	77,927	29,779	561,034
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</sup>	\$2.64	\$0.92	\$1,784	\$5.72	
Prior period adjustments	0.21	(0.01)	81	(0.14)	
<b>Realized prices<sup>2</sup></b>	<b>\$2.85 /lb</b>	<b>\$0.91 /lb</b>	<b>\$1,865 /oz</b>	<b>\$5.58 /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 2021 is \$4.56/lb (2020: \$2.83/lb). The realized price for gold inclusive of the impact of streaming agreements for 2021 is \$1,291/koz (2020: \$1,435/koz).

## Year-to-Date Reconciliation of Realized Prices

(\$ thousands)	Six months ended June 30, 2021				
	Copper	Zinc	Gold	Nickel	Total
Current period sales <sup>1</sup>	1,101,788	162,217	127,584	143,183	1,534,772
Prior period price adjustments	46,227	1,633	(3,702)	3,009	47,167
	1,148,015	163,850	123,882	146,192	1,581,939
Other metal sales					103,871
Copper stream cash effect					(7,017)
Gold stream cash effect					(40,200)
Less: Treatment & refining charges					(84,791)
<b>Total Revenue</b>					<b>1,553,802</b>
<b>Payable Metal</b>	<b>118,061 t</b>	<b>56,056 t</b>	<b>72 koz</b>	<b>8,376 t</b>	
Current period sales <sup>1</sup>	\$4.23	\$1.31	\$1,775	\$7.75	
Prior period adjustments	0.18	0.02	(51)	0.17	
<b>Realized prices<sup>2</sup></b>	<b>\$4.41 /lb</b>	<b>\$1.33 /lb</b>	<b>\$1,724 /oz</b>	<b>\$7.92 /lb</b>	

	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	1,029,696
Prior period price adjustments	(42,771)	(11,015)	1,119	(12,017)	(64,683)
	666,708	103,199	141,613	53,492	965,013
Other metal sales					77,898
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</sup>	\$2.56	\$0.93	\$1,744	\$5.68	
Prior period adjustments	(0.15)	(0.09)	14	(1.04)	
<b>Realized prices<sup>2</sup></b>	<b>\$2.41 /lb</b>	<b>\$0.84 /lb</b>	<b>\$1,758 /oz</b>	<b>\$4.64 /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 2021 is \$4.38/lb (2020: \$2.39/lb). The realized price for gold inclusive of the impact of streaming agreements for 2021 is \$1,165/oz (2020: \$1,330/oz).

## Financial Results

### Production Costs

Production costs for the quarter ended June 30, 2021 were \$88.3 million higher than the prior year quarter and on a year-to-date basis production costs were higher by \$112.7 million over the prior year period. These production cost increases were as a result of higher consumable and maintenance costs at Candelaria and Chapada as well as the effects of unfavourable foreign exchange rates.

### Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased for the quarter and six months ended June 30, 2021 compared to the prior year periods. The increase was primarily attributable to higher overall sales volumes.

Depreciation by operation (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Change	2021	2020	Change
Candelaria	68,276	68,065	211	141,528	139,134	2,394
Chapada	12,447	10,820	1,627	20,373	22,430	(2,057)
Eagle	23,138	17,139	5,999	43,442	35,906	7,536
Neves-Corvo	16,565	13,944	2,621	29,806	27,593	2,213
Zinkgruvan	9,951	7,787	2,164	20,684	14,243	6,441
Other	473	449	24	927	873	54
	130,850	118,204	12,646	256,760	240,179	16,581

### General Exploration and Business Development

General exploration and business development expenses for the three and six months ended June 30, 2021 increased against the prior year comparable periods by \$8.2 million and \$4.7 million, respectively; due primarily to the acquisition of 40 new exploration claims at Chapada and in part due to increased surface exploration drilling at Chapada. Exploration drilling at Zinkgruvan has primarily focused along known mineralized trends within the underground workings. The Chapada and Candelaria programs are currently on track to meet targets of 60,000 and 40,000 metres, respectively.

### Finance Income and Costs

Net finance costs decreased by \$6.2 million comparing the current quarter to the prior year, and for the six months ended June 30, 2021 net finance costs decreased by \$11.2 million over the prior year comparable period. These variances were mainly due to lower interest expense as a result of more non-cash interest being capitalized to ZEP in the current period.

### Other Income and Expenses

Net other expense for the three months ended June 30, 2021 was comparable to the prior year quarter.

Net other expense for the six months ended June 30, 2021 was higher than the prior year-to-date period. The increase was due to a loss on foreign exchange recorded in the current year period compared to a gain on foreign exchange recorded in the prior year comparable period, partially offset by revaluation of derivative liability. A negative \$17.7 million revaluation was recorded in the prior year comparative period.

As a result of a change in accounting policy for fiscal 2020, other income and expenses have been restated. This change is described in Note 2(iii) Voluntary change in accounting policy of the June 30, 2021 Condensed Interim Consolidated Financial Statements.

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, 2021 were as follows:

	June 30, 2021	March 31, 2021	December 31, 2020
Chilean Peso (USD:CLP)	735	732	711
Euro (USD:€)	0.84	0.85	0.81
Brazilian Real (USD:BRL)	5.00	5.70	5.20
Swedish Kroner (USD:SEK)	8.51	8.72	8.19

## Income Taxes

Income tax expense (recovery) by mine (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Change	2021	2020	Change
Candelaria	50,975	17,481	33,494	92,335	20,208	72,127
Chapada	(11,653)	23,308	(34,961)	9,355	80,566	(71,211)
Eagle	8,652	(41)	8,693	15,781	(83)	15,864
Neves-Corvo	9,387	657	8,730	8,647	(6,220)	14,867
Zinkgruvan	2,488	(2,935)	5,423	6,128	(223)	6,351
Other	2,765	6,045	(3,280)	270	9,843	(9,573)
	62,614	44,515	18,099	132,516	104,091	28,425

Income taxes by classification (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Change	2021	2020	Change
Current income tax expense	22,500	9,671	12,829	59,980	35,834	24,146
Deferred income tax	40,114	34,844	5,270	72,536	68,257	4,279
	62,614	44,515	18,099	132,516	104,091	28,425

Income tax expense for the three months ended June 30, 2021 was higher than the prior year quarter due to higher taxable earnings, partially offset by the Chapada deferred tax recovery on revaluation of non-monetary assets and translation of deferred taxes in BRL to USD due to the strengthening BRL (\$31.1 million). In addition, Neves-Corvo received a tax refund of \$14.3 million in the prior year quarter.

Income tax expense for the six months ended June 30, 2021 was higher than the prior year comparable period due primarily to higher taxable earnings, partially offset by the Chapada deferred tax recovery on revaluation of non-monetary assets and translation of deferred taxes in the current period (\$61.7 million).

As a result of a change in accounting policy for fiscal 2020, income taxes have been restated. This change is described in Note 2(iii) Voluntary change in accounting policy of the June 30, 2021 Condensed Interim Consolidated Financial Statements.

## Mining Operations

### Production Overview

(Contained metal in concentrate)	2021			2020				
	YTD	Q2	Q1	Total	Q4	Q3	Q2	Q1
<b>Copper (tonnes)</b>								
Candelaria (100%)	70,217	36,014	34,203	126,702	19,509	35,836	35,060	36,297
Chapada	21,099	11,258	9,841	50,038	11,368	12,990	13,799	11,881
Eagle	10,618	5,227	5,391	18,663	5,128	5,055	4,102	4,378
Neves-Corvo	17,758	10,317	7,441	32,032	5,880	6,518	10,559	9,075
Zinkgruvan	1,119	641	478	3,346	-	1,045	1,765	536
	<b>120,811</b>	<b>63,457</b>	57,354	230,781	41,885	61,444	65,285	62,167
<b>Zinc (tonnes)</b>								
Neves-Corvo	31,372	16,662	14,710	69,143	16,750	15,459	18,986	17,948
Zinkgruvan	36,826	18,171	18,655	73,601	24,678	17,328	12,596	18,999
	<b>68,198</b>	<b>34,833</b>	33,365	142,744	41,428	32,787	31,582	36,947
<b>Gold (000 oz)</b>								
Candelaria (100%)	45	24	21	76	13	21	21	21
Chapada	30	17	13	87	22	24	23	18
	<b>75</b>	<b>41</b>	34	163	35	45	44	39
<b>Nickel (tonnes)</b>								
Eagle	10,128	4,774	5,354	16,718	4,909	4,854	3,380	3,575
<b>Lead (tonnes)</b>								
Neves-Corvo	2,416	1,343	1,073	5,108	1,321	760	1,559	1,468
Zinkgruvan	9,804	5,095	4,709	24,128	6,745	5,571	3,799	8,013
	<b>12,220</b>	<b>6,438</b>	5,782	29,236	8,066	6,331	5,358	9,481
<b>Silver (000 oz)</b>								
Candelaria (100%)	598	318	280	1,074	155	283	305	331
Chapada	105	55	50	242	55	61	69	57
Eagle	55	25	30	140	37	33	35	35
Neves-Corvo	752	407	345	1,557	420	281	479	377
Zinkgruvan	877	457	420	2,064	514	499	389	662
	<b>2,387</b>	<b>1,262</b>	1,125	5,077	1,181	1,157	1,277	1,462

## Cash Cost Overview

(\$/lb)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Candelaria (cost/lb Cu)</b>				
Gross cost	1.97	1.68	1.96	1.62
By-product <sup>1</sup>	(0.45)	(0.32)	(0.38)	(0.29)
<b>Net Cash Cost</b>	<b>1.52</b>	<b>1.36</b>	<b>1.58</b>	<b>1.33</b>
<b>All-In Sustaining Cost<sup>2</sup></b>	<b>2.61</b>	<b>2.10</b>	<b>2.60</b>	<b>2.19</b>
<b>Chapada (cost/lb Cu)<sup>3</sup></b>				
Gross cost	2.38	1.56	2.41	1.79
By-product	(1.06)	(1.35)	(1.08)	(1.25)
<b>Net Cash Cost</b>	<b>1.32</b>	<b>0.21</b>	<b>1.33</b>	<b>0.54</b>
<b>All-In Sustaining Cost</b>	<b>1.98</b>	<b>0.64</b>	<b>2.03</b>	<b>0.91</b>
<b>Eagle (cost/lb Ni)</b>				
Gross cost	4.27	5.36	4.01	5.24
By-product	(6.28)	(4.23)	(5.83)	(3.95)
<b>Net Cash Cost</b>	<b>(2.01)</b>	<b>1.13</b>	<b>(1.82)</b>	<b>1.29</b>
<b>All-In Sustaining Cost</b>	<b>(0.23)</b>	<b>2.48</b>	<b>(0.21)</b>	<b>3.02</b>
<b>Neves-Corvo (cost/lb Cu)</b>				
Gross cost	3.36	2.64	3.76	2.91
By-product	(1.71)	(0.89)	(1.73)	(0.96)
<b>Net Cash Cost</b>	<b>1.65</b>	<b>1.75</b>	<b>2.03</b>	<b>1.95</b>
<b>All-In Sustaining Cost</b>	<b>2.34</b>	<b>2.32</b>	<b>2.75</b>	<b>2.71</b>
<b>Zinkgruvan (cost/lb Zn)</b>				
Gross cost	1.04	1.18	1.04	1.00
By-product	(0.62)	(0.62)	(0.44)	(0.47)
<b>Net Cash Cost</b>	<b>0.42</b>	<b>0.56</b>	<b>0.60</b>	<b>0.53</b>
<b>All-In Sustaining Cost</b>	<b>0.76</b>	<b>1.03</b>	<b>0.94</b>	<b>0.89</b>

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

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 25 of this MD&A for discussion of non-GAAP measures.

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

Three months ended June 30,									
by Mine	2021					2020			
	(\$ thousands)	Sustaining	Expansionary	Capitalized		Sustaining	Expansionary	Capitalized	
Interest				Total	Interest			Total	
Candelaria	81,573	-	-	-	<b>81,573</b>	53,615	-	-	53,615
Chapada	12,461	-	-	-	<b>12,461</b>	8,304	-	-	8,304
Eagle	5,346	-	-	-	<b>5,346</b>	2,214	-	-	2,214
Neves-Corvo	11,211	11,826	-	-	<b>23,037</b>	11,730	14,711	-	26,441
Zinkgruvan	9,415	-	-	-	<b>9,415</b>	9,571	-	-	9,571
Other	94	-	-	-	<b>94</b>	16	-	-	16
	120,100	11,826	-	-	<b>131,926</b>	85,450	14,711	-	100,161

Six months ended June 30,									
by Mine	2021					2020			
	(\$ thousands)	Sustaining	Expansionary	Capitalized		Sustaining	Expansionary	Capitalized	
Interest				Total	Interest			Total	
Candelaria	152,315	-	-	-	<b>152,315</b>	130,195	-	-	130,195
Chapada	21,431	-	-	-	<b>21,431</b>	12,028	-	-	12,028
Eagle	8,875	-	-	-	<b>8,875</b>	7,645	-	-	7,645
Neves-Corvo	20,157	21,309	336	-	<b>41,802</b>	27,531	45,657	451	73,639
Zinkgruvan	19,826	-	-	-	<b>19,826</b>	17,505	-	-	17,505
Other	140	-	-	-	<b>140</b>	215	-	-	215
	222,744	21,309	336	-	<b>244,389</b>	195,119	45,657	451	241,227

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

## Candelaria (Chile)

### Operating Statistics

(100% Basis)	2021			2020				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	10,657	5,062	5,595	29,739	3,596	8,977	9,085	8,081
Ore milled (000s tonnes)	13,945	7,012	6,933	22,858	4,007	7,040	6,104	5,707
Grade								
Copper (%)	0.55	0.56	0.53	0.60	0.53	0.55	0.62	0.67
Gold (g/t)	0.13	0.13	0.13	0.14	0.13	0.13	0.14	0.15
Recovery								
Copper (%)	92.2	91.5	93.1	93.4	92.6	92.6	93.5	94.7
Gold (%)	76.1	77.5	74.7	74.9	75.1	75.1	74.0	73.0
Production (contained metal)								
Copper (tonnes)	70,217	36,014	34,203	126,702	19,509	35,836	35,060	36,297
Gold (000 oz)	45	24	21	76	13	21	21	21
Silver (000 oz)	598	318	280	1,074	155	283	305	331
Revenue (\$000s)	751,897	399,907	351,990	875,348	166,827	280,417	255,132	172,972
Gross profit (loss) (\$000s)	324,664	182,867	141,797	170,624	27,354	88,511	71,544	(16,785)
Cash cost (\$ per pound)	1.58	1.52	1.65	1.45	2.17	1.37	1.36	1.31
AISC (\$ per pound)	2.60	2.61	2.59	2.29	3.24	2.05	2.10	2.26

### Gross Profit

Gross profit for the three and six months ended June 30, 2021 was higher than the prior year comparable periods primarily due to higher realized metal prices.

### Production

Copper production for the three months ended June 30, 2021 was higher than the prior year quarter largely attributable to higher throughput. On a year-to-date basis, copper production was lower than the prior year period, as improved throughput was more than offset by the effects of lower grades and recoveries.

Gold production for the three and six months ended June 30, 2021 was higher than the prior year quarter due to higher throughput and recoveries.

As previously disclosed, the near-term mining sequence in phase 10 of the open pit has been adjusted for the second half of the year to manage the production challenges in a localized area of the open pit that, while nominal in volume, has the potential to impact activities on lower levels and the main ramp.

### Cash Costs

Copper cash costs for the three and six months ended June 30, 2021 were higher than cash costs in the prior year comparable periods. The increase was largely due to higher diesel, maintenance and labour costs as a result of the union negotiations finalized last year.

As a result of the production changes described above, cash cost guidance for the full year has been revised to \$1.55/lb of copper.

All-in sustaining costs for the three and six months ended June 30, 2021 were higher than those of the corresponding periods in 2020 due to higher cash costs and higher capitalized deferred stripping.

For the six months ended June 30, 2021, approximately 29,000 oz of gold and 383,000 oz of silver were subject to terms of a streaming agreement in which \$416/oz and \$4.16/oz were received for gold and silver, respectively.

## Chapada (Brazil)

### Operating Statistics

(100% Basis)	2021			2020				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	15,222	8,725	6,497	29,386	5,575	7,831	7,528	8,452
Ore milled (000s tonnes)	11,975	6,132	5,843	19,192	3,618	4,808	5,278	5,488
Grade								
Copper (%)	0.24	0.25	0.23	0.30	0.35	0.31	0.30	0.27
Gold (g/t)	0.16	0.17	0.15	0.24	0.30	0.25	0.23	0.20
Recovery								
Copper (%)	74.0	75.7	72.1	86.2	90.7	87.7	86.1	80.9
Gold (%)	49.5	52.3	46.2	59.7	64.6	62.7	60.0	51.0
Production (contained metal)								
Copper (tonnes)	21,099	11,258	9,841	50,038	11,368	12,990	13,799	11,881
Gold (000 oz)	30	17	13	87	22	24	23	18
Silver (000 oz)	105	55	50	242	55	61	69	57
Revenue (\$000s)	234,355	148,137	86,218	445,399	133,567	113,586	114,125	84,121
Gross profit (\$000s)	111,335	72,023	39,312	228,541	84,830	62,558	59,320	21,833
Cash cost (\$ per pound)	1.33	1.32	1.33	0.29	(0.18)	0.21	0.21	0.92
AISC (\$ per pound)	2.03	1.98	2.11	0.84	0.82	0.73	0.64	1.22

### Gross Profit

Gross profit for the three and six months ended June 30, 2021 was higher than the prior year comparable periods largely due to higher realized metal prices partially offset by lower sales volumes.

### Production

The production of both copper and gold for the three and six months ended June 30, 2021 was in line with plan, though lower than the comparable periods in 2020 due primarily to lower grades and increased use of the low grade stockpile. A new mill throughput monthly record was set in May of 2.2 million tonnes.

Chapada full year gold production guidance has been revised to 73,000 - 76,000 ounces as a result of a change in mine sequence (previously 75,000 - 80,000 ounces) while copper production guidance has been tightened to 48,000 - 50,000 tonnes.

### Cash Costs

Copper cash costs for the three and six months ended June 30, 2021 were higher than the same periods in the prior year. The higher per-unit costs resulted from higher average haulage distances, increased material tonnages moved, and higher consumable prices for diesel and other operating contracts as well as lower sales volumes. Operating costs on a per tonne milled basis are in line with expectations.

Full year cash cost guidance remains unchanged at \$1.10/lb of copper.

AISC for the three and six months ended June 30, 2021 were higher than the prior year comparable periods as a result of higher cash costs.

### Projects

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

During the current quarter, approximately 18,500 metres of drilling were completed, for a total of 29,300 metres year-to-date. Chapada has been successful in acquiring 40 exploration claims near-mine during the year. This offers opportunity for further exploration of district continuity of mineralization.

## Eagle (USA)

### Operating Statistics

	2021			2020				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	363	177	186	758	204	180	185	189
Ore milled (000s tonnes)	366	180	186	761	205	179	183	194
Grade								
Nickel (%)	3.3	3.2	3.3	2.6	2.8	3.2	2.2	2.2
Copper (%)	3.0	3.0	3.0	2.5	2.6	2.9	2.3	2.4
Recovery								
Nickel (%)	85.0	83.9	86.1	83.9	84.4	84.3	82.5	83.9
Copper (%)	97.4	97.2	97.5	96.7	96.7	97.2	96.6	96.3
Production (contained metal)								
Nickel (tonnes)	10,128	4,774	5,354	16,718	4,909	4,854	3,380	3,575
Copper (tonnes)	10,618	5,227	5,391	18,663	5,128	5,055	4,102	4,378
Revenue (\$000s)	252,761	133,893	118,868	294,280	102,940	91,314	52,689	47,337
Gross profit (\$000s)	120,532	62,228	58,304	77,413	45,805	36,634	3,762	-8,788
Cash cost (\$ per pound)	(1.82)	(2.01)	(1.62)	0.10	(0.89)	(0.63)	1.13	1.43
AISC (\$ per pound)	(0.21)	(0.23)	(0.17)	1.51	0.32	0.54	2.48	3.50

### Gross Profit

Gross profit for the three and six months ended June 30, 2021 was higher than the prior year comparable periods due to higher sales volumes as well as higher realized metal prices and price adjustments.

### Production

Nickel and copper production for the three months and year-to-date ended June 30, 2021 was higher than the prior year comparable periods due to increased mining volumes against expectations in the high-grade Eagle East zone.

Full year production guidance for both nickel and copper has been tightened to 18,000 - 20,000 tonnes, reflecting an increase in the bottom end of the range.

### Cash Costs

Nickel cash costs for the three and six months ended June 30, 2021 were significantly lower than the cash costs reported in the prior year comparable periods. The decrease in cash costs is primarily due to higher by-product metal prices as well as nickel sales volume. As a result of continued expected favourable copper by-product prices, cash cost guidance has been reduced from negative \$0.25/lb to negative \$1.00/lb.

All-in sustaining costs for the three and six months ended June 30, 2021 were also lower than those of the corresponding periods in 2020, as a result of lower cash costs.

## Neves-Corvo (Portugal)

### Operating Statistics

	2021			2020				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	1,277	646	631	2,396	475	566	715	640
Ore mined, zinc (000 tonnes)	533	275	258	1,091	291	242	272	286
Ore milled, copper (000 tonnes)	1,275	655	620	2,427	489	565	734	639
Ore milled, zinc (000 tonnes)	534	280	254	1,106	296	240	286	284
Grade								
Copper (%)	1.7	1.9	1.5	1.7	1.5	1.5	1.8	1.8
Zinc (%)	7.4	7.5	7.4	8.1	7.5	8.4	8.5	8.0
Recovery								
Copper (%)	81.0	81.7	80.0	79.1	79.0	78.4	81.3	77.4
Zinc (%)	76.8	77.5	76.0	76.2	74.2	75.9	76.7	77.7
Production (contained metal)								
Copper (tonnes)	17,758	10,317	7,441	32,032	5,880	6,518	10,559	9,075
Zinc (tonnes)	31,372	16,662	14,710	69,143	16,750	15,459	18,986	17,948
Lead (tonnes)	2,416	1,343	1,073	5,108	1,321	760	1,559	1,468
Silver (000 oz)	752	407	345	1,557	420	281	479	377
Revenue (\$000s)	215,256	134,496	80,760	257,046	60,794	69,287	81,188	45,777
Gross profit (loss) (\$000s)	50,905	44,085	6,820	(13,993)	(3,320)	2,954	6,299	(19,926)
Cash cost (€ per pound)	1.68	1.37	2.17	1.84	2.37	1.69	1.58	2.03
Cash cost (\$ per pound)	2.03	1.65	2.61	2.09	2.85	1.97	1.75	2.24
AISC (\$ per pound)	2.75	2.34	3.38	3.16	5.35	2.93	2.32	3.28

### Gross Profit

Gross profit for the three and six months ended June 30, 2021 was higher than the comparable period in 2020 largely due to higher metal price and price adjustments, partially offset by the negative impact of unfavourable foreign exchange.

### Production

Copper production for the current quarter was comparable to the prior year quarter as lower throughput was partially offset by higher grades. Copper production for the six months ended June 30, 2021 was lower than the prior year comparable periods due to both lower throughput and grades. Copper production is in line with expectations.

Zinc production for the three and six months ended June 30, 2021 was lower than the prior year comparable periods primarily due to lower throughput and grades.

Full year zinc production guidance has been reduced to 67,000 - 70,000 tonnes (from 70,000 - 75,000 tonnes) while full year copper production range has been tightened to 36,000 - 38,000 tonnes.

### Cash Costs

Copper cash costs for the three months ended June 30, 2021 were lower than those of the corresponding period in 2020 largely as a result of higher by-product credits due to higher zinc metal prices. Copper cash costs for the six months ended June 30, 2021 were higher than those of the prior year comparable period due to lower sales volumes and unfavourable foreign exchange, partially offset by higher by-product metal prices.

Full year copper cash cost guidance has been improved to \$2.10/lb on the expectation of continued strong by-product prices.

All-in sustaining costs for the three and six months ended June 30, 2021 were higher than the corresponding period in 2020 due to higher per-unit sustaining capital expenditures as a result of lower sales volumes and, for the six months, higher cash costs.

## **Projects**

ZEP officially restarted in January 2021, after a proactive temporary suspension in March 2020 due to the COVID-19 pandemic. The project continues to progress on schedule and on budget and it is expected construction will be substantially completed by the end of 2021 with the commencement of commissioning of the mine materials handling system and the expanded zinc processing plant. Upgrades to the shaft are also planned for completion in the third quarter of 2021. Production ramp up to full production rates is scheduled for the first half of 2022.

Project progress will continue to be dependent on any potential future impacts of COVID-19 with government public health restrictions and recommendations. The Company continues to focus on the protection of its employees and contractors, while also trying to minimize any potential impact of COVID-19 restrictions.

An estimated \$70.0 million of expansionary capital is expected to be spent in 2021, with a further \$30.0 million in 2022 to complete the project, primarily reflecting timing of payments. Total pre-production capital cost estimate of \$430.0 million (€360.0 million) for the project remains unchanged.

## Zinkgruvan (Sweden)

### Operating Statistics

	2021			2020				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	626	298	328	1,208	323	282	279	324
Ore mined, copper (000 tonnes)	109	66	43	215	29	61	81	44
Ore milled, zinc (000 tonnes)	601	267	334	1,208	324	316	239	329
Ore milled, copper (000 tonnes)	74	50	24	181	-	62	98	21
Grade								
Zinc (%)	6.9	7.6	6.3	6.7	8.3	6.2	5.9	6.4
Lead (%)	2.1	2.4	1.8	2.5	2.7	2.3	2.0	2.9
Copper (%)	1.7	1.5	2.2	2.2	-	2.0	2.1	2.8
Recovery								
Zinc (%)	89.0	89.1	88.8	90.4	91.9	88.8	89.5	90.4
Lead (%)	77.6	78.7	76.5	79.5	78.5	77.0	78.1	83.0
Copper (%)	86.8	85.0	89.5	85.2	-	83.3	84.8	90.6
Production (contained metal)								
Zinc (tonnes)	36,826	18,171	18,655	73,601	24,678	17,328	12,596	18,999
Lead (tonnes)	9,804	5,095	4,709	24,128	6,745	5,571	3,799	8,013
Copper (tonnes)	1,119	641	478	3,346	-	1,045	1,765	536
Silver (000 oz)	877	457	420	2,064	514	499	389	662
Revenue (\$000s)	99,533	55,891	43,642	169,433	65,401	46,069	30,185	27,778
Gross profit (\$000s)	27,417	20,100	7,317	39,012	24,905	9,665	2,239	2,203
Cash cost (SEK per pound)	5.07	3.58	6.43	4.77	4.22	4.90	5.50	4.96
Cash cost (\$ per pound)	0.60	0.42	0.76	0.52	0.50	0.55	0.56	0.51
AISC (\$ per pound)	0.94	0.76	1.10	0.82	0.78	0.74	1.03	0.79

### Gross Profit

Gross profit for the three and six months ended June 30, 2021 was higher than the comparable periods in 2020 largely attributable to higher realized metal prices in the current quarter as well as higher zinc sales volumes.

### Production

Zinc production for the quarter ended June 30, 2021 as well as on a year-to-date basis was higher than the prior year comparable periods due to higher throughput and grades.

Lead production for the quarter ended June 30, 2021 was higher than the prior year quarter as a result of higher throughput, head grades and recoveries. Lead production for the six months ended June 30, 2021 was lower than the prior year comparable periods as a result of lower grades in the first quarter of 2021.

Full year zinc production guidance has been tightened, with the bottom of the range revised upwards to 73,000 - 76,000 tonnes.

### Cash Costs

Zinkgruvan's cash costs for the current quarter was lower than the prior year due to lower per unit operating costs as well as lower treatment charges partially offset by the impact of unfavourable foreign exchange.

Cash costs for the six months ended June 30, 2021 were higher than the prior year comparable period largely due to unfavourable foreign exchange rates offset by lower per unit operating costs.

Full year zinc cash cost guidance of \$0.65/lb is unchanged.

All-in sustaining costs for the quarter ended June 30, 2021 were lower than those reported in the corresponding quarter in 2020 due to both lower cash costs and lower per-unit sustaining capital expenditures. All-in sustaining costs for the six months ended June 30, 2021 were primarily higher than the prior year comparable period due to higher cash costs.

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

The average metal prices for copper, zinc and gold for the second quarter of 2021 were higher than the average prices for the first quarter of 2021 by; 14% copper, 6% zinc and 1% gold. The average nickel price for the second quarter of 2021 was lower than the average price for the first quarter of 2021 by 1%. The prices for all metals increased through the quarter.

(Average LME Price)		Three months ended June 30,			Six months ended June 30,		
		2021	2020	Change	2021	2020	Change
Copper	US\$/pound	<b>4.40</b>	2.43	81%	<b>4.12</b>	2.49	65%
	US\$/tonne	<b>9,700</b>	5,356		<b>9,092</b>	5,500	
Zinc	US\$/pound	<b>1.32</b>	0.89	49%	<b>1.28</b>	0.93	38%
	US\$/tonne	<b>2,916</b>	1,961		<b>2,832</b>	2,047	
Gold	US\$/ounce	<b>1,816</b>	1,711	6%	<b>1,805</b>	1,645	10%
Nickel	US\$/pound	<b>7.87</b>	5.54	42%	<b>7.92</b>	5.66	40%
	US\$/tonne	<b>17,359</b>	12,215		<b>17,466</b>	12,475	

LME inventory for copper increased by 32% during the second quarter of 2021 while the inventories for zinc and nickel decreased by 7% and 12%, respectively.

During the second quarter of 2021, the treatment charges (“TC”) and refining charges (“RC”) in the spot market for copper concentrates between miners and commodity traders increased from an average spot TC during April of \$12 per dmt of concentrate and a spot RC of \$0.012 per lb of payable copper to a spot TC of \$32 per dmt of concentrate and a spot RC of \$0.032 per lb of payable copper during June 2021. Also, the spot terms at which Chinese copper smelters were prepared to buy increased slightly through the quarter from a TC of \$30 per dmt of concentrate and a RC of \$0.03 per payable lb of copper over April to a TC of \$40 per dmt of concentrate and a RC of \$0.04 per payable lb of copper at the end of June.

The spot TC, delivered China, for zinc concentrates during the second quarter of 2021 ranged from \$75 per dmt, flat, at the beginning of April to \$80 per dmt, flat, by the end of the quarter, on very limited activity. As of the beginning of April, a settlement in the negotiations between the mines and smelters for annual contracts for zinc concentrates was reported at \$159 per dmt, flat which represents a significant improvement in favour of the mines compared to the settlement for 2020 which was \$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, 2021, the Company had cash and cash equivalents of \$294.9 million. With the ongoing COVID-19 pandemic, there is still uncertainty 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 three and six months ended June 30, 2021 were \$381.4 million and \$456.7 million higher than the comparative periods in the prior year. The increase was primarily attributable to higher gross profit (Q2 - \$238.1 million, YTD - \$513.2 million) largely due to higher realized metal prices and price adjustments (Q2 - \$298.1 million, YTD - \$640.5 million). For the current quarter, this reflects a positive comparative change in non-cash working capital (\$128.7 million), while on a year-to-date basis, there was a negative change in non-cash working capital (\$48.0 million) which reduced cash flow from operations.

Cash flow used in investing activities was higher \$45.2 million higher in the current quarter compared to the prior year quarter. In addition to capital expenditures being \$31.8 million higher, the Company contributed \$9.0 million to its investment in associate (whereas a distribution of \$6.0 million was received in last year's comparable quarter). On a year-to-date basis, cash flow used in investing activities was higher than the prior year period due to the contributions to the investment in associate as well, in the prior year, a \$25.7 million contingent asset was collected.

Cash flow used in financing activities increased by \$140.7 million compared to the prior year quarter owing to higher dividends paid to shareholders, common share repurchases and net debt repayments. Cash flow used in financing activities was also higher on a year-to-date basis due to higher shareholder dividend payments and net debt repayments of \$70.1 million (as compared to \$190.5 million of net borrowings in the prior year comparative period).

### Capital Resources

As at June 30, 2021, the Company had \$141.5 million of debt and lease liabilities.

As at June 30, 2021, the Company has no amounts drawn on its credit facility, \$100.0 million in outstanding term loans, \$6.7 million of equipment financing and \$34.8 million of lease liabilities. The Company has approximately \$778.3 million available for drawdown on its credit facility.

During the second quarter and six months ended June 30, 2021, the Company purchased 2.7 million shares under its Normal Course Issuer Bid for consideration of \$28.4 million. In the second quarter of 2020, no shares were repurchased (2020 YTD - 1.6 million shares, \$7.4 million consideration).

### Contractual Obligations, Commitments and Contingencies

The Company has contractual obligations and capital commitments as described in the Note 18 "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. 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 17 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 \$.

## Metal Prices

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

<b>Metal</b>	<b>Payable Metal</b>	<b>Provisional price on June 30, 2021</b>	<b>Change</b>	<b>Effect on Revenue (\$millions)</b>
Copper	86,373 t	\$4.25/lb	+/- 10%	+/- \$80.9
Zinc	15,000 t	\$1.35/lb	+/- 10%	+/- \$4.5
Gold	33 koz	\$1,776/oz	+/- 10%	+/- \$5.9
Nickel	1,375 t	\$8.26/lb	+/- 10%	+/- \$2.5

## Related Party Transactions

The Company may enter 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 20 of the Company's June 30, 2021 Condensed Interim Consolidated Financial Statements.

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

The Company describes its significant accounting policies as well as any changes in accounting policies in Note 2 "Basis of Presentation and Significant Accounting Policies" of the June 30, 2021 Condensed Interim Consolidated Financial Statements.

## Non-GAAP Performance Measures

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

### Net Cash (Debt)

Net cash (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, 2021	March 31, 2021	December 31, 2020
Current portion of debt and lease liabilities	(119,780)	(120,480)	(116,942)
Debt and lease liabilities	(21,752)	(67,490)	(86,106)
	(141,532)	(187,970)	(203,048)
Deferred financing fees (netted in above)	-	(1,462)	(1,622)
	(141,532)	(189,432)	(204,670)
Cash and cash equivalents	294,914	181,322	141,447
<b>Net cash (debt)</b>	<b>153,382</b>	<b>(8,110)</b>	<b>(63,223)</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,	
	2021	2020	2021	2020
Cash provided by operating activities	418,998	37,611	577,673	121,022
Changes in non-cash working capital items	12,629	141,359	133,799	85,830
<b>Adjusted operating cash flow</b>	<b>431,627</b>	178,970	<b>711,472</b>	206,852
Weighted average common shares outstanding	738,612,506	733,632,700	737,756,508	734,059,980
<b>Adjusted operating cash flow per share</b>	<b>0.58</b>	0.24	<b>0.96</b>	0.28

### Free Cash Flow

Free cash flow is indicative of the Company's ability to generate cash from operations after consideration for required sustaining capital expenditures necessary to maintain operations. Free cash flow is defined as cash flow provided by operating activities, less sustaining capital expenditures.

Free cash flow can be reconciled to cash provided by operating activities as follows:

(\$thousands)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Cash provided by operating activities	418,998	37,611	577,673	121,022
Sustaining capital expenditures	(120,100)	(85,450)	(222,744)	(195,119)
<b>Free cash flow</b>	<b>298,898</b>	<b>(47,839)</b>	<b>354,929</b>	<b>(74,097)</b>

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

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.

As a result of a change in accounting policy, foreign currency translation differences on deferred tax liabilities and assets have been retrospectively restated. This change is described in Note 2 (iii) “Voluntary change in accounting policy” of the June 30, 2021 Condensed Interim Consolidated Financial Statements.

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,	
	2021	2020	2021	2020
Net earnings (loss)	268,432	48,258	422,651	(65,310)
Add back:				
Depreciation, depletion and amortization	130,850	118,204	256,760	240,179
Finance income and costs	9,078	15,272	20,174	31,436
Income taxes	62,614	44,515	132,516	104,091
	470,974	226,249	832,101	310,396
Unrealized foreign exchange	5,296	(6,401)	6,258	(12,720)
Revaluation gain on derivative asset/liability	5,084	12,826	(2,019)	17,664
Revaluation of marketable securities	(3,513)	(1,635)	(4,062)	553
Income from investment in associates	(773)	(2,030)	(1,146)	(1,946)
Project standby and suspension costs	-	3,829	-	6,341
Other	3,659	(1,386)	4,034	1,518
Total adjustments - EBITDA	9,753	5,203	3,065	11,410
<b>Adjusted EBITDA</b>	<b>480,727</b>	<b>231,452</b>	<b>835,166</b>	<b>321,806</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,	
	2021	2020	2021	2020
Net earnings (loss) attributable to: Lundin Mining shareholders	<b>242,643</b>	38,729	<b>377,828</b>	(72,756)
Add back:				
Total adjustments - EBITDA	<b>9,753</b>	5,203	<b>3,065</b>	11,410
Tax effect on adjustments	<b>(2,302)</b>	3,479	<b>827</b>	11,062
Deferred tax arising from foreign exchange on non-monetary balances	<b>(40,555)</b>	13,209	<b>(17,701)</b>	75,662
Deferred tax arising from foreign exchange translation	<b>16,422</b>	(6,198)	<b>6,476</b>	(25,153)
Tax asset	-	-	-	13,562
Other	<b>320</b>	(1,635)	<b>155</b>	(2,062)
Total	<b>(16,362)</b>	14,058	<b>(7,178)</b>	84,481
<b>Adjusted earnings</b>	<b>226,281</b>	52,787	<b>370,650</b>	11,725
Weighted average number of shares outstanding:				
Basic	<b>738,612,506</b>	733,632,700	<b>737,756,508</b>	734,059,980
Diluted	<b>741,221,535</b>	734,501,902	<b>740,542,356</b>	734,059,980
Basic and diluted earnings (loss) per share attributable to Lundin Mining shareholders:				
Net earnings (loss)	<b>0.33</b>	0.05	<b>0.51</b>	(0.10)
Total adjustments	<b>(0.02)</b>	0.02	<b>(0.01)</b>	0.12
<b>Adjusted earnings per share</b>	<b>0.31</b>	0.07	<b>0.50</b>	0.02

## 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 Cost and AISC can be reconciled to the Company's production costs as follows:

Three months ended June 30, 2021						
Operations	Candelaria	Chapada	Eagle	Neves-Corvo	Zinkgruvan	Total
(\$000s, unless otherwise noted)	(Cu)	(Cu)	(Ni)	(Cu)	(Zn)	
Sales volumes (Contained metal in concentrate):						
Tonnes	35,537	12,247	4,258	10,314	14,305	
Pounds (000s)	78,346	27,000	9,387	22,738	31,537	
Production costs						361,317
Less: Royalties and other						(22,564)
						338,753
Deduct: By-product credits						(180,782)
Add: Treatment and refining charges						28,915
Cash cost	119,000	35,731	(18,827)	37,611	13,371	186,886
<b>Cash cost per pound (\$/lb)</b>	<b>1.52</b>	<b>1.32</b>	<b>(2.01)</b>	<b>1.65</b>	<b>0.42</b>	
Add: Sustaining capital expenditure	81,573	12,461	5,346	11,211	9,415	
Royalties	-	3,567	8,629	3,033	-	
Interest expense	1,165	859	177	19	18	
Leases & other	3,096	827	2,470	1,417	1,175	
All-in sustaining cost	204,834	53,445	(2,205)	53,291	23,979	
<b>AISC per pound (\$/lb)</b>	<b>2.61</b>	<b>1.98</b>	<b>(0.23)</b>	<b>2.34</b>	<b>0.76</b>	

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	53,615	8,304	2,214	11,730	9,571	
Royalties	-	2,709	2,878	899	-	
Interest expense	964	1,249	313	74	-	
Leases & other	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>	

Six months ended June 30, 2021						
Operations	Candelaria	Chapada	Eagle	Neves-Corvo	Zinkgruvan	Total
(\$000s, unless otherwise noted)	(Cu)	(Cu)	(Ni)	(Cu)	(Zn)	
Sales volumes (Contained metal in concentrate):						
Tonnes	71,053	19,626	8,376	16,879	30,008	
Pounds (000s)	156,645	43,268	18,466	37,212	66,156	
Production costs						664,430
Less: Royalties and other						(29,069)
						635,361
Deduct: By-product credits						(306,162)
Add: Treatment and refining charges						57,908
Cash cost	248,071	57,430	(33,557)	75,364	39,799	387,107
<b>Cash cost per pound (\$/lb)</b>	<b>1.58</b>	<b>1.33</b>	<b>(1.82)</b>	<b>2.03</b>	<b>0.60</b>	
Add: Sustaining capital expenditure	152,315	21,431	8,875	20,157	19,826	
Royalties	-	5,640	15,475	3,737	-	
Interest expense	2,284	1,718	354	39	36	
Leases & other	5,152	1,496	5,061	2,963	2,556	
All-in sustaining cost	407,822	87,715	(3,792)	102,260	62,217	
<b>AISC per pound (\$/lb)</b>	<b>2.60</b>	<b>2.03</b>	<b>(0.21)</b>	<b>2.75</b>	<b>0.94</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 cost						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>	

## **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.

Tax code changes in the jurisdictions in which the Company operates can have a material adverse effect on profitability. In Chile, a new mining royalty tax has been proposed on the nominal value of copper and lithium production. If the proposed tax increase is approved by the Congress, this can result in increased royalty payments, decreased annual cash flow and reduced net asset value for Candelaria.

Infrastructure failures and geotechnical stability issues can have an adverse effect on the Company's operations. In Q2, the production guidance for Candelaria was adjusted for the second half of 2021 to accommodate required mining sequence changes in phase 10 of the open pit which were necessary to safely manage production risks in a localized area of geotechnical instability within a known fault zone.

While vaccination rates are increasing, and rates of infection are on the decline worldwide, the global COVID-19 pandemic and the emergence of more virulent strains, in particular the Delta variant of the virus, continue to affect the jurisdictions in which the Company operates.

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, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

## **Outstanding Share Data**

As at July 28, 2021, the Company has 736,347,295 common shares issued and outstanding, and 8,982,923 stock options and 2,624,750 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)).