

lundin mining

Management's Discussion and Analysis For the three and six months ended June 30, 2017

This management's discussion and analysis ("MD&A") has been prepared as of July 26, 2017 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2017. 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, SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

Lundin Mining Corporation ("Lundin", "Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations in Chile, the USA, Portugal, and Sweden, primarily producing copper, nickel and zinc. In addition, Lundin Mining holds an indirect 24% equity stake in the Freeport Cobalt Oy business, which includes a cobalt refinery located in Kokkola, Finland.

Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained or incorporated by reference herein is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts in this document constitute forward-looking information based on current expectations, estimates, forecasts and projections as well as beliefs and assumptions made by the Company's management. Such forward-looking statements include, but are not limited to, those regarding the Company's outlook and guidance on estimated metal production, costs, exploration and capital expenditures; any Feasibility Study and its results; and projects, within the "Outlook", "Projects", "Exploration" and/or "Sensitivities" sections hereof and elsewhere herein. Words such as "aim", "anticipate", "assume", "believe", "budget", "develop", "estimate", "expect", "exploration", "feasibility", "forecast", "guidance", "initiative", "model", "opportunity", "outlook", "plan", "potential", "project", "risk", "schedule", "sensitivity", "study", or "target", or variations of or similar such terms, or statements that certain actions, events or results could, may, might or will be taken or occur or be achieved, identify forward-looking information. Although the Company believes that the expectations reflected in the forward-looking information herein are reasonable, these statements by their nature involve risks and uncertainties and are not guarantees of future performance. These estimates, expectations and other forward-looking statements are based on a number of assumptions and are subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties inherent in and/or relating to: estimates of future production and operations, cash and all-in sustaining costs; metal and commodity price fluctuations; foreign currency fluctuations; mining operations including but not limited to environmental hazards, industrial accidents, ground control problems and flooding; geology including, but not limited to, unusual or unexpected geological formations, estimation and modelling of grade, tonnes, metallurgy continuity of mineral deposits, dilution, and mineral resources and mineral reserves, and actual ore mined and/or metal recoveries varying from such estimates; mine plans, and life of mine estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; the potential for and effects of labour disputes, shortages or other unanticipated difficulties with or interruptions in production; potential for unexpected costs and expenses including, without limitation, for mine closure and reclamation at current and historical operations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental approvals and/or permits; regulatory investigations, enforcement, sanctions and/or related or other litigation; and other risks and uncertainties, including but not limited to those described in the Managing Risks section in this document. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management; assumed prices of copper, nickel, zinc and other metals; that the Company can access financing, appropriate equipment and sufficient labour; and that the political environment where the Company operates will continue to support the development and operation of mining projects. 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 statements. Accordingly, there can be no assurance that forward-looking information will prove to be accurate, and readers should not place undue reliance on forward-looking statements. The Company disclaims any intention or obligation to update or revise forward-looking statements or to explain any material difference between such and subsequent actual events, except as required by applicable law.

Table of Contents

Highlights	1
Financial Position and Financing.....	3
Outlook	4
Selected Quarterly Financial Information.....	6
Sales Overview	7
Financial Results	10
Mining Operations	12
Production Overview	12
Cash Cost Overview	13
Capital Expenditures	13
Candelaria	14
Eagle Mine	16
Neves-Corvo Mine	18
Zinkgruvan Mine	20
Exploration.....	22
Metal Prices, LME Inventories and Smelter Treatment and Refining Charges.....	23
Liquidity and Financial Condition.....	24
Related Party Transactions	27
Changes in Accounting Policies.....	28
Critical Accounting Estimates and Assumptions.....	28
Managing Risks	33
Outstanding Share Data.....	33
Non-GAAP Performance Measures	29
Management’s Report on Internal Controls.....	33
Other Supplementary Information	34

Highlights

Operational Performance

Overall production for the second quarter of 2017 was consistent with expectations, with excellent copper production from Candelaria in the quarter making up for lower production from Neves-Corvo. Nickel and zinc production were less than that realized in the second quarter of 2016, but remain in-line with expectations and full year guidance. Cash costs¹ for the quarter are consistent with or lower than those realized in the second quarter of 2016, benefitting from higher by-product metal prices.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 52,846 tonnes of copper, approximately 30,000 ounces of gold and 540,000 ounces of silver in concentrate during the quarter. Copper production for the quarter was slightly higher than expectations and the prior year comparable period due primarily to higher grades and recoveries. Copper cash costs of \$1.08/lb for the quarter were lower than the prior year and are expected to meet guidance over the full year.

Construction of the Los Diques tailings dam facility continues on schedule and on budget. Total forecast spend on the project remains unchanged at \$295 million, of which approximately \$115 million remains to be spent as of June 30, 2017, \$85 million in the second half of 2017 and \$30 million in 2018.

Eagle (100% owned): Eagle had another strong quarter of production, exceeding expectations by generating 5,822 tonnes of nickel and 5,674 tonnes of copper. Amounts were less than the same period in 2016 as a result of planned lower head grades. Nickel cash costs of \$1.02/lb for the quarter benefited from higher by-product sales than the comparable period in the prior year.

The Eagle East ramp is advancing ahead of schedule with formal amendment permit approval, for the mining of Eagle East, expected prior to year-end.

Neves-Corvo (100% owned): Neves-Corvo produced 8,098 tonnes of copper and 18,011 tonnes of zinc in the quarter. Zinc production was consistent with the prior year comparable period, while copper production was lower due to lower throughput and grades. Copper cash costs of \$1.38/lb for the quarter remain significantly lower than the prior year comparable period and full year guidance, aided by higher by-product zinc prices.

The Zinc Expansion Project (“ZEP”) investment to double zinc production at Neves-Corvo was approved by the Company’s Board during the quarter. Underground material handling development for ZEP commenced and environmental permitting is advancing according to plan. Project activities were highlighted by the receipt of preliminary Environmental Impact Assessment approval on July 6, 2017 from Portuguese authorities.

Zinkgruvan (100% owned): Zinc and lead production in the second quarter of 2017 was consistent with the mine plan and overall guidance expectations. Zinc production, aided by higher throughput, exceeded the prior year comparable period, while lower lead grades in the current period negatively impacted its production. Cash costs for zinc of \$0.34/lb for the quarter were consistent with the prior year comparable period and below full year guidance.

During the quarter, the 1350 Project, a process plant investment increasing production capacity by 10%, was successfully commissioned, on schedule and on budget.

¹ Cash cost per pound is a non-GAAP measure – see page 29 of this MD&A for discussion of non-GAAP measures.

Total production, including attributable share of Candelaria (80%):

(Contained metal in concentrate - tonnes)	2017			2016				
	YTD	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper ^a	104,452	56,448	48,004	205,154	55,975	47,627	48,361	53,191
Zinc	73,467	36,216	37,251	148,050	35,659	36,450	35,558	40,383
Nickel	12,164	5,822	6,342	24,114	5,249	6,085	6,812	5,968

a. excludes attributable share of copper production from discontinued operations.

Financial Performance

- Sales for the quarter ended June 30, 2017 were \$454.7 million, an increase of \$112.4 million in comparison to the second quarter of the prior year (\$342.3 million). The increase was mainly due to higher metal prices, net of price adjustments (\$73.6 million) and higher sales volumes (\$31.8 million).

On a year-to-date basis, sales were \$942.5 million, an increase of \$230.6 million in comparison to the first six months of 2016 (\$711.9 million). The increase was mainly due to higher metal prices, net of price adjustments (\$202.2 million) and higher sales volumes (\$23.5 million).

- Operating costs (excluding depreciation) for the quarter ended June 30, 2017 were \$209.5 million, an increase of \$7.3 million in comparison to the second quarter of the prior year (\$202.2 million). The increase was largely due to higher overall sales volumes (\$22.5 million), partially offset by lower per unit operating costs (\$14.2 million).

On a year-to-date basis, operating costs (excluding depreciation) were \$423.6 million, an increase of \$11.1 million in comparison to the six months ended June 30, 2016 (\$412.5 million). The increase was largely due to higher sales volumes (\$13.4 million).

- Operating earnings¹ for the quarter ended June 30, 2017 were \$236.2 million, an increase of \$101.7 million in comparison to the second quarter of the prior year (\$134.5 million). The increase was primarily due to higher metal prices, net of price adjustments (\$73.6 million), higher sales (\$9.2 million) and lower per unit operating costs (\$14.2 million).

On a year-to-date basis, operating earnings were \$500.7 million, an increase of \$214.4 million in comparison to the first six months of 2016 (\$286.3 million). The increase was primarily due to higher metal prices in the current year, net of price adjustments (\$202.2 million) and higher sales volumes (\$10.1 million).

- Net earnings from continuing operations for the quarter ended June 30, 2017 were \$64.0 million compared to net loss of \$16.5 million in the second quarter of the prior year. Comparative earnings were higher due to:
 - higher operating earnings (\$101.7 million); partially offset by
 - higher net tax expense (\$26.2 million).

On a year-to-date basis, the Company reported a net earnings from continuing operations of \$136.4 million compared to a net loss of \$27.6 million for the six months ended June 30, 2016. Comparative earnings, in the current year, were higher due to:

- higher operating earnings (\$214.4 million); and
- lower net interest expense (\$14.8 million); partially offset by
- higher net tax expense (\$67.0 million).

¹ Operating earnings is a non-GAAP measure – see page 29 of this MD&A for discussion of non-GAAP measures.

- Cash flow from operations for the quarter ended June 30, 2017 was \$179.2 million, an increase of \$26.0 million in comparison to the second quarter of the prior year (\$153.2 million). The increase was primarily due higher operating earnings (\$101.7 million) and changes in long-term inventory (\$17.5 million), in the current quarter, partially offset by changes in non-cash working capital (\$50.6 million) and higher net tax payments (\$75.2 million).

On a year-to-date basis, cash flow from operations was \$423.9 million, an increase of \$227.8 million in comparison to the six months ended June 30, 2016 (\$196.1 million). The increase was attributable to higher operating earnings in the current year (\$214.4 million) as well as changes in non-cash working capital (\$63.0 million), partially offset by higher net tax payments (\$57.2 million).

Corporate Highlights

- The Company announced it completed the sale of its indirect interest in TF Holdings Limited (“TF Holdings”) to an affiliate of BHR Partners for \$1.1 billion on April 19, 2017.

Lundin Mining’s effective 24% interest in Tenke Fungurume Mining S.A. (“Tenke”) was held through its 30% indirect interest in TF Holdings.

- On April 27, 2017, the Company filed an updated technical report for the Eagle mine. The Technical Report incorporates updates to Eagle mine’s operations and the results of a Feasibility Study on the high-grade Eagle East nickel/copper mineralization. A copy of the Technical Report can be found under the Company’s profile on www.sedar.com.
- On May 11, 2017, the Company announced the results of a Feasibility Study on the Zinc Expansion Project at its Neves-Corvo mine. Refer to the news release entitled “*Lundin Mining Announces Neves-Corvo Zinc Expansion Project Feasibility Study Results*” on the Company’s website (www.lundinmining.com). An updated Technical Report for the Neves-Corvo Mine, incorporating the ZEP, was filed on June 23, 2017 and can be found under the Company’s profile on www.sedar.com.

Financial Position and Financing

- Cash and cash equivalents increased \$1,121.9 million during the quarter from \$928.8 million at March 31, 2017 to \$2,050.7 million at June 30, 2017. The increase is primarily from the sale of Tenke (\$1.1 billion), cash generated from operating activities of \$179.2 million, partially offset by investments in mineral properties, plant and equipment of \$84.5 million, payments to non-controlling interests of \$34.0 million, shareholder dividends of \$32.9 million and interest paid of \$38.3 million.
- For the six months ended June 30, 2017, cash increased by \$1,335.4 million due primarily to operating cash flows of \$423.9 million, proceeds from the sale of and distributions from Tenke of \$1.1 billion and \$58.3 million, respectively, partially offset by investments in mineral properties, plant and equipment of \$163.6 million, shareholder dividends of \$32.9 million and interest paid of \$38.3 million.
- Net cash¹ position at June 30, 2017 was \$1,045.1 million compared to a net debt position of \$284.1 million at December 31, 2016 and \$71.3 million at March 31, 2017.
- The Company has a revolving credit facility available for borrowing up to \$350 million. As at June 30, 2017, the Company had no amount drawn on the credit facility, only letters of credit in the amount of \$25.9 million.
- As at July 26, 2017, cash and net cash were approximately \$2.1 billion and \$1.1 billion, respectively.

¹ Net cash / debt is a non-GAAP measure – see page 29 of this MD&A for discussion of non-GAAP measures.

Outlook

Production, cash cost, capital expenditure and exploration guidance for 2017 have been updated from that disclosed in our Management's Discussion and Analysis for the three months ended March 31, 2017.

2017 Production and Cost Guidance

2017 Guidance (contained tonnes)		Previous Guidance ^a		Revised Guidance ^b	
		Tonnes	C1 Cost	Tonnes	C1 Cost
Copper	Candelaria (80%)	145,000 - 150,000	\$1.20/lb	147,000 - 151,000	\$1.20/lb
	Eagle	15,000 - 18,000		19,000 - 22,000	
	Neves-Corvo	41,000 - 46,000	\$1.00/lb	36,000 - 39,000	\$1.00/lb
	Zinkgruvan	1,000 - 2,000		1,000 - 2,000	
	Total attributable	202,000 - 216,000		203,000 - 214,000	
Nickel	Eagle	17,000 - 20,000	\$2.00/lb	20,000 - 23,000	\$1.35/lb
Zinc	Neves-Corvo	72,000 - 77,000		72,000 - 77,000	
	Zinkgruvan	80,000 - 85,000	\$0.40/lb	80,000 - 85,000	\$0.40/lb
Total		152,000 - 162,000		152,000 - 162,000	

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2017.

b. Cash costs are dependent upon exchange rates (forecast at €/USD:1.10, USD/SEK:8.40, USD/CLP:675) and metal prices (forecast at Cu: \$2.50/lb, Ni: \$4.25/lb, Zn: \$1.15/lb, Pb: \$0.90/lb, Au: \$1,250/oz, Ag: \$16.50/oz).

2017 Capital Expenditure and Exploration Guidance

Capital expenditures, excluding capitalized interest, are expected to be \$490 million (prior guidance \$390 million), as outlined below.

The Los Diques tailings project remains on schedule and the project's overall capital cost forecast remains unchanged, although the expected timing of certain payments have resulted in \$15 million of expenditures expected in 2018 that will now be paid in 2017.

Following expansion of Mineral Reserves and life of mine plans, previously announced production level increases, cost restraint driven deferrals in purchases of mobile equipment in 2015 and 2016 and commencement of an initiative to self-perform some underground mining currently done by contractor, management has undergone an intensive review of Candelaria's mobile equipment and identified a number of areas where operating capacity, efficiency and profitability could be improved with the purchase of new additional and larger equipment. As part of this multi-year re-investment program, \$45 million is expected to be spent in 2017.

In addition, \$10 million in capital infrastructure has been brought forward to further develop Candelaria's underground mines and provide access to new sectors, ensuring ore access in support of near term increased underground mine production plans.

Neves-Corvo's €260 million Zinc Expansion Project was approved by the Board in the second quarter of 2017, with \$30 million expected to be spent in 2017.

Exploration spend is expected to increase to \$75 million, from \$65 million previously guided, in support of expanded near mine exploration programs.

Revised Capital Expenditure Guidance

(\$ millions)	Previous Guidance ^a	Revisions	Revised Guidance
Candelaria			
Capitalized Stripping	105	5	110
Los Diques Tailings	120	15	135
Other Sustaining	25	55	80
	250	75	325
Eagle	10	-	10
Neves-Corvo	50	-	50
Zinkgruvan	40	-	40
Total Sustaining Capital	350	75	425
Eagle East	35	(5)	30
Zinc Expansion (Neves-Corvo)	-	30	30
Zinkgruvan Expansion (1350)	5	-	5
Total Expansionary Capital	40	25	65
Total Capital Expenditures	390	100	490

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2017.

Selected Quarterly Financial Information¹

(\$ millions, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Sales	454.7	342.3	942.5	711.9
Operating costs	(209.5)	(202.2)	(423.6)	(412.5)
General and administrative expenses	(9.0)	(5.6)	(18.2)	(13.1)
Operating earnings	236.2	134.5	500.7	286.3
Depreciation, depletion and amortization	(101.9)	(110.6)	(211.6)	(230.1)
General exploration and business development	(20.6)	(16.4)	(35.8)	(29.2)
Finance income and costs, net	(17.5)	(21.7)	(29.3)	(39.9)
Other income and expenses, net	(2.5)	1.2	(13.8)	(7.9)
Earnings / (loss) before income taxes	93.7	(13.0)	210.2	(20.8)
Income tax expense	(29.7)	(3.5)	(73.8)	(6.8)
Net earnings / (loss) from continuing operations	64.0	(16.5)	136.4	(27.6)
Earnings / (loss) from discontinued operations	21.0	(771.4)	55.1	(775.8)
Net (loss) / earnings	85.0	(787.9)	191.5	(803.4)
Attributable to: Lundin Mining shareholders, continuing	49.0	(19.8)	106.6	(37.5)
Lundin Mining shareholders, discontinued	21.0	(771.4)	55.1	(775.8)
Non-controlling interests	15.0	3.3	29.8	9.9
Net (loss) / earnings	85.0	(787.9)	191.5	(803.4)
Cash flow from operations	179.2	153.2	423.9	196.1
Capital expenditures (including capitalized interest)	84.5	38.8	163.6	86.3
Total assets	6,361.9	5,959.1	6,361.9	5,959.1
Total long-term debt & finance leases	991.1	982.1	991.1	982.1
Net cash / (debt)	1,045.1	(341.9)	1,045.1	(341.9)
Shareholders' equity	3,823.4	3,458.1	3,823.4	3,458.1
Key Financial Data:				
Basic and diluted (loss) earnings per share attributable to shareholders				
- continuing operations (EPS - Continuing)	0.07	(0.03)	0.15	(0.05)
- net earnings / (loss) (EPS - Total)	0.10	(1.10)	0.22	(1.13)
Operating cash flow per share ²	0.22	0.12	0.46	0.24
Dividends declared (C\$/share)	0.03	-	0.06	-
Shares outstanding:				
Basic weighted average	726,735,122	719,634,633	726,461,100	719,631,495
Diluted weighted average	729,165,379	719,634,633	728,969,971	719,631,495
End of period	726,796,597	719,640,957	726,796,597	719,640,957

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

2. Operating cash flow per share is a non-GAAP measure – see page 29 of this MD&A for discussion of non-GAAP measures.

Summary of Quarterly Results¹

(\$ millions, except per share data)	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15
Sales	454.7	487.8	459.2	374.5	342.3	369.6	316.0	353.2
Operating costs	(209.5)	(214.1)	(226.4)	(225.6)	(202.2)	(210.3)	(208.2)	(252.3)
Operating earnings (excluding depreciation)	236.2	264.4	225.3	142.6	134.5	151.7	101.0	94.1
Impairment reversals / (impairment)	-	-	95.9	-	-	-	(293.3)	-
Net earnings / (loss)	85.0	106.4	180.2	(7.1)	(787.9)	(15.5)	(383.5)	(35.3)
- attributable to shareholders, continuing	49.0	57.6	148.7	(18.9)	(19.8)	(17.7)	(375.5)	(41.1)
- attributable to shareholders, discontinued	21.0	34.0	14.2	7.5	(771.4) ²	(4.4)	(2.2)	6.6
- attributable to shareholders, total	70.0	91.6	162.9	(11.4)	(791.2)	(22.1)	(377.7)	(34.5)
EPS Continuing - Basic and diluted	0.07	0.08	0.21	(0.03)	(0.03)	(0.02)	(0.52)	(0.06)
EPS Total - Basic and diluted	0.10	0.13	0.23	(0.02)	(1.10)	(0.03)	(0.52)	(0.05)
Cash flow from operations	179.2	244.7	107.9	59.3	153.2	42.9	107.1	120.2
Capital expenditures (incl. capitalized interest)	84.5	79.1	59.8	41.4	38.8	47.5	62.0	73.0

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

2. Includes impairment loss of \$772.1 million on investment in Tenke.

Sales Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)	2017			2016				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)								
Candelaria (100%)	87,905	45,222	42,683	158,983	42,974	39,082	35,611	41,316
Eagle	11,502	5,253	6,249	21,675	4,864	5,493	5,366	5,952
Neves-Corvo	16,825	8,058	8,767	44,553	10,110	9,368	11,804	13,271
Zinkgruvan	-	-	-	1,757	(9)	886	902	(22)
	116,232	58,533	57,699	226,968	57,939	54,829	53,683	60,517
Nickel (tonnes)								
Eagle	10,891	5,554	5,337	21,193	4,697	6,026	5,314	5,156
	10,891	5,554	5,337	21,193	4,697	6,026	5,314	5,156
Zinc (tonnes)								
Neves-Corvo	28,349	13,654	14,695	56,357	12,658	15,042	15,044	13,613
Zinkgruvan	32,195	15,306	16,889	65,863	17,100	14,842	14,673	19,248
	60,544	28,960	31,584	122,220	29,758	29,884	29,717	32,861
Gold (000 oz)								
Candelaria (100%)	51	26	25	89	23	22	21	23
	51	26	25	89	23	22	21	23
Lead (tonnes)								
Neves-Corvo	2,188	1,013	1,175	3,819	1,144	748	1,174	753
Zinkgruvan	13,191	7,319	5,872	30,450	8,237	5,830	6,178	10,205
	15,379	8,332	7,047	34,269	9,381	6,578	7,352	10,958
Silver (000 oz)								
Candelaria (100%)	792	427	365	1,372	340	322	300	410
Eagle	41	19	22	86	22	22	16	26
Neves-Corvo	276	130	146	552	129	114	159	150
Zinkgruvan	832	447	385	1,861	593	340	368	560
	1,941	1,023	918	3,871	1,084	798	843	1,146

Sales Analysis

(\$ thousands)	Three months ended June 30,					Six months ended June 30,				
	2017		2016		Change	2017		2016		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
by Mine										
Candelaria	267,741	59	175,737	51	92,004	546,081	58	382,439	54	163,642
Eagle	64,442	14	57,999	17	6,443	136,713	15	111,222	16	25,491
Neves-Corvo	73,051	16	69,674	20	3,377	156,087	17	140,987	20	15,100
Zinkgruvan	49,458	11	38,906	12	10,552	103,598	10	79,267	10	24,331
Other	-	-	-	-	-	-	-	(2,030)	-	2,030
	454,692		342,316		112,376	942,479		711,885		230,594

(\$ thousands)	Three months ended June 30,					Six months ended June 30,				
	2017		2016		Change	2017		2016		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
by Metal										
Copper	302,898	67	218,901	64	83,997	628,020	67	477,068	67	150,952
Nickel	29,775	7	30,474	9	(699)	61,625	7	53,214	7	8,411
Zinc	61,605	14	46,176	13	15,429	133,961	14	85,401	12	48,560
Gold	27,720	6	23,181	7	4,539	55,368	6	46,351	7	9,017
Lead	16,402	4	10,801	3	5,601	32,411	3	25,387	4	7,024
Silver	9,003	2	8,749	3	254	16,679	2	17,451	2	(772)
Other	7,289	-	4,034	1	3,255	14,415	1	7,013	1	7,402
	454,692		342,316		112,376	942,479		711,885		230,594

Sales for the quarter ended June 30, 2017 were \$454.7 million, an increase of \$112.4 million in comparison to the second quarter of the prior year (\$342.3 million). The increase was mainly due to higher metal prices, net of price adjustments (\$73.6 million) and higher net sales volumes (\$31.8 million).

On a year-to-date basis, sales were \$942.5 million, an increase of \$230.6 million in comparison to the first six months ended June 30, 2016 (\$711.9 million). The increase was mainly due to higher metal prices, net of price adjustments (\$202.2 million) and higher net sales volumes (\$23.5 million).

Sales of gold and silver for the quarter and six months ended June 30, 2017 include 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 \$400/oz for gold and between \$4.00/oz and \$4.29/oz for silver.

Sales are 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 gross sales in the period in which the sale (finalization adjustment) is settled. The finalization adjustment recorded for these sales depends on the actual price when the sale settles. Settlement dates can range from one to six months after shipment.

Provisionally valued sales as of June 30, 2017

Metal	Tonnes Payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	60,658	2.69	5,932
Nickel	3,989	4.25	9,373
Zinc	9,675	1.25	2,757

Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended June 30, 2017				Three months ended June 30, 2016			
	Copper	Nickel	Zinc	Total	Copper	Nickel	Zinc	Total
Current period sales ¹	344,764	52,118	77,204	474,086	259,942	49,303	60,114	369,359
Prior period price adjustments	(10,180)	(5,883)	(466)	(16,529)	(9,995)	1,789	1,495	(6,711)
	334,584	46,235	76,738	457,557	249,947	51,092	61,609	362,648
Other metal sales				62,423				49,641
Less: TC/RC				(65,288)				(69,973)
Total Sales				454,692				342,316
Payable Metal (tonnes)	58,533	5,554	28,960		53,683	5,314	29,717	
Current period sales (\$/lb) ¹	\$2.67	\$4.26	\$1.21		\$2.20	\$4.21	\$0.92	
Prior period adjustments (\$/lb)	(0.08)	(0.48)	(0.01)		(0.09)	0.15	0.02	
Realized prices (\$/lb)	\$2.59	\$3.78	\$1.20		\$2.11	\$4.36	\$0.94	

1. Includes provisional price adjustments on current period sales.

Year to Date Reconciliation of Realized Prices

(\$ thousands)	Six months ended June 30, 2017				Six months ended June 30, 2016			
	Copper	Nickel	Zinc	Total	Copper	Nickel	Zinc	Total
Current period sales ¹	679,815	106,132	165,593	951,540	546,689	94,539	120,691	761,919
Prior period price adjustments	10,989	(5,438)	3,334	8,885	(2,680)	(3,073)	(726)	(6,479)
	690,804	100,694	168,927	960,425	544,009	91,466	119,965	755,440
Other metal sales				122,945				103,343
Less: TC/RC				(140,891)				(146,898)
Total Sales				942,479				711,885
Payable Metal (tonnes)	116,232	10,891	60,544		114,200	10,470	62,578	
Current period sales (\$/lb) ¹	\$2.65	\$4.42	\$1.24		\$2.17	\$4.10	\$0.87	
Prior period adjustments (\$/lb)	0.05	(0.23)	0.03		(0.01)	(0.14)	-	
Realized prices (\$/lb)	\$2.70	\$4.19	\$1.27		\$2.16	\$3.96	\$0.87	

1. Includes provisional price adjustments on current period sales.

Financial Results

Operating Costs

Operating costs (excluding depreciation) for the quarter ended June 30, 2017 were \$209.5 million, an increase of \$7.3 million in comparison to the second quarter of the prior year (\$202.2 million). The increase was largely due to higher sales volumes (\$22.5 million), partially offset by lower per unit operating costs (\$14.2 million).

On a year-to-date basis, operating costs (excluding depreciation) were \$423.6 million, an increase of \$11.1 million compared to the first six months of 2016 (\$412.5 million). The increase was largely due to higher overall sales volumes.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense decreased for the three and six months ended June 30, 2017 when measured against the comparable periods in 2016. The decrease for the quarter was primarily attributable to lower production at Neves-Corvo and an increased Mineral Reserve Estimate at Eagle. For the first six months, lower production at Neves-Corvo and lower amortization of deferred stripping at Candelaria contributed to the decrease.

For the three and six months ended June 30, 2017, Candelaria's depreciation expense included the amortization of previously capitalized deferred stripping costs of \$12.1 million and \$25.8 million, respectively. The deferred stripping asset balance at June 30, 2017 was \$327.3 million.

Depreciation by operation (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Candelaria	49,968	49,239	729	100,252	110,626	(10,374)
Eagle	27,921	33,324	(5,403)	64,440	63,836	604
Neves-Corvo	17,747	21,876	(4,129)	35,278	43,288	(8,010)
Zinkgruvan	5,812	5,548	264	10,618	11,280	(662)
Other	492	580	(88)	1,012	1,111	(99)
	101,940	110,567	(8,627)	211,600	230,141	(18,541)

General Exploration and Business Development

For the three and six months ended June 30, 2017, general exploration and business development expenses increased \$4.2 million and \$6.6 million, respectively, over the prior year comparable period. These increases are largely the result of expanded exploration activities near Candelaria.

Finance Costs

For the three and six months ended June 30, 2017, net finance costs were \$17.5 million and \$29.3 million, respectively, which represent a decrease in comparison with the prior year comparable prior of \$21.7 million and \$39.9 million, respectively. The decrease is largely attributed to interest income earned on cash balances.

Other Income and Expense

Net other expense of \$2.5 million for the three months ended June 30, 2017 and \$13.8 for the six months ended June 30, 2017 was higher than comparable prior year period. The increased expense is primarily as a result of a higher foreign exchange loss.

Foreign exchange gains and losses recorded in Other Income and Expenses relate to working capital denominated in foreign currencies that was held by the Company's subsidiaries. Period end exchange rates having a meaningful impact on such subsidiaries at June 30, 2017 were \$1.00:CLP663 (March 31, 2017 - \$1.00:CLP663; December 31, 2016 - \$1.00:CLP669), \$1.14:€1.00 (March 31, 2017 - \$1.07:€1.00; December 31, 2016 - \$1.05:€1.00) and \$1.00:SEK8.47 (March 31, 2017 - \$1.00:SEK8.93; December 31, 2016 - \$1.00:SEK9.10).

Income Taxes

Income taxes by mine

Income tax expense (recovery) (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Candelaria	26,212	3,211	23,001	50,263	2,710	47,553
Neves-Corvo	(6,555)	(4,068)	(2,487)	(661)	(7,834)	7,173
Zinkgruvan	3,905	3,627	278	10,295	5,892	4,403
Other	6,103	757	5,346	13,890	6,016	7,874
	29,665	3,527	26,138	73,787	6,784	67,003

Income taxes by classification

Income tax expense (recovery) (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
Current income tax	39,991	1,417	38,574	98,236	21,082	77,154
Deferred income tax	(10,326)	2,110	(12,436)	(24,449)	(14,298)	(10,151)
	29,665	3,527	26,138	73,787	6,784	67,003

Income tax expense for the three months ended June 30, 2017 was \$29.7 million, compared to an income tax expense of \$3.5 million recorded in the prior year. The increase in tax expense was mainly due to higher taxable earnings at operating sites, primarily Candelaria. The comparative increased recovery in deferred taxes is largely due to movement in temporary differences in Candelaria.

On a year-to-date basis, income tax expense of \$73.8 million was \$67.0 million higher than the \$6.8 million income tax expense recorded in the prior year due to higher taxable earnings at all operating sites. The increase in deferred tax recoveries is due to movement in temporary differences in Candelaria.

Discontinued Operations

Earnings from discontinued operations for the three and six months ended June 30, 2017 arise from a gain on the sale of the Company's interest in Tenke, reversal of impairment on Tenke and equity earnings generated prior to its sale.

In the second quarter of 2016 an impairment loss of \$772.1 million was taken against the Company's interest in Tenke.

Mining Operations

Production Overview

(Contained metal in concentrate)	2017			2016				
	YTD	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)								
Candelaria (80%)	73,583	42,277	31,306	133,274	39,258	31,285	29,525	33,206
Eagle	12,177	5,674	6,503	23,417	5,742	5,796	5,639	6,240
Neves-Corvo	18,293	8,098	10,195	46,557	10,975	9,691	12,146	13,745
Zinkgruvan	399	399	-	1,906	-	855	1,051	-
Tenke (24%)	12,932	-	12,932	51,826	13,017	13,521	13,300	11,988
	117,384	56,448	60,936	256,980	68,992	61,148	61,661	65,179
Nickel (tonnes)								
Eagle	12,164	5,822	6,342	24,114	5,249	6,085	6,812	5,968
	12,164	5,822	6,342	24,114	5,249	6,085	6,812	5,968
Zinc (tonnes)								
Neves-Corvo	35,959	18,011	17,948	69,527	15,886	17,642	18,272	17,727
Zinkgruvan	37,508	18,205	19,303	78,523	19,773	18,808	17,286	22,656
	73,467	36,216	37,251	148,050	35,659	36,450	35,558	40,383
Gold (000 oz)								
Candelaria (80%)	43	24	19	78	22	19	18	19
	43	24	19	78	22	19	18	19
Lead (tonnes)								
Neves-Corvo	2,589	1,183	1,406	4,126	1,142	833	1,245	906
Zinkgruvan	13,500	5,901	7,599	31,661	7,363	6,406	7,063	10,829
	16,089	7,084	9,005	35,787	8,505	7,239	8,308	11,735
Silver (000 oz)								
Candelaria (80%)	717	431	286	1,332	373	304	276	379
Eagle	107	49	58	223	56	55	50	62
Neves-Corvo	646	316	330	1,242	313	279	331	319
Zinkgruvan	1,032	494	538	2,159	556	449	495	659
	2,502	1,290	1,212	4,956	1,298	1,087	1,152	1,419

Cash Cost Overview

	Cash cost/lb (US dollars)			
	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Candelaria (Cu)				
Gross cost	1.29	1.52	1.39	1.47
By-product ¹	(0.21)	(0.24)	(0.22)	(0.22)
Net Cash Cost	1.08	1.28	1.17	1.25
All-In Sustaining Cost²	1.73	1.53	1.73	1.56
Eagle (Ni)				
Gross cost	3.85	4.10	4.11	4.15
By-product	(2.83)	(2.35)	(3.13)	(2.47)
Net Cash Cost	1.02	1.75	0.98	1.68
All-In Sustaining Cost	1.46	2.19	1.37	2.05
Neves-Corvo (Cu)				
Gross cost	3.13	2.42	2.87	2.22
By-product	(1.75)	(0.93)	(1.82)	(0.74)
Net Cash Cost	1.38	1.49	1.05	1.48
All-In Sustaining Cost	1.72	1.84	1.54	1.78
Zinkgruvan (Zn)				
Gross cost	0.81	0.78	0.78	0.75
By-product	(0.47)	(0.44)	(0.43)	(0.40)
Net Cash Cost	0.34	0.34	0.35	0.35
All-In Sustaining Cost	0.61	0.56	0.58	0.55

1. By-product is after related TC/RC.

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 29 of this MD&A for discussion of non-GAAP measures.

Capital Expenditures (including capitalized interest)¹

by Mine	Three months ended June 30,							
	2017				2016			
	(\$ thousands)	Sustaining	Expansionary	Capitalized	Total	Sustaining	Expansionary	Capitalized
Interest				Interest				
Candelaria	53,487	-	2,853	56,340	21,019	-	-	21,019
Eagle	2,361	3,058	-	5,419	1,476	-	-	1,476
Neves-Corvo	6,503	4,891	-	11,394	8,144	-	-	8,144
Zinkgruvan	10,150	1,117	-	11,267	7,193	928	-	8,121
Other	37	-	-	37	64	-	-	64
	72,538	9,066	2,853	84,457	37,896	928	-	38,824
by Mine	Six months ended June 30,							
	2017				2016			
	(\$ thousands)	Sustaining	Expansionary	Capitalized	Total	Sustaining	Expansionary	Capitalized
Interest				Interest				
Candelaria	99,170	-	5,284	104,454	48,397	-	1,305	49,702
Eagle	4,664	10,562	-	15,226	3,046	-	-	3,046
Neves-Corvo	16,260	4,891	-	21,151	16,177	-	-	16,177
Zinkgruvan	17,816	4,806	-	22,622	15,469	1,664	-	17,133
Other	140	-	-	140	286	-	-	286
	138,050	20,259	5,284	163,593	83,375	1,664	1,305	86,344

1. Sustaining capital expenditures and expansionary capital expenditures are non-GAAP measures – see page 29 of this MD&A for discussion of non-GAAP measures.

Candelaria

Compañía Contractual Minera Candelaria ("CCMC") and Compañía Contractual Minera Ojos del Salado ("CCMO"), collectively "Candelaria", are located near Copiapó in the Atacama Province, Region III of Chile. The Company holds an indirect 80 percent ownership interest in Candelaria with the remaining 20 percent interest indirectly held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation. CCMC consists of an open pit mine and an underground mine, Candelaria Norte, providing copper ore to an on-site processing plant. CCMO consists of two underground mines, Santos and Alcaparrosa, and the Pedro Aguirre Cerda ("PAC") processing plant. The Santos mine provides copper ore to the PAC plant, while ore from the Alcaparrosa mine is treated at the CCMC plant. The CCMC plant has a processing capacity of 24.5 million tonnes per annum ("mtpa"), and the PAC plant has a capacity of 1.3 mtpa, both producing copper in concentrate. The primary metal is copper, with gold and silver as by-product metals.

Operating Statistics

(100% Basis)	2017			2016				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	12,553	6,183	6,370	30,915	8,877	6,817	5,910	9,311
Ore milled (000s tonnes)	14,840	7,745	7,095	31,938	8,097	7,794	7,890	8,157
Grade								
Copper (%)	0.67	0.74	0.60	0.57	0.67	0.55	0.52	0.55
Recovery								
Copper (%)	92.6	92.9	91.7	91.8	93.1	90.5	90.7	92.7
Production (contained metal)								
Copper (tonnes)	91,979	52,846	39,133	166,592	49,072	39,106	36,907	41,507
Gold (000 oz)	53	30	23	97	27	24	22	24
Silver (000 oz)	897	540	357	1,665	466	381	345	473
Sales (\$000s)	546,081	267,741	278,340	847,684	268,479	196,766	175,737	206,702
Operating costs (\$000s)	(224,393)	(104,529)	(119,864)	(445,469)	(124,870)	(112,883)	(100,330)	(107,386)
Operating earnings (\$000s)	321,688	163,212	158,476	402,215	143,609	83,883	75,407	99,316
Cash cost (\$ per pound)	1.17	1.08	1.27	1.31	1.40	1.34	1.28	1.22
AISC (\$ per pound)	1.73	1.73	1.73	1.63	1.76	1.65	1.53	1.59

Sales

Sales for three months ended June 30, 2017 were \$267.7 million with \$233.9 million generated from copper and \$33.8 million from gold, silver and other metals. Higher realized metal prices and price adjustments (\$45.5 million) and higher sales volumes (\$45.2 million) in the current year were the primary factors for increased sales over 2016.

For the six months ended June 30, 2017 sales were \$546.1 million with \$479.6 million from copper and \$66.5 million from gold, silver and other metals. Higher realized metal prices and price adjustments (\$103.3 million) and higher sales volumes (\$56.7 million) in the current year attributed to increased sales over the prior comparable period.

Operating Costs

Operating costs for the quarter and six months ended June 30, 2017 were marginally higher than the prior year comparable periods, primarily as a result of higher sales volumes.

Operating Earnings

Operating earnings of \$163.2 million for the three months ended June 30, 2017 were \$87.8 million higher than the prior year comparable period. The increase was largely due to higher metal prices, net of price adjustments (\$45.5 million), higher sales volumes (\$15.1 million) and lower per unit operating costs.

On a year-to-date basis, operating earnings of \$321.7 million were \$147.0 million higher than the prior year comparable period. The increase was due to higher metal prices, net of price adjustments (\$103.3 million), higher sales volumes (\$22.6 million) and lower per unit operating costs.

Production

Copper production for the three and six months ended June 30, 2017 of 52,846 tonnes and 91,979 tonnes, respectively, was higher than the comparable periods in 2016 by 43% and 17%, respectively. The increase in copper production is largely a result of higher copper head grades and recoveries in 2017.

Full year guidance for copper production has been increased to a range of 147,000 to 151,000 tonnes in recognition of successful results to date and expected, continued, higher head grades.

Cash Costs

Copper cash costs for the three months ended June 30, 2017 were \$1.08/lb, lower than cash costs of \$1.28/lb in the prior year comparable period, largely as a result of lower per unit mine and milling costs (\$0.24/lb) due to higher metal production and sales.

On a year-to-date basis, copper cash costs were \$1.17/lb, slightly lower than cash costs of \$1.25/lb in the prior year comparable period, largely due to the impact of higher production and sales volumes.

Copper cash costs to date are in-line with full year cash cost guidance of \$1.20/lb.

All-in sustaining costs of \$1.73/lb for the three months ended June 30, 2017, were higher than that of the corresponding period in 2016 (\$1.53/lb). The increase is a result of higher deferred stripping and other sustaining capital expenditures, partially offset by lower cash costs.

For the six months ended June 30, 2017, all-in sustaining costs of \$1.73/lb were higher than the prior year comparable period of \$1.56/lb, largely as a result of higher sustaining capital expenditures in the current period in respect of Los Diques and deferred stripping charges.

For the six months ended June 30, 2017, approximately 33,000 oz of gold and 540,000 oz of silver were subject to terms of a streaming agreement, in which \$400/oz and \$4.00/oz were received for gold and silver, respectively.

Projects

The Los Diques tailings dam facility remains on schedule to be in operation in the first half of 2018.

The main dam wall construction is ahead of schedule using waste from the open pit mine. Construction of underdrains is complete while construction of seepage collection systems, mechanical and electrical systems, are well underway.

The project's capital cost forecast remains at \$295 million, with expenditures in 2017 and 2018 now expected to be approximately \$135 million and \$30 million, respectively.

The Feasibility Study for the Candelaria Consolidation Project ("CCP") is progressing. The study targets improvements to the existing Candelaria mill facilities and potential expanded production, in conjunction with refinements in Candelaria's underground and open pit mine plans.

Eagle Mine

The Eagle Mine consists of the Eagle underground mine, located approximately 55 km northwest of Marquette, Michigan, U.S.A. and the Humboldt mill, located 45 km west of Marquette in Champion, Michigan. The mill has a processing capacity of 0.7 mtpa, producing nickel and copper in concentrates. The primary metal is nickel, with copper, cobalt, gold, and platinum-group metals as by-product metals.

Operating Statistics

	2017			2016				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	381	185	196	745	183	189	188	185
Ore milled (000s tonnes)	377	189	187	748	190	188	184	186
Grade								
Nickel (%)	3.7	3.5	4.0	3.9	3.4	3.9	4.3	3.8
Copper (%)	3.3	3.0	3.5	3.2	3.0	3.2	3.1	3.4
Recovery								
Nickel (%)	86.1	86.6	85.5	84.8	86.0	84.1	85.4	83.6
Copper (%)	98.1	98.2	98.1	97.7	98.3	97.1	97.5	97.7
Production (contained metal)								
Nickel (tonnes)	12,164	5,822	6,342	24,114	5,249	6,085	6,812	5,968
Copper (tonnes)	12,177	5,674	6,503	23,417	5,742	5,796	5,639	6,240
Sales (\$000s)	136,713	64,442	72,271	244,467	62,144	71,101	57,999	53,223
Operating costs (\$000s)	(65,107)	(34,082)	(31,025)	(124,112)	(30,845)	(33,481)	(28,795)	(30,991)
Operating earnings (\$000s)	71,606	30,360	41,246	120,355	31,299	37,620	29,204	22,232
Cash cost (\$ per pound)	0.98	1.02	0.94	1.75	1.38	2.15	1.75	1.61
AISC (\$ per pound)	1.37	1.46	1.28	2.10	1.74	2.48	2.19	1.91

Sales

Sales for the quarter ended June 30, 2017 were \$64.4 million, of which \$29.8 million was realized from nickel, \$27.3 million from copper, and the balance from other metals. Higher sales volumes (\$4.1 million) and lower treatment charges (\$4.9 million), due to changes in customer mix, were the primary reasons for the increase in sales from the \$58.0 million reported in 2016.

Sales for the six months ended June 30, 2017 were \$136.7 million, of which \$61.6 million was realized from nickel, \$60.4 million from copper, and the balance from other metals. Increased sales over the prior comparable period are due to higher sales volumes (\$9.2 million) and higher metal prices, net of price adjustments (\$15.3 million).

Operating Costs

Operating costs for the three and six months ended June 30, 2017 were \$5.3 million higher than the comparable periods in 2016, due to higher royalties and transportation costs, partially offset by lower mining costs.

Operating Earnings

Operating earnings for the three months ended June 30, 2017 of \$30.4 million were consistent with that reported in the same period in 2016.

On a year-to-date basis, operating earnings of \$71.6 million were \$20.2 million higher than 2016. The increase was primarily due to higher metal prices, net of price adjustments (\$15.3 million) and higher sales volumes (\$6.7 million).

Production

Nickel production for the three months ended June 30, 2017 was 5,822 tonnes compared to 6,812 tonnes in the prior year comparable period, while copper production was 5,674 tonnes compared to 5,639 tonnes in the prior year comparable period. The decrease in nickel production was primarily due to planned lower head grades.

On a year-to-date basis, nickel production was 12,164 tonnes compared to 12,780 tonnes in the prior year comparable period, with copper production of 12,177 tonnes in the current year, compared with 11,879 tonnes in 2016.

Given strong metal production to date and expectations over the remainder of the year, guidance for nickel and copper has been increased to production ranges of 20,000 to 23,000 and 19,000 to 22,000, respectively.

Cash Costs

Nickel cash costs for the three months ended June 30, 2017 of \$1.02/lb were lower than the \$1.75/lb reported in the prior year. The decrease in cash costs is due primarily to higher by-product credits (\$0.48/lb) and lower treatment costs (\$0.42/lb) associated with the customer mix.

On a year-to-date basis, nickel cash costs of \$0.98/lb were lower than the \$1.68/lb reported in the prior year. The decrease in cash costs is due primarily to higher by-product credits (\$0.66/lb).

Full year cash costs will be favourably impacted by increased metal production expectations and accordingly full year cash cost guidance has been reduced to \$1.35/lb.

All-in sustaining costs for the three and six months ended June 30, 2017 of \$1.46/lb and \$1.37/lb, respectively, were lower than that of the corresponding period in 2016. The decrease is largely as a result of lower cash costs.

Projects

The mining permit application amendment for Eagle East has been submitted and the regulatory process has begun, including a public meeting held in June. The Company expects to receive formal approval for mining of Eagle East prior to year-end.

The Eagle East decline ramp advanced 457 metres centerline and 655 metres in total. Overall ramp development is 18% complete and 20 days ahead of schedule.

In 2017, approximately \$11 million in expansionary capital expenditures has been incurred in support of the project. An additional \$19 million is expected to be spent over the remainder of this year as part of an overall budget of \$102 million for Eagle East.

Neves-Corvo Mine

Neves-Corvo consists of an underground mine and an on-site processing facility, located 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The copper plant has a processing capacity of 2.5 mtpa, producing copper in concentrate, and the zinc plant has a capacity of 1.2 mtpa with the ability to process zinc or copper ore, producing zinc or copper in concentrate. The primary metal is copper, with zinc, lead and silver as by-product metals.

Operating Statistics

	2017			2016				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	1,116	530	586	2,351	598	557	594	602
Ore mined, zinc (000 tonnes)	526	260	266	1,041	247	254	272	268
Ore milled, copper (000 tonnes)	1,119	528	591	2,386	598	560	602	626
Ore milled, zinc (000 tonnes)	535	266	269	1,039	237	257	270	275
Grade								
Copper (%)	2.1	2.0	2.2	2.5	2.4	2.3	2.6	2.8
Zinc (%)	8.3	8.3	8.3	8.2	8.0	8.3	8.3	8.2
Recovery								
Copper (%)	77.6	77.7	77.6	76.5	75.5	76.3	77.1	77.2
Zinc (%)	79.5	80.4	78.6	78.5	80.3	81.0	77.4	75.9
Production (contained metal)								
Copper (tonnes)	18,293	8,098	10,195	46,557	10,975	9,691	12,146	13,745
Zinc (tonnes)	35,959	18,011	17,948	69,527	15,886	17,642	18,272	17,727
Lead (tonnes)	2,589	1,183	1,406	4,126	1,142	833	1,245	906
Silver (000 oz)	646	316	330	1,242	313	279	331	319
Sales (\$000s)	156,087	73,051	83,036	281,134	75,624	64,523	69,674	71,313
Operating costs (\$000s)	(94,637)	(49,614)	(45,023)	(210,603)	(48,288)	(57,760)	(54,208)	(50,347)
Operating earnings (\$000s)	61,450	23,437	38,013	70,531	27,336	6,763	15,466	20,966
Cash cost (€ per pound)	0.96	1.23	0.70	1.39	1.37	1.57	1.32	1.34
Cash cost (\$ per pound)	1.05	1.38	0.75	1.54	1.47	1.76	1.49	1.48
AISC (\$ per pound)	1.54	1.72	1.42	1.96	2.13	2.25	1.84	1.73

Sales

Sales for the quarter ended June 30, 2017 were \$73.1 million, of which \$41.8 million was realized from copper, \$28.6 million from zinc, and the balance from lead, silver and other metals. The impact of lower sales volumes (\$16.8 million) was more than offset by the impact of higher metal prices, net of price adjustments (\$21.0 million) resulting in a net increase in sales over the comparable period in 2016.

Sales for the six months ended June 30, 2017 were \$156.1 million, of which \$88.1 million was realized from copper, \$62.0 million from zinc, and the balance from lead, silver and other metals. Higher metal prices, net of price adjustments (\$48.1 million) was partially offset by lower sales volumes (\$33.4 million) when compared to results over the prior year comparable period.

Operating Costs

Operating costs for the quarter and six months ended June 30, 2017 were \$4.6 million and \$10.0 million, respectively, lower than 2016. The decrease was primarily due to lower sales volumes and improved contractor and supplier terms.

Operating Earnings

Operating earnings of \$23.4 million for the three months ended June 30, 2017 were \$7.9 million higher than 2016. The increase was mainly attributable to higher metal prices and positive price adjustments (\$21.0 million), partially offset by lower sales volumes (\$6.2 million) and consequently higher per unit operating costs (\$7.2 million).

Operating earnings of \$61.5 million for the six months ended June 30, 2017 were \$25.1 million higher than 2016. The increase was attributable to higher metal prices, net of price adjustments (\$48.1 million), partially offset by lower sales volumes (\$13.9 million) and resulting higher per unit operating costs (\$11.1 million).

Production

Copper production for the three and six months ended June 30, 2017 was lower than the comparable periods in 2016 by 4,048 tonnes and 7,598 tonnes, respectively. Lower mill throughput and grades is as a result of mine sequencing and complex ore metallurgy, which requires longer floatation process rates to ensure maximized copper recovery. Copper production guidance has been reduced accordingly as similar ore types, quantities and grades are expected to be processed for the balance of the year.

Zinc production of 18,011 tonnes for the three months ended June 30, 2017 and 35,959 tonnes for the six months ended June 30, 2017 were comparable to the same periods in 2016.

Cash Costs

Copper cash costs of \$1.38/lb for the quarter ended June 30, 2017 were lower than that of the corresponding period in 2016 of \$1.49/lb. The decrease is primarily as a result of higher by-product credits (\$0.72/lb), partially offset by higher mine and mill costs (\$0.47/lb) and higher administration costs (\$0.21/lb), largely as a result of lower grades and metal produced.

On a year-to-date basis, copper cash costs of \$1.05/lb were lower than that of the corresponding period in 2016 of \$1.48/lb. The decrease is primarily as a result of higher by-product credits (\$0.70/lb), partially offset by higher per unit mine and mill costs (\$0.44/lb) and higher administration costs (\$0.20/lb) due to a lower level of metal produced.

Copper cash costs to date are in-line with full year cash cost guidance of \$1.00/lb.

All-in sustaining costs of \$1.72/lb and \$1.54/lb for the three and six months ended June 30, 2017, respectively, are lower than those of the corresponding period in 2016 due to lower cash costs.

Projects

During the quarter, the results of the ZEP Feasibility Study amendment were issued with positive results, along with an updated Technical Report on Neves-Corvo incorporating the ZEP. Preliminary approval of the Environmental Impact Assessment by Portuguese authorities has been received, as well as Lundin Mining Board approval for this zinc expansion investment.

Project mobilization is well advanced. Basic engineering is underway and bids are being received for major equipment. Underground development commenced and detailed construction planning is underway.

The current project schedule is to have Neves-Corvo zinc ore throughput increased from 1.1 to 2.5 million tonnes per annum prior to the end of 2019, effectively doubling forecast zinc production, with some additional copper and lead production also resulting.

Zinkgruvan Mine

The Zinkgruvan mine consists of an underground mine and on-site processing facilities, located approximately 250 km south-west of Stockholm, Sweden. The zinc plant has processing capacity of 1.4 mtpa, producing zinc and lead in concentrate, and the copper plant has capacity of 0.3 mtpa with the ability to process copper or zinc-lead ore, producing copper, or zinc and lead concentrates. The primary metal is zinc, with lead, silver, and copper as by-products.

Operating Statistics

	2017			2016				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	567	252	315	1,057	294	211	264	288
Ore mined, copper (000 tonnes)	51	37	14	107	-	46	48	13
Ore milled, zinc (000 tonnes)	563	278	284	1,093	296	256	237	304
Ore milled, copper (000 tonnes)	34	34	-	107	-	56	51	-
Grade								
Zinc (%)	7.5	7.3	7.6	8.0	7.4	8.1	8.2	8.3
Lead (%)	3.0	2.7	3.2	3.5	3.0	3.1	3.6	4.3
Copper (%)	1.3	1.3	-	2.0	-	1.7	2.3	-
Recovery								
Zinc (%)	89.5	89.6	89.4	89.8	89.8	90.7	89.3	90.0
Lead (%)	80.9	79.6	82.2	82.3	83.0	80.9	81.6	83.8
Copper (%)	87.4	87.4	-	91.6	-	90.5	92.4	-
Production (contained metal)								
Zinc (tonnes)	37,508	18,205	19,303	78,523	19,773	18,808	17,286	22,656
Lead (tonnes)	13,500	5,901	7,599	31,661	7,363	6,406	7,063	10,829
Copper (tonnes)	399	399	-	1,906	-	855	1,051	-
Silver (000 oz)	1,032	494	538	2,159	556	449	495	659
Sales (\$000s)	103,598	49,458	54,140	174,336	52,970	42,099	38,906	40,361
Operating costs (\$000s)	(38,641)	(21,279)	(17,362)	(82,097)	(21,935)	(20,824)	(18,306)	(21,032)
Operating earnings (\$000s)	64,957	28,179	36,778	92,239	31,035	21,275	20,600	19,329
Cash cost (SEK per pound)	3.14	2.97	3.30	3.18	3.43	3.49	2.78	3.02
Cash cost (\$ per pound)	0.35	0.34	0.37	0.37	0.38	0.41	0.34	0.36
AISC (\$ per pound)	0.58	0.61	0.57	0.57	0.60	0.58	0.56	0.55

Sales

Sales for the quarter ended June 30, 2017 of \$49.5 million were \$10.6 million higher than the prior year comparable period largely as a result of higher metal prices and positive price adjustments (\$9.6 million). Current period sales, by metal, include zinc (\$33.0 million), lead (\$14.4 million) and other metals (\$2.1 million).

Sales for the six months ended June 30, 2017 of \$103.6 million were \$24.3 million higher than the comparable period in the prior year largely as a result of higher metal prices and positive price adjustments (\$35.5 million), partially offset by lower sales volumes (\$11.1 million). Year-to-date sales in the current period were composed of zinc (\$71.9 million), lead (\$27.9 million) and other metals (\$3.8 million).

Operating Costs

Operating costs of \$21.3 million for the quarter ended June 30, 2017 were higher than the second quarter of the prior year, largely as a result of higher sales volume in the current period.

For the six months ended June 30, 2017, operating costs of \$38.6 million were consistent with that reported in the prior comparable period.

Operating Earnings

Operating earnings of \$28.2 million were \$7.6 million higher than the \$20.6 million reported in the second quarter of 2016. The increase in earnings is largely attributable to higher metal prices, net of price adjustments (\$9.6 million).

For the six months ended June 30, 2017, operating earnings of \$65.0 million were \$25.1 million higher than reported for the comparable period in 2016. Higher metal prices, net of price adjustments (\$35.5 million), partially offset by lower sales volumes (\$7.3 million), contributed to the higher operating earnings in the current period.

Production

Zinc production in the second quarter of 2017 was higher (+5%) than the comparable period in 2016, largely as a result of higher throughput. Lower lead grades and recoveries were partially offset by the impact of higher throughput, resulting in 1,162 fewer tonnes being produced in the current quarter compared to the prior year.

On a year-to-date basis, zinc and lead production was lower than that reported in the prior year, largely as a result of lower head grades resulting from mine sequencing, partially offset by higher throughput.

Cash Costs

Zinc cash costs of \$0.34/lb for the quarter and \$0.35/lb for the six months ended June 30, 2017 were consistent with full year guidance and those reported in the corresponding period in 2016.

All-in sustaining costs of \$0.61/lb and \$0.58/lb for the three and six months ended June 30, 2017, respectively, were largely consistent with those reported in the corresponding period in 2016.

Projects

The zinc plant project, to increase plant capacity by 10%, was completed in June 2017, on time and on budget.

Exploration

Candelaria Mine, Chile (Copper, Gold)

Fourteen rigs drilled 41,464 metres within the three existing underground mines, around the Candelaria open pit mine and on surface in the south district to rapidly expand Mineral Resource and Mineral Reserve estimates and to determine the potential extension of known ore bodies. Geophysics continued in the south district in the second quarter to assist in the development of drilling targets for the remainder of the year.

Eagle Resource Exploration, USA (Nickel, Copper)

Eagle exploration continued in 2017 with four surface rigs. Drilling is focused on tracing the Eagle East conduit. A total of 10,368 surface metres were drilled in the second quarter of 2017, with drilling expected to continue into the third quarter. In addition, a geophysical program is in preparation for the 2017 field season.

European Operations

Exploration planning sessions were held at both Zinkgruvan and Neves-Corvo aimed at strategically expanding exploration efforts for both zinc and copper mineralization extensions. A significant ramp up in exploration activity is underway and will continue for the balance of the year and throughout 2018.

Peru (Copper)

Field work commenced on a copper/gold exploration project acquired in late 2016. Initial work includes geophysical surveys, geological mapping and surface rock and soil sampling, which is aimed at outlining potential drill targets.

Eastern Europe (Copper, Gold)

Project evaluation work is continuing on new copper and zinc-lead opportunities in Eastern Europe. Prospecting permits for polymetallic mineralization were obtained in Romania in an area with a long history of copper-gold mining activities. It is expected that field work will commence on several projects early in the third quarter.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper, nickel and zinc for the second quarter of 2017 were all lower than the average prices for the previous quarter by 3%, 10% and 7%, respectively. The Chinese economy slowed down during the quarter and nickel was further hit by the Indonesian government partially removing its export ban on nickel ores.

(Average LME Price)		Three months ended June 30,			Six months ended June 30,		
		2017	2016	Change	2017	2016	Change
Copper	US\$/pound	2.57	2.15	20%	2.61	2.13	22%
	US\$/tonne	5,662	4,729		5,749	4,701	
Nickel	US\$/pound	4.18	4.00	5%	4.43	3.93	13%
	US\$/tonne	9,225	8,823		9,761	8,662	
Zinc	US\$/pound	1.18	0.87	35%	1.22	0.82	50%
	US\$/tonne	2,596	1,918		2,690	1,799	

LME inventory for copper, nickel and zinc decreased during the second quarter of 2017 by 14%, 1% and 22%, respectively.

Treatment (“TC”) and refining charges (“RC”) in the spot market for copper concentrates between mining companies and commodity trading companies increased during the second quarter of 2017. In April, the spot TC was \$63 per dmt of concentrate and the spot RC was \$0.063 per lb of payable copper and in June the TC had increased to \$75 per dmt of concentrate with a RC of \$0.075 per payable lb of copper contained. The increase is due partially to the settlement of labour unrest at BHP’s Escondida mine in Chile and a slowdown in demand for copper concentrates in China due to maintenance shutdowns. The terms for annual contracts for copper concentrates for 2017 were reached in November 2016 at a TC of \$92.50 per dmt with a RC of \$0.0925 per payable lb of copper. This represents an improvement for the mines compared to the 2016 annual terms at a TC of \$97.35 per dmt of concentrates and a RC of \$0.09735 per payable lb of copper.

The Company’s nickel concentrate production from Eagle is sold under long-term contracts at terms in-line with market conditions.

During the second quarter of 2017 the spot TC for zinc concentrates in China continued to trade at a low range of \$40-\$50 per dmt, flat. The impact of mine closures which took place in 2015 and 2016 continued to impact the zinc concentrate market during the quarter. During the first quarter of 2017 the TC for annual contracts for zinc concentrates was agreed at \$172 per dmt of concentrates, based on a zinc price of \$2,800/tonne, with escalators of +/-0% (i.e. flat). The agreed terms represent an improvement in favour of the mines, compared to 2016, of approximately \$100 per dmt of concentrates at a zinc price of \$2,800 per mt.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents were \$2,050.7 million as at June 30, 2017, an increase of \$1,335.4 million from \$715.3 million at December 31, 2016 and an increase of \$1,121.9 million from the \$928.8 million reported at March 31, 2017.

Cash inflows for the three months ended June 30, 2017 included proceeds from the sale of Tenke (\$1.1 billion) and operating cash flows of \$179.2 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$84.5 million, payments to non-controlling interests of \$34.0 million, shareholder dividends of \$32.9 million and interest paid (\$38.3 million).

For the six months ended June 30, 2017, cash inflows included Tenke sale proceeds (\$1.1 billion), operating cash flows of \$423.9 million and receipt of distributions from Tenke \$58.3 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$163.6 million, shareholder dividends of \$32.9 million and interest paid (\$38.3 million).

Working Capital

Working capital was \$2,192.6 million as at June 30, 2017, compared to \$982.8 million at December 31, 2016 and \$1,073.1 million as at March 31, 2017. The increase in working capital for the three and six months ended June 30, 2017 is largely a reflection of the higher period-end cash balance.

Long-Term Debt

As at June 30, 2017, the Company had \$550 million of 7.5% senior secured notes (due 2020) and \$445 million of 7.875% senior secured notes (due 2022) outstanding.

In addition, the Company has an undrawn \$350 million revolving credit facility, expiring in June 2020. Letters of credit have been issued totalling \$25.9 million.

Subject to various risks and uncertainties, the Company believes it will generate sufficient cash flow and has adequate cash and debt facilities to finance on-going operations, contractual obligations and planned capital and exploration investment programs.

Shareholders' Equity

Shareholders' equity was \$3,823.4 million at June 30, 2017, compared to \$3,627.6 million at December 31, 2016. The increase in shareholders' equity is primarily due to current year's net earnings of \$191.5 million.

Sensitivities

Sales and operating costs are affected by certain external factors including fluctuations in metal prices and changes in exchange rates between the Euro, the SEK, the Chilean peso and the US dollar.

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

Metal	Tonnes Payable	Provisional price on June 30, 2017 (\$US/tonne)	Change	Effect on Sales (\$millions)
Copper	60,658	5,932	+/-10%	+/- \$35.9
Nickel	3,989	9,373	+/-10%	+/- \$3.7
Zinc	9,675	2,757	+/-10%	+/- \$2.7

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

Currency	Change	Three months ended June 30, 2017 (\$millions)	Six months ended June 30, 2017 (\$millions)
Chilean peso	+/-10%	+/- \$9.4	+/- \$19.1
Euro	+/-10%	+/- \$4.8	+/- \$9.2
Swedish krona	+/-10%	+/- \$2.3	+/- \$4.1

Commitments

The Company has the following capital commitments as at June 30, 2017:

(\$ thousands)

2017	86,923
2018	12,149
2019	121
Total	99,193

Financial Instruments

Summary of financial instruments:

	Fair value at June 30, 2017 (\$ thousands)	Basis of measurement	Associated risks
Cash and cash equivalents	2,050,718	Carrying value	Credit/Exchange
Trade and other receivables	59,281	Carrying value	Credit/Market/Exchange
Trade receivables	244,196	FVTPL	Credit/Market/Exchange
Marketable securities and restricted funds	53,116	FVTPL	Market/Liquidity
Currency options	3,533	FVTPL	Market/Liquidity
Other non-currents assets	22,096	FVTPL	Credit/Market
Trade and other payables	209,675	Carrying value	Exchange
Long-term debt and finance leases	1,079,087	Amortized cost	Interest
Other long-term liabilities	9,653	FVTPL	Interest

Fair value through profit and loss (“FVTPL”) (trade receivables) – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on forward LME prices.

FVTPL (securities) – The fair value of investments in shares is determined based on quoted market price.

FVTPL (currency options) - The fair value of the currency options are determined using a valuation model which incorporates such factors as the quoted market price, strike price, the volatility of CLP:USD foreign exchange rates and the expiry date of the options.

FVTPL (other non-current assets and other long-term liabilities) - The fair value of the contingent asset and other long-term liabilities are determined using valuation models which incorporate metal prices, metal price volatility and expiry dates of the instruments.

Amortized cost – The fair value of long-term debt is determined using quoted market prices. The fair value of the finance leases and other long-term liabilities approximates its carrying value as the interest rates are comparable to current market rates.

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

In 2015, the Company purchased currency options to hedge its CLP exposure. The remaining call options expire between July 2017 and December 2018 having a strike price between 675 to 700 CLP:USD.

For the quarter ended June 30, 2017, the Company recognized negative prior period pricing adjustments of \$16.5 million in sales (2016: negative pricing adjustments of \$6.7 million), a revaluation loss of \$0.7 million on FVTPL securities (2016: gain of \$0.5 million). In addition, a foreign exchange loss of \$5.1 million (2016: gain of \$2.9 million) was realized in the quarter on working capital denominated in foreign currencies that was held in the Company's various entities.

For the six months ended June 30, 2017, the Company recognized positive prior period pricing adjustments of \$8.9 million in sales (2016: negative pricing adjustments of \$6.5 million), a revaluation gain of nil on FVTPL currency options (2016: gain of \$3.6 million). In addition, a foreign exchange loss of \$12.8 million (2016: loss of \$1.9 million) was realized in the year on working capital denominated in foreign currencies that was held in the Company's various entities.

Related Party Transactions

Freeport Cobalt

The Company enters into transactions related to its investment in Freeport Cobalt. These transactions are entered into in the normal course of business and on an arm's length basis.

Key Management Personnel

The Company has identified its directors and certain senior officers as its key management personnel. The employee benefits for key management personnel are as follows:

(\$ thousands)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Wages and salaries	1,687	1,681	3,358	3,115
Pension and benefits	39	29	95	81
Share-based compensation	885	640	2,037	1,280
	2,611	2,350	5,490	4,476

For the three and six months ended June 30, 2017, the Company paid \$0.3 million and \$0.6 million, respectively (Q2 2016 - \$0.1 million; YTD 2016 - \$0.4 million), to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

Changes in Accounting Policies

New Accounting Pronouncements

In 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which provides guidance on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effective date of the standard is January 1, 2018, with earlier adoption permitted.

The Company is in the process of analyzing all its contracts with customers with respect to the application of IFRS 15. The Company expects to quantify the impact of the adoption of IFRS 15 by the third quarter of 2017 as it plans for adoption on January 1, 2018.

It is anticipated that the Company's streaming arrangement contracts will be impacted by the adoption of IFRS 15 as a significant financing component has been identified in these contracts. As a result, it is expected that the Company's deferred revenue balance will increase. Additionally, finance costs as well as deferred revenue recognition will increase on transition.

In 2016, the IASB issued IFRS 16, *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently developing a transition plan for this new standard and plans to adopt the standard on January 1, 2019. Preliminary review of leases has commenced in 2017 with further analysis and quantification of impacts to be completed in 2018. Implementation of IFRS 16 is expected to increase plant and equipment, related debt amounts and corresponding depreciation and finance cost expenses.

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a revised model for classification and measurement, a forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but is available for early adoption. The Company plans to adopt IFRS beginning January 1, 2018. A preliminary assessment has been made and it is anticipated that there will be no material change as a result of the adopting this new standard.

Critical Accounting Estimates and Assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ materially from the amounts included in the financial statements. For a complete discussion of accounting estimates and assumptions deemed most critical by the Company, refer to the Company's annual 2016 Management's Discussion and Analysis.

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 cash/debt is defined as cash and cash equivalents, less long-term debt and finance leases, excluding deferred financing fees and can be reconciled as follows:

(\$thousands)	June 30, 2017	March 31, 2017	December 31, 2016
Current portion of long-term debt and finance leases	(2,816)	(1,321)	(1,082)
Long-term debt and finance leases	(988,264)	(983,444)	(982,295)
	(991,080)	(984,765)	(983,377)
Deferred financing fees (netted in above)	(14,575)	(15,314)	(16,038)
	(1,005,655)	(1,000,079)	(999,415)
Cash and cash equivalents	2,050,718	928,820	715,311
Net cash / (debt)	1,045,063	(71,259)	(284,104)

Operating Earnings

Operating earnings is a performance measure used by the Company to assess the contribution by mining operations to the Company's net earnings or loss. Operating earnings is defined as sales, less operating costs (excluding depreciation) and general and administrative expenses.

Operating Cash Flow per Share

Operating cash flow per share 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. Operating cash flow per share is defined as cash provided by operating activities, less changes in non-cash working capital items, divided by the basic weighted average number of shares outstanding.

Operating cash flow per share can be reconciled to cash provided by operating activities as follows:

(\$000s, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cash provided by operating activities	179,227	153,181	423,902	196,059
Changes in non-cash working capital items	(16,951)	(67,585)	(89,262)	(26,263)
Operating cash flow before changes in non-cash working capital items	162,276	85,596	334,640	169,796
Weighted average common shares outstanding	726,735,122	719,634,633	726,461,100	719,631,495
Operating cash flow per share	0.22	0.12	0.46	0.24

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 considered/was made.

Cash Cost per Pound

Copper, nickel and zinc 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 per Pound "(AISC)"

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

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

Three months ended June 30, 2017					
Operations	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Total
(\$000s, unless otherwise noted)	(Cu)	(Ni)	(Cu)	(Zn)	
Sales volumes (Contained metal in concentrate):					
Tonnes	45,222	5,554	8,058	15,306	
Pounds (000s)	99,697	12,244	17,765	33,744	
Operating cost					209,456
Less: By-product credits					(102,916)
Treatment costs					51,799
Non-cash inventory					(242)
Royalties and other					(2,278)
Cash operating cost	107,485	12,540	24,438	11,356	155,819
Cash cost per pound (\$/lb)	1.08	1.02	1.38	0.34	
Add: Sustaining capital expenditure					
& exploration ⁽¹⁾	64,474	1,684	4,826	8,493	
Royalties	-	3,335	488	-	
Accretion	885	262	146	85	
Leases & other	-	-	643	501	
All-in sustaining cost	172,844	17,821	30,541	20,435	
AISC per pound (\$/lb)	1.73	1.46	1.72	0.61	

Three months ended June 30, 2016					
Operations	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Total
(\$000s, unless otherwise noted)	(Cu)	(Ni)	(Cu)	(Zn)	
Sales volumes (Contained metal in concentrate):					
Tonnes	35,611	5,314	11,804	14,673	
Pounds (000s)	78,509	11,715	26,023	32,348	
Operating cost					202,208
Less: By-product credits					(85,600)
Treatment costs					55,413
Non-cash inventory					1,053
Royalties and other					(2,356)
Cash operating cost	100,527	20,494	38,706	10,991	170,718
Cash cost per pound (\$/lb)	1.28	1.75	1.49	0.34	n/a
Add: Sustaining capital expenditure					
& exploration	18,473	3,095	7,870	6,782	
Royalties	-	1,825	834	-	
Accretion	726	207	400	116	
Leases & other	-	-	131	197	
All-in sustaining cost	119,726	25,621	47,941	18,086	
AISC per pound (\$/lb)	1.53	2.19	1.84	0.56	

1. Sustaining exploration is incurred to further define existing producing ore bodies in order to sustain current operations. Sustaining capital expenditure, as reported in AISC, is presented on an accrual basis and excludes capitalized interest.

Six months ended June 30, 2017

Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	87,905	10,891	16,825	32,195	
Pounds (000s)	193,797	24,011	37,093	70,978	
Operating cost					423,580
Less: By-product credits					(215,100)
Treatment costs					113,909
Non-cash inventory					578
Royalties and other					(8,513)
Cash operating cost	226,873	23,611	38,838	25,132	314,454
Cash cost per pound (\$/lb)	1.17	0.98	1.05	0.35	
Add: Sustaining capital expenditure					
& exploration	107,204	3,132	14,765	15,536	
Royalties	-	5,477	2,590	-	
Accretion	1,622	710	289	169	
Leases & other	-	-	643	681	
All-in sustaining cost	335,699	32,930	57,125	41,518	
AISC per pound (\$/lb)	1.73	1.37	1.54	0.58	

Six months ended June 30, 2016

Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained					
Tonnes	76,927	10,470	25,075	33,921	
Pounds (000s)	169,595	23,082	55,281	74,783	
Operating cost					412,498
Less: By-product cCredits					(163,205)
Treatment costs					115,718
Non-cash inventory					1,328
Royalties and other					(7,972)
Cash operating cost	211,546	38,737	81,952	26,132	358,367
Cash cost per pound (\$/lb)	1.25	1.68	1.48	0.35	
Add: Sustaining capital expenditure					
& exploration	51,449	4,665	14,442	14,648	
Royalties	-	3,484	1,338	-	
Accretion	1,436	415	790	229	
Leases & other	-	-	131	351	
All-in sustaining cost	264,431	47,301	98,653	41,360	
AISC per pound (\$/lb)	1.56	2.05	1.78	0.55	

Managing Risks

Risks and Uncertainties

The operations of Lundin Mining involve certain key risks, including but not limited to fluctuations in commodity prices, foreign exchange rates and other risks as discussed in this document. For a complete discussion on risks, refer to the “Risks and Uncertainties” section of the Company’s most recently filed Annual Information Form.

Outstanding Share Data

As at July 26, 2017, the Company has 726,976,462 common shares issued and outstanding, and 14,397,020 stock options and 3,133,490 share units outstanding under the Company's incentive plans.

Management’s Report on Internal Controls

Disclosure controls and procedures

Disclosure controls and procedures (“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 disclosure controls and procedures.

Internal control over financial reporting

The Company’s internal control over financial reporting (“ICFR”) is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

Control Framework

Management assesses the effectiveness of the Company’s internal control over financial reporting using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (‘COSO’).

Changes in internal control over financial reporting

There have been no changes in the Company’s internal control over financial reporting during the three month period ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Other Information

Additional information regarding the Company is included in the Company’s Annual Information Form (“AIF”) which is filed with the Canadian securities regulators. A copy of the Company’s AIF can be obtained from the Canadian Securities Administrators' website at www.sedar.com.

Other Supplementary Information

1. *List of directors and officers at July 26, 2017:*

(a) **Directors:**

Donald K. Charter
Paul K. Conibear
John H. Craig
Peter C. Jones
Lukas H. Lundin
Dale C. Peniuk
William A. Rand
Catherine J. G. Stefan

(b) **Officers:**

Lukas H. Lundin, *Chairman*
Paul K. Conibear, *President and Chief Executive Officer*
Marie Inkster, *Senior Vice President and Chief Financial Officer*
Peter M. Quinn, *Chief Operating Officer*
Nicholas J. Hayduk, *Senior Vice President, Chief Legal Officer and Corporate Secretary*
Julie A. Lee HARRS, *Senior Vice President, Corporate Development*
Paul M. McRae, *Senior Vice President, Projects*
Neil P. M. O'Brien, *Senior Vice President, Exploration and New Business Development*
Stephen T. Gatley, *Vice President, Technical Services*
Susan J. Boxall, *Vice President, Human Resources*
Jinhee Magie, *Vice President, Finance*
J. Mikael Schauman, *Vice President, Marketing*
Derek Riehm, *Vice President, Environment*

2. **Financial Information**

The report for the quarter ending September 30, 2017 is expected to be published by October 25, 2017.

3. **Other information**

Address (Corporate head office):

Lundin Mining Corporation
Suite 1500, 150 King Street West
P.O. Box 38
Toronto, Ontario M5H 1J9
Canada
Telephone: +1-416-342-5560
Fax: +1-416-348-0303
Website: www.lundinmining.com

The Canadian federal corporation number for the Company is 443736-5.

For further information, please contact:

Mark Turner, *Director, Business Valuations and Investor Relations*: +1-416-342-5565,
mark.turner@lundinmining.com

Sonia Tercas, *Senior Associate, Investor Relations - North America*: +1-416-342-5583,
sonia.tercas@lundinmining.com

Robert Eriksson, *Investor Relations - Sweden*: +46-(0)8-440-54-50, robert.eriksson@lundinmining.com

Condensed Interim Consolidated Financial Statements of

Lundin Mining Corporation

June 30, 2017
(Unaudited)

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

June 30, December 31,
(Unaudited - in thousands of US dollars) 2017 2016

ASSETS

Cash and cash equivalents (Note 3)	\$ 2,050,718	\$ 715,311
Trade and other receivables (Note 4)	303,477	338,931
Income taxes receivable	6,576	34,853
Inventories (Note 5)	159,796	163,138
Other current assets	9,759	8,877

	2,530,326	1,261,110
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Asset classified as held for sale (Note 8)	-	1,146,776
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Total current assets	2,530,326	2,407,886
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Restricted funds	40,849	41,272
Long-term inventory	233,070	217,914
Other non-current assets (Note 6)	41,771	11,977
Mineral properties, plant and equipment (Note 7)	3,199,869	3,179,600
Investment in associate	86,127	79,166
Deferred tax assets	120,400	102,786
Goodwill	109,465	101,928

	3,831,551	3,734,643
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Total assets	\$ 6,361,877	\$ 6,142,529
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LIABILITIES

Trade and other payables (Note 9)	\$ 254,922	\$ 243,675
Income taxes payable	82,854	34,592
Current portion of long-term debt and finance leases	2,816	1,082
Current portion of deferred revenue	53,442	55,934
Current portion of reclamation and other closure provisions	8,459	20,279

Total current liabilities	402,493	355,562
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Long-term debt and finance leases	988,264	982,295
Deferred revenue	482,263	504,009
Reclamation and other closure provisions	246,282	236,526
Other long-term liabilities	9,653	9,992
Provision for pension obligations	13,531	13,269
Deferred tax liabilities	395,975	413,249

	2,135,968	2,159,340
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Total liabilities	2,538,461	2,514,902
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SHAREHOLDERS' EQUITY

Share capital	4,143,687	4,135,367
Contributed surplus	47,164	44,779
Accumulated other comprehensive loss	(247,963)	(320,138)
Deficit	(566,639)	(695,718)

Equity attributable to Lundin Mining Corporation shareholders	3,376,249	3,164,290
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Non-controlling interests	447,167	463,337
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	3,823,416	3,627,627
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	\$ 6,361,877	\$ 6,142,529
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Commitments (Note 17)

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

APPROVED BY THE BOARD OF DIRECTORS

(Signed) Lukas H. Lundin - **Director**

(Signed) Dale C. Peniuk - **Director**

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

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

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Sales	\$ 454,692	\$ 342,316	\$ 942,479	\$ 711,885
Operating costs (Note 11)	(209,456)	(202,208)	(423,580)	(412,498)
Depreciation, depletion and amortization (Note 7)	(101,940)	(110,567)	(211,600)	(230,141)
General and administrative expenses	(8,994)	(5,592)	(18,234)	(13,134)
General exploration and business development	(20,572)	(16,394)	(35,753)	(29,215)
Finance income (Note 13)	3,573	1,000	10,840	4,039
Finance costs (Note 13)	(21,093)	(22,653)	(40,109)	(43,970)
Other income (Note 14)	4,181	3,965	4,326	1,523
Other expenses (Note 14)	(6,692)	(2,854)	(18,166)	(9,293)
Earnings (loss) before income taxes	93,699	(12,987)	210,203	(20,804)
Current tax expense (Note 15)	(39,991)	(1,417)	(98,236)	(21,082)
Deferred tax recovery (expense) (Note 15)	10,326	(2,110)	24,449	14,298
Net earnings (loss) from continuing operations	64,034	(16,514)	136,416	(27,588)
Earnings (loss) from discontinued operations (Note 8)	21,004	(771,387)	55,066	(775,778)
Net earnings (loss)	\$ 85,038	\$ (787,901)	\$ 191,482	\$ (803,366)

Net earnings (loss) from continuing operations attributable to:

Lundin Mining Corporation shareholders	\$ 49,006	\$ (19,781)	\$ 106,586	\$ (37,475)
Non-controlling interests	15,028	3,267	29,830	9,887
Net earnings (loss) from continuing operations	\$ 64,034	\$ (16,514)	\$ 136,416	\$ (27,588)

Net earnings (loss) attributable to:

Lundin Mining Corporation shareholders	\$ 70,010	\$ (791,168)	\$ 161,652	\$ (813,253)
Non-controlling interests	15,028	3,267	29,830	9,887
Net earnings (loss)	\$ 85,038	\$ (787,901)	\$ 191,482	\$ (803,366)

Basic and diluted earnings (loss) per share attributable to Lundin Mining Corporation shareholders:

Earnings (loss) from continuing operations	\$ 0.07	\$ (0.03)	\$ 0.15	\$ (0.05)
Earnings (loss) from discontinued operations	\$ 0.03	\$ (1.07)	\$ 0.08	\$ (1.08)
Net earnings (loss)	\$ 0.10	\$ (1.10)	\$ 0.22	\$ (1.13)

Weighted average number of shares outstanding (Note 10)

Basic	726,735,122	719,634,633	726,461,100	719,631,495
Diluted	729,165,379	719,634,633	728,969,971	719,631,495

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited - in thousands of US dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Net earnings (loss)	\$ 85,038	\$ (787,901)	\$ 191,482	\$ (803,366)
Other comprehensive income (loss), net of taxes				
Item that may be reclassified subsequently to net earnings (loss):				
Effects of foreign exchange	54,535	(23,877)	66,165	12,493
Item that was reclassified to net earnings (loss):				
Reclassification adjustment (Note 14)	-	-	6,010	-
Other comprehensive (loss) income	54,535	(23,877)	72,175	12,493
Comprehensive income (loss)	\$ 139,573	\$ (811,778)	\$ 263,657	\$ (790,873)
Comprehensive income (loss) attributable to:				
Lundin Mining Corporation shareholders	\$ 124,545	\$ (815,045)	\$ 233,827	\$ (800,760)
Non-controlling interests	15,028	3,267	29,830	9,887
Comprehensive income (loss)	\$ 139,573	\$ (811,778)	\$ 263,657	\$ (790,873)

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, 2016	725,134,187	\$ 4,135,367	\$ 44,779	\$ (320,138)	\$ (695,718)	\$ 463,337	\$ 3,627,627
Distributions	-	-	-	-	-	(46,000)	(46,000)
Exercise of share-based awards	1,662,410	8,877	(2,740)	-	-	-	6,137
Share-based compensation	-	-	5,125	-	-	-	5,125
Dividends declared	-	-	-	-	(32,573)	-	(32,573)
Deferred tax adjustment	-	(557)	-	-	-	-	(557)
Net earnings	-	-	-	-	161,652	29,830	191,482
Other comprehensive earnings	-	-	-	72,175	-	-	72,175
Total comprehensive earnings	-	-	-	72,175	161,652	29,830	263,657
Balance, June 30, 2017	726,796,597	\$ 4,143,687	\$ 47,164	\$ (247,963)	\$ (566,639)	\$ 447,167	\$ 3,823,416
Balance, December 31, 2015	719,628,357	\$ 4,107,469	\$ 49,112	\$ (308,819)	\$ (33,975)	\$ 433,824	\$ 4,247,611
Distributions	-	-	-	-	-	(2,000)	(2,000)
Exercise of share-based awards	12,600	51	(51)	-	-	-	-
Share-based compensation	-	-	3,343	-	-	-	3,343
Net (loss) earnings	-	-	-	-	(813,253)	9,887	(803,366)
Other comprehensive earnings	-	-	-	12,493	-	-	12,493
Total comprehensive earnings (loss)	-	-	-	12,493	(813,253)	9,887	(790,873)
Balance, June 30, 2016	719,640,957	\$ 4,107,520	\$ 52,404	\$ (296,326)	\$ (847,228)	\$ 441,711	\$ 3,458,081

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)

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Cash provided by (used in)				
Operating activities				
Net earnings (loss)	\$ 85,038	\$ (787,901)	\$ 191,482	\$ (803,366)
Items not involving cash and other adjustments				
Depreciation, depletion and amortization	101,940	110,567	211,600	230,141
Share-based compensation	2,344	1,654	5,125	3,343
(Income) loss from equity investment in associate	(3,218)	(473)	(2,479)	422
(Earnings) loss from discontinued operations	(21,004)	771,387	(55,066)	775,778
Foreign exchange loss (gain)	3,102	(562)	11,678	1,515
Deferred tax (recovery) expense	(10,326)	2,110	(24,449)	(14,298)
Recognition of deferred revenue	(13,148)	(11,346)	(25,920)	(22,200)
Reclamation and closure provisions	(1,395)	132	(1,540)	1,117
Finance income and cost	16,504	21,653	36,135	39,931
Other	1,079	224	3,890	1,095
Reclamation payments	(1,120)	(6,758)	(1,166)	(7,073)
Pension payments	(294)	(330)	(596)	(673)
Changes in long-term inventory	2,774	(14,761)	(14,054)	(35,936)
Changes in non-cash working capital items (Note 20)	16,951	67,585	89,262	26,263
	179,227	153,181	423,902	196,059
Investing activities				
Investment in mineral properties, plant and equipment	(84,457)	(38,824)	(163,593)	(86,344)
Interest received	3,953	-	3,953	-
Distributions from discontinued operations (Note 8)	2,700	14,625	58,320	15,405
(Contributions to) distributions from associate	(1,480)	3,900	(4,480)	6,300
Restricted funds movement	-	1,030	-	3,113
Proceeds from sale of discontinued operations (Note 8)	1,121,426	-	1,121,426	-
Other	(10,293)	443	(7,314)	2,215
	1,031,849	(18,826)	1,008,312	(59,311)
Financing activities				
Interest paid	(33,060)	(38,344)	(33,060)	(38,909)
Distributions to non-controlling interests	(34,000)	-	(46,000)	(2,000)
Dividends paid to shareholders	(32,927)	-	(32,927)	-
Proceeds from common shares issued	297	-	6,137	-
Debt and finance lease payments	(1,676)	(328)	(2,128)	(482)
Other	(1,183)	(540)	(1,183)	(674)
	(102,549)	(39,212)	(109,161)	(42,065)
Effect of foreign exchange on cash balances	13,371	1,727	12,354	6,424
Increase in cash and cash equivalents during the period	1,121,898	96,870	1,335,407	101,107
Cash and cash equivalents, beginning of period	928,820	560,748	715,311	556,511
Cash and cash equivalents, end of period	\$ 2,050,718	\$ 657,618	\$ 2,050,718	\$ 657,618

Supplemental cash flow information (Note 20)

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

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

(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, nickel and zinc. The Company's wholly-owned operating assets include the Eagle mine located in the United States ("US"), the Neves-Corvo mine located in Portugal and the Zinkgruvan mine located in Sweden. The Company also owns 80% of the Candelaria and Ojos del Salado mining complex ("Candelaria") located in Chile. The Company holds an indirect 24% equity interest in the Freeport Cobalt Oy business ("Freeport Cobalt"), which includes a cobalt refinery located in Kokkola, Finland.

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting including IAS 34 *Interim financial reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

The Company's presentation currency is US dollars. Reference herein of \$ or USD is to US dollars. Reference of C\$ is to Canadian dollars, reference of SEK is to Swedish Krona, reference of CLP is to Chilean pesos and € refers to the Euro.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on July 26, 2017.

(ii) Critical accounting estimates and judgments

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, 2016.

(iii) Accounting principles

The accounting policies followed in these condensed interim financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2016.

(iv) New accounting pronouncements

In 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which provides guidance on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effective date of the standard is January 1, 2018, with earlier adoption permitted.

The Company is in the process of analyzing all its contracts with customers with respect to the application of IFRS 15. The Company expects to quantify the impact of the adoption of IFRS 15 by the third quarter of 2017

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

as it plans for adoption on January 1, 2018.

It is anticipated that the Company's streaming arrangement contracts will be impacted by the adoption of IFRS 15 as a significant financing component has been identified in these contracts. As a result, it is expected that the Company's deferred revenue balance will increase. Additionally, finance costs as well as deferred revenue recognition will increase on transition.

In 2016, the IASB issued IFRS 16, *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently developing a transition plan for this new standard and plans to adopt the standard on January 1, 2019. Preliminary review of leases has commenced in 2017 with further analysis and quantification of impacts to be completed in 2018. Implementation of IFRS 16 is expected to increase plant and equipment, related debt amounts and corresponding depreciation and finance cost expenses.

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a revised model for classification and measurement, a forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but is available for early adoption. The Company plans to adopt the standard beginning January 1, 2018. A preliminary assessment has been made and it is anticipated that there will be no material change as a result of adopting this new standard.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	June 30, 2017	December 31, 2016
Cash	\$ 1,468,244	\$ 516,212
Short-term deposits	582,474	199,099
	\$ 2,050,718	\$ 715,311

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	June 30, 2017	December 31, 2016
Trade receivables	\$ 251,458	\$ 289,803
Value added tax	18,884	15,710
Prepaid expenses	14,594	16,307
Other receivables	18,541	17,111
	\$ 303,477	\$ 338,931

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

5. INVENTORIES

Inventories are comprised of the following:

	June 30, 2017	December 31, 2016
Ore stockpiles	\$ 45,169	\$ 48,436
Concentrate stockpiles	33,812	33,786
Materials and supplies	80,815	80,916
	\$ 159,796	\$ 163,138

6. OTHER NON-CURRENT ASSETS

Other non-current assets comprise the following:

	June 30, 2017	December 31, 2016
Long-term portion of currency options	\$ 1,193	\$ 2,986
Marketable securities	12,267	2,137
Contingent asset (Note 8)	22,096	-
Other	6,215	6,854
	\$ 41,771	\$ 11,977

Contingent asset of \$22.1 million was received on the disposal of Tenke Fungurume (Note 8).

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

Cost	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2015	\$ 2,960,720	\$ 2,047,138	\$ 4,147	\$ 82,946	\$ 5,094,951
Additions	26,784	2,214	-	61,855	90,853
Disposals and transfers	(49)	13,074	-	(15,467)	(2,442)
Effects of foreign exchange	14,646	8,932	(143)	(77)	23,358
As at June 30, 2016	3,002,101	2,071,358	4,004	129,257	5,206,720
Additions	72,332	610	-	76,047	148,989
Impairment reversal	95,922	-	-	-	95,922
Disposals and transfers	401	1,624	(3,963)	(48,924)	(50,862)
Effects of foreign exchange	(81,384)	(36,911)	(41)	(2,323)	(120,659)
As at December 31, 2016	3,089,372	2,036,681	-	154,057	5,280,110
Additions	56,165	1,187	-	111,266	168,618
Disposals and transfers	1,404	12,300	-	(19,625)	(5,921)
Effects of foreign exchange	110,070	52,076	-	3,876	166,022
As at June 30, 2017	\$ 3,257,011	\$ 2,102,244	\$ -	\$ 249,574	\$ 5,608,829

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

(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	Exploration properties	Assets under construction	Total
As at December 31, 2015	\$ 1,205,139	\$ 535,101	\$ -	\$ -	\$ 1,740,240
Depreciation	135,840	107,684	-	-	243,524
Disposals and transfers	-	(516)	-	-	(516)
Effects of foreign exchange	8,090	4,103	-	-	12,193
As at June 30, 2016	1,349,069	646,372	-	-	1,995,441
Depreciation	113,170	98,592	-	-	211,762
Disposals and transfers	(1,545)	(32,693)	-	-	(34,238)
Effects of foreign exchange	(52,187)	(20,268)	-	-	(72,455)
As at December 31, 2016	1,408,507	692,003	-	-	2,100,510
Depreciation	112,507	99,323	-	-	211,830
Disposals and transfers	-	(1,855)	-	-	(1,855)
Effects of foreign exchange	69,188	29,287	-	-	98,475
As at June 30, 2017	\$ 1,590,202	\$ 818,758	\$ -	\$ -	\$ 2,408,960

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2016	\$ 1,680,865	\$ 1,344,678	\$ -	\$ 154,057	\$ 3,179,600
As at June 30, 2017	\$ 1,666,809	\$ 1,283,486	\$ -	\$ 249,574	\$ 3,199,869

During the three and six months ended June 30, 2017, the Company capitalized \$29.2 million (2016 - \$3.2 million) and \$47.3 million (2016 - \$8.1 million), respectively, of deferred stripping costs to mineral properties. Included in the mineral properties balance as at June 30, 2017 is \$271.3 million (December 31, 2016 - \$224.0 million) which is currently non-depreciable.

During the three and six months ended June 30, 2017 the Company capitalized \$2.9 million (2016 - \$1.2 million) and \$5.3 million (2016 - \$3.5 million) of borrowing costs, at a rate of 8.1%, related to construction of the Candelaria Los Diques tailings facility project.

8. ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

On April 19, 2017, the Company completed the sale of its indirect interest in TF Holdings Limited ("TF Holdings") to an affiliate of BHR Partners ("BHR") for \$1.136 billion in cash and contingent consideration of up to \$51.4 million. Lundin Mining's effective 24% interest in Tenke Fungurume was held through its 30% indirect interest in TF Holdings.

Under the terms of the agreement, the Company could also receive contingent consideration of up to \$51.4 million, consisting of \$25.7 million if the average copper price exceeds \$3.50 per pound and \$25.7 million if the average cobalt price exceeds \$20.00 per pound, both during a 24-month period beginning on January 1, 2018.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

The gain on disposal of Tenke Fungurume is calculated as follows:

Consideration received at fair value:	
Cash proceeds (a)	\$ 1,135,993
Contingent consideration (b)	22,096
Settlement agreement costs (c)	(14,196)
Transaction costs	(371)
Total consideration received at fair value	\$ 1,143,522
Assets disposed of at carrying value:	
Asset held for sale	\$ 1,140,725
Total assets disposed of at carrying value	\$ 1,140,725
Gain on disposal of Tenke Fungurume	\$ 2,797

- (a) Net cash proceeds received were \$1.121 billion.
- (b) The fair value of the contingent consideration was determined using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 1.2% and an expected price volatility of 17% and 26% for copper and cobalt, respectively. The contingent consideration was recorded as an asset under other non-current assets (Note 6). The Company has determined that the contingent consideration is a derivative financial instrument that is classified as fair value through profit or loss.
- (c) On completion of the sale, the Company paid \$14.2 million to China Molybdenum Co., Ltd (together with its affiliates, "CMOC") as reimbursement for payments made by CMOC for a settlement agreement among La Générale des Carrières et des Mines ("Gécamines"), Tenke Fungurume Mining S.A., TF Holdings, Freeport-McMoRan Inc., CMOC, the Company and BHR to resolve all claims brought by Gécamines against TF Holdings and several other parties (other than the Company) related to the sale of TF Holdings.

Asset held for sale related to Tenke Fungurume is comprised of the following:

	Tenke Fungurume
As at December 31, 2015 and June 30, 2016	\$ -
Reclassification from investment in associates	1,146,776
As at December 31, 2016	\$ 1,146,776
Distributions	(58,320)
Share of equity income	30,347
Impairment reversal of asset held for sale	21,922
Disposition of asset held for sale	(1,140,725)
As at June 30, 2017	\$ -

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

Earnings from discontinued operations related to Tenke Fungurume is comprised of the following:

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Impairment and impairment reversals	\$ 13,347	\$ (772,114)	\$ 21,922	\$ (772,114)
Share of equity income (loss)	4,860	727	30,347	(3,664)
Gain on disposal	2,797	-	2,797	-
Earnings (loss) from discontinued operations	\$ 21,004	\$ (771,387)	\$ 55,066	\$ (775,778)

Net investing cash flows from discontinued operations for the three and six months ended June 30, 2017 were \$1,124.1 million (2016 - \$14.6 million) and \$1,179.7 million (2016 - \$15.4 million).

During the second quarter of 2016, the Company identified an impairment indicator, specifically, the Freeport McMoran Ltd. ("FCX") May 9, 2016 announcement which stated it had entered into a definitive agreement to sell its interests in TF Holdings to CMOC for \$2.65 billion in cash and contingent consideration up to \$120 million based upon future copper and cobalt prices to 2019 ("FCX Sale").

In previous periods, the Company used a fair value less cost to dispose model ("FVLTD" – a level 3 measurement) which assumed an expansion scenario. The expansion scenario contemplated the mining and processing of the Tenke Fungurume mine's mixed sulphide ores in addition to the oxide ores it is currently mining ("expansion scenario"). The prospective change in operator presents a level of uncertainty in respect of the nature and timing of this expansion scenario. For the quarter ended June 30, 2016, the Company calculated the recoverable amount for TF Holdings using an operating scenario where no future investments are made for the processing of the mixed sulphide resource ("base case scenario") for its cash flow projections. A separate valuation was performed for the in-situ value of the mixed sulphide resource which was benchmarked using third-party market information.

The recoverable amount is determined using cash flow projections based on life-of-mine financial plans. The assumptions used in cash flow projections consist of forecasted commodity prices, reserve and resource quantities, operating costs, capital expenditures, reclamation and other closure costs and discount rates. Commodity prices used in the cash flow projections are within the range of current market consensus observed during the second quarter of 2016. The valuation of recoverable amount is most sensitive to changes in metal prices and discount rates. Operating costs and capital expenditure included in the cash flow projections are based on approved operating plans.

The Company has assessed the recoverable amount to be lower than the carrying value; as such, an impairment loss of \$772.1 million was recognized. The recoverable amount after the impairment, based on FVLTD, is \$1,170.1 million.

The Company prepared a sensitivity analysis on the assumptions used for the cash flow model. A 5% change in the metal price and 1% change in discount rate would impact the recoverable amount by approximately \$82.0 million and \$38.0 million, respectively.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

Key assumptions for Tenke Fungurume

	2016	2015
Copper price \$/lb	\$2.20 – \$3.00	\$2.30 – \$3.00
Cobalt price \$/lb	\$11.00 – \$12.40	\$12.50
After-tax discount rate	10%	10%
Life of mine	25 years	45 years

9. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	June 30, 2017	December 31, 2016
Trade payables	\$ 126,324	\$ 119,718
Unbilled goods and services	60,175	60,141
Payroll obligations	45,011	43,130
Interest payable	12,781	12,781
Royalty payable	10,631	7,905
	\$ 254,922	\$ 243,675

10. SHARE CAPITAL

The total incremental shares added to the basic weighted average number of common shares outstanding to arrive at the fully diluted number of shares is comprised of 2,368,782 shares for the three months and 2,508,871 for the six months ended June 30, 2017 (2016 - nil). The incremental shares relate to in-the-money outstanding stock options and outstanding restricted share units ("SU"). Stock options and SUs were not included in the computation of diluted loss per common share for the three months and six months ended June 30, 2016.

During the three months and six months ended June 30, 2017, the Company granted 337,200 (2016 - 19,200) and 4,329,290 (2016 – 3,919,365), respectively, of stock options to employees. The Company also granted 102,100 (2016 – 20,500) and 1,180,190 (2016 – 1,074,900), respectively, of SUs.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

11. OPERATING COSTS

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

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Direct mine and mill costs	\$ 187,721	\$ 182,006	\$ 380,102	\$ 371,901
Transportation	17,912	17,543	35,411	35,775
Royalties	3,823	2,659	8,067	4,822
	209,456	202,208	423,580	412,498
Depreciation, depletion and amortization	101,940	110,498	211,600	229,997
Total operating costs	\$ 311,396	\$ 312,706	\$ 635,180	\$ 642,495

12. EMPLOYEE BENEFITS

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

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Operating costs				
Wages and benefits	\$ 54,377	\$ 53,658	\$ 107,634	\$ 103,991
Pension benefits	294	330	596	673
Share-based compensation	640	(268)	1,466	300
	55,311	53,720	109,696	104,964
General and administrative expenses				
Wages and benefits	3,755	2,761	8,212	6,493
Pension benefits	346	133	475	265
Share-based compensation	1,478	1,983	3,276	2,949
	5,579	4,877	11,963	9,707
General exploration and business development				
Wages and benefits	1,966	1,775	4,261	4,150
Pension benefits	11	11	22	22
Share-based compensation	186	(64)	265	94
	2,163	1,722	4,548	4,266
Other				
Wages and benefits	-	2,252	-	2,734
	-	2,252	-	2,734
Total employee benefits	\$ 63,053	\$ 62,571	\$ 126,207	\$ 121,671

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

13. FINANCE INCOME AND COSTS

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

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Interest income	\$ 3,573	\$ 297	\$ 10,819	\$ 485
Interest expense and bank fees	(18,109)	(21,181)	(36,553)	(40,941)
Accretion expense on reclamation provisions	(1,378)	(1,472)	(2,790)	(2,915)
Unrealized gain on revaluation of currency options	(707)	455	21	3,554
Other	(899)	248	(766)	(114)
Total finance costs	\$ (17,520)	\$ (21,653)	\$ (29,269)	\$ (39,931)
Finance income	\$ 3,573	\$ 1,000	\$ 10,840	\$ 4,039
Finance costs	(21,093)	(22,653)	(40,109)	(43,970)
Total finance costs, net	\$ (17,520)	\$ (21,653)	\$ (29,269)	\$ (39,931)

14. OTHER INCOME AND EXPENSES

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

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Loss on sale of assets	\$ (1,079)	\$ (126)	\$ (3,894)	\$ (126)
Foreign exchange (loss) gain	(5,142)	2,941	(12,831)	(1,907)
Other expenses	(471)	(2,680)	(1,441)	(6,964)
Other income	963	503	1,845	1,523
Income from equity investment in associate	3,218	473	2,481	(422)
Total other (expenses) income	\$ (2,511)	\$ 1,111	\$ (13,840)	\$ (7,770)
Other income	\$ 4,181	\$ 3,965	\$ 4,326	\$ 1,523
Other expenses	(6,692)	(2,854)	(18,166)	(9,293)
Total other (expenses) income, net	\$ (2,511)	\$ 1,111	\$ (13,840)	\$ (7,770)

Other income and other expenses include ancillary activities of the Company, including closure costs for closed operations.

During the six months ended June 30, 2017, the Company reclassified \$6.0 million previously recorded in other comprehensive income to foreign exchange loss on the disposal of the Galmoy assets.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

15. INCOME TAXES

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

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at June 30, 2017 and December 31, 2016:

	Level	June 30, 2017		December 31, 2016	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Cash and cash equivalents	1	\$ 2,050,718	\$ 2,050,718	\$ 715,311	\$ 715,311
Restricted funds	1	40,849	40,849	41,272	41,272
Trade receivables	2	244,196	244,196	241,672	241,672
Marketable securities - shares	1	12,267	12,267	2,986	2,986
Other non-current assets	2	22,096	22,096	-	-
Currency options	2	3,533	3,533	4,512	4,512
		\$ 2,373,659	\$ 2,373,659	\$ 1,005,753	\$ 1,005,753
Financial liabilities					
Long-term debt and finance leases	1,2	\$ 991,080	\$ 1,079,087	\$ 983,377	\$ 1,075,154
Other long-term liabilities	2	9,653	9,653	9,992	9,992
		\$ 1,000,733	\$ 1,088,740	\$ 993,369	\$ 1,085,146

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:

Trade receivables – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized negative pricing adjustments of \$0.2 million in sales during the three months ended June 30, 2017 (2016 - \$3.7 million positive price adjustment) and positive pricing adjustments of \$25.4 million in sales during the six months ended June 30, 2017 (2016 - \$12.2 million positive pricing adjustment).

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

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

Currency options – The fair value of the currency options are determined using a valuation model that incorporates such factors as the quoted market price, strike price, the volatility of CLP:USD foreign exchange rates and the expiry date of the options.

Other non-current assets –The fair value of the contingent asset is determined using a valuation model that incorporates copper and cobalt prices, metal price volatility and expiry date of the consideration.

Long-term debt – The fair value of long-term debt is determined using quoted market prices.

Finance leases – The fair value of the finance leases approximates carrying value as the interest rates are comparable to current market rates.

Other long-term liabilities – The fair value of other long-term liabilities is determined using a valuation model that incorporates such factors as metals prices, metal price volatility and option expiry date.

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 assets, restricted funds, which are classified as loans and receivables, and trade and other payables which are classified as amortized cost.

17. COMMITMENTS

The Company has the following capital commitments as at June 30, 2017:

2017	\$	86,923
2018		12,149
2019		121
Total	\$	99,193

The sale of the Company's interest in Tenke Fungurume would be considered an Asset Sale under the terms of the Company's bond indenture for the \$1 billion senior secured notes ("Notes"). When the Company completes an Asset Sale, to the extent that, after a period of 365 days, there are proceeds which have not been committed to the reinvestment in capital expenditures, acquisition of long term assets or businesses, repayment of senior or secured indebtedness or open market purchase of the Notes, they are considered Excess Proceeds. If the amount of Excess Proceeds is greater than \$100 million, the Company must issue a tender to purchase the Notes at par value plus accrued interest for the amount of the Excess Proceeds.

18. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Chile, USA, Portugal and Sweden. The segments presented reflect the way in which the Company's management reviews its business performance. 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. Candelaria mine and Ojos mine are included in the Candelaria reporting segment.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

For the three months ended June 30, 2017

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Sales	\$ 267,741	\$ 64,442	\$ 73,051	\$ 49,458	\$ -	\$ -	\$ 454,692
Operating costs	(104,529)	(34,082)	(49,614)	(21,279)	-	48	(209,456)
General and administrative expenses	-	-	-	-	-	(8,994)	(8,994)
Operating earnings (loss)	163,212	30,360	23,437	28,179	-	(8,946)	236,242
Depreciation, depletion and amortization	(49,968)	(27,921)	(17,747)	(5,812)	-	(492)	(101,940)
General exploration and business development	(9,575)	(5,046)	(1,211)	(1,366)	-	(3,374)	(20,572)
Finance costs	(460)	(262)	(147)	(159)	-	(16,492)	(17,520)
Other income (expenses)	1,221	42	(8,897)	(3,446)	-	8,569	(2,511)
Income tax expense	(26,212)	-	6,555	(3,905)	-	(6,103)	(29,665)
Net earnings (loss) from continuing operations	78,218	(2,827)	1,990	13,491	-	(26,838)	64,034
Earnings from discontinued operations	-	-	-	-	21,004	-	21,004
Net earnings (loss)	\$ 78,218	\$ (2,827)	\$ 1,990	\$ 13,491	\$ 21,004	\$ (26,838)	\$ 85,038
Capital expenditures	\$ 56,340	\$ 5,419	\$ 11,394	\$ 11,267	\$ -	\$ 37	\$ 84,457

For the six months ended June 30, 2017

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Sales	\$ 546,081	\$ 136,713	\$ 156,087	\$ 103,598	\$ -	\$ -	\$ 942,479
Operating costs	(224,393)	(65,107)	(94,637)	(38,641)	-	(802)	(423,580)
General and administrative expenses	-	-	-	-	-	(18,234)	(18,234)
Operating earnings (loss)	321,688	71,606	61,450	64,957	-	(19,036)	500,665
Depreciation, depletion and amortization	(100,252)	(64,440)	(35,278)	(10,618)	-	(1,012)	(211,600)
General exploration and business development	(15,853)	(10,114)	(2,695)	(2,357)	-	(4,734)	(35,753)
Finance costs	(863)	(710)	6,531	(277)	-	(33,950)	(29,269)
Other income (expenses)	(828)	84	(10,735)	(4,069)	-	1,708	(13,840)
Income tax expense	(50,263)	-	661	(10,295)	-	(13,890)	(73,787)
Net earnings (loss) from continuing operations	153,629	(3,574)	19,934	37,341	-	(70,914)	136,416
Earnings from discontinued operations	-	-	-	-	55,066	-	55,066
Net earnings (loss)	\$ 153,629	\$ (3,574)	\$ 19,934	\$ 37,341	\$ 55,066	\$ (70,914)	\$ 191,482
Capital expenditures	\$ 104,454	\$ 15,226	\$ 21,151	\$ 22,622	\$ -	\$ 140	\$ 163,593

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

For the three months ended June 30, 2016

	Tenke						Total
	Candelaria Chile	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Fungurume DRC	Other	
Sales	\$ 175,737	\$ 57,999	\$ 69,674	\$ 38,906	\$ -	\$ -	\$ 342,316
Operating costs	(100,330)	(28,795)	(54,208)	(18,306)	-	(569)	(202,208)
General and administrative expenses	-	-	-	-	-	(5,592)	(5,592)
Operating earnings (loss)	75,407	29,204	15,466	20,600	-	(6,161)	134,516
Depreciation, depletion and amortization	(49,239)	(33,324)	(21,876)	(5,548)	-	(580)	(110,567)
General exploration and business development	(3,937)	(8,721)	(1,979)	(263)	-	(1,494)	(16,394)
Finance (costs) income	(516)	(207)	(3)	(148)	-	(20,779)	(21,653)
Other income (expense)	2,421	(67)	2,316	2,405	-	(5,964)	1,111
Income tax recovery (expense)	(3,211)	-	4,068	(3,627)	-	(757)	(3,527)
Net earnings (loss) from continuing operations	20,925	(13,115)	(2,008)	13,419	-	(35,735)	(16,514)
Loss from discontinued operations	-	-	-	-	(771,387)	-	(771,387)
Net earnings (loss)	\$ 20,925	\$ (13,115)	\$ (2,008)	\$ 13,419	\$ (771,387)	\$ (35,735)	\$ (787,901)
Capital expenditures	\$ 21,019	\$ 1,476	\$ 8,144	\$ 8,121	\$ -	\$ 64	\$ 38,824

For the six months ended June 30, 2016

	Tenke						Total
	Candelaria Chile	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Fungurume DRC	Other	
Sales	\$ 382,439	\$ 111,222	\$ 140,987	\$ 79,267	\$ -	\$ (2,030)	\$ 711,885
Operating costs	(207,716)	(59,786)	(104,555)	(39,338)	-	(1,103)	(412,498)
General and administrative expenses	-	-	-	-	-	(13,134)	(13,134)
Operating earnings (loss)	174,723	51,436	36,432	39,929	-	(16,267)	286,253
Depreciation, depletion and amortization	(110,626)	(63,836)	(43,288)	(11,280)	-	(1,111)	(230,141)
General exploration and business development	(6,103)	(15,429)	(3,686)	(566)	-	(3,431)	(29,215)
Finance (costs) income	(1,192)	(415)	(372)	(299)	-	(37,653)	(39,931)
Other income (expense)	1,028	(31)	(1,560)	(144)	-	(7,063)	(7,770)
Income tax recovery (expense)	(2,710)	-	7,834	(5,892)	-	(6,016)	(6,784)
Net earnings (loss) from continuing operations	55,120	(28,275)	(4,640)	21,748	-	(71,541)	(27,588)
Loss from discontinued operations	\$ -	-	-	-	(775,778)	-	(775,778)
Net earnings (loss)	\$ 55,120	\$ (28,275)	\$ (4,640)	\$ 21,748	\$ (775,778)	\$ (71,541)	\$ (803,366)
Capital expenditures	\$ 49,702	\$ 3,046	\$ 16,177	\$ 17,123	\$ -	\$ 296	\$ 86,344

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

The Company's analysis of segment sales by product is as follows:

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Copper	\$ 302,898	\$ 218,901	\$ 628,020	\$ 477,068
Nickel	29,775	30,474	61,625	53,214
Zinc	61,605	46,176	133,961	85,401
Gold	27,720	23,181	55,368	46,351
Lead	16,402	10,801	32,411	25,387
Silver	9,003	8,749	16,679	17,451
Other	7,289	4,034	14,415	7,013
	\$ 454,692	\$ 342,316	\$ 942,479	\$ 711,885

The Company's geographical analysis of segment sales based on the destination of product is as follows:

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Europe	\$ 179,111	\$ 174,644	\$ 405,640	\$ 390,528
Asia	193,725	108,665	376,547	204,784
North America	49,501	37,487	101,417	76,318
South America	32,355	21,520	58,875	40,255
	\$ 454,692	\$ 342,316	\$ 942,479	\$ 711,885

19. RELATED PARTY TRANSACTIONS

- a) **Transactions with associates** - The Company enters into transactions related to its investment in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Note 8 and 14).
- b) **Key management personnel** - The Company has identified its directors and certain senior officers as its key management personnel. The employee benefits for key management personnel are as follows:

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Wages and salaries	\$ 1,687	\$ 1,681	\$ 3,358	\$ 3,115
Pension benefits	39	29	95	81
Share-based compensation	885	640	2,037	1,280
	\$ 2,611	\$ 2,350	\$ 5,490	\$ 4,476

- c) **Other related parties** - For the three and six months ended June 30, 2017, the Company paid \$0.3 million (2016 - \$0.1 million) and \$0.6 million (2016 - \$0.4 million), respectively, to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2017 and 2016

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

20. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Changes in non-cash working capital items consist of:				
Trade receivable, inventories and other current assets	\$ 10,156	\$ 56,243	\$ 62,327	\$ 37,028
Trade payable and other current liabilities	6,795	11,342	26,935	(10,765)
	\$ 16,951	\$ 67,585	\$ 89,262	\$ 26,263
Operating activities included the following cash payments:				
Income taxes paid (refunded)	\$ 40,995	\$ (34,197)	\$ 39,068	\$ (18,153)

During the three and six months ended June 30, 2017, total interest paid, including capitalized interest, was \$38.3 million (2016 - \$38.8 million). Total interest received for the three and six months ended June 30, 2017 was \$3.9 million (2016 - \$0.3 million) and \$10.8 million (2016 - \$0.5 million), respectively.

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