

# lundin mining

## Management's Discussion and Analysis For the three and nine months ended September 30, 2015

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This management's discussion and analysis ("MD&A") has been prepared as of October 28, 2015 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2015. 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 \$ 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, Sweden, and Spain, primarily producing copper, nickel and zinc. In addition, Lundin Mining holds a 24% equity stake in the world-class Tenke Fungurume ("Tenke") copper/cobalt mine in the Democratic Republic of Congo ("DRC") and in the Freeport Cobalt Oy business ("Freeport Cobalt"), which includes a cobalt refinery located in Kokkola, Finland.

### **Cautionary Statement on Forward-Looking Information**

*Certain of the statements made and information contained herein is "forward-looking information" within the meaning of applicable Canadian securities legislation. This report includes, but is not limited to, forward looking statements with respect to the Company's estimated annual metal production, cash costs, exploration expenditures, capital expenditures and dividends, as noted in the Outlook section and elsewhere in this document. These estimates 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 from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to estimated operating and cash costs, foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; including risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, and commodity price fluctuations; the inability to successfully integrate the Candelaria operations or realize its anticipated benefits; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price 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, readers are advised not to place undue reliance on forward-looking statements.*

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## Highlights

### Operational Performance

For the third quarter of 2015, production results were strong but financial results were impacted by a lower metal price environment. The Company remains on track to meet overall full year guidance.

**Candelaria (80%):** The Candelaria operations produced, on a 100% basis, 45,195 tonnes of copper, and approximately 434,000 ounces of silver and 25,400 ounces of gold in concentrate, with copper and gold production better than expectations as a result of higher throughput. Copper cash costs<sup>1</sup> of \$1.44/lb for the quarter remain on track to meet full year guidance of \$1.35/lb.

**Eagle (100%):** Eagle's operational results were generally in-line with expectations, with both nickel (6,438 tonnes) and copper (6,514 tonnes) production meeting projections for the quarter. Nickel cash costs of \$2.38/lb for the quarter were higher than full year guidance of \$2.00/lb largely as a result of lower copper by-product credits. Both production and nickel cash costs remain on track to meet full year guidance.

**Neves-Corvo (100%):** Neves-Corvo produced 13,917 tonnes of copper and 14,363 tonnes of zinc in the third quarter. Copper production exceeded the prior year comparable period by 28% due to higher head grades. Zinc production fell short of the prior year comparable period, resulting from lower mill feed grades and, in particular, below target metal recovery in the zinc plant. Copper cash costs of \$1.83/lb for the quarter were higher than full year guidance (\$1.55/lb) due primarily to lower by-product production and sales.

**Zinkgruvan (100%):** Zinc production in the third quarter of 2015 was 8% lower than the comparable period in 2014, while lead production for the third quarter of 2015 was higher than the 2014 comparable period. Production variances for both metals were due to normal variations of grades in the ore milled. Cash costs for zinc of \$0.41/lb for the quarter were in-line with guidance (\$0.40/lb).

**Aguablanca (100%):** Despite the suspension of underground mining operations during the quarter, Aguablanca met production expectations, though current quarter production of 1,708 tonnes of nickel and 1,658 tonnes of copper was lower than the prior year comparable period due to lower throughput, head grades, and recoveries from stockpiled ore. Cash costs of \$5.23/lb of nickel for the quarter were higher than full year guidance (\$3.75/lb).

**Tenke (24%):** Tenke operations continue to perform well. Lundin's attributable share of third quarter production included 11,761 tonnes of copper cathode and 954 tonnes of cobalt in hydroxide. The Company's attributable share of sales included 12,278 tonnes of copper at an average realized price of \$2.32/lb and 1,022 tonnes of cobalt at an average realized price of \$8.96/lb. Tenke operating cash costs for the third quarter of 2015 were \$1.15/lb of copper sold, marginally higher than the latest guidance. Cash distributions received by Lundin Mining in the quarter from Tenke were \$2.5 million. An additional \$1.2 million was received from the Freeport Cobalt operations. Year-to-date cash distributions to the Company from Tenke and Freeport Cobalt totalled \$20.6 million, in-line with expectations.

### Total production, including attributable share of Candelaria (80%) and Tenke (24%):

(tonnes)	YTD	2015	2014						
		Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper	220,792	70,481	73,565	76,746	137,636	55,374	26,360	28,631	27,271
Nickel	26,792	8,146	8,594	10,052	12,931	6,574	2,165	2,212	1,980
Zinc	105,837	32,821	37,259	35,757	145,091	36,464	37,958	37,202	33,467

<sup>1</sup> Cash cost per pound is a non-GAAP measure – see page 33 of this MD&A for discussion of non-GAAP measures.

## Financial Performance

- Operating earnings<sup>1</sup> for the quarter ended September 30, 2015 were \$94.1 million, an increase of \$51.2 million in comparison to the third quarter of the prior year (\$42.9 million). The increase was primarily due to the inclusion of Candelaria's (\$66.7 million) and Eagle's (\$18.5 million) operating results. Operating earnings were also positively impacted by favourable foreign exchange rates (\$19.1 million), partially offset by lower realized metal prices and price adjustments (\$58.4 million) from our European operations.

On a year-to-date basis, operating earnings were \$611.1 million, an increase of \$450.8 million in comparison to the first nine months of 2014 (\$160.3 million). The increase was primarily due to the inclusion of Candelaria's (\$371.8 million) and Eagle's (\$114.9 million) operating results, and favourable foreign exchange rates (\$60.5 million), partially offset by lower realized metal prices and price adjustments (\$131.1 million) from our European operations.

- Sales for the quarter ended September 30, 2015 were \$353.2 million, an increase of \$186.6 million in comparison to the third quarter of the prior year (\$166.6 million). The increase was mainly due to incremental sales from Candelaria and Eagle of \$192.0 million and \$60.0 million, respectively, partially offset by lower realized metal prices and price adjustments.

On a year-to-date basis, sales were \$1,386.0 million, an increase of \$877.7 million in comparison to the first nine months of 2014 (\$508.3 million). The increase was mainly due to incremental sales from Candelaria and Eagle of \$740.7 million and \$233.4 million, respectively, and higher net European sales volumes (\$45.6 million), partially offset by lower realized metal prices and price adjustments.

- Average metal prices for copper, nickel and zinc for the quarter ended September 30, 2015 were lower (25%, 43%, and 20%, respectively) in comparison to the third quarter of the prior year.

On a year-to-date basis, average metal prices for copper, nickel and zinc were lower (18%, 27%, and 5%, respectively) in comparison to the first nine months of 2014.

- Operating costs (excluding depreciation) for the quarter ended September 30, 2015 were \$252.3 million, an increase of \$134.7 million in comparison to the third quarter of the prior year (\$117.6 million). The increase was largely due to incremental costs from Candelaria and Eagle of \$125.2 million and \$41.5 million, respectively, partially offset by favourable foreign exchange rates in the € and SEK (\$19.1 million).

On a year-to-date basis, operating costs (excluding depreciation) were \$754.5 million, an increase of \$425.7 million in comparison to the first nine months of 2014 (\$328.8 million). The increase was largely due to incremental costs from Candelaria and Eagle of \$368.9 million and \$118.5 million, respectively, partially offset by favourable foreign exchange rates in the € and SEK (\$60.5 million).

- Depreciation, depletion and amortization expense increased for the three and nine months ended September 30, 2015 when measured against the comparable period in 2014. The increase was attributable to the acquisition of Candelaria (Q3 2015 - \$58.6 million; YTD - \$224.4 million) and the start of commercial production at Eagle (Q3 2015 - \$32.0 million; YTD - \$102.7 million).

- Cash flow from operations for the quarter ended September 30, 2015 was \$120.2 million, an increase of \$62.7 million in comparison to the third quarter of the prior year (\$57.5 million). The increase was primarily due to operating earnings from Candelaria (\$66.7 million) and Eagle (\$18.5 million), and changes in non-cash working capital and long-term inventory (\$50.8 million), partially offset by lower operating earnings at our European operations (\$33.7 million), primarily due to lower metal prices and higher net income taxes paid (\$33.6 million).

<sup>1</sup> Operating earnings is a non-GAAP measure – see page 33 of this MD&A for discussion of non-GAAP measures.

On a year-to-date basis, cash flow from operations was \$606.9 million, an increase of \$488.1 million in comparison to the first nine months of 2014 (\$118.8 million). The increase was attributable to operating earnings from Candelaria (\$371.8 million) and Eagle (\$114.9 million), and changes in non-cash working capital and long-term inventory (\$138.3 million), partially offset by higher net income taxes paid (\$71.7 million) and lower operating earnings at our European operations (\$33.8 million).

- Net loss for the quarter ended September 30, 2015 was \$35.3 million compared to net earnings of \$33.7 million in the third quarter of the prior year. Net loss was impacted by:
  - lower net earnings at our European operations, primarily the result of lower realized metal prices and price adjustments (\$27.8 million); and
  - interest expense associated with the senior secured notes (\$20.2 million); and
  - lower income from investment in Tenke (\$19.3 million).

On a year-to-date basis, net earnings were \$101.8 million, an increase of \$15.0 million in comparison to the first nine months of 2014 (\$86.8 million). Net earnings were impacted by:

- addition of Candelaria (\$112.9 million) and Eagle's first three full quarters of operations (\$19.9 million); partially offset by
- interest expense associated with the senior secured notes (\$60.0 million); and
- lower income from investment in Tenke (\$43.0 million); and
- lower net earnings at our European operations, primarily the result of lower realized metal prices and price adjustments (\$18.3 million).

## **Corporate Highlights**

- On July 23, 2015, the Company announced approval of the Environmental Impact Assessment (“EIA”) for Candelaria 2030 – the project to install new tailings storage facilities and approvals for continued mine operation running to at least year 2030.
- On July 29, 2015, the Company announced the completion of an updated mine plan and annual sustaining capital cost estimate for Candelaria. The new plan is expected to result in an improved production and operating cost profile over the next four year period. Annual total copper production for 2016-2019 is now expected to average 154,000 tonnes (100% of production) with a weighted average annual copper cash cost of \$1.67/lb. Refer to the news release entitled "Lundin Mining Announces Updated Mine Plan at Candelaria" on the Company's website ([www.lundinmining.com](http://www.lundinmining.com)).
- On August 31, 2015, the Company reported its Mineral Reserve and Resource estimates as at June 30, 2015 on SEDAR ([www.sedar.com](http://www.sedar.com)). On a consolidated basis, contained metal in the Proven and Probable Mineral Reserve category totaled 3,971,000 tonnes of copper, representing a significant increase from the prior comparable statement, mainly due to an increase in Mineral Reserves at Candelaria. The full press release can be found on the Company's website.

## Financial Position and Financing

- Net debt<sup>1</sup> position at September 30, 2015 was \$453.8 million compared to \$829.2 million at December 31, 2014 and \$497.2 million at June 30, 2015.
- The \$43.4 million decrease in net debt during the quarter was largely attributable to operating cash flows of \$120.2 million, partially offset by investments in mineral properties, plant and equipment of \$73.0 million.

For the nine months ended September 30, 2015, net debt decreased by \$375.4 million due primarily to operating cash flows of \$606.9 million, partially offset by investments in mineral properties, plant and equipment of \$215.7 million.

- The Company has a revolving credit facility available for borrowing up to \$350 million. As at September 30, 2015, the Company had no amount drawn on the credit facility. A letter of credit in the amount of \$19.3 million (SEK 162 million) is outstanding.
- Net debt at October 28, 2015 is approximately \$448 million.

<sup>1</sup> Net debt is a non-GAAP measure – see page 33 of this MD&A for discussion of non-GAAP measures.

## Outlook

### 2015 Production and Cost Guidance

- Production and cash cost guidance for 2015 has been updated from that disclosed in our Management Discussion and Analysis for the six months ended June 30, 2015, as noted below.
- Production guidance ranges for all sites have been narrowed to account for production results to date.
- Cash cost guidance at Neves-Corvo has been increased slightly (\$0.05/lb) to reflect lower expected sales of by-products and lower metal prices.
- Cash cost and production guidance for the Aguablanca Mine reflects that all mining and milling activities are suspended at the Aguablanca nickel-copper mine in Spain. Underground production activities at the operation have been in suspension since late July of 2015. Since that time, the processing plant has been running exclusively on stockpiled material, which has now been exhausted. As the Company has not yet received the needed environmental approvals to recommence underground mining, a decision has been made to fully suspend the operations pending further notice. The full year guidance for cash costs and production are based on an estimate of October production and may change slightly upon finalization of assays and financial results.
- Guidance on Tenke's cash costs have been updated to reflect the most recent guidance provided by Freeport-McMoRan Inc. ("Freeport").

2015 Guidance (contained tonnes)		Guidance <sup>a</sup> Tonnes      C1 Cost		Revised Guidance Tonnes      C1 Cost <sup>b</sup>	
<b>Copper</b>	Candelaria (80%)	135,000 – 140,000	\$1.35/lb	138,000 – 141,000	\$1.35/lb
	Eagle	20,000 – 23,000		23,000 – 24,000	
	Neves-Corvo	50,000 – 55,000	\$1.55/lb	54,000 – 56,000	\$1.60/lb
	Zinkgruvan	2,000 – 3,000		2,000	
	Aguablanca	5,500 – 6,000		6,100	
	Tenke (24%) <sup>c</sup>	50,000	\$1.12/lb	50,600	\$1.16/lb
	Total attributable	262,500 – 277,000		273,700 – 279,700	
<b>Nickel</b>	Eagle	25,000 – 28,000	\$2.00/lb	26,000 – 27,000	\$2.00/lb
	Aguablanca	7,000 – 7,500	\$3.75/lb	7,100	\$2.60/lb
	Total	32,000 – 35,500		33,100 – 34,100	
<b>Zinc</b>	Neves-Corvo	60,000 – 65,000		59,000 – 62,000	
	Zinkgruvan	80,000 – 85,000	\$0.40/lb	82,000 – 85,000	\$0.40/lb
	Total	140,000 – 150,000		141,000 – 147,000	
<b>Lead</b>	Neves-Corvo	4,000 – 5,000		3,000 – 3,500	
	Zinkgruvan	30,000 – 33,000		31,000 – 33,000	
	Total	34,000 – 38,000		34,000 – 36,500	

a. Guidance as outlined in our Management's Discussion and Analysis for the quarter ended June 30, 2015.

b. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.15, USD/SEK:8.25, USD/CLP:680) and metal prices (forecast at Cu: \$2.50/lb, Ni: \$5.00/lb, Zn: \$0.85/lb, Pb: \$0.80/lb, Au: \$1,100/oz, Ag: \$15.00/oz, Co: \$13.00/lb). Prior guidance forecast USD/CLP at 625, Cu at \$2.70/lb, Ni at \$6.25/lb and Zn at \$0.95/lb.

c. Freeport has provided 2015 sales and cash costs guidance. Tenke's 2015 production is assumed to approximate sales guidance.

## 2015 Capital Expenditure and Exploration Guidance

Capital expenditures for 2015 are expected to be \$310 million (excluding Tenke), \$40 million less than previous guidance. The Company expects to spend \$20 million less on sustaining capital expenditures at our Candelaria and Neves-Corvo operations as part of on-going efforts to defer or reduce non-essential spending during the current metal price environment.

### Revised Capital Expenditure Guidance

(\$ millions)	Prior Guidance <sup>a</sup>	Revisions	Revised Guidance
<b>by Mine</b>			
Candelaria	\$ 205	\$ (20)	\$ 185
Eagle	15	5	20
Neves-Corvo	75	(20)	55
Zinkgruvan	40	(5)	35
Aguablanca	15	-	15
	\$ 350	\$ (40)	\$ 310

a - Guidance as outlined in our Management's Discussion and Analysis for the quarter ended June 30, 2015.

The Company estimates its share of expansion related initiatives and sustaining capital funding for 2015 at Tenke to be \$80 million, unchanged from previous guidance. All of the capital expenditures are expected to be self-funded by cash flow from Tenke operations. The Company expects to receive cash distributions from Tenke in 2015 of approximately \$20 million, at the lower end of previous guidance of \$20 - \$30 million.

The total exploration expense is expected to be \$60 million, unchanged from previous guidance.



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

(\$ millions, except share and per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
<b>Sales</b>	<b>353.2</b>	166.6	<b>1,386.0</b>	508.3
Operating costs	<b>(252.3)</b>	(117.6)	<b>(754.5)</b>	(328.8)
General and administrative expenses	<b>(6.8)</b>	(6.1)	<b>(20.4)</b>	(19.2)
<b>Operating earnings</b>	<b>94.1</b>	42.9	<b>611.1</b>	160.3
Depreciation, depletion and amortization	<b>(123.3)</b>	(36.6)	<b>(433.3)</b>	(111.2)
General exploration and business development	<b>(16.6)</b>	(11.9)	<b>(43.1)</b>	(37.8)
Income from equity investment in associates	<b>6.7</b>	26.5	<b>27.4</b>	69.1
Finance income and costs, net	<b>(21.3)</b>	(1.0)	<b>(67.0)</b>	(6.6)
Other income and expenses, net	<b>(5.7)</b>	5.7	<b>5.4</b>	3.2
<b>(Loss) / earnings before income taxes</b>	<b>(66.1)</b>	25.6	<b>100.5</b>	77.0
Income tax recovery / (expense)	<b>30.8</b>	8.1	<b>1.3</b>	9.8
<b>Net (loss) / earnings</b>	<b>(35.3)</b>	33.7	<b>101.8</b>	86.8
<b>Attributable to:</b> Lundin Mining shareholders	<b>(34.6)</b>	33.7	<b>83.7</b>	86.8
Non-controlling interests	<b>(0.7)</b>	-	<b>18.1</b>	-
<b>Net (loss) / earnings</b>	<b>(35.3)</b>	33.7	<b>101.8</b>	86.8
<b>Cash flow from operations</b>	<b>120.2</b>	57.5	<b>606.9</b>	118.8
<b>Capital expenditures (including capitalized interest)</b>	<b>73.0</b>	128.7	<b>215.7</b>	320.5
<b>Total assets</b>	<b>7,250.8</b>	4,487.1	<b>7,250.8</b>	4,487.1
<b>Total long-term debt &amp; finance leases</b>	<b>984.1</b>	359.5	<b>984.1</b>	359.5
<b>Net debt</b>	<b>453.8</b>	214.7	<b>453.8</b>	214.7
<b>Shareholders' equity</b>	<b>4,652.6</b>	3,648.3	<b>4,652.6</b>	3,648.3
<b>Key Financial Data:</b>				
Basic and diluted (loss) / earnings per share				
attributable to shareholders (EPS)	<b>(0.05)</b>	0.06	<b>0.12</b>	0.15
Operating cash flow per share <sup>2</sup>	<b>0.08</b>	0.08	<b>0.65</b>	0.22
Dividends	-	-	-	-
<b>Shares outstanding:</b>				
Basic weighted average	<b>719,508,835</b>	585,914,748	<b>718,916,468</b>	585,462,726
Diluted weighted average	<b>719,508,835</b>	588,721,457	<b>720,555,361</b>	587,491,886
End of period	<b>719,532,357</b>	585,949,507	<b>719,532,357</b>	585,949,507

(\$ millions, except per share data)	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13
<b>Sales</b>	353.2	501.3	531.5	443.0	166.6	191.8	149.9	186.9
<b>Operating earnings</b>	94.1	243.0	274.0	144.1	42.9	74.2	43.1	66.9
<b>Net (loss) / earnings</b>	(35.3)	53.7	83.3	36.6	33.7	39.7	13.3	42.1
Attributable to shareholders	(34.6)	46.4	71.8	25.8	33.7	39.7	13.3	42.1
<b>EPS - Basic and Diluted</b>	(0.05)	0.06	0.10	0.04	0.06	0.07	0.02	0.07
<b>Cash flow from operations</b>	120.2	262.7	224.0	68.4	57.5	33.8	27.6	55.2
<b>Capital expenditures (incl. capitalized interest)</b>	73.0	78.8	63.9	101.2	128.7	99.3	92.4	116.5
<b>Net debt</b>	453.8	497.2	649.2	829.2	214.7	174.4	155.0	119.3

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

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

## Sales Overview

### Sales Volumes by Payable Metal

	2015				2014					
	YTD	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	
<b>Copper (tonnes)</b>										
Candelaria (100%) <sup>1</sup>	137,514	42,345	44,588	50,581	34,636	34,636	-	-	-	
Eagle	16,586	5,689	5,797	5,100	2,114	2,114	-	-	-	
Neves-Corvo	41,429	11,662	14,631	15,136	48,007	14,527	12,136	11,009	10,335	
Zinkgruvan	2,053	461	906	686	3,427	966	714	881	866	
Aguablanca	2,133	559	790	784	2,634	689	683	626	636	
	199,715	60,716	66,712	72,287	90,818	52,932	13,533	12,516	11,837	
<b>Nickel (tonnes)</b>										
Eagle	17,313	6,063	5,815	5,435	2,356	2,356	-	-	-	
Aguablanca	4,075	978	1,415	1,682	5,233	1,462	1,187	1,342	1,242	
	21,388	7,041	7,230	7,117	7,589	3,818	1,187	1,342	1,242	
<b>Zinc (tonnes)</b>										
Neves-Corvo	40,542	12,638	13,744	14,160	54,849	15,629	12,967	15,978	10,275	
Zinkgruvan	49,619	17,243	17,711	14,665	65,802	16,429	17,915	15,109	16,349	
Galmoy	-	-	-	-	189	-	-	-	189	
	90,161	29,881	31,455	28,825	120,840	32,058	30,882	31,087	26,813	
<b>Gold (oz)</b>										
Candelaria (100%) <sup>1</sup>	74,319	22,690	24,749	26,880	19,437	19,437	-	-	-	
Eagle	1,182	417	506	259	196	196	-	-	-	
Aguablanca	485	104	-	381	198	39	(213)	233	139	
	75,986	23,211	25,255	27,520	19,831	19,672	(213)	233	139	
<b>Lead (tonnes)</b>										
Neves-Corvo	2,380	174	1,134	1,072	3,182	279	873	1,081	949	
Zinkgruvan	21,618	8,991	4,999	7,628	30,486	7,541	5,014	11,260	6,671	
Galmoy	-	-	-	-	99	-	-	-	99	
	23,998	9,165	6,133	8,700	33,767	7,820	5,887	12,341	7,719	
<b>Silver (oz)</b>										
Candelaria (100%) <sup>1</sup>	1,257,830	349,282	389,632	518,916	349,517	349,517	-	-	-	
Eagle	36,354	17,625	8,270	10,459	5,904	5,904	-	-	-	
Neves-Corvo	520,336	118,206	197,037	205,093	707,318	149,927	182,469	208,799	166,123	
Zinkgruvan	1,338,839	552,829	377,717	408,293	1,798,109	474,809	347,240	612,250	363,810	
	3,153,359	1,037,942	972,656	1,142,761	2,860,848	980,157	529,709	821,049	529,933	

1. Sales results are for the period of Lundin Mining's ownership, commencing November 3, 2014.

## Sales Analysis

(\$ thousands)	Three months ended September 30,					Nine months ended September 30,				
	2015		2014		Change	2015		2014		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
<b>by Mine</b>										
Candelaria	191,964	54	-	-	191,964	740,678	53	-	-	740,678
Eagle	59,981	17	-	-	59,981	233,404	17	-	-	233,404
Neves-Corvo	56,268	16	94,875	57	(38,607)	236,564	17	268,508	53	(31,944)
Zinkgruvan	35,883	10	48,233	29	(12,350)	115,048	8	146,455	29	(31,407)
Aguablanca	9,055	3	23,509	14	(14,454)	60,264	5	92,056	18	(31,792)
Galmoy	-	-	-	-	-	-	-	1,264	-	(1,264)
	<b>353,151</b>		166,617		186,534	<b>1,385,958</b>		508,283		877,675
<b>by Metal</b>										
Copper	231,974	66	79,914	48	152,060	917,854	66	228,994	45	688,860
Nickel	38,921	11	18,024	11	20,897	180,336	13	70,337	14	109,999
Zinc	32,460	9	53,673	32	(21,213)	119,372	9	141,538	28	(22,166)
Gold	24,860	7	(350)	-	25,210	84,537	6	171	-	84,366
Lead	11,812	3	11,014	7	798	33,313	2	47,581	9	(14,268)
Silver	8,723	2	3,028	2	5,695	29,266	2	11,005	2	18,261
Other	4,401	2	1,314	-	3,087	21,280	2	8,657	2	12,623
	<b>353,151</b>		166,617		186,534	<b>1,385,958</b>		508,283		877,675

Sales for the quarter ended September 30, 2015 were \$353.2 million, an increase of \$186.6 million in comparison to the third quarter of the prior year (\$166.6 million). The increase was due primarily to incremental sales from Candelaria and Eagle of \$192.0 million and \$60.0 million, respectively, partially offset by lower realized metal prices and price adjustments (\$58.4 million) from the Company's European operations.

On a year-to-date basis, sales were \$1,386.0 million, an increase of \$877.7 million in comparison to the first nine months of 2014 (\$508.3 million). The increase was mainly due to incremental sales from Candelaria and Eagle of \$740.7 million and \$233.4 million, respectively, and higher net European sales volumes (\$45.6 million), partially offset by lower realized metal prices and price adjustments (\$131.1 million) from the Company's European operations.

Sales of gold and silver for the quarter and nine months ended September 30, 2015 include the partial recognition of an upfront purchase price on the sale of the 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 \$4.25/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 September 30, 2015

Metal	Tonnes Payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	72,358	2.34	5,167
Nickel	7,366	4.71	10,388
Zinc	16,178	0.76	1,682

## Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended September 30, 2015				Three months ended September 30, 2014			
	Copper	Nickel	Zinc	Total	Copper	Nickel	Zinc	Total
Current period sales <sup>1</sup>	312,768	73,255	51,431	437,454	90,296	19,348	71,782	181,426
Prior period price adjustments	(43,979)	(11,478)	(970)	(56,427)	(1,862)	(1,330)	1,060	(2,132)
	268,789	61,777	50,461	381,027	88,434	18,018	72,842	179,294
Other metal sales				53,018				16,896
Less: TC/RC				(80,894)				(29,573)
<b>Total Sales</b>				<b>353,151</b>				<b>166,617</b>
<b>Payable Metal (tonnes)</b>	<b>60,716</b>	<b>7,041</b>	<b>29,881</b>		<b>13,533</b>	<b>1,187</b>	<b>30,882</b>	
Current period sales (\$/lb) <sup>1</sup>	\$ 2.34	\$ 4.72	\$ 0.78		\$ 3.03	\$ 7.39	\$ 1.05	
Prior period adjustments (\$/lb)	(0.33)	(0.74)	(0.01)		(0.07)	(0.50)	0.02	
<b>Realized prices (\$/lb)</b>	<b>\$ 2.01</b>	<b>\$ 3.98</b>	<b>\$ 0.77</b>		<b>\$ 2.96</b>	<b>\$ 6.89</b>	<b>\$ 1.07</b>	

1. Includes provisional price adjustments on current period sales.

## Year to Date Reconciliation of Realized Prices

(\$ thousands)	Nine months ended September 30, 2015				Nine months ended September 30, 2014			
	Copper	Nickel	Zinc	Total	Copper	Nickel	Zinc	Total
Current period sales <sup>1</sup>	1,078,461	250,242	177,685	1,506,388	257,963	67,401	194,016	519,380
Prior period price adjustments	(38,485)	(6,689)	(2,099)	(47,273)	(5,243)	3,077	(777)	(2,943)
	1,039,976	243,553	175,586	1,459,115	252,720	70,478	193,239	516,437
Other metal sales				177,282				75,132
Less: TC/RC				(250,439)				(83,286)
<b>Total Sales</b>				<b>1,385,958</b>				<b>508,283</b>
<b>Payable Metal (tonnes)</b>	<b>199,715</b>	<b>21,388</b>	<b>90,161</b>		<b>37,886</b>	<b>3,771</b>	<b>88,782</b>	
Current period sales (\$/lb) <sup>1</sup>	\$ 2.45	\$ 5.31	\$ 0.89		\$ 3.09	\$ 8.11	\$ 0.99	
Prior period adjustments (\$/lb)	(0.09)	(0.14)	(0.01)		(0.06)	0.37	-	
<b>Realized prices (\$/lb)</b>	<b>\$ 2.36</b>	<b>\$ 5.17</b>	<b>\$ 0.88</b>		<b>\$ 3.03</b>	<b>\$ 8.48</b>	<b>\$ 0.99</b>	

1. Includes provisional price adjustments on current period sales.

## Financial Results

### Operating Costs

Operating costs for the quarter ended September 30, 2015 were \$252.3 million, an increase of \$134.7 million in comparison to the third quarter of the prior year (\$117.6 million). The increase was largely due to incremental costs from Candelaria and Eagle of \$125.2 million and \$41.5 million, respectively, partially offset by favourable foreign exchange rates in the € and SEK (\$19.1 million).

On a year-to-date basis, operating costs were \$754.5 million, an increase of \$425.7 million in comparison to the first nine months of 2014 (\$328.8 million). The increase was largely due to the incremental costs from Candelaria and Eagle of \$368.9 million and \$118.5 million, respectively, partially offset by favourable foreign exchange rates in the € and SEK (\$60.5 million).

### Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased for the three and nine months ended September 30, 2015 when measured against the comparable period in 2014. The increase was attributable to the acquisition of Candelaria (Q3 2015 - \$58.6 million; YTD - \$224.4 million) and the start of commercial production at Eagle (Q3 2015 - \$32.0 million; YTD - \$102.7 million). \$28.7 million of Candelaria's current period depreciation (YTD - \$97.7 million) relates to the amortization of deferred stripping costs that were previously capitalized. The corresponding deferred stripping asset balance at September 30, 2015 was \$372.1 million.

Depreciation by operation (\$ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
Candelaria	58,621	-	58,621	224,422	-	224,422
Eagle	33,102	1,152	31,950	105,823	3,151	102,672
Neves-Corvo	21,763	25,271	(3,508)	68,874	78,793	(9,919)
Zinkgruvan	6,419	7,208	(789)	18,143	22,097	(3,954)
Aguablanca	2,837	2,834	3	14,140	6,854	7,286
Other	596	110	486	1,862	321	1,541
	123,338	36,575	86,763	433,264	111,216	322,048

### General Exploration and Business Development

For the three and nine months ended September 30, 2015, general exploration and business development expenses increased \$4.7 million and \$5.3 million, respectively, when compared to the prior year comparable periods. The increase is largely attributable to general exploration activities at Candelaria.

### Income from Equity Investment in Associates

Income from equity investments includes earnings from a 24% interest in each of Tenke Fungurume and Freeport Cobalt. For Tenke, equity earnings of \$6.6 million were recognized for the three months ended September 30, 2015 (Q3 2014 - \$25.9 million) and \$26.8 million on a year-to-date basis (2014 - \$69.8 million). Refer to the section titled "Tenke Fungurume" contained in this MD&A for further discussion.

### Finance Income and Costs

For the three and nine months ended September 30, 2015, net finance costs increased \$20.3 million and \$60.4 million, respectively, when compared to the prior year comparable periods. The changes are primarily attributable to interest expense associated with the senior secured notes (Q3 2015 - \$20.2 million; YTD - \$60.0 million).

## Other Income and Expense

Net other expense for the three months ended September 30, 2015 was \$5.7 million compared to net other income of \$5.7 million for the three months ended September 30, 2014. The increase in net expense was due primarily to a \$7.0 million payment to the municipality of Tierra Amarilla, Chile, as the initial payment pursuant to terms in the Settlement and Community Development Agreements for funding sustainable social programs, and a net decrease in foreign exchange gains of \$4.7 million.

Net other income for the nine months ended September 30, 2015 was \$5.4 million compared to \$3.2 million for the nine months ended September 30, 2014. The above-noted \$7.0 million payment to the municipality was more than offset by an increase in foreign exchange gains (\$6.4 million) and other income (\$2.3 million).

Foreign exchange gains and losses recorded in Other Income and Expense relate to working capital denominated in US dollars or other currencies that was held in the Company's foreign subsidiaries. Period end exchange rates having a meaningful impact on such subsidiaries at September 30, 2015 were \$1.00:CLP705 (June 30, 2015 - \$1.00:CLP635; December 31, 2014 - \$1.00:CLP607), \$1.12:€1.00 (June 30, 2015 - \$1.12:€1.00; December 31, 2014 - \$1.21:€1.00) and \$1.00:SEK8.39 (June 30, 2015 - \$1.00:SEK8.24; December 31, 2014 - \$1.00:SEK7.81).

## Income Taxes

### Income taxes by mine

Income tax (recovery) expense (\$ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
Candelaria	(5,400)	-	(5,400)	16,487	-	16,487
Eagle	(13,960)	(5,519)	(8,441)	(12,449)	(11,161)	(1,288)
Neves-Corvo	(7,830)	(207)	(7,623)	(13,153)	(5,973)	(7,180)
Zinkgruvan	1,807	3,244	(1,437)	7,620	8,704	(1,084)
Aguablanca	58	4,168	(4,110)	9,545	10,708	(1,163)
Other	(5,478)	(9,812)	4,334	(9,303)	(12,009)	2,706
	(30,803)	(8,126)	(22,677)	(1,253)	(9,731)	8,478

### Income taxes by classification

Income tax (recovery) expense (\$ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
Current income tax	14,971	(8,116)	23,087	66,206	(3,786)	69,992
Deferred income tax	(45,774)	(10)	(45,764)	(67,459)	(5,945)	(61,514)
	(30,803)	(8,126)	(22,677)	(1,253)	(9,731)	8,478

Income tax recovery of \$30.8 million for the three months ended September 30, 2015 was \$22.7 million higher than the \$8.1 million recovery recorded in the prior year. The increase was mainly due to lower taxable earnings at Neves-Corvo and Aguablanca and an adjustment related to a prior period at Neves-Corvo (\$3.1 million).

On a year-to-date basis, income tax recovery of \$1.3 million was \$8.4 million lower than the \$9.7 million recovery recorded in the prior year, mainly due to the inclusion of earnings from Candelaria in the current year, partly offset by the receipt of an investment tax credit (\$10.2 million) and a tax adjustment related to a prior period (\$3.1 million) at Neves-Corvo.

## Mining Operations

### Production Overview

	2015				2014					
	YTD	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	
<b>Copper (tonnes)</b>										
Candelaria (80%) <sup>1</sup>	112,957	36,156	37,321	39,480	22,872	22,872	-	-	-	
Eagle	18,335	6,514	5,403	6,418	3,905	3,606	299	-	-	
Neves-Corvo	44,753	13,917	15,348	15,488	51,369	14,220	10,904	13,480	12,765	
Zinkgruvan	2,039	475	974	590	3,464	1,034	544	903	983	
Aguablanca	5,755	1,658	1,975	2,122	7,390	2,020	1,919	1,799	1,652	
Tenke (24%)	36,954	11,761	12,544	12,648	48,636	11,622	12,694	12,449	11,871	
	220,792	70,481	73,565	76,746	137,636	55,374	26,360	28,631	27,271	
<b>Nickel (tonnes)</b>										
Eagle	20,093	6,438	6,349	7,306	4,300	4,093	207	-	-	
Aguablanca	6,699	1,708	2,245	2,746	8,631	2,481	1,958	2,212	1,980	
	26,792	8,146	8,594	10,052	12,931	6,574	2,165	2,212	1,980	
<b>Zinc (tonnes)</b>										
Neves-Corvo	47,725	14,363	16,022	17,340	67,378	17,333	17,908	17,909	14,228	
Zinkgruvan	58,112	18,458	21,237	18,417	77,713	19,131	20,050	19,293	19,239	
	105,837	32,821	37,259	35,757	145,091	36,464	37,958	37,202	33,467	
<b>Gold (oz)</b>										
Candelaria (80%) <sup>1</sup>	63,916	20,300	21,538	22,078	12,998	12,998	-	-	-	
Eagle	5,039	2,226	1,661	1,152	776	776	-	-	-	
Aguablanca	3,276	867	1,117	1,292	4,258	1,795	1,108	629	726	
	72,231	23,393	24,316	24,522	18,032	15,569	1,108	629	726	
<b>Lead (tonnes)</b>										
Neves-Corvo	2,766	366	1,080	1,320	3,192	467	866	1,054	805	
Zinkgruvan	23,387	8,609	7,379	7,399	32,363	7,503	6,531	9,196	9,133	
	26,153	8,975	8,459	8,719	35,555	7,970	7,397	10,250	9,938	
<b>Silver (oz)</b>										
Candelaria (80%) <sup>1</sup>	1,184,270	346,825	371,007	466,438	254,397	254,397	-	-	-	
Eagle	146,985	59,657	45,938	41,390	21,940	21,940	-	-	-	
Neves-Corvo	1,059,335	310,116	358,949	390,270	1,388,286	321,635	321,504	406,755	338,392	
Zinkgruvan	1,813,057	627,308	622,146	563,603	2,432,701	602,339	549,941	631,514	648,907	
	4,203,647	1,343,906	1,398,040	1,461,701	4,097,324	1,200,311	871,445	1,038,269	987,299	

1. Production results are for the period of Lundin Mining's ownership, commencing November 3, 2014.

## Cash Cost Overview

Cash cost/lb (US dollars)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
<b>Candelaria</b>				
Gross cost	1.63	n/a	1.46	n/a
By-product <sup>1</sup>	(0.19)	n/a	(0.19)	n/a
<b>Net Cost - cost/lb Cu</b>	<b>1.44</b>	n/a	<b>1.27</b>	n/a
<b>Eagle</b>				
Gross cost	4.49	n/a	4.53	n/a
By-product <sup>1</sup>	(2.11)	n/a	(2.52)	n/a
<b>Net Cost - cost/lb Ni</b>	<b>2.38</b>	n/a	<b>2.01</b>	n/a
<b>Neves-Corvo</b>				
Gross cost	2.34	2.85	2.13	2.80
By-product <sup>1</sup>	(0.51)	(0.89)	(0.60)	(0.91)
<b>Net Cost - cost/lb Cu</b>	<b>1.83</b>	1.96	<b>1.53</b>	1.89
<b>Zinkgruvan</b>				
Gross cost	0.81	0.88	0.82	0.97
By-product <sup>1</sup>	(0.40)	(0.40)	(0.40)	(0.60)
<b>Net Cost - cost/lb Zn</b>	<b>0.41</b>	0.48	<b>0.42</b>	0.37
<b>Aguablanca</b>				
Gross cost	6.13	7.99	4.12	7.24
By-product <sup>1</sup>	(0.90)	(2.10)	(1.89)	(2.61)
<b>Net Cost - cost/lb Ni</b>	<b>5.23</b>	5.89	<b>2.23</b>	4.63

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

## Capital Expenditures (including capitalized interest)

by Mine	Three months ended September 30,							
	2015				2014			
	(\$ thousands)	Sustaining	Expansionary	Capitalized	Total	Sustaining	Expansionary	Capitalized
Interest				Interest				
Candelaria	46,447	-	2,413	48,860	-	-	-	-
Eagle	4,670	-	-	4,670	135	95,463	2,428	98,026
Neves-Corvo	10,833	-	-	10,833	15,118	4,189	-	19,307
Zinkgruvan	5,332	-	-	5,332	7,046	-	-	7,046
Aguablanca	3,184	-	-	3,184	91	4,149	-	4,240
Other	140	-	-	140	100	-	-	100
	70,606	-	2,413	73,019	22,490	103,801	2,428	128,719
by Mine	Nine months ended September 30,							
	2015				2014			
	(\$ thousands)	Sustaining	Expansionary	Capitalized	Total	Sustaining	Expansionary	Capitalized
Interest				Interest				
Candelaria	127,554	-	2,413	129,967	-	-	-	-
Eagle	12,211	7,258	-	19,469	4,208	222,876	6,566	233,650
Neves-Corvo	33,042	-	-	33,042	38,637	17,104	-	55,741
Zinkgruvan	18,602	-	-	18,602	19,929	-	-	19,929
Aguablanca	14,035	-	-	14,035	745	10,092	-	10,837
Other	582	-	-	582	302	-	-	302
	206,026	7,258	2,413	215,697	63,821	250,072	6,566	320,459



## 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 Cerde (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 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) <sup>1</sup>	2015				2014				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	25,910	8,240	9,022	8,648	4,855	4,855	n/a	n/a	n/a
Ore milled (000s tonnes)	22,190	7,933	7,327	6,930	4,347	4,347	n/a	n/a	n/a
Grade									
Copper (%)	0.68	0.61	0.68	0.78	0.72	0.72	n/a	n/a	n/a
Recovery									
Copper (%)	92.9	92.4	94.0	92.6	91.8	91.8	n/a	n/a	n/a
Production (contained metal)									
Copper (tonnes)	141,196	45,195	46,651	49,350	28,590	28,590	n/a	n/a	n/a
Gold (000 oz)	80	25	27	28	16	16	n/a	n/a	n/a
Silver (000 oz)	1,480	433	464	583	318	318	n/a	n/a	n/a
Sales (\$000s)	740,678	191,964	256,524	292,190	215,192	215,192	n/a	n/a	n/a
Operating earnings (\$000s)	371,765	66,737	141,338	163,690	67,801	67,801	n/a	n/a	n/a
Cash cost (\$ per pound) <sup>2</sup>	1.27	1.44	1.21	1.20	1.49	1.49	n/a	n/a	n/a

1. Operating results are for the period of Lundin Mining's ownership, commencing November 3, 2014.

2. Includes the impact of the streaming agreement but excludes any allocation of upfront cash received under the streaming agreement, and capitalized stripping costs.

## Operating Earnings

Sales for the three months ended September 30, 2015 were \$192.0 million with \$161.2 million from copper, and \$24.6 million, \$5.1 million and \$1.1 million coming from gold, silver and magnetite, respectively. Operating earnings for the period were \$66.7 million.

On a year-to-date basis, sales were \$740.7 million with \$635.1 million from copper, and \$83.3 million, \$19.3 million and \$3.0 million coming from gold, silver and magnetite, respectively. Operating earnings for the period were \$371.8.

## Production

Concentrate production for the three and nine months ended September 30, 2015 benefited from higher throughput in the plant. This was achieved through better rock fragmentation and softer ores in the open pit.

## Cash Costs

Copper cash costs for the three months ended September 30, 2015 of \$1.44/lb reflect a by-product credit of \$0.19/lb. Approximately 15,600 oz of gold and 259,000 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. Cash costs for the quarter were higher than full year guidance of \$1.35/lb but were in-line with quarterly expectations.

Copper cash costs, on a year-to-date basis, were \$1.27/lb, with approximately 51,000 oz of gold and 920,000 oz of silver being subject to terms of a streaming agreement. Cash costs were lower than full year guidance of

\$1.35/lb due to lower diesel prices, favourable foreign exchange rates and improved operational efficiencies and productivity.

### **Projects**

Early works related to infrastructure relocation to support major construction of the new Los Diques tailings facility commenced at the end of August. Major civil construction activities are expected to begin in late-2016 once construction and sectoral permits are received. Cost to complete the Los Diques facility is estimated at \$365 million. Approximately \$20 million was spent in the third quarter of 2015 and a further \$345 million remains to be spent.

## 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

	2015				2014				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	550	191	175	184	198	126	72	nil	nil
Ore milled (000s tonnes)	563	193	184	186	174	138	36	nil	nil
Grade									
Nickel (%)	4.3	3.9	4.2	4.7	3.2	3.6	1.3	nil	nil
Copper (%)	3.4	3.5	3.1	3.6	2.4	2.8	1.0	nil	nil
Recovery									
Nickel (%)	84.3	85.0	84.4	83.5	78.5	81.8	43.7	nil	nil
Copper (%)	96.7	97.3	96.4	96.4	93.9	94.9	83.2	nil	nil
Production (contained metal)									
Nickel (tonnes)	20,093	6,438	6,349	7,306	4,300	4,093	207	nil	nil
Copper (tonnes)	18,335	6,514	5,403	6,418	3,905	3,606	299	nil	nil
Sales (\$000s)	233,404	59,981	85,032	88,391	47,280	47,280	nil	nil	nil
Operating earnings / (loss) (\$000s)	114,919	18,489	40,297	56,133	28,484	28,597	(32)	(43)	(38)
Cash cost (\$ per pound)	2.01	2.38	2.15	1.45	2.79	2.79	nil	nil	nil

### Operating Earnings

Sales for the three months ended September 30, 2015 were \$60.0 million; \$31.8 million from nickel, \$24.1 million from copper, and \$4.1 million from other metals. Operating earnings of \$18.5 million for the period were lower than expected primarily due to lower realized metal prices.

On a year-to-date basis, sales were \$233.4 million; \$137.1 million from nickel, \$82.1 million from copper, and \$14.2 million from other metals. Operating earnings of \$114.9 million for the period were unfavorably impacted by lower realized metal prices.

### Production

For the three and nine months ended September 30, 2015, both nickel and copper production largely met projections as higher than expected mill throughput and recoveries were able to offset lower than expected grades. Mill throughput for the current quarter averaged approximately 2,100 tpd with record recovery rates. Production for both metals remains on track to meet full year guidance.

### Cash Costs

Nickel cash costs for the three months ended September 30, 2015 of \$2.38/lb were higher than expectations due primarily to lower realized prices on by-products.

On a year-to-date basis, nickel cash costs of \$2.01/lb were in-line with full year guidance of \$2.00/lb. Lower ocean freight charges and targeted cost savings in response to nickel market conditions were offset by lower realized prices on by-product credits and higher treatment costs associated with the customer mix.

## 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

	2015				2014				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	1,918	614	673	631	2,540	647	619	636	638
Ore mined, zinc (000 tonnes)	759	255	254	250	1,119	282	268	298	271
Ore milled, copper (000 tonnes)	1,958	619	699	640	2,503	604	623	631	645
Ore milled, zinc (000 tonnes)	774	257	258	259	1,102	266	269	296	271
Grade per tonne									
Copper (%)	2.8	2.8	2.7	2.9	2.5	3.0	2.3	2.5	2.3
Zinc (%)	8.2	8.1	7.9	8.5	8.0	8.4	8.8	7.6	7.0
Recovery									
Copper (%)	80.9	79.1	81.1	82.4	80.2	78.7	77.6	81.6	81.9
Zinc (%)	70.6	63.3	73.6	74.9	74.0	75.0	73.1	74.6	72.7
Production (contained metal)									
Copper (tonnes)	44,753	13,917	15,348	15,488	51,369	14,220	10,904	13,480	12,765
Zinc (tonnes)	47,725	14,363	16,022	17,340	67,378	17,333	17,908	17,909	14,228
Lead (tonnes)	2,766	366	1,080	1,320	3,192	467	866	1,054	805
Silver (000 oz)	1,059	310	359	390	1,388	321	322	407	338
Sales (\$000s)	236,564	56,268	93,673	86,623	373,148	104,640	94,875	97,361	76,272
Operating earnings (\$000s)	71,755	6,991	34,051	30,713	109,394	25,853	24,527	39,035	19,979
Cash cost (€ per pound)	1.37	1.64	1.29	1.24	1.40	1.41	1.48	1.19	1.53
Cash cost (\$ per pound)	1.53	1.83	1.43	1.39	1.85	1.75	1.96	1.62	2.10

### Operating Earnings

Operating earnings of \$7.0 million for the three months ended September 30, 2015 were \$17.5 million lower than 2014. The decrease is mainly attributable to lower metal prices and price adjustments (\$31.5 million), partly offset by favourable foreign exchange rates (\$11.1 million).

Operating earnings of \$71.8 million for the nine months ended September 30, 2015 were \$11.7 million lower than 2014. The decrease is mainly attributable to lower metal prices and price adjustments (\$73.1 million), partly offset by favourable foreign exchange rates (\$32.9 million) and higher net sales volumes (\$20.8 million).

### Production

Copper production for the three months ended September 30, 2015 was higher than the comparable period in 2014 by 3,013 tonnes (or 28%). Copper head grades from Corvo and Neves North stopes were higher in the current quarter resulting in higher copper production.

Zinc production for the three months ended September 30, 2015 was lower than the comparable period in 2014 by 3,545 tonnes (or 20%). The decrease is largely a consequence of lower mill feed grades and, in particular, lower recovery rates. Senior management and plant supervisory changes have been made, and technical modifications to plant water supply, the flotation circuit, and zinc plant control systems are in progress to improve zinc and lead recovery rates and overall zinc plant performance.

Production of 366 tonnes of lead in concentrate during the quarter was derived as a by-product from the zinc circuit.

**Cash Costs**

Copper cash costs of \$1.83/lb for the quarter ended September 30, 2015 were lower than that of the corresponding period in 2014 of \$1.96/lb /lb. The decrease is primarily a result of favourable foreign exchange rates (\$0.37/lb) and lower mine and mill costs (\$0.16/lb), partially offset by lower by-product credits (\$0.38/lb).

On a year-to-date basis, copper cash costs of \$1.53/lb for the nine months ended September 30, 2015 were lower than the comparable period in the prior year of \$1.89/lb. The decrease from prior year is primarily a result of favourable foreign exchange rates (\$0.39/lb) and lower mine and mill costs (\$0.24/lb), partially offset by lower by-product credits (\$0.31/lb).

In recognition of lower by-product metal prices and recovery rates, full year cash cost guidance has been revised upward to \$1.60/lb, from \$1.55/lb.

**Projects**

The Feasibility Study examining an expansion of the zinc operations at Neves-Corvo is complete. An investment decision on zinc expansion continues to be deferred pending additional work to improve the existing zinc plant stability and metallurgical recoveries, and improved metal markets.

## 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 a processing capacity of 1.1 mtpa, producing zinc and lead in concentrate, and the copper plant has a capacity of 0.3 mtpa with the ability to process copper or zinc-lead ore, producing copper, or zinc and lead in concentrate. The primary metal is zinc, with lead, silver, and copper as by-product metals.

### Operating Statistics

	Total	2015			2014				
		Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	813	257	289	267	1,063	265	279	262	257
Ore mined, copper (000 tonnes)	137	40	52	45	167	42	36	55	34
Ore milled, zinc (000 tonnes)	789	260	267	262	1,054	270	264	272	248
Ore milled, copper (000 tonnes)	139	52	43	44	167	43	42	47	35
Grade per tonne									
Zinc (%)	8.0	7.7	8.6	7.6	8.2	7.7	8.4	8.0	8.6
Lead (%)	3.6	4.0	3.4	3.4	3.7	3.4	3.1	4.1	4.4
Copper (%)	1.7	1.1	2.4	1.5	2.3	2.6	1.5	2.2	2.9
Recovery									
Zinc (%)	92.3	91.5	92.8	92.6	90.4	92.7	90.6	88.6	89.9
Lead (%)	82.8	83.7	82.4	82.6	82.5	82.1	80.0	83.3	84.0
Copper (%)	88.0	80.1	91.9	89.0	90.7	92.6	85.7	88.2	94.2
Production (contained metal)									
Zinc (tonnes)	58,112	18,458	21,237	18,417	77,713	19,131	20,050	19,293	19,239
Lead (tonnes)	23,387	8,609	7,379	7,399	32,363	7,503	6,531	9,196	9,133
Copper (tonnes)	2,039	475	974	590	3,464	1,034	544	903	983
Silver (000 oz)	1,813	627	622	564	2,433	603	550	631	649
Sales (\$000s)	115,048	35,883	41,301	37,864	194,009	47,554	48,233	55,144	43,078
Operating earnings (\$000s)	53,173	13,425	23,144	16,604	89,591	22,892	22,861	27,299	16,539
Cash cost (SEK per pound)	3.53	3.44	3.65	3.49	2.55	2.71	3.33	1.10	2.89
Cash cost (\$ per pound)	0.42	0.41	0.43	0.42	0.37	0.37	0.48	0.17	0.45

### Operating Earnings

Operating earnings of \$13.4 million were \$9.5 million lower than the \$22.9 million reported in the third quarter of 2014. The decrease in earnings is largely attributable to lower metal prices and price adjustments (\$17.7 million), partially offset by favourable foreign exchange rates (\$4.6 million) and higher net by-product sales volumes (\$4.0 million).

For the nine months ended September 30, 2015, operating earnings of \$53.2 million were \$13.5 million lower than the comparable period in 2014. Lower metal prices and price adjustments (\$22.2 million) and lower by-product sales volumes (\$4.1 million) were partially offset by favourable foreign exchange rates (\$16.6 million).

### Production

Zinc production in the third quarter of 2015 was 8% lower than the comparable period in 2014, while lead production for the third quarter of 2015 was higher than the 2014 comparable period. Production variances for both metals were due to normal variations of zinc and lead grades in the ore mined.

Copper production in the current quarter was slightly lower than the amount of production in the previous year comparable period as a result of lower head grades and recoveries.

On a year-to-date basis, zinc production was in-line with 2014 levels as higher mill throughput and metallurgical recoveries were able to offset lower zinc head grades. However, lower lead grades resulted in lower production of lead year-to-date.

Year-to-date copper production was 16% below the comparable period in 2014 due to lower head grades. Given current metal prices, production will be directed towards higher margin zinc ore over the remainder of the year as the copper circuit is capable of processing zinc ores.

### **Cash Costs**

Zinc cash costs of \$0.41/lb for the quarter ended September 30, 2015 were in-line with guidance of \$0.40/lb and lower than that of the corresponding period in 2014 of \$0.48/lb. Cash costs in the current quarter were lower than the comparable prior year period largely as a result of favourable foreign exchange rates (\$0.13/lb).

On a year-to-date basis, cash costs for zinc were \$0.42/lb, compared to \$0.37/lb for the same period in 2014. The increase is primarily due to lower by-product credits (\$0.19/lb), partially offset by favourable foreign exchange rates (\$0.15/lb).

### **Projects**

Due to the sustained improvements in mine production, a study was undertaken, with positive results, to evaluate the feasibility and economics of increasing overall mill capacity by approximately 10%. This is a low cost brownfield plant improvement project focused primarily on increased grinding capacity and improved plant availability. An investment of approximately \$16.4 million will be made in 2016 to complete the project.

## Aguablanca Mine

The Aguablanca mine consists of an underground mine and an on-site processing facility, located in the province of Badajoz, 80 km by road from Seville, Spain, and 140 km from a major seaport at Huelva. The plant has a processing capacity of 1.9 mtpa, producing nickel-copper bulk concentrate. The primary metal is nickel, with copper, cobalt, gold, and platinum-group metals as by-product metals.

### Operating Statistics

	2015				2014				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	616	51	187	378	1,755	600	606	365	184
Ore milled (000s tonnes)	1,192	376	392	424	1,660	432	384	426	418
Grade per tonne									
Nickel (%)	0.69	0.58	0.70	0.77	0.63	0.69	0.62	0.63	0.58
Copper (%)	0.52	0.48	0.54	0.54	0.47	0.50	0.53	0.45	0.42
Recovery									
Nickel (%)	81.5	78.4	82.0	83.7	82.5	83.3	82.0	82.5	82.0
Copper (%)	93.3	93.0	93.4	93.4	93.9	93.4	94.0	94.0	94.2
Production (contained metal)									
Nickel (tonnes)	6,699	1,708	2,245	2,746	8,631	2,481	1,958	2,212	1,980
Copper (tonnes)	5,755	1,658	1,975	2,122	7,390	2,020	1,919	1,799	1,652
Sales (\$000s)	60,264	9,055	24,749	26,460	120,421	28,365	23,509	39,258	29,289
Operating earnings / (loss) (\$000s)	21,925	(4,477)	11,389	15,013	38,072	7,681	2,264	15,117	13,010
Cash cost (€ per pound)	2.00	4.71	1.55	0.81	3.32	2.99	4.48	3.70	2.18
Cash cost (\$ per pound)	2.23	5.23	1.72	0.91	4.38	3.74	5.89	5.05	2.98

### Operating Earnings

Operating loss for the third quarter ended September 30, 2015 was \$4.5 million compared to operating earnings of \$2.3 million for the prior year comparable period. The decrease is primarily a result of lower metal prices and price adjustments (\$9.2 million), partly offset by favourable foreign exchange rates (\$3.4 million).

On a year-to-date basis, operating earnings for 2015 were \$21.9 million compared to \$30.4 million in 2014. The decrease is primarily a result of lower metal prices and price adjustments (\$35.9 million), partly offset by lower operating costs (\$17.7 million) and favourable foreign exchange rates (\$10.9 million).

### Production

Nickel and copper production of 1,708 tonnes and 1,658 tonnes, respectively, for the three months ended September 30, 2015 were approximately 13% lower than the comparable period in 2014. Lower throughput, head grades, and recoveries from the largely stockpiled ore treated resulted in the decrease.

Higher head grades from the bottom of the open pit in the first half of the year were more than enough to offset lower third quarter production, and as a result the plant produced 6,699 tonnes of nickel and 5,755 tonnes of copper for the nine months ended September 30, 2015, exceeding prior year production levels for both metals.

While both nickel and copper production year-to-date have been above expectations, an outstanding environmental permit for the change from open pit to underground operations will affect production levels and cost projections for the fourth quarter and beyond. In late July, the Company was formally notified that Spanish environmental authorities would require a full environmental evaluation of the transition from open pit to underground mining. The Company responded by submitting EIA documentation and the authorities required the suspension of underground production activities pending the receipt of approval to proceed. The process plant completed milling of stockpiled ore as of October 28<sup>th</sup> and mining and milling will not recommence until



permits and other conditions precedent are satisfied. While the Company anticipates receiving environmental approval for underground mine production late this year, there is no assurance this will be received and there is a degree of uncertainty as to when, and if, the operations will restart given the permit issue and overall market conditions.

### **Cash Costs**

Nickel cash costs of \$5.23/lb for the quarter ended September 30, 2015 were lower than the \$5.89/lb for the third quarter of prior year. The decrease is attributable to favourable foreign exchange rates (\$1.36/lb) and lower mine and mill costs associated with the suspension of underground production (\$0.62/lb), partially offset by lower by-product credits (\$1.19/lb).

On a year-to-date basis, nickel cash costs of \$2.23/lb for the period ended September 30, 2015 were lower than the \$4.63/lb for the comparable period of prior year and full year guidance of \$3.75/lb. The decrease is attributable to extended mining of the open pit into the second quarter, lower mine and mill costs associated with the suspension of underground production, favourable foreign exchange rates, higher metal sold, and lower maintenance costs.

## Tenke Fungurume

Lundin Mining holds a 24% equity interest in the mine. Freeport is the operating partner and holds a 56% interest in the mine. Gécamines, the Congolese state mining company, holds a 20% carried interest in the mine. Tenke Fungurume consists of an open-pit mine and on-site processing facilities located in the southern part of Katanga Province, Democratic Republic of Congo. The processing facilities have a capacity of 5.3 mtpa of ore. With the completion of the Phase II expansion, Tenke has an annual nominal production capacity of 195 ktpa of copper cathode and 15 ktpa of cobalt in hydroxide. In addition, the Tenke electrowinning tankhouse has excess annual processing capacity of copper cathode, which is taken into consideration on studies for future expansion. The primary metal is copper, with cobalt as a by-product metal.

### Operating Statistics

100% Basis	YTD	2015			2014				
		Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000 tonnes)	9,731	3,426	3,163	3,142	13,073	2,531	3,106	3,485	3,951
Ore milled (000 tonnes)	3,982	1,285	1,392	1,305	5,372	1,262	1,424	1,380	1,306
Grade per tonne									
Copper (%)	4.1	4.0	4.0	4.4	4.1	4.0	4.1	4.1	4.1
Recovery									
Copper (%)	94.0	94.0	93.9	94.0	92.6	91.8	91.3	92.7	94.7
Production (contained metal)									
Copper (tonnes)	153,974	49,005	52,268	52,701	202,648	48,421	52,893	51,870	49,464
Cobalt (tonnes)	11,443	3,973	4,148	3,322	13,334	3,401	3,545	3,418	2,970
Income from equity investment (\$000s) <sup>1</sup>	26,829	6,550	10,538	9,741	88,016	18,237	25,939	24,853	18,987
Attributable share of operating cash flow (\$000s)	54,706	9,296	4,279	41,131	158,483	44,625	48,373	37,802	27,683
Cash cost (\$ per pound) <sup>2</sup>	1.17	1.15	1.07	1.26	1.15	1.37	1.10	1.18	0.89

1. Lundin Mining's share of equity earnings includes adjustments for GAAP harmonization differences and purchase price allocations.

2. Cash cost is calculated and reported by Freeport. Unit costs attributable to Lundin Mining's share of production may vary slightly from time to time due to marginal differences in the basis of calculation.

### Income from Equity Investment

Income of \$6.6 million in the current quarter was \$19.3 million lower than the third quarter of last year due to lower prices. Volume of copper cathode sold during the quarter, on a 100% basis, was 51,157 tonnes, consistent with the 50,953 tonnes sold in the comparable period of last year.

The average price realized for copper sales during the quarter was \$2.32/lb, compared to \$3.11/lb in the third quarter of 2014. The average realized price for cobalt sold during the third quarter of 2015 was \$8.96/lb, compared to \$9.99/lb in the third quarter of 2014.

### Production

Tenke produced 49,005 tonnes of copper for the three months ended September 30, 2015, lower than the prior year comparable quarter production of 52,893 tonnes due primarily to lower mill throughput. Cobalt production for the quarter was 3,973 tonnes, higher than the prior year comparable quarter of 3,545 tonnes due primarily to higher cobalt ore grades.

The milling rate during the quarter averaged approximately 14,000 tonnes of ore per day ("tpd") for the three months ended September 30, 2015, lower than expectations due to the installment of a mill liner during the quarter. Mining rate during the quarter was 148,602 tpd.

Construction of the second new acid plant is advancing with civil works progressing on site. The acid plant is scheduled to be completed in the first half of 2016 and is sized to significantly reduce the need to import third party acid in addition to the acid produced at Tenke's existing plant. The new acid plant is also expected to support future expansion initiatives.

Freeport is expecting annual sales volumes of approximately 210,900 tonnes of copper and 15,900 tonnes of cobalt in 2015.

### **Cash Costs**

Cash costs for copper, net of cobalt by-product credits, were \$1.15/lb for the quarter. These are higher than cash costs of \$1.10/lb for the third quarter of 2014, primarily reflecting lower cobalt credits associated with lower cobalt prices.

Cash costs for copper, net of cobalt by-product credits, were \$1.17/lb for the nine months ended September 30, 2015. These are higher than the cash costs of \$1.07/lb for the nine months ended September 30, 2014, primarily reflecting lower cobalt by-product credits. Freeport projects 2015 cash costs to approximate \$1.16/lb of copper, based on current sales volume and cost estimates and assuming an average cobalt price of \$13.00/lb.

### **Tenke Cash Flow**

Lundin's attributable share of operating cash flow at Tenke for the third quarter of 2015 was \$9.3 million. This is lower than the \$48.4 million recognized in the third quarter of 2014, due to lower earnings and changes in non-cash working capital.

Year-to-date, Lundin's attributable share of operating cash flow was \$54.7 million, \$59.2 million lower than the \$113.9 million generated in the same period in 2014, due to lower earnings.

For the three and nine months ended September 30, 2015, \$20.2 million and \$48.8 million, respectively, was spent on the Company's attributable share of capital investments, which was fully funded by cash flow from Tenke operations. Lundin Mining's share of 2015 capital investment for Tenke, which is also expected to be self-funded by cash flow from Tenke operations, is expected to be approximately \$80 million. Key capital spending areas in 2015 include a second acid plant and a tailings management facility expansion.

The Company received cash distributions of \$2.5 million for the quarter ended September 30, 2015 from Tenke and \$1.2 million from Freeport Cobalt for total distributions to the Company from Tenke related investments of \$3.7 million.

On a year-to-date basis, the Company received cash distributions of \$16.6 million from Tenke and \$4.1 million from Freeport Cobalt. The Company expects to receive cash distributions from Tenke in 2015 of approximately \$20 million.

## **Exploration**

### **Candelaria Mine, Chile (Copper, Gold)**

A significant drill campaign designed to rapidly expand Mineral Reserves and Resources continued in the quarter to complete a large 2015 exploration program. A total of 31,889 metres were drilled during the third quarter of 2015. Fifteen drill rigs are currently active on step out drilling within the four underground mines.

### **Eagle Resource Exploration, USA (Nickel, Copper)**

A second drill rig was mobilized in July to accelerate drilling on the new Eagle East mineralized feeder dyke. One rig is dedicated to larger exploration step-out holes, with a second focused on delineation holes in an area previously identified with massive sulphide. A total of 4,300 metres were drilled from surface in the third quarter of 2015. Drilling with two rigs is planned to continue through the end of the year.

### **Zinkgruvan Mine, Sweden (Zinc, Copper)**

Underground exploration drilling continued to focus on the Dalby area with 1,818 metres drilled in the third quarter of 2015. The Dalby area was included in the June 30, 2015 Mineral Reserves and Resources estimate update.

### **Peru (Copper)**

Work in Peru focused on drilling the Elida Project, a porphyry copper prospect located close to the coast in central Peru. First-pass drilling at Elida, which began in the fourth quarter of last year, continued into 2015 with 2,464 metres drilled during the third quarter of 2015. Drilling results to date have outlined part of a large porphyry system characterized by abundant sulphides and veining, containing variable but extensive copper, molybdenum and silver mineralization.

### **Candelaria District Exploration (Copper, Gold)**

A district property-wide exploration program is underway, designed to expand the Candelaria Mineral Reserves and Resources. All existing exploration information is being compiled into a comprehensive 3D model to allow for evaluation and prioritization of exploration efforts.

### **Eastern Europe (Copper, Gold)**

The drill program that commenced in February was completed at an optioned porphyry copper property located in Central Turkey with a total of 4,133 metres drilled in 10 holes. Project evaluation work is continuing on new copper and zinc-lead opportunities in favourable parts of Eastern Europe.

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

The average metal prices for copper, nickel, and zinc for the third quarter of 2015 were all lower than the average prices for the previous quarter by 13%, 19%, and 16%, respectively. Concerns about Chinese growth and reports of weak manufacturing indicators from China, combined with a stronger US dollar, put downward pressure on the entire base metal complex.

(Average LME Price)		Three months ended September 30,			Nine months ended September 30,		
		2015	2014	Change	2015	2014	Change
Copper	US\$/pound	2.39	3.17	-25%	2.59	3.15	-18%
	US\$/tonne	5,259	6,994		5,699	6,943	
Nickel	US\$/pound	4.79	8.43	-43%	5.72	7.81	-27%
	US\$/tonne	10,561	18,576		12,610	17,229	
Zinc	US\$/pound	0.84	1.05	-20%	0.92	0.97	-5%
	US\$/tonne	1,847	2,311		2,035	2,140	

London Metals Exchange ("LME") inventory for nickel decreased during the third quarter of 2015 by 1%, while the LME inventory for zinc increased by 27% during the quarter, with copper inventory unchanged.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates between mining companies and commodity trading companies increased during the third quarter of 2015. In July, the spot TC was \$70 per dmt of concentrate and the spot RC was \$0.07 per lb of payable copper. In September, the TC had increased to \$95 per dmt of concentrate with a RC of \$0.095 per lb of payable copper contained. In addition, the spot terms at which the Chinese copper smelters were buying also increased from a TC of \$85 per dmt of concentrate and a RC of \$0.085 per lb of payable copper in July, to a TC of \$105 per dmt of concentrate and a RC of \$0.105 per lb of payable copper at the end of September. These increases were largely due to increased production and spot sales by several mines, as well as the successful startup of new mines. The terms for the annual contracts for copper concentrates for 2015 were determined in December of 2014 at a TC of \$107 per dmt of concentrates with a RC of \$0.107 per lb of payable copper.

The spot TC for zinc concentrates in China was stable during July and August at around \$205 per dmt, flat. However, in September the arbitrage between the LME and SHFE (Shanghai Futures Exchange) price for zinc widened to \$176 per mt which made imports of zinc concentrates to China more attractive and the TC dropped to \$195 per dmt, flat. The terms for annual contracts between miners and smelters were agreed to during the first quarter of 2015 at \$245 per dmt of concentrates based on a zinc price of \$2,000 per mt and with higher escalators than for 2014. The agreed terms represent an improvement in favour of the smelters of approximately \$22 per dmt of concentrates, at the base price, compared to the prior year.

The Company's nickel concentrate production from Eagle and Aguablanca are sold under long-term contracts at terms in-line with market conditions.

## Liquidity and Financial Condition

### Cash Reserves

Cash and cash equivalents were \$549.7 million as at September 30, 2015, an increase of \$374.9 million from \$174.8 million at December 31, 2014 and an increase of \$43.0 million from \$506.7 million at June 30, 2015.

Cash inflows for the three months ended September 30, 2015 included operating cash flows of \$120.2 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$73.0 million.

For the nine months ended September 30, 2015, cash inflows included operating cash flows of \$606.9 million and receipt of distributions from Tenke (\$16.6 million) and Freeport Cobalt (\$4.1 million). Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$215.7 million and net interest payments of \$40.3 million.

### Working Capital

Working capital was \$734.6 million as at September 30, 2015, compared to \$510.5 million at December 31, 2014 and \$769.1 million as at June 30, 2015.

The decrease in working capital for the three months ended September 30, 2015 is largely a reflection of lower trade and other receivables at September 30, 2015.

The increase in working capital for the nine months ended September 30, 2015 is largely a reflection of a higher cash balance at September 30, 2015.

### Long-Term Debt

As at September 30, 2015, the Company had outstanding \$550 million of 7.5% senior secured notes (due 2020) and \$450 million of 7.875% senior secured notes (due 2022).

In addition, the Company has an undrawn \$350 million revolving credit facility, expiring in October 2017. A letter of credit has been issued in the amount of SEK 162 million (\$19.3 million).

Subject to various risks and uncertainties (*see Managing Risks section, page 32*), the Company believes it will generate sufficient cash flow and has adequate cash and debt facilities to finance on-going operations and planned capital and exploration investment programs.

### Commitments

The Company has the following capital commitments as at September 30, 2015:

(\$ thousands)

2015	19,770
2016	13,436
<b>Total</b>	<b>33,206</b>

A further \$16.6 million has been committed to the municipality of Tierra Amarilla, Chile to support flood reconstruction, regional environmental reclamations initiatives, community infrastructure and social programs.

## Shareholders' Equity

Shareholders' equity was \$4,652.6 million at September 30, 2015, compared to \$4,638.7 million at December 31, 2014. The increase in shareholders' equity is primarily due to current year's net earnings of \$101.8 million, partially offset by foreign currency translation adjustments of \$86.3 million in other comprehensive income.

## Sensitivities

Net earnings and earnings per share 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:

<b>Metal</b>	<b>Tonnes Payable</b>	<b>Provisional price on September 30, 2015 (\$US/tonne)</b>	<b>Change</b>	<b>Effect on operating earnings (\$millions)</b>
Copper	72,358	5,167	+/-10%	+/- \$37.4
Nickel	7,366	10,388	+/-10%	+/- \$7.7
Zinc	16,178	1,682	+/-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:

<b>Currency</b>	<b>Change</b>	<b>Three months ended September 30, 2015 (\$millions)</b>	<b>Nine months ended September 30, 2015 (\$millions)</b>
Chilean peso	+/-10%	+/- \$8.6	+/- \$27.8
Euro	+/-10%	+/- \$6.1	+/- \$19.6
Swedish krona	+/-10%	+/- \$2.3	+/- \$6.5

## Financial Instruments

Summary of financial instruments:

	Fair value at September 30, 2015 (\$ thousands)	Basis of measurement	Associated risks
Trade and other receivables	48,664	Carrying value	Credit/Market/Exchange
Trade receivables	196,857	FVTPL	Credit/Market/Exchange
Marketable securities and restricted funds	46,972	FVTPL	Market/Liquidity
Currency options	4,639	FVTPL	Market/Liquidity
Marketable securities	138	Fair value through OCI	Market/Liquidity
Trade and other payables	216,485	Carrying value	Exchange
Long-term debt and finance leases	975,434	Amortized cost	Interest
Other long-term liabilities	10,174	Amortized cost	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 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.

Fair value through other comprehensive income ("OCI") (available-for-sale securities) – The fair value of marketable securities is determined based on quoted market price.

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.

For the quarter ended September 30, 2015, the Company recognized negative pricing adjustments of \$66.7 million in sales (2014: \$36.4 million), a revaluation loss of \$0.7 million on FVTPL securities (2014: revaluation gain and realized loss totalling a net loss of \$0.1 million on FVTPL securities), a revaluation loss of \$0.4 million on currency options (2014: nil), and a revaluation gain of nil on AFS securities (2014: \$0.4 million). In addition, a foreign exchange gain of \$5.7 million (2014: gain of \$10.4 million) was realized in the quarter on working capital denominated in foreign currencies that was held in the Company's various entities.

For the nine months ended September 30, 2015, the Company recognized negative pricing adjustments of \$134.6 million in sales (2014: \$45.0 million), a revaluation loss of \$2.1 million on FVTPL securities (2014: revaluation gain and realized loss totalling a net loss of \$3.5 million on FVTPL securities), a revaluation loss of \$0.4 million on currency options (2014: nil), and a revaluation gain of nil on AFS securities (2014: \$0.4 million). In addition, a foreign exchange gain of \$16.5 million (2014: gain of \$10.1 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

### Tenke Fungurume

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

The Company received \$2.5 million and \$16.6 million of cash distributions from Tenke during the three and nine months ended September 30, 2015, respectively.

### 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.

The Company received \$1.2 million and \$4.1 million of cash distributions from Freeport Cobalt during the three and nine months ended September 30, 2015, respectively.

### 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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Wages and salaries	1,390	1,530	4,428	4,613
Pension and benefits	30	33	92	101
Share-based compensation	511	609	1,686	1,993
	1,931	2,172	6,206	6,707

For the three and nine months ended September 30, 2015, the Company paid \$0.1 million and \$0.4 million, respectively (Q3 2014 - \$0.2 million; YTD 2014 - \$0.6 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

IFRS 15, *Revenue from Contracts with Customers*, provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, cost of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is still assessing the impact of this 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 2014 Management's Discussion and Analysis.

## **Managing Risks**

### **Risks and Uncertainties**

The operations of Lundin Mining involve certain significant risks, including but not limited to credit risk, foreign exchange risk and derivative risk. For a complete discussion on risks, refer to the Company's annual 2014 Management's Discussion and Analysis.

### **Outstanding Share Data**

As at October 28, 2015, the Company has 719,613,057 common shares issued and outstanding, and 14,391,570 stock options and 960,300 share units outstanding under the Company's incentive plans.

## 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. The 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)	September 30, 2015	June 30, 2015	December 31, 2014
Current portion of long-term debt and finance leases	(1,159)	(1,076)	(1,932)
Long-term debt and finance leases	(982,989)	(982,744)	(980,888)
	(984,148)	(983,820)	(982,820)
Deferred financing fees (netted in above)	(19,364)	(20,009)	(21,165)
	(1,003,512)	(1,003,829)	(1,003,985)
Cash and cash equivalents	549,673	506,659	174,792
<b>Net debt</b>	<b>(453,839)</b>	<b>(497,170)</b>	<b>(829,193)</b>

### 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 September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Cash provided by operating activities	120,211	57,481	606,859	118,804
Deduct: Changes in non-cash working capital items	(61,520)	(10,890)	(140,323)	12,434
Operating cash flow before changes in non-cash working capital items	58,691	46,591	466,536	131,238
Weighted average common shares outstanding	719,508,835	585,914,748	718,916,468	585,462,726
<b>Operating cash flow per share</b>	<b>0.08</b>	<b>0.08</b>	<b>0.65</b>	<b>0.22</b>

## Cash Cost per Pound

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

- **Cash cost per pound, gross** - Total cash costs directly attributable to mining operations, excluding 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.

Cash costs can be reconciled to the Company's operating costs as follows:

Operation	Three months ended September 30, 2015				Three months ended September 30, 2014			
	Tonnes Sold	Pounds (000s)	Cash Costs \$/lb	Operating Costs (\$000s)	Tonnes Sold	Pounds (000s)	Cash Costs \$/lb	Operating Costs (\$000s)
Candelaria (Cu) - 100%	42,345	93,355	1.44	134,431	-	-	-	-
Eagle (Ni)	6,063	13,367	2.38	31,813	-	-	-	-
Neves-Corvo (Cu)	11,662	25,710	1.83	47,049	12,136	26,755	1.96	52,440
Zinkgruvan (Zn)	17,243	38,014	0.41	15,586	17,915	39,496	0.48	18,958
Aguablanca (Ni)	978	2,156	5.23	11,276	1,187	2,617	5.89	15,414
				240,155				86,812
Add: By-product credits				76,090				45,323
Treatment costs				(65,742)				(18,217)
Non-cash inventory				(546)				908
Royalties and other				2,312				2,818
<b>Total Operating Costs</b>				<b>252,269</b>				<b>117,644</b>

  

Operation	Nine months ended September 30, 2015				Nine months ended September 30, 2014			
	Total Tonnes Sold	Total Pounds (000s)	Total Cash Costs \$/lb	Total Operating Costs (\$000s)	Total Tonnes Sold	Total Pounds (000s)	Total Cash Costs \$/lb	Total Operating Costs (\$000s)
Candelaria (Cu) - 100%	137,514	303,166	1.27	385,021	-	-	-	-
Eagle (Ni)	17,313	38,169	2.01	76,720	-	-	-	-
Neves-Corvo (Cu)	41,429	91,335	1.53	139,743	33,480	73,811	1.89	139,503
Zinkgruvan (Zn)	49,619	109,391	0.42	45,944	49,373	108,849	0.37	40,274
Aguablanca (Ni)	4,075	8,984	2.23	20,034	3,771	8,314	4.63	38,494
				667,462				218,271
Add: By-product credits				271,380				154,278
Treatment costs				(204,003)				(48,808)
Non-cash inventory				2,805				(3,380)
Royalties and other				16,840				8,443
<b>Total Operating Costs</b>				<b>754,484</b>				<b>328,804</b>

## **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 has used the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') in order to assess the effectiveness of the Company's internal control over financial reporting.

### ***Limitations on scope of design***

In the fourth quarter of 2014, the Company acquired Candelaria, however the Company has not had sufficient time to fully assess the design of DCP and ICFR inherent in the organization and accordingly has limited the scope of the above assessment on the design of DCP and ICFR to exclude this operation.

### ***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 September 30, 2015 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](http://www.sedar.com).

## Other Supplementary Information

### 1. *List of directors and officers at October 28, 2015:*

#### (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*  
Julie A. Lee Hars, *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*  
Lesley Duncan, *Corporate Secretary*

### 2. **Financial Information**

The report for the year ending December 31, 2015 is expected to be published by February 18, 2016.

### 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](http://www.lundinmining.com)

Address (UK office):

Lundin Mining UK Limited  
Hayworthe House, 2 Market Place  
Haywards Heath, West Sussex  
RH16 1DB  
United Kingdom  
Telephone: +44-1-444-411-900  
Fax: +44-1-444-456-901

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

#### **For further information, please contact:**

Sonia Tercas, *Investor Relations, North America*: +1-416-342-5583, [sonia.tercas@lundinmining.com](mailto:sonia.tercas@lundinmining.com)  
John Miniotis, *Senior Manager, Corporate Development and Investor Relations*: +1-416-342-5560, [john.miniotis@lundinmining.com](mailto:john.miniotis@lundinmining.com)  
Robert Eriksson, *Investor Relations, Sweden*: +46-(0)8-440-54-50, [robert.eriksson@lundinmining.com](mailto:robert.eriksson@lundinmining.com)

Condensed Interim Consolidated Financial Statements of

# **Lundin Mining Corporation**

September 30, 2015  
(Unaudited)

**LUNDIN MINING CORPORATION**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS  
(Unaudited - in thousands of US dollars)September 30, December 31,  
2015 2014**ASSETS**

## Current

Cash and cash equivalents (Note 3)	\$ 549,673	\$ 174,792
Trade and other receivables (Note 4)	245,521	404,967
Income taxes receivable	46,957	49,241
Inventories (Note 5)	152,307	162,074
Other current assets (Note 6)	6,987	-

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**1,001,445** 791,074

## Non-Current

Restricted funds	43,744	57,007
Long-term inventory	169,166	154,725
Other non-current assets (Note 7)	17,629	18,226
Mineral properties, plant and equipment (Note 8)	3,599,302	3,927,291
Investment in associates (Note 9)	2,065,960	2,059,199
Deferred tax assets	103,830	57,671
Goodwill	249,690	261,482

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**6,249,321** 6,535,601

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**\$ 7,250,766** \$ 7,326,675

**LIABILITIES**

## Current

Trade and other payables (Note 11)	\$ 258,933	\$ 274,213
Income taxes payable	7,877	6,380
Current portion of long-term debt and finance leases	1,159	1,932
Current portion of deferred revenue (Note 12)	61,589	65,098
Current portion of reclamation and other closure provisions	10,814	8,995

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**340,372** 356,618

## Non-Current

Long-term debt and finance leases	982,989	980,888
Deferred revenue (Note 12)	560,176	602,244
Reclamation and other closure provisions	251,922	254,461
Other long-term liabilities	10,174	10,001
Provision for pension obligations	14,452	17,030
Deferred tax liabilities	438,071	466,759

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**2,257,784** 2,331,383

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**2,598,156** 2,688,001

**SHAREHOLDERS' EQUITY**

Share capital	4,107,001	4,099,038
Contributed surplus	47,505	45,021
Accumulated other comprehensive loss	(285,294)	(199,023)
Retained earnings	343,751	260,109
Equity attributable to Lundin Mining Corporation shareholders	4,212,963	4,205,145
Non-controlling interests	439,647	433,529
	4,652,610	4,638,674
	\$ 7,250,766	\$ 7,326,675

Commitments (Note 19)

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 (LOSS) EARNINGS

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

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Sales	\$ 353,151	\$ 166,617	\$ 1,385,958	\$ 508,283
Operating costs (Note 14)	(252,269)	(117,644)	(754,484)	(328,804)
Depreciation, depletion and amortization (Note 8)	(123,338)	(36,575)	(433,264)	(111,216)
General and administrative expenses	(6,735)	(6,042)	(20,356)	(19,201)
General exploration and business development (Note 16)	(16,635)	(11,930)	(43,141)	(37,761)
Income from equity investment in associates (Note 9)	6,689	26,526	27,389	69,070
Finance income and costs (Note 17)	(21,327)	(1,004)	(67,023)	(6,610)
Other income (Note 18)	6,307	11,068	20,925	11,968
Other expenses (Note 18)	(11,929)	(5,440)	(15,497)	(8,693)
(Loss) earnings before income taxes	(66,086)	25,576	100,507	77,036
Current tax (expense) recovery (Note 10)	(14,971)	8,116	(66,206)	3,786
Deferred tax recovery (Note 10)	45,774	10	67,459	5,945
Net (loss) earnings	\$ (35,283)	\$ 33,702	\$ 101,760	\$ 86,767
<b>Net (loss) earnings attributable to:</b>				
Lundin Mining Corporation shareholders	\$ (34,545)	\$ 33,702	\$ 83,642	\$ 86,767
Non-controlling interests	(738)	-	18,118	-
Net (loss) earnings	\$ (35,283)	\$ 33,702	\$ 101,760	\$ 86,767
Basic and diluted (loss) earnings per share attributable to				
Lundin Mining Corporation shareholders	\$ (0.05)	\$ 0.06	\$ 0.12	\$ 0.15
Weighted average number of shares outstanding (Note 13)				
Basic	719,508,835	585,914,748	718,916,468	585,462,726
Diluted	719,508,835	588,721,457	720,555,361	587,491,886

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

**LUNDIN MINING CORPORATION**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited - in thousands of US dollars)

	Three months ended		Nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
Net (loss) earnings	\$ (35,283)	\$ 33,702	\$ 101,760	\$ 86,767
<b>Other comprehensive loss, net of taxes</b>				
Items that may be reclassified subsequently to net earnings:				
Unrealized gain on marketable securities	-	367	-	367
Effects of foreign exchange	(1,780)	(102,617)	(86,271)	(118,190)
<b>Other comprehensive loss</b>	<b>(1,780)</b>	<b>(102,250)</b>	<b>(86,271)</b>	<b>(117,823)</b>
<b>Comprehensive (loss) income</b>	<b>\$ (37,063)</b>	<b>\$ (68,548)</b>	<b>\$ 15,489</b>	<b>\$ (31,056)</b>
<b>Comprehensive (loss) income attributable to:</b>				
Lundin Mining Corporation shareholders	\$ (36,325)	\$ (68,548)	\$ (2,629)	\$ (31,056)
Non-controlling interests	(738)	-	18,118	-
<b>Comprehensive (loss) income</b>	<b>\$ (37,063)</b>	<b>\$ (68,548)</b>	<b>\$ 15,489</b>	<b>\$ (31,056)</b>

The accompanying notes are an integral part of these 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	Non- controlling interests	Total
Balance, December 31, 2014	718,168,173	\$ 4,099,038	\$ 45,021	\$ (199,023)	\$ 260,109	\$ 433,529	\$ 4,638,674
Distributions	-	-	-	-	-	(12,000)	(12,000)
Exercise of stock options	1,364,184	7,331	(2,799)	-	-	-	4,532
Share-based compensation	-	-	5,283	-	-	-	5,283
Deferred tax adjustment	-	632	-	-	-	-	632
Net earnings	-	-	-	-	83,642	18,118	101,760
Other comprehensive loss	-	-	-	(86,271)	-	-	(86,271)
Total comprehensive (loss) income	-	-	-	(86,271)	83,642	18,118	15,489
<b>Balance, September 30, 2015</b>	<b>719,532,357</b>	<b>\$ 4,107,001</b>	<b>\$ 47,505</b>	<b>\$ (285,294)</b>	<b>\$ 343,751</b>	<b>\$ 439,647</b>	<b>\$ 4,652,610</b>
Balance, December 31, 2013	584,643,063	\$ 3,509,343	\$ 40,379	\$ (27,620)	\$ 147,503	\$ -	\$ 3,669,605
Exercise of stock options	1,306,444	7,187	(2,371)	-	-	-	4,816
Share-based compensation	-	-	4,966	-	-	-	4,966
Net earnings	-	-	-	-	86,767	-	86,767
Other comprehensive loss	-	-	-	(117,823)	-	-	(117,823)
Total comprehensive (loss) income	-	-	-	(117,823)	86,767	-	(31,056)
Balance, September 30, 2014	585,949,507	\$ 3,516,530	\$ 42,974	\$ (145,443)	\$ 234,270	\$ -	\$ 3,648,331

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		Nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net (loss) earnings	\$ (35,283)	\$ 33,702	\$ 101,760	\$ 86,767
Items not involving cash and other adjustments				
Depreciation, depletion and amortization	123,338	36,575	433,264	111,216
Share-based compensation	1,236	1,271	5,214	5,008
Income from equity investment in associates	(6,689)	(26,526)	(27,389)	(69,070)
Unrealized foreign exchange gain	(8,694)	(3,644)	(5,223)	(1,233)
Deferred tax recovery	(45,774)	(10)	(67,459)	(5,945)
Recognition of deferred revenue	(11,041)	(949)	(46,475)	(3,726)
Reclamation and closure provisions	23,372	8,209	24,335	8,595
Finance costs	21,327	753	67,023	5,909
Other	(1,593)	8	435	149
Reclamation payments	(1,330)	(2,354)	(3,455)	(5,178)
Pension payments	(340)	(444)	(1,053)	(1,254)
Changes in long-term inventory	162	-	(14,441)	-
Changes in non-cash working capital items (Note 23)	61,520	10,890	140,323	(12,434)
	<b>120,211</b>	<b>57,481</b>	<b>606,859</b>	<b>118,804</b>
<b>Investing activities</b>				
Investment in mineral properties, plant and equipment	(73,019)	(128,719)	(215,697)	(320,459)
Distributions from associates (Note 9)	3,624	34,869	20,628	81,439
Restricted funds movement, net	(3,044)	9	9,804	22,544
Proceeds from sale of marketable securities	-	4,302	-	4,302
Other	2,247	6	7,977	531
	<b>(70,192)</b>	<b>(89,533)</b>	<b>(177,288)</b>	<b>(211,643)</b>
<b>Financing activities</b>				
Interest paid, net	-	(25)	(40,276)	(178)
Distributions to non-controlling interests	-	-	(12,000)	-
Proceeds from common shares issued	60	571	4,532	4,816
Long-term debt repayments	(265)	(439)	(1,110)	(1,577)
Proceeds from long-term debt	-	50,481	-	132,481
Proceeds received from stream agreement	7,500	-	7,500	-
Currency options purchase	(6,970)	-	(6,970)	-
Other	(222)	(136)	(356)	(330)
	<b>103</b>	<b>50,452</b>	<b>(48,680)</b>	<b>135,212</b>
Effect of foreign exchange on cash balances	(7,108)	(9,601)	(6,010)	(8,256)
Increase in cash and cash equivalents during the period	43,014	8,799	374,881	34,117
Cash and cash equivalents, beginning of period	506,659	141,958	174,792	116,640
Cash and cash equivalents, end of period	\$ 549,673	\$ 150,757	\$ 549,673	\$ 150,757

Supplemental cash flow information (Note 23)

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

# LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2015 and 2014

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

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## 1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company. The Company's wholly-owned operating assets include the Eagle nickel/copper mine located in the United States ("US"), the Neves-Corvo copper/zinc mine located in Portugal, the Zinkgruvan zinc/lead mine located in Sweden and the Aguablanca nickel/copper mine located in Spain. The Company also owns 80% of the Candelaria and Ojos del Salado copper/gold mining complex located in Chile ("Candelaria"), and 24% equity accounted interests in the Tenke Fungurume copper/cobalt mine located in the Democratic Republic of Congo ("DRC") and 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 its Swedish Depository Receipts are listed on 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, 2014.

The Company's presentation currency is US dollars. Reference herein of \$ is to US dollars. Reference of C\$ is to Canadian dollars, reference of SEK is to Swedish Krona, reference to 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 October 28, 2015.

### (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, 2014.

### (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, 2014.

### (iv) New accounting pronouncements

IFRS 15, *Revenue from Contracts with Customers*, provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, cost of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is still assessing the impact of this standard.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2015 and 2014

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

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	September 30, 2015	December 31, 2014
Cash	\$ 446,233	\$ 114,751
Short-term deposits	103,440	60,041
	<u>\$ 549,673</u>	<u>\$ 174,792</u>

### 4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	September 30, 2015	December 31, 2014
Trade receivables	\$ 198,813	\$ 360,909
Value added tax	18,216	17,522
Other receivables	14,315	11,085
Prepaid expenses	14,177	15,451
	<u>\$ 245,521</u>	<u>\$ 404,967</u>

### 5. INVENTORIES

Inventories are comprised of the following:

	September 30, 2015	December 31, 2014
Ore stockpiles	\$ 24,915	\$ 22,261
Concentrate stockpiles	34,731	40,656
Materials and supplies	92,661	99,157
	<u>\$ 152,307</u>	<u>\$ 162,074</u>

### 6. OTHER CURRENT ASSETS

Other current assets are comprised of the following:

	September 30, 2015	December 31, 2014
Current portion of currency options (Note 7)	\$ 233	\$ -
Precious metals held (a)	6,754	-
	<u>\$ 6,987</u>	<u>\$ -</u>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2015 and 2014

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

### a) Precious Metals Held

The Company holds gold and silver in registered accounts in connection with the administration of delivery obligations under the Franco-Nevada (Barbados) Corporation ("Franco-Nevada") stream agreement.

## 7. OTHER NON-CURRENT ASSETS

Other non-current assets comprise the following:

	September 30, 2015	December 31, 2014
Long-term portion of currency options (a)	\$ 4,406	\$ -
Marketable securities	3,366	6,181
Other assets	9,857	12,045
	\$ 17,629	\$ 18,226

### a) Currency options

The Company purchased CLP call options against the USD. The first expiry begins on January 31, 2016 and monthly thereafter until December 2018. The options have strike prices ranging from 650 to 700 CLP:USD. The currency options are revalued each period and the revaluation is included in Finance income and costs (Note 17).

## 8. 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, 2013	\$ 1,779,004	\$ 758,467	\$ 63,230	\$ 474,815	\$ 3,075,516
Additions	44,900	715	-	271,353	316,968
Disposals and transfers	6,262	12,593	(501)	(22,289)	(3,935)
Effects of foreign exchange	(164,927)	(69,130)	(5,697)	(6,080)	(245,834)
As at September 30, 2014	1,665,239	702,645	57,032	717,799	3,142,715
Candelaria Acquisition	1,217,348	904,909	-	37,571	2,159,828
Additions	37,940	618	-	49,400	87,958
Impairment	-	-	(47,064)	-	(47,064)
Disposals and transfers	242,457	453,956	-	(703,133)	(6,720)
Effects of foreign exchange	(75,836)	(30,626)	(1,281)	(2,544)	(110,287)
As at December 31, 2014	3,087,148	2,031,502	8,687	99,093	5,226,430
Additions	103,948	263	-	107,153	211,364
Disposals and transfers	24,861	23,568	-	(63,749)	(15,320)
Effects of foreign exchange	(119,256)	(54,033)	(679)	(2,287)	(176,255)
<b>As at September 30, 2015</b>	<b>\$ 3,096,701</b>	<b>\$ 2,001,300</b>	<b>\$ 8,008</b>	<b>\$ 140,210</b>	<b>\$ 5,246,219</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2015 and 2014

(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, 2013	\$ 961,356	\$ 329,292	\$ -	\$ -	\$ 1,290,648
Depreciation	70,316	40,900	-	-	111,216
Disposals and transfers	-	(3,256)	-	-	(3,256)
Effects of foreign exchange	(95,960)	(34,109)	-	-	(130,069)
As at September 30, 2014	935,712	332,827	-	-	1,268,539
Depreciation	57,029	40,458	-	-	97,487
Disposals and transfers	(1,421)	(4,090)	-	-	(5,511)
Effects of foreign exchange	(46,007)	(15,369)	-	-	(61,376)
As at December 31, 2014	945,313	353,826	-	-	1,299,139
Depreciation	257,136	195,557	-	-	452,692
Disposals and transfers	(2,099)	(7,932)	-	-	(10,031)
Effects of foreign exchange	(69,290)	(25,594)	-	-	(94,883)
<b>As at September 30, 2015</b>	<b>\$ 1,131,060</b>	<b>\$ 515,857</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,646,917</b>

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2014	\$ 2,141,835	\$ 1,677,676	\$ 8,687	\$ 99,093	\$ 3,927,291
<b>As at September 30, 2015</b>	<b>\$ 1,965,641</b>	<b>\$ 1,485,443</b>	<b>\$ 8,008</b>	<b>\$ 140,210</b>	<b>\$ 3,599,302</b>

During the three and nine months ended September 30, 2015, the Company capitalized \$24.2 million (2014 - \$nil) and \$69.9 million (2014 - \$nil) respectively of deferred stripping costs to mineral properties.

Included in the mineral properties balance as at September 30, 2015 is \$176.2 million (2014 - \$nil) which is not currently depreciable.

During the current quarter, the Company capitalized \$2.4 million borrowing costs relating to the construction of a tailings management facility at Candelaria. During the three and nine months ended September 30, 2014, the Company capitalized \$2.6 million and \$6.7 million of borrowing costs related to the Eagle Project.

Depreciation, depletion and amortization is comprised of:

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Operating costs	\$ 123,253	\$ 36,481	\$ 432,997	\$ 110,942
General and administrative expenses	85	94	267	274
Depreciation, depletion and amortization	\$ 123,338	\$ 36,575	\$ 433,264	\$ 111,216



## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2015 and 2014

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

### 9. INVESTMENT IN ASSOCIATES

	Tenke Fungurume	Freeport Cobalt	Total
As at December 31, 2013	\$ 1,959,012	\$ 104,834	\$ 2,063,846
Distributions	(73,168)	(8,271)	(81,439)
Share of equity income (loss)	69,779	(709)	69,070
As at September 30, 2014	1,955,623	95,854	2,051,477
Distributions	(12,660)	(344)	(13,004)
Share of equity income	18,237	2,489	20,726
As at December 31, 2014	1,961,200	97,999	2,059,199
Distributions	(16,560)	(4,068)	(20,628)
Share of equity income	26,829	560	27,389
<b>As at September 30, 2015</b>	<b>\$ 1,971,469</b>	<b>\$ 94,491</b>	<b>\$ 2,065,960</b>

The following is a summary of the consolidated financial information of TF Holdings Limited on a 100% basis:

	September 30, 2015	December 31, 2014
Total current assets	\$ 797,256	\$ 838,382
Total non-current assets	\$ 4,230,416	\$ 3,958,752
Total current liabilities	\$ 131,568	\$ 198,039
Total non-current liabilities	\$ 485,047	\$ 497,475

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Total sales	\$ 333,994	\$ 435,954	\$ 1,109,998	\$ 1,194,821
Total earnings	\$ 65,893	\$ 110,049	\$ 180,937	\$ 298,136

### 10. 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.

During the three and nine months ended September 30, 2015, the Company received investment tax credits of \$nil and \$10.2 million, respectively, related to Neves-Corvo.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2015 and 2014

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

### 11. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	September 30, 2015	December 31, 2014
Trade payables	\$ 108,045	\$ 137,352
Unbilled goods and services	96,720	81,511
Payroll obligations	42,448	46,763
Royalty payable	11,720	8,587
	<b>\$ 258,933</b>	<b>\$ 274,213</b>

### 12. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2013	\$ 61,012
Recognition of revenue	(1,242)
Effects of foreign exchange	78
As at September 30, 2014	59,848
Stream agreement proceeds, net	632,064
Recognition of revenue	(15,643)
Effects of foreign exchange	(8,927)
As at December 31, 2014	667,342
Recognition of revenue	(46,475)
Stream agreement proceeds	7,500
Effects of foreign exchange	(6,602)
	621,765
Less: current portion	61,589
<b>As at September 30, 2015</b>	<b>\$ 560,176</b>

Pursuant to the stream agreement with Franco-Nevada, the Company received an additional \$7.5 million payment during the quarter due to an increase in reserves following resolution of post-closing items.

### 13. DILUTED WEIGHTED AVERAGE NUMBER OF SHARES

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 nil shares for the three months ended September 30, 2015 (2014 - 2,806,709 shares) and 1,638,893 shares for the nine months ended September 30, 2015 (2014 - 2,029,160 shares). The incremental shares relate to in-the-money outstanding stock options and outstanding restricted share units. Stock options and restricted share units were not included in the computation of diluted loss per common share for the three months ended September 30, 2015 as their inclusion would be anti-dilutive.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2015 and 2014

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

### 14. OPERATING COSTS

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
Direct mine and mill costs	\$ 229,264	\$ 109,654	\$ 674,075	\$ 304,112
Transportation	20,974	6,217	67,985	19,427
Royalties	2,031	1,773	12,424	5,265
	252,269	117,644	754,484	328,804
Depreciation, depletion and amortization (Note 8)	123,253	36,481	432,997	110,942
Total operating costs	\$ 375,522	\$ 154,125	\$ 1,187,481	\$ 439,746

### 15. EMPLOYEE BENEFITS

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
Operating costs				
Wages and benefits	\$ 45,538	\$ 29,480	\$ 153,328	\$ 93,995
Pension benefits	340	408	1,053	1,254
Share-based compensation	96	605	1,985	1,997
	45,974	30,493	156,366	97,246
General and administrative expenses				
Wages and benefits	3,351	2,742	9,327	8,421
Pension benefits	123	125	478	387
Share-based compensation	1,098	1,131	3,087	3,400
	4,572	3,998	12,892	12,208
General exploration and business development				
Wages and benefits	1,997	1,514	7,202	5,244
Pension benefits	11	13	33	37
Share-based compensation	42	37	142	113
	2,050	1,564	7,377	5,394
Total employee benefits	\$ 52,596	\$ 36,055	\$ 176,635	\$ 114,848

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2015 and 2014

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

### 16. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

The Company's general exploration and business development are comprised of the following:

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
General exploration	\$ 13,445	\$ 7,457	\$ 36,302	\$ 23,189
Project and corporate development	3,190	4,473	6,839	14,572
	\$ 16,635	\$ 11,930	\$ 43,141	\$ 37,761

### 17. FINANCE INCOME AND COSTS

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

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Interest income	\$ 73	\$ 289	\$ 395	\$ 998
Interest expense and bank fees	(18,628)	(1,078)	(61,820)	(3,422)
Accretion expense on reclamation provisions	(1,211)	(581)	(3,626)	(1,782)
Unrealized (loss) gain on revaluation of marketable securities	(682)	4,783	(2,123)	1,397
Realized loss on sale of marketable securities	-	(4,925)	-	(4,925)
Unrealized loss on revaluation of currency options	(372)	-	(372)	-
Other	(507)	508	523	1,124
<b>Total finance costs, net</b>	<b>\$ (21,327)</b>	<b>\$ (1,004)</b>	<b>\$ (67,023)</b>	<b>\$ (6,610)</b>
Finance income	\$ 73	\$ 5,580	\$ 918	\$ 3,519
Finance costs	(21,400)	(6,584)	(67,941)	(10,129)
<b>Total finance costs, net</b>	<b>\$ (21,327)</b>	<b>\$ (1,004)</b>	<b>\$ (67,023)</b>	<b>\$ (6,610)</b>

During the three and nine months ended September 30, 2015, the Company accrued \$20.2 million (2014 - \$nil) and \$60.0 million (2014 - \$nil) in interest expense on the \$1.0 billion senior secured notes.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2015 and 2014

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

### 18. OTHER INCOME AND EXPENSES

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
Foreign exchange gain (loss)	\$ 5,680	\$ 10,411	\$ 16,450	\$ 10,053
Other income	627	649	4,475	1,915
Other expenses	(11,929)	(5,432)	(15,497)	(8,693)
<b>Total other (expenses) income, net</b>	<b>\$ (5,622)</b>	<b>\$ 5,628</b>	<b>\$ 5,428</b>	<b>\$ 3,275</b>

  

Other income	\$ 6,307	\$ 11,068	\$ 20,925	\$ 11,968
Other expenses	(11,929)	(5,440)	(15,497)	(8,693)
<b>Total other (expenses) income, net</b>	<b>\$ (5,622)</b>	<b>\$ 5,628</b>	<b>\$ 5,428</b>	<b>\$ 3,275</b>

Other income and other expenses include ancillary activities of the Company.

Other expenses includes a payment of \$7.0 million made during the quarter by Candelaria to the Municipality of Tierra Amarilla, Chile, as the initial payment pursuant to terms in the Settlement and Community Development Agreements for funding sustainable social programs.

### 19. COMMITMENTS

The Company has the following capital commitments as at September 30, 2015:

2015	\$ 19,770
2016	13,436
<b>Total</b>	<b>\$ 33,206</b>

Pursuant to the terms of recently signed Settlement and Community Development Agreements with the municipality of Tierra Amarilla, Chile, Candelaria mine has committed to a multi-year community investment program totalling \$23.6 million to support flood reconstruction, regional environmental reclamation initiatives, community infrastructure and social programs. During the three months ended September 30, 2015, a payment of \$7.0 million was made pursuant to these agreements.

### 20. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Chile, USA, Portugal, Sweden, Spain and the DRC. 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 is responsible for allocating resources and assessing performance of the operating segments.

# LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2015 and 2014

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

## For the three months ended September 30, 2015

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Aguablanca	Tenke	Other	Total
	Chile	USA	Portugal	Sweden	Spain	Fungurume DRC		
Sales	\$ 191,964	\$ 59,981	\$ 56,268	\$ 35,883	\$ 9,055	\$ -	\$ -	\$ 353,151
Operating costs	(125,227)	(41,492)	(49,277)	(22,458)	(13,532)	-	(283)	(252,269)
General and administrative expenses	-	-	-	-	-	-	(6,735)	(6,735)
Operating earnings (loss) *	66,737	18,489	6,991	13,425	(4,477)	-	(7,018)	94,147
Depreciation, depletion and amortization	(58,621)	(33,102)	(21,763)	(6,419)	(2,837)	-	(596)	(123,338)
General exploration and business development	(8,055)	(3,093)	(2,454)	(508)	-	-	(2,525)	(16,635)
Income from equity investment in associates	-	-	-	-	-	6,550	139	6,689
Finance income and costs, net	(487)	(237)	(898)	812	(403)	-	(20,114)	(21,327)
Other income and expenses, net	(228)	36	586	1,215	(393)	-	(6,838)	(5,622)
Income tax recovery (expense)	5,400	13,960	7,830	(1,807)	(58)	-	5,478	30,803
Net earnings (loss)	\$ 4,746	\$ (3,947)	\$ (9,708)	\$ 6,718	\$ (8,168)	\$ 6,550	\$ (31,474)	\$ (35,283)
Capital expenditures	\$ 48,860	\$ 4,670	\$ 10,833	\$ 5,332	\$ 3,184	\$ -	\$ 140	\$ 73,019

## For the nine months ended September 30, 2015

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Aguablanca	Tenke	Other	Total
	Chile	USA	Portugal	Sweden	Spain	Fungurume DRC		
Sales	\$ 740,678	\$ 233,404	\$ 236,564	\$ 115,048	\$ 60,264	\$ -	\$ -	\$ 1,385,958
Operating costs	(368,913)	(118,485)	(164,809)	(61,875)	(38,339)	-	(2,063)	(754,484)
General and administrative expenses	-	-	-	-	-	-	(20,356)	(20,356)
Operating earnings (loss) *	371,765	114,919	71,755	53,173	21,925	-	(22,419)	611,118
Depreciation, depletion and amortization	(224,422)	(105,823)	(68,874)	(18,143)	(14,140)	-	(1,862)	(433,264)
General exploration and business development	(19,262)	(7,504)	(5,335)	(1,080)	-	-	(9,960)	(43,141)
Income from equity investment in associates	-	-	-	-	-	26,829	560	27,389
Finance income and costs, net	(1,510)	(636)	(728)	(292)	(310)	-	(63,547)	(67,023)
Other income and expenses, net	2,806	53	6,619	2,440	1,524	-	(8,014)	5,428
Income tax (expense) recovery	(16,487)	12,449	13,153	(7,620)	(9,545)	-	9,303	1,253
Net earnings (loss)	\$ 112,890	\$ 13,458	\$ 16,590	\$ 28,478	\$ (546)	\$ 26,829	\$ (95,939)	\$ 101,760
Capital expenditures	\$ 129,967	\$ 19,469	\$ 33,042	\$ 18,602	\$ 14,035	\$ -	\$ 582	\$ 215,697

\* Operating earnings (loss) is a non-GAAP measure

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2015 and 2014

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

### For the three months ended September 30, 2014

	Neves-Corvo		Zinkgruvan		Aguablanca		Eagle		Tenke		Other	Total
	Portugal	Sweden	Spain	USA	DRC							
Sales	\$ 94,875	\$ 48,233	\$ 23,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 166,617
Operating costs	(70,348)	(25,372)	(21,245)	-	-	-	-	-	-	(679)	-	(117,644)
General and administrative expenses	-	-	-	-	-	-	-	-	-	(6,042)	-	(6,042)
Operating earnings (loss) *	24,527	22,861	2,264	-	-	-	-	-	-	(6,721)	-	42,931
Depreciation, depletion and amortization	(25,271)	(7,208)	(2,834)	(1,152)	-	-	-	-	-	(110)	-	(36,575)
General exploration and business development	(627)	(1,381)	-	(5,684)	-	-	-	-	-	(4,238)	-	(11,930)
Income from equity investment in associates	-	-	-	-	-	25,939	-	-	-	587	-	26,526
Finance income and costs, net	9	68	(13)	-	-	-	-	-	-	(1,068)	-	(1,004)
Other income and expenses, net	7,967	873	2,617	-	-	-	-	-	-	(5,829)	-	5,628
Income tax recovery (expense)	207	(3,244)	(4,168)	5,519	-	-	-	-	-	9,812	-	8,126
Net earnings (loss)	\$ 6,812	\$ 11,969	\$ (2,134)	\$ (1,317)	\$ 25,939	\$ (7,567)	\$ 33,702					
Capital expenditures	\$ 19,307	\$ 7,046	\$ 4,240	\$ 98,026	\$ -	\$ 100	\$ 128,719					

### For the nine months ended September 30, 2014

	Neves-Corvo		Zinkgruvan		Aguablanca		Eagle		Tenke		Other	Total
	Portugal	Sweden	Spain	USA	DRC							
Sales	\$ 268,508	\$ 146,455	\$ 92,056	\$ -	\$ -	\$ 1,264	\$ 508,283					
Operating costs	(184,967)	(79,756)	(61,665)	-	-	(2,416)	(328,804)					
General and administrative expenses	-	-	-	-	-	(19,201)	(19,201)					
Operating earnings (loss) *	83,541	66,699	30,391	-	-	(20,353)	160,278					
Depreciation, depletion and amortization	(78,793)	(22,097)	(6,854)	(3,151)	-	(321)	(111,216)					
General exploration and business development	(4,902)	(5,784)	-	(14,325)	-	(12,750)	(37,761)					
Income (loss) from equity investment in associates	-	-	-	-	69,779	(709)	69,070					
Finance income and costs, net	(338)	304	(131)	-	-	(6,445)	(6,610)					
Other income and expenses, net	9,349	2,070	2,791	(35)	-	(10,900)	3,275					
Income tax (expense) recovery	5,973	(8,704)	(10,708)	11,161	-	12,009	9,731					
Net earnings (loss)	\$ 14,830	\$ 32,488	\$ 15,489	\$ (6,350)	\$ 69,779	\$ (39,469)	\$ 86,767					
Capital expenditures	\$ 55,741	\$ 19,929	\$ 10,837	\$ 233,650	\$ -	\$ 302	\$ 320,459					

\* Operating earnings (loss) is a non-GAAP measure

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

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Copper	\$ 231,974	\$ 79,914	\$ 917,854	\$ 228,994
Nickel	38,921	18,024	180,336	70,337
Zinc	32,460	53,673	119,372	141,538
Gold	24,860	(350)	84,537	171
Lead	11,812	11,014	33,313	47,581
Silver	8,723	3,028	29,266	11,005
Other	4,401	1,314	21,280	8,657
	\$ 353,151	\$ 166,617	\$ 1,385,958	\$ 508,283

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

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Europe	\$ 189,890	141,718	\$ 635,659	\$ 414,301
Asia	122,554	24,899	541,210	96,762
North America	27,626	-	141,594	-
South America	13,081	-	67,495	(2,780)
	\$ 353,151	\$ 166,617	\$ 1,385,958	\$ 508,283

## 21. 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 9).
- 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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Wages and salaries	\$ 1,390	\$ 1,530	\$ 4,428	\$ 4,613
Pension benefits	30	33	92	101
Share-based compensation	511	609	1,686	1,993
	\$ 1,931	\$ 2,172	\$ 6,206	\$ 6,707

- c) **Other related parties** - For the three and nine months ended September 30, 2015, the Company paid \$0.1 million and \$0.4 million (Q3 2014 - \$0.2 million; year-to-date 2014 - \$0.6 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

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

### 22. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at September 30, 2015 and December 31, 2014:

	Level	September 30, 2015		December 31, 2014	
		Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>					
Cash and cash equivalents	1	\$ 549,673	549,673	174,792	174,792
Restricted funds	1	43,744	43,744	57,007	57,007
Trade receivables	2	196,857	\$ 196,857	\$ 322,130	\$ 322,130
Marketable securities - shares	1	3,228	3,228	5,483	5,483
Currency options	2	4,639	4,639	-	-
		\$ 798,141	\$ 798,141	\$ 559,412	\$ 559,412
Available for sale					
Marketable securities - shares	1	\$ 138	\$ 138	\$ 698	\$ 698
		\$ 138	\$ 138	\$ 698	\$ 698
<b>Financial liabilities</b>					
Amortized cost					
Long-term debt and finance leases	1,2	\$ 984,148	\$ 975,434	\$ 982,820	\$ 1,003,985
Other long-term liabilities	2	10,174	10,174	10,001	10,001
		\$ 994,322	\$ 985,608	\$ 992,821	\$ 1,013,986

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 \$66.7 million in sales during the three months ended September 30, 2015 (2014 - \$36.4 million negative price adjustment) and negative pricing adjustments of \$134.6 million in sales during the nine months ended September 30, 2015 (2014 - \$45.0 million negative 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

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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.

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

Finance leases and other long-term liabilities – 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.

### 23. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Changes in non-cash working capital items consist of:				
Trade receivable, inventories and other current assets	\$ 72,719	\$ 20,789	\$ 156,855	\$ (7,874)
Trade payable and other current liabilities	(11,199)	(9,899)	(16,532)	(4,560)
	<b>\$ 61,520</b>	<b>\$ 10,890</b>	<b>\$ 140,323</b>	<b>\$ (12,434)</b>
Operating activities included the following cash payments:				
Income taxes paid	\$ 26,845	\$ (6,762)	\$ 66,921	\$ (4,797)

The Company reclassified its interest paid from operating activities to financing activities to better reflect the nature of the expense. Comparative periods have been reclassified for conformity.

### 24. SUBSEQUENT EVENT

During the quarter, the Company was formally notified that Spanish environmental authorities would require a full environmental evaluation of the transition from open pit to underground mining for the Aguablanca mine. The Company responded by submitting Environmental Impact Assessment documentation and the authorities required the suspension of underground production activities pending the receipt of approval to proceed. Since that time, the processing plant has been running exclusively on stockpiled material. Subsequent to the end of the quarter, the ore stockpile has been exhausted. As of October 28, 2015, the Company has not received the needed environmental approvals to recommence underground mining and as a result all mining and milling operations have been suspended pending further notice.