

lundin mining

Management's Discussion and Analysis For the three and six months ended June 30, 2018

This management's discussion and analysis ("MD&A") has been prepared as of July 25, 2018 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2018. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of \$ or USD is to United States dollars, C\$ is to Canadian dollars, CLP is to Chilean pesos, SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

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

Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained or incorporated by reference herein is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts in this document constitute forward-looking information based on current expectations, estimates, forecasts and projections as well as beliefs and assumptions made by the Company's management. Such forward-looking statements include but are not limited to those regarding the Company's outlook and guidance on estimated metal production (or production profile), costs and capital expenditures; exploration; the Zinc Expansion Project (or ZEP) at Neves-Corvo, Eagle East and the Los Diques Tailings Storage Facility (TSF) at Candelaria; mine life and plans, and life-of-mine and life-of-mine plans; anticipated timing and mechanics for commencement of the offer for the common shares of Nevsun Resources Ltd., and Mineral Reserve and Mineral Resource estimates. Words such as "aim", "anticipate", "assumption", "believe", "estimate", "expected", "exploration", "exposure", "focus", "forecast", "future", "growth", "guidance", "intends", "opportunities", "outlook", "path", "phase", "plan", "possible", "potential", "program", "progress", "project", "risk", "sensitivity", "schedule", "stage", "strategic", "target" or "trend", or variations of or similar such terms, or statements that certain actions, events or results could, may, might or will be taken or occur or be achieved, identify forward-looking information. Although the Company believes that the expectations reflected in the forward-looking information herein are reasonable, these statements by their nature involve risks and uncertainties and are not guarantees of future performance. These estimates, expectations and other forward-looking statements are based on a number of assumptions and are subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties inherent in and/or relating to: estimates of future production and operations, cash and all-in sustaining costs; metal and commodity price fluctuations; foreign currency fluctuations; mining operations including but not limited to environmental hazards, industrial accidents, ground control problems and flooding; geology including, but not limited to, unusual or unexpected geological formations and events (including but not limited to rock slides and falls of ground), estimation and modelling of grade, tonnes, metallurgy continuity of mineral deposits, dilution, and Mineral Resources and Mineral Reserves, and actual ore mined and/or metal recoveries varying from such estimates; mine life and life-of-mine plans and estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; the potential for and effects of labour actions, disputes or shortages (including but not limited to at Neves-Corvo), community or other civil protests or demonstrations or other unanticipated difficulties with or interruptions to operations; potential for unexpected costs and expenses including, without limitation, for mine closure and reclamation at current and historical operations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain and maintain necessary governmental approvals and/or permits; regulatory investigations, enforcement, sanctions and/or related or other litigation; unanticipated delays with respect to the commencement of the offer for Nevsun Resources Ltd.; competitive responses to the announcement of the offer; actions that may be taken by Nevsun Resources Ltd. or by its security holders in respect of the offer; and other risks and uncertainties, including but not limited to those described in the "Managing Risks" section of this Management's Discussion and Analysis, and the "Risks and Uncertainties" section of the Company's most recently filed Annual Information Form. In addition, in relation to the Company's proposed offer to acquire all of the issued outstanding shares of Nevsun Resources, there can be no assurance that the offer, once made, will be successful or that, if successful, that the combination of the operations of the Company and Nevsun Resources Ltd. will achieve the anticipated benefits. Also, in addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management; assumed prices of copper, zinc, nickel and other metals; that the Company can access financing, appropriate equipment and sufficient labour; and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, there can be no assurance that forward-looking information will prove to be accurate, and readers should not place undue reliance on forward-looking statements. The Company disclaims any intention or obligation to update or revise forward-looking statements or to explain any material difference between such and subsequent actual events, except as required by applicable law.

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Highlights

Operational Performance

Production and cash costs¹ across all operations and for all metals are on target to achieve or better the Company's annual guidance. Planned lower throughput and grades at Candelaria led to lower copper production in the quarter compared to the second quarter of 2017. Neves-Corvo performed very well in the quarter with excellent grades and throughput, and significant progress was made on projects at Candelaria, Eagle and Neves-Corvo.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 34,397 tonnes of copper, and approximately 20,000 ounces of gold and 295,000 ounces of silver in concentrate during the quarter. Copper production in the quarter was lower than the prior year comparable period due to planned mining and processing of lower grade materials and lower mill throughput. Copper cash costs of \$1.71/lb for the quarter were in line with full year guidance (\$1.70/lb), but higher than the prior year quarter. Lower metal production and unfavourable foreign exchange, combined with higher diesel, maintenance and labour costs all contributed to the higher per unit production costs experienced in the current quarter.

The Candelaria Mill Optimization Project progressed according to plan during the quarter with construction now underway. Ramp-up of the Candelaria Underground North Sector achieved excellent results to-date, mining approximately 9,000 tonnes per day on average throughout the second quarter.

Eagle (100% owned): Eagle produced 4,234 tonnes of nickel and 4,115 tonnes of copper during the quarter, on track to achieve full year guidance. Quantities were lower than the prior year as a result of planned mine sequencing. Nickel cash costs of \$1.09/lb for the quarter were in line with full year guidance and modestly higher than the prior year comparable period.

Development of the Eagle East access ramp continues ahead of schedule, with the stretch of dual decline completed during the quarter. Underground definition drilling commenced in Eagle East.

Neves-Corvo (100% owned): Neves-Corvo produced 11,899 tonnes of copper and 20,230 tonnes of zinc for the quarter, with production of all metals exceeding the prior year comparable period. Higher copper production resulted from higher head grades, improved mine productivity and higher mill throughput driven by improvements in mine plan execution. A new monthly production record of 7,574 tonnes of zinc in concentrate was achieved in June. There is a positive production trend year-to-date for all metals and accordingly, full year guidance targets for copper and zinc production have been revised upwards. Copper cash costs of \$0.96/lb for the quarter were lower than the prior year comparable period, positively impacted by lower per unit mine, mill, and administration costs associated with higher sales volumes. Given the higher production forecast, full year cash cost guidance has been revised downward to \$1.20/lb (from \$1.30/lb).

The Zinc Expansion Project ("ZEP") advanced on track to commence production ramp-up prior to the end of 2019, as originally guided. Capital costs are now expected to be €270 million, approximately 5% higher than the original project estimate.

Zinkgruvan (100% owned): Zinc production of 16,845 tonnes and lead production of 3,914 tonnes were lower than the prior year quarter driven by lower head grades as a result of mine sequencing and higher than planned dilution and ore loss. The top of the range for full year zinc production guidance was moderately reduced but the Company remains on track to meet guidance within the original range. Zinc cash costs of \$0.41/lb for the quarter were better than full year guidance, but higher than the prior year comparable quarter due primarily to higher per unit mine, mill and administration costs stemming from lower sales volumes.

¹ Cash cost per pound is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

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

<i>(Contained metal in concentrate - tonnes)</i>	2018			2017				
	YTD	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper	85,405	44,218	41,187	202,989	45,655	52,882	56,448	48,004
Zinc	73,955	37,075	36,880	149,319	37,332	38,520	36,216	37,251
Nickel	9,375	4,234	5,141	22,081	4,299	5,618	5,822	6,342

Financial Performance

- Revenue for the quarter ended June 30, 2018 was \$467.7 million, an increase of \$13.0 million in comparison to the second quarter of the prior year (\$454.7 million). The increase was mainly due to higher realized metal prices, net of price adjustments (\$84.0 million) and lower treatment and refining charges (\$8.4 million), partially offset by lower sales volumes (\$85.6 million).

On a year-to-date basis, revenue was \$938.1 million, in line with the \$942.5 million for the six months ended June 30, 2017. Higher realized metal prices, net of price adjustments (\$128.0 million) and lower treatment and refining charges (\$22.9 million) were offset by lower sales volumes (\$164.6 million).

- Cost of goods sold for the quarter ended June 30, 2018 was \$312.6 million, in line with the second quarter of the prior year (\$311.4 million). Higher per unit production costs (\$60.9 million) were offset by lower sales volumes (\$57.2 million).

On a year-to-date basis, cost of goods sold was \$633.2 million, in line with the six months ended June 30, 2017 (\$635.2 million). Higher per unit production costs (\$105.7 million) were offset by lower sales volumes (\$103.3 million).

- Gross profit for the quarter ended June 30, 2018 was \$155.1 million, an increase of \$11.8 million in comparison to the second quarter of the prior year (\$143.3 million). The increase was primarily due to higher realized metal prices, net of price adjustments (\$84.0 million) and lower depreciation rates (\$12.9 million), partially offset by higher per unit production costs (\$60.9 million) and lower sales volumes (\$28.3 million).

On a year-to-date basis, gross profit was \$305.0 million, in line with the six months ended June 30, 2017 (\$307.3 million). Higher realized metal prices, net of price adjustments (\$128.0 million) and lower depreciation rates (\$31.2 million) were offset by higher per unit production costs (\$105.7 million) and lower sales volumes (\$61.3 million).

- Net earnings for the quarter ended June 30, 2018 were \$87.5 million, in line with the \$85.0 million reported for the three months ended June 30, 2017:
 - lower interest expense resulting from the early redemption of the 7.50% Senior Secured Notes due 2020 on November 20, 2017 (\$13.1 million);
 - a foreign exchange gain of \$8.0 million in the current quarter (Q2 2017 – loss of \$5.1 million); and
 - higher gross profit (\$11.8 million); were offset by
 - lower earnings from discontinued operations (\$21.0 million); and
 - higher net tax expense (\$15.1 million).

On a year-to-date basis, the Company reported net earnings of \$174.6 million, a decrease of \$16.9 million in comparison to the six months ended June 30, 2017 (\$191.5 million). Comparative earnings in the current year were lower due to:

- lower earnings from discontinued operations (\$55.1 million); partially offset by
- a foreign exchange gain of \$6.0 million in the current year (YTD 2017 – loss of \$12.8 million); and
- lower interest expense resulting from the early redemption of the 7.50% Senior Secured Notes due 2020 on November 20, 2017 (\$25.2 million).

- Cash flow from operations for the quarter ended June 30, 2018 was \$118.3 million, a decrease of \$60.9 million in comparison to the second quarter of the prior year (\$179.2 million). The decrease was primarily due to higher production costs (\$34.2 million) and a comparative change in non-cash working capital (\$16.3 million).

On a year-to-date basis, cash flow from operations was \$291.2 million, a decrease of \$132.7 million in comparison to the six months ended June 30, 2017 (\$423.9 million). The decrease was attributable to a comparative change in non-cash working capital (\$86.1 million) and higher production costs (\$59.9 million).

Corporate Highlights

- The Company issued a tender on April 26, 2018 to purchase (the “Offer”) any and all of its \$450.0 million aggregate principal amount of 7.875% Senior Secured Notes due 2022 (the “Notes”). As of the expiration time of the Offer, \$10.8 million principal amount of the Notes had been validly tendered and accepted for purchase.
- On July 16, 2018, the Company announced that it intends to make an offer to acquire all of the issued and outstanding common shares of Nevsun Resources Ltd. for cash consideration of C\$4.75 per share. The Company intends to commence a formal take-over bid in accordance with applicable Canadian securities laws on or about July 26, 2018. Refer to the news release entitled “Lundin Mining Announces Intention to Make All Cash Offer to Acquire Nevsun Resources Ltd.” on the Company’s website (www.lundinmining.com).

Financial Position and Financing

- Cash and cash equivalents decreased \$126.6 million during the quarter from \$1,639.1 million at March 31, 2018 to \$1,512.5 million at June 30, 2018. The decrease is primarily a reflection of investments in mineral properties, plant and equipment of \$193.2 million and shareholder dividends of \$33.6 million, partially offset by cash generated from operating activities of \$118.3 million.

For the six months ended June 30, 2018, cash decreased by \$54.5 million due primarily to investments in mineral properties, plant and equipment of \$343.9 million and shareholder dividends of \$33.6 million, partially offset by cash generated from operating activities of \$291.2 million and proceeds from the sale of marketable securities of \$35.4 million.

- Net cash¹ position at June 30, 2018 was \$1,063.5 million compared to \$1,183.2 million at March 31, 2018 and \$1,110.5 million at December 31, 2017.
- The Company has a revolving credit facility available for borrowing up to \$350 million. As at June 30, 2018, the Company had no amount drawn on the credit facility, only letters of credit in the amount of \$25.0 million.
- As at July 25, 2018, cash and net cash were approximately \$1.5 billion and \$1.1 billion, respectively.

¹ Net cash is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

Outlook

2018 Production and Cost Guidance

Production and cash cost guidance for 2018 has been revised from that disclosed in our Management's Discussion and Analysis for the three months ended March 31, 2018 to reflect improvements in mine productivity and mill throughput at Neves-Corvo, and to reflect a tighter zinc production range for Zinkgruvan based on results to date.

2018 Guidance (contained tonnes)		Previous Guidance ^a		Revised Guidance ^b	
		Tonnes	C1 Cost	Tonnes	C1 Cost
Copper	Candelaria (80%)	104,000 - 109,000	\$1.70/lb	104,000 - 109,000	\$1.70/lb
	Eagle	15,000 - 18,000		15,000 - 18,000	
	Neves-Corvo	39,000 - 44,000	\$1.30/lb	42,000 - 45,000	\$1.20/lb
	Zinkgruvan	1,000 - 2,000		1,000 - 2,000	
	Total attributable	159,000 - 173,000		162,000 - 174,000	
Zinc	Neves-Corvo	68,000 - 73,000		72,000 - 75,000	
	Zinkgruvan	76,000 - 81,000	\$0.45/lb	76,000 - 79,000	\$0.45/lb
	Total	144,000 - 154,000		148,000 - 154,000	
Nickel	Eagle	14,000 - 17,000	\$1.10/lb	14,000 - 17,000	\$1.10/lb

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2018.

b. Cash costs are dependent upon exchange rates (forecast at €/USD:1.25, USD/SEK:8.50, USD/CLP:600) and metal prices (forecast at Cu: \$3.00/lb, Ni: \$6.00/lb, Zn: \$1.40/lb, Pb: \$1.00/lb, Au: \$1,300/oz, Ag: \$16.50/oz).

2018 Capital Expenditure and Exploration Guidance

Total capital expenditures, excluding capitalized interest, are forecast to be \$795 million, \$55 million lower than previously disclosed. Candelaria's capitalized stripping program has been increased by \$15 million, largely driven by higher fuel cost and the negative impact of foreign exchange, with changes in estimated equipment deliveries and the timing of other sustaining expenditures. A comprehensive project cost review of ZEP has confirmed lower spending requirements in 2018, as costs are deferred to later in the project.

Revised Capital Expenditure Guidance

(\$ millions)	Previous Guidance ^a	Revisions	Revised Guidance
Candelaria (100% basis)			
Capitalized Stripping	200	15	215
Los Diques TSF	60	-	60
New Mine Fleet Investment	75	45	120
Candelaria Mill Optimization Project	50	(20)	30
Candelaria Underground Development	20	(5)	15
Other Sustaining	105	(25)	80
Candelaria Sustaining	510	10	520
Eagle Sustaining	20	-	20
Neves-Corvo Sustaining	60	(5)	55
Zinkgruvan Sustaining	40	-	40
Total Sustaining Capital	630	5	635
Eagle East	30	-	30
ZEP (Neves-Corvo)	190	(60)	130
Total Expansionary Capital	220	(60)	160
Total Capital Expenditures	850	(55)	795

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2018.

2018 Exploration Investment Guidance

Exploration expenditures are expected to remain unchanged at \$83 million in 2018.

Selected Quarterly Financial Information¹

(\$ millions, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue	467.7	454.7	938.1	942.5
Cost of goods sold:				
Production costs	(243.7)	(209.5)	(483.4)	(423.6)
Depreciation, depletion and amortization	(68.9)	(101.9)	(149.7)	(211.6)
Gross profit	155.1	143.3	305.0	307.3
General and administrative expenses	(11.6)	(9.0)	(24.0)	(18.2)
General exploration and business development	(21.0)	(20.6)	(40.9)	(35.8)
Finance income and costs, net	(9.9)	(17.5)	(20.0)	(29.3)
Other income and expenses, net	19.7	(2.5)	24.8	(13.8)
Earnings before income taxes	132.3	93.7	244.9	210.2
Income tax expense	(44.8)	(29.7)	(70.3)	(73.8)
Net earnings from continuing operations	87.5	64.0	174.6	136.4
Earnings / (loss) from discontinued operations	-	21.0	-	55.1
Net earnings	87.5	85.0	174.6	191.5
Attributable to: Lundin Mining shareholders, continuing	78.8	49.0	160.1	106.6
Lundin Mining shareholders, discontinued	-	21.0	-	55.1
Non-controlling interests	8.7	15.0	14.5	29.8
Net earnings	87.5	85.0	174.6	191.5
Cash flow from operations	118.3	179.2	291.2	423.9
Capital expenditures (including capitalized interest)²	193.2	84.5	343.9	163.6
Total assets	6,265.5	6,361.9	6,265.5	6,361.9
Total long-term debt & finance leases	439.9	988.3	439.9	988.3
Net cash	1,063.5	1,045.1	1,063.5	1,045.1
Shareholders' equity	4,190.6	3,823.4	4,190.6	3,823.4
Key Financial Data:				
Basic and diluted earnings per share attributable to shareholders				
- continuing operations (EPS - Continuing)	0.11	0.07	0.22	0.15
- net earnings (EPS - Total)	0.11	0.10	0.22	0.22
Operating cash flow per share ³	0.16	0.22	0.39	0.46
Dividends declared (C\$/share)	0.03	0.03	0.06	0.06
Shares outstanding:				
Basic weighted average	731,481,815	726,735,122	730,545,931	726,461,100
Diluted weighted average	733,604,974	729,165,379	732,910,237	728,969,971
End of period	731,981,079	726,796,597	731,981,079	726,796,597

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

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

3. Operating cash flow per share is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

Summary of Quarterly Results^{1,2}

(\$ millions, except per share data)	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16
Revenue	467.7	470.5	533.3	601.7	454.7	487.8	459.2	374.5
Cost goods of sold	(312.6)	(320.6)	(280.7)	(341.2)	(311.4)	(323.8)	(318.8)	(337.9)
Gross profit	155.1	149.9	252.6	260.5	143.3	164.0	140.4	36.6
Impairment reversals	-	-	-	-	-	-	95.9	-
Net earnings (loss)	87.5	87.1	154.0	156.6	85.0	106.4	180.2	(7.1)
- attributable to shareholders, continuing	78.8	81.3	133.0	131.8	49.0	57.6	148.7	(18.9)
- attributable to shareholders, discontinued	-	-	-	-	21.0	34.0	14.2	7.5
- attributable to shareholders, total	78.8	81.3	133.0	131.8	70.0	91.6	162.9	(11.4)
EPS Continuing - Basic and diluted	0.11	0.11	0.18	0.18	0.07	0.08	0.21	(0.03)
EPS Total - Basic and diluted	0.11	0.11	0.18	0.18	0.10	0.13	0.23	(0.02)
Cash flow from operations	118.3	172.9	230.1	249.5	179.2	244.7	107.9	59.3
Capital expenditures (cash basis)	193.2	150.7	197.9	117.3	84.5	79.1	59.8	41.4

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

2. 2018 quarterly results have been prepared in accordance with IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers. Comparative information for the previous six quarters has not been restated and is accounted for under IAS 39, Financial Instruments: Recognition and Measurement and IAS 18, Revenue.

Revenue Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)	2018			2017				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)								
Candelaria (100%)	67,329	34,542	32,787	179,259	38,292	53,062	45,222	42,683
Eagle	7,815	3,295	4,520	20,127	3,640	4,985	5,253	6,249
Neves-Corvo	20,504	11,371	9,133	30,399	6,063	7,511	8,058	8,767
Zinkgruvan	872	872	-	968	48	920	-	-
	96,520	50,080	46,440	230,753	48,043	66,478	58,533	57,699
Zinc (tonnes)								
Neves-Corvo	29,224	15,746	13,478	58,434	13,730	16,355	13,654	14,695
Zinkgruvan	30,159	13,565	16,594	66,621	17,832	16,594	15,306	16,889
	59,383	29,311	30,072	125,055	31,562	32,949	28,960	31,584
Nickel (tonnes)								
Eagle	7,822	2,755	5,067	18,960	3,282	4,787	5,554	5,337
	7,822	2,755	5,067	18,960	3,282	4,787	5,554	5,337
Gold (000 oz)								
Candelaria (100%)	37	19	18	100	21	28	26	25
	37	19	18	100	21	28	26	25
Lead (tonnes)								
Neves-Corvo	2,914	1,732	1,182	4,620	1,432	1,000	1,013	1,175
Zinkgruvan	8,123	3,036	5,087	26,887	8,707	4,989	7,319	5,872
	11,037	4,768	6,269	31,507	10,139	5,989	8,332	7,047
Silver (000 oz)								
Candelaria (100%)	530	264	266	1,645	330	523	427	365
Eagle	29	10	19	86	16	29	19	22
Neves-Corvo	374	215	159	521	129	116	130	146
Zinkgruvan	531	295	236	1,756	562	362	447	385
	1,464	784	680	4,008	1,037	1,030	1,023	918

Revenue Analysis

by Mine (\$ thousands)	Three months ended June 30,					Six months ended June 30,				
	2018		2017		Change	2018		2017		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
Candelaria (100%)	243,585	52	267,741	59	(24,156)	461,827	49	546,081	58	(84,254)
Eagle	63,651	14	64,442	14	(791)	155,865	17	136,713	15	19,152
Neves-Corvo	110,816	24	73,051	16	37,765	208,474	22	156,087	17	52,387
Zinkgruvan	49,605	10	49,458	11	147	111,973	12	103,598	10	8,375
	467,657		454,692		12,965	938,139		942,479		(4,340)

(\$ thousands)	Three months ended June 30,					Six months ended June 30,				
	2018		2017		Change	2018		2017		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
by Metal										
Copper	309,187	66	302,898	67	6,289	584,549	62	628,020	67	(43,471)
Zinc	73,916	16	61,605	14	12,311	160,620	17	133,961	14	26,659
Nickel	38,969	8	29,775	7	9,194	93,784	10	61,625	7	32,159
Gold	21,893	5	27,720	6	(5,827)	44,143	5	55,368	6	(11,225)
Lead	11,368	2	16,402	4	(5,034)	26,399	3	32,411	3	(6,012)
Silver	8,310	2	9,003	2	(693)	15,899	2	16,679	2	(780)
Other	4,014	1	7,289	-	(3,275)	12,745	1	14,415	1	(1,670)
	467,657		454,692		12,965	938,139		942,479		(4,340)

Revenue for the quarter ended June 30, 2018 was \$467.7 million, an increase of \$13.0 million in comparison to the second quarter of the prior year (\$454.7 million). The increase was mainly due to higher realized metal prices, net of price adjustments (\$84.0 million) and lower treatment and refining charges (\$8.4 million), partially offset by lower sales volumes (\$85.6 million).

On a year-to-date basis, revenue was \$938.1 million, in line with the \$942.5 million for the six months ended June 30, 2017. Higher realized metal prices, net of price adjustments (\$128.0 million) and lower treatment and refining charges (\$22.9 million) were offset by lower sales volumes (\$164.6 million).

Revenue from gold and silver for the three and six months ended June 30, 2018 includes the partial recognition of an upfront purchase price on the sale of precious metals streams for Candelaria, Neves-Corvo and Zinkgruvan, as well as the cash proceeds which amount to \$404/oz for gold and between \$4.04/oz and \$4.34/oz for silver.

Revenue is recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the expected month of settlement and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting revenue in the period in which the sale (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 revenue as of June 30, 2018

Metal	Tonnes Payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	57,022	3.01	6,632
Zinc	20,186	1.30	2,874
Nickel	3,004	6.74	14,869

Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended June 30, 2018				Three months ended June 30, 2017			
	Copper	Zinc	Nickel	Total	Copper	Zinc	Nickel	Total
Current period sales ¹	334,820	86,497	41,304	462,621	344,764	77,204	52,118	474,086
Prior period price adjustments	248	(1,702)	5,220	3,766	(10,180)	(466)	(5,883)	(16,529)
	335,068	84,795	46,524	466,387	334,584	76,738	46,235	457,557
Other metal sales				46,263				62,423
Less: Treatment & refining charges				(44,993)				(65,288)
Total Revenue				467,657				454,692
Payable Metal (tonnes)	50,080	29,311	2,755		58,533	28,960	5,554	
Current period sales (\$/lb) ¹	\$3.03	\$1.34	\$6.80		\$2.67	\$1.21	\$4.26	
Prior period adjustments (\$/lb)	-	(0.03)	0.86		(0.08)	(0.01)	(0.48)	
Realized prices (\$/lb)	\$3.03	\$1.31	\$7.66		\$2.59	\$1.20	\$3.78	

1. Includes provisional price adjustments on current period sales.

Year to Date Reconciliation of Realized Prices

(\$ thousands)	Six months ended June 30, 2018				Six months ended June 30, 2017			
	Copper	Zinc	Nickel	Total	Copper	Zinc	Nickel	Total
Current period sales ¹	650,953	186,469	108,507	945,929	679,815	165,593	106,132	951,540
Prior period price adjustments	(16,229)	(1,467)	5,443	(12,253)	10,989	3,334	(5,438)	8,885
	634,724	185,002	113,950	933,676	690,804	168,927	100,694	960,425
Other metal sales				100,686				122,945
Less: Treatment & refining charges				(96,223)				(140,891)
Total Revenue				938,139				942,479
Payable Metal (tonnes)	96,520	59,383	7,822		116,232	60,544	10,891	
Current period sales (\$/lb) ¹	\$3.06	\$1.42	\$6.29		\$2.65	\$1.24	\$4.42	
Prior period adjustments (\$/lb)	(0.08)	(0.01)	0.32		0.05	0.03	(0.23)	
Realized prices (\$/lb)	\$2.98	\$1.41	\$6.61		\$2.70	\$1.27	\$4.19	

1. Includes provisional price adjustments on current period sales.

Financial Results

Production Costs

Production costs for the quarter ended June 30, 2018 were \$243.7 million, an increase of \$34.2 million in comparison to the second quarter of the prior year (\$209.5 million). Higher per unit production costs (\$60.9 million), due in large part to higher mill maintenance, labour and diesel costs at Candelaria, and the negative impacts of foreign exchange (\$8.1 million), were partially offset by lower sales volumes (\$35.7 million).

On a year-to-date basis, production costs were \$483.4 million, an increase of \$59.8 million in comparison to the six months of 2017 (\$423.6 million). The increase was largely due to higher per unit production costs (\$105.7 million), due in large part to higher mill maintenance, labour and diesel costs at Candelaria, and the negative impacts of foreign exchange (\$22.7 million), partially offset by lower sales volumes (\$68.2 million).

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense decreased for the three and six months ended June 30, 2018 when measured against the comparable periods in 2017. The decrease was primarily attributable to increased Mineral Reserve estimates at Eagle (including a Mineral Reserve estimate on Eagle East) and Neves-Corvo, as well as lower sales volumes at Eagle and Candelaria. Depreciation, depletion and amortization rates of mineral assets are adjusted annually to reflect changes in Mineral Reserve estimates.

For the three and six months ended June 30, 2018, Candelaria's depreciation expense included the amortization of previously capitalized deferred stripping costs of \$3.8 million (Q2 2017 - \$12.1 million) and \$10.6 million (YTD 2017 - \$25.8 million), respectively. The deferred stripping asset at June 30, 2018 was \$453.6 million (March 31, 2018 - \$408.6 million; December 31, 2017 - \$374.5 million), of which \$432.1 million (March 31, 2018 - \$383.3 million; December 31, 2017 - \$342.5 million) is not currently subject to depreciation because the related phases of the open pit mine are not currently in the production stage.

Depreciation by operation (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Change	2018	2017	Change
Candelaria	40,346	49,968	(9,622)	78,946	100,252	(21,306)
Eagle	13,129	27,921	(14,792)	34,105	64,440	(30,335)
Neves-Corvo	8,585	17,747	(9,162)	23,239	35,278	(12,039)
Zinkgruvan	6,411	5,812	599	12,702	10,618	2,084
Other	388	492	(104)	737	1,012	(275)
	68,859	101,940	(33,081)	149,729	211,600	(61,871)

Finance Costs

For the three and six months ended June 30, 2018, net finance costs were \$9.9 million and \$20.0 million, respectively, which represent a decrease in comparison to the three and six months ended June 30, 2017 of \$17.5 million and \$29.3 million, respectively. Lower interest expense resulting from the early redemption of the 7.50% Senior Secured Notes due 2020 on November 20, 2017 was partially offset by higher interest expense from the adoption of IFRS 15 on January 1, 2018 of \$8.2 million and \$17.9 million for the three and six months ended June 30, 2018.

Other Income and Expense

Net other income of \$19.7 million for the three months ended June 30, 2018 was \$22.2 million higher than the net other expense of \$2.5 million in the prior year comparable period. The increase is a result of higher foreign exchange gains (\$13.1 million), higher earnings from the Company's equity investment in Freeport Cobalt (\$4.3 million), and a gain on marketable securities of \$4.2 million (Q2 2017 – nil) in the current quarter.

Net other income of \$24.8 million for the six months ended June 30, 2018 was \$38.6 million higher than the \$13.8 million net other expense in the prior year comparable period. The increase is primarily the result of higher foreign exchange gains (\$18.8 million), higher earnings from the Company's equity investment in Freeport Cobalt (\$9.8 million), and a gain on marketable securities of \$9.8 million (YTD 2017 – nil).

Foreign exchange gains and losses recorded in Other Income and Expenses relate to working capital denominated in foreign currencies that was held by the Company. Period end exchange rates having a meaningful impact on foreign exchange recorded at June 30, 2018 were \$1.00:CLP648 (March 31, 2018 - \$1.00:CLP605; December 31, 2017 - \$1.00:CLP615), \$1.17:€1.00 (March 31, 2018 - \$1.23:€1.00; December 31, 2017 - \$1.20:€1.00) and \$1.00:SEK8.96 (March 31, 2018 - \$1.00:SEK8.36; December 31, 2017 - \$1.00:SEK8.23).

Income Taxes

Income taxes by mine

Income tax expense (recovery) (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Change	2018	2017	Change
Candelaria	12,999	26,212	(13,213)	12,861	50,263	(37,402)
Eagle	2,533	-	2,533	7,780	-	7,780
Neves-Corvo	16,142	(6,555)	22,697	20,641	(661)	21,302
Zinkgruvan	6,397	3,905	2,492	13,402	10,295	3,107
Other	6,697	6,103	594	15,629	13,890	1,739
	44,768	29,665	15,103	70,313	73,787	(3,474)

Income taxes by classification

Income tax expense (recovery) (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Change	2018	2017	Change
Current income tax	44,240	39,991	4,249	73,224	98,236	(25,012)
Deferred income tax	528	(10,326)	10,854	(2,911)	(24,449)	21,538
	44,768	29,665	15,103	70,313	73,787	(3,474)

Income tax expense for the three months ended June 30, 2018 was \$44.8 million compared to \$29.7 million recorded in the prior year. The increase in tax expense was mainly due to higher taxable earnings at Neves-Corvo and additional deferred tax of \$4.2 million to reflect the increase in the top tax rate to 31.5% in Portugal. In addition, Neves-Corvo benefitted from tax credits in the prior year comparable period. This was partially offset by lower taxable earnings at Candelaria.

On a year-to-date basis, income tax expense of \$70.3 million was \$3.5 million lower than the \$73.8 million recorded in the prior year. Refundable tax on dividends in Chile increased from 20.9% to 27% resulting in a \$6.5 million increase to deferred tax assets, and taxable earnings were lower in the current year period at Candelaria. This was offset by the impact of higher taxable earnings at Neves-Corvo.

Discontinued Operations

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

For the three and six months ended June 30, 2017, earnings from discontinued operations related to Tenke Fungurume were \$21.0 million and \$55.1 million, respectively.

Mining Operations

Production Overview

(Contained metal in concentrate)	2018			2017				
	YTD	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)								
Candelaria (80%)	52,995	27,517	25,478	147,086	34,140	39,363	42,277	31,306
Eagle	8,888	4,115	4,773	21,302	4,130	4,995	5,674	6,503
Neves-Corvo	22,659	11,899	10,760	33,624	7,385	7,946	8,098	10,195
Zinkgruvan	863	687	176	977	-	578	399	-
Tenke (24%)	-	-	-	12,932	-	-	-	12,932
	85,405	44,218	41,187	215,921	45,655	52,882	56,448	60,936
Zinc (tonnes)								
Neves-Corvo	38,065	20,230	17,835	71,356	15,835	19,562	18,011	17,948
Zinkgruvan	35,890	16,845	19,045	77,963	21,497	18,958	18,205	19,303
	73,955	37,075	36,880	149,319	37,332	38,520	36,216	37,251
Nickel (tonnes)								
Eagle	9,375	4,234	5,141	22,081	4,299	5,618	5,822	6,342
	9,375	4,234	5,141	22,081	4,299	5,618	5,822	6,342
Gold (000 oz)								
Candelaria (80%)	29	15	14	83	19	21	24	19
	29	15	14	83	19	21	24	19
Lead (tonnes)								
Neves-Corvo	3,629	1,872	1,757	5,164	1,267	1,308	1,183	1,406
Zinkgruvan	10,937	3,914	7,023	28,324	6,925	7,899	5,901	7,599
	14,566	5,786	8,780	33,488	8,192	9,207	7,084	9,005
Silver (000 oz)								
Candelaria (80%)	456	236	220	1,457	319	421	431	286
Eagle	71	28	43	200	38	55	49	58
Neves-Corvo	825	420	405	1,292	305	341	316	330
Zinkgruvan	1,017	452	565	2,361	619	710	494	538
	2,369	1,136	1,233	5,310	1,281	1,527	1,290	1,212

Cash Cost Overview

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Candelaria (cost/lb Cu)				
Gross cost	1.91	1.29	1.92	1.39
By-product ¹	(0.20)	(0.21)	(0.21)	(0.22)
Net Cash Cost	1.71	1.08	1.71	1.17
All-In Sustaining Cost²	2.92	1.73	2.92	1.73
Eagle (cost/lb Ni)				
Gross cost	5.15	3.85	4.30	4.11
By-product	(4.06)	(2.83)	(3.60)	(3.13)
Net Cash Cost	1.09	1.02	0.70	0.98
All-In Sustaining Cost	2.14	1.46	1.51	1.37
Neves-Corvo (cost/lb Cu)				
Gross cost	2.73	3.13	2.94	2.87
By-product	(1.77)	(1.75)	(1.90)	(1.82)
Net Cash Cost	0.96	1.38	1.04	1.05
All-In Sustaining Cost	1.46	1.72	1.63	1.54
Zinkgruvan (cost/lb Zn)				
Gross cost	0.87	0.81	0.82	0.78
By-product	(0.46)	(0.47)	(0.40)	(0.43)
Net Cash Cost	0.41	0.34	0.42	0.35
All-In Sustaining Cost	0.71	0.61	0.71	0.58

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

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

Capital Expenditures (including capitalized interest)^{1,2}

by Mine	Three months ended June 30,							
	2018				2017			
	(\$ thousands)	Sustaining	Expansory	Capitalized	Total	Sustaining	Expansory	Capitalized
Interest				Interest				
Candelaria	120,874	-	7,617	128,491	53,487	-	2,853	56,340
Eagle	3,537	8,087	1,006	12,630	2,361	3,058	-	5,419
Neves-Corvo	9,092	29,620	1,648	40,360	6,503	4,891	-	11,394
Zinkgruvan	9,451	-	-	9,451	10,150	1,117	-	11,267
Other	2,280	-	-	2,280	37	-	-	37
	145,234	37,707	10,271	193,212	72,538	9,066	2,853	84,457
by Mine	Six months ended June 30,							
	2018				2017			
	(\$ thousands)	Sustaining	Expansory	Capitalized	Total	Sustaining	Expansory	Capitalized
Interest				Interest				
Candelaria	211,742	-	7,617	219,359	99,170	-	5,284	104,454
Eagle	6,385	14,885	1,006	22,276	4,664	10,562	-	15,226
Neves-Corvo	20,573	54,035	1,648	76,256	16,260	4,891	-	21,151
Zinkgruvan	20,628	-	-	20,628	17,816	4,806	-	22,622
Other	5,405	-	-	5,405	140	-	-	140
	264,733	68,920	10,271	343,924	138,050	20,259	5,284	163,593

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

2. Sustaining and expansory capital expenditures are non-GAAP measures – see page 28 of this MD&A for discussion of non-GAAP measures.

Candelaria

Compañía Contractual Minera Candelaria ("CCMC") and Compañía Contractual Minera Ojos del Salado ("CCMO"), collectively "Candelaria", are located near Copiapó in the Atacama region 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 providing copper ore to an on-site processing plant. CCMO consists of two underground mines, Santos and Alcaparrosa, and the Pedro Aguirre Cerda ("PAC") processing plant. The Santos mine provides copper ore to the PAC plant, while ore from both the Santos mine and Alcaparrosa mine is treated at the CCMC plant. The CCMC plant has a processing capacity of 27.0 million tonnes per annum ("mtpa"), and the PAC plant has a capacity of 1.3 mtpa, both producing copper in concentrate. The primary metal is copper, with gold and silver as by-product metals.

Operating Statistics

(100% Basis)	2018			2017				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	10,597	6,225	4,372	28,005	8,139	7,313	6,183	6,370
Ore milled (000s tonnes)	13,327	7,137	6,190	29,435	7,279	7,316	7,745	7,095
Grade								
Copper (%)	0.54	0.52	0.56	0.67	0.62	0.73	0.74	0.60
Recovery								
Copper (%)	92.0	91.6	92.6	92.6	92.9	92.4	92.9	91.7
Production (contained metal)								
Copper (tonnes)	66,244	34,397	31,847	183,858	42,676	49,203	52,846	39,133
Gold (000 oz)	37	20	17	104	24	27	30	23
Silver (000 oz)	570	295	275	1,821	398	526	540	357
Revenue (\$000s)	461,827	243,585	218,242	1,230,196	309,908	374,207	267,741	278,340
Gross profit (\$000s)	128,761	73,259	55,502	563,677	153,268	188,973	113,244	108,192
Cash cost (\$ per pound)	1.71	1.71	1.71	1.22	1.38	1.17	1.08	1.27
AISC (\$ per pound)	2.92	2.92	2.91	2.04	2.76	2.04	1.73	1.73

Gross Profit

Gross profit for the three and six months ended June 30, 2018 of \$73.3 million and \$128.8 million, respectively, was lower than the prior year comparable periods. The decrease was largely due to higher per unit production costs which were impacted by higher mill maintenance, labour and diesel costs (Q2 - \$45.1 million; YTD - \$72.2 million) and lower sales volumes (Q2 - \$29.2 million; YTD - \$55.4 million) in the current period. These were partially offset by higher realized metal prices, net of price adjustments (Q2 - \$36.2 million; YTD - \$37.9 million).

Production

Copper production for the three months ended June 30, 2018 of 34,397 tonnes was lower than the comparable period in 2017. The decrease in copper production is largely a result of planned mining and processing of lower grade material from the open pit and stockpiles, and lower mill throughput in the current period. Waste stripping progressed in the quarter and contractor mining equipment continues to be mobilized to site to assist the Candelaria fleet in accelerating waste movement.

Copper production of 66,244 tonnes year-to-date was lower than the comparable period in 2017, a result of the above-mentioned mining and processing plan, as well as lower mill throughput resulting from routine mill maintenance for mill liner replacement on both SAG mills.

Copper production remains on track to achieve full year guidance.

Cash Costs

Copper cash costs for the three and six months ended June 30, 2018 were \$0.63/lb and \$0.54/lb higher, respectively, than cash costs in the prior year comparable periods. The increases were a result of higher operational per unit costs, mainly due to unfavourable foreign exchange, lower metal production and higher diesel, maintenance and labour costs.

All-in sustaining costs of \$2.92/lb for the three and six months ended June 30, 2018 were higher than those of the corresponding periods in 2017 (\$1.73/lb) due to higher cash costs and planned increased spending on sustaining capital expenditures and deferred stripping focused on improving the life-of-mine cost efficiency and production profile.

For the six months ended June 30, 2018, approximately 25,000 oz of gold and 370,000 oz of silver were subject to terms of a streaming agreement, in which \$404/oz and \$4.04/oz were received for gold and silver, respectively.

Projects

The Candelaria Mill Optimization Project progressed according to plan, though timing revisions have deferred \$20 million to 2019, reducing forecast 2018 expenditures to \$30 million. Approximately 70% of equipment orders have been placed, with ball mill motors on track to arrive at site in time to support completion of all construction by the end of 2019. Awarding of major construction contracts is underway and construction has begun, with work being timed to coincide with maintenance shutdowns.

Ramp-up of Candelaria Underground continues, achieving approximately 9,000 tonnes per day on average throughout the second quarter, up 17% from the first quarter of 2018, with the introduction of larger underground trucks and loaders in the North Sector. The development of the South Sector continues and the project schedule remains on track with production start-up expected prior to the end of 2019.

All purchase orders for mine fleet equipment including haul trucks, water trucks, wheel dozers, track dozers, motor graders, hydraulic shovels, drills and other minor equipment have been issued and five pieces of equipment have already arrived, including the first large haul truck. Future deliveries are now expected sooner than previously forecast resulting in a \$45 million increase in 2018 expenditures over those previously guided.

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. The mill has a processing capacity of 0.7 mtpa, producing nickel and copper in concentrates. Access ramp development is underway from the Eagle mine to the Eagle East deposit, from which feed to the Humboldt mill is forecast to start in 2020. The primary metal is nickel with copper, cobalt, gold, and platinum-group metals as by-product metals.

Operating Statistics

	2018			2017				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	369	183	186	760	192	187	185	196
Ore milled (000s tonnes)	367	185	182	754	187	191	189	187
Grade								
Nickel (%)	3.0	2.7	3.4	3.4	2.8	3.5	3.5	4.0
Copper (%)	2.5	2.3	2.7	2.9	2.3	2.7	3.0	3.5
Recovery								
Nickel (%)	83.6	83.6	83.6	85.0	83.6	84.1	86.6	85.5
Copper (%)	97.2	96.8	97.7	97.9	97.5	98.0	98.2	98.1
Production (contained metal)								
Nickel (tonnes)	9,375	4,234	5,141	22,081	4,299	5,618	5,822	6,342
Copper (tonnes)	8,888	4,115	4,773	21,302	4,130	4,995	5,674	6,503
Sales (\$000s)	155,865	63,651	92,214	276,531	65,555	74,263	64,442	72,271
Gross profit (\$000s)	61,005	24,220	36,785	46,155	19,908	19,081	2,439	4,727
Cash cost (\$ per pound)	0.70	1.09	0.49	0.93	1.19	0.63	1.02	0.94
AISC (\$ per pound)	1.51	2.14	1.17	1.42	2.02	1.11	1.46	1.28

Gross Profit

Gross profit for the three months ended June 30, 2018 of \$24.2 million was higher than the prior year comparable period largely due to higher realized metal prices and price adjustments (\$27.8 million).

On a year-to-date basis, gross profit of \$61.0 million was \$53.8 million higher than 2017. The increase was primarily due to higher realized metal prices and price adjustments (\$50.7 million).

Production

Nickel production for the three months ended June 30, 2018 was 4,234 tonnes compared to 5,822 tonnes in the prior year comparable period, while copper production was 4,115 tonnes compared to 5,674 tonnes in the prior year comparable period. The decrease in both metals is consistent with the mine plan.

On a year-to-date basis, nickel production was 9,375 tonnes compared to 12,164 tonnes in the prior year comparable period, while copper production was 8,888 tonnes in the current year compared with 12,177 tonnes in 2017. The decrease was again attributable to planned mine sequencing. Both nickel and copper production are on target to achieve full year guidance.

Cash Costs

Nickel cash costs for the three months ended June 30, 2018 of \$1.09/lb were higher than the \$1.02/lb reported in the prior year. The increase in cash costs is primarily a result of higher operational per unit costs (\$1.04/lb) due to lower sales volumes, partially offset by higher by-product credits (\$1.23/lb).

On a year-to-date basis, nickel cash costs of \$0.70/lb were lower than the \$0.98/lb reported in the prior year. The decrease in cash costs is due primarily to higher by-product credits (\$0.47/lb).

All-in sustaining costs for the three and six months ended June 30, 2018 of \$2.14/lb and \$1.51/lb, respectively, were higher than that of the corresponding period in 2017. The increase is largely the result of higher sustaining capital expenditures.

Projects

During the second quarter of 2018, \$8.1 million in expansionary capital expenditures was incurred in support of the Eagle East project. Access ramp development and detailed engineering of Eagle East continued during the quarter and is trending ahead of schedule.

Approximately \$59 million is expected to be spent over the remainder of the project, of which \$16 million is expected to be incurred in the second half of 2018. Production of Eagle East ore remains scheduled into the mill by 2020.

Exploration drilling is continuing on the property testing for possible extensions of the Eagle East mineralization. In addition, the underground definition drilling campaign in Eagle East started at the end of the second quarter.

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. The Zinc Expansion Project is currently in development, and will see zinc mining and processing capacity increased to 2.5 mtpa.

Operating Statistics

	2018			2017				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	1,309	618	691	2,110	491	503	530	586
Ore mined, zinc (000 tonnes)	566	283	283	996	202	268	260	266
Ore milled, copper (000 tonnes)	1,292	641	651	2,122	499	504	528	591
Ore milled, zinc (000 tonnes)	558	278	280	1,000	198	267	266	269
Grade								
Copper (%)	2.3	2.5	2.2	2.1	2.0	2.1	2.0	2.2
Zinc (%)	8.0	8.3	7.6	8.7	9.6	9.0	8.3	8.3
Recovery								
Copper (%)	74.4	74.2	74.6	75.8	73.9	73.8	77.7	77.6
Zinc (%)	81.2	82.0	80.4	79.9	81.7	79.6	80.4	78.6
Production (contained metal)								
Copper (tonnes)	22,659	11,899	10,760	33,624	7,385	7,946	8,098	10,195
Zinc (tonnes)	38,065	20,230	17,835	71,356	15,835	19,562	18,011	17,948
Lead (tonnes)	3,629	1,872	1,757	5,164	1,267	1,308	1,183	1,406
Silver (000 oz)	825	420	405	1,292	305	341	316	330
Sales (\$000s)	208,474	110,816	97,658	328,925	83,277	89,561	73,051	83,036
Gross profit (\$000s)	62,564	37,606	24,958	80,828	35,933	18,723	5,690	20,482
Cash cost (€ per pound)	0.86	0.81	0.93	0.78	0.48	0.64	1.23	0.70
Cash cost (\$ per pound)	1.04	0.96	1.14	0.88	0.57	0.75	1.38	0.75
AISC (\$ per pound)	1.63	1.46	1.84	1.49	1.42	1.46	1.72	1.42

Gross Profit

Gross profit of \$37.6 million for the three months ended June 30, 2018 was \$31.9 million higher than the comparable period in 2017. The increase was mainly attributable to a lower depreciation rate (\$15.1 million) resulting from an increased June 2017 Mineral Reserve estimate, higher sales volumes (\$8.7 million), and higher metal prices, net of price adjustments (\$8.6 million).

Gross profit of \$62.6 million for the six months ended June 30, 2018 was \$36.4 million higher than the comparable period in 2017. The increase was attributable to higher metal prices, net of price adjustments (\$20.8 million), a lower depreciation rate (\$20.6 million) resulting from an increased June 2017 Mineral Reserve estimate, and higher sales volumes (\$10.1 million), partially offset by the negative impacts of foreign exchange (\$14.2 million).

Production

Copper production for the three and six months ended June 30, 2018 was higher than the comparable periods in 2017 by 3,801 tonnes and 4,366 tonnes, respectively. The increase in copper production is a result of higher head grades, improved mine productivity and higher mill throughput driven by improvements in mine plan execution, and represents a positive copper production trend over comparable periods.

Zinc production of 20,230 tonnes and 38,065 tonnes for the three and six months and ended June 30, 2018, respectively, was higher than the comparable periods in 2017. Zinc production has also trended positively in large part due to improvements in mine productivity, mill throughput, and metallurgical recoveries with a new monthly production record of 7,574 tonnes of zinc in concentrate achieved in June 2018.

Given the positive improvements in mine productivity and mill throughput, guided production ranges for copper and zinc have been revised upward to 42,000-45,000 tonnes and 72,000-75,000 tonnes, respectively.

Cash Costs

Copper cash costs of \$0.96/lb for the quarter ended June 30, 2018 were lower than that of the corresponding period in 2017 of \$1.38/lb. The decrease is primarily a result of lower per unit mine, mill, and administration costs (\$0.36/lb) due to higher sales volumes.

On a year-to-date basis, copper cash costs of \$1.04/lb were in line with that of the corresponding period in 2017 of \$1.05/lb. Lower per unit mine, mill and administration costs (\$0.15/lb) due to higher sales volumes, and higher by-product credits (\$0.08/lb) were offset by the negative impacts of foreign exchange (\$0.26/lb).

Full year copper cash cost guidance has been lowered to \$1.20/lb (from \$1.30/lb), largely as a result of higher production expectations.

All-in sustaining costs of \$1.46/lb for the three months ended June 30, 2018 were lower than the corresponding period in 2017 due to lower cash costs.

All-in sustaining costs of \$1.63/lb for the six months ended June 30, 2018 were higher than the corresponding period in 2017 due primarily to increased spending on sustaining capital expenditures (\$0.05/lb).

Projects

The Zinc Expansion Project progressed with major construction activities being initiated on surface and underground. Over 95% of surface facilities engineering is complete while orders have been placed for all engineered equipment. Major equipment for both the surface and underground is being received at site.

SAG mill foundation concrete was successfully poured in early July. Major structural steel fabrication is 33% complete with material delivery beginning in July. Mechanical and piping contracts have been tendered with construction initiating in the third quarter of 2018.

Approximately 70% of underground materials handling development has been completed and all major underground construction contracts have been awarded. Delivery of conveying and crushing equipment is underway, and concrete work has been initiated in the crusher chamber. The first shaft shutdown activities were successfully completed in May, and future shaft shutdown requirements are being aligned with annual production and maintenance plans.

The project remains on track to commence production ramp-up prior to the end of 2019.

A new "bottom-up" capital cost estimate has confirmed an increase in cost from approximately €260 million to approximately €270 million. The estimate is based on final engineered quantities, firm price vendor quotes and contractor pricing, and takes into account the impact of the earlier schedule delays. The 2018 capital expenditure guidance for the project has been revised downwards to \$130 million (from \$190 million) to reflect the deferral of certain expenditures to 2019 caused by the above-mentioned delays in the first quarter of 2018, as well as more favourable payment terms from vendors and contractors.

Zinkgruvan Mine

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

Operating Statistics

	2018			2017				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	597	288	309	1,189	346	276	252	315
Ore mined, copper (000 tonnes)	74	34	40	92	-	41	37	14
Ore milled, zinc (000 tonnes)	597	288	309	1,188	346	280	278	284
Ore milled, copper (000 tonnes)	76	62	14	76	-	42	34	-
Grade								
Zinc (%)	6.6	6.6	6.8	7.3	7.0	7.6	7.3	7.6
Lead (%)	2.3	1.8	2.8	2.9	2.5	3.4	2.7	3.2
Copper (%)	1.3	1.3	1.4	1.5	-	1.6	1.3	-
Recovery								
Zinc (%)	89.1	89.4	89.9	89.5	89.3	89.8	89.6	89.4
Lead (%)	77.8	73.5	81.3	81.1	79.2	82.5	79.6	82.2
Copper (%)	87.2	87.0	88.2	88.3	-	89.0	87.4	-
Production (contained metal)								
Zinc (tonnes)	35,890	16,845	19,045	77,963	21,497	18,958	18,205	19,303
Lead (tonnes)	10,937	3,914	7,023	28,324	6,925	7,899	5,901	7,599
Copper (tonnes)	863	687	176	977	-	578	399	-
Silver (000 oz)	1,017	452	565	2,361	619	710	494	538
Sales (\$000s)	111,973	49,605	62,368	241,845	74,540	63,707	49,458	54,140
Gross profit (\$000s)	55,203	21,007	34,196	132,664	43,322	35,003	22,367	31,972
Cash cost (SEK per pound)	3.48	3.51	3.47	2.65	1.95	2.44	2.97	3.30
Cash cost (\$ per pound)	0.42	0.41	0.43	0.31	0.23	0.30	0.34	0.37
AISC (\$ per pound)	0.71	0.71	0.71	0.57	0.55	0.55	0.61	0.57

Gross Profit

Gross profit of \$21.0 million was in line with the \$22.4 million reported in the second quarter of 2017. Lower sales volumes (\$7.1 million) and higher per unit production costs (\$6.0 million) were offset by higher realized metal prices, net of price adjustments (\$11.4 million).

For the six months ended June 30, 2018, gross profit of \$55.2 million was in line with the comparable period in 2017. Higher realized metal prices, net of price adjustments (\$18.5 million) were offset by lower sales volumes (\$10.3 million) and higher per unit production costs (\$9.0 million).

Production

Zinc production for the three and six months ended June 30, 2018 of 16,845 tonnes and 35,890 tonnes, respectively, were lower than the prior year comparable periods. Lead production for the three and six months ended June 30, 2018 of 3,914 tonnes and 10,937 tonnes, respectively, were lower than the prior year comparable periods. Higher mill throughput was more than offset by lower zinc head grades, a result of mine sequencing and higher than planned dilution and ore loss.

Full year zinc and lead production remains on track to meet guidance.

Cash Costs

Zinc cash costs of \$0.41/lb and \$0.42/lb for the three and six months ended June 30, 2018, respectively, were higher than the prior year comparable periods (Q2 2017 - \$0.34/lb; YTD 2017 - \$0.35/lb) due to higher per unit mine, mill and administration costs in the current periods, largely as a result of lower sales volumes (Q2 - \$0.09/lb; YTD - \$0.08/lb).

All-in sustaining costs of \$0.71/lb for the three and six months ended June 30, 2018 were higher than those reported in the corresponding period in 2017 due to higher cash costs and increased spending on sustaining capital expenditures (Q2 - \$0.04/lb; YTD - \$0.06/lb).

Exploration

Candelaria Mine, Chile (Copper, Gold)

A total of 41,151 metres were drilled in the second quarter of 2018. Drilling occurred within the existing underground mines, around the Candelaria open pit mine, and on surface in the south district. There were 9,883 metres drilled during the quarter (18,021 metres year-to-date) in the south district at a new target. Geophysical surveys were also executed over the south district to assist with targeting.

Eagle Mine, USA (Nickel, Copper)

Eagle exploration continued with four surface rigs testing near-mine targets during the quarter. A total of 9,187 metres were drilled from surface during the second quarter of 2018. An airborne magnetic survey was completed over several areas in the region and is under evaluation to define targets. Underground definition drilling in Eagle East began at the end of the second quarter from the decline and will continue through the third quarter.

Neves-Corvo, Portugal (Copper, Zinc)

Neves-Corvo drilled a total of 5,800 metres during the second quarter, targeting step-out areas from existing orebodies as well as other targets within the existing mine lease.

Zinkgruvan, Sweden (Zinc, Lead)

Zinkgruvan drilled a total of 9,905 metres from surface and underground exploration drifts during the second quarter. A new exploration permit has been granted as part of a significantly expanded exploration effort in the area. A seismic survey will commence in the third quarter of 2018. The application for a mine concession in part of the greater Dalby exploration concession area was submitted, and our highest exploration priority remains the ongoing drilling and Mineral Resource expansion of the Dalby mineralization.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

Average metal prices for copper and zinc for the second quarter of 2018 were lower than the average prices for the first quarter of 2018 by 1% and 9%, respectively. The average price for nickel was 9% higher in the second quarter of 2018 when compared to the first quarter. In general, the metal markets were volatile during the second quarter due to the uncertainty caused by the various protective actions affecting world trade. However, nickel is still seeing support from the emerging market for electric vehicles.

(Average LME Price)		Three months ended June 30,			Six months ended June 30,		
		2018	2017	Change	2018	2017	Change
Copper	US\$/pound	3.12	2.57	21%	3.14	2.61	20%
	US\$/tonne	6,872	5,662		6,917	5,749	
Zinc	US\$/pound	1.41	1.18	20%	1.48	1.22	21%
	US\$/tonne	3,112	2,596		3,268	2,690	
Nickel	US\$/pound	6.57	4.18	57%	6.29	4.43	42%
	US\$/tonne	14,476	9,225		13,871	9,761	

LME inventory for copper and nickel decreased during the second quarter of 2018 by 24% and 15%, respectively, while the LME inventory for zinc increased by 19%.

The treatment charge (“TC”) and refining charge (“RC”) in the spot market for copper concentrates between mining companies and commodity trading companies increased during the second quarter of 2018. In April, Sterlite’s copper smelter in India declared force majeure following a local government decision to temporarily close the plant for environmental reasons. Furthermore, Glencore’s Pasar copper smelter in the Philippines is expected to operate at reduced capacity for the balance of 2018. These two smelter incidents have released substantial volumes of copper concentrates to the spot market. In April, the spot TC was \$52 per dry metric tonne (“dmt”) of concentrate and the spot RC was \$0.052 per lb of payable copper contained. In June, the TC had increased to \$74 per dmt of concentrate with a RC of \$0.074 per lb of payable copper. The spot terms at which the Chinese copper smelters are buying at have also increased from a TC of \$75 per dmt of concentrate and a RC of \$0.075 per lb of payable copper in April to a TC of \$85 per dmt of concentrate and a RC of \$0.085 per lb of payable copper at the end of June. The terms for 2018 annual contracts for copper concentrates were reached in December 2017 at a TC of \$82.25 per dmt of concentrate with a RC of \$0.08225 per lb of payable copper.

The spot TC for zinc concentrates in China has remained historically low during the quarter. In April, the spot market in China for zinc concentrates traded at \$23 per dmt of concentrate, flat (i.e. without escalators). In June, the spot TC was \$25 per dmt, flat. The terms between mines and smelters for 2018 annual contracts for zinc concentrates were reached in April with an improvement in terms in favour of the mines compared to the terms agreed for 2017.

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

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents were \$1,512.5 million at June 30, 2018, a decrease of \$54.5 million from \$1,567.0 million at December 31, 2017 and a decrease of \$126.6 million from the \$1,639.1 million reported at March 31, 2018.

Cash inflows for the three months ended June 30, 2018 included operating cash flows of \$118.3 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$193.2 million and shareholder dividends of \$33.6 million.

For the six months ended June 30, 2018, cash inflows included operating cash flows of \$291.2 million and proceeds from the sale of marketable securities of \$35.4 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$343.9 million and shareholder dividends of \$33.6 million.

Working Capital

Working capital was \$1,765.0 million as at June 30, 2018, in line with the \$1,772.7 million at December 31, 2017 but lower than the \$1,817.8 million as at March 31, 2018. The decrease in working capital for the three months ended June 30, 2018 is largely a reflection of the lower period-end cash balance.

Long-Term Debt

During the second quarter of 2018, the Company completed an offer to purchase any and all of its \$450.0 million 7.875% Senior Secured Notes due 2022. The Offer was made pursuant to the Notes indenture. The principal balance of the Notes outstanding as at June 30, 2018 was \$439.2 million (December 31, 2017 - \$445.0 million).

The Company has an undrawn \$350 million revolving credit facility, expiring in June 2020. Letters of credit have been issued totalling \$25.0 million.

Sociedade Mineira de Neves-Corvo, S.A., a subsidiary of the Company which owns the Neves-Corvo mine, has a line of credit for equipment financing. The \$29.1 million (€25 million) line of credit bears interest at EURIBOR plus 0.84%. The program matures in December 2019.

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

Shareholders' Equity

Shareholders' equity was \$4,190.6 million at June 30, 2018, compared to \$4,151.2 million at December 31, 2017. The increase in shareholders' equity is primarily due to current year's net earnings of \$174.6 million, partially offset by retrospective adoption of IFRS 15 and IFRS 9 on January 1, 2018 (\$76.9 million), as described further in the Changes in Accounting Policies section of this MD&A, and foreign exchange losses of \$37.9 million in other comprehensive income.

Sensitivities

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

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

Metal	Tonnes Payable	Provisional price on June 30, 2018 (\$US/tonne)	Change	Effect on Revenue (\$millions)
Copper	57,022	6,632	+/-10%	+/- \$37.8
Zinc	20,186	2,874	+/-10%	+/- \$5.8
Nickel	3,004	14,869	+/-10%	+/- \$4.5

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

Currency	Change	Three months ended June 30, 2018 (\$millions)	Six months ended June 30, 2018 (\$millions)
Chilean peso	+/-10%	+/- \$11.1	+/- \$21.6
Euro	+/-10%	+/- \$7.3	+/- \$14.3
Swedish krona	+/-10%	+/- \$2.9	+/- \$5.8

Contractual Obligations, Commitments and Contingencies

The Company has the following contractual obligations and capital commitments as at June 30, 2018:

(\$ thousands)

2018	205,348
2019	80,347
2020	27,995
2021	12,630
2022	1,099
Total	327,419

The Company is from time to time involved in legal proceedings that arise in the ordinary course of its business. Refer to Note 20 "Commitments and Contingencies" in the Company's consolidated financial statements.

Financial Instruments

Summary of financial instruments:

	Fair value at June 30, 2018 (\$ thousands)	Basis of measurement	Associated risks
Cash and cash equivalents	1,512,513	FVTPL	Credit/Exchange
Restricted funds	43,473	FVTPL	Market/Liquidity
Trade receivables (provisional)	255,956	FVTPL	Credit/Market/Exchange
Trade and other receivables	129,145	Amortized cost	Credit/Market/Exchange
Marketable securities	16,434	FVTPL	Market/Liquidity
Derivative asset	29,398	FVTPL	Credit/Market
Currency options	1,209	FVTPL	Market/Liquidity
Trade and other payables	243,606	Amortized cost	Exchange
Long-term debt and finance leases	466,170	Amortized cost	Interest
Derivative liabilities	8,900	FVTPL	Market

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

Marketable securities/restricted funds (FVTPL) – The fair value of investments in shares and restricted funds is determined based on quoted market price. Restricted funds include cash that has been pledged for reclamation and closure activities which are not available for immediate disbursement.

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

Derivative asset and liability (FVTPL) – The fair value of derivative assets and liabilities is determined using a valuation model that incorporates such factors as metals prices, metal price volatility and expiry date.

Long-term debt and finance leases (Amortized cost) – The fair value of long-term debt is determined using quoted market prices. The fair value of the finance leases approximates carrying value as 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 trade and other receivables and trade and other payables which are measured at amortized cost.

The Company holds currency options to hedge its CLP exposure. The call options expire between July 2018 and December 2018 and have a strike price of 700 CLP:USD.

For the three months ended June 30, 2018, the Company recognized:

- positive provisional price adjustments on prior period sales of \$3.8 million in revenue (2017: negative provisional price adjustments on prior period sales of \$16.5 million);
- a gain of \$4.2 million on FVTPL securities (2017: nil);
- a loss of \$1.9 million on FVTPL currency options (2017: loss of \$0.7 million); and
- a revaluation loss of \$1.7 million (2017: nil) on the derivative asset arising from the sale of TF Holdings.

In addition, a foreign exchange gain of \$8.0 million (2017: loss of \$5.1 million) was realized in the quarter on working capital denominated in foreign currencies that was held in the Company's various entities.

For the six months ended June 30, 2018, the Company recognized:

- negative provisional price adjustments on prior period sales of \$12.3 million in revenue (2017: positive provisional price adjustments on prior period sales of \$8.9 million);
- a gain of \$9.8 million on FVTPL securities (2017: nil);
- a loss of \$1.7 million on FVTPL currency options (2017: nil); and
- a revaluation loss of \$4.0 million (2017: nil) on the derivative asset arising from the sale of TF Holdings.

In addition, a foreign exchange gain of \$6.0 million (2017: loss of \$12.8 million, including loss on sale of Galmoy assets) was realized in the year on working capital denominated in foreign currencies that was held in the Company's various entities.

Related Party Transactions

Freeport Cobalt

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

Key Management Personnel

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

(\$ thousands)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Wages and salaries	2,482	1,687	4,057	3,358
Pension and benefits	31	39	88	95
Share-based compensation	1,330	885	1,716	2,037
	3,843	2,611	5,861	5,490

For the three and six months ended June 30, 2018, the Company paid \$0.5 million (Q2 2017 - \$0.3 million) and \$1.2 million (YTD 2017 - \$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.

Changes in Accounting Policies

Significant Accounting Policies

The Company adopted *IFRS 15, Revenue from Contracts with Customers* and *IFRS 9, Financial Instruments* effective January 1, 2018. Refer to Note 2 “Basis of Presentation and Significant Accounting Policies” in the Company’s Condensed Interim Consolidated Financial Statements for the period ended June 30, 2018 for further discussion.

New Accounting Pronouncements

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

Critical Accounting Estimates and Judgements

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements. These estimates and judgements 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 discussion of accounting estimates and judgements deemed most critical by the Company, refer to the Company’s annual 2017 Management’s Discussion and Analysis. In addition to those discussed, the following critical accounting judgements were made by the Company on adopting *IFRS 15* on January 1, 2018:

IFRS 15, Revenue from Contracts with Customers – Management exercised judgment in applying *IFRS 15* accounting standards to certain contracts with customers.

To determine the transaction price for streaming agreements, the Company made estimates with respect to interest rates implicit in the agreements, future production of the life of mine and Mineral Resources and Reserves (“R&R”) quantities to adjust the consideration for the effects of the time value of money. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized.

The Company exercised judgment in the identification of performance obligations under its contracts and the allocation of the transaction price thereto. Specifically, the Company considered the following in determining the contract’s relevant performance obligations and the respective allocation of the transaction price to each of the performance obligations (i) the customer’s rights to the interest in R&R, (ii) the customer’s ability to benefit from this interest through the extraction services provided by the Company and (iii) the Company’s role as an agent to provide refined metal through a third party refinery.

Non-GAAP Performance Measures

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

Net Cash

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

(\$thousands)	June 30, 2018	March 31, 2018	December 31, 2017
Current portion of long-term debt and finance leases	(3,247)	(3,401)	(3,431)
Long-term debt and finance leases	(439,868)	(446,127)	(446,515)
	(443,115)	(449,528)	(449,946)
Deferred financing fees (netted in above)	(5,911)	(6,345)	(6,627)
	(449,026)	(455,873)	(456,573)
Cash and cash equivalents	1,512,513	1,639,108	1,567,038
Net cash	1,063,487	1,183,235	1,110,465

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:

(\$thousands, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Cash provided by operating activities	118,348	179,227	291,206	423,902
Changes in non-cash working capital items	(735)	(16,951)	(3,167)	(89,262)
Operating cash flow before changes in non-cash working capital items	117,613	162,276	288,039	334,640
Weighted average common shares outstanding	731,481,815	726,735,122	730,545,931	726,461,100
Operating cash flow per share	0.16	0.22	0.39	0.46

Capital Expenditures

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

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

Where an expenditure both maintains and expands current operations, classification would be based on the primary decision for which the expenditure is being considered/was made.

Cash Cost per Pound

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

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

All-in Sustaining Cost per Pound

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

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

Three months ended June 30, 2018					
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	34,542	2,755	11,371	13,565	
Pounds (000s)	76,152	6,074	25,069	29,906	
Production costs					243,718
Less: items included in the above					
Non-cash inventory					(2,241)
Royalties and other					(5,669)
					235,808
Deduct: By-product credits					(97,866)
Add: Treatment and refining charges					35,377
Cash cost	130,518	6,622	24,059	12,120	173,319
Cash cost per pound (\$/lb)	1.71	1.09	0.96	0.41	
Add: Sustaining capital expenditure & exploration ⁽¹⁾					
	90,662	3,552	8,829	8,621	
Royalties	-	2,553	3,014	-	
Accretion	1,044	263	129	122	
Leases & other	-	-	646	237	
All-in sustaining cost	222,224	12,990	36,677	21,100	
AISC per pound (\$/lb)	2.92	2.14	1.46	0.71	

Three months ended June 30, 2017					
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	45,222	5,554	8,058	15,306	
Pounds (000s)	99,697	12,244	17,765	33,744	
Production costs					209,456
Less: items included in the above					
Non-cash inventory					(242)
Royalties and other					(2,278)
					206,936
Deduct: By-product credits					(102,916)
Add: Treatment and refining charges					51,799
Cash cost	107,485	12,540	24,438	11,356	155,819
Cash cost per pound (\$/lb)	1.08	1.02	1.38	0.34	
Add: Sustaining capital expenditure & exploration					
	64,474	1,684	4,826	8,493	
Royalties	-	3,335	488	-	
Accretion	885	262	146	85	
Leases & other	-	-	643	501	
All-in sustaining cost	172,844	17,821	30,541	20,435	
AISC per pound (\$/lb)	1.73	1.46	1.72	0.61	

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

Six months ended June 30, 2018

Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	67,329	7,822	20,504	30,159	
Pounds (000s)	148,435	17,245	45,204	66,489	
Production costs					483,454
Less: items included in the above					
Non-cash inventory					(737)
Royalties and other					(12,797)
					469,920
Deduct: By-product credits					(206,004)
Add: Treatment and refining charges					77,216
Cash cost	254,295	12,088	46,980	27,769	341,132
Cash cost per pound (\$/lb)	1.71	0.70	1.04	0.42	
Add: Sustaining capital expenditure & exploration ⁽¹⁾	176,508	6,697	20,403	18,392	
Royalties	-	6,752	4,803	-	
Accretion	1,926	526	261	253	
Leases & other	-	-	1,281	489	
All-in sustaining cost	432,729	26,063	73,728	46,903	
AISC per pound (\$/lb)	2.92	1.51	1.63	0.71	

Six months ended June 30, 2017

Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	87,905	10,891	16,825	32,195	
Pounds (000s)	193,797	24,011	37,093	70,978	
Production cost					423,580
Less: items included in the above					
Non-cash inventory					578
Royalties and other					(8,513)
					415,645
Deduct: By-product credits					(215,100)
Add: Treatment and refining charges					113,909
Cash cost	226,873	23,611	38,838	25,132	314,454
Cash cost per pound (\$/lb)	1.17	0.98	1.05	0.35	
Add: Sustaining capital expenditure & exploration	107,204	3,132	14,765	15,536	
Royalties	-	5,477	2,590	-	
Accretion	1,622	710	289	169	
Leases & other	-	-	643	681	
All-in sustaining cost	335,699	32,930	57,125	41,518	
AISC per pound (\$/lb)	1.73	1.37	1.54	0.58	

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

Managing Risks

Risks and Uncertainties

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

Outstanding Share Data

As at July 25, 2018, the Company has 731,981,079 common shares issued and outstanding, and 13,221,470 stock options and 2,489,020 share units outstanding under the Company’s incentive plans.

Management’s Report on Internal Controls

Disclosure controls and procedures

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

Internal control over financial reporting

The Company’s internal control over financial reporting (“ICFR”) is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud. Management will continue to monitor the effectiveness of its ICFR and may make modifications from time to time as considered necessary.

Control Framework

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

Changes in internal control over financial reporting

There have been no changes in the Company’s internal control over financial reporting during the three month period ended June 30, 2018 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 on SEDAR (www.sedar.com) or on the Company’s website (www.lundinmining.com).

For further information, please contact:

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Condensed Interim Consolidated Financial Statements of

Lundin Mining Corporation

June 30, 2018
(Unaudited)

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

	June 30, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents (Note 3)	\$ 1,512,513	\$ 1,567,038
Trade and other receivables (Note 4)	385,101	425,671
Income taxes receivable	14,005	46,716
Inventories (Note 5)	214,058	192,358
Other current assets	9,455	16,313
Total current assets	2,135,132	2,248,096
Restricted cash	43,473	44,848
Long-term inventory	209,540	220,690
Other non-current assets (Note 6)	52,216	83,700
Mineral properties, plant and equipment (Note 7)	3,518,448	3,388,466
Investment in associate	119,601	101,424
Deferred tax assets	75,530	84,713
Goodwill	111,593	114,491
	4,130,401	4,038,332
Total assets	\$ 6,265,533	\$ 6,286,428
LIABILITIES		
Trade and other payables (Note 8)	\$ 301,115	\$ 334,660
Income taxes payable	68,969	140,761
Current portion of long-term debt and finance leases (Note 9)	3,247	3,431
Current portion of deferred revenue (Note 10)	63,969	42,258
Current portion of reclamation and other closure provisions	14,115	18,641
Total current liabilities	451,415	539,751
Long-term debt and finance leases (Note 9)	439,868	446,515
Deferred revenue (Note 10)	520,496	471,501
Reclamation and other closure provisions	255,838	244,958
Other long-term liabilities	11,273	11,482
Provision for pension obligations	11,596	13,479
Deferred tax liabilities	384,443	407,527
	1,623,514	1,595,462
Total liabilities	2,074,929	2,135,213
SHAREHOLDERS' EQUITY		
Share capital	4,169,267	4,152,469
Contributed surplus	46,335	48,926
Accumulated other comprehensive loss	(244,482)	(196,657)
Deficit	(277,868)	(336,353)
Equity attributable to Lundin Mining Corporation shareholders	3,693,252	3,668,385
Non-controlling interests	497,352	482,830
	4,190,604	4,151,215
	\$ 6,265,533	\$ 6,286,428
Commitments and contingencies (Note 20)		

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenue (Note 12)	\$ 467,657	\$ 454,692	\$ 938,139	\$ 942,479
Cost of goods sold				
Production costs (Note 13)	(243,718)	(209,456)	(483,454)	(423,580)
Depreciation, depletion and amortization	(68,859)	(101,940)	(149,729)	(211,600)
Gross profit	155,080	143,296	304,956	307,299
General and administrative expenses	(11,591)	(8,994)	(24,016)	(18,234)
General exploration and business development	(21,003)	(20,572)	(40,850)	(35,753)
Finance income (Note 15)	5,533	3,573	10,383	10,840
Finance costs (Note 15)	(15,432)	(21,093)	(30,414)	(40,109)
Other income (Note 16)	21,447	4,181	28,784	4,326
Other expenses (Note 16)	(1,749)	(6,692)	(3,953)	(18,166)
Earnings before income taxes	132,285	93,699	244,890	210,203
Current tax expense (Note 17)	(44,240)	(39,991)	(73,224)	(98,236)
Deferred tax recovery (expenses) (Note 17)	(528)	10,326	2,911	24,449
Net earnings from continuing operations	87,517	64,034	174,577	136,416
Earnings from discontinued operations (Note 18)	-	21,004	-	55,066
Net earnings	\$ 87,517	\$ 85,038	\$ 174,577	\$ 191,482
Net earnings from continuing operations attributable to:				
Lundin Mining Corporation shareholders	\$ 78,806	\$ 49,006	\$ 160,055	\$ 106,586
Non-controlling interests	8,711	15,028	14,522	29,830
Net earnings from continuing operations	\$ 87,517	\$ 64,034	\$ 174,577	\$ 136,416
Net earnings attributable to:				
Lundin Mining Corporation shareholders	\$ 78,806	\$ 70,010	\$ 160,055	\$ 161,652
Non-controlling interests	8,711	15,028	14,522	29,830
Net earnings	\$ 87,517	\$ 85,038	\$ 174,577	\$ 191,482
Basic and diluted earnings per share attributable to Lundin Mining Corporation shareholders:				
Earnings from continuing operations	\$ 0.11	\$ 0.07	\$ 0.22	\$ 0.15
Earnings from discontinued operations	\$ -	\$ 0.03	\$ -	\$ 0.08
Net earnings	\$ 0.11	\$ 0.10	\$ 0.22	\$ 0.22
Weighted average number of shares outstanding (Note 11)				
Basic	731,481,815	726,735,122	730,545,931	726,461,100
Diluted	733,604,974	729,165,379	732,910,237	728,969,971

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited - in thousands of US dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net earnings	\$ 87,517	\$ 85,038	\$ 174,577	\$ 191,482
Other comprehensive (loss) income, net of taxes				
Item that may be reclassified subsequently to net earnings:				
Effects of foreign exchange	(56,714)	54,535	(37,946)	66,165
Item that was reclassified to net earnings:				
Reclassification adjustment (Note 16)	-	-	-	6,010
Other comprehensive (loss) income	(56,714)	54,535	(37,946)	72,175
Total comprehensive income	\$ 30,803	\$ 139,573	\$ 136,631	\$ 263,657
Comprehensive income attributable to:				
Lundin Mining Corporation shareholders	\$ 22,092	\$ 124,545	\$ 122,109	\$ 233,827
Non-controlling interests	8,711	15,028	14,522	29,830
Total comprehensive income	\$ 30,803	\$ 139,573	\$ 136,631	\$ 263,657

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited - in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non- controlling interests	Total
Balance, December 31, 2017	728,418,632	\$ 4,152,469	\$ 48,926	\$ (196,657)	\$ (336,353)	\$ 482,830	\$ 4,151,215
IFRS adjustments (Note 24)	-	-	-	(9,879)	(66,982)	-	(76,861)
Balance, January 1, 2018	728,418,632	4,152,469	48,926	(206,536)	(403,335)	482,830	4,074,354
Exercise of share-based awards	3,562,447	17,680	(8,248)	-	-	-	9,432
Share-based compensation	-	-	5,658	-	-	-	5,658
Dividends declared (Note 11)	-	-	-	-	(34,588)	-	(34,588)
Deferred tax adjustment	-	(882)	-	-	-	-	(882)
Net earnings	-	-	-	-	160,055	14,522	174,577
Other comprehensive loss	-	-	-	(37,946)	-	-	(37,946)
Total comprehensive (loss) income	-	-	-	(37,946)	160,055	14,522	136,631
Balance, June 30, 2018	731,981,079	\$ 4,169,267	\$ 46,335	\$ (244,482)	\$ (277,868)	\$ 497,352	\$ 4,190,604
Balance, December 31, 2016	725,134,187	\$ 4,135,367	\$ 44,779	\$ (320,138)	\$ (695,718)	\$ 463,337	\$ 3,627,627
Distributions	-	-	-	-	-	(46,000)	(46,000)
Exercise of share-based awards	1,662,410	8,877	(2,740)	-	-	-	6,137
Share-based compensation	-	-	5,125	-	-	-	5,125
Dividends declared	-	-	-	-	(32,573)	-	(32,573)
Deferred tax adjustment	-	(557)	-	-	-	-	(557)
Net earnings	-	-	-	-	161,652	29,830	191,482
Other comprehensive income	-	-	-	72,175	-	-	72,175
Total comprehensive income	-	-	-	72,175	161,652	29,830	263,657
Balance, June 30, 2017	726,796,597	\$ 4,143,687	\$ 47,164	\$ (247,963)	\$ (566,639)	\$ 447,167	\$ 3,823,416

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - in thousands of US dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Cash provided by (used in)				
Operating activities				
Net earnings	\$ 87,517	\$ 85,038	\$ 174,577	\$ 191,482
Items not involving cash and other adjustments				
Depreciation, depletion and amortization	68,859	101,940	149,729	211,600
Share-based compensation	3,073	2,344	5,658	5,125
Foreign exchange (gain) loss	(13,347)	3,102	(9,568)	11,678
Finance costs	9,899	16,504	20,031	36,135
Recognition of deferred revenue (Note 10)	(13,748)	(13,148)	(26,286)	(25,920)
Deferred tax expense (recovery)	528	(10,326)	(2,911)	(24,449)
Earnings from equity investment in associate	(7,488)	(3,218)	(12,292)	(2,479)
Earnings from discontinued operations	-	(21,004)	-	(55,066)
Other	(3,514)	(316)	(7,006)	2,350
Other payments	(2,464)	(1,414)	(4,872)	(1,762)
Changes in long-term inventory	(11,702)	2,774	979	(14,054)
Changes in non-cash working capital items (Note 23)	735	16,951	3,167	89,262
	118,348	179,227	291,206	423,902
Investing activities				
Investment in mineral properties, plant and equipment	(193,212)	(84,457)	(343,924)	(163,593)
Interest received	5,041	3,953	9,888	3,953
Proceeds from sale of discontinued operations (Note 18)	-	1,121,426	-	1,121,426
Proceeds from sale of marketable securities	-	-	35,446	-
Contributions to associate	(6,000)	(1,480)	(5,885)	(4,480)
Distributions from discontinued operations (Note 18)	-	2,700	-	58,320
Other	4,440	(10,293)	3,353	(7,314)
	(189,731)	1,031,849	(301,122)	1,008,312
Financing activities				
Interest paid	(7,588)	(33,060)	(7,588)	(33,060)
Dividends paid to shareholders	(33,633)	(32,927)	(33,633)	(32,927)
Proceeds from common shares issued	3,120	297	10,676	6,137
Debt and finance lease payments	(883)	(1,676)	(1,770)	(2,128)
Distributions to non-controlling interests	-	(34,000)	-	(46,000)
Secured notes redemption (Note 9)	(5,808)	-	(5,808)	-
Other	-	(1,183)	(1,245)	(1,183)
	(44,792)	(102,549)	(39,368)	(109,161)
Effect of foreign exchange on cash balances	(10,420)	13,371	(5,241)	12,354
(Decrease) increase in cash and cash equivalents during the period	(126,595)	1,121,898	(54,525)	1,335,407
Cash and cash equivalents, beginning of period	1,639,108	928,820	1,567,038	715,311
Cash and cash equivalents, end of period	\$ 1,512,513	\$ 2,050,718	\$ 1,512,513	\$ 2,050,718
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 six months ended June 30, 2018

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

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company primarily producing copper, nickel and zinc. The Company's wholly-owned operating assets include the Eagle mine located in the United States of America ("USA"), the Neves-Corvo mine located in Portugal and the Zinkgruvan mine located in Sweden. The Company also owns 80% of the Candelaria and Ojos del Salado mining complex ("Candelaria") located in Chile, and holds an indirect 24% equity interest in the Freeport Cobalt Oy business, which includes a cobalt refinery located in Kokkola, Finland.

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("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, 2017.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value.

The Company's presentation currency is United States ("US") dollars. Reference herein of \$ or USD is to US dollars, C\$ is to Canadian dollars, SEK is to Swedish krona, € refers to the Euro and CLP refers to the Chilean peso.

Balance sheet items are classified as current if receipt or payment is due within twelve months. Otherwise, they are presented as non-current.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on July 25, 2018.

(ii) Critical accounting estimates and judgments in applying the entity's accounting policies

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2017 except for the following critical accounting judgements which were made by the Company on adopting *IFRS 15* on January 1, 2018.

IFRS 15, Revenue from Contracts with Customers – Management exercised judgment in applying *IFRS 15* accounting standards to certain contracts with customers.

To determine the transaction price for streaming agreements, the Company made estimates with respect to interest rates implicit in the agreements, future production of the life of mine and Mineral Resources and Reserves ("R&R") quantities to adjust the consideration for the effects of the time value of money. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

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

The Company exercised judgment in the identification of performance obligations under its contracts and the allocation of the transaction price thereto. Specifically, the Company considered the following in determining the contract's relevant performance obligations and the respective allocation of the transaction price to each of the performance obligations (i) the customer's rights to the interest in R&R, (ii) the customer's ability to benefit from this interest through the extraction services provided by the Company and (iii) the Company's role as an agent to provide refined metal through a third party refinery.

(iii) Significant accounting policies

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2017 except for those noted below.

(a) IFRS 15, Revenue from Contracts with Customers

The Company adopted *IFRS 15* effective January 1, 2018. The Company has applied *IFRS 15* on a retrospective basis such that the cumulative effect of initially applying this standard is recognized at the date of initial application (Note 24). Comparative information has not been restated and is accounted for under *IAS 18 Revenue*.

Revenue from contracts with customers is recognized when a customer obtains control of the promised asset and the Company satisfies its performance obligation. Revenue is allocated to each performance obligation. The Company considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the entity expects to be entitled to in exchange for the transferring of promised goods. The Company earns revenue from contracts with customers related to its concentrate sales and its gold and silver streaming arrangements.

The Company satisfies its performance obligations for its concentrate sales based upon specified contract terms which are generally upon shipment or upon delivery. Revenue from concentrate sales is recorded based upon forward market prices of the expected final sales price date. The Company typically receives payment within one to four weeks of shipment arrival.

The Company has concluded that there were no significant changes in the accounting for concentrate sales as a result of the transition to *IFRS 15*.

Deferred revenue arises from up-front payments received by the Company in consideration for future commitments as specified in its various streaming arrangements. The accounting for streaming arrangements is dependent on the facts and terms of each of the arrangements. Revenue from streaming arrangements are recognized when the customer obtains control of the gold and/or silver metal and the Company has satisfied its performance obligations.

The Company identified significant financing components related to its streaming arrangements resulting from difference in the timing of the up-front consideration received and the promised goods delivered. Interest expense on deferred revenue is recognized in finance costs. The interest rate is determined based on the rate implicit in each streaming agreement at the date of inception. On transition to *IFRS 15*, the impact of the recognition of the financing component is described in Note 24.

The initial consideration received from the streaming arrangements is considered variable, subject to changes in the total gold and silver ounces to be delivered. Changes to variable consideration are reflected in revenue in the consolidated statement of earnings.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

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

(b) IFRS 9, Financial Instruments

The Company adopted *IFRS 9* effective January 1, 2018. The Company has applied *IFRS 9* on a retrospective basis and was not required to restate prior periods. The Company recognized the difference between the previous carrying amount and the carrying amount at the date of initial application of *IFRS 9* in the opening retained earnings (deficit) (Note 24).

Financial instruments are recognized on the consolidated balance sheet on the trade date, the date on which the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories:

Financial Assets at Amortized Cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company's loans and receivables, which are not provisionally priced, consist of fixed or determined cash flows related solely to principal and interest amounts. The Company's intent is to hold these receivables until cash flows are collected. Loans and receivables are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

Financial Assets at Fair Value through Profit or Loss ("FVTPL") – Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income.

Provisionally priced trade receivables, are considered embedded derivatives as some or all of the cash flows are dependent on commodity prices. Trade receivables with embedded derivatives are initially measured at their transaction price. Subsequent changes to provisionally priced trade receivables are recorded in the consolidated statement of earnings as other revenue.

Foreign currency options, marketable securities and contingent assets are classified as FVTPL. These financial assets are initially recognized at their fair value with changes to fair values recognized in the consolidated statement of earnings.

Financial Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial Liabilities at FVTPL – Financial liabilities at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortized cost. Cash flows from the Company's derivative liability incorporate metal prices and volatility. Financial liabilities at FVTPL are initially recognized at fair value with changes to fair values recognized in the consolidated statement of earnings.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the consolidated statement of earnings.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of earnings.

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(iv) New accounting pronouncements

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	June 30, 2018	December 31, 2017
Cash	\$ 1,084,601	\$ 975,870
Short-term deposits	427,912	591,168
	\$ 1,512,513	\$ 1,567,038

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	June 30, 2018	December 31, 2017
Trade receivables	\$ 272,151	\$ 308,130
Prepaid expenses	66,424	61,526
Value added tax	23,419	28,659
Other receivables	23,107	27,356
	\$ 385,101	\$ 425,671

5. INVENTORIES

Inventories are comprised of the following:

	June 30, 2018	December 31, 2017
Ore stockpiles	\$ 85,496	\$ 67,356
Concentrate stockpiles	33,196	37,538
Materials and supplies	95,366	87,464
	\$ 214,058	\$ 192,358

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6. OTHER NON-CURRENT ASSETS

Other non-current assets comprise the following:

	June 30, 2018	December 31, 2017
Derivative asset	\$ 29,398	\$ 33,351
Marketable securities	16,434	43,142
Other	6,384	7,207
	\$ 52,216	\$ 83,700

During the six months ended June 30, 2018, the Company received cash proceeds of \$35.5 million from the sale of marketable securities.

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

Cost	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2016	\$ 3,089,372	\$ 2,036,681	\$ 154,057	\$ 5,280,110
Additions	56,165	1,187	111,266	168,618
Disposals and transfers	1,404	12,300	(19,625)	(5,921)
Effects of foreign exchange	110,070	52,076	3,876	166,022
As at June 30, 2017	3,257,011	2,102,244	249,574	5,608,829
Additions	105,951	1,176	214,728	321,855
Disposals and transfers	(61,292)	1,041	(64,341)	(124,592)
Effects of foreign exchange	57,391	29,130	2,856	89,377
As at December 31, 2017	3,359,061	2,133,591	402,817	5,895,469
Additions	140,805	69	174,475	315,349
Disposals and transfers	5,368	264,539	(271,630)	(1,723)
Effects of foreign exchange	(68,797)	(28,192)	(4,730)	(101,719)
As at June 30, 2018	\$ 3,436,437	\$ 2,370,007	\$ 300,932	\$ 6,107,376

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Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2016	\$ 1,408,507	\$ 692,003	\$ -	\$ 2,100,510
Depreciation	112,507	99,323	-	211,830
Disposals and transfers	-	(1,855)	-	(1,855)
Effects of foreign exchange	69,188	29,287	-	98,475
As at June 30, 2017	1,590,202	818,758	-	2,408,960
Depreciation	86,502	85,525	-	172,027
Disposals and transfers	(71,505)	(49,633)	-	(121,138)
Effects of foreign exchange	31,914	15,240	-	47,154
As at December 31, 2017	1,637,113	869,890	-	2,507,003
Depreciation	68,091	73,426	-	141,517
Disposals and transfers	-	(349)	-	(349)
Effects of foreign exchange	(43,737)	(15,506)	-	(59,243)
As at June 30, 2018	\$ 1,661,467	\$ 927,461	\$ -	\$ 2,588,928

Net book value	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2017	\$ 1,721,948	\$ 1,263,701	\$ 402,817	\$ 3,388,466
As at June 30, 2018	\$ 1,774,970	\$ 1,442,546	\$ 300,932	\$ 3,518,448

During the three and six months ended June 30, 2018, the Company capitalized \$48.8 million (2017 - \$29.2 million) and \$89.6 million (2017 - \$47.3 million), respectively, of deferred stripping costs to mineral properties. Included in the mineral properties balance as at June 30, 2018 is \$432.1 million (December 31, 2017 - \$342.5 million) which is currently non-depreciable.

During the three and six months ended June 30, 2018, the Company capitalized \$5.8 million (2017 - \$2.9 million) and \$10.3 million (2017 - \$5.3 million) of borrowing costs, at a weighted average rate of 6.5%, primarily related to construction of the Candelaria Los Diques tailings facility project.

During 2017, the Company disposed of the Galmoy assets and liabilities. The net carrying amount of the plant and equipment was \$3.8 million.

8. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	June 30, 2018	December 31, 2017
Trade payables	\$ 135,977	\$ 160,067
Unbilled goods and services	88,344	80,582
Employee benefits payable	57,509	60,643
Royalty payable	13,521	8,258
Interest payable	5,764	5,906
Prepayment from customer	-	19,204
	\$ 301,115	\$ 334,660

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9. LONG-TERM DEBT AND FINANCE LEASES

Long-term debt and finance leases are comprised of the following:

	June 30, 2018	December 31, 2017
Senior secured notes (a)	\$ 433,281	\$ 438,373
Line of credit (b)	7,288	8,305
Finance lease obligations	2,546	3,268
	443,115	449,946
Less: current portion	3,247	3,431
	\$ 439,868	\$ 446,515

- a) During the second quarter, the Company completed an offer to purchase (the "Offer") any and all of its \$450 million 7.875% senior secured Notes (the "Notes"). The Offer was made pursuant to the Notes indenture. The principal balance of the Notes outstanding as at June 30, 2018 is \$439.2 million (December 31, 2017 - \$445 million).
- b) Sociedade Mineira de Neves-Corvo, S.A. ("Somincor"), a subsidiary of the Company which owns the Neves-Corvo mine, has a line of credit for equipment financing. The \$29.1 million (€25 million) line of credit bears interest at EURIBOR plus 0.84%. The program matures in December 2019.

10. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2016	\$ 559,943
Prepayments received	(595)
Recognition of revenue	(25,920)
Effects of foreign exchange	2,276
As at June 30, 2017	535,704
Recognition of revenue	(23,060)
Effects of foreign exchange	1,115
As at December 31, 2017	513,759
IFRS 15 transition adjustment (Note 24)	85,978
As at January 1, 2018	599,737
Recognition of revenue	(26,286)
Finance costs	15,389
Effects of foreign exchange	(4,375)
As at June 30, 2018	584,465
Less: current portion	63,969
Long-term portion	\$ 520,496

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11. SHARE CAPITAL

a) Basic and diluted weighted average number of shares

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Basic weighted average number of shares outstanding	731,481,815	726,735,122	730,545,931	726,461,100
Effect of dilutive securities	2,123,159	2,430,257	2,364,306	2,508,871
Diluted weighted average number of shares outstanding	733,604,974	729,165,379	732,910,237	728,969,971
Antidilutive restricted share units ("SU")	24,000	1,180,190	769,900	1,180,190

The effect of dilutive securities relates to in-the-money outstanding stock options and SUs. Antidilutive SUs could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share.

b) Stock options and SUs granted

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Stock options	162,000	337,200	2,970,800	4,329,290
SUs	24,000	102,100	811,800	1,180,190

c) Dividends

During the three and six months ended June 30, 2018, the Company declared dividends in the amount of \$17.1 million (2017 - \$16.1 million) and \$34.6 million (2017 - \$32.6 million), respectively, or C\$0.03 per share (2017 - C\$0.03) in each quarter.

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12. REVENUE

	Three months ended June 30, 2018		Six months ended June 30, 2018	
Revenue from contracts with customers	\$	470,886	\$	971,560
Revenue from other sources				
Provisional pricing adjustments on concentrate sales		(3,229)		(33,421)
	\$	467,657	\$	938,139

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Copper	\$ 309,187	\$ 302,898	\$ 584,549	\$ 628,020
Zinc	73,916	61,605	160,620	133,961
Nickel	38,969	29,775	93,784	61,625
Gold	21,893	27,720	44,143	55,368
Lead	11,368	16,402	26,399	32,411
Silver	8,310	9,003	15,899	16,679
Other	4,014	7,289	12,745	14,415
	\$ 467,657	\$ 454,692	\$ 938,139	\$ 942,479

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Europe	\$ 255,531	\$ 179,111	\$ 495,753	\$ 405,640
Asia	143,209	193,725	291,939	376,547
North America	46,851	49,501	110,074	101,417
South America	22,066	32,355	40,373	58,875
	\$ 467,657	\$ 454,692	\$ 938,139	\$ 942,479

13. PRODUCTION COSTS

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Direct mine and mill costs	\$ 222,402	\$ 187,721	\$ 440,346	\$ 380,102
Transportation	15,749	17,912	31,553	35,411
Royalties	5,567	3,823	11,555	8,067
	\$ 243,718	\$ 209,456	483,454	423,580

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14. EMPLOYEE BENEFITS

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating costs				
Wages and benefits	\$ 71,104	\$ 54,377	\$ 141,122	\$ 107,634
Pension benefits	225	294	541	596
Share-based compensation	609	640	1,793	1,466
	71,938	55,311	143,456	109,696
General and administrative expenses				
Wages and benefits	5,026	3,755	11,365	8,212
Pension benefits	367	346	545	475
Share-based compensation	2,421	1,478	3,752	3,276
	7,814	5,579	15,662	11,963
General exploration and business development				
Wages and benefits	1,760	1,966	3,944	4,261
Pension benefits	11	11	27	22
Share-based compensation	43	186	113	265
	1,814	2,163	4,084	4,548
Total employee benefits	\$ 81,566	\$ 63,053	\$ 163,202	\$ 126,207

15. FINANCE INCOME AND COSTS

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Interest income	\$ 5,533	\$ 3,573	\$ 10,383	\$ 10,819
Accretion expense on reclamation provisions	(1,558)	(1,378)	(2,966)	(2,790)
(Loss) gain on currency options	(1,881)	(707)	(1,691)	21
Interest expense and bank fees	(12,158)	(18,109)	(25,325)	(36,553)
Other	165	(899)	(432)	(766)
Total finance costs	\$ (9,899)	\$ (17,520)	\$ (20,031)	\$ (29,269)
Finance income	\$ 5,533	\$ 3,573	\$ 10,383	\$ 10,840
Finance costs	(15,432)	(21,093)	(30,414)	(40,109)
Total finance costs, net	\$ (9,899)	\$ (17,520)	\$ (20,031)	\$ (29,269)

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16. OTHER INCOME AND EXPENSES

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revaluation of derivative asset	\$ (1,749)	\$ -	\$ (3,953)	\$ -
Income from equity investment in associate	7,488	3,218	12,292	2,481
Revaluation of marketable securities	4,192	-	9,789	-
Foreign exchange gain (loss)	7,992	(5,142)	5,977	(12,831)
Gain (loss) on sale of assets	550	(1,079)	572	(3,894)
Other	1,225	492	154	404
Total other income (expenses)	\$ 19,698	\$ (2,511)	\$ 24,831	\$ (13,840)
Other income	\$ 21,447	\$ 4,181	\$ 28,784	\$ 4,326
Other expenses	(1,749)	(6,692)	(3,953)	(18,166)
Total other income (expenses), net	\$ 19,698	\$ (2,511)	\$ 24,831	\$ (13,840)

During 2017, the Company reclassified \$6.0 million previously recorded in accumulated other comprehensive loss to foreign exchange loss on the disposal of the Galmoy assets.

17. 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.

18. EARNINGS FROM DISCONTINUED OPERATIONS

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

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Impairment reversals	\$ -	\$ 13,347	\$ -	\$ 21,922
Share of equity income	-	4,860	-	30,347
Gain on disposal	-	2,797	-	2,797
Earnings from discontinued operations	\$ -	\$ 21,004	\$ -	\$ 55,066

Net investing cash flows from discontinued operations for the three and six months ended June 30, 2018 were nil (2017 - \$1,124.1 million and \$1,179.7 million).

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19. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at June 30, 2018 and December 31, 2017:

	Level	June 30, 2018		December 31, 2017	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Restricted cash	1	\$ 43,473	\$ 43,473	\$ 44,848	\$ 44,848
Trade receivables (provisional)	2	255,956	255,956	285,385	285,385
Marketable securities	1	16,434	16,434	3,425	3,425
Derivative asset	2	29,398	29,398	33,351	33,351
Currency options	2	1,209	1,209	5,318	5,318
		\$ 346,470	\$ 346,470	\$ 372,327	\$ 372,327
Available for sale					
Marketable securities	1	\$ -	\$ -	\$ 39,717	\$ 39,717
Financial liabilities					
Amortized cost					
Long-term debt and finance leases	1,2	\$ 443,115	\$ 466,170	\$ 449,946	\$ 489,605
Fair value through profit or loss					
Derivative liability	2	\$ 8,900	\$ 8,900	\$ 8,900	\$ 8,900

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 \$9.8 million in revenue during the three months ended June 30, 2018 (2017 - \$0.2 million negative pricing adjustment) and negative pricing adjustments of \$42.8 million in revenue during the six months ended June 30, 2018 (2017 - \$25.4 million positive pricing adjustment).

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

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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.

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

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

Derivative asset & liability – The fair value of these derivatives is determined using a valuation model that incorporates such factors as metals prices, metal price volatility and expiry date.

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

20. COMMITMENTS AND CONTINGENCIES

a) The Company has the following capital commitments as at June 30, 2018:

2018	\$	205,348
2019		80,347
2020		27,995
2021		12,630
2022		1,099
Total	\$	327,419

b) In late May 2018, the Company became aware that the Portuguese Authority for Working Conditions (“ACT”) had issued a number of complaints against the Company’s wholly-owned subsidiary Somincor and certain of Somincor’s current and former management and directors in respect of certain labour actions involving mill personnel at the Neves-Corvo mine in December 2017 and March 2018. On June 5, 2018, Somincor filed an administrative appeal of the complaints with ACT on behalf of all respondents; a decision is pending and subject to further rights of judicial appeal. If the complaints are ultimately sustained, the likely sanction would be fines up to a maximum aggregate amount, for all complaints, of approximately \$12 million (€10 million).

c) In early 2018, the Company was notified of claims alleging contamination to marine habitat as a result of vessel loading activities at the Punta Padrones port owned by Candelaria. The claims seek damages totaling approximately \$48 million. These proceedings are at a very early stage and, although the Company believes the claims are without merit, it is not possible at this time for management to predict the outcome. Accordingly, the Company has not accrued any amounts related to this litigation.

21. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Chile, USA, Portugal and Sweden. Operating segments are reported in a manner consistent with the internal reporting provided to executive management who act as the chief operating decision-maker. Executive management are responsible for allocating resources and assessing performance of the operating segments. Mining operations at Candelaria and Ojos are included in the Candelaria reporting segment.

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For the three months ended June 30, 2018

	Candelaria		Eagle		Neves-Corvo		Zinkgruvan		Other		Total	
	Chile		USA		Portugal		Sweden					
Revenue	\$	243,585	\$	63,651	\$	110,816	\$	49,605	\$	-	\$	467,657
Cost of goods sold												
Production costs		(129,980)		(26,302)		(64,625)		(22,187)		(624)		(243,718)
Depreciation, depletion and amortization		(40,346)		(13,129)		(8,585)		(6,411)		(388)		(68,859)
Gross profit		73,259		24,220		37,606		21,007		(1,012)		155,080
General and administrative expenses		-		-		-		-		(11,591)		(11,591)
General exploration and business development		(10,951)		(5,656)		(1,161)		(1,533)		(1,702)		(21,003)
Finance costs		(6,174)		(40)		(520)		(971)		(2,194)		(9,899)
Other income		2,931		41		6,166		4,645		5,915		19,698
Income tax expense		(12,999)		(2,533)		(16,142)		(6,397)		(6,697)		(44,768)
Net earnings (loss)	\$	46,066	\$	16,032	\$	25,949	\$	16,751	\$	(17,281)	\$	87,517
Capital expenditures	\$	128,491	\$	12,630	\$	40,360	\$	9,451	\$	2,280	\$	193,212

For the six months ended June 30, 2018

	Candelaria		Eagle		Neves-Corvo		Zinkgruvan		Other		Total	
	Chile		USA		Portugal		Sweden					
Revenue	\$	461,827	\$	155,865	\$	208,474	\$	111,973	\$	-	\$	938,139
Cost of goods sold												
Production costs		(254,120)		(60,755)		(122,671)		(44,068)		(1,840)		(483,454)
Depreciation, depletion and amortization		(78,946)		(34,105)		(23,239)		(12,702)		(737)		(149,729)
Gross profit		128,761		61,005		62,564		55,203		(2,577)		304,956
General and administrative expenses		-		-		-		-		(24,016)		(24,016)
General exploration and business development		(21,632)		(10,152)		(1,876)		(3,288)		(3,902)		(40,850)
Finance costs		(12,165)		(121)		(1,892)		(1,911)		(3,942)		(20,031)
Other income		2,643		56		2,698		6,102		13,332		24,831
Income tax expense		(12,861)		(7,780)		(20,641)		(13,402)		(15,629)		(70,313)
Net earnings (loss)	\$	84,746	\$	43,008	\$	40,853	\$	42,704	\$	(36,734)	\$	174,577
Capital expenditures	\$	219,359	\$	22,276	\$	76,256	\$	20,628	\$	5,405	\$	343,924

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For the three months ended June 30, 2017

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Revenue	\$ 267,741	\$ 64,442	\$ 73,051	\$ 49,458	\$ -	\$ -	\$ 454,692
Cost of goods sold							
Production costs	(104,529)	(34,082)	(49,614)	(21,279)	-	48	(209,456)
Depreciation, depletion and amortization	(49,968)	(27,921)	(17,747)	(5,812)	-	(492)	(101,940)
Gross profit	113,244	2,439	5,690	22,367	-	(444)	143,296
General and administrative expenses	-	-	-	-	-	(8,994)	(8,994)
General exploration and business development	(9,575)	(5,046)	(1,211)	(1,366)	-	(3,374)	(20,572)
Finance costs	(460)	(262)	(147)	(159)	-	(16,492)	(17,520)
Other (expense) income	1,221	42	(8,897)	(3,446)	-	8,569	(2,511)
Income tax (expense) recovery	(26,212)	-	6,555	(3,905)	-	(6,103)	(29,665)
Net earnings (loss) from continuing operations	78,218	(2,827)	1,990	13,491	-	(26,838)	64,034
Income from discontinued operations	-	-	-	-	21,004	-	21,004
Net earnings (loss)	\$ 78,218	\$ (2,827)	\$ 1,990	\$ 13,491	\$ 21,004	\$ (26,838)	\$ 85,038
Capital expenditures	\$ 56,340	\$ 5,419	\$ 11,394	\$ 11,267	\$ -	\$ 37	\$ 84,457

For the six months ended June 30, 2017

	Candelaria	Eagle	Neves- Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Revenue	\$ 546,081	\$ 136,713	\$ 156,087	\$ 103,598	\$ -	\$ -	\$ 942,479
Cost of goods sold							
Production costs	(224,393)	(65,107)	(94,637)	(38,641)	-	(802)	(423,580)
Depreciation, depletion and amortization	(100,252)	(64,440)	(35,278)	(10,618)	-	(1,012)	(211,600)
Gross profit	221,436	7,166	26,172	54,339	-	(1,814)	307,299
General and administrative expenses	-	-	-	-	-	(18,234)	(18,234)
General exploration and business development	(15,853)	(10,114)	(2,695)	(2,357)	-	(4,734)	(35,753)
Finance (costs) income	(863)	(710)	6,531	(277)	-	(33,950)	(29,269)
Other (expense) income	(828)	84	(10,735)	(4,069)	-	1,708	(13,840)
Income tax (expense) recovery	(50,263)	-	661	(10,295)	-	(13,890)	(73,787)
Net earnings (loss) from continuing operations	153,629	(3,574)	19,934	37,341	-	(70,914)	136,416
Income from discontinued operations	-	-	-	-	55,066	-	55,066
Net earnings (loss)	\$ 153,629	\$ (3,574)	\$ 19,934	\$ 37,341	\$ 55,066	\$ (70,914)	\$ 191,482
Capital expenditures	\$ 104,454	\$ 15,226	\$ 21,151	\$ 22,622	\$ -	\$ 140	\$ 163,593

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For the three and six months ended June 30, 2018

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

22. RELATED PARTY TRANSACTIONS

- a) **Transactions with associates** - The Company enters into transactions related to its investments in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Notes 16 and 18).
- 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		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Wages and salaries	\$ 2,482	\$ 1,687	\$ 4,057	\$ 3,358
Pension benefits	31	39	88	95
Share-based compensation	1,330	885	1,716	2,037
	\$ 3,843	\$ 2,611	\$ 5,861	\$ 5,490

- c) **Other related parties** - For the three and six months ended June 30, 2018, the Company paid \$0.5 million (2017 - \$0.3 million) and \$1.2 million (2017 - \$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.

23. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Changes in non-cash working capital items consist of:				
Trade receivable, inventories and other current assets	\$ 75,617	\$ 10,156	\$ 81,928	\$ 62,327
Trade payable and other current liabilities	(74,882)	6,795	(78,761)	26,935
	\$ 735	\$ 16,951	\$ 3,167	\$ 89,262
Operating activities included the following cash payments:				
Income taxes paid	\$ 91,520	\$ 40,995	\$ 109,995	\$ 39,068

During the three and six months ended June 30, 2018, total interest paid, including capitalized interest, was \$17.9 million (2017 - \$38.3 million). Total interest received for the three and six months ended June 30, 2018 was \$5.0 million (2017 - \$3.9 million) and \$9.9 million (2017 - \$10.8 million), respectively.

24. IFRS 9 AND IFRS 15 TRANSITION ADJUSTMENTS

The Company has applied *IFRS 9* and *IFRS 15* retrospectively, with the cumulative effects of the standards recognized as an adjustment to the opening balance of deficit as of January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers

On the adoption of *IFRS 15*, the Company recorded a change to opening January 1, 2018 deficit and deferred revenue balances. Adjustments are due to a change in the transaction price for the Company's streaming agreements as a result of the existence of significant financing components.

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For the six months ended June 30, 2018, the Company recognized finance costs at a weighted average rate of 5.2% on the deferred revenue balances. The Company also made an adjustment to deferred revenue recognition for the inclusion of a significant financing component in the transaction price.

The adoption of *IFRS 15* did not have an impact on the timing of recognition of concentrate revenue.

IFRS 9 – Financial Instruments

On the adoption of *IFRS 9*, The Company recorded a change to its opening January 1, 2018 deficit and accumulated other comprehensive loss of \$10.1 million to reflect the impact of reclassifying marketable securities designated as Available for Sale (“AFS”) under *IAS 39* to Assets Measured at FVTPL under *IFRS 9*. Cumulative gains and losses previously recognized in other comprehensive income (“OCI”) on marketable securities which existed on January 1, 2018 have been reclassified to deficit.

The adoption of *IFRS 9* did not impact the carrying value of any financial asset or financial liability on the transition date. The table below outlines the change in classification of the Company’s financial assets under *IAS 39* to *IFRS 9*:

	<i>IFRS 9</i>		<i>IAS 39</i>	
	New Classification	Original classification	Measurement model	
Cash and cash equivalents	FVTPL	FVTPL	FVTPL	
Restricted funds	FVTPL	FVTPL	FVTPL	
Loans and receivables (except for the embedded derivatives)	Amortized cost	Loans and receivables	Amortized cost	
Trade receivables (embedded derivatives)	FVTPL	FVTPL	FVTPL	
Marketable securities	FVTPL	FVTPL	FVTPL	
Marketable securities - AFS	FVTPL	AFS	Fair value through OCI	
Derivative asset	FVTPL	FVTPL	FVTPL	
Trade payables and accrued liabilities	Amortized cost	Loans and receivables	Amortized cost	
Long-term debt and finance leases	Amortized cost	Loans and receivables	Amortized cost	
Derivative liability	FVTPL	FVTPL	FVTPL	
Other long-term liabilities	Amortized cost	Loans and receivables	Amortized cost	

The following table shows the cumulative effect of the adoption of *IFRS 9* and *IFRS 15* on the consolidated balance sheet as of January 1, 2018:

Condensed Consolidated Balance Sheet	Balance at December 31, 2017	Adjustments due to <i>IFRS 9</i>	Adjustments due to <i>IFRS 15</i>	Balance at January 1, 2018
LIABILITIES				
Current portion of deferred revenue	\$ 42,258	-	22,184	\$ 64,442
Deferred revenue	\$ 471,501	-	63,794	\$ 535,295
Deferred tax liabilities	\$ 407,527	-	(9,117)	\$ 398,410
EQUITY				
Accumulated other comprehensive loss	\$ (196,657)	(10,055)	176	\$ (206,536)
Deficit	\$ (336,353)	10,055	(77,037)	\$ (403,335)

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For the three and six months ended June 30, 2018

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

The following table shows the effect of the adoption of *IFRS 9* and *IFRS 15* on the condensed interim consolidated balance sheet as of June 30, 2018:

June 30, 2018				
Condensed Interim Consolidated Balance Sheet	Reported	Impact of adoption of IFRS 9	Impact of adoption of IFRS 15	Balance without adoption of IFRS 9 and 15
ASSETS				
Mineral properties, plant and equipment	\$ 3,518,448	-	(2,518)	\$ 3,520,966
LIABILITIES				
Current portion of deferred revenue	\$ 63,969	-	22,184	\$ 41,785
Deferred revenue	\$ 520,496	-	69,740	\$ 450,756
Deferred tax liabilities	\$ 384,443	-	(9,299)	\$ 393,742
EQUITY				
Accumulated other comprehensive loss	\$ (244,482)	(3,073)	211	\$ (241,620)
Deficit	\$ (277,868)	3,073	(85,354)	\$ (195,587)

The following table shows the effect of the adoption *IFRS 9* and *IFRS 15* on the condensed interim consolidated statement of earnings for the three and six months ended June 30, 2018:

Three months ended June 30, 2018				
Interim Consolidated Statement of Earnings	Reported	Impact of adoption of IFRS 9	Impact of adoption of IFRS 15	Balance without adoption of IFRS 9 and 15
Revenue	\$ 467,657	-	4,951	\$ 462,706
Production costs	(243,718)	-	-	(243,718)
Depreciation, depletion and amortization	(68,859)	-	-	(68,859)
Gross profit	155,080	-	4,951	150,129
General and administrative expenses	(11,591)	-	-	(11,591)
General exploration and business development	(21,003)	-	-	(21,003)
Finance income	5,533	-	-	5,533
Finance costs	(15,432)	-	(8,221)	(7,211)
Other income	21,447	4,428	-	17,019
Other expenses	(1,749)	(178)	-	(1,571)
Earnings before income taxes	132,285	4,250	(3,270)	131,305
Current tax expense	(44,240)	-	-	(44,240)
Deferred tax recovery	(528)	-	58	(586)
Net earnings	\$ 87,517	4,250	(3,212)	\$ 86,479

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Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

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

Interim Consolidated Statement of Earnings	Six months ended June 30, 2018			
	Reported	Impact of adoption of IFRS 9	Impact of adoption of IFRS 15	Balance without adoption of IFRS 9 and 15
Revenue	\$ 938,139	-	9,398	\$ 928,741
Cost of goods sold				
Production costs	(483,454)	-	-	(483,454)
Depreciation, depletion and amortization	(149,729)	-	-	(149,729)
Gross profit	304,956	-	9,398	295,558
General and administrative expenses	(24,016)	-	-	(24,016)
General exploration and business development	(40,850)	-	-	(40,850)
Finance income	10,383	-	-	10,383
Finance costs	(30,414)	-	(17,907)	(12,507)
Other income	28,784	(6,528)	-	35,312
Other expenses	(3,953)	(454)	-	(3,499)
Earnings before income taxes	244,890	(6,982)	(8,509)	260,381
Current tax expense	(73,224)	-	-	(73,224)
Deferred tax recovery	2,911	-	192	2,719
Net earnings	\$ 174,577	(6,982)	(8,317)	\$ 189,876

The following table shows the effect of the adoption IFRS 9 and IFRS 15 on the condensed interim consolidated statement of comprehensive income for the three and six months ended June 30, 2018:

Interim Consolidated Statement of Comprehensive Income	Three months ended June 30, 2018			
	Reported	Impact of adoption of IFRS 9	Impact of adoption of IFRS 15	Balance without adoption of IFRS 9 and 15
Net earnings	\$ 87,517	4,250	(3,212)	\$ 86,479
Other comprehensive income, net of taxes				
Item that may be reclassified subsequently to net earnings:				
Unrealized gain on marketable securities	-	(4,428)	-	4,428
Effects of foreign exchange	(56,714)	178	30	(56,922)
Other comprehensive income	(56,714)	(4,250)	30	(52,494)
Total comprehensive income	\$ 30,803	-	(3,182)	\$ 33,985
Comprehensive income attributable to:				
Lundin Mining Corporate shareholders	\$ 22,092	-	(3,182)	25,274
Non-controlling interests	8,711	-	-	8,711
Total comprehensive income	\$ 30,803	-	(3,182)	\$ 33,985

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

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

Interim Consolidated Statement of Comprehensive Income	Six months ended June 30, 2018			
	Reported	Impact of adoption of IFRS 9	Impact of adoption of IFRS 15	Balance without adoption of IFRS 9 and 15
Net earnings	\$ 174,577	(6,982)	(8,317)	\$ 189,876
Other comprehensive income, net of taxes				
Item that may be reclassified subsequently to net earnings:				
Unrealized gain on marketable securities	-	(4,458)	-	4,458
Effects of foreign exchange	(37,946)	454	211	(38,611)
Other comprehensive income	(37,946)	(4,004)	211	(34,153)
Total comprehensive income	\$ 136,631	(10,986)	(8,106)	\$ 155,723
Comprehensive income attributable to:				
Lundin Mining Corporate shareholders	\$ 122,109	(10,986)	(8,106)	\$ 141,201
Non-controlling interests	14,522	-	-	14,522
Total comprehensive income	\$ 136,631	(10,986)	(8,106)	\$ 155,723