

lundin mining

Management's Discussion and Analysis For the year ended December 31, 2019

This management's discussion and analysis ("MD&A") has been prepared as of February 20, 2020 and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2019. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of \$ or USD is to United States dollars, C\$ is to Canadian dollars, CLP is to Chilean pesos, BRL is to Brazilian reais, € refers to euros, and SEK is to Swedish kronor.

About Lundin Mining

Lundin Mining Corporation ("Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations in Brazil, Chile, Portugal, Sweden, and the United States of America, primarily producing copper, zinc, gold and nickel.

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Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained herein is “forward-looking information” within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts included in this document constitute forward-looking information, including but not limited to statements regarding the Company’s plans, prospects and business strategies; the Company’s guidance on the timing and amount of future production and its expectations regarding the results of operations; expected costs; permitting requirements and timelines; timing and possible outcome of pending litigation; the results of any Preliminary Economic Assessment, Feasibility Study, or Mineral Resource and Mineral Reserve estimations, life of mine estimates, and mine and mine closure plans; anticipated market prices of metals, currency exchange rates, and interest rates; the development and implementation of the Company’s Responsible Mining Management System; the Company’s ability to comply with contractual and permitting or other regulatory requirements; anticipated exploration and development activities at the Company’s projects; and the Company’s integration of acquisitions (such as the Chapada mine) and any anticipated benefits thereof. Words such as “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “goal”, “aim”, “intend”, “continue”, “budget”, “estimate”, “may”, “will”, “can”, “could”, “should”, “schedule” and similar expressions identify forward-looking statements. Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management, including that the Company can access financing, appropriate equipment and sufficient labour; assumed and future price of copper, nickel, zinc, gold and other metals; anticipated costs; ability to achieve goals; the prompt and effective integration of acquisitions; that the political environment in which the Company operates will continue to support the development and operation of mining projects; and assumptions related to the factors set forth below. While these factors and assumptions are considered reasonable by Lundin Mining as at the date of this document in light of management’s experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information. Such factors include, but are not limited to: risks inherent in and/or associated with operating in foreign countries; uncertain political and economic environments; community activism, shareholder activism and risks related to negative publicity with respect to the Company or the mining industry in general; changes in laws, regulations or policies including but not limited to those related to permitting and approvals, environmental and tailings management, labour, trade relations, and transportation; delays or the inability to obtain necessary governmental approvals and/or permits; regulatory investigations, enforcement, sanctions and/or related or other litigation; risks associated with business arrangements and partners over which the Company does not have full control; risks associated with acquisitions and related integration efforts (including with respect to the Chapada mine), including the ability to achieve anticipated benefits, unanticipated difficulties or expenditures relating to integration and diversion of management time on integration; competition; development or mining results not being consistent with the Company’s expectations; estimates of future production and operations; operating, cash and all-in sustaining cost estimates; allocation of resources and capital; litigation; uninsurable risks; volatility and fluctuations in metal and commodity prices; the estimation of asset carrying values; funding requirements and availability of financing; indebtedness; foreign currency fluctuations; interest rate volatility; changes in the Company’s share price, and equity markets, in general; changing taxation regimes; counterparty and credit risks; health and safety risks; risks related to the environmental impact of the Company’s operations and products and management thereof; unavailable or inaccessible infrastructure and risks related to ageing infrastructure; risks inherent in mining including but not limited to risks to the environment, industrial accidents, catastrophic equipment failures, unusual or unexpected geological formations or unstable ground conditions; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; ore processing efficiency; risks relating to attracting and retaining of highly skilled employees; ability to retain key personnel; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; the price and availability of energy and key operating supplies or services; the inherent uncertainty of exploration and development, and the potential for unexpected costs and expenses including, without limitation, for mine closure and reclamation at current and historical operations; risks associated with the estimation of Mineral Resources and Mineral Reserves and the geology, grade and continuity of mineral deposits including but not limited to models relating thereto; actual ore mined and/or metal recoveries varying from Mineral Resource and Mineral Reserve estimates; mine plans, and life of mine estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; natural phenomena such as earthquakes, flooding, and unusually severe weather; potential for the allegation of fraud and corruption involving the Company, its customers, suppliers or employees, or the allegation of improper or discriminatory employment practices, or human rights violations; security at the Company’s operations; breach or compromise of key information technology systems; materially increased or unanticipated reclamation obligations; risks related to mine closure activities; risks related to closed and historical sites; title risk and the potential of undetected encumbrances; risks associated with the structural stability of waste rock dumps or tailings storage facilities; and other risks and uncertainties, including but not limited to those described in the “Risk and Uncertainties” section of the Annual Information Form for the year ended December 31, 2018 and the “Managing Risks” section of the Company’s MD&A for the year ended December 31, 2019, which are available on SEDAR at www.sedar.com under the Company’s profile. All of the forward-looking statements made in this document are qualified by these cautionary statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, forecast or intended and readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information. Accordingly, there can be no assurance that forward-looking information will prove to be accurate and forward-looking information is not a guarantee of future performance. Readers are advised not to place undue reliance on forward-looking information. The forward-looking information contained herein speaks only as of the date of this document. The Company disclaims any intention or obligation to update or revise forward-looking information or to explain any material difference between such and subsequent actual events, except as required by applicable law.

Highlights

Operational Performance

All operations successfully met or exceeded the Company's most recent annual metal production guidance. Candelaria, Chapada, Neves-Corvo and Zinkgruvan all achieved annual cash costs in-line with or better than the most recent guidance. Further, both Neves-Corvo and Zinkgruvan set all-time annual records for ore mined. Annual capital expenditures of \$665.3 million were marginally lower than the most recent guidance of \$695.0 million.

Significant achievements during the year ended December 31, 2019 include successful acquisition and integration of the Chapada mine, completion of pre-production development of the Candelaria Underground South Sector project and processing of first ore from Eagle East. In addition, progress on the Candelaria Mill Optimization Project and Neves-Corvo's Zinc Expansion Project ("ZEP") continues to advance in-line with the latest schedule and capital cost guidance.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 146,330 tonnes of copper, approximately 88,000 ounces of gold and 1.3 million ounces of silver in concentrate during the year. Copper production was in-line with market guidance and higher than the prior year, a reflection of mining and processing higher-grade ore following successful mining of the open pit Phase 10 pushback and development of the Candelaria South Sector. Copper cash costs¹ of \$1.54/lb were better than annual guidance, and the prior year.

As noted above, pre-production development of the Candelaria South Sector underground mine was successfully completed and the project was transferred to operations, ahead of schedule. Mine production from Candelaria's North and South Sector underground mines ramped up to an average of 13,500 tonnes per day during the fourth quarter.

Chapada (100% owned): Acquisition of the Chapada mine was completed on July 5, 2019. During the period of Lundin Mining's ownership, Chapada produced 30,529 tonnes of copper and approximately 54,000 ounces of gold. Copper production exceeded guidance, and gold production was in-line with expectations. Copper cash costs of \$0.58/lb were better than guidance with higher precious metal credits and favourable foreign exchange effects.

Eagle (100% owned): Eagle production for the year met guidance, producing 13,494 tonnes of nickel and 14,297 tonnes of copper. Nickel cash costs of \$2.84/lb for the year were higher than guidance and prior year due to lower sales volumes.

Development of Eagle East reached an important milestone with first ore extracted and processed ahead of schedule, and with project costs expected to be below budget.

Neves-Corvo (100% owned): Neves-Corvo produced 41,436 tonnes of copper and 73,202 tonnes of zinc for the year, meeting guidance. Copper cash costs of \$1.59/lb for the year were in-line with the most recent guidance, though higher than the prior year due to lower by-product credits.

ZEP continued to advance in accordance with the revised schedule and budget for the phased start-up and production during 2020.

Zinkgruvan (100% owned): Zinc production of 78,313 tonnes met guidance and was higher than the prior year. Zinc, lead and copper production all exceeded the prior year as a result of higher head grades and metal recoveries. Zinc cash costs of \$0.39/lb for the year were in-line with guidance.

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

Production and Cash Cost Summary:

Total 2019 production and cash costs are compared to the most recent guidance as follows:

Years ended December 31, (Contained tonnes)		Production		Cash Cost	
		2019 Actual	2019 Guidance ^a	2019 Actual	2019 Guidance ^a
Copper (t)	Candelaria (100%)	146,330	145,000 - 155,000	\$1.54/lb	\$1.60/lb
	Chapada ^b	30,529	27,000 - 30,000	\$0.58/lb	\$0.80/lb
	Eagle	14,297	13,000 - 15,000		
	Neves-Corvo	41,436	40,000 - 42,000	\$1.59/lb	\$1.60/lb
	Zinkgruvan	2,906	2,000 - 3,000		
	Total	235,498	227,000 - 245,000		
Zinc (t)	Neves-Corvo	73,202	73,000 - 76,000		
	Zinkgruvan	78,313	76,000 - 81,000	\$0.39/lb	\$0.40/lb
	Total	151,515	149,000 - 157,000		
Nickel (t)	Eagle	13,494	12,000 - 14,000	\$2.84/lb	\$2.60/lb

a - Revised guidance as disclosed in the Company's MD&A for the three and nine months ended September 30, 2019.

b - For the period of Lundin Mining's ownership Chapada gold production was 54,000 ounces compared to guidance of 50,000 to 55,000 ounces for the same period.

Financial Performance

- Gross profit for the year ended December 31, 2019 was \$440.4 million, an increase of \$3.8 million in comparison to the prior year. The increase reflects the addition of Chapada's gross profit contribution of \$104.4 million. Gross profit variances from the other operations include higher depreciation expense (\$40.5 million), lower realized metal prices (\$34.0 million) and higher treatment and refining charges (\$24.5 million).
- For the year ended December 31, 2019, net earnings of \$189.2 million, was \$26.2 million lower compared to the prior year. Lower net earnings in the current year were due to negative revaluation adjustments for marketable securities and derivatives (\$37.6 million) and lower income from investment in associates (\$23.7 million), partially offset by lower finance costs (\$21.4 million).
- Adjusted earnings¹ for the year were lower than the prior year primarily due to lower realized foreign exchange gains offset by lower exploration and business development expenses and finance costs.
- Net debt¹ position at December 31, 2019 was \$60.2 million compared to net cash of \$804.4 million at December 31, 2018. The movement from a net cash to a net debt position (\$864.6 million) was largely attributable to the acquisition of Chapada (\$757.0 million), cash used for capital investments in excess of operating cash flow (\$100.7 million) and dividends paid (\$66.4 million), partially offset by distributions received from investment in associate (\$114.2 million).

¹ These are non-GAAP measures – see page 25 of this MD&A for discussion of non-GAAP measures.

Corporate Highlights

- On July 5, 2019, the Company announced the closing of the acquisition of a 100% ownership stake in Mineração Maracá Indústria e Comércio SA, which owns the Chapada copper-gold mine located in Brazil from Yamana Gold Inc. The net purchase price of \$757.0 million was funded by cash on hand and a drawdown of \$285.0 million on the Company's secured revolving credit facility (the "Credit Facility").
- The execution of a third amended and restated credit agreement was announced by the Company on August 28, 2019. The Credit Facility was increased to \$800.0 million, with a \$200.0 million accordion option to total \$1.0 billion, with reduced costs of borrowing and an extended term to August 2023.
- On September 5, 2019, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2019. On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totaled 5,507 thousand tonnes of copper, including 1,757 thousand tonnes from Chapada, 3,231 thousand tonnes of zinc, 108 thousand tonnes of nickel, 977 thousand tonnes of lead and 6.8 million ounces of gold.
- On December 2, 2019, the Company announced that its joint venture with Freeport-McMoRan Inc., Freeport Cobalt, had completed the sale of its cobalt refinery in Kokkola, Finland and related cobalt cathode precursor business to Umicore for total cash consideration of approximately \$200.0 million, including net working capital of approximately \$50.0 million at the time of close (the "Freeport Cobalt Transaction"). During 2019, the Company received approximately \$114.2 million in funds distributed by the joint venture, including attributable proceeds of the Freeport Cobalt Transaction.
- During 2019 approximately 4.3 million shares were purchased by the Company under its normal course issuer bid ("NCIB"). All shares purchased under the NCIB were cancelled. On December 5, 2019, the Company renewed its NCIB which allows the Company to purchase up to 63,797,653 common shares over a period of twelve months commencing on December 9, 2019.

Financial Position and Financing

- In 2019, the Company acquired the Chapada mine for net cash consideration of \$757.0 million. The purchase price of \$800.0 million at the date of acquisition was paid using cash on hand of \$515.0 million and a \$285.0 million drawdown on the revolving credit facility. Offsetting this was cash held in the acquired operations and working capital adjustments totaling \$43.0 million.
- Cash and cash equivalents decreased by \$564.8 million during 2019. Cash flow from operations of \$564.6 million were more than offset by capital expenditures of \$665.3 million. In addition, the Company utilized cash of \$472.0 million during the year for the acquisition of Chapada, and received \$114.2 million in distributions from its equity investment in Freeport Cobalt, including attributable proceeds of the Freeport Cobalt Transaction.
- The Company ended 2019 with a net debt balance of \$60.2 million compared to a net cash position of \$804.4 million at December 31, 2018.
- As of February 20, 2020, the Company had a cash and net debt balance of approximately \$200.0 million and \$90.0 million, respectively.

Outlook

2020 Production and Cash Cost

Production, cash cost and capital expenditure guidance for 2020 remains unchanged from that provided on November 26, 2019 (see news release “Lundin Mining Provides Operational Outlook & Shareholder Returns Update”).

(contained metal in concentrate)		Production	Cash Costs ^a
Copper (t)	Candelaria (100%)	165,000 - 175,000	\$1.45/lb ^b
	Chapada	51,000 - 56,000	\$1.15/lb ^c
	Eagle	15,000 - 18,000	
	Neves-Corvo	38,000 - 43,000	\$1.80/lb
	Zinkgruvan	3,000 - 4,000	
	Total	272,000 - 296,000	
Zinc (t)	Neves-Corvo	95,000 - 105,000	
	Zinkgruvan	77,000 - 82,000	\$0.55/lb
	Total	172,000 - 187,000	
Gold (oz)	Candelaria (100%)	100,000 - 105,000	
	Chapada	90,000 - 95,000	
	Total	190,000 - 200,000	
Nickel (t)	Eagle	15,000 - 18,000	\$1.00/lb

a. Cash costs are based on various assumptions and estimates, including but not limited to: production volumes, as noted above, commodity prices (Cu: \$2.70/lb, Zn: \$1.10/lb, Ni: \$6.00/lb, Pb: \$0.90/lb, Au: \$1,350/oz), foreign exchange rates (€/USD:1.20, USD/SEK:8.50, USD/CLP:675, USD/BRL:3.75) and operating costs.

b. 68% of Candelaria's total gold and silver production are subject to a streaming agreement and as such cash costs are calculated based on receipt of \$412/oz and \$4.12/oz respectively, on gold and silver sales. Silver production at Zinkgruvan and Neves-Corvo are also subject to streaming agreements, and cash costs are calculated based on receipt of \$4.30 and \$4.39/oz, respectively, on silver sales.

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

2020 Capital Expenditure Guidance

Capital expenditures, excluding capitalized interest, are expected to be \$620 million, as outlined below.

2020 Guidance	\$ millions
Candelaria (100% basis)	265
Chapada	60
Eagle	15
Neves-Corvo	75
Zinkgruvan	50
Total Sustaining Capital	465
Zinc Expansion Project (Neves-Corvo)	155
Total Capital Expenditures	620

2020 Exploration Investment Guidance

Planned exploration expenditures are expected to be \$55 million in 2020, \$10 million lower than previous guidance. The majority of the decrease is due to a reduction in the planned activities on regional exploration stage projects in South America. Planned expenditures for 2020 will be spent supporting significant in-mine and near-mine targets at our operations (\$20 million at Candelaria, \$15 million at Zinkgruvan, \$10 million at Chapada, and \$10 million at Neves-Corvo).

Selected Annual Financial Information^{1,2}

(\$ millions, except share and per share amounts)	Year ended December 31,		
	2019	2018	2017
Revenue	1,892.7	1,725.6	2,077.5
Costs of goods sold:			
Production costs	(1,066.2)	(969.6)	(875.9)
Depreciation, depletion and amortization	(386.1)	(319.4)	(381.3)
Gross Profit	440.4	436.6	820.3
Net earnings attributable to:			
Lundin Mining shareholders, continuing	167.3	195.8	371.4
Lundin Mining shareholders, discontinued	-	-	55.1
Non-controlling interests	21.9	19.6	75.5
Net earnings	189.2	215.4	502.0
Adjusted earnings³	159.5	183.6	360.2
Adjusted EBITDA³	705.7	643.2	1,054.6
Cash flow from operations	564.6	476.4	903.5
Capital expenditures⁴	665.3	751.8	478.8
Total assets	6,917.2	5,934.8	6,286.4
Total debt & lease liabilities	308.5	11.0	449.9
Net (debt) cash³	(60.2)	804.4	1,110.5
Per share amounts:			
Basic and diluted earnings per share attributable to shareholders			
- continuing operations (EPS - Continuing)	0.23	0.27	0.51
- net earnings (EPS - Total)	0.23	0.27	0.59
Adjusted earnings per share ³	0.22	0.25	0.50
Adjusted operating cash flow per share ³	0.75	0.66	1.14
Dividends declared (C\$/share)	0.12	0.12	0.12

Summary of Quarterly Results^{2,5}

(\$ millions, except per share data)	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Revenue	568.4	538.7	369.3	416.4	407.7	379.7	467.7	470.5
Cost of goods sold	(422.9)	(410.1)	(344.1)	(275.2)	(335.7)	(320.1)	(312.6)	(320.6)
Gross profit	145.5	128.6	25.1	141.2	72.0	59.6	155.1	149.9
Net earnings (loss)	104.8	32.1	(8.6)	60.9	31.8	9.1	87.5	87.1
- attributable to shareholders	97.0	26.4	(7.8)	51.7	28.8	7.0	78.8	81.3
EPS - Basic and diluted	0.13	0.04	(0.01)	0.07	0.04	0.01	0.11	0.11
Cash flow from operations	186.4	111.6	204.5	62.1	44.2	140.9	118.3	172.9
Adjusted operating cash flow per share	0.28	0.21	0.07	0.19	0.16	0.11	0.16	0.23
Capital expenditures (cash basis)	139.6	165.0	178.7	182.0	234.1	173.7	193.2	150.7

1. Except where otherwise noted, financial data has been prepared in accordance with IFRS as issued by the IASB. Upon the adoption of new standards, the Company has elected not to restate comparative periods presented.

2. Results reflect the inclusion of Chapada for the period of Lundin Mining's ownership.

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

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

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

Revenue Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)	2019					2018				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)										
Candelaria (100%)	139,051	34,564	42,276	31,138	31,073	132,626	32,465	32,832	34,542	32,787
Chapada ¹	29,884	16,127	13,757	-	-	-	-	-	-	-
Eagle	12,767	2,819	2,615	4,286	3,047	16,480	3,987	4,678	3,295	4,520
Neves-Corvo	41,252	11,311	12,343	9,888	7,710	44,729	10,700	13,525	11,371	9,133
Zinkgruvan	2,673	779	981	913	-	1,385	18	495	872	-
	225,627	65,600	71,972	46,225	41,830	195,220	47,170	51,530	50,080	46,440
Zinc (tonnes)										
Neves-Corvo	59,143	14,713	14,567	14,466	15,397	61,150	15,492	16,434	15,746	13,478
Zinkgruvan	67,463	19,314	12,657	19,466	16,026	62,922	20,475	12,288	13,565	16,594
	126,606	34,027	27,224	33,932	31,423	124,072	35,967	28,722	29,311	30,072
Gold (000 oz)										
Candelaria (100%)	83	20	25	19	19	76	20	19	19	18
Chapada ¹	55	28	27	-	-	-	-	-	-	-
	138	48	52	19	19	76	20	19	19	18
Nickel (tonnes)										
Eagle	10,682	3,167	1,889	3,935	1,691	15,151	3,929	3,400	2,755	5,067
Lead (tonnes)										
Neves-Corvo	4,591	1,210	792	1,313	1,276	5,577	1,243	1,420	1,732	1,182
Zinkgruvan	23,875	9,518	4,684	5,799	3,874	23,097	9,430	5,544	3,036	5,087
	28,466	10,728	5,476	7,112	5,150	28,674	10,673	6,964	4,768	6,269
Silver (000 oz)										
Candelaria (100%)	1,152	275	342	252	283	1,103	289	284	264	266
Chapada ¹	119	67	52	-	-	-	-	-	-	-
Eagle	72	12	22	25	13	72	16	27	10	19
Neves-Corvo	801	189	185	201	226	871	307	190	215	159
Zinkgruvan	1,594	571	335	460	228	1,401	529	341	295	236
	3,738	1,114	936	938	750	3,447	1,141	842	784	680

1. Sales results are for the period of Lundin Mining's ownership.

Revenue Analysis

by Mine (\$ thousands)	Year ended December 31,					Change \$
	2019		2018			
	\$	%	\$	%		
Candelaria (100%)	896,283	47	838,772	49		57,511
Chapada ¹	248,011	13	-	-		248,011
Eagle	212,929	11	265,863	15		(52,934)
Neves-Corvo	337,167	18	404,263	23		(67,096)
Zinkgruvan	198,323	11	216,691	13		(18,368)
	1,892,713		1,725,589			167,124

1. Revenue results are for the period of Lundin Mining's ownership.

by Metal (\$ thousands)	Year ended December 31,					Change \$
	2019		2018			
	\$	%	\$	%		
Copper	1,240,348	66	1,095,931	64		144,417
Zinc	242,510	13	292,282	17		(49,772)
Gold	173,634	9	77,533	4		96,101
Nickel	131,247	7	146,977	9		(15,730)
Lead	52,414	3	59,547	3		(7,133)
Silver	35,173	1	31,110	2		4,063
Other	17,387	1	22,209	1		(4,822)
	1,892,713		1,725,589			167,124

Revenue for the year ended December 31, 2019 was \$1,892.7 million, an increase of \$167.1 million in comparison to the prior year. The increase was mainly due to the acquisition of Chapada mine in the third quarter, partially offset by lower net realized metal prices (\$34.0 million) relating primarily to copper and zinc, and higher zinc treatment and refining charges (\$19.7 million).

Gold and silver revenue for the year ended December 31, 2019 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 approximately \$408/oz for gold and between \$4.08/oz and \$4.39/oz for silver.

After the acquisition of Chapada, revenue from copper includes the recognition of deferred revenue from the acquired copper streams, as well as the cash proceeds of 30% of the market price of copper sold.

Revenue is recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the expected month of settlement and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting revenue in the period in which the sale is settled. Settlement dates can range from one to six months after shipment.

The Company is subject to credit and customer concentration risk associated with trade receivables, with four customers representing a significant portion of sales. The Company manages this risk through evaluation and monitoring of industry and economic conditions and assessment of customers' financial reports. The Company transacts with credit-worthy customers to minimize credit risk and employs pre-payment arrangements and the use of letters of credit, as appropriate. There is no assurance that customers will remain solvent over time and in the event a significant customer is unable to accept contracted volumes, the volumes may then be sold on a spot basis to smelters or traders, sold under renegotiated contractual volumes with existing customers, or sold under contracts with new customers.

Provisionally valued revenue for the year ended December 31, 2019

Metal	Payable metal	Valued at \$ per lb/oz
Copper	59,968 t	\$2.80 /lb
Zinc	32,530 t	\$1.03 /lb
Gold	30,893 oz	\$1,536 /oz
Nickel	2,895 t	\$6.36 /lb

Full-Year Reconciliation of Realized Prices

(\$ thousands)	Year ended December 31, 2019				
	Copper	Zinc	Gold	Nickel	Total
Current period sales ¹	1,337,110	312,527	201,002	160,730	2,011,369
Prior period price adjustments	9,812	759	988	8,594	20,153
	1,346,922	313,286	201,990	169,324	2,031,522
Other metal sales					103,224
Copper stream cash effect					(4,930)
Gold stream cash effect					(14,560)
Less: Treatment & refining charges					(222,543)
Total Revenue					1,892,713
Payable Metal	225,627 t	126,606 t	138 koz	10,682 t	
Current period sales ^{1, 2}	\$2.69	\$1.12	\$1,459	\$6.83	
Prior period adjustments	0.02	-	7	0.36	
Realized prices	\$2.71 /lb	\$1.12 /lb	\$1,466 /oz	\$7.19 /lb	

	Twelve months ended December 31, 2018				
	Copper	Zinc	Gold	Nickel	Total
Current period sales ¹	1,215,566	340,882	95,189	184,900	1,836,537
Prior period price adjustments	(15,786)	1,800	(882)	3,440	(11,428)
	1,199,780	342,682	94,307	188,340	1,825,109
Other metal sales					143,366
Gold stream cash effect					(43,364)
Less: Treatment & refining charges					(199,522)
Total Revenue					1,725,589
Payable Metal	195,220 t	124,072 t	76 koz	15,151 t	
Current period sales ^{1, 2}	\$2.82	\$1.25	\$1,241	\$5.54	
Prior period adjustments	(0.03)	-	(12)	0.10	
Realized prices	\$2.79 /lb	\$1.25 /lb	\$1,229 /oz	\$5.64 /lb	

1. Includes provisional price adjustments on current period sales.

2. The realized price for copper inclusive of the impact of streaming agreements for 2019 is \$2.70/lb (2018: n/a). The realized price for gold inclusive of the impact of streaming agreements for 2019 is \$1,077/oz (2018: \$682/oz).

Annual Financial Results

Production Costs

Production costs for the year ended December 31, 2019 were \$1,066.2 million, an increase of \$96.6 million in comparison to the \$969.6 million reported in 2018. The increase was largely due to the inclusion of Chapada mine production costs (\$117.3 million), partially offset by the impact of favourable foreign exchange rates at all mines.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense for the current year increased in comparison to the prior year. The increase was primarily attributable to the inclusion of Chapada as well as increased amortization of deferred stripping at Candelaria associated with the increased production from Phase 10 of the open pit. Depreciation at Eagle has decreased as a result of lower sales volumes.

Depreciation by operation (\$ thousands)	Year ended December 31,		
	2019	2018	Change
Candelaria	212,298	164,708	47,590
Chapada	26,237	-	26,237
Eagle	58,102	65,808	(7,706)
Neves-Corvo	57,425	57,656	(231)
Zinkgruvan	30,328	29,662	666
Other	1,727	1,542	185
	386,117	319,376	66,741

Income from Equity Investment in Associate

During the fiscal year ended December 31, 2019, there was a decrease of \$23.7 million recognized in income compared to the prior year, due mainly to inventory revaluations as a result of lower cobalt prices in 2019.

During the year the Company received distributions of \$114.2 million which included sale proceeds from the Freeport Cobalt Transaction.

General Exploration and Business Development

General exploration and business development expenses for the year ended December 31, 2019 were \$77.8 million, a modest decrease compared to the prior year. The lower expenditures reflect reduced exploration activities at Eagle.

During 2019, exploration costs were spent primarily on in-mine and near-mine targets at the Company's operations, with the majority of expenditures occurring at Candelaria and Zinkgruvan. At Candelaria, drilling was within the underground mines, on surface at La Española and strategically throughout the district. Exploration expense at Zinkgruvan was focused on underground drilling, exploration drifting and surface drilling on the Dalby and Flaxen concessions. The Company also spent \$4.4 million on exploration stage projects, primarily in South America.

Finance Income and Costs

Net finance costs of \$38.8 million for the year ended December 31, 2019 reflect a decrease of \$21.4 million from the prior year. In 2018 the Company expensed \$16.9 million related to the early redemption of its secured notes.

Other Income and Expense

Net other expense for the year ended December 31, 2019 was \$13.3 million, compared to \$20.2 million net other income in the prior year. The increase in net other expense of \$33.5 million was primarily due to higher revaluation losses on derivatives associated primarily with the contingent payment on the acquisition of Chapada (\$21.3 million) and higher revaluation loss on marketable securities (\$15.0 million).

Foreign exchange gains recorded in net other expenses relate to the foreign exchange revaluation of working capital denominated in foreign currencies that was held by the Company. Period end exchange rates affecting foreign exchange recorded at December 31, 2019 were \$1.00:CLP749 (December 31, 2018 - \$1.00:CLP695), \$1.00:BRL4.03 (December 31, 2018 – n/a), \$1.12:€1.00 (December 31, 2018 - \$1.15:€1.00) and \$1.00:SEK9.32 (December 31, 2018 - \$1.00:SEK8.97).

Income Taxes

Income taxes by mine

Income tax expense (recovery) (\$ thousands)	Year ended December 31,		
	2019	2018	Change
Candelaria	22,812	13,982	8,830
Chapada	40,480	-	40,480
Eagle	(2,546)	5,939	(8,485)
Neves-Corvo	(11,744)	14,624	(26,368)
Zinkgruvan	11,400	17,586	(6,186)
Other	20,017	24,238	(4,221)
	80,419	76,369	4,050

Income taxes by classification

Income tax expense (recovery) (\$ thousands)	Year ended December 31,		
	2019	2018	Change
Current income tax	62,861	76,761	(13,900)
Deferred income tax	17,558	(392)	17,950
	80,419	76,369	4,050

Income tax expense for the year ended December 31, 2019 increased by \$4.1 million compared to the prior year.

The increase in the income tax expense in the current year was mainly due to the addition of the Chapada mine (\$40.5 million), which includes the deferred tax impact of a weakening BRL on translation of non-monetary assets (\$14.3 million), offset by lower taxable net earnings at Zinkgruvan, Neves-Corvo and Eagle, as well as a tax recovery of \$7.1 million on reduced withholding tax rates in Chile (from 15% to 10%) and \$15.1 million in investment tax credits recognized at Neves-Corvo.

Fourth Quarter Financial Results

Gross Profit

Gross profit for the quarter ended December 31, 2019 was \$145.5 million, \$73.5 million higher in comparison to the fourth quarter of the prior year (\$72.0 million). The increase was primarily due to the inclusion of Chapada (\$56.6 million) as well as higher realized metal prices.

Fourth Quarter Reconciliation of Realized Prices

(\$ thousands)	Three months ended December 31, 2019				
	Copper	Zinc	Gold	Nickel	Total
Current period sales ¹	400,153	77,631	73,931	44,431	596,145
Prior period price adjustments	10,463	(784)	(899)	(116)	8,665
	410,616	76,847	73,032	44,315	604,810
Other metal sales					46,535
Copper stream cash effect					(3,883)
Gold stream cash effect					(14,560)
Less: Treatment & refining charges					(64,539)
Total Revenue					568,363
Payable Metal	65,600 t	34,027 t	48 koz	3,167 t	
Current period sales ^{1,2}	\$2.77	\$1.03	\$1,527	\$6.36	
Prior period adjustments	0.07	(0.01)	(19)	(0.01)	
Realized prices (\$/lb, \$/oz)	\$2.84 /lb	\$1.02 /lb	\$1,508 /oz	\$6.35 /lb	

(\$ thousands)	Three months ended December 31, 2018				
	Copper	Zinc	Gold	Nickel	Total
Current period sales ¹	282,395	90,858	24,271	41,886	439,410
Prior period price adjustments	(9,541)	(155)	950	(6,943)	(15,689)
	272,854	90,703	25,221	34,943	423,721
Other metal sales					47,812
Gold stream cash effect					(11,893)
Less: Treatment & refining charges					(51,899)
Total Revenue					407,741
Payable Metal	47,170 t	35,967 t	20 koz	3,929 t	
Current period sales ^{1,2}	\$2.72	\$1.15	\$1,214	\$4.84	
Prior period adjustments	(0.10)	(0.01)	-	(0.81)	
Realized prices (\$/lb)	\$2.62 /lb	\$1.14 /lb	\$1,214 /oz	\$4.03 /lb	

1. Includes provisional price adjustments on current period sales.

2. The realized price for copper inclusive of the impact of streaming agreements for 2019 is \$2.81/lb (2018: n/a). The realized price for gold inclusive of the impact of streaming agreements for 2019 is \$1,207/oz (2018: \$695/oz).

Net Earnings

Net earnings for the quarter ended December 31, 2019 were \$104.8 million compared to net earnings of \$31.8 million in the fourth quarter of the prior year. Net earnings were positively impacted by higher gross profit (\$73.5 million) and additional income from the equity investment in Freeport Cobalt (\$10.0 million) partially offset by higher income tax expense (\$14.6 million).

Adjusted Earnings

Adjusted earnings were higher than the prior year quarter mainly due to higher gross profit, offset by lower realized foreign exchange gains recognized in the current quarter.

Cash Flow from Operations

Cash flow from operations for the quarter ended December 31, 2019 was \$186.4 million, compared to the \$44.2 million reported in the prior year comparable quarter. The increase was largely due to comparative non-cash working capital (\$50.3 million) and long-term inventory (\$25.0 million) as well as higher gross profit.

Mining Operations

Production Overview

(Contained metal in concentrate)	2019					2018				
	YTD	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)										
Candelaria (100%)	146,330	39,221	40,698	33,633	32,778	134,578	33,011	35,323	34,397	31,847
Chapada ¹	30,529	12,884	17,645	-	-	-	-	-	-	-
Eagle	14,297	3,626	3,042	3,732	3,897	17,974	3,908	5,178	4,115	4,773
Neves-Corvo	41,436	10,898	12,055	9,615	8,868	45,692	11,287	11,746	11,899	10,760
Zinkgruvan	2,906	502	1,120	705	579	1,386	-	523	687	176
	235,498	67,131	74,560	47,685	46,122	199,630	48,206	52,770	51,098	47,556
Zinc (tonnes)										
Neves-Corvo	73,202	17,946	18,232	18,251	18,773	75,435	18,465	18,905	20,230	17,835
Zinkgruvan	78,313	20,979	16,796	18,865	21,673	76,606	23,559	17,157	16,845	19,045
	151,515	38,925	35,028	37,116	40,446	152,041	42,024	36,062	37,075	36,880
Gold (000 oz)										
Candelaria (100%)	88	23	24	21	20	78	21	20	20	17
Chapada ¹	54	20	34	-	-	-	-	-	-	-
	142	43	58	21	20	78	21	20	20	17
Nickel (tonnes)										
Eagle	13,494	2,651	3,232	3,398	4,213	17,573	3,501	4,697	4,234	5,141
Lead (tonnes)										
Neves-Corvo	5,474	1,365	1,106	1,350	1,653	6,571	1,418	1,524	1,872	1,757
Zinkgruvan	27,703	9,361	6,291	6,219	5,832	24,613	8,161	5,515	3,914	7,023
	33,177	10,726	7,397	7,569	7,485	31,184	9,579	7,039	5,786	8,780
Silver (000 oz)										
Candelaria (100%)	1,305	337	355	292	321	1,207	307	330	295	275
Chapada ¹	144	63	81	-	-	-	-	-	-	-
Eagle	143	31	40	45	27	158	41	46	28	43
Neves-Corvo	1,706	385	431	392	498	1,791	508	458	420	405
Zinkgruvan	2,464	724	630	631	479	2,155	607	531	452	565
	5,762	1,540	1,537	1,360	1,325	5,311	1,463	1,365	1,195	1,288

1. Production results are for the period of Lundin Mining's ownership.

Cash Cost Overview³

(\$/lb)	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
Candelaria (cost/lb Cu)				
Gross cost	1.70	1.90	1.82	1.90
By-product ¹	(0.32)	(0.25)	(0.28)	(0.22)
Cash Cost	1.38	1.65	1.54	1.68
AISC²	2.22	3.99	2.88	3.34
Chapada (cost/lb Cu)⁴				
Gross cost	1.96	-	1.84	-
By-product	(1.19)	-	(1.26)	-
Cash Cost	0.77	-	0.58	-
AISC	1.28	-	0.97	-
Eagle (cost/lb Ni)				
Gross cost	6.50	4.79	6.30	4.57
By-product	(2.97)	(3.03)	(3.46)	(3.56)
Cash Cost	3.53	1.76	2.84	1.01
AISC	4.53	2.55	3.74	1.84
Neves-Corvo (cost/lb Cu)				
Gross cost	2.85	3.02	2.93	2.87
By-product	(1.07)	(1.53)	(1.34)	(1.59)
Cash Cost	1.78	1.49	1.59	1.28
AISC	2.65	2.64	2.38	1.95
Zinkgruvan (cost/lb Zn)				
Gross cost	0.87	0.67	0.83	0.78
By-product	(0.56)	(0.44)	(0.44)	(0.44)
Cash Cost	0.31	0.23	0.39	0.34
AISC	0.62	0.50	0.65	0.62

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

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

3. On adoption of IFRS 16, *Leases*, the Company has elected not to restate comparative periods presented.

4. Cash costs and AISC for Chapada are for the period of Lundin Mining's ownership.

Capital Expenditures^{1,2}

(\$ thousands)	Year ended December 31,							
	2019				2018			
	Sustaining	Expansory	Capitalized Interest	Total	Sustaining	Expansory	Capitalized Interest	Total
by Mine								
Candelaria	367,298	-	-	367,298	490,993	-	7,617	498,610
Chapada	28,996	-	-	28,996	-	-	-	-
Eagle	11,466	30,288	126	41,880	9,958	33,424	2,425	45,807
Neves-Corvo	56,494	130,044	1,203	187,741	54,545	104,261	5,021	163,827
Zinkgruvan	38,956	-	-	38,956	37,951	-	-	37,951
Other	417	-	-	417	5,558	-	-	5,558
	503,627	160,332	1,329	665,288	599,005	137,685	15,063	751,753

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

Candelaria (Chile)

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)	Total	2019				2018				
		Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	28,753	10,067	9,329	5,620	3,737	17,799	3,432	3,771	6,225	4,372
Ore milled (000s tonnes)	26,287	6,336	6,295	6,450	7,206	27,585	7,017	7,241	7,137	6,190
Grade										
Copper (%)	0.60	0.66	0.70	0.57	0.49	0.53	0.52	0.54	0.52	0.56
Gold (g/t)	0.14	0.15	0.16	0.14	0.11	0.12	0.13	0.13	0.12	0.11
Recovery										
Copper (%)	92.3	92.8	92.9	91.4	91.9	91.2	89.8	91.0	91.6	92.6
Gold (%)	72.1	74.4	71.8	70.6	70.5	68.9	68.6	67.6	70.2	69.3
Production (contained metal)										
Copper (tonnes)	146,330	39,221	40,698	33,633	32,778	134,578	33,011	35,323	34,397	31,847
Gold (000 oz)	88	23	24	21	20	78	21	20	20	17
Silver (000 oz)	1,305	337	355	292	321	1,207	307	330	295	275
Revenue (\$000s)	896,283	235,015	249,930	178,677	232,661	838,772	200,434	176,511	243,585	218,242
Gross profit (\$000s)	180,650	57,989	42,612	1,390	78,659	180,959	38,630	13,568	73,259	55,502
Cash cost (\$ per pound copper)	1.54	1.38	1.39	1.86	1.62	1.68	1.65	1.64	1.71	1.71
AISC (\$ per pound copper)	2.88	2.22	2.49	3.73	3.30	3.34	3.99	3.58	2.92	2.91

Gross Profit

Gross profit for the year ended December 31, 2019 was comparable to 2018, largely as a result of higher depreciation expense and lower prices net of price adjustments, offset by favourable effects of foreign exchange.

Production

Copper production for the year ended December 31, 2019 was higher than 2018 and in-line with annual guidance. The increase in production was largely a result of higher grades as more ore tonnes were sourced from the open pit and underground mines, and less from the low-grade stockpile.

Cash Costs

Copper cash costs for the year ended December 31, 2019 were \$0.14/lb lower than cash costs in 2018 and better than guidance. The improvement in cash costs was largely due to the positive impact of foreign exchange rate and higher by-product credits.

AISC for 2019 were lower than those reported in the prior year, primarily due to lower cash costs and reduced sustaining capex, as significant reinvestment programs launched in 2018 were completed or ramping down in 2019.

In 2019, approximately 55,000 oz of gold and 786,000 oz of silver were subject to terms of a streaming agreement from which approximately \$408/oz of gold and \$4.08/oz of silver were received. The Company has delivered approximately 330,000 oz of gold and 5.4 million oz of silver since the inception of the precious metal stream.

Projects

The Candelaria Mill Optimization Project to increase throughput capacity, improve metal recoveries and reduce maintenance costs for the mill is progressing and now expected to be completed in the first quarter of 2020, corresponding with the expected timing of mill maintenance down-time to minimize disruption to production. Primary crusher re-powering is complete; three of the four ball mill motor replacements have been installed and installation of new cyclones is on-going. All remaining equipment to be installed is on site.

Pre-production development of the Candelaria Underground South Sector was completed in the third quarter of 2019. Combined production from the Candelaria North and South Sector underground mines increased to 13,500 tonnes per day in the fourth quarter, approaching the 14,000 tonnes per day permitted. Studies completed to date show potential to add value in further expansion of the Candelaria underground mines and a feasibility study on expanding the underground mine has commenced. Baseline environmental data has been collected in support of an updated Environmental Impact Assessment which is to be submitted to the Chilean authorities in early 2020.

Delivery of new open pit mine fleet equipment under the Mine Fleet Investment program is substantially complete, with 99% of the equipment received and placed into service. The final two pieces of equipment will be delivered in 2021 and 2022.

Chapada (Brazil)

The Chapada mine consists of an open pit mine and on-site processing facilities located in the northern Goiás State of Brazil, approximately 270 km northwest of the national capital of Brasilia. The processing plant has a capacity of 24.0 mtpa, producing high-quality gold-rich copper concentrate. The primary metal is copper, with gold and silver as by-product metals.

Operating Statistics¹

(100% Basis)	Total	2019			
		Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	18,240	7,592	10,648	-	-
Ore milled (000s tonnes)	11,911	5,731	6,180	-	-
Grade					
Copper (%)	0.31	0.27	0.34	-	-
Gold (g/t)	0.24	0.20	0.28	-	-
Recovery					
Copper (%)	82.7	81.6	83.7	-	-
Gold (%)	59.4	57.0	61.0	-	-
Production (contained metal)					
Copper (tonnes)	30,529	12,884	17,645	-	-
Gold (000 oz)	54	20	34	-	-
Silver (000 oz)	144	63	81	-	-
Revenue (\$000s)	248,011	133,144	114,867	-	-
Gross profit (\$000s)	104,445	56,581	47,864	-	-
Cash cost (\$ per pound copper)	0.58	0.77	0.35	-	-
AISC (\$ per pound copper)	0.97	1.28	0.62	-	-

1. Operating results are for the period of Lundin Mining's ownership.

Gross Profit

Gross profit for the year was positively impacted by higher gold prices and volume sold than expected, as well as favourable foreign exchange rates. Several operational excellence projects undertaken earlier this year to reduce the costs of the blasting process, concentrate logistics/storage, in-mine infrastructure contracts and chemical laboratory products, as well as projects to increase truck productivity have contributed to reduced operating costs and better than expected results for the period.

Production

Copper production for the period of Lundin Mining's ownership exceeded guidance while gold production was in-line with guidance. The better than expected copper production was mainly due to higher than planned ore grades mined primarily from the Corpo Sul open pit.

Cash Costs

Copper cash costs were better than guidance, benefitting primarily from favourable foreign exchange rates, as well as rising gold prices which improved the realized by-product credit.

AISC was also better than expected due to lower cash costs.

Projects

The Company is continuing to evaluate options for long-term mine and plant expansion. Study work is being completed in parallel with a significant increase in exploration efforts, largely focused on near-mine targets, with the results to be incorporated in any future expansionary plans.

During the fourth quarter, the Company completed a Mineral Range Inventory Analysis targeting process near the current mining operations to identify areas of high exploration potential. Since taking ownership, through the end of 2019, approximately 15,000 metres of diamond drilling has been completed. The 2020 exploration program is planned to include an expanded 50,000 metre drill program and geophysical surveys.

Eagle (USA)

The Eagle mine consists of the Eagle underground mine, located approximately 53 km northwest of Marquette, Michigan, U.S.A. and the Humboldt mill, located 61 km west of Marquette. The mill has a processing capacity of 0.7 mtpa, producing nickel and copper in concentrates. The primary metal is nickel with copper, and minor amounts of cobalt, gold, and platinum-group metals as by-product metals.

Operating Statistics

	2019					2018				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	748	194	197	192	165	753	192	192	183	186
Ore milled (000s tonnes)	747	191	197	194	165	754	195	192	185	182
Grade										
Nickel (%)	2.2	1.7	2.0	2.1	3.0	2.8	2.2	2.9	2.7	3.4
Copper (%)	2.0	2.0	1.6	2.0	2.4	2.5	2.1	2.8	2.3	2.7
Recovery										
Nickel (%)	82.1	80.5	80.4	81.3	85.0	82.8	81.5	82.6	83.6	83.6
Copper (%)	96.0	95.3	95.5	95.7	97.6	97.0	96.4	97.2	96.8	97.7
Production (contained metal)										
Nickel (tonnes)	13,494	2,651	3,232	3,398	4,213	17,573	3,501	4,697	4,234	5,141
Copper (tonnes)	14,297	3,626	3,042	3,732	3,897	17,974	3,908	5,178	4,115	4,773
Revenue (\$000s)	212,929	53,592	53,717	59,412	46,208	265,863	50,914	59,084	63,651	92,214
Gross profit (\$000s)	35,987	(1,021)	19,350	(800)	18,458	74,218	(128)	13,341	24,220	36,785
Cash cost (\$ per pound nickel)	2.84	3.53	3.25	3.14	0.37	1.01	1.76	0.87	1.09	0.49
AISC (\$ per pound nickel)	3.74	4.53	4.37	3.65	1.65	1.84	2.55	1.76	2.14	1.17

Gross Profit

Gross profit for the year ended December 31, 2019 was \$38.2 million lower than 2018. The decrease was primarily due to lower sales volumes resulting from lower metal production due to planned lower grades ahead of Eagle East ore contributing to mill feed, partially offset by higher nickel metal prices.

Production

Both nickel and copper production for the year met annual guidance. Metal production compared to the prior year was lower, reflecting planned lower grades due to mine sequencing and ahead of Eagle East ore contributing meaningfully to mill feed.

Cash Costs

Nickel cash costs for the year ended December 31, 2019 were higher than the prior year due primarily to lower sales volumes. Cash costs were also higher than guidance for the year due to a combination of lower sales volumes and higher TC/RCs as a result of a change in customer mix.

AISC for the year ended December 31, 2019, were higher than that reported in 2018 as a result of higher cash costs.

Projects

Eagle East development was substantially completed by the end of 2019. Development reached the important milestone of first ore mined in the third quarter and first ore fed to the mill early in the fourth quarter. The Eagle East project is expected to be completed below budget and ahead of the original schedule in the first quarter of 2020, following final development of a ventilation raise and the underground maintenance shop.

Neves-Corvo (Portugal)

Neves-Corvo is located 220 km southeast of Lisbon, Portugal, in the western part of the Iberian Pyrite Belt and consists of an underground mine, which exploits five major ore bodies, and on-site processing facilities. The copper plant has a processing capacity of 2.6 mtpa, producing copper in concentrate, and the zinc plant has a capacity of 1.1 mtpa with the ability to process zinc or copper ore, producing zinc or copper in concentrate. The primary metal is copper, with zinc, lead and silver as by-product metals.

Operating Statistics

	2019					2018				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	2,702	686	699	628	689	2,693	696	688	618	691
Ore mined, zinc (000 tonnes)	1,153	290	284	283	296	1,119	280	273	283	283
Ore milled, copper (000 tonnes)	2,679	681	702	626	670	2,692	704	696	641	651
Ore milled, zinc (000 tonnes)	1,137	286	285	280	286	1,125	287	280	278	280
Grade										
Copper (%)	2.0	2.1	2.1	2.0	1.7	2.2	2.1	2.2	2.5	2.2
Zinc (%)	7.9	7.8	7.8	7.9	8.0	7.8	7.6	7.9	8.3	7.6
Recovery										
Copper (%)	78.3	77.9	80.6	75.8	79.3	75.5	76.8	76.3	74.2	74.6
Zinc (%)	78.8	78.0	80.2	78.6	78.3	80.6	79.1	81.0	82.0	80.4
Production (contained metal)										
Copper (tonnes)	41,436	10,898	12,055	9,615	8,868	45,692	11,287	11,746	11,899	10,760
Zinc (tonnes)	73,202	17,946	18,232	18,251	18,773	75,435	18,465	18,905	20,230	17,835
Lead (tonnes)	5,474	1,365	1,106	1,350	1,653	6,571	1,418	1,524	1,872	1,757
Silver (000 oz)	1,706	385	431	392	498	1,791	508	458	420	405
Revenue (\$000s)	337,167	88,492	86,009	77,519	85,147	404,263	91,059	104,730	110,816	97,658
Gross profit (\$000s)	42,896	8,772	11,546	3,834	18,744	85,311	3,408	19,339	37,606	24,958
Cash cost (€ per pound copper)	1.42	1.61	1.44	1.68	0.81	1.09	1.31	1.28	0.81	0.93
Cash cost (\$ per pound copper)	1.59	1.78	1.60	1.88	0.92	1.28	1.49	1.48	0.96	1.14
AISC (\$ per pound copper)	2.38	2.65	2.35	2.60	1.72	1.95	2.64	1.90	1.46	1.84

Gross Profit

Gross profit for the year ended December 31, 2019 was \$42.4 million lower than 2018. Gross profit was impacted by lower realized metal prices, net of price adjustments in the current year for both copper and zinc (\$34.3 million) as well as lower sales volumes.

Production

A record volume of ore mined was achieved in the year. Copper production for the year ended December 31, 2019 met annual guidance but was lower than 2018. Copper recoveries were 3% higher than the prior year and the highest since 2015. However, lower copper grades resulted in lower contained metal production than the prior year. Operational improvements were the primary contributors to the favourable increase in copper recovery in the current year.

Zinc production for the year ended December 31, 2019 met production guidance, though was lower than the comparable period in 2018 as zinc concentrate grade was prioritized over total metal recovery to maximize return in a more demanding concentrate market.

Cash Costs

Copper cash costs for the year ended December 31, 2019 were in-line with annual guidance, but higher than 2018. The \$0.31/lb increase over the prior year was largely a result of lower by-product credits.

AISC were higher compared to the prior year largely as a result of higher cash cost.

Projects

ZEP advanced in accordance with the revised schedule and budget for the phased start-up strategy and production during 2020. During 2019 the Company revised the pre-production cost estimate to €360 million (\$430 million) from €305 million. The updated cost estimate includes the following new items:

- €7 million for underground paste backfill expansion (not included in the initial project scope)
- €10 million of potential contractor claims for surface delays and time extensions
- €10 million of owners and indirect costs on schedule delays, and
- €28 million contingency (representing 15% of remaining spend).

While commissioning of surface facilities is still expected to commence by the end of the first quarter of 2020, a phased approach is expected to take several quarters to ramp up with full throughput rates expected by the fourth quarter of 2020. Commissioning of the underground crushing and conveying systems is expected to occur during the second quarter of 2020.

During 2019, underground materials handling civil works advanced and are substantially complete. Mechanical and electrical equipment installations for the 3.5 km of conveyor systems are well advanced and mechanical installation of the jaw crusher is nearing completion. The first phase of the upgrade of the Santa Barbara shaft was successfully completed and commissioned in early December 2019 with the installation of two new 18.3 tonne capacity skips and new multi-stand hoist ropes. Hoisting capacities with these upgrades are meeting design specifications. Development of the Lower Lombador zinc ore stopes is well underway with development of the first two access sub-levels continuing, as well as deepening of the ramp to reach the next sub-levels of zinc stopes in the orebody.

Surface construction continued with a focus on mechanical piping, electrical and instrumentation installation of the materials handling system, SAG mill, flotation equipment, dewatering circuit, backfill cyclone station, tailings and water supply piping systems, and a new paste fill tailings thickener. Preparation for the early stages of the commissioning of surface process equipment was also initiated in the fourth quarter of 2019 and is well advanced.

Zinkgruvan (Sweden)

The Zinkgruvan mine consists of an underground mine and on-site processing facilities, located approximately 200 km southwest 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

	2019					2018				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	1,138	336	230	303	269	1,203	330	276	288	309
Ore mined, copper (000 tonnes)	182	28	65	37	52	97	-	23	34	40
Ore milled, zinc (000 tonnes)	1,120	322	254	292	252	1,202	325	280	288	309
Ore milled, copper (000 tonnes)	178	26	63	48	41	111	-	35	62	14
Grade										
Zinc (%)	7.6	7.1	7.2	7.2	9.3	7.0	7.9	6.7	6.6	6.8
Lead (%)	3.1	3.5	3.1	2.7	2.9	2.6	3.1	2.5	1.8	2.8
Copper (%)	1.8	2.2	1.9	1.7	1.6	1.4	-	1.7	1.3	1.4
Recovery										
Zinc (%)	91.5	91.7	92.2	89.7	92.5	90.6	91.7	91.2	89.4	89.9
Lead (%)	80.9	83.0	80.8	80.0	78.6	79.1	80.2	78.8	73.5	81.3
Copper (%)	89.1	89.6	90.8	86.0	89.1	88.4	-	90.6	87.0	88.2
Production (contained metal)										
Zinc (tonnes)	78,313	20,979	16,796	18,865	21,673	76,606	23,559	17,157	16,845	19,045
Lead (tonnes)	27,703	9,361	6,291	6,219	5,832	24,613	8,161	5,515	3,914	7,023
Copper (tonnes)	2,906	502	1,120	705	579	1,386	-	523	687	176
Silver (000 oz)	2,464	724	630	631	479	2,155	607	531	452	565
Revenue (\$000s)	198,323	58,120	34,192	53,643	52,368	216,691	65,334	39,384	49,605	62,368
Gross profit (\$000s)	81,341	23,928	8,557	21,873	26,983	100,517	30,800	14,514	21,007	34,196
Cash cost (SEK per pound)	3.69	2.95	4.02	3.88	4.08	2.97	2.12	3.13	3.51	3.47
Cash cost (\$ per pound)	0.39	0.31	0.42	0.41	0.44	0.34	0.23	0.35	0.41	0.43
AISC (\$ per pound)	0.65	0.62	0.70	0.63	0.69	0.62	0.50	0.62	0.71	0.71

Gross Profit

Gross profit for the year was \$19.2 million lower than in 2018 largely because of lower metal prices, net of price adjustments and higher zinc treatment charges.

Production

Zinc and copper production met annual guidance for 2019 and an all-time record for ore mined was achieved during the year. Compared to the prior year, zinc and lead production were higher due to better head grades and metal recoveries. Copper production was higher due to a combination of higher throughput, grades and recoveries.

Cash Costs

Zinc cash costs in the current year were slightly higher than those in 2018, due primarily to higher zinc treatment charges. Cash cost for the year met annual guidance.

AISC in 2019 were higher than in 2018 largely as a result of the higher cash costs.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper and zinc were both lower in 2019 compared to 2018 however the average metal price for nickel and gold were higher in 2019 compared to the average price for 2018. Also, during the fourth quarter of 2019, the metal prices for copper, zinc and gold increased while the price for nickel decreased. The average prices during the fourth quarter for copper, zinc and gold were 1%, 2% and 1% higher, respectively, than the average prices of the third quarter of the year while the price of nickel was 1% lower during the fourth quarter compared to the third quarter of 2019.

(Average LME Price)		Three months ended December 31,			Twelve months ended December 31,		
		2019	2018	Change	2019	2018	Change
Copper	US\$/pound	2.67	2.80	-5%	2.72	2.96	-8%
	US\$/tonne	5,881	6,172		6,000	6,523	
Zinc	US\$/pound	1.08	1.19	-9%	1.16	1.33	-13%
	US\$/tonne	2,388	2,631		2,546	2,922	
Gold	US\$/ounce	1,481	1,226	21%	1,393	1,268	10%
Nickel	US\$/pound	7.01	5.22	34%	6.32	5.95	6%
	US\$/tonne	15,450	11,516		13,936	13,122	

The LME inventory for copper increased during 2019 and ended the year 10% higher than the closing levels of 2018 while zinc and nickel decreased during 2019, ending the year 60% and 27% lower, respectively, than the closing levels of 2018.

During the first eight months of 2019 the treatment charges (“TC”) and refining charges (“RC”) in the spot market for copper concentrates between miners and commodity traders decreased from an average spot TC during January of \$80 per dmt of concentrate and a spot RC of \$0.08 per lb of payable copper to a spot TC of \$35 per dmt of concentrate and a spot RC of \$0.035 per lb of payable copper during August 2019. In September, Freeport-McMoRan’s Grasberg mine received a permit to increase concentrate exports by an additional 500,000 tonnes, for a total of 700,000 tonnes for export. The increase in concentrate supply contributed to the spot TC increase from the August low to a spot TC of \$43 per dmt of concentrates and a spot RC of \$0.043 per lb payable copper in December 2019.

The terms for annual contracts for copper concentrates for 2020 were reached in November 2019 at a TC of \$62 per dmt with a RC of \$0.062 per payable lb of copper. This represents an improvement for the mines compared to the 2018 annual terms at a TC of \$80.80 per dmt of concentrates and a RC of \$0.0808 per payable lb of copper.

The spot TC, delivered China, for zinc concentrates during the first three months of 2019 increased from \$187 per dmt, flat, at the beginning of the year to \$257 per dmt, flat, by the end of the first quarter. TC’s for zinc concentrates traded in a range of \$270-\$290 per dmt, flat, i.e. without escalators during the second and third quarters on limited transactions. The last quarter of the year saw spot TC’s increase and trade in the range of \$295 per dmt, flat, to \$305 per dmt, flat, at the end of the year. The anticipated increase in supply from new mines and reactivation of closed mines, reduced demand for zinc concentrates from China due to temporary smelter shut-downs and increased environmental demands resulted in a swift increase in TC’s from the historically low TC’s over the previous year. The TC for annual contracts for 2019 was settled at \$245 per dmt of concentrates at a base price range of \$2,700 to \$3,000, with the reintroduction of small up and down scales. The agreed terms represented an improvement in favour of the smelters of approximately \$100 per dmt compared to the prior year. Negotiations of annual terms for 2020 have started but the Company does not expect any settlement until the end of the second quarter at the earliest.

The Company’s nickel concentrate production from Eagle is sold under several long-term contracts at terms in-line with market conditions. Gold production from Chapada and Candelaria is sold at terms in-line with market conditions for copper concentrates.

Liquidity and Capital Resources

As at December 31, 2019, the Company had cash and cash equivalents of \$250.6 million. The Company had contractual commitments and obligations of \$913.0 million which are expected to be funded primarily through operating cash flow generated, cash on hand and available debt facilities.

Cash and cash equivalents decreased by \$564.9 million compared to a decrease of \$751.6 million in the prior year. Net cash outflows were lower in 2019 by \$186.7 million due mainly to higher cash flow from operations (\$88.2 million), lower capital expenditures of \$86.5 million and higher distributions from its investment in associates of \$119.8 million primarily due to sale proceeds from the Freeport Cobalt Transaction. In addition, the Company also utilized cash during the year for the acquisition of Chapada (\$472.0 million) which approximates the cash used in the prior year for debt repayments and related fees of \$461.9 million

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

Capital Resources

As at December 31, 2019, the Company had \$308.5 million of debt and lease liabilities outstanding including \$225.0 million drawn on its available Credit Facility.

During the year, the Company executed a third amended and restated credit agreement that increased its Credit Facility to \$800.0 million, previously \$550.0 million, with a \$200.0 million accordion option, reduced the cost of borrowing and extended the term to August 2023 (previously October 2022). As at December 31, 2019, the Credit Facility had \$225.0 million drawn. Additionally, letters of credit have been issued totalling \$23.6 million. The Credit Facility is subject to customary covenants.

During 2019, a majority-owned subsidiary company obtained fixed-term loans in the amount of \$85.0 million and subsequently repaid \$50.0 million. At December 31, 2019, the outstanding amount of the fixed loan was \$35.0 million, with interest at a rate of 2.2% per annum payable upon maturity in August 2020.

The Company also has a commercial paper program for \$33.7 million (€30 million) which is undrawn and a line of credit for equipment financing of \$28.1 million (€25 million). As at December 31, 2019, the outstanding balance on the line of credit was \$8.7 million (€7.9 million).

The Company purchased approximately 4.3 million shares under its NCIB at an average price of C\$6.75 per share for total consideration of \$21.7 million during 2019. All of the common shares purchased have been cancelled. On December 5, 2019, the Company renewed its NCIB which allows the Company to purchase up to 63,797,653 common shares over a twelve-month period commencing December 9, 2019.

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available, when needed, by the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfill its obligations under any applicable agreements. Lundin Mining is a multinational company and relies on financial institutions worldwide to fund its corporate and project needs. Instability of large financial institutions may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Disruptions in the capital and credit markets as a result of uncertainty, geo-political events, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect the Company's access to the liquidity needed for the business in the longer term. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of the Company's properties.

The Company may incur substantial debt from time to time to finance working capital, capital expenditures, investments or acquisitions or for other purposes. If the Company does so, the risks related to the Company's indebtedness could intensify, including: (i) increased difficulty in satisfying existing debt obligations; (ii) limitations

on the ability to obtain additional financing, or imposed requirements to make non-strategic divestitures; (iii) imposed hedging requirements, (iv) imposed restrictions on the Company's cash flows, for debt repayment or capital expenditures; (v) increased vulnerability to general adverse economic and industry conditions; (vi) interest rate risk exposure as borrowings may be at variable rates of interest; (vii) decreased flexibility in planning for and reacting to changes in the industry in which it competes; (viii) reduced competitiveness versus less leveraged competitors; and (ix) increased cost of borrowing.

In addition, debt arrangements may contain restrictive covenants that limit the Company's ability to engage in activities that may be in the Company's long-term best interest. The Company's failure to comply with those covenants could result in an event of default.

The Company's access to funds under its debt arrangements is dependent on the ability of the financial institutions that are counterparties to the facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding requirements. Default by financial institutions the Company deals with could require the Company to take measures to conserve cash until the markets stabilize or until alternative credit or other funding arrangements for the Company's business needs can be obtained.

The Company maintains relationships with various banking partners for its operating activities in the jurisdictions in which the Company operates. One or more partners may experience a deteriorating financial condition ultimately resulting in their failure or default. The Company regularly monitors the financial position of its key bankers.

Contractual Obligations, Commitments and Contingencies

The Company has the following contractual obligations and capital commitments as at December 31, 2019:

US\$ thousands	Payments due by period ¹			Total
	<1 year	1-5 years	Thereafter	
Long-term debt and lease liabilities	82,143	229,649	5,936	317,728
Reclamation and closure provisions	3,735	16,264	449,556	469,555
Capital commitments	107,016	10,249	-	117,265
Defined pension obligations	974	3,450	3,722	8,146
	193,868	259,612	459,214	912,694

1. Reported on an undiscounted basis, before inflation.

From time to time, the Company is involved in legal proceedings that arise in the ordinary course of its business. Additionally, the Company has other commitments and contingencies as discussed in the Company's Consolidated Financial Statements Note 27 "Commitments and Contingencies".

Financial Instruments

The Company does not currently utilize complex financial instruments in hedging metal price, foreign exchange or interest rate exposure. Any hedging activity requires approval of the Company's Board of Directors. The Company will not hold or issue derivative instruments for speculation or trading purposes.

For a detailed discussion of the Company's financial instruments refer to Note 26 of the Company's Consolidated Financial Statements.

Market and Liquidity Risks and Sensitivities

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

Commodity prices, primarily copper, zinc, gold and nickel are key performance drivers and fluctuations in the prices of these commodities can have a dramatic effect on the results of operations. Prices can fluctuate widely and are affected by numerous factors beyond the Company's control. The prices of metals are influenced by

supply and demand, exchange rates, interest rates and interest rate expectations, inflation or deflation and expectations with respect to inflation or deflation, speculative activities, changes in global economies, and geopolitical, social and other factors. The supply of metals consists of a combination of new mine production, recycling and existing stocks held by governments, producers and consumers.

If market prices for metals fall below the Company's full production costs and remain at such levels for any sustained period of time, the Company may experience losses and may decide to discontinue mining operations or development of a project at one or more of its properties. If the prices drop significantly, the economic prospects of the mines and projects in which the Company has an interest could be significantly reduced or rendered uneconomic, in which case the Company may need to restate its Mineral Resource and Mineral Reserve estimates. Low metal prices will affect the Company's liquidity, and if they persist for an extended period of time, the Company may have to look for other sources of cash flow to maintain liquidity until metal prices recover. A sustained and material impact on the Company's liquidity may also impact the Company's ability to comply with financial covenants under its credit facilities.

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

Metal	Payable Metal	Provisional price on December 31, 2019	Change	Effect on Revenue (\$millions)
Copper	59,968 t	\$2.80 /lb	+/- 10%	+/- \$37.0
Zinc	32,530 t	\$1.03 /lb	+/- 10%	+/- \$7.4
Gold	30,893 oz	\$1,536 /oz	+/- 10%	+/- \$4.7
Nickel	2,895 t	\$6.36 /lb	+/- 10%	+/- \$4.1

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	For the twelve months ended December 31, 2019 (\$millions)
Chilean peso	+/- 10%	+/- \$40.4
Euro	+/- 10%	+/- \$28.8
Swedish krona	+/- 10%	+/- \$11.9
Brazilian real ¹	+/- 10%	+/- \$10.0

1. Sensitivities are for the period of Lundin Mining's ownership, commencing July 6, 2019.

Related Party Transactions

The Company enters into related party transactions that are in the normal course of business and on an arm's length basis. Related party disclosures can be found in Note 29 of the Company's December 31, 2019 Consolidated Financial Statements.

Changes in Accounting Policies and Critical Accounting Estimates and Judgments

The Company describes its significant accounting policies as well as any changes in accounting policies in Note 2 "Basis of Presentation and Significant Accounting Policies" of the December 31, 2019 Consolidated Financial Statements. No significant changes in accounting policies have occurred other than the implementation of a new IFRS as issued by the IASB.

Non-GAAP Performance Measures¹

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 (Debt) Cash

Net (debt) cash is a performance measure used by the Company to assess its financial position. Net (debt) cash is defined as cash and cash equivalents, less debt and lease liabilities, excluding deferred financing fees and can be reconciled as follows:

(\$thousands)	December 31, 2019	December 31, 2018	December 31, 2017
Current portion of long-term debt and lease liabilities	(80,782)	(3,830)	(3,431)
Long-term debt and lease liabilities	(227,767)	(7,162)	(446,515)
	(308,549)	(10,992)	(449,946)
Deferred financing fees (netted in above)	(2,238)	-	(6,627)
	(310,787)	(10,992)	(456,573)
Cash and cash equivalents	250,563	815,429	1,567,038
Net (debt) cash	(60,224)	804,437	1,110,465

Adjusted Operating Cash Flow per Share

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

Adjusted operating cash flow per share can be reconciled to the Company's cash provided by operating activities as follows:

(\$thousands, except share and per share amounts)	Year ended December 31,		
	2019	2018	2017
Cash provided by operating activities	564,559	476,353	903,484
Changes in non-cash working capital items	(13,813)	10,217	(73,518)
Adjusted operating cash flow before changes in non-cash working capital items	550,746	486,570	829,966
Weighted average common shares outstanding	735,309,697	731,734,265	726,994,036
Adjusted operating cash flow per share	0.75	0.66	1.14

(\$thousands, except share and per share amounts)	Three months ended December 31,	
	2019	2018
Cash provided by operating activities	186,357	44,222
Changes in non-cash working capital items	20,318	70,639
Adjusted operating cash flow before changes in non-cash working capital items	206,675	114,861
Weighted average common shares outstanding	734,901,977	733,509,076
Adjusted operating cash flow per share	0.28	0.16

1. Upon adoption of new IFRS standards as issued by the IASB, the Company has elected not to restate comparative periods presented.

Adjusted EBITDA, Adjusted Earnings and Adjusted Earnings per Share

Adjusted EBITDA, adjusted earnings and adjusted earnings per share are non-GAAP measures. These measures are presented to provide additional information to investors and other stakeholders on the Company's underlying operational performance. Certain items have been excluded from adjusted EBITDA and adjusted earnings such as unrealized foreign exchange and revaluation gains and losses, impairment charges and reversals, gain or loss on debt settlement, interest on tax refunds and assessments, litigations settlements and other items that do not represent the Company's current and on-going operations and are not necessarily indicative of future operating results.

Adjusted EBITDA can be reconciled to the Company's Consolidated Statement of Earnings as follows:

(\$thousands)	Year ended December 31,		
	2019	2018	2017
Net earnings from continuing operations	189,177	215,440	446,915
Add back:			
Depreciation, depletion and amortization	386,117	319,376	381,317
Finance income and costs	38,792	57,982	74,899
Income taxes	80,419	76,369	191,404
	694,505	669,167	1,094,535
Unrealized foreign exchange	(6,861)	10,486	(14,308)
Unrealized revaluation loss (gain) of derivative asset and liability	21,935	5,318	(12,107)
Revaluation of marketable securities	1,495	(13,520)	2,534
Income from investment in associates	(6,239)	(29,933)	(13,438)
Other	857	1,640	(2,611)
Total adjustments - EBITDA	11,187	(26,009)	(39,930)
Adjusted EBITDA	705,692	643,158	1,054,605

(\$thousands)	Three months ended December 31,	
	2019	2018
Net earnings	104,804	31,784
Add back:		
Depreciation, depletion and amortization	111,517	89,581
Finance income and costs	11,511	29,775
Income taxes	8,985	(5,660)
	236,817	145,480
Unrealized foreign exchange loss	6,380	17,781
Unrealized revaluation loss of derivative asset and liability	6,556	601
Loss (gain) on disposal of marketable securities	1,299	(384)
Income from investment in associates	(17,754)	(7,721)
Other	1,269	1,618
Total adjustments - EBITDA	(2,250)	11,895
Adjusted EBITDA	234,567	157,375

Adjusted earnings and adjusted earnings per share can be reconciled to the Company's Consolidated Statement of Earnings as follows:

(\$thousands, except share and per share amounts)	Year ended December 31,		
	2019	2018	2017
Net earnings attributable to Lundin Mining shareholders	167,256	195,850	371,422
Add back:			
Total adjustments - EBITDA	11,187	(26,009)	(39,930)
Tax effect on adjustments	(2,584)	(3,136)	200
Deferred tax arising from foreign exchange translation	(14,300)	-	-
Tax asset revaluations	-	-	14,997
Notes redemption payment	-	16,900	(20,625)
Interest income received on tax refund	(2,100)	-	34,133
Total	(7,797)	(12,245)	(11,225)
Adjusted earnings	159,459	183,605	360,197

Weighted average number of shares outstanding:

Basic	735,309,697	731,734,265	726,994,036
Diluted	736,056,877	733,552,476	729,742,955

Basic and diluted earnings per share attributable to Lundin Mining shareholders:

Net earnings	0.23	0.27	0.51
Total adjustments	(0.01)	(0.02)	(0.01)
Adjusted earnings per share	0.22	0.25	0.50

(\$thousands, except share and per share amounts)	Three months ended December 31,	
	2019	2018
Net earnings attributable to Lundin Mining shareholders	97,016	28,766
Add back:		
Total adjustments - EBITDA	(2,250)	11,895
Tax effect on adjustments	(2,894)	(5,852)
Deferred tax arising from foreign exchange translation	1,300	-
Total adjustments	(3,844)	6,043
Adjusted earnings	93,172	34,809

Weighted average number of shares outstanding:

Basic	734,901,977	733,509,076
Diluted	735,996,877	734,689,912

Basic and diluted earnings per share attributable to Lundin Mining shareholders:

Net earnings	0.13	0.04
Total adjustments	-	0.01
Adjusted earnings per share	0.13	0.05

Capital Expenditures

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

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

Where an expenditure both maintains and expands current operations, classification would be based on the primary decision for which the expenditure is being made. Sustaining and expansionary capital expenditures are reported excluding capitalized interest.

Cash Cost per Pound

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

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

All-in Sustaining Cost (AISC) per Pound

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

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

Three months ended December 31, 2019						
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Chapada (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):						
Tonnes	34,564	16,127	3,167	11,311	19,314	
Pounds (000s)	76,200	35,554	6,982	24,936	42,580	
Production costs						311,396
Less: items included in the above						
Royalties and other						(10,018)
Deduct: By-product credits						301,378
Add: Treatment and refining charges						(138,057)
Cash cost	104,810	27,505	24,678	44,437	13,036	214,466
Cash cost per pound (\$/lb)	1.38	0.77	3.53	1.78	0.31	
Add: Sustaining capital expenditure ⁽¹⁾						
Royalties	-	3,000	3,133	2,125	-	
Interest expense	1,158	1,283	406	24	49	
Leases & other ⁽²⁾	815	467	458	1,788	320	
All-in sustaining cost	169,524	45,481	31,649	66,067	26,209	
AISC per pound (\$/lb)	2.22	1.28	4.53	2.65	0.62	

Three months ended December 31, 2018						
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Chapada (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):						
Tonnes	32,465	-	3,929	10,700	20,475	
Pounds (000s)	71,573	-	8,662	23,589	45,140	
Production costs						246,116
Less: items included in the above						
Royalties and other						(9,649)
Deduct: By-product credits						236,467
Add: Treatment and refining charges						(99,698)
Cash cost	117,751	-	15,212	35,045	10,581	178,589
Cash cost per pound (\$/lb)	1.65	-	1.76	1.49	0.23	
Add: Sustaining capital expenditure ⁽¹⁾						
Royalties	-	-	3,423	423	-	
Interest expense	872	-	263	295	(190)	
Leases & other	-	-	-	-	189	
All-in sustaining cost	285,234	-	22,105	62,298	22,554	
AISC per pound (\$/lb)	3.99	-	2.55	2.64	0.50	

1. Sustaining capital expenditure, as reported in AISC, is presented on an accrual basis and excludes capitalized interest.

2. On adoption of IFRS 16, *Leases*, the Company has elected not to restate comparative periods presented.

Twelve months ended December 31, 2019

Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Chapada¹ (Cu)	Eagle (Ni)	Neves- (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):						
Tonnes	139,051	29,884	10,682	41,252	67,463	
Pounds (000s)	306,555	65,883	23,550	90,945	148,730	
Production costs						1,066,203
Less: items included in the above						(19,697)
Royalties and other						1,046,506
Deduct: By-product credits						(440,947)
Add: Treatment and refining charges						175,229
Cash cost	473,361	38,126	66,780	144,541	57,980	780,788
Cash cost per pound (\$/lb)	1.54	0.58	2.84	1.59	0.39	
Add: Sustaining capital expenditure ⁽²⁾	401,370	16,756	9,501	60,982	37,609	
Royalties	-	6,017	8,455	5,572	-	
Interest expense	5,225	2,556	1,624	121	199	
Leases & other ⁽³⁾	3,494	760	1,740	5,368	1,291	
All-in sustaining cost	883,450	64,215	88,100	216,584	97,079	
AISC per pound (\$/lb)	2.88	0.97	3.74	2.38	0.65	

Twelve months ended December 31, 2018

Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Chapada (Cu)	Eagle (Ni)	Neves- (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):						
Tonnes	132,626	-	15,151	44,729	62,922	
Pounds (000s)	292,390	-	33,402	98,610	138,719	
Production cost						969,610
Less: items included in the above						(30,062)
Royalties and other						939,548
Deduct: By-product credits						(400,573)
Add: Treatment and refining charges						159,966
Cash cost	491,053	-	33,823	126,292	47,773	698,941
Cash cost per pound (\$/lb)	1.68	-	1.01	1.28	0.34	
Add: Sustaining capital expenditure ⁽²⁾	482,007	-	11,977	57,892	37,404	
Royalties	-	-	14,492	7,073	-	
Interest expense	3,862	-	1,052	682	182	
Leases & other	-	-	-	-	895	
All-in sustaining cost	976,922	-	61,344	191,939	86,254	
AISC per pound (\$/lb)	3.34	-	1.84	1.95	0.62	

1. Cash costs and AISCs are for the period of Lundin Mining's ownership.

2. Sustaining capital expenditure, as reported in AISC, is presented on an accrual basis and excludes capitalized interest.

3. On adoption of IFRS 16, *Leases*, the Company has elected not to restate comparative periods presented.

Managing Risks

Risks and Uncertainties

The operations of Lundin Mining are exposed to a number of inherent risks and uncertainties, including those related to health and safety, environment, fluctuations in commodity prices, foreign exchange rates and other risks as discussed in this document.

The ability to manage these risks is a key component of the Company's business strategy. In this regard, Lundin Mining has developed a Risk Management Statement which defines the Company's approach to enterprise risk management ("ERM") and establishes a framework for embedding effective risk management practices and tools into the culture, systems and processes of the business.

Lundin Mining's approach to ERM is to ensure that key risks which are emerging or evolving are appropriately identified, managed, and incorporated into the assessment, monitoring, and reporting processes. Operational and enterprise risk information is compiled and reviewed on a quarterly basis for consolidation and reporting to executive management and the Board of Directors.

Other than those risks already disclosed, additional key risk factors to consider include:

- Inability to secure required licenses, permits and/or approvals in a timely manner due to an increasingly complex political and regulatory landscape.
- Global cybersecurity threats.
- Unforeseen schedule delays and cost overruns related to the Zinc Expansion Project.
- Depressed metal prices and currency volatility.
- Catastrophic loss of stability affecting water or tailings storage facilities, open pit mine walls, waste rock dumps, and/or underground mine infrastructures.
- Country risks such as civil unrest, political instability, nationalization, and unforeseen changes to mining regulations (i.e. evolving country risks resulting in political instability, social unrest that impacts workforce well-being and operational continuity, increased potential for regulatory or tax regime change, or regulatory delays that affect timely issuance of permits).
- Epidemic or pandemic outbreaks affecting workforce health and wellbeing, reducing operational capacity or productivity, disrupting transportation networks and supply chains, or reducing customer demand.
- Loss of reputation due to unanticipated operational failures such as environmental spills or releases, or significant occupational injuries or incidents.

For a complete discussion of risks and uncertainties, refer to the "Risks and Uncertainties" section of the Company's most recently filed Annual Information Form.

Management's Report on Internal Controls

Disclosure controls and procedures ("DCP")

DCP have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of DCP. Management has evaluated the effectiveness of the Company's DCP and has concluded that they were effective as at December 31, 2019.

Internal control over financial reporting ("ICFR")

The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations ICFR may not prevent or detect all misstatements and fraud.

Control Framework

Management assesses the effectiveness of the Company's ICFR using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management conducted an evaluation of the effectiveness of ICFR and concluded that it was effective as at December 31, 2019.

Changes in ICFR

There have been no changes in the Company's ICFR during the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Outstanding Share Data

As at February 20, 2020, the Company has 734,519,237 common shares issued and outstanding, and 9,454,430 stock options and 2,099,710 share units outstanding under the Company's incentive plans.

Other Information

Additional information regarding the Company is included in the Company's AIF which is filed with the Canadian securities regulators. A copy of the Company's AIF can be obtained on SEDAR (www.sedar.com) or on the Company's website (www.lundinmining.com).



Independent auditor's report

To the Shareholders of Lundin Mining Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lundin Mining Corporation and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2019 and 2018;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



The engagement partner on the audit resulting in this independent auditor's report is James Lusby.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 20, 2020

Consolidated Financial Statements of

Lundin Mining Corporation

December 31, 2019

Management's Report

The accompanying consolidated financial statements of Lundin Mining Corporation (the "Company") and other information contained in the management's discussion and analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as outlined in Part 1 of the Handbook of the Chartered Professional Accountants of Canada, and include some amounts that are based on management's estimates and judgment.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which is comprised solely of independent directors. The Audit Committee reviews the Company's annual consolidated financial statements and recommends its approval to the Board of Directors. The Company's auditors have full access to the Audit Committee, with and without management being present. These consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants.

(Signed) Marie Inkster

President and Chief Executive Officer

Toronto, Ontario, Canada
February 20, 2020

(Signed) Jinhee Magie

Senior Vice President and Chief Financial Officer

LUNDIN MINING CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands of US dollars)

December 31,
2019December 31,
2018¹**ASSETS**

Cash and cash equivalents (Note 4)	\$ 250,563	\$ 815,429
Trade and other receivables (Note 5)	335,782	384,332
Income taxes receivable	52,523	75,602
Inventories (Note 6)	216,503	160,993
Other current assets	14,330	7,242
Total current assets	869,701	1,443,598
Restricted cash	47,666	44,424
Long-term inventory (Note 6)	550,561	241,545
Other non-current assets (Note 7)	7,970	34,644
Mineral properties, plant and equipment (Note 8)	5,065,556	3,829,345
Investment in associate (Note 9)	28,957	136,943
Deferred tax assets (Note 25)	104,627	94,472
Goodwill (Note 11)	242,208	109,794
	6,047,545	4,491,167
Total assets	\$ 6,917,246	\$ 5,934,765

LIABILITIES

Trade and other payables (Note 12)	\$ 370,067	\$ 380,016
Income taxes payable	66,825	42,971
Current portion of debt and lease liabilities (Note 13)	80,782	3,830
Current portion of deferred revenue (Note 14)	83,960	61,478
Current portion of reclamation and other closure provisions (Note 15)	3,735	6,604
Total current liabilities	605,369	494,899
Debt and lease liabilities (Note 13)	227,767	7,162
Deferred revenue (Note 14)	674,186	527,376
Reclamation and other closure provisions (Note 15)	380,049	292,086
Other long-term liabilities (Note 16)	84,837	3,406
Provision for pension obligations	10,938	11,068
Deferred tax liabilities (Note 25)	636,700	405,202
	2,014,477	1,246,300
Total liabilities	2,619,846	1,741,199

SHAREHOLDERS' EQUITY

Share capital (Note 17)	4,184,667	4,177,660
Contributed surplus	51,339	49,424
Accumulated other comprehensive loss	(284,649)	(260,179)
Deficit	(178,298)	(275,759)
Equity attributable to Lundin Mining Corporation shareholders	3,773,059	3,691,146
Non-controlling interests	524,341	502,420
	4,297,400	4,193,566
	\$ 6,917,246	\$ 5,934,765

Commitments and contingencies (Note 27)

¹In accordance with the transitional provisions in *IFRS 16, Leases* (Note 2 (ii)(I)), the comparatives for the 2018 reporting period have not been restated.

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

APPROVED BY THE BOARD OF DIRECTORS

(Signed) Lukas H. Lundin - Director

(Signed) Dale C. Peniuk - Director

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31, 2019 and 2018

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

	2019	2018 ¹
Revenue (Note 19)	\$ 1,892,713	\$ 1,725,589
Cost of goods sold		
Production costs (Note 20)	(1,066,203)	(969,610)
Depreciation, depletion and amortization	(386,117)	(319,376)
Gross profit	440,393	436,603
General and administrative expenses	(47,104)	(49,438)
General exploration and business development (Note 22)	(77,848)	(85,296)
Finance income (Note 23)	14,122	25,490
Finance costs (Note 23)	(52,914)	(85,682)
Income from equity investment in associate (Note 9)	6,239	29,933
Other (expense) income (Note 24)	(13,292)	20,199
Earnings before income taxes	269,596	291,809
Current tax expense (Note 25)	(62,861)	(76,761)
Deferred tax (expense) recovery (Note 25)	(17,558)	392
Net earnings	\$ 189,177	\$ 215,440
Net earnings attributable to:		
Lundin Mining Corporation shareholders	\$ 167,256	\$ 195,850
Non-controlling interests	21,921	19,590
Net earnings	\$ 189,177	\$ 215,440
Basic and diluted earnings per share attributable to Lundin Mining Corporation shareholders	\$ 0.23	\$ 0.27
Weighted average number of shares outstanding (Note 17)		
Basic	735,309,697	731,734,265
Diluted	736,056,877	733,552,476

¹In accordance with the transitional provisions in *IFRS 16, Leases* (Note 2 (ii)(l)), the comparatives for the 2018 reporting period have not been restated.

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(in thousands of US dollars)

	2019	2018 ¹
Net earnings	\$ 189,177	\$ 215,440
Other comprehensive (loss) income, net of taxes		
Item that will not be reclassified to net earnings:		
Remeasurements for post-employment benefit plans	(585)	(34)
Item that may be reclassified subsequently to net earnings:		
Effects of foreign exchange	(26,399)	(53,609)
Item that was reclassified to net earnings:		
Cumulative translation adjustment	2,514	-
Other comprehensive loss	(24,470)	(53,643)
Total comprehensive income	\$ 164,707	\$ 161,797
Comprehensive income attributable to:		
Lundin Mining Corporation shareholders	\$ 142,786	\$ 142,207
Non-controlling interests	21,921	19,590
Total comprehensive income	\$ 164,707	\$ 161,797

¹In accordance with the transitional provisions in *IFRS 16, Leases* (Note 2 (ii)(l)), the comparatives for the 2018 reporting period have not been restated.

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(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, 2018 ¹	733,534,879	\$ 4,177,660	\$ 49,424	\$ (260,179)	\$ (275,759)	\$ 502,420	\$ 4,193,566
Exercise of share-based awards	4,991,525	25,563	(11,439)	-	-	-	14,124
Share-based compensation	-	-	13,354	-	-	-	13,354
Dividends declared (Note 17(e))	-	-	-	-	(66,607)	-	(66,607)
Share purchase (Note 17(f))	(4,292,762)	(18,556)	-	-	(3,188)	-	(21,744)
Net earnings	-	-	-	-	167,256	21,921	189,177
Other comprehensive loss	-	-	-	(24,470)	-	-	(24,470)
Total comprehensive (loss) income	-	-	-	(24,470)	167,256	21,921	164,707
Balance, December 31, 2019	734,233,642	\$ 4,184,667	\$ 51,339	\$ (284,649)	\$ (178,298)	\$ 524,341	\$ 4,297,400
Balance, December 31, 2017	728,418,632	\$ 4,152,469	\$ 48,926	\$ (196,657)	\$ (336,353)	\$ 482,830	\$ 4,151,215
<i>IFRS 9 & IFRS 15</i> adjustments	-	-	-	(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	5,116,247	26,413	(11,642)	-	-	-	14,771
Share-based compensation	-	-	12,140	-	-	-	12,140
Dividends declared	-	-	-	-	(68,274)	-	(68,274)
Deferred tax adjustment	-	(1,222)	-	-	-	-	(1,222)
Net earnings	-	-	-	-	195,850	19,590	215,440
Other comprehensive loss	-	-	-	(53,643)	-	-	(53,643)
Total comprehensive (loss) income	-	-	-	(53,643)	195,850	19,590	161,797
Balance, December 31, 2018 ¹	733,534,879	\$ 4,177,660	\$ 49,424	\$ (260,179)	\$ (275,759)	\$ 502,420	\$ 4,193,566

¹In accordance with the transitional provisions in *IFRS 16, Leases* (Note 2 (ii)(l)), the comparatives for the 2018 reporting period have not been restated.

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(in thousands of US dollars)

Cash provided by (used in)	2019	2018
Operating activities		
Net earnings	\$ 189,177	\$ 215,440
Items not involving cash and other adjustments		
Depreciation, depletion and amortization	386,117	319,376
Share-based compensation	13,354	12,140
Foreign exchange (gain) loss	(6,861)	10,486
Finance costs, net	38,792	60,192
Recognition of deferred revenue	(44,458)	(37,819)
Deferred tax expense (recovery)	17,558	(392)
Earnings from equity investment in associate	(6,239)	(29,933)
Revaluation of derivative asset and liability (Note 24)	21,940	(617)
Revaluation of marketable securities (Note 24)	1,495	(13,520)
Other	(8,585)	9,542
Reclamation payments (Note 15)	(10,495)	(11,834)
Other payments	(13,379)	(7,874)
Changes in long-term inventory	(27,670)	(38,617)
Changes in non-cash working capital items (Note 32)	13,813	(10,217)
	564,559	476,353
Investing activities		
Chapada Acquisition, net of cash acquired (Note 3)	(756,954)	-
Investment in mineral properties, plant and equipment	(665,288)	(751,753)
Interest received	13,095	25,866
(Purchase of) proceeds from marketable securities	(2,976)	52,614
Distributions from (contributions to) associate, net (Note 9)	114,225	(5,586)
Other	66	3,479
	(1,297,832)	(675,380)
Financing activities		
Interest paid	(12,631)	(25,123)
Dividends paid to shareholders	(66,437)	(66,912)
Share purchase (Note 17)	(21,744)	-
Principal payments of lease liabilities	(11,842)	-
Principal repayment of debt (Note 13)	(187,754)	(445,000)
Proceeds from debt (Note 13)	455,838	-
Proceeds from common shares issued	14,124	16,016
Secured notes redemption fee	-	(16,901)
Other	(2,420)	(1,782)
	167,134	(539,702)
Effect of foreign exchange on cash balances	1,273	(12,880)
Decrease in cash and cash equivalents during the year	(564,866)	(751,609)
Cash and cash equivalents, beginning of year	815,429	1,567,038
Cash and cash equivalents, end of year	\$ 250,563	\$ 815,429
Supplemental cash flow information (Note 32)		

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

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2019 and 2018

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

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company primarily producing copper, zinc, gold and nickel. The Company's wholly-owned operating assets include the Chapada mine located in Brazil, the Eagle mine located in the United States of America ("USA"), the Neves-Corvo mine located in Portugal, and the Zinkgruvan mine located in Sweden. The Company also owns 80% of the Candelaria and Ojos del Salado mining complex ("Candelaria") located in Chile.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The 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.

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

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

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

These consolidated financial statements were approved by the Board of Directors of the Company for issue on February 20, 2020.

(ii) Significant accounting policies

The Company has consistently applied the accounting policies to all the years presented other than with regard to the policies that have been adopted for the first time in the year ended December 31, 2019 (Note 2(ii)(I)). The significant accounting policies applied in these consolidated financial statements are set out below.

(a) Basis of consolidation

The financial statements consist of the consolidation of the financial statements of the Company and its subsidiaries.

Subsidiaries are entities over which the Company has control, including the power to govern the financial and operating policies in order to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

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Where necessary, adjustments are made to the results of the subsidiaries and associates to bring their accounting policies in line with those used by the Company. Intra-group transactions, balances, income and expenses are eliminated on consolidation.

For non wholly-owned controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as non-controlling interests in the equity section of the consolidated balance sheet. Net earnings for the period that are attributable to non-controlling interests are calculated based on the ownership of the minority shareholders in the subsidiary.

(b) Investments in associates

An associate is an entity over which the Company has significant influence, but not control, and is neither a subsidiary, nor an interest in a joint venture.

Investments in which the Company has the ability to exercise significant influence are accounted for by the equity method. Under this method, the investment is initially recorded at cost and adjusted thereafter to record the Company's share of post-acquisition earnings or loss of the investee as if the investee had been consolidated. The carrying value of the investment is also increased or decreased to reflect the Company's share of capital transactions, including amounts recognized in other comprehensive income ("OCI"), and for accounting changes that relate to periods subsequent to the date of acquisition.

(c) Translation of foreign currencies

The functional currency of each entity within the Company is the currency of the primary economic environment in which it operates. The Company's presentation currency is US dollars.

Transactions denominated in currencies other than the functional currency are recorded using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in the consolidated statement of earnings in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the consolidated statement of earnings. However, exchange differences arising on the translation of certain non-monetary items are recognized as a separate component of equity.

On disposal of a foreign operation, the historical, cumulative amount of exchange differences recognized as a separate component of equity is reclassified and recognized in the consolidated statement of earnings.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into US dollars, which is the presentation currency of the group, at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period where these approximate the rates on the dates of transactions.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on deposit with banks, and highly liquid short-term interest-bearing investments with a term to maturity at the date of purchase of 90 days or less which are subject to an insignificant risk of change in value.

LUNDIN MINING CORPORATION

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

(e) Restricted cash

Restricted cash includes cash that has been pledged for reclamation and closure activities which are not available for immediate disbursement.

(f) Inventories

Ore and concentrate stockpiles are valued at the lower of production cost and net realizable value ("NRV"). Production costs include direct costs of materials and labour related directly to mining and processing activities, including production phase stripping costs, depreciation and amortization of mineral property, plant and equipment directly involved in the related mining and production process, amortization of any stripping costs previously capitalized and directly attributable overhead costs.

Materials and supplies inventories are valued at the lower of average cost less allowances for obsolescence and NRV.

If carrying value exceeds NRV, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exist.

(g) Mineral properties

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges. Expenditures of mineral properties include:

- i. Acquisition costs which consist of payments for property rights and leases, including the estimated fair value of exploration properties acquired as part of a business combination or the acquisition of a group of assets.
- ii. Exploration, evaluation and project investigation costs incurred on an area of interest once a determination has been made that a property has economically recoverable Mineral Resources and Mineral Reserves ("R&R") and there is a reasonable expectation that costs can be recovered by future exploitation or sale of the property. Exploration, evaluation and project investigation expenditures made prior to a determination that a property has economically recoverable R&R are expensed as incurred.
- iii. Deferred stripping costs which represent the cost incurred to remove overburden and other waste materials to access ore in an open pit mine. Stripping costs incurred prior to the production phase of the mine are capitalized and included as part of the carrying value of the mineral property. During the production phase, stripping costs which provide probable future economic benefits, identifiable improved access to the ore body and which can be measured reliably are capitalized to mineral properties. Capitalized stripping costs are amortized using a unit-of-production basis over the Proven and Probable Mineral Reserve to which they relate.
- iv. Development costs incurred on an area of interest once management has determined that, based on a feasibility study, a property is capable of economical commercial production as a result of having established a Proven and Probable Mineral Reserve are capitalized. Development costs are directly attributable to the construction of a mine. When additional development expenditures are made on a property after commencement of production, the expenditure is capitalized as mineral property when it is probable that additional economic benefit will be derived from future operations. Development costs are amortized using a unit-of-production basis over the Proven and Probable Mineral Reserve to which they relate.

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Notes to consolidated financial statements

For the years ended December 31, 2019 and 2018

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- v. Interest and financing costs on debt or other liabilities that are directly attributed to the acquisition, construction and development of a qualifying asset are capitalized to the asset. All other borrowing costs are expensed as incurred.

Incidental pre-production expenditures, if any, are recognized in the consolidated statement of earnings. Net proceeds from sales generated during the development phase are deducted from the cost of the asset.

(h) Plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment charges. For production plant and equipment, depreciation is recorded on a units of production basis. Depreciation on all other plant and equipment is recorded on a straight-line basis over the estimated useful life of the asset or over the estimated remaining life of the mine, if shorter. Residual values and useful lives are reviewed annually. Gains and losses on disposals are calculated as proceeds received less the carrying amount and are recognized in the consolidated statement of earnings.

Useful lives are as follows:

	<u>Number of years</u>
Buildings	8 - 20
Plant and machinery	3 - 20
Equipment	3 - 8

(i) Impairment and impairment reversals

At each reporting period, the Company assesses whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the asset and compares it against the asset's carrying amount. The recoverable amount is the higher of the fair value less cost of disposal and the asset's value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of earnings during the period.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The cash flows are based on best estimates of expected future cash flows from the continued use of the asset and its eventual disposal.

Fair value less costs to dispose ("FVLCD") is best evidenced if obtained from an active market or binding sale agreement. Where neither exists, the fair value is based on the best estimates available to reflect the amount that could be received from an arm's length transaction.

Reversals of impairment are assessed at each reporting period where there is an indication that an impairment loss recognized previously may no longer exist or has decreased. If an impairment reversal indicator exists, the recoverable amount is calculated. If the recoverable amount exceeds the carrying amount, the carrying value of the asset is increased to the recoverable amount net of depreciation. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as a gain in the consolidated statement of earnings in the period it is determined.

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

(j) Business combinations and goodwill

Acquisitions of businesses are accounted for using the purchase method of accounting whereby all identifiable assets and liabilities are recorded at their fair values as at the date of acquisition. Any excess purchase price over the aggregate fair value of net assets is recorded as goodwill. Goodwill is identified and allocated to cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. Goodwill is not amortized. Any excess of the aggregate fair value of net assets over the purchase price is recognized in the consolidated statement of earnings.

A CGU to which goodwill has been allocated is tested for impairment at least annually or when events or circumstances indicate that an assessment for impairment is required. For goodwill arising on an acquisition in a financial year, the CGU to which the goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the CGU is less than the carrying amount of that CGU, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to that CGU first, and then to the other assets of that CGU on the pro rata basis of the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognized directly in the consolidated statement of earnings. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(k) Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale when it is highly probable their value will be recovered principally through a sale rather than through continuing use. For the sale to be highly probable, management must be committed to and have initiated a plan to, sell the assets; the assets must be available for immediate sale in their present condition and the sale must be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Company that has been disposed of or is classified as held for sale. A component comprises operations and cash flows that can be clearly distinguished from the rest of the Company. To be classified as a discontinued operation, the component must either (i) represent a major line of business or geographical area of operation; (ii) be part of a plan to dispose of a major line of business; or (iii) be a subsidiary acquired with a view to resell.

(l) Leasing

Right-of-use assets and lease liabilities for the year ended December 31, 2019

The Company adopted *IFRS 16* effective January 1, 2019, using the modified retrospective approach. The comparatives for the 2018 reporting period have not been restated and are accounted for under *IAS 17, Leases*, and *IFRIC 4, Determining Whether an Arrangement Contains a Lease*, as permitted under the specific transitional provisions in the standard. The transitional adjustments arising from the adoption are recognized in the opening balance sheet on January 1, 2019 (Note 33).

At inception of a contract, the Company assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Company recognizes the lease payments as an expense in net earnings on a straight-line basis over the term of the lease.

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, each operation's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for plant and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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On the consolidated balance sheet, right-of-use assets and lease liabilities are reported in mineral properties, plant and equipment and debt and lease liabilities, respectively.

Leases for the year ended December 31, 2018

Assets held under finance leases are initially recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance cost and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

(m) Provision for pension obligations

The Company's Zinkgruvan mine has an unfunded defined benefit pension plan based on employee pensionable remuneration and length of service. The cost of the defined benefit pension plan is determined annually by independent actuaries. The actuarial valuation is based on the projected benefit method prorated for service which incorporates management's best estimate of future salary levels, retirement ages of employees and other actuarial factors. Actuarial gains and losses are recorded in other comprehensive income.

Payments to defined contribution plans are expensed when employees render service entitling them to the contribution.

(n) Reclamation and other closure provisions

The Company has obligations for reclamation and other closure costs such as site restoration, decommissioning activities and end of mine life severance related to its mining properties. These costs are a normal consequence of mining, and the majority of these expenditures are incurred at the end of the life of the mine.

The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company records the fair value of its reclamation and other closure provisions as a liability as incurred and records a corresponding increase in the carrying value of the related asset. The provision is discounted using a current market pre-tax discount rate. Reclamation and other closure provisions are recorded as part of the mineral property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the consolidated statement of earnings to reflect the passage of time and the liability is adjusted to reflect any payments made and changes in the timing of the underlying future cash flows.

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Changes to the obligations resulting from any revisions to the timing or amount of the original estimate of costs are recognized as an increase or decrease in the reclamation and other closure provisions, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, a provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the consolidated statement of earnings.

(o) Revenue recognition

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 copper, gold and silver streaming arrangements.

The Company satisfies its performance obligations for its concentrate sales per 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 shortly after vessel arrival at its destination port.

Deferred revenue arises from up-front payments received by the Company or obligations acquired 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 copper, 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 a difference in the timing of the up-front consideration received and delivery of the promised goods. 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 or acquisition.

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

(p) Share-based compensation

The Company grants share-based awards in the form of share options and share units to certain employees in exchange for the provision of services. The share options and share units are equity-settled awards. The Company determines the fair value of the awards on the date of grant. This fair value is charged to the consolidated statement of earnings using a graded vesting attribution method over the vesting period of the awards, with a corresponding credit to contributed surplus. When the share options or share units are exercised, the applicable amounts of contributed surplus are transferred to share capital. At the end of the reporting period, the Company updates its estimate of the number of awards that are expected to vest and adjusts the total expense to be recognized over the vesting period.

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(q) Current and deferred income taxes

Income tax expense represents the sum of current and deferred tax. Current taxes payable is based on taxable earnings for the year. Taxable earnings may differ from earnings before income tax as reported in the consolidated statement of earnings because it may exclude items of income or expense that are taxable or deductible in other years and it may further exclude items of income or expense that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable earnings nor the accounting earnings. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and investments in associates, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to earnings, except when it relates to items charged or credited directly to equity, in which case the deferred tax is reflected in equity.

Income tax assets and liabilities are offset when there is a legally enforceable right to offset the assets and liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

(r) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during each reporting period. Diluted earnings (loss) per share is calculated assuming the proceeds from the exercise of exercisable in-the-money stock options are used to purchase common shares at the average market price during the period and cancelled. If the calculated result is dilutive, it is included in the diluted earnings (loss) per share calculation.

(s) Financial instruments

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:

LUNDIN MINING CORPORATION

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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 intent is to hold these receivables until cash flows are collected. 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 revenue from other sources.

Marketable securities and derivative 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. Long-term debt is 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 may enter into derivative instruments to mitigate exposures to commodity price and currency exchange rate fluctuations, among other exposures. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as financial assets at FVTPL and recorded at their fair value with realized and unrealized gains or losses arising from changes in the fair value recorded in the consolidated statement of earnings in the period they occur. Fair values for derivative instruments are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

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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(iii) **Critical accounting estimates in applying the entity's accounting policies**

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. These estimates 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.

Areas where critical accounting estimates have the most significant effect on the amounts recognized in the consolidated financial statements include:

Depreciation, depletion and amortization of mineral properties, plant and equipment - Mineral properties, plant and equipment comprise a large component of the Company's assets and as such, the depreciation, depletion and amortization of these assets have a significant effect on the Company's financial statements. Upon commencement of commercial production, the Company depletes mineral property over the life of the mine based on the depletion of the mine's Proven and Probable Mineral Reserves. In the case of mining equipment or other assets, if the useful life of the asset is shorter than the life of the mine, the asset is amortized over its expected useful life.

Proven and Probable Mineral Reserves are determined based on a professional evaluation using accepted international standards for the estimation of Mineral Reserves. The assessment involves geological and geophysical studies, economic data and the reliance on a number of assumptions. The estimates of the Mineral Reserves may change based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original Mineral Reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production.

A change in the original estimate of Mineral Reserves would result in a change in the rate of depreciation, depletion and amortization of the related mineral assets. The effect of a change in the estimates of Mineral Reserves would have a relatively greater effect on the amortization of the current mining operations at Eagle because of the relatively short mine life of this operation. A short mine life results in a high rate of amortization and depreciation, and mineral assets may exist at these sites that have a useful life in excess of the revised life of the related mine.

Revenue from 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 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.

Valuation of long-term inventory - The Company carries its long-term inventory at the lower of production cost and NRV. If carrying value exceeds net realizable amount, a write-down is required. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

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The Company reviews NRV at least annually. In particular, for the NRV of long-term inventory the Company makes significant estimates related to future production and sales volumes, metal prices, foreign exchange rates, R&R quantities, future operating and capital costs. These estimates are subject to various risks and uncertainties and may have an effect on the NRV estimate and the carrying value of the long-term inventory.

Valuation of mineral properties - The Company carries its mineral properties at cost less accumulated depletion and any accumulated provision for impairment. The Company expenses exploration costs which are related to specific projects until commercial feasibility of the project is determinable. The costs of each property and related capitalized development expenditures are depleted over the economic life of the property on a units-of-production basis. Costs are charged to the consolidated statement of earnings when a property is abandoned or when there is a recognized impairment in value.

The Company undertakes a review of the carrying values of mineral properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. Where previous impairment has been recorded, the Company analyzes any impairment reversal indicators. An impairment loss is recognized when the carrying value of those assets is not recoverable. Impairment reversals are recognized in subsequent periods when there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sale volumes, metal prices, foreign exchange rates, R&R quantities, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures.

The Company, from time to time, acquires exploration and development properties. When a number of properties are acquired in a portfolio, the Company must make a determination of the fair value attributable to each of the properties within the total portfolio. When the Company conducts further exploration on acquired properties, it may determine that certain of the properties do not support the fair values applied at the time of acquisition. If such a determination is made, the property is written down, and could have a material effect on the consolidated balance sheet and consolidated statement of earnings.

Goodwill - The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired is recorded as goodwill. Goodwill is allocated to the CGUs acquired based on the assessment of which CGU would be expected to benefit from the synergies of the acquisition. Estimates of recoverable value may be impacted by changes in metal prices, foreign exchange rates, discount rates, level of capital expenditures, operating costs and other factors that may be different from those used in determining fair value. Changes in estimates could have a material impact on the carrying value of the goodwill.

For CGUs that have recorded goodwill, the estimated recoverable amount of the unit is compared to its carrying value at least once each year, or when circumstances indicate that the value may have become impaired.

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Reclamation and other closure provisions - The Company has obligations for reclamation and other closure activities related to its mineral properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of closure provisions. The reclamation and other closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording reclamation and other closure provisions is to establish provisions for future mine closure costs based on the present value of the future cash flows required to satisfy the obligations. This provision is updated as the estimate for future closure costs change. The amount of the present value of the provision is added to the cost of the related mineral assets and depreciated over the life of the mine. The provision is accreted to its future value over the life of mine through a charge to finance costs.

(iv) **Critical accounting judgments in applying the entity's accounting policies**

Management exercises judgment in applying the Company's accounting policies. These judgments are based on management's best estimates. Areas where critical accounting judgments have the most significant effect on the consolidated financial statements include:

Business Combination - The Company's acquisition of Mineração Maracá Indústria e Comércio S/A (Note 3), which owns the Chapada copper-gold mine ("Chapada"), requires each identified asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of consideration over the fair value of the identifiable net assets acquired and liabilities assumed is recognized in goodwill. The determination of fair values requires management to make assumptions and estimates about future events and judgements such as production profile, future metal prices and discount rates. Changes in these assumptions or estimates could affect the fair values assigned to assets acquired, liabilities assumed, and goodwill in the purchase price allocation.

Income taxes - Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences") and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilization of the losses.

Assessment of impairment and reverse impairment indicators - Management applies significant judgement in assessing whether indicators of impairment or reverse impairment exist for an asset or group of assets which would necessitate impairment testing. Internal and external factors such as significant changes in the use of the asset, commodity prices, foreign exchange rate and interest rates are used by Management in determining whether there are any indicators.

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Contingent liabilities - Contingent liabilities are possible obligations that arise from past events which will be confirmed by the occurrence or non-occurrence of future events. These contingencies are not recognized in the consolidated financial statements when the obligation is not probable or if the obligation cannot be measured reliably. The Company exercises significant judgment when determining the probability of the future outcome and with regard to any required disclosure of contingencies, and measuring the liability is a significant estimate.

3. BUSINESS COMBINATION

On July 5, 2019, the Company acquired 100% of Mineração Maracá Indústria e Comércio S/A (“Chapada Acquisition”), which owns the Chapada copper-gold mine located in Brazil from Yamana Gold Inc. (“Yamana”). The total cash consideration paid was \$783.1 million, consisting of an \$800 million base purchase price less \$16.9 million of working capital adjustments. In addition, the Company must pay a 2.0% net smelter return royalty on future gold production from the Suruca gold deposit (“NSR”), if the Company chooses to develop the project, and contingent consideration of \$100 million on potential construction of a pyrite roaster (“pyrite roaster”). Further, the Company is responsible for contingent payments of up to \$25 million per year over the next five years if certain gold price thresholds are met (Note 27).

The purchase price is as follows:

Cash consideration	\$	783,057
Contingent consideration		69,261
Cash acquired		(26,103)
	\$	826,215

The fair value of the contingent consideration was calculated using a valuation method that incorporates such factors as metal prices, metal price volatility and expiry date. This liability has been recorded in other payables and long-term liabilities. The consideration associated with the NSR and pyrite roaster were valued at nil.

Final fair values of assets acquired and liabilities assumed

Trade and other receivables	\$	15,335
Inventories		37,905
Long-term inventory		228,406
Mineral properties, plant and equipment		928,713
Goodwill		134,284
Other assets		4,499
Total assets		1,349,142
Trade and other payables		53,920
Deferred revenue		175,360
Reclamation and other closure provisions		71,154
Deferred tax liabilities		209,787
Other liabilities		12,706
Total liabilities		522,927
Total assets acquired and liabilities assumed, net	\$	826,215

Management primarily used a discounted cash flow model (net present value of expected future cash flows) to determine the fair value of the mineral interests, long-term inventory and deferred revenue. The model incorporated expected future cash flows based on estimates of projected revenues, production costs, capital expenditures and production profile of the life of mine plan as at the acquisition date.

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Short-term inventory was valued based on assumed market price less cost to complete and a reasonable profit margin. Management used the depreciated replacement cost approach in determining the fair value of plant and equipment.

The excess of the purchase price over net identifiable assets acquired represents goodwill. The goodwill primarily reflects deferred tax liabilities due to the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed. Goodwill is not deductible for income tax purposes.

Acquisition related fees of \$2.7 million are recorded in the consolidated statement of earnings as a business development cost.

Revenue and net earnings contributed by Chapada since acquisition and included in the consolidated statement of earnings were \$248.0 million and \$35.6 million, respectively.

If Chapada had been consolidated from January 1, 2019, the Company's consolidated statement of earnings for the year ended December 31, 2019 would show revenue of \$2,119.6 million and net earnings of \$230.3 million.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	December 31, 2019	December 31, 2018
Cash	\$ 233,466	\$ 679,619
Short-term deposits	17,097	135,810
	\$ 250,563	\$ 815,429

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	December 31, 2019	December 31, 2018
Trade receivables	\$ 229,730	\$ 251,010
Value added tax	44,948	34,467
Prepaid expenses	21,726	79,299
Other receivables	39,378	19,556
	\$ 335,782	\$ 384,332

Prepaid expenses in 2018 included \$58.7 million related to advance payment of mine equipment purchases.

Other receivables contain the contingent consideration agreed upon under the terms of the TF Holdings Limited disposal in 2017, previously recorded in other non-current assets (Note 7). On January 9, 2020, the Company received cash consideration of \$25.7 million for the derivative asset.

The Company does not have any significant balances that are past due nor any significant expected credit losses. The Company's credit risk is discussed in Note 30.

The fair value of trade and other receivables, including the embedded derivative arising from provisionally priced trade receivables, is disclosed in Note 26.

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The carrying amounts of trade and other receivables are mainly denominated as follows: \$241.5 million, CLP 16.6 billion, €15.3 million, C\$1.6 million, SEK 37.5 million and BRL 87.6 million as at December 31, 2019 (2018 - \$266.7 million, CLP 52.8 billion, €27.9 million, C\$2.8 million and SEK 50.0 million).

6. INVENTORIES

Inventories are comprised of the following:

	December 31, 2019	December 31, 2018
Ore stockpiles	\$ 49,696	\$ 33,207
Concentrate stockpiles	44,015	23,776
Materials and supplies	122,792	104,010
	\$ 216,503	\$ 160,993

Long-term inventory is comprised of ore stockpiles. As at December 31, 2019, the Company had \$297.3 million (2018 - \$241.5 million) and \$253.3 million (2018 - nil) of long-term ore stockpiles at Candelaria and Chapada, respectively.

7. OTHER NON-CURRENT ASSETS

Other non-current assets comprise the following:

	December 31, 2019	December 31, 2018
Marketable securities	\$ 4,331	\$ 2,756
Derivative asset	-	25,098
Other	3,639	6,790
	\$ 7,970	\$ 34,644

During 2019, the Company reclassified its derivative asset to trade and other receivables (Note 5).

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8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment comprise the following:

Cost	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2017	\$ 3,359,061	\$ 2,133,591	\$ 402,817	\$ 5,895,469
Additions	341,387	3,146	463,547	808,080
Disposals and transfers	43,992	326,276	(509,471)	(139,203)
Effects of foreign exchange	(88,008)	(37,410)	(6,624)	(132,042)
As at December 31, 2018	3,656,432	2,425,603	350,269	6,432,304
<i>IFRS 16</i> transition (Note 33)	-	32,837	-	32,837
As at January 1, 2019	3,656,432	2,458,440	350,269	6,465,141
Chapada Acquisition (Note 3)	672,642	237,371	18,700	928,713
Additions	229,603	30,062	486,971	746,636
Disposals and transfers	125,224	269,901	(425,163)	(30,038)
Effects of foreign exchange	(36,295)	(13,909)	(3,140)	(53,344)
As at December 31, 2019	\$ 4,647,606	\$ 2,981,865	\$ 427,637	\$ 8,057,108

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2017	\$ 1,637,113	\$ 869,890	\$ -	\$ 2,507,003
Depreciation	139,514	160,938	-	300,452
Disposals and transfers	(1,992)	(127,148)	-	(129,140)
Effects of foreign exchange	(54,874)	(20,482)	-	(75,356)
As at December 31, 2018	1,719,761	883,198	-	2,602,959
Depreciation	258,238	183,074	-	441,312
Disposals and transfers	(282)	(22,717)	-	(22,999)
Effects of foreign exchange	(22,561)	(7,159)	-	(29,720)
As at December 31, 2019	\$ 1,955,156	\$ 1,036,396	\$ -	\$ 2,991,552

Net book value	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2018	\$ 1,936,671	\$ 1,542,405	\$ 350,269	\$ 3,829,345
As at January 1, 2019	1,936,671	1,575,242	350,269	3,862,182
As at December 31, 2019	\$ 2,692,450	\$ 1,945,469	\$ 427,637	\$ 5,065,556

During the third quarter of 2019, the Company completed the Chapada Acquisition acquiring \$928.7 million (Note 3) of mineral properties, plant and equipment.

During 2019, the Company capitalized \$11.4 million (2018 - \$15.1 million) of finance costs to assets under construction, at a weighted average interest rate of 5.0% (2018 - 6.5%).

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During 2019, the Company capitalized \$129.0 million (2018 - \$212.8 million) of deferred stripping costs to mineral properties. The depreciation expense related to deferred stripping for the year was \$120.0 million (2018 - \$23.9 million). Included in the mineral properties balance at December 31, 2019 is \$205.4 million (2018 - \$555.3 million) related to deferred stripping at Candelaria and \$84.3 million (2018 - \$56.5 million) related to underground development of the Zinc Expansion Project at the Neves-Corvo mine, which are currently non-depreciable.

The Company leases various assets including buildings, rail cars, vehicles, machinery and equipment. The following table summarizes the changes in right-of-use assets within plant and equipment:

Plant and equipment	Net book value
Leased assets as at December 31, 2018 reclassified as right-of-use assets as at January 1, 2019	\$ 10,425
<i>IFRS 16</i> transition (Note 33)	32,837
As at January 1, 2019	43,262
Additions	15,665
Depreciation	(12,642)
Disposals	(1,800)
Effects of foreign exchange	(121)
As at December 31, 2019	\$ 44,364

The Company acts as lessee in certain leases that contain variable lease payment terms that are primarily based on usage of the right-of-use assets.

9. INVESTMENT IN ASSOCIATE

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

As at December 31, 2017	\$ 101,424
Contributions, net	5,586
Share of equity income	29,933
As at December 31, 2018	136,943
Distributions, net	(114,225)
Share of equity income	6,239
As at December 31, 2019	\$ 28,957

The Company has a 24% ownership interest in Freeport Cobalt, with the balance held by Freeport-McMoRan Inc. (56%) and La Générale des Carrières et des Mines (20%), a Democratic Republic of the Congo government-owned corporation.

On May 23, 2019, Freeport Cobalt entered into a definitive agreement to sell its cobalt refinery and related cobalt cathode precursor business to Umicore. In November 2019, the sale completed for cash consideration of approximately \$200 million, including net working capital of approximately \$50 million at the time of close. The Company received cash distributions of \$79.1 million from the transaction and continues to retain a 24% interest in Freeport Cobalt's fine powders, chemicals, catalyst, ceramics and pigments businesses.

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10. ASSET IMPAIRMENT

At each reporting period, the Company assesses whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the asset and compares it against the asset's carrying amount.

Investment in Freeport Cobalt

During 2019, the Company identified an impairment indicator; specifically, Freeport Cobalt's sale of its cobalt refinery and related cobalt cathode precursor business (Note 9). The recoverable amount of the investment in Freeport Cobalt was determined based on its value in use.

The Company has calculated its value in use as the present value of the expected cash distributions from its investment, which includes the cash flows from Freeport Cobalt's fine powders, chemicals, catalyst, ceramics and pigments businesses. The valuation is considered to be level 3 in the fair value hierarchy (Note 26).

The Company determined that the recoverable amount of its investment in Freeport Cobalt was higher than its carrying value, and therefore no impairment was recognized.

11. GOODWILL

The Company recognized goodwill on the acquisition of Chapada, Neves-Corvo, and Ojos del Salado ("Ojos").

Goodwill is allocated to the following CGUs:

	Chapada	Neves-Corvo	Ojos ¹	Total
Balance at December 31, 2017	\$ -	\$ 103,778	\$ 10,713	\$ 114,491
Effects of foreign exchange	-	(4,697)	-	(4,697)
Balance at December 31, 2018	-	99,081	10,713	109,794
Chapada Acquisition (Note 3)	134,284	-	-	134,284
Effects of foreign exchange	-	(1,870)	-	(1,870)
Balance at December 31, 2019	\$ 134,284	\$ 97,211	\$ 10,713	\$ 242,208

¹ Ojos is included in the Candelaria reporting segment.

The Company performs an impairment assessment annually, or more frequently if there are impairment indicators, for the carrying amount of its CGUs where goodwill is allocated.

The recoverable value of a CGU is determined using cash flow projections based on life-of-mine financial plans. The key assumptions used in cash flow projections consist of forecasted commodity prices, treatment and refining charges, R&R quantities, production costs, capital expenditures, reclamation and other closure costs, discount rates and foreign exchange rates.

Commodity prices used in the cash flow projections are within a range of market consensus observed during the fourth quarter of 2019. The valuation of recoverable amount is most sensitive to changes in metal prices, exchange rates and discount rates.

Production costs and capital expenditures included in the cash flow projections are based on operating plans which consider past and estimated future performance.

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Chapada

Chapada's purchase price allocation was performed as at July 5, 2019 at which time fair values were assigned for assets acquired and liabilities assumed (Note 3), with the resulting goodwill allocated entirely to the Chapada CGU. As at December 31, 2019, the recoverable amount of the Chapada CGU was assessed using FVLCD. In assessing the FVLCD, Management considered the most recent mine plan and whether there were changes in observable market conditions since the acquisition date. For the year ended December 31, 2019, the Company determined that the recoverable amount of the Chapada CGU was consistent with its carrying value, and therefore no impairment was recognized.

Key assumptions for Chapada

	2019
Copper price \$/lb	2.80 - 3.10
Gold price \$/oz	1,400 - 1,550
After-tax discount rate	6.5%
BRL/\$ exchange rate	4.00
Life of mine	31 years

In performing the CGU impairment test for Neves-Corvo and Ojos, the Company used a FVLCD valuation model. Inputs utilized in this model were based on level 3 fair value measurements (see Note 26), which were not based on observable market data. The R&R were based on the Company's last published estimate dated June 30, 2019. Incorporated in the FVLCD were fair value estimates developed by the Company for R&R not captured in the cash flow projections. These estimates are benchmarked using third-party market information.

Neves-Corvo

For the Neves-Corvo CGU impairment review, the Company used a FVLCD model (level 3 measurement). For the years ended December 31, 2019 and 2018, the Company determined that the recoverable amount of the Neves-Corvo CGU was higher than its carrying value, and therefore no impairment was recognized.

Sensitivity analysis was performed on the cash flow model for Neves-Corvo. Reviewing changes in key inputs such as changes to metal prices (+/-5%), foreign exchange rate (+/-5%) and discount rate (+/-1%) did not have a material impact on the result of the Company's goodwill impairment assessment.

Key assumptions for Neves-Corvo

	2019	2018
Copper price \$/lb	2.80 - 3.10	3.00 - 3.30
Zinc price \$/lb	1.10	1.10 - 1.20
After-tax discount rate	9.0%	9.0%
\$/€ exchange rate	1.15 - 1.20	1.20 - 1.25
Life of mine	13 years	12 years

Ojos

For the Ojos CGU impairment review, the Company used a FVLCD model (level 3 measurement). For the years ended December 31, 2019 and 2018, the Company determined that the recoverable amount of the Ojos CGU was higher than its carrying value, and therefore no impairment was recognized.

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Sensitivity analysis was performed on the cash flow model for Ojos. Reviewing changes in key inputs such as changes to metal prices (+/-5%), foreign exchange rate (+/-5%) and discount rate (+/-1%) did not have a material impact on the result of the Company's goodwill impairment assessment.

Key assumptions for Ojos

	2019	2018
Copper price \$/lb	2.80 - 3.10	3.00 - 3.30
After-tax discount rate	8.5%	8.5%
CLP/\$ exchange rate	700	585 - 670
Life of mine	10 years	10 years

12. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	December 31, 2019	December 31, 2018
Trade payables	\$ 188,430	\$ 228,608
Unbilled goods and services	72,702	81,813
Employee benefits payable	59,792	59,238
Chapada derivative liability (Note 27(b))	22,472	-
Royalty payable	8,769	10,195
Prepayment from customer	6,562	162
Other	11,340	-
	\$ 370,067	\$ 380,016

As at December 31, 2019, the total Chapada derivative liability is \$91.8 million (2018 - nil). The current portion is \$22.5 million and the long-term portion is \$69.3 million (Note 16).

13. DEBT AND LEASE LIABILITIES

Debt and lease liabilities are comprised of the following:

	December 31, 2019	December 31, 2018
Revolving credit facility (a)	\$ 222,762	\$ -
Term loan (b)	35,000	-
Lease liabilities (c)	42,616	-
Line of credit (d)	8,171	-
Finance leases (Note 33)	-	10,992
Debt and lease liabilities	308,549	10,992
Less: current portion	80,782	3,830
Long-term portion	\$ 227,767	\$ 7,162

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

	Leases	Debt	Total
As at December 31, 2017	\$ 11,573	\$ 438,373	\$ 449,946
Additions	3,641	-	3,641
Financing fee amortization/write-off	-	6,627	6,627
Effects of foreign exchange	(606)	-	(606)
<i>Cashflow</i>			
Payments	(3,616)	(445,000)	(448,616)
As at December 31, 2018	10,992	-	10,992
<i>IFRS 16 transition adjustment (Note 33)</i>	31,652	-	31,652
As at January 1, 2019	42,644	-	42,644
Additions	13,902	453,418	467,320
Disposals	(1,870)	-	(1,870)
Interest	1,641	-	1,641
Financing fee amortization	-	196	196
Effects of foreign exchange	(218)	73	(145)
<i>Cashflow</i>			
Payments	(13,483)	(187,754)	(201,237)
As at December 31, 2019	42,616	265,933	308,549
Less: current portion	13,713	67,069	80,782
Long-term portion	\$ 28,903	\$ 198,864	\$ 227,767

- a) During 2019, the Company executed a third amended and restated credit agreement that increased its secured revolving credit facility to \$800.0 million (previously \$550.0 million) with a \$200.0 million accordion option, reduced the cost of borrowing, and extended the term to August 2023 (previously October 2022). The credit facility bears interest on drawn funds at rates of LIBOR +1.75% to LIBOR +2.75%, depending on the Company's net leverage ratio. The revolving credit facility is subject to customary covenants. Certain assets and shares of the Company's material subsidiaries are pledged as security for the credit facility. During the year, the Company had drawn \$315.0 million on the credit facility and subsequently repaid \$90.0 million. As at December 31, 2019, the balance outstanding was \$225.0 million, along with letters of credit totaling \$23.6 million (SEK 162.0 million and €5.3 million) (2018 - \$24.8 million). Deferred financing fees, at December 31, 2019, of \$2.2 million have been netted against borrowings. Subsequent to December 31, 2019, the Company repaid a further \$30.0 million against the revolving credit facility.
- b) During the first quarter of 2019, Candelaria acquired an unsecured fixed term loan in the amount of \$35.0 million, which it repaid in the third quarter of 2019. In addition, in the third quarter of 2019, Candelaria obtained another unsecured fixed term loan in the amount of \$50.0 million with a new institution, of which \$15.0 million was subsequently repaid. The remaining \$35.0 million loan accrues interest at a rate of 2.2% per annum, with interest payable upon maturity on August 29, 2020. In the fourth quarter of 2019, Candelaria obtained an additional \$25.0 million unsecured loan and repaid the loan within the quarter.
- c) Lease liabilities relate to leases on buildings, rail cars, vehicles, machinery and equipment which have remaining lease terms of one to fifteen years and interest rates of 0.8% - 7.1% over the terms of the leases.
- d) Sociedade Mineira de Neves-Corvo, S.A. ("Somincor"), a subsidiary of the Company which owns the Neves-Corvo mine, has a \$28.1 million (€25 million) line of credit for equipment financing. During the year, Somincor had drawn \$8.7 million (€7.9 million) on the line of credit for purchases of equipment. At December 31, 2019, the balance outstanding was \$8.2 million (€7.3 million). Interest rates vary from a fixed rate of 0.88% to EURIBOR +0.84%, depending on the piece of equipment, with the debt maturing throughout 2023.

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- e) Somincor has a commercial paper program which matures in October 2021. The \$33.7 million (€30 million) program bears interest at EURIBOR + 0.84%. During the third quarter of 2019, \$10.9 million (€10 million) was drawn under this program and an additional \$11.2 million (€10 million) was drawn in the fourth quarter. Before the end of the year, Somincor repaid the full outstanding amount of \$22.1 million (€20 million) and had no balance outstanding at December 31, 2019 (2018 - nil).
- f) Certain leases relating to mine development, exploration, production and transportation equipment contain variable lease expenses based on tonnage or drilling metres. Variable lease expense for the period ended December 31, 2019 was \$100.8 million. The Company has short-term leases related to office space and equipment. Short-term lease expense for the period ended December 31, 2019 was \$24.6 million.
- g) In 2018, the Company redeemed \$450 million of 7.875% Senior Secured Notes due in 2022 at a redemption price of 103.94% of the principal amount of the Notes plus accrued and unpaid interest.

The premium over the face value of the Notes was recorded in finance costs (Note 23).

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

	Leases	Debt	Total
Less than one year	\$ 15,007	\$ 67,136	\$ 82,143
One to five years	28,370	201,279	229,649
More than five years	5,936	-	5,936
Total undiscounted obligations as at December 31, 2019	\$ 49,313	\$ 268,415	\$ 317,728

14. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2017	\$ 513,759
<i>IFRS 15</i> transition adjustment	85,978
As at January 1, 2018	599,737
Recognition of revenue	(53,126)
Variable consideration adjustment	15,307
Finance costs	31,914
Effects of foreign exchange	(4,978)
As at December 31, 2018	588,854
Chapada Acquisition (Note 3)	175,360
Recognition of revenue	(59,095)
Variable consideration adjustment	18,227
Finance costs	35,771
Effects of foreign exchange	(971)
As at December 31, 2019	758,146
Less: current portion	83,960
Long-term portion	\$ 674,186

Consideration from the Company's stream agreements are considered variable. Gold, silver and copper revenue can be subject to cumulative adjustments when the volume to be delivered under the contracts changes. The Company recognized an adjustment to gold and silver revenue and finance costs due to an increase in the Company's Mineral Resources and Mineral Reserves estimates for both 2018 and 2019.

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For the year ended December 31, 2019, the Company recognized finance costs at a weighted average rate of 5.3% (2018 – 5.2%) on the deferred revenue balances.

a) Candelaria

The Company entered into a stream agreement with Franco-Nevada Corporation (“FN”), whereby the Company has agreed to sell 68% of all the gold and silver contained in production from Candelaria until 720,000 oz of gold and 12 million oz of silver have been delivered. Thereafter, FN will be entitled to purchase 40% of gold and silver production from Candelaria. The Company received an up-front payment of \$648 million which is being recognized as gold and silver are delivered to FN under the contract.

For each ounce of gold and silver delivered, FN makes payments equal to the lesser of the prevailing market prices and approximately \$408/oz of gold and \$4.08/oz of silver (2018 – \$404/oz of gold and \$4.04/oz of silver), subject to a 1% annual inflationary adjustment. In 2019, approximately 55,000 oz of gold and 786,000 oz of silver (2018 – approximately 50,000 oz of gold and 755,000 oz of silver) were subject to the terms of the streaming agreement.

b) Chapada mine

As part of the Chapada Acquisition (Note 3), the Company assumed the following streaming agreements from Yamana:

Up to 39 million pounds (“Mlbs”), Sandstorm Gold Ltd. is entitled to purchase 4.2% of the payable copper produced annually from Chapada at 30% of the market price. The percentage of payable copper is subject to two reduction thresholds. Once an aggregate of 39 Mlbs has been delivered, the percentage of payable copper reduces to 3.0%. Upon delivery of 50 Mlbs of copper, the percentage of payable copper reduces to 1.5% for the remaining life of mine. Approximately 14 Mlbs have been delivered under this agreement as of December 31, 2019.

Altius Minerals Corporation is entitled to purchase 3.7% of the payable copper produced from Chapada at 30% of the market price. The percentage of payable copper is subject to two reduction thresholds. In the event of a specified expansion at Chapada, the percentage of payable copper reduces to 2.65%. Also, upon delivery of 75 Mlbs of copper in aggregate, the percentage of payable copper reduces to 1.5% for the remaining life of mine. Approximately 14 Mlbs have been delivered under this agreement as of December 31, 2019.

c) Neves-Corvo mine

The Company has an agreement to deliver all of the silver contained in concentrate produced from its Neves-Corvo mine to Wheaton Precious Metals Corporation, formerly Silver Wheaton Corp. (“Wheaton”). The Company received an up-front payment which was deferred and is being recognized in sales as silver is delivered under the contract. The Company receives the lesser of a fixed payment (subject to annual inflationary adjustments) and the market price per ounce of silver. During 2019, the Company received approximately \$4.30 per ounce of silver (2018 – \$4.24). The agreement extends to the earlier of September 2057 and the end of mine life.

d) Zinkgruvan mine

The Company has an agreement with Wheaton to deliver all of the silver contained in concentrate from the Zinkgruvan mine. The Company received an up-front payment which was deferred and is being recognized in sales as silver is delivered under the contract and receives the lesser of a fixed payment (subject to annual inflationary adjustments) and the market price per ounce of silver. During 2019, the Company received approximately \$4.39 per ounce of silver (2018 – \$4.34) (Note 27(c)).

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15. RECLAMATION AND OTHER CLOSURE PROVISIONS

Reclamation and other closure provisions relating to the Company's mining operations are as follows:

	Reclamation provisions	Other closure provisions	Total
Balance, December 31, 2017	\$ 218,188	\$ 45,411	\$ 263,599
Accretion	5,778	-	5,778
Accruals for services	-	4,859	4,859
Changes in estimate	39,006	-	39,006
Changes in discount rate	6,866	-	6,866
Payments	(11,834)	-	(11,834)
Effects of foreign exchange	(4,520)	(5,064)	(9,584)
Balance, December 31, 2018	253,484	45,206	298,690
Chapada Acquisition (Note 3)	71,154	-	71,154
Accretion	9,725	-	9,725
Accruals for services	-	(3,517)	(3,517)
Changes in estimate	(1,557)	-	(1,557)
Changes in discount rate	22,816	-	22,816
Payments	(10,495)	-	(10,495)
Effects of foreign exchange	(2,015)	(1,017)	(3,032)
Balance, December 31, 2019	343,112	40,672	383,784
Less: current portion	3,735	-	3,735
Long-term portion	\$ 339,377	\$ 40,672	\$ 380,049

The Company expects these liabilities to be settled between 2020 and 2055. The provisions are discounted using current market pre-tax discount rates which range from 0.3% to 7.0%.

16. OTHER LONG-TERM LIABILITIES

Other long-term liabilities are comprised of the following:

	December 31, 2019	December 31, 2018
Chapada derivative liability (Note 27(b))	\$ 69,345	\$ -
Other	15,492	3,406
	\$ 84,837	\$ 3,406

As at December 31, 2019, the total Chapada derivative liability is \$91.8 million (2018 - nil). The current portion is \$22.5 million (Note 12) and the long-term portion is \$69.3 million.

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17. SHARE CAPITAL

(a) Authorized and issued shares

Authorized share capital consists of an unlimited number of voting common shares with no par value and one special non-voting share with no par value. As at December 31, 2019, there were 734,233,642 fully paid voting common shares issued (2018 - 733,534,879).

(b) Restricted share units

The Company has a Share Unit Plan ("SU Plan") which provides for share unit awards ("SUs") to be granted by the Board of Directors to certain employees of the Company. The maximum number of SUs that are issuable under the SU Plan is 14,000,000. An SU is a unit representing the right to receive one common share (subject to adjustments) issued from treasury.

The number of SUs awarded will be approved by the Board of Directors. The market price shall be calculated at the closing market price on the TSX of the Company's common shares on the date of the grant. The performance requirements are established by the Board of Directors.

The Company uses the fair value method of accounting for the recording of SU grants to employees and officers. Under this method, the Company recorded share-based compensation expense of \$5.9 million for 2019 (2018 - \$4.7 million) with a corresponding credit to contributed surplus.

During 2019, the Company granted approximately 1.1 million SUs to employees and officers that expire in 2022. The SUs vest three years from the grant date. The fair value of the SUs are based on the market value of the shares on the date of the grant and an estimated forfeiture rate of 10% (2018 - 10%). The weighted average fair value per SU granted during 2019 was C\$6.65 (2018 - C\$7.87). As at December 31, 2019, there was \$4.7 million (2018 - \$5.4 million) of unamortized stock-based compensation expense related to SUs.

During 2019, 1,405,010 common shares (2018 - 1,203,687) were issued as a result of SUs being vested.

(c) Stock options

The Company's stock option plan ("2014 Option Plan") provides for stock option awards to be granted by the Board of Directors to certain employees of the Company. The term of any stock options granted under the 2014 Option Plan may not exceed five years from the date of grant. The maximum number of stock options that are issuable under the 2014 Option Plan is 30,000,000. The vesting requirements are established by the Board of Directors.

The Company uses the fair value method of accounting for the recording of stock options. Under this method, the Company recorded a share-based compensation expense of \$7.5 million for 2019 (2018 - \$7.4 million) with a corresponding credit to contributed surplus.

During 2019, the Company granted approximately 4.2 million stock options to employees and officers that expire in 2024. The stock options vest over three years from the grant date. The Black-Scholes option pricing model used to determine the fair value of the stock options at the date of the grant assumed a dividend yield, risk-free interest rate of 1.41% to 1.82% (2018 - 1.90% to 2.29%), expected life of 3.2 years (2018 - 3.2 years) and expected price volatility of 43% to 47% (2018 - 45% to 50%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of approximately 10% was applied (2018 - 10%). The weighted average fair value per stock option granted during 2019 was C\$2.07 (2018 - C\$2.67). As at December 31, 2019, there was \$3.3 million of unamortized stock compensation expense (2018 - \$4.7 million) related to stock options.

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During 2019, 3,586,515 common shares (2018 - 3,912,560) were issued as a result of stock options being exercised.

The continuity of share-based payments outstanding is as follows:

	Number of SUs	Number of options	Weighted average exercise price (C\$)
Outstanding, December 31, 2017	2,997,190	12,961,350	5.96
Granted	999,800	3,209,800	8.21
Forfeited	(257,283)	(820,320)	7.93
Exercised	(1,203,687)	(3,912,560)	5.29
Outstanding, December 31, 2018	2,536,020	11,438,270	6.68
Granted	1,078,000	4,210,000	6.64
Forfeited	(86,600)	(1,053,390)	7.79
Exercised	(1,405,010)	(3,586,515)	5.14
Outstanding, December 31, 2019	2,122,410	11,008,365	7.07

The following table summarizes options outstanding as at December 31, 2019:

Range of exercise prices (C\$)	Outstanding Options			Exercisable Options		
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C\$)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C\$)
3 to 3.99	32,400	0.7	3.84	32,400	0.7	3.84
4 to 4.99	1,198,200	1.2	4.32	1,198,200	1.2	4.32
5 to 5.99	451,595	0.7	5.33	405,595	0.4	5.34
6 to 6.99	4,010,200	4.1	6.63	126,200	1.9	6.35
7 to 7.99	466,400	2.7	7.28	269,267	2.6	7.30
8 to 8.99	4,849,570	2.7	8.26	3,060,226	2.5	8.24
	11,008,365	2.9	7.07	5,091,888	2.0	6.96

(d) Basic and diluted weighted average number of shares

	December 31, 2019	December 31, 2018
Basic weighted average number of shares outstanding	735,309,697	731,734,265
Effect of dilutive securities	747,180	1,818,211
Diluted weighted average number of shares outstanding	736,056,877	733,552,476
Antidilutive securities	3,350,500	920,400

The effect of dilutive securities relates to in-the-money outstanding stock options and SUs.

(e) Dividends

The Company declared dividends in the amount of \$66.6 million (2018 - \$68.3 million), or C\$0.12 per share, for the year ended December 31, 2019 (2018 - C\$0.12).

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(f) Normal course issuer bid

In December 2018, the Company obtained approval from the TSX to commence a normal course issuer bid (“NCIB”) to purchase up to 63,718,842 common shares between December 7, 2018 and December 6, 2019. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB were limited to 573,371 common shares.

In December 2019, the Company obtained approval from the TSX for the renewal of its NCIB to purchase up to 63,797,653 common shares between December 9, 2019 and December 8, 2020. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to a maximum of 517,131 common shares. The price that the Company will pay for common shares in open market transactions will be the market price at the time of purchase.

For the year ended December 31, 2019, 4,292,762 shares were purchased under the NCIB at an average price of C\$6.75 per share for total consideration of \$21.7 million. The total amount paid to purchase the shares is allocated to share capital and deficit in the consolidated statement of changes in equity. The amount allocated to share capital is based on the average cost per common share and amounts paid above the average cost are allocated to deficit. All of the common shares purchased have been cancelled. For the year ended December 31, 2018, no common shares were purchased under the NCIB.

18. NON-CONTROLLING INTERESTS

The Company owns 80% of Compañía Contractual Minera Candelaria S.A. and Compañía Contractual Minera Ojos del Salado S.A.’s copper mining operations and supporting infrastructure in Chile. The remaining 20% ownership stake is held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation. The continuity of non-controlling interests balance is disclosed in the consolidated statements of changes in equity.

Summarized financial information for Candelaria mine and Ojos mine on a 100% basis is as follows:

Summarized Balance Sheets

For the years ended December 31	Candelaria mine		Ojos mine	
	2019	2018	2019	2018
Total current assets	\$ 330,078	\$ 461,584	\$ 168,228	\$ 127,619
Total non-current assets	\$ 2,664,606	\$ 2,452,636	\$ 178,009	\$ 167,633
Total current liabilities	\$ 301,289	\$ 314,733	\$ 35,941	\$ 25,270
Total non-current liabilities	\$ 461,294	\$ 407,732	\$ 46,833	\$ 47,750

Summarized Statements of Earnings and Comprehensive Income

For the years ended December 31	Candelaria mine		Ojos mine	
	2019	2018	2019	2018
Total sales	\$ 896,011	\$ 811,034	\$ 198,510	\$ 188,453
Net earnings/Comprehensive income	\$ 63,010	\$ 86,721	\$ 45,585	\$ 27,133

The above information is presented before inter-company eliminations.

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19. REVENUE

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

	2019	2018
Revenue from contracts with customers:		
Copper	\$ 1,246,927	\$ 1,156,426
Zinc	253,594	304,479
Gold	174,448	79,728
Nickel	111,872	157,127
Lead	51,868	60,882
Silver	34,732	25,875
Other	19,635	23,055
	1,893,076	1,807,572
Provisional pricing adjustments on concentrate sales	(363)	(81,983)
Revenue	\$ 1,892,713	\$ 1,725,589

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

	2019	2018
Revenue from contracts with customers:		
Europe	\$ 903,588	\$ 956,399
Asia	820,072	585,852
South America	87,556	76,727
North America	81,860	188,594
	1,893,076	1,807,572
Provisional pricing adjustments on concentrate sales	(363)	(81,983)
Revenue	\$ 1,892,713	\$ 1,725,589

Revenue from contracts with customers for the year-ended December 31, 2019 includes a reversal of \$14.6 million (2018 - \$15.3 million) due to variable consideration adjustment.

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20. PRODUCTION COSTS

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

	2019		2018
Direct mine and mill costs	\$ 957,515	\$	882,571
Transportation	88,644		65,474
Royalties	20,044		21,565
Total production costs	\$ 1,066,203	\$	969,610

21. EMPLOYEE BENEFITS

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

	2019		2018
Production costs			
Wages and benefits	\$ 244,143	\$	268,573
Pension benefits	1,576		966
Share-based compensation	3,516		3,185
	249,235		272,724
General and administrative expenses			
Wages and benefits	19,850		23,543
Pension benefits	769		868
Share-based compensation	9,630		8,701
	30,249		33,112
General exploration and business development			
Wages and benefits	6,294		7,762
Pension benefits	52		53
Share-based compensation	207		254
	6,553		8,069
Total employee benefits	\$ 286,037	\$	313,905

22. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

	2019		2018
General exploration	\$ 61,021	\$	75,214
Project development	13,130		6,475
Corporate development	3,697		3,607
	\$ 77,848	\$	85,296

Project development expenses include study costs related to potential expansion projects.

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23. FINANCE INCOME AND COSTS

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

	2019	2018
Interest income	\$ 12,165	\$ 25,490
Deferred revenue finance costs	(29,260)	(31,914)
Interest expense and bank fees	(12,289)	(27,078)
Accretion expense on reclamation provisions	(9,725)	(5,778)
Lease liability interest	(1,640)	-
Secured notes redemption fee	-	(16,901)
Other	1,957	(4,011)
Total finance costs, net	\$ (38,792)	\$ (60,192)

Finance income	\$ 14,122	\$ 25,490
Finance costs	(52,914)	(85,682)
Total finance costs, net	\$ (38,792)	\$ (60,192)

24. OTHER INCOME AND EXPENSE

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

	2019	2018
Foreign exchange gain	\$ 12,893	\$ 13,328
Revaluation of derivative asset and liability	(21,940)	617
Revaluation of marketable securities	(1,495)	13,520
Loss on sale of assets	(909)	(5,283)
Other expense	(1,841)	(1,983)
Total other (expense) income, net	\$ (13,292)	\$ 20,199

25. CURRENT AND DEFERRED INCOME TAXES

	2019	2018
Current tax expense:		
Current tax on net taxable earnings (a)	\$ 66,391	\$ 79,058
Adjustments in respect of prior years	(3,530)	(2,297)
	62,861	76,761
Deferred tax expense (recovery):		
Origination and reversal of temporary differences	14,030	377
Change in tax rates	168	(2,866)
Utilization and recognition of previously unrecognized tax losses and temporary differences	-	(1,589)
Temporary differences for which no deferred asset was recognized	3,360	3,686
	17,558	(392)
Total tax expense	\$ 80,419	\$ 76,369

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- a) Current tax expense of \$62.9 million reflects tax on net taxable earnings of \$266.3 million, offset by the current portion of the investment tax credit receivable of \$8.0 million at Neves-Corvo and a \$7.1 million reduction in withholding taxes payable in Chile.

The tax on the Company's earnings before income tax differs from the amount that would arise using the weighted average rate applicable to earnings of the consolidated entities as follows:

	2019	2018
Earnings excluding income taxes	\$ 269,596	\$ 291,809
Combined basic federal and provincial rates	26.5%	26.5%
Income taxes based on Canadian statutory income tax rates	\$ 71,443	\$ 77,329
Effect of different tax rates in foreign jurisdictions	26,006	(135)
Tax calculated at domestic tax rates applicable to earnings in the respective countries	97,449	77,194
Tax effects of:		
Non-deductible and non-taxable items (a)	(5,765)	7,929
Change in tax rates (b)	(6,803)	(2,866)
Adjustments in respect of prior years (c)	(7,847)	3,607
Tax losses and temporary differences for which no deferred income tax asset was recognized	3,360	3,686
Foreign exchange impact on temporary differences (d)	14,279	-
Utilization and recognition of previously unrecognized tax losses and temporary differences	-	(1,589)
Tax recovery associated with government grants and other tax credits	(26,892)	(29,931)
Net withholding tax on accrued interest receivable	11,745	16,363
Other	893	1,976
Total tax expense	\$ 80,419	\$ 76,369

The Company operates in tax jurisdictions that have tax rates ranging from 21% to 34%.

Sweden lowered its corporate tax rate to 21.4% from 22% effective January 1, 2019, and will further reduce to 20.6% by 2021.

- a) Included in the non-taxable item of \$5.8 million in 2019 is the impact of the tax depletion allowance at Eagle (\$5.1 million). In 2018, the non-deductible tax expense of \$7.9 million included the impact of the foreign exchange on intercompany transactions (\$8.4 million).

- b) In 2019, the withholding tax rate on interest payments in Chile decreased from 15% to 10%, resulting in current tax recovery of \$7.1 million.

In 2018, the increase in dividend refund rate in Chile resulted in deferred tax recovery of \$6.5 million while the increase in the marginal tax rate in Portugal increased deferred tax by \$4.1 million from revaluing the deferred tax liabilities at the new rate.

- c) The Company recognized a deferred tax recovery of \$9.3 million in 2019 resulting from the use of foreign tax credits for the 2014 through 2018 tax years. In 2018, the Company recognized an additional current tax recovery in Neves-Corvo (\$2.7 million) and deferred tax recovery in Eagle (\$1.5 million) relating to prior period adjustments.

- d) Deferred tax impact of weakening BRL on translation of non-monetary assets.

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- e) In 2019, Neves-Corvo recorded a total investment tax credit receivable of \$15.1 million (\$8.0 million current) related to its capital expenditures, including the Zinc Expansion Project. In Canada, \$11.7 million of accrued withholding taxes payable in Chile was recorded as future foreign tax credits available to offset taxes payable.

In 2018, Neves-Corvo recorded an investment tax credit receivable of \$13.6 million mainly related to the Zinc Expansion Project capital spending. In Canada, \$16.4 million of accrued withholding taxes payable in Chile were available as future foreign tax credits to offset taxes payable.

Deferred tax liabilities, net

	December 31, 2019	December 31, 2018
Deferred tax assets	\$ 104,627	\$ 94,472
Deferred tax liabilities	(636,700)	(405,202)
Deferred tax liabilities, net	\$ (532,073)	\$ (310,730)

Net deferred tax liabilities of \$522.9 million (2018 - \$329.5 million) are expected to be settled after 12 months and net deferred tax liabilities of \$9.2 million (2018 - net deferred tax assets of \$18.8 million) are expected to be settled within 12 months.

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

	As at December 31, 2018	(Expensed) / recovered	Equity adjustment	Chapada Acquisition	Effects of foreign exchange	As at December 31, 2019
Deferred tax assets:						
Loss carryforwards	\$ 134,741	\$ 33,211	\$ -	\$ -	\$ 13	\$ 167,965
Reclamation and other closure provisions	34,575	5,203	-	20,319	(300)	59,797
Deferred revenue	8,844	1,201	-	-	(197)	9,848
Bond redemption fee	3,667	(3,667)	-	-	-	-
Future tax credits	-	7,123	-	-	-	7,123
Other	10,885	6,962	-	-	(28)	17,819
Deferred tax liabilities:						
Mineral properties, plant and equipment	(450,616)	(28,493)	-	(201,588)	6,947	(673,750)
Provisions	(22,238)	(6,157)	(1,141)	9,180	708	(19,648)
Mining royalty taxes	(10,023)	(4,460)	-	-	-	(14,483)
Long-term inventory	(20,565)	(18,792)	-	(37,698)	-	(77,055)
Fair value gains	-	(9,689)	-	-	-	(9,689)
	\$ (310,730)	\$ (17,558)	\$ (1,141)	\$ (209,787)	\$ 7,143	\$ (532,073)

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	As at December 31, 2017	(Expensed) / recovered	Equity adjustment	Chapada Acquisition	Effects of foreign exchange	As at December 31, 2018
Deferred tax assets:						
Loss carryforwards	\$ 107,285	\$ 27,439	\$ -	\$ -	\$ 17	\$ 134,741
Reclamation and other closure provisions	34,217	1,165	-	-	(807)	34,575
Deferred Revenue	-	-	9,131	-	(287)	8,844
Bond redemption fee	4,195	(528)	-	-	-	3,667
Other	13,061	(1,772)	(1,222)	-	818	10,885
Deferred tax liabilities:						
Mineral properties, plant and equipment	(436,542)	(18,340)	-	-	4,266	(450,616)
Provisions	(17,364)	(4,650)	(1,799)	-	1,575	(22,238)
Mining royalty taxes	(11,641)	1,618	-	-	-	(10,023)
Long-term inventory	(16,025)	(4,540)	-	-	-	(20,565)
	\$ (322,814)	\$ 392	\$ 6,110	\$ -	\$ 5,582	(310,730)

Deferred tax assets are recognized for tax loss carry-forwards and other temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company determined that it is probable that sufficient future taxable profits will be available to allow the benefit of the deferred tax asset to be utilized.

The Company did not recognize deferred tax assets of \$13.9 million (2018 - \$12.7 million) arising from the provision for asset retirement obligation at Eagle and \$13.3 million (2018 - \$13.1 million) in respect of losses amounting to \$51.7 million (2018 - \$50.8 million) that can be carried forward against future taxable income as noted below.

Year of expiry	Canada	Ireland	Total
2023 and thereafter	\$ 25,661	\$ 26,009	\$ 51,670

The non-capital losses in Ireland can be carried forward indefinitely.

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26. 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 December 31, 2019 and December 31, 2018:

	Level	December 31, 2019		December 31, 2018	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Restricted cash	1	\$ 47,666	\$ 47,666	\$ 44,424	\$ 44,424
Trade receivables (provisional)	2	203,565	203,565	244,577	244,577
Marketable securities	1	4,331	4,331	2,756	2,756
Derivative asset	2	25,714	25,714	25,098	25,098
		\$ 281,276	\$ 281,276	\$ 316,855	\$ 316,855
Financial liabilities					
Amortized cost					
Debt	2	\$ 265,933	\$ 265,933	\$ -	\$ -
Finance leases	2	-	-	10,992	10,992
		\$ 265,933	\$ 265,933	\$ 10,992	\$ 10,992
Fair value through profit or loss					
Chapada derivative liability	2	\$ 91,817	91,817	\$ -	\$ -
Candelaria derivative liability	2	-	-	30	30
		\$ 91,817	\$ 91,817	\$ 30	\$ 30

Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

Level 1 – Quoted market price in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. observed prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities are not based on observable market data.

The Company calculates fair values based on the following methods of valuation and assumptions:

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

Trade receivables – The fair value of the embedded derivative on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized negative pricing adjustments of \$0.4 million in revenue during the year ended December 31, 2019 (2018 - \$82.0 million negative pricing adjustments).

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

Debt and finance leases – The fair values approximate carrying values as the interest rates are comparable to current market rates. The Company's lease liabilities under *IFRS 16* are not considered financial instruments.

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

27. COMMITMENTS AND CONTINGENCIES

- a) The Company has capital commitments of \$117.3 million on various initiatives, of which \$107.0 million is expected to be paid during 2020.
- b) Related to the Chapada Acquisition (Note 3), contingent consideration of up to \$125 million may be payable over five years from the acquisition date if certain gold price thresholds are met, as outlined below:
 - a \$10 million payment per year if the gold price averages at least \$1,350/oz in any sequential annual period over five years,
 - a \$10 million payment per year if the gold price averages at least \$1,400/oz in any sequential annual period over five years,
 - a \$5 million payment per year if the gold price averages at least \$1,450/oz in any sequential annual period over five years.

In addition, contingent consideration of \$100 million may be payable on the construction and commencement of commercial production of a pyrite processing facility at Chapada and the Company must pay a 2.0% net smelter return royalty on future gold production from the Suruca gold deposit if the Company chooses to develop the project. The Company continues to evaluate these expansion scenarios.

As part of the Chapada Acquisition, the Company has been provided with tax indemnity for any tax liabilities that may arise for periods prior to the date of the acquisition. For identified tax claims existing at the date of acquisition, the Company has agreed to be liable for up to the first \$25 million (BRL 102 million). While it is uncertain, no liabilities have been accrued as the Company believes payment is not likely due to the nature of the tax claims.

- c) Under an agreement with Wheaton, the Company has agreed to deliver all future production of silver contained in concentrate produced from the Zinkgruvan mine. The agreement with the Zinkgruvan mine includes a guaranteed minimum delivery of 40 million ounces of silver over an initial 25 year term. If at the end of the initial term the Company has not met its minimum obligation, it must pay \$1.00 for each ounce of silver not delivered. An aggregate total of approximately 26.4 million ounces has been delivered since the inception of the contract in 2004.
- d) During 2018, the Chilean Internal Revenue Service ("IRS") issued a tax assessment of \$8.2 million (\$4.2 million in taxes plus interest and penalties of \$4.0 million) denying a tax deduction related to interest expenses arising from an intercompany debt for the taxation years 2014 and 2015. While not yet assessed by the IRS, a similar position would deny tax refunds of approximately \$59.0 million, excluding possible penalties and interest, related to tax years 2016 to 2018 in addition to a current tax receivable of \$8.4 million and deferred tax asset of \$71.1 million recorded at December 31, 2019. The Company believes the assessment is inconsistent with Chilean tax law and, therefore, without merit. Accordingly, the Company has filed a claim against the tax assessments with the Chilean tax court on April 30, 2019. While it is uncertain, no tax expense was accrued for this assessment as the Company believes its original filing position is in compliance with tax regulations and intends to vigorously defend this position.

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In 2019, the Company received an assessment from the IRS on the same intercompany debt as noted above for the 2016 tax year with respect to the withholding tax rate applied. It is seeking additional withholding taxes, including interest and penalties, of approximately \$30.0 million on interest payments made in 2016. While not yet assessed, a similar position taken on interest payments made for taxation years 2017 to 2019 would equate to approximately \$64.9 million in additional withholding taxes, excluding possible penalties and interest. The Company will be filing a claim against the tax assessments with Chilean tax court as the Company believes its original filing position is in compliance with tax regulations.

The above summarizes total tax exposure under two contradictory assessments received from the tax authorities. Given that the assessments relate to the same issue, the Company's potential exposure is expected to be limited to one of the above scenarios.

- e) The Company may be involved in legal proceedings arising in the ordinary course of business, including the actions described below. The potential amount of the liability with respect to such legal proceedings is not expected to materially affect the Company's financial position. The Company believes the claims to be without merit and the loss, if any, cannot be determined at this time for all contingencies. The Company has accordingly not accrued any amounts related to the litigations below (unless otherwise noted). The Company intends to vigorously defend these claims.
- i) Two proposed class actions were filed against the Company and certain officers and directors. The first, in the province of Ontario, on December 7, 2017 (Markowich v. Lundin Mining Corporation et al) and a second overlapping action in the Province of Québec on January 18, 2018 (Prévreau v. Lundin Mining Corporation et al). Both proposed class actions seek damages of \$130 million (C\$175 million) and punitive damages of \$7.0 million (C\$10 million) and assert various statutory and other claims related to, among other things, alleged misrepresentations and/or failure to make timely disclosure of material information about the Company's business and operations and, in particular, the operations of the Candelaria Mine and a rock slide at the Candelaria Mine on October 31, 2017. The proposed Ontario class action asserts claims on behalf of a putative class comprising persons who acquired securities of the Company between October 25, 2017, and November 29, 2017, whereas the proposed Québec class action asserts claims on behalf of only such persons who are resident or domiciled in Québec. In June 2018, counsel to the plaintiffs in the Québec action agreed to a stay (i.e., indefinite cessation) of that proceeding in light of the Ontario action. On August 30, 2018, the Québec Superior Court, on consent of the parties, stayed the Québec action indefinitely. It is not possible at this time for the Company to predict an outcome of the class action proceedings.
- ii) In early 2018, the Company was notified of claims in the Copiapó Court of Appeals (CCA) 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 \$39.3 million. The Company's response sought dismissal of the claims based primarily on the lack of evidence supporting the environmental damage caused by the port facility, the imprecise nature of the monetary claims being made and the absence of actual damages. On February 25, 2019, the presiding judge in the CCA issued a ruling dismissing all claims. On March 9, 2019, the Company became aware that the plaintiff Caldera fishermen had filed an appeal with the Valparaíso Court of Appeals and is awaiting a hearing date. The Company believes the claim to be without merit and accordingly has not accrued any amounts related to the litigation. The Company intends to vigorously defend this claim.

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28. SEGMENTED INFORMATION

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

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For the year ended December 31, 2019

	Candelaria	Chapada	Eagle	Neves-Corvo	Zinkgruvan	Other	Total
	Chile	Brazil	USA	Portugal	Sweden		
Revenue	\$ 896,283	\$ 248,011	\$ 212,929	\$ 337,167	\$ 198,323	\$ -	\$ 1,892,713
Cost of goods sold							
Production costs	(503,335)	(117,329)	(118,840)	(236,846)	(86,654)	(3,199)	(1,066,203)
Depreciation, depletion and amortization	(212,298)	(26,237)	(58,102)	(57,425)	(30,328)	(1,727)	(386,117)
Gross profit	180,650	104,445	35,987	42,896	81,341	(4,926)	440,393
General and administrative expenses	-	-	-	-	-	(47,104)	(47,104)
General exploration and business development	(27,275)	(2,358)	(11,179)	(6,624)	(19,526)	(10,886)	(77,848)
Finance (costs) income	(33,032)	(9,146)	(130)	11,641	(5,670)	(2,455)	(38,792)
Income from equity investment in associate	-	-	-	-	-	6,239	6,239
Other income (expense)	1,934	(16,818)	(922)	1,861	2,718	(2,065)	(13,292)
Income tax (expense) recovery	(22,812)	(40,480)	2,546	11,744	(11,400)	(20,017)	(80,419)
Net earnings (loss)	\$ 99,465	\$ 35,643	\$ 26,302	\$ 61,518	\$ 47,463	\$ (81,214)	\$ 189,177
Capital expenditures	\$ 367,298	\$ 28,996	\$ 41,880	\$ 187,741	\$ 38,956	\$ 417	\$ 665,288
Total non-current assets¹	\$ 2,841,343	\$ 1,303,588	\$ 385,058	\$ 1,074,845	\$ 240,269	\$ 42,179	\$ 5,887,282

1. Non-current assets include long-term inventory, mineral properties, plant and equipment, investment in associates and goodwill.

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For the year ended December 31, 2018

	Candelaria	Chapada	Eagle	Neves-Corvo	Zinkgruvan	Other	Total
	Chile	Brazil	USA	Portugal	Sweden		
Revenue	\$ 838,772	\$ -	\$ 265,863	\$ 404,263	\$ 216,691	\$ -	\$ 1,725,589
Cost of goods sold							
Production costs	(493,105)	-	(125,837)	(261,296)	(86,512)	(2,860)	(969,610)
Depreciation, depletion and amortization	(164,708)	-	(65,808)	(57,656)	(29,662)	(1,542)	(319,376)
Gross profit	180,959	-	74,218	85,311	100,517	(4,402)	436,603
General and administrative expenses	-	-	-	-	-	(49,438)	(49,438)
General exploration and business development	(40,430)	-	(22,166)	(5,232)	(8,857)	(8,611)	(85,296)
Finance costs	(27,053)	-	(117)	(4,370)	(3,687)	(24,965)	(60,192)
Income from equity investment in associate	-	-	-	-	-	29,933	29,933
Other income (expense)	10,187	-	(1,622)	6,384	6,261	(1,011)	20,199
Income tax (expense) recovery	(13,982)	-	(5,939)	(14,624)	(17,586)	(24,238)	(76,369)
Net earnings (loss)	\$ 109,681	\$ -	\$ 44,374	\$ 67,469	\$ 76,648	\$ (82,732)	\$ 215,440
Capital expenditures	\$ 498,610	\$ -	\$ 45,807	\$ 163,827	\$ 37,951	\$ 5,558	\$ 751,753
Total non-current assets ¹	\$ 2,617,749	\$ -	\$ 384,682	\$ 930,811	\$ 236,566	\$ 147,819	\$ 4,317,627

1. Non-current assets include long-term inventory, mineral properties, plant and equipment, investment in associates and goodwill.

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29. RELATED PARTY TRANSACTIONS

- a) **Transactions with associates** - The Company enters into transactions related to its investment in associate. These transactions are entered into in the normal course of business and on an arm's length basis (Note 9).
- b) **Key management personnel** - The Company has identified its directors and senior officers as its key management personnel. Employee benefits for key management personnel are as follows:

	2019		2018	
Wages and salaries	\$	6,343	\$	5,902
Share-based compensation		3,447		5,056
Pension benefits		162		148
Post-employment benefits		-		6,313
	\$	9,952	\$	17,419

30. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, foreign exchange risk, commodity price risk and interest rate risk.

a) **Credit risk**

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes that its maximum exposure to credit risk as at December 31, 2019 is the carrying value of its trade receivables.

Concentrate produced at the Company's Candelaria, Chapada, Eagle, Neves-Corvo and Zinkgruvan mines are sold to a number of strategic customers with whom the Company has established long-term relationships. Limited amounts of concentrate are occasionally sold to commodity traders, under prevailing market conditions. Payment terms vary and provisional payments are normally received shortly after vessel arrival, in accordance with industry practice, with final settlement up to six months following the date of shipment. Sales to commodity traders are made against secure payment terms such as a letter of credit, pre-payment or payment against scanned shipping documents. Credit worthiness of customers is reviewed by the Company on an annual basis or more frequently, if warranted, and those not meeting certain credit criteria are required to make 100% provisional payment up-front or provide an acceptable payment instrument such as a letter of credit. The failure of any of the Company's strategic customers could have a material adverse effect on the Company's financial position. For the year ended December 31, 2019, the Company has four customers that individually account for more than 10% of the Company's total sales. These customers represent approximately 19%, 15%, 12% and 12% of total sales.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with long-term credit ratings with Standard & Poor's of at least A, or the equivalent thereof with Moody's, or those which have been otherwise approved.

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b) Liquidity risk

The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient available capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company has a revolving credit facility in place to assist with meeting its cash flow needs as required (Note 13).

The maturities of the Company's non-current liabilities are disclosed in Note 13. All current liabilities are settled within one year.

c) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily with respect to €, SEK, CLP and BRL.

The Company's risk management objective is to manage cash flow risk related to foreign denominated cash flows. The Company is exposed to currency risk related to changes in rates of exchange between foreign denominated balances and the functional currencies of the Company's principal operating subsidiaries. The Company's revenues are denominated in US dollars, while most of the Company's operating and capital expenditures are denominated in the local currencies. A significant change in the currency exchange rates between the US dollar and foreign currencies could have a material effect on the Company's net earnings and on other comprehensive income.

The following table illustrates the impact a 10% US dollar change against the €, SEK, CLP and BRL would have on pre-tax earnings as a result of translating the Company's foreign denominated financial instruments:

Currency	Change	+/- Effect on Pre-Tax Earnings
CLP	+/-10%	+/- \$11,063
€	+/-10%	+/- \$5,486
SEK	+/-10%	+/- \$3,729
BRL	+/-10%	+/- \$1,292

The impact of a US dollar change against the € and SEK by 10% at December 31, 2019 would have a \$108.1 million (2018 - \$104.1 million) impact on OCI.

d) Commodity price risk

The Company is subject to price risk associated with fluctuations in the market prices for metals.

The Company may, at its election, use forward or derivative contracts to manage its exposure to changes in commodity prices, the use of which is subject to appropriate approval procedures. The Company is also subject to price risk on the final settlement of its provisionally priced trade receivables.

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

Metal	Payable metal	Provisional price on December 31, 2019	Change	Effect on Revenue (\$millions)
Copper	59,968 t	\$2.80 /lb	+/-10%	+/- \$37.0
Zinc	32,530 t	\$1.03 /lb	+/-10%	+/- \$7.4
Gold	30,893 oz	\$1,536 /oz	+/-10%	+/- \$4.7
Nickel	2,895 t	\$6.36 /lb	+/-10%	+/- \$4.1

e) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents as well as on its debt facilities. Currently, the interest rates on the Company's revolving credit facility of \$225.0 million includes a variable rate component referenced to LIBOR.

As at December 31, 2019, holding all other variables constant, a 1% change in the interest rate would result in an approximate \$2.3 million change in interest expense on an annualized basis.

31. MANAGEMENT OF CAPITAL RISK

The Company's objectives when managing its capital include ensuring a sufficient combination of positive operating cash flows and debt and equity financing in order to meet its ongoing capital development and exploration programs in a way that maximizes the shareholder return given the assumed risks of its operations while, at the same time, safeguarding the Company's ability to continue as a going concern. The Company considers the following items as capital: excess cash balances, share capital reserve and long-term debt.

Through the ongoing management of its capital, the Company will modify the structure of its capital based on changing economic conditions in the jurisdictions in which it operates. In doing so, the Company may issue new shares or debt, buy back issued shares, or pay off any outstanding debt. The Company continuously monitors its capital structure to determine the appropriateness of paying dividends.

Planning, including life-of-mine plans, annual budgeting and controls over major investment decisions are the primary tools used to manage the Company's capital. Updates are made as necessary to both capital expenditure and operational budgets in order to adapt to changes in risk factors of proposed expenditure programs and market conditions within the mining industry.

32. SUPPLEMENTARY CASH FLOW INFORMATION

	2019	2018
Changes in non-cash working capital items consist of:		
Trade and income taxes receivable, inventories, and other current assets	\$ 39,322	\$ 68,366
Trade and income taxes payable, and other current liabilities	(25,509)	(78,583)
	\$ 13,813	\$ (10,217)
Operating activities included the following cash payments:		
Income taxes paid	\$ 33,079	\$ 202,352

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During the year ended December 31, 2019, total interest paid, including capitalized interest, was \$13.9 million (2018 - \$40.2 million). Total interest received for the year ended December 31, 2019 was \$13.1 million (2018 - \$25.9 million).

33. IFRS 16 TRANSITION ADJUSTMENTS

The Company has applied *IFRS 16* using the modified retrospective approach which requires the cumulative effect of initial application to be recognized in retained earnings at January 1, 2019. On adoption of *IFRS 16*, the Company recognized lease liabilities for leases previously classified as an operating lease under *IAS 17*. These liabilities were measured at the present value of the remaining lease payments, discounted using each operation's applicable incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.03%. For leases previously classified as finance leases under *IAS 17*, the carrying amount of the lease asset and lease liability immediately before transition was recognized as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The Company has applied the following practical expedients, as permitted by *IFRS 16*:

- reliance on previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table summarizes the difference between operating lease commitments disclosed immediately preceding the date of initial application, and lease liabilities recognized in the balance sheet at the date of initial application:

Operating lease commitments as at December 31, 2018	\$	51,922
Discounted using the incremental borrowing rate at January 1, 2019		47,589
Less: contracts reassessed as service agreements		(19,362)
Add: finance lease liabilities recognized as at December 31, 2018		10,992
Add: other adjustments		3,425
Lease liabilities recognized as at January 1, 2019		42,644
Less: current portion		9,719
Long-term portion	\$	32,925

Other adjustments include leases reassessed as short-term leases, low value leases and adjustments as a result of different treatment of extension and termination options.

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognized on the balance sheet as at December 31, 2018 (Note 8). There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.