lundin mining

Management's Discussion and Analysis
For the year ended December 31, 2020

This management's discussion and analysis ("MD&A") has been prepared as of February 18, 2021 and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020. 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 or labour disputes; timing for any required repairs and resumption of any interrupted operations; the results of any Feasibility Study, or Mineral Resource and Mineral Reserve estimations, life of mine estimates, and mine and mine closure plans; anticipated market prices of metals, currency exchange rates, and interest rates; the development and implementation of the Company's Responsible Mining Management System; the Company's ability to comply with contractual and permitting or other regulatory requirements; anticipated exploration and development activities at the Company's projects; and the Company's integration of acquisitions and any anticipated benefits thereof. Words such as "believe", "expect", "anticipate", "contemplate", "target", "plan", "goal", "aim", "intend", "continue", "budget", "estimate", "may", "will", "can", "could", "should", "schedule" and similar expressions identify forward-looking statements.

Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management, including that the Company can access financing, appropriate equipment and sufficient 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: volatility and fluctuations in metal and commodity prices; global financial conditions and inflation; risks inherent in mining including but not limited to risks to the environment, industrial accidents, catastrophic equipment failures, unusual or unexpected geological formations or unstable ground conditions, and natural phenomena such as earthquakes, flooding or unusually severe weather; uninsurable risks; changes in the Company's share price, and volatility in the equity markets in general; the threat associated with outbreaks of viruses and infectious diseases, including the novel COVID-19 virus; risks related to negative publicity with respect to the Company or the mining industry in general; reliance on a single asset; 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; actual ore mined and/or metal recoveries varying from Mineral Resource and Mineral Reserve estimates, estimates of grade, tonnage, dilution, mine plans and metallurgical and other characteristics; risks associated with the estimation of Mineral Resources and Mineral Reserves and the geology, grade and continuity of mineral deposits including but not limited to models relating thereto; ore processing efficiency; risks inherent in and/or associated with operating in foreign countries and emerging markets; security at the Company's operations; changing taxation regimes; health and safety risks; exploration, development or mining results not being consistent with the Company's expectations; unavailable or inaccessible infrastructure and risks related to ageing infrastructure; counterparty and credit risks and customer concentration; risks related to the environmental regulation and environmental impact of the Company's operations and products and management thereof; exchange rate fluctuations; reliance on third parties and consultants in foreign jurisdictions; community and stakeholder opposition; civil disruption; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; uncertain political and economic environments; litigation; regulatory investigations, enforcement, sanctions and/or related or other litigation; risks associated with the structural stability of waste rock dumps or tailings storage facilities; changes in laws, regulations or policies including but not limited to those related to mining regimes, permitting and approvals, environmental and tailings management, labour, trade relations, and transportation; climate change; compliance with environmental, health and safety laws; enforcing legal rights in foreign jurisdictions; information technology and cybersecurity risks; estimates of future production and operations; estimates of operating, cash and all-in sustaining cost estimates; delays or the inability to obtain, retain or comply with permits; compliance with foreign laws; risks related to mine closure activities and closed and historical sites; challenges or defects in title; the price and availability of key operating supplies or services; historical environmental liabilities and ongoing reclamation obligations; indebtedness; funding requirements and availability of financing; liquidity risks and limited financial resources; risks relating to attracting and retaining of highly skilled employees; risks associated with acquisitions and related integration efforts, including the ability to achieve anticipated benefits, unanticipated difficulties or expenditures relating to integration and diversion of management time on integration; the estimation of asset carrying values; internal controls; competition; dilution; existence of significant shareholders; conflicts of interest; activist shareholders and proxy solicitation matters; risks relating to dividends; risks associated with business arrangements and partners over which the Company does not have full control; and other risks and uncertainties, including but not limited to those described in the "Risks and Uncertainties" section of the Annual Information Form for the year ended December 31, 2019 and the "Managing Risks" section of this MD&A for the year ended December 31, 2020 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

Annual production of all metals met or exceeded the Company's most recent annual production guidance despite the operational challenges of the latter part of the year. The Company continued to effectively manage costs and all operations reported cash costs that were better than the most recent annual guidance. Annual capital expenditures of $431.2 million were modestly lower than the most recent guidance of $445.0 million.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The Company has adapted to a new way of operating and continues to manage and respond to the COVID-19 pandemic. Preventative measures have been implemented across the organization to ensure the safety of its workforce, local communities and other key stakeholders. To date, production disruptions have been minimal and there has been no significant disruption in the delivery of concentrate or receipt of goods at our operations as a result of COVID-19.

Candelaria (80% owned): Candelaria produced, on a 100% basis, 126,702 tonnes of copper, approximately 76,000 ounces of gold and 1.1 million ounces of silver in concentrate during the year. Copper and gold production exceeded guidance for the current year but was lower than the prior year as a result of lower throughput in the fourth quarter of 2020 due to union strike work stoppages and ore hardness in the first half of 2020. Copper cash costs[1] of $1.45/lb were better than annual guidance and the prior year, largely due to the impact of favourable foreign exchange. The Candelaria Mill Optimization Project ("CMOP") is now complete after the final ball mill motor installation in the fourth quarter.

Chapada (100% owned): Chapada produced 50,038 tonnes of copper and approximately 87,000 ounces of gold, both exceeding guidance due to a faster than anticipated recovery from the mill interruption at the end of the third quarter, resulting in higher than expected throughput in the fourth quarter. Full year copper cash costs $0.29/lb were also better than guidance, benefitting from higher mill throughput and favourable foreign exchange.

Eagle (100% owned): Eagle production for the year met guidance and exceeded the prior year, producing 16,718 tonnes of nickel and 18,663 tonnes of copper. A new annual mill throughput record was set at 761,000 tonnes. Nickel cash costs of $0.10/lb for the year were better than guidance and the prior year due primarily to higher copper by-product prices.

Neves-Corvo (100% owned): Neves-Corvo produced 32,032 tonnes of copper for the year, meeting guidance. Zinc production of 69,143 tonnes was marginally below guidance resulting from lower than planned grades in the fourth quarter. Overall metal production was lower than the prior year due to reduced throughput and grades. Copper cash costs of $2.09/lb for the year were in-line with guidance, but were higher than the prior year due to lower copper sales volumes.

Official restart of the Zinc Expansion Project ("ZEP") began in January 2021. During 2020, work continued to prepare the surface and underground construction sites for the restart including ventilation raise work, activities on the surface conveyor installations and SAG mill including commissioning with waste rock.

Zinkgruvan (100% owned): Zinc production of 73,601 tonnes and copper production of 3,346 tonnes both met guidance, and new annual production records were set for both tonnes hoisted from the mine and milled tonnes. Zinc and lead production (24,128 tonnes) were lower than the prior year, impacted by lower head grades resulting from a change in mine sequencing early in the year. Zinc cash costs of $0.52/lb for the year were better than guidance.

[1] This is a non-GAAP measure – see page 26 of this MD&A for discussion of non-GAAP measures.

2020 Production, Cash Cost and Capital Expenditure Summary

Total production, cash costs and capital expenditures are compared to the most recent guidance as follows:

		Production		Cash Cost ($/lb)	
(Contained metal in concentrate)		**Actual**	*Guidance[a]*	**Actual**	*Guidance[a]*
Copper (t)	Candelaria (100%)	**126,702**	*120,000 - 125,000*	**1.45**	*1.50*
	Chapada	**50,038**	*45,000 - 50,000*	**0.29**	*0.55*
	Eagle	**18,663**	*17,000 - 19,000*		
	Neves-Corvo	**32,032**	*32,000 - 34,000*	**2.09**	*2.10*
	Zinkgruvan	**3,346**	*3,000 - 4,000*		
	Total	**230,781**	*217,000 - 232,000*		
Zinc (t)	Neves-Corvo	**69,143**	*70,000 - 72,000*		
	Zinkgruvan	**73,601**	*72,000 - 74,000*	**0.52**	*0.60*
	Total	**142,744**	*142,000 - 146,000*		
Gold (oz)	Candelaria (100%)	**76,000**	*70,000 - 75,000*		
	Chapada	**87,000**	*80,000 - 85,000*		
	Total	**163,000**	*150,000 - 160,000*		
Nickel (t)	Eagle	**16,718**	*15,000 - 18,000*	**0.10**	*0.50*

2020 Capital Expenditure

($ thousands)	**Actual**	*Guidance[a]*
Candelaria (100%)	**216,018**	*225,000*
Chapada	**38,646**	*40,000*
Eagle	**11,259**	*15,000*
Neves-Corvo	**63,360**	*55,000*
Zinkgruvan	**36,946**	*45,000*
Other	**272**	-
Total Sustaining Capital	**366,501**	*380,000*
Zinc Expansion Project (Neves-Corvo)	**64,734**	*65,000*
Total Capital Expenditures	**431,235**	*445,000*

a. Guidance as disclosed in the Company's Management's Discussion and Analysis for the three and nine months ended September 30, 2020. Candelaria guidance as issued on November 30th, 2020 in the news release entitled "Lundin Mining Provides Operational Outlook & Shareholder Returns Update".

Financial Performance

- Gross profit for the year ended December 31, 2020 was $498.1 million, an increase of $57.7 million in comparison to the prior year due primarily to a full year of operating results from Chapada which was acquired in July 2019 ($81.2 million). The increase was partially offset by lower overall copper sales volumes at the other operations, particularly at Candelaria due to the strike action in the fourth quarter, as well as higher depreciation expense.

- For the year ended December 31, 2020, net earnings of $189.1 million were generally in-line with the prior year as higher gross profit and lower general exploration costs were offset by higher deferred tax expense.

- Adjusted earnings[1] for the year were higher than the prior year primarily due to higher gross profit and reduced general exploration costs.

[1] This is a non-GAAP measure – see page 26 of this MD&A for discussion of non-GAAP measures.

Corporate Updates

- On February 20, 2020, the Company declared a 33% increase in the quarterly cash dividend, to C$0.04 per share, compared to the dividend paid in 2019.
- On March 15, 2020, major construction and commissioning activities for ZEP were suspended in order to reduce the COVID-19 risks on the local communities, employees and contractors. Zinc production and capital cost guidance was withdrawn. The official restart of ZEP commenced in January 2021.
- On June 30, 2020, the Company published its annual Sustainability Report which is available on the Company's website (www.lundinmining.com).
- On September 8, 2020, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2020. On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totalled 5,518 kt of copper, 3,123 kt of zinc, 100 kt of nickel, 936 kt of lead and 6.9 million oz of gold.
- On September 25, 2020, the Company reported a fatal accident at its Neves-Corvo mine. The incident occurred during underground mining operations. No other personnel were injured in the incident.
- On September 27, 2020, the Company announced that processing activities had been interrupted at the Chapada mine due to a power outage which damaged all four mill motors; full year production, cash cost and capital expenditure guidance were withdrawn. Operations resumed at a reduced capacity in early October, and returned to full production in December 2020.
- On October 7, 2020, the Company reported that mediation with Candelaria's Mine Workers Union ended without an agreement and the workers commenced strike action. Subsequently, on October 20, 2020, negotiations with the Candelaria AOS Union failed to reach an agreement and this union also commenced strike action. With both unions on strike, the Company undertook an orderly shutdown of operations and withdrew its production and cash cost guidance for 2020 pending resolution of the labour actions.
- In late November 2020, the Company announced ratifications of new collective agreements with the striking unions as well as two additional unions that had collective agreements with approaching expiry dates.
- On December 4, 2020, the Company renewed its Normal course issuer bid ("NCIB") which allows the Company to purchase up to 63,682,170 common shares over a period of twelve months commencing on December 9, 2020.

Financial Position and Financing

- Cash and cash equivalents decreased by $109.1 million during 2020, ending the year at $141.4 million. Cash flow from operations of $565.9 million was used to fund capital expenditures of $431.2 million and financing activities of $236.9 million, including debt repayment, distributions to shareholders ($88.0 million) and to non-controlling interests ($26.0 million), as well as the negative effect of foreign exchange ($17.1 million).

- Net debt[1] position at December 31, 2020 was $63.2 million relatively unchanged from the $60.2 million at the prior year-end.

- As of February 18, 2021, the Company had a cash and net debt balance of approximately $165.0 million and $50.0 million, respectively.

[1] This is a non-GAAP measure – see page 26 of this MD&A for discussion of non-GAAP measures.

Outlook

2021 Production and Cash Cost Guidance

Production, cash cost and capital expenditure guidance for 2021 remains unchanged from that provided on November 30, 2020 (see news release "Lundin Mining Provides Operational Outlook & Shareholder Returns Update").

(contained metal in concentrate)		Production[a]	Cash Costs ($/lb)[b]
Copper (t)	Candelaria (100%)	*172,000 - 182,000*	*1.35*[c]
	Chapada	*48,000 - 53,000*	*1.10*[d]
	Eagle	*17,000 - 20,000*	
	Neves-Corvo	*35,000 - 40,000*	*2.20*
	Zinkgruvan	*3,000 - 4,000*	
	Total	*275,000 - 299,000*	
Zinc (t)	Neves-Corvo	*70,000 - 75,000*	
	Zinkgruvan	*71,000 - 76,000*	*0.65*
	Total	*141,000 - 151,000*	
Gold (oz)	Candelaria (100%)	*95,000 - 100,000*	
	Chapada	*75,000 - 80,000*	
	Total	*170,000 - 180,000*	
Nickel (t)	Eagle	*15,000 - 18,000*	*0.50*

a. Guidance as outlined in the news release entitled "Lundin Mining Provides Operational Outlook & Shareholder Returns Update" dated November 30, 2020.
b. Cash costs are based on various assumptions and estimates, including but not limited to: production volumes, as noted above, commodity prices (Cu: $2.95/lb, Zn: $1.00/lb, Ni: $6.25/lb, Pb: $0.85/lb, Au: $1,700/oz), foreign exchange rates (€/USD:1.20, USD/SEK:8.50, USD/CLP:675, USD/BRL:4.75) and operating costs.
c. 68% of Candelaria's total gold and silver production are subject to a streaming agreement and silver production at Zinkgruvan and Neves-Corvo are also subject to streaming agreements. Cash costs are calculated based on receipt of approximately $416/oz on gold and $4.16/oz to $4.48/oz on silver.
d. Chapada cash costs are calculated on a by-product basis and do not include the effects of its copper stream agreements. Effects of the copper stream agreements are reflected in copper revenue and will impact realized price per pound.

2021 Capital Expenditure Guidance

Capital expenditures, excluding capitalized interest, are outlined below.

Capital Expenditure Guidance	$ millions
Candelaria (100% basis)	345
Chapada	65
Eagle	15
Neves-Corvo	65
Zinkgruvan	50
Total Sustaining Capital	**540**
Zinc Expansion Project (Neves-Corvo)	**70**
Total Capital Expenditures	**610**

2021 Exploration Investment Guidance

Planned exploration expenditures are expected to be $40.0 million in 2021. Approximately $32.0 million will be spent supporting significant in-mine and near-mine targets at our operations ($14.0 million at Candelaria, $6.0 million at Zinkgruvan, $8.0 million at Chapada, and $4.0 million at Neves-Corvo). The remaining amount is planned to advance activities on exploration stage and new business development projects.

Selected Annual Financial Information[1,2]

($ millions, except share and per share amounts)	Year ended December 31, 2020	2019	2018
Revenue	**2,041.5**	1,892.7	1,725.6
Costs of goods sold:			
Production costs	**(1,095.9)**	(1,066.2)	(969.6)
Depreciation, depletion and amortization	**(447.5)**	(386.1)	(319.4)
Gross Profit	**498.1**	440.4	436.6
Net earnings attributable to:			
Lundin Mining shareholders	**168.8**	167.3	195.8
Non-controlling interests	**20.3**	21.9	19.6
Net earnings	**189.1**	189.2	215.4
Adjusted earnings[3]	**225.2**	159.5	183.6
Adjusted EBITDA[3]	**856.9**	705.7	643.2
Cash flow from operations	**565.9**	564.6	476.4
Adjusted operating cash flow[3]	**644.6**	550.7	486.6
Capital expenditures[4]	**431.2**	665.3	751.8
Per share amounts:			
Basic and diluted earnings per share attributable to shareholders	**0.23**	0.23	0.27
Adjusted earnings per share[3]	**0.31**	0.22	0.25
Adjusted operating cash flow per share[3]	**0.88**	0.75	0.66
Dividends declared (C$/share)	**0.16**	0.12	0.12
Total assets	**7,058.5**	6,917.2	5,934.8
Total debt and lease liabilities	**203.0**	308.5	11.0
Net debt (cash)[3]	**63.2**	60.2	(804.4)

Summary of Quarterly Results[1,2,5]

($ millions, except per share data)	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Revenue	529.5	600.7	533.3	378.0	568.4	538.7	369.3	416.4
Cost of goods sold	(350.1)	(401.4)	(391.2)	(400.7)	(422.9)	(410.1)	(344.1)	(275.2)
Gross profit (loss)	179.4	199.3	142.1	(22.7)	145.5	128.6	25.1	141.2
Net earnings (loss)	120.8	133.6	48.3	(113.6)	104.8	32.1	(8.6)	60.9
- attributable to shareholders	119.2	122.4	38.7	(111.5)	97.0	26.4	(7.8)	51.7
EPS - Basic and diluted	0.16	0.17	0.05	(0.15)	0.13	0.04	(0.01)	0.07
Cash flow from operations	172.7	272.2	37.6	83.4	186.4	111.6	204.5	62.1
Adjusted operating cash flow per share	0.24	0.36	0.24	0.04	0.28	0.21	0.07	0.19
Capital expenditures[4]	100.2	89.8	100.2	141.1	139.6	165.0	178.7	182.0

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, such as IFRS 16 in 2019, 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 26 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)	**2020**					2019				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)										
Candelaria (100%)	**123,183**	**16,574**	34,713	34,130	37,766	139,051	34,564	42,276	31,138	31,073
Chapada[1]	**47,119**	**10,966**	11,220	13,446	11,487	29,884	16,127	13,757	-	-
Eagle	**17,111**	**4,312**	4,732	3,668	4,399	12,767	2,819	2,615	4,286	3,047
Neves-Corvo	**30,799**	**4,708**	6,892	11,471	7,728	41,252	11,311	12,343	9,888	7,710
Zinkgruvan	**3,212**	**830**	929	910	543	2,673	779	981	913	-
	221,424	**37,390**	58,486	63,625	61,923	225,627	65,600	71,972	46,225	41,830
Zinc (tonnes)										
Neves-Corvo	**58,029**	**12,506**	14,563	15,896	15,064	59,143	14,713	14,567	14,466	15,397
Zinkgruvan	**62,150**	**22,399**	15,002	10,465	14,284	67,463	19,314	12,657	19,466	16,026
	120,179	**34,905**	29,565	26,361	29,348	126,606	34,027	27,224	33,932	31,423
Gold (000 oz)										
Candelaria (100%)	**73**	**11**	21	19	22	83	20	25	19	19
Chapada[1]	**81**	**23**	18	23	17	55	28	27	-	-
	154	**34**	39	42	39	138	48	52	19	19
Nickel (tonnes)										
Eagle	**12,481**	**3,714**	3,539	2,419	2,809	10,682	3,167	1,889	3,935	1,691
Lead (tonnes)										
Neves-Corvo	**4,149**	**748**	794	1,309	1,298	4,591	1,210	792	1,313	1,276
Zinkgruvan	**23,556**	**5,475**	6,352	5,705	6,024	23,875	9,518	4,684	5,799	3,874
	27,705	**6,223**	7,146	7,014	7,322	28,466	10,728	5,476	7,112	5,150
Silver (000 oz)										
Candelaria (100%)	**966**	**119**	254	272	321	1,152	275	342	252	283
Chapada[1]	**131**	**40**	26	31	34	119	67	52	-	-
Eagle	**79**	**21**	16	22	20	72	12	22	25	13
Neves-Corvo	**779**	**159**	170	270	180	801	189	185	201	226
Zinkgruvan	**1,544**	**327**	441	427	349	1,594	571	335	460	228
	3,499	**666**	907	1,022	904	3,738	1,114	936	938	750

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

Revenue Analysis

by Mine	Year ended December 31, 2020		2019		Change
($ thousands)	$	%	$	%	$
Candelaria (100%)	**875,348**	43	896,283	47	(20,935)
Chapada[1]	**445,399**	22	248,011	13	197,388
Eagle	**294,280**	14	212,929	11	81,351
Neves-Corvo	**257,046**	13	337,167	18	(80,121)
Zinkgruvan	**169,433**	8	198,323	11	(28,890)
	2,041,506		1,892,713		148,793

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

by Metal	Year ended December 31, 2020		2019		Change
($ thousands)	$	%	$	%	$
Copper	**1,325,125**	65	1,240,348	66	84,777
Zinc	**190,873**	9	242,510	13	(51,637)
Gold	**252,316**	12	173,634	9	78,682
Nickel	**172,022**	8	131,247	7	40,775
Lead	**40,003**	2	52,414	3	(12,411)
Silver	**40,534**	2	35,173	1	5,361
Other	**20,633**	2	17,387	1	3,246
	2,041,506		1,892,713		148,793

Revenue for the year ended December 31, 2020 increased in comparison to the prior year due mainly to the addition of Chapada mine acquired in July 2019 as well as higher net realized metal prices ($113.6 million), relating primarily to copper and gold, partially offset by lower sales volumes ($198.2 million).

Gold and silver revenue for the year ended December 31, 2020 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 $412/oz for gold and between $4.12/oz and $4.40/oz for silver.

Chapada's copper revenue 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, 2020

Metal	Payable metal	Valued at $ per lb/oz
Copper	47,693 t	$3.52 /lb
Zinc	18,789 t	$1.24 /lb
Gold	25,312 oz	$1,936 /oz
Nickel	1,470 t	$7.52 /lb

Full-Year Reconciliation of Realized Prices

	Year ended December 31, 2020				
($ thousands)	**Copper**	**Zinc**	**Gold**	**Nickel**	**Total**
Current period sales[1]	1,448,295	280,060	282,489	180,795	2,191,639
Prior period price adjustments	(43,504)	(7,296)	1,121	(9,554)	(59,233)
	1,404,791	272,764	283,610	171,241	2,132,406
Other metal sales					163,804
Copper stream cash effect					(12,809)
Gold stream cash effect					(63,922)
Less: Treatment & refining charges					(177,973)
Total Revenue					**2,041,506**
Payable Metal	**221,424 t**	**120,179 t**	**154 koz**	**12,481 t**	
Current period sales[1, 2]	$2.97	$1.06	$1,839	$6.57	
Prior period adjustments	(0.09)	(0.03)	7	(0.35)	
Realized prices	**$2.88 /lb**	**$1.03 /lb**	**$1,846 /oz**	**$6.22 /lb**	

	Year ended December 31, 2019				
	Copper[3]	**Zinc**	**Gold[3]**	**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					142,333
Copper stream cash effect[3]					(4,930)
Gold stream cash effect					(53,669)
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**	

1. Includes provisional price adjustments on current period sales.
2. The realized price for copper inclusive of the impact of streaming agreements for 2020 is $2.85/lb (2019: $2.70/lb). The realized price for gold inclusive of the impact of streaming agreements for 2020 is $1,430/oz (2019: $1,077/oz).
3. Results reflect the inclusion of Chapada for the period of Lundin Mining’s ownership.

Annual Financial Results

Production Costs

Production costs for the year ended December 31, 2020 were $1,095.9 million, an increase of $29.7 million in comparison to the $1,066.2 million reported in 2019. The increase was primarily due to the inclusion of a full year of production costs at Chapada mine, which was acquired in July 2019 ($94.7 million), partially offset by the impact of favourable foreign exchange ($59.3 million).

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 increased amortization of Phase 10 deferred stripping at Candelaria, higher sales volumes at Eagle, and the inclusion of a full year of expense at Chapada.

Depreciation by operation	**Year ended December 31,**		
($ thousands)	**2020**	2019	Change
Candelaria	**244,509**	212,298	32,211
Chapada	**39,454**	26,237	13,217
Eagle	**72,807**	58,102	14,705
Neves-Corvo	**51,083**	57,425	(6,342)
Zinkgruvan	**37,781**	30,328	7,453
Other	**1,840**	1,727	113
	447,474	386,117	61,357

General Exploration and Business Development

General exploration and business development expenses for the year ended December 31, 2020 were $44.2 million, a significant decrease compared to the prior year expenditure of $77.8 million. The lower expenditures reflect reduced exploration activity due to COVID-19 safety concerns and the union strike at Candelaria in the fourth quarter.

During 2020, exploration costs were spent primarily on in-mine and near-mine targets at the Company's operations, with the majority of drilling activity occurring at Candelaria and Chapada. Exceeding the forecast of 40,000 metres, drilling at Chapada was concentrated on known mineralized trends with up to eight drill rigs in operation in the fourth quarter of 2020. Exploration drilling at Candelaria was primarily focused on underground drilling at Candelaria Norte and surface drilling at Santos. At Zinkgruvan, activity was primarily focused on developing and testing underground targets. Neves-Corvo completed surface regional drilling and a geophysical survey.

Finance Income and Costs

Net finance costs of $46.6 million for the year ended December 31, 2020 reflect an increase of $7.8 million from the prior year, primarily due to lower interest income as a result of lower interest rates and cash balances.

Other Income and Expense

Net other expense for the year ended December 31, 2020 was $24.9 million, compared to $16.0 million in the prior year. The $8.9 million increase is a reflection of project suspensions costs related to COVID-19 and labour action at Candelaria. As a result of a change in accounting policy, other income and expense have been retrospectively restated. See Changes in Accounting Policies and Critical Accounting Estimates and Judgments for details.

Foreign exchange gains recorded in net other expenses are as a result of foreign exchange revaluation of working capital denominated in foreign currencies. Period end exchange rates having a meaningful impact on foreign exchange recorded at December 31, 2020 were:

	December 31, 2020	December 31, 2019
Chilean Peso (USD:CLP)	**711**	749
Euro (USD:€)	**0.81**	0.89
Brazilian Real (USD:BRL)	**5.20**	4.03
Swedish Kroner (USD:SEK)	**8.19**	9.32

Income Taxes

Income taxes by mine	**Year ended December 31,**		
($ thousands)	**2020**	2019	Change
Candelaria	**38,697**	22,812	15,885
Chapada	**112,399**	37,772	74,627
Eagle	**7,121**	(2,546)	9,667
Neves-Corvo	**(23,042)**	(11,744)	(11,298)
Zinkgruvan	**651**	11,400	(10,749)
Other	**16,595**	20,017	(3,422)
	152,421	77,711	74,710

Income taxes by classification	**Year ended December 31,**		
($ thousands)	**2020**	2019	Change
Current income tax	**52,944**	62,861	(9,917)
Deferred income tax	**99,477**	14,850	84,627
	152,421	77,711	74,710

The increase in the income tax expense in the current year was mainly due to the acquisition of the Chapada mine in July 2019. Included in Chapada's taxes was a net non-cash expense of $39.7 million arising from the revaluation of non-monetary assets and deferred tax balances in BRL to USD. As a result of a change in accounting policy, income tax expense has been retrospectively restated. See Changes in Accounting Policies and Critical Accounting Estimates and Judgments for details.

The increase in Candelaria's income tax expense was mainly due to a lower refundable tax rate that was enacted in Chile in the first quarter of 2020. This resulted in a write-down of $5.7 million in recoverable taxes, which was partially offset by a refund of $4.3 million from prior period adjustments.

Tax expense increase of $9.7 million at Eagle was due to higher taxable earnings. Included in Neves-Corvo's tax recovery was $14.1 million in tax refunds from a favourable ruling on a historical tax dispute and $4.1 million in investment tax credits.

Fourth Quarter Financial Results

Gross Profit

Gross profit for the quarter ended December 31, 2020 was $179.4 million, $33.9 million higher in comparison to the fourth quarter of the prior year ($145.5 million). The increase was primarily due to higher realized metal prices ($144.2 million), partially offset by lower overall copper sales volumes.

Fourth Quarter Reconciliation of Realized Prices

	Three months ended December 31, 2020				
($ thousands)	Copper	Zinc	Gold	Nickel	Total
Current period sales[1]	277,683	94,636	63,398	59,419	495,136
Prior period price adjustments	42,909	1,711	96	3,464	48,180
	320,592	96,347	63,494	62,883	543,316
Other metal sales					40,133
Copper stream cash effect					(3,481)
Gold stream cash effect					(9,770)
Less: Treatment & refining charges					(40,669)
Total Revenue					**529,529**
Payable Metal	**37,390 t**	**34,905 t**	**34 koz**	**3,714 t**	
Current period sales[1, 2]	$3.37	$1.23	$1,894	$7.26	
Prior period adjustments	0.52	0.02	3	0.42	
Realized prices ($/lb, $/oz)	**$3.89 /lb**	**$1.25 /lb**	**$1,897 /oz**	**$7.68 /lb**	

	Three months ended December 31, 2019				
($ thousands)	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)	**$2.84 /lb**	**$1.02 /lb**	**$1,508 /oz**	**$6.35 /lb**	

1. Includes provisional price adjustments on current period sales.
2. The realized price for copper inclusive of the impact of streaming agreements for 2020 is $3.85/lb (2019: $2.81/lb). The realized price for gold inclusive of the impact of streaming agreements for 2020 is $1,605/oz (2019: $1,207/oz).

Net Earnings

Net earnings for the quarter ended December 31, 2020 were $120.8 million compared to net earnings of $104.8 million in the fourth quarter of the prior year. Net earnings were positively impacted by higher gross profit ($33.9 million), partially offset by higher income tax expense ($7.3 million).

Adjusted Earnings

Adjusted earnings were higher than the prior year quarter mainly due to higher gross profit, partially offset by higher income tax.

Cash Flow from Operations

Cash flow from operations for the quarter ended December 31, 2020 was $172.7 million, compared to $186.4 million reported in the prior year comparable quarter. The decrease was largely due to a change in long-term inventory at Candelaria and Chapada, partially offset by comparative non-cash working capital.

Mining Operations

Production Overview

(Contained metal in concentrate)	2020 Total	Q4	Q3	Q2	Q1	2019 Total	Q4	Q3	Q2	Q1
Copper (tonnes)										
Candelaria (100%)	**126,702**	**19,509**	35,836	35,060	36,297	146,330	39,221	40,698	33,633	32,778
Chapada[1]	**50,038**	**11,368**	12,990	13,799	11,881	30,529	12,884	17,645	-	-
Eagle	**18,663**	**5,128**	5,055	4,102	4,378	14,297	3,626	3,042	3,732	3,897
Neves-Corvo	**32,032**	**5,880**	6,518	10,559	9,075	41,436	10,898	12,055	9,615	8,868
Zinkgruvan	**3,346**	**-**	1,045	1,765	536	2,906	502	1,120	705	579
	230,781	**41,885**	61,444	65,285	62,167	235,498	67,131	74,560	47,685	46,122
Zinc (tonnes)										
Neves-Corvo	**69,143**	**16,750**	15,459	18,986	17,948	73,202	17,946	18,232	18,251	18,773
Zinkgruvan	**73,601**	**24,678**	17,328	12,596	18,999	78,313	20,979	16,796	18,865	21,673
	142,744	**41,428**	32,787	31,582	36,947	151,515	38,925	35,028	37,116	40,446
Gold (000 oz)										
Candelaria (100%)	**76**	**13**	21	21	21	88	23	24	21	20
Chapada[1]	**87**	**22**	24	23	18	54	20	34	-	-
	163	**35**	45	44	39	142	43	58	21	20
Nickel (tonnes)										
Eagle	**16,718**	**4,909**	4,854	3,380	3,575	13,494	2,651	3,232	3,398	4,213
Lead (tonnes)										
Neves-Corvo	**5,108**	**1,321**	760	1,559	1,468	5,474	1,365	1,106	1,350	1,653
Zinkgruvan	**24,128**	**6,745**	5,571	3,799	8,013	27,703	9,361	6,291	6,219	5,832
	29,236	**8,066**	6,331	5,358	9,481	33,177	10,726	7,397	7,569	7,485
Silver (000 oz)										
Candelaria (100%)	**1,074**	**155**	283	305	331	1,305	337	355	292	321
Chapada[1]	**242**	**55**	61	69	57	144	63	81	-	-
Eagle	**140**	**37**	33	35	35	143	31	40	45	27
Neves-Corvo	**1,557**	**420**	281	479	377	1,706	385	431	392	498
Zinkgruvan	**2,064**	**514**	499	389	662	2,464	724	630	631	479
	5,077	**1,181**	1,157	1,277	1,462	5,762	1,540	1,537	1,360	1,325

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

Cash Cost Overview

($/lb)	Three months ended December 31, 2020	2019	Twelve months ended December 31, 2020	2019
Candelaria (cost/lb Cu)				
Gross cost	**2.58**	1.70	**1.78**	1.82
By-product[1]	**(0.41)**	(0.32)	**(0.33)**	(0.28)
Cash Cost	**2.17**	1.38	**1.45**	1.54
AISC[2]	**3.24**	2.22	**2.29**	2.88
Chapada (cost/lb Cu)[3]				
Gross cost	**1.69**	1.96	**1.75**	1.84
By-product	**(1.87)**	(1.19)	**(1.46)**	(1.26)
Cash Cost	**(0.18)**	0.77	**0.29**	0.58
AISC	**0.82**	1.28	**0.84**	0.97
Eagle (cost/lb Ni)				
Gross cost	**4.01**	6.50	**4.54**	6.30
By-product	**(4.90)**	(2.97)	**(4.44)**	(3.46)
Cash Cost	**(0.89)**	3.53	**0.10**	2.84
AISC	**0.32**	4.53	**1.51**	3.74
Neves-Corvo (cost/lb Cu)				
Gross cost	**5.40**	2.85	**3.48**	2.93
By-product	**(2.55)**	(1.07)	**(1.39)**	(1.34)
Cash Cost	**2.85**	1.78	**2.09**	1.59
AISC	**5.35**	2.65	**3.16**	2.38
Zinkgruvan (cost/lb Zn)				
Gross cost	**0.83**	0.87	**0.96**	0.83
By-product	**(0.33)**	(0.56)	**(0.44)**	(0.44)
Cash Cost	**0.50**	0.31	**0.52**	0.39
AISC	**0.78**	0.62	**0.82**	0.65

1. By-product is after related treatment and refining charges.
2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 26 of this MD&A for discussion of non-GAAP measures.
3. Cash costs and AISC for Chapada are for the period of Lundin Mining's ownership.

Capital Expenditures [1,2]

	Year ended December 31,							
	2020				2019			
($ thousands)	Sustaining	Expansionary	Capitalized Interest	**Total**	Sustaining	Expansionary	Capitalized Interest	Total
Candelaria	216,018	-	-	**216,018**	367,298	-	-	367,298
Chapada[3]	38,646	-	-	**38,646**	28,996	-	-	28,996
Eagle	11,259	-	-	**11,259**	11,466	30,288	126	41,880
Neves-Corvo	63,360	63,440	1,294	**128,094**	56,494	130,044	1,203	187,741
Zinkgruvan	36,946	-	-	**36,946**	38,956	-	-	38,956
Other	272	-	-	**272**	417	-	-	417
	366,501	63,440	1,294	**431,235**	503,627	160,332	1,329	665,288

1. Capital expenditures are reported on a cash basis, as presented in the consolidated statement of cash flows.
2. Sustaining and expansionary capital expenditures are non-GAAP measures – see page 26 of this MD&A for discussion of non-GAAP measures.
3. Capital expenditures are for the period of Lundin Mining's ownership.

Candelaria (Chile)

The Candelaria operations consist of an open pit and underground mines providing copper ore to two on-site processing plants located near Copiapó in the Atacama region of Chile, as well as a port facility and desalination plant located approximately 100km from the mine facilities in the town of Caldera. 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. The plants have a combined processing capacity of 28 million tonnes per annum ("mtpa"), producing copper in concentrate. The primary metal is copper, with gold and silver as by-product metals.

Operating Statistics

	2020					2019				
(100% Basis)	**Total**	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**29,739**	**3,596**	8,977	9,085	8,081	28,753	10,067	9,329	5,620	3,737
Ore milled (000s tonnes)	**22,858**	**4,007**	7,040	6,104	5,707	26,287	6,336	6,295	6,450	7,206
Grade										
Copper (%)	**0.60**	**0.53**	0.55	0.62	0.67	0.60	0.66	0.70	0.57	0.49
Gold (g/t)	**0.14**	**0.13**	0.13	0.14	0.15	0.14	0.15	0.16	0.14	0.11
Recovery										
Copper (%)	**93.4**	**92.6**	92.6	93.5	94.7	92.3	92.8	92.9	91.4	91.9
Gold (%)	**74.9**	**75.1**	75.1	74.0	73.0	72.1	74.4	71.8	70.6	70.5
Production (contained metal)										
Copper (tonnes)	**126,702**	**19,509**	35,836	35,060	36,297	146,330	39,221	40,698	33,633	32,778
Gold (000 oz)	**76**	**13**	21	21	21	88	23	24	21	20
Silver (000 oz)	**1,074**	**155**	283	305	331	1,305	337	355	292	321
Revenue ($000s)	**875,348**	**166,827**	280,417	255,132	172,972	896,283	235,015	249,930	178,677	232,661
Gross profit (loss) ($000s)	**170,624**	**27,354**	88,511	71,544	(16,785)	180,650	57,989	42,612	1,390	78,659
Cash cost ($ per pound copper)	**1.45**	**2.17**	1.37	1.36	1.31	1.54	1.38	1.39	1.86	1.62
AISC ($ per pound copper)	**2.29**	**3.24**	2.05	2.10	2.26	2.88	2.22	2.49	3.73	3.30

Gross Profit

Gross profit for the year ended December 31, 2020 was lower than 2019, largely as a result of lower production and sales volumes and higher depreciation expense due to increased mining in Phase 10.

Production

Copper and gold production for the year ended December 31, 2020 were lower than the previous year though both exceeded the most recent guidance. The decrease in production compared to the prior year was largely a result of the prolonged work stoppage in the fourth quarter of 2020 due to the labour action at the operation, as well as lower throughput in the first half of 2020 due to ore hardness.

Cash Costs

Copper cash costs for the year ended December 31, 2020 were $0.09/lb lower than the prior year and in-line with the most recent guidance. The improvement in cash costs was mostly due to the positive impact of foreign exchange and higher by-product metal prices.

AISC for 2020 were lower than those reported in the prior year, due to lower cash costs and reduced sustaining capital expenditures.

In 2020, approximately 48,000 oz of gold and 658,000 oz of silver were subject to terms of a streaming agreement from which approximately $412/oz of gold and $4.12/oz of silver were received.

Projects

CMOP achieved substantial completion in the first half of 2020, with the exception of the replacement of the fourth and last ball mill motor which was dependent on scheduled mill maintenance and COVID-19 safety protocols. Taking advantage of labour action in the fourth quarter as well as rescheduled mill maintenance down-time, the installation of the final ball mill was completed in December 2020 and the CMOP is now complete.

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 Statistics[1]

	2020					2019				
(100% Basis)	**Total**	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**29,386**	**5,575**	7,831	7,528	8,452	18,240	7,592	10,648	-	-
Ore milled (000s tonnes)	**19,192**	**3,618**	4,808	5,278	5,488	11,911	5,731	6,180	-	-
Grade										
Copper (%)	**0.30**	**0.35**	0.31	0.30	0.27	0.31	0.27	0.34		
Gold (g/t)	**0.24**	**0.30**	0.25	0.23	0.20	0.24	0.20	0.28	-	-
Recovery										
Copper (%)	**86.2**	**90.7**	87.7	86.1	80.9	82.7	81.6	83.7		
Gold (%)	**59.7**	**64.6**	62.7	60.0	51.0	59.4	57.0	61.0	-	-
Production (contained metal)										
Copper (tonnes)	**50,038**	**11,368**	12,990	13,799	11,881	30,529	12,884	17,645	-	-
Gold (000 oz)	**87**	**22**	24	23	18	54	20	34	-	-
Silver (000 oz)	**242**	**55**	61	69	57	144	63	81	-	-
Revenue ($000s)	**445,399**	**133,567**	113,586	114,125	84,121	248,011	133,144	114,867	-	-
Gross profit ($000s)	**228,541**	**84,830**	62,558	59,320	21,833	104,445	56,581	47,864	-	-
Cash cost ($ per pound copper)	**0.29**	**(0.18)**	0.21	0.21	0.92	0.58	0.77	0.35	-	-
AISC ($ per pound copper)	**0.84**	**0.82**	0.73	0.64	1.22	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 ended December 31, 2020 was higher than the previous year, with 2020 being the first full year of operation since the Company's acquisition of the mine in July 2019. During the second half of the year, gross profit was higher than the prior year comparable period due to higher realized metal prices and favourable foreign exchange, though partially offset by lower throughput as a result of the mill interruption late in the third quarter of 2020, which impacted production in the fourth quarter.

Production

Copper and gold production was higher than the most recent guidance for the year ended December 31, 2020. Processing activities at Chapada were interrupted by an unplanned power outage late in the third quarter of 2020 which resulted in damage to the mill's four motors. Two spare motors were installed on the SAG mill in early October allowing resumption of milling at approximately 35% of nameplate capacity. Throughput was further improved with the installation of a motor on the ball mill in mid-November, earlier than expected. Return to full processing capacity was achieved following the installation of the remaining repaired motor on the ball mill on December 20, 2020.

Both copper and gold recoveries were better than the prior year as a result of ore blend in the current year.

Cash Costs

Copper cash costs were better than guidance and the prior year, benefitting from favourable foreign exchange rates as well as strong by-product metal prices. AISC was lower than the prior year due to lower cash costs.

Projects

The Company is continuing to evaluate conceptual options for long-term mine and plant expansion. Study work progressed during 2020 and is being progressed in parallel with exploration efforts, largely focused on near-mine targets, with results to be incorporated into any future expansionary plans.

During the year, approximately 42,000 metres of drilling were completed exceeding the forecast for the year.

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 plant 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

	2020					2019				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**758**	**204**	180	185	189	748	194	197	192	165
Ore milled (000s tonnes)	**761**	**205**	179	183	194	747	191	197	194	165
Grade										
Nickel (%)	**2.6**	**2.8**	3.2	2.2	2.2	2.2	1.7	2.0	2.1	3.0
Copper (%)	**2.5**	**2.6**	2.9	2.3	2.4	2.0	2.0	1.6	2.0	2.4
Recovery										
Nickel (%)	**83.9**	**84.4**	84.3	82.5	83.9	82.1	80.5	80.4	81.3	85.0
Copper (%)	**96.7**	**96.7**	97.2	96.6	96.3	96.0	95.3	95.5	95.7	97.6
Production (contained metal)										
Nickel (tonnes)	**16,718**	**4,909**	4,854	3,380	3,575	13,494	2,651	3,232	3,398	4,213
Copper (tonnes)	**18,663**	**5,128**	5,055	4,102	4,378	14,297	3,626	3,042	3,732	3,897
Revenue ($000s)	**294,280**	**102,940**	91,314	52,689	47,337	212,929	53,592	53,717	59,412	46,208
Gross profit (loss) ($000s)	**77,413**	**45,805**	36,634	3,762	(8,788)	35,987	(1,021)	19,350	(800)	18,458
Cash cost ($ per pound nickel)	**0.10**	**(0.89)**	(0.63)	1.13	1.43	2.84	3.53	3.25	3.14	0.37
AISC ($ per pound nickel)	**1.51**	**0.32**	0.54	2.48	3.50	3.74	4.53	4.37	3.65	1.65

Gross Profit

Gross profit for the year ended December 31, 2020 was significantly higher than the prior year. The increase reflects higher sales volumes and lower treatment and refining charges, partially offset by negative nickel price adjustments in the first quarter of 2020.

Production

Both nickel and copper production for the current year met annual guidance and was higher than the prior year, with increased mining in the high-grade Eagle East area.

Cash Costs

Nickel cash costs for the year ended December 31, 2020 were significantly lower than the prior year, and better than annual guidance, due to a combination of higher nickel sales volumes and higher copper by-product sales volumes.

AISC for the year ended December 31, 2020, were lower than the prior year as a result of lower cash costs as well as lower sustaining capital expenditures in the current year.

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 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 an expansion project underway to increase this to 2.5 mtpa. The primary metal is copper, with zinc, lead and silver as by-product metals.

Operating Statistics

	2020					2019				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	**2,396**	**475**	566	715	640	2,702	686	699	628	689
Ore mined, zinc (000 tonnes)	**1,091**	**291**	242	272	286	1,153	290	284	283	296
Ore milled, copper (000 tonnes)	**2,427**	**489**	565	734	639	2,679	681	702	626	670
Ore milled, zinc (000 tonnes)	**1,106**	**296**	240	286	284	1,137	286	285	280	286
Grade										
Copper (%)	**1.7**	**1.5**	1.5	1.8	1.8	2.0	2.1	2.1	2.0	1.7
Zinc (%)	**8.1**	**7.5**	8.4	8.5	8.0	7.9	7.8	7.8	7.9	8.0
Recovery										
Copper (%)	**79.1**	**79.0**	78.4	81.3	77.4	78.3	77.9	80.6	75.8	79.3
Zinc (%)	**76.2**	**74.2**	75.9	76.7	77.7	78.8	78.0	80.2	78.6	78.3
Production (contained metal)										
Copper (tonnes)	**32,032**	**5,880**	6,518	10,559	9,075	41,436	10,898	12,055	9,615	8,868
Zinc (tonnes)	**69,143**	**16,750**	15,459	18,986	17,948	73,202	17,946	18,232	18,251	18,773
Lead (tonnes)	**5,108**	**1,321**	760	1,559	1,468	5,474	1,365	1,106	1,350	1,653
Silver (000 oz)	**1,557**	**420**	281	479	377	1,706	385	431	392	498
Revenue ($000s)	**257,046**	**60,794**	69,287	81,188	45,777	337,167	88,492	86,009	77,519	85,147
Gross profit (loss) ($000s)	**(13,993)**	**(3,320)**	2,954	6,299	(19,926)	42,896	8,772	11,546	3,834	18,744
Cash cost (€ per pound copper)	**1.84**	**2.37**	1.69	1.58	2.03	1.42	1.61	1.44	1.68	0.81
Cash cost ($ per pound copper)	**2.09**	**2.85**	1.97	1.75	2.24	1.59	1.78	1.60	1.88	0.92
AISC ($ per pound copper)	**3.16**	**5.35**	2.93	2.32	3.28	2.38	2.65	2.35	2.60	1.72

Gross Profit (Loss)

Gross loss for the year ended December 31, 2020 was $14.0 million compared to gross profit of $42.9 million recorded in 2019. Gross loss was impacted by lower production resulting in lower sales volumes and lower realized metal prices.

Production

Copper and zinc production were in-line with full year guidance.

Copper production for the year ended December 31, 2020 was lower than the prior year due to lower grades and throughput. Zinc production was lower than the prior year as a result of lower throughput and recoveries. Throughput for both metals was impacted by lower than planned underground development.

Following a fatal accident on September 25, 2020, during underground mining operations, the Company voluntarily suspended operations for five days. Relevant authorities were informed, and the Company completed both an internal and a third party investigation and is implementing recommendations.

Cash Costs

Copper cash costs for the year ended December 31, 2020 were in-line with annual guidance, but higher than the prior year due to lower copper sales volumes, particularly in the second half of the year.

AISC were higher compared to the prior year largely as a result of higher cash costs as well as higher sustaining capital expenditures in the current year.

Projects

On March 15, 2020, major construction and commissioning activities for ZEP were suspended in order to reduce the COVID-19 risks on the local communities, employees and contractors.

The official restart of ZEP commenced in January 2021. It is expected that the project construction will be completed by the end of 2021 with the final commissioning of the underground materials handling systems and the expanded zinc process plant facility. The progress of completion will continue to be dependent on future effects of COVID-19 with government public health restrictions and recommendations and measures taken by the Company to protect its employees and contractors.

An estimated $70.0 million of expansionary capital is expected for 2021, with a further $30.0 million for 2022, primarily reflecting timing of payments, to complete the project. The pre-production capital cost estimate of $430 million (€360 million) remains unchanged.

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, of which 1.2 mpta is for zinc-lead ore and the remainder for copper ore. Products are zinc, lead and copper concentrates. The primary metal is zinc, with lead, silver and copper as by-products.

Operating Statistics

	2020					2019				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	**1,208**	**323**	282	279	324	1,138	336	230	303	269
Ore mined, copper (000 tonnes)	**215**	**29**	61	81	44	182	28	65	37	52
Ore milled, zinc (000 tonnes)	**1,208**	**324**	316	239	329	1,120	322	254	292	252
Ore milled, copper (000 tonnes)	**181**	**-**	62	98	21	178	26	63	48	41
Grade										
Zinc (%)	**6.7**	**8.3**	6.2	5.9	6.4	7.6	7.1	7.2	7.2	9.3
Lead (%)	**2.5**	**2.7**	2.3	2.0	2.9	3.1	3.5	3.1	2.7	2.9
Copper (%)	**2.2**	**-**	2.0	2.1	2.8	1.8	2.2	1.9	1.7	1.6
Recovery										
Zinc (%)	**90.4**	**91.9**	88.8	89.5	90.4	91.5	91.7	92.2	89.7	92.5
Lead (%)	**79.5**	**78.5**	77.0	78.1	83.0	80.9	83.0	80.8	80.0	78.6
Copper (%)	**85.2**	**-**	83.3	84.8	90.6	89.1	89.6	90.8	86.0	89.1
Production (contained metal)										
Zinc (tonnes)	**73,601**	**24,678**	17,328	12,596	18,999	78,313	20,979	16,796	18,865	21,673
Lead (tonnes)	**24,128**	**6,745**	5,571	3,799	8,013	27,703	9,361	6,291	6,219	5,832
Copper (tonnes)	**3,346**	**-**	1,045	1,765	536	2,906	502	1,120	705	579
Silver (000 oz)	**2,064**	**514**	499	389	662	2,464	724	630	631	479
Revenue ($000s)	**169,433**	**65,401**	46,069	30,185	27,778	198,323	58,120	34,192	53,643	52,368
Gross profit ($000s)	**39,012**	**24,905**	9,665	2,239	2,203	81,341	23,928	8,557	21,873	26,983
Cash cost (SEK per pound)	**4.77**	**4.22**	4.90	5.50	4.96	3.69	2.95	4.02	3.88	4.08
Cash cost ($ per pound)	**0.52**	**0.50**	0.55	0.56	0.51	0.39	0.31	0.42	0.41	0.44
AISC ($ per pound)	**0.82**	**0.78**	0.74	1.03	0.79	0.65	0.62	0.70	0.63	0.69

Gross Profit

Gross profit for the year was $42.3 million lower than the prior year largely because of lower realized zinc and lead prices, particularly in the first half of the year, and higher treatment and refining charges.

Production

Both zinc and copper production met annual guidance for 2020 and the operation achieved an all-time record for both ore mined and milled during the year. Compared to the prior year, zinc and lead production was lower due to lower head grades and metal recoveries.

Cash Costs

Zinc cash costs in the current year were higher than those in 2019, due primarily to lower zinc sales volumes and higher treatment and refining charges. Cash costs for the year were better than annual guidance.

AISC in 2020 were higher than in 2019 largely as a result of higher cash costs.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for zinc and nickel were both lower in 2020 compared to 2019 however the average metal price for copper and gold were higher in 2020 compared to the average price for 2019. Also, during the last quarter of 2020 the metal prices for copper, zinc and nickel increased while the price for gold decreased. The average prices during the fourth quarter for copper, zinc and nickel were 10%, 13% and 12% higher, respectively, than the average prices of the third quarter of the year while the price of gold was 2% lower during the fourth quarter compared to the third quarter of 2020.

		Three months ended December 31,			Twelve months ended December 31,		
(Average LME Price)		**2020**	2019	Change	**2020**	2019	Change
Copper	US$/pound	**3.25**	2.67	22%	**2.80**	2.72	3%
	US$/tonne	**7,166**	5,881		**6,181**	6,000	
Zinc	US$/pound	**1.19**	1.08	10%	**1.03**	1.16	-11%
	US$/tonne	**2,628**	2,388		**2,267**	2,546	
Gold	US$/ounce	**1,874**	1,481	27%	**1,770**	1,393	27%
Nickel	US$/pound	**7.23**	7.01	3%	**6.25**	6.32	-1%
	US$/tonne	**15,930**	15,450		**13,789**	13,936	

The LME inventory for copper decreased during 2020 and ended the year 24% lower than the closing levels of 2019 while zinc and nickel increased during 2020, ending the year 295% and 63% higher, respectively, than the closing levels of 2019.

During the first two months of 2020 the treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates between miners and commodity traders increased from an average spot TC during January of $48 per dmt of concentrate and a spot RC of $0.048 per lb of payable copper to a spot TC of $63 per dmt of concentrate and a spot RC of $0.063 per lb of payable copper during February 2020. Starting in March, with early news of increased Chinese copper smelting requirements and the continued potential for mine production disruption due the COVID-19 pandemic, the spot TC's and copper RC's started to decline. During the remainder of the year the spot TC decreased from the March level of a spot TC of $61 per dmt of concentrates and a spot RC of $0.061 per lb payable copper to a spot TC of $36 per dmt of concentrates and a spot RC of $0.036 per lb payable copper in December 2020. Over the same March to December time frame, the Chinese smelter buying terms declined from a spot TC of $67 per dmt of concentrates and a spot RC of $0.067 per lb payable copper to a spot TC of $48 per dmt of concentrates and a spot RC of $0.048 per lb payable copper.

The terms for annual contracts for copper concentrates for 2021 were reached in December 2020 at a TC of $59.50 per dmt with a RC of $0.0595 per payable lb of copper. This represents an improvement for the mines compared to the 2019 annual terms at a TC of $62 per dmt of concentrates and a RC of $0.062 per payable lb of copper.

The spot TC, delivered China, for zinc concentrates declined slightly during the first three months of 2020 from $310 per dmt, flat, at the beginning of the year to $265 per dmt, flat, by the end of the first quarter. Starting from the beginning of the second quarter, based on limited supply of zinc concentrates due to mine closures in Latin America caused by the pandemic and the economic rebound in China, zinc concentrate terms rapidly fell from the $265 per dmt, flat, level to $85 per dmt, flat by December 2020. The TC for annual contracts for 2020 was settled at $299.75 per dmt of concentrates, flat, and represented an improvement of approximately $64 per dmt concentrates in favour of the smelters compared to the prior year. The negotiation of annual terms for 2021 started in December of 2020 and are not expected to be completed until the end of the first quarter of 2021.

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, 2020, the Company had cash and cash equivalents of $141.4 million. With the on-going COVID-19 pandemic, there is still uncertainty in the marketplace, as well as potential risks to production, supply chain, delivery of concentrates and many other variables. However, the Company continues to expect to be able to fund all its contractual commitments with its operating cash flow, cash on hand and capital resources.

Cash flow from operations was $1.3 million higher than the prior year as higher gross profit before depreciation and lower general exploration costs were partially offset by a comparative change in non-cash working capital ($92.5 million) and long-term inventory ($58.6 million).

Cash flow used in investing activities decreased when compared to the prior year which included the acquisition of Chapada in the third quarter of 2019. Additionally, there were lower capital investments in 2020 reflecting the completion of major projects at Candelaria, the temporary suspension of ZEP and capital expenditure deferrals initiated in the first quarter under a low metal price environment.

In 2020, the Company used $236.9 million in financing activities to repay debt ($102.7 million), for shareholder dividend payments ($88.0 million) and distributions to non-controlling interests ($26.0 million). Comparatively, in 2019 the Company generated $167.1 million in financing cash flows, borrowing funds primarily to facilitate the acquisition of the Chapada mine, offset by shareholder dividend payments ($66.4 million) and share repurchase ($21.7 million).

Capital Resources

As at December 31, 2020, the Company had $203.0 million of debt and lease liabilities outstanding, of which $86.1 million is lease liabilities.

The Company has a credit facility of $800.0 million, with a $200.0 million accordion option, maturing August 2023. As at December 31, 2020, $60.0 million had been drawn against the credit facility (2019 - $225.0 million) along with letters of credit that have been issued totalling $22.5 million. 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 credit facility is subject to customary covenants.

At December 31, 2020, the Company had outstanding fixed loans totalling $100.0 million (December 31, 2019 - $35.0 million), with interest at a rate of 1.1% per annum payable upon maturity in July and August 2021.

The Company also has a commercial paper program of $36.8 million (€30 million) which was undrawn and an equipment financing line of credit of $30.7 million (€25 million) with an outstanding balance of $8.4 million (2019 - $8.2 million) at December 31, 2020.

The Company purchased approximately 2.2 million shares under its NCIB for total consideration of $11.1 million during 2020 (2019 - 4.3 million shares, $21.7 million consideration). All of the common shares purchased have been cancelled. On December 4, 2020, the Company renewed its NCIB which allows the Company to purchase up to 63,682,170 common shares over a twelve-month period commencing December 9, 2020. In addition, the Company entered into an automatic share purchase plan with its designated broker to allow for the purchase of common shares at times when the Company ordinarily would not be active in the market due to its own interest trading blackout periods, insider trading rules or otherwise.

Exploration, acquisition, development and operation activities require significant investment of resources and capital. The Company allocates such resources and capital to support business objectives, and the availability of required resources and capital is subject to market conditions and the Company's financial position. This may further expose the Company to liquidity risks in meeting its capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable.

The Company has limited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company or its direct and indirect subsidiaries on acceptable terms. General market conditions, volatile metals and key consumable prices, a claim against the Company, a significant disruption to the Company's business, or other factors may make it difficult to secure the necessary financing. These factors may impact the Company's ability to obtain financing, loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. Furthermore, actions taken by central banks to impact fiscal and monetary policies have increased levels of volatility and market turmoil. As a result of this uncertainty, the Company's growth could be adversely impacted, including through the delay or indefinite postponement of the exploration and development of the Company's properties, and the trading price of its securities could be adversely affected.

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, among other things: (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; (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 as compared to 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 credit facilities or other debt arrangements is dependent on the ability of the financial institutions that are counterparties to the facilities to meet their funding commitments. 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, 2020:

	Payments due by period[1]			
$ thousands	<1 year	1-5 years	Thereafter	Total
Reclamation and closure provisions	2,844	21,298	452,356	476,498
Long-term debt and lease liabilities	118,152	86,424	3,139	207,715
Capital commitments	68,797	6,243	-	75,040
Defined pension obligations	1,015	3,644	3,656	8,315
	190,808	117,609	459,151	767,568

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 23 "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 22 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.

Foreign Currency Denominated Production Costs

For the twelve months ended December 31, 2020, Candelaria production costs are approximately 55% CLP denominated and Chapada production costs are approximately 80% BRL denominated.

Production costs for Eagle, Neves-Corvo and Zinkgruvan are substantially denominated in their functional currencies.

Metal Prices

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, 2020	Change	Effect on Revenue ($millions)
Copper	47,693 t	$3.52/lb	+/- 10%	+/- $37.0
Zinc	18,789 t	$1.24/lb	+/- 10%	+/- $5.1
Gold	25,312 oz	$1,936/oz	+/- 10%	+/- $4.9
Nickel	1,470 t	$7.52/lb	+/- 10%	+/- $2.4

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 25 of the Company's December 31, 2020 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 Summary of Significant Accounting Policies" of the December 31, 2020 Consolidated Financial Statements. As a result of a change in accounting policy, foreign currency translation differences on deferred tax liabilities and assets have been retrospectively restated. This change is described in Note 2 (iv) "Voluntary change in accounting policy" of the December 31, 2020 Consolidated Financial Statements.

Non-GAAP Performance Measures

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

Net Debt (Cash)

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

($thousands)	**December 31, 2020**	December 31, 2019	December 31, 2018[1]
Current portion of total debt and lease liabilities	**116,942**	80,782	3,830
Long-term debt and lease liabilities	**86,106**	227,767	7,162
	203,048	308,549	10,992
Deferred financing fees (netted in above)	**1,622**	2,238	-
	204,670	310,787	10,992
Cash and cash equivalents	**(141,447)**	(250,563)	(815,429)
Net debt (cash)	**63,223**	60,224	(804,437)

1. Upon the adoption of new standards, such as IFRS 16 in 2019, the Company has elected not to restate comparative periods presented.

Adjusted Operating Cash Flow and Adjusted Operating Cash Flow per Share

Adjusted operating cash flow is a performance measure used by the Company to assess its ability to generate cash from its operations, while also taking into consideration changes in the number of outstanding shares of the Company. Adjusted operating cash flow is defined as cash provided by operating activities, excluding changes in non-cash working capital items. Adjusted operating cash flow per share is adjusted operating cash flow divided by the basic weighted average number of shares outstanding.

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

	Year ended December 31,		
($thousands, except share and per share amounts)	**2020**	2019	2018
Cash provided by operating activities	**565,888**	564,559	476,353
Changes in non-cash working capital items	**78,714**	(13,813)	10,217
Adjusted operating cash flow before changes in non-cash working	**644,602**	550,746	486,570
Weighted average common shares outstanding	**734,074,514**	735,309,697	731,734,265
Adjusted operating cash flow per share	**0.88**	0.75	0.66

	Three months ended December 31,	
($thousands, except share and per share amounts)	**2020**	2019
Cash provided by operating activities	**172,665**	186,357
Changes in non-cash working capital items	**3,071**	20,318
Adjusted operating cash flow before changes in non-cash working capital items	**175,736**	206,675
Weighted average common shares outstanding	**734,346,812**	734,901,977
Adjusted operating cash flow per share	**0.24**	0.28

Adjusted EBITDA, Adjusted Earnings and Adjusted Earnings per Share

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

As a result of a change in accounting policy, foreign currency translation differences on deferred tax liabilities and assets have been retrospectively restated. This change is described in Note 2 (iv) "Voluntary change in accounting policy" of the December 31, 2020 Consolidated Financial Statements. Upon the adoption of IFRS 16 in 2019, the Company has elected not to restate comparative periods presented.

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

	Year ended December 31,		
($thousands)	**2020**	2019	2018
Net earnings	**189,057**	189,177	215,440
Add back:			
Depreciation, depletion and amortization	**447,474**	386,117	319,376
Finance income and costs	**46,624**	38,792	57,982
Income taxes	**152,421**	77,711	76,369
	835,576	691,797	669,167
Unrealized foreign exchange	**(12,582)**	(4,153)	10,486
Unrealized revaluation loss of derivative asset and liability	**21,812**	21,935	5,318
Revaluation of marketable securities	**707**	1,495	(13,520)
Income from investment in associates	**(3,302)**	(6,239)	(29,933)
Project standby and suspension costs	**10,043**	-	-
Labour action costs	**5,133**	-	-
Other	**(518)**	857	1,640
Total adjustments - EBITDA	**21,293**	13,895	(26,009)
Adjusted EBITDA	**856,869**	705,692	643,158

	Three months ended December 31,	
($thousands)	**2020**	2019
Net earnings	**120,772**	104,804
Add back:		
Depreciation, depletion and amortization	**85,338**	111,517
Finance income and costs	**8,403**	11,511
Income taxes	**18,393**	11,127
	232,906	238,959
Unrealized foreign exchange	**(280)**	4,238
Unrealized revaluation loss on derivative asset/liability	**(1,405)**	6,556
Revaluation of marketable securities	**778**	1,299
Income from investment in associates	**(322)**	(17,754)
Project standby and suspension costs	**3,702**	-
Labour action costs	**5,133**	-
Other	**(5,715)**	1,269
Total adjustments - EBITDA	**1,891**	(4,392)
Adjusted EBITDA	**234,797**	234,567

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

	Year ended December 31,		
($thousands, except share and per share amounts)	**2020**	2019	2018
Net earnings attributable to Lundin Mining shareholders	**168,798**	167,256	195,850
Add back:			
Total adjustments - EBITDA	**21,293**	13,895	(26,009)
Tax effect on adjustments	**11,886**	(2,584)	(3,136)
Deferred tax arising from foreign exchange on non-monetary balances	**57,962**	(14,300)	-
Deferred tax arising from foreign exchange translation	**(18,278)**	(2,708)	
Tax asset revaluations	**5,675**	-	-
Prior period tax refund and interest	**(19,161)**	(2,100)	-
Notes redemption payment	**-**	-	16,900
Other	**(2,934)**	-	-
Total adjustments	**56,443**	(7,797)	(12,245)
Adjusted earnings	**225,241**	159,459	183,605
Weighted average number of shares outstanding:			
Basic	**734,074,514**	735,309,697	731,734,265
Diluted	**735,322,739**	736,056,877	733,552,476
Basic and diluted earnings per share attributable to Lundin Mining shareholders:			
Net earnings	**0.23**	0.23	0.27
Total adjustments	**0.08**	(0.01)	(0.02)
Adjusted earnings per share	**0.31**	0.22	0.25

	Three months ended December 31,	
($thousands, except share and per share amounts)	**2020**	2019
Net earnings attributable to Lundin Mining shareholders	**119,199**	97,016
Add back:		
Total adjustments - EBITDA	**1,891**	(4,392)
Tax effect on adjustments	**(33)**	(2,894)
Deferred tax arising from foreign exchange on non-monetary balances	**(1,653)**	1,300
Deferred tax arising from foreign exchange translation	**(10,265)**	2,142
Other	**(2,419)**	-
Total adjustments	**(12,479)**	(3,844)
Adjusted earnings	**106,720**	93,172
Weighted average number of shares outstanding:		
Basic	**734,346,812**	734,901,977
Diluted	**736,646,366**	735,996,877
Basic and diluted adjusted earnings per share attributable to Lundin Mining shareholders:		
Net earnings	**0.16**	0.13
Total adjustments	**(0.01)**	-
Adjusted earnings per share	**0.15**	0.13

Capital Expenditures

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

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

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

Cash Cost per Pound

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

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

All-in Sustaining Cost (AISC) per Pound

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

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

Three months ended December 31, 2020						
Operations ($000s, unless otherwise noted)	**Candelaria (Cu)**	**Chapada (Cu)**	**Eagle (Ni)**	**Neves-Corvo (Cu)**	**Zinkgruvan (Zn)**	**Total**
Sales volumes (Contained metal in concentrate):						
Tonnes	16,574	10,966	3,714	4,708	22,399	
Pounds (000s)	36,539	24,176	8,188	10,379	49,381	
Production costs						264,829
Less: Royalties and other						(20,691)
Labour action cost						(5,133)
						239,005
Deduct: By-product credits						(143,194)
Add: Treatment and refining charges						25,858
Cash cost	79,329	(4,382)	(7,317)	29,591	24,448	121,669
Cash cost per pound ($/lb)	**2.17**	**(0.18)**	**(0.89)**	**2.85**	**0.50**	
Add: Sustaining capital expenditure	36,289	18,659	2,331	23,612	12,764	
Royalties	-	3,676	5,201	325	-	
Interest expense	1,040	1,113	312	137	21	
Leases & other	1,849	662	2,068	1,855	1,430	
All-in sustaining cost	118,507	19,728	2,595	55,520	38,663	
AISC per pound ($/lb)	**3.24**	**0.82**	**0.32**	**5.35**	**0.78**	

Three months ended December 31, 2019						
Operations ($000s, unless otherwise noted)	**Candelaria (Cu)**	**Chapada (Cu)**	**Eagle (Ni)**	**Neves-Corvo (Cu)**	**Zinkgruvan (Zn)**	**Total**
Sales volumes (Contained metal in concentrate):						
Tonnes	34,564	16,127	3,167	11,311	19,314	
Pounds (000s)	76,200	35,554	6,982	24,936	42,580	
Production costs						311,396
Less: Royalties and other						(10,018)
						301,378
Deduct: By-product credits						(138,057)
Add: Treatment and refining charges						51,145
Cash cost	104,810	27,505	24,678	44,437	13,036	214,466
Cash cost per pound ($/lb)	**1.38**	**0.77**	**3.53**	**1.78**	**0.31**	
Add: Sustaining capital expenditure	62,741	13,226	2,974	17,693	12,804	
Royalties	-	3,000	3,133	2,125	-	
Interest expense	1,158	1,283	406	24	49	
Leases & other	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**	

Twelve months ended December 31, 2020						
Operations	**Candelaria**	**Chapada**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):						
Tonnes	123,183	47,119	12,481	30,799	62,150	
Pounds (000s)	271,572	103,879	27,516	67,900	137,017	
Production costs						1,095,911
Less: Royalties and other						(47,906)
Labour action cost						(5,133)
						1,042,872
Deduct: By-product credits						(516,436)
Add: Treatment and refining charges						115,243
Cash cost	394,919	30,399	2,620	141,945	71,796	641,679
Cash cost per pound ($/lb)	**1.45**	**0.29**	**0.10**	**2.09**	**0.52**	
Add: Sustaining capital expenditure	216,018	38,646	11,259	63,360	36,946	
Royalties	-	11,550	18,401	2,146	-	
Interest expense	4,242	4,440	1,250	363	68	
Leases & other	6,945	2,588	8,082	6,818	2,974	
All-in sustaining cost	622,124	87,623	41,612	214,632	111,784	
AISC per pound ($/lb)	**2.29**	**0.84**	**1.51**	**3.16**	**0.82**	

Twelve months ended December 31, 2019						
Operations	**Candelaria**	**Chapada**[1]	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):						
Tonnes	139,051	29,884	10,682	41,252	67,463	
Pounds (000s)	306,555	65,883	23,550	90,945	148,730	
Production cost						1,066,203
Less: Royalties and other						(19,697)
						1,046,506
Deduct: By-product credits						(440,947)
Add: Treatment and refining charges						175,229
Cash cost	473,361	38,126	66,780	144,541	57,980	780,788
Cash cost per pound ($/lb)	**1.54**	**0.58**	**2.84**	**1.59**	**0.39**	
Add: Sustaining capital expenditure	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	3,494	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**	

1. Chapada's cash cost and AISC are presented for the period of Lundin Mining's ownership.

Managing Risks

Risks and Uncertainties

The Company's business activities are subject to a variety and wide range of inherent risks and uncertainties. Any of these risks could have an adverse effect on the Company, its business and prospects, and could cause actual outcomes and results to differ materially from those described in forward-looking statements relating to the Company.

Adverse changes in the relationship between Lundin Mining and its employees and contractors may have a material adverse effect on its business, results of operations and financial condition. Production at the Company's mining operations is dependent upon the efforts of its employees and contractors, and the Company's operations would be adversely affected if it fails to maintain satisfactory labour relations. A prolonged labour disruption by employees or suppliers at any of the Company's mining operations or distribution channels (i.e. product transporters) could have an adverse effect on the Company's ability to achieve its objectives with respect to such properties and its operations. As noted in the Highlights section of this report, in connection with collective bargaining negotiations, certain unions at the Company's Candelaria Mine initiated strike actions in October and November of 2020. Ultimately, new collective bargaining agreements were reached and ratified and normal operations resumed in December.

By their nature, exploration and mining activities present a variety of inherent hazards and associated health and safety risks that cannot be eliminated. Workers involved in the Company's operations are subject to many of these risks. Exposure to these risks could result in occupational illness or health issues, personal injury, and loss of life, and/or facility and workforce evacuation. Even though robust health and safety controls and risk mitigation measures are in place across the Company's mines, as reported in the third quarter, a fatal accident occurred underground at the Neves-Corvo Mine in Portugal on September 25, 2020. While every effort is made to apply the lessons learned to improve controls and eliminate the potential for future accidents of this type, should future accidents occur they may adversely affect the Company's reputation, business, future operations, and could result in fines and/or penalties.

The mining industry is subject to numerous significant and inherent risks and hazards that cannot be eliminated, including the potential for equipment failure, and/or disruption to power and water supply. Late in the third quarter, processing activities were interrupted at the Company's Chapada Mine from an electrical protection device failure. The temporary reduction in processing capacity at the Company's Chapada Mine that resulted was resolved in December 2020.

Due to the continuing global COVID-19 pandemic, and the emergence of both a second wave of outbreak and a more virulent strain of the virus across multiple jurisdictions, increased levels of volatility have continued to adversely impact the economies and financial markets of many countries. Should these increased levels of volatility continue, or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on commodity prices, demand for metals, availability of credit, investor confidence, and general financial market liquidity, all of which may adversely affect the Company's business and the market price of the Company's securities. In addition, should governmental and health authority responses be inadequate to effectively contain the second wave outbreak or spread of the more virulent strain, it could result in potentially significant economic and social impacts, including workforce health and safety effects, labour shortages and shutdowns, delays and disruption in supply chains, social unrest, government or regulatory actions or inactions (including but not limited to permanent changes in taxation or policies), decreased demand or the inability to sell and deliver concentrates and resulting commodities, declines in the price of commodities, delays in permitting or approvals, governmental disruptions or other unknown but potentially significant impacts. Given the global nature of the Company's operations, the Company may not be able to accurately predict which operations will be impacted. Any outbreak or threat of an outbreak of a contagion or epidemic disease could have a material adverse effect on the Company, its business and operational results.

For additional discussion on Lundin Mining's risks, refer to the "Risks and Uncertainties" section of the Company's Annual Information Form ("AIF") for the year ended December 31, 2019 and the "Cautionary Statement on Forward-Looking Information" of this MD&A.

Management's Report on Internal Controls

Disclosure controls and procedures ("DCP")
Disclosure controls and procedures ("DCP") have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of DCP. Management has evaluated the effectiveness of the Company's DCP and has concluded that they were effective as at December 31, 2020.

Internal control over financial reporting ("ICFR")
The Company's internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with 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, 2020.

Changes in ICFR
There have been no changes in the Company's ICFR during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Outstanding Share Data

As at February 18, 2021, the Company has 736,250,883 common shares issued and outstanding, and 9,409,712 stock options and 2,519,100 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).

Consolidated Financial Statements of

Lundin Mining Corporation

December 31, 2020

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	*(Signed) Jinhee Magie*
President and Chief Executive Officer	Senior Vice President and Chief Financial Officer

Toronto, Ontario, Canada
February 18, 2021

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, 2020 and 2019, 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, 2020 and 2019;
- 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 significant accounting policies and other explanatory information.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators for the Company's mineral properties, plant and equipment Refer to note 2 – basis of presentation and summary of significant accounting policies and note 6 – Mineral properties, plant and equipment to the consolidated financial statements. The Company's mineral properties, plant and equipment carrying value was $5,126 million as at December 31, 2020, contained in various cash generating units (CGUs). Management assesses whether there is an indication that an asset or group of assets within a CGU may be impaired at the end of each reporting period. Management applies significant judgment in assessing whether indicators of impairment exist for a CGU which would necessitate impairment testing. Internal and external factors considered by management include commodity prices, foreign exchange rates, capital and production cost forecasts, reserve and resource quantities and discount rates. When impairment indicators exist, management estimates the recoverable amount of the CGU and compares it against the CGU's carrying amount. As at December 31, 2020, management has concluded that there are no impairment indicators on the Company's mineral properties, plant and equipment.	Our approach to addressing the matter included the following procedures, amongst others: • Understood management's process over their assessment of impairment indicators. • Evaluated management's significant judgments relating to the existence of indicators of impairment as at December 31, 2020 based on evidence obtained during the audit. This included comparing commodity prices, foreign exchange rates and discount rates with external market and industry data, and assessing that capital and production cost forecasts are supported by current and past performance of the CGUs and whether these assumptions aligned with evidence obtained in other areas of the audit, as applicable. • Evaluated management's analysis of whether there was a significant reduction in the reserves and resources quantities by considering the most recent reserves and resources estimates prepared by management's experts. As a basis for using this work, the managements expert's competence, capability and objectivity were evaluated, their work performed was understood and the appropriateness of the expert's work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions and methods and findings.

Key audit matter	How our audit addressed the key audit matter
We considered the assessment of impairment indicators for the Company's mineral properties, plant and equipment to be a key audit matter due to the magnitude of mineral properties, plant and equipment and the subjectivity in applying procedures to evaluate audit evidence relating to the significant judgments made by management in their assessment of indicators of impairment.	
Annual goodwill impairment *Refer to note 2 – basis of presentation and summary of significant accounting policies and note 8 – Goodwill to the consolidated financial statements.* The total net carrying amount of goodwill as at December 31, 2020 amounted to $251 million, primarily allocated between Neves-Corvo and Chapada CGUs. 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. 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 other assets of that CGU. The recoverable amount of the CGUs was determined partly using the fair value less cost of disposal method applied by using discounted cash flow projections model. Management used key assumptions in the discounted cash flow projections which include forecasted commodity prices, foreign exchange rates, capital and production cost forecasts, reserve and resource quantities and discount rates. Another component of the recoverable amount is the key assumption in the fair value estimates for reserves and resources not captured in the cash flow projections model, which are valued using third party market	Our approach to addressing the matter included the following procedures, amongst others: • Tested how management developed the recoverable amounts of the Neves-Corvo and Chapada CGUs, which included the following: – Tested the appropriateness of the valuation methods and discounted cash flow projections models used by management. – Evaluated the reasonability of the key assumptions used by management, such as (i) forecasted commodity prices and foreign exchange rates compared with external market and industry data; (ii) capital and production cost forecasts by considering the current and past performance of the operating mines within these CGUs; and (iii) whether these assumptions aligned with evidence obtained in other areas of the audit, as applicable. – For the reserve and resource quantities, tested that these were consistent with the most recent reserves and resources estimates prepared by management's experts. As a basis for using this work, the management's experts' competence, capability and objectivity were evaluated, their work performed was understood and the appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the

Key audit matter	How our audit addressed the key audit matter
information. We considered the annual goodwill impairment test to be a key audit matter due to subjectivity and complexity in applying audit procedures to test key assumptions used by management in determining the recoverable amount of the CGUs using discounted cash flow projections model and the key assumption in the fair value estimates for reserves and resources not captured in the cash flow projections model. Professionals with specialized skill and knowledge in the field of valuations assisted us in performing our procedures.	assumptions and methods and findings. – Professionals with specialized skill and knowledge in the field of valuations assisted in assessing the reasonability of the discount rates used. – For the component of the recoverable amount relating to the fair value estimates for reserves and resources not captured in the cash flow projections model, tested how management developed the estimate through the assistance of professionals with specialized skill and knowledge in the field of valuation to assess the reasonability of the third party market information used and the amount of the resources included in the fair value estimate.

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 consolidated 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario, Canada
February 18, 2021

LUNDIN MINING CORPORATION

CONSOLIDATED BALANCE SHEETS
(in thousands of US dollars)

	As at	
	December 31, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents (Note 3)	**$ 141,447**	$ 250,563
Trade and other receivables (Note 4)	**360,557**	335,782
Income taxes receivable	**61,416**	52,523
Inventories (Note 5)	**254,044**	216,503
Other current assets	**20,462**	14,330
Total current assets	**837,926**	869,701
Restricted funds	**56,611**	47,666
Long-term inventory (Note 5)	**692,362**	550,561
Other non-current assets	**9,699**	7,970
Mineral properties, plant and equipment (Note 6)	**5,125,611**	5,065,556
Investment in associate (Note 7)	**22,342**	28,957
Deferred tax assets (Note 21)	**62,743**	104,627
Goodwill (Note 8)	**251,183**	242,208
	6,220,551	6,047,545
Total assets	**$ 7,058,477**	$ 6,917,246
LIABILITIES		
Trade and other payables (Note 9)	**$ 317,029**	$ 370,067
Income taxes payable	**69,738**	66,825
Current portion of debt and lease liabilities (Note 10)	**116,942**	80,782
Current portion of deferred revenue (Note 11)	**80,832**	83,960
Current portion of reclamation and other closure provisions (Note 12)	**2,844**	3,735
Total current liabilities	**587,385**	605,369
Debt and lease liabilities (Note 10)	**86,106**	227,767
Deferred revenue (Note 11)	**658,734**	674,186
Reclamation and other closure provisions (Note 12)	**441,401**	380,049
Other long-term liabilities	**76,000**	84,837
Provision for pension obligations	**11,219**	10,938
Deferred tax liabilities (Note 21)	**701,103**	636,700
	1,974,563	2,014,477
Total liabilities	**2,561,948**	2,619,846
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	**4,201,277**	4,184,667
Contributed surplus	**52,098**	51,339
Accumulated other comprehensive loss	**(177,215)**	(284,649)
Deficit	**(98,231)**	(178,298)
Equity attributable to Lundin Mining Corporation shareholders	**3,977,929**	3,773,059
Non-controlling interests	**518,600**	524,341
	4,496,529	4,297,400
	$ 7,058,477	$ 6,917,246

Commitments and contingencies (Note 23)

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, 2020 and 2019

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

		2020		2019[1]
Revenue (Note 15)	**$**	**2,041,506**	$	1,892,713
Cost of goods sold				
Production costs (Note 16)		**(1,095,911)**		(1,066,203)
Depreciation, depletion and amortization		**(447,474)**		(386,117)
Gross profit		**498,121**		440,393
General and administrative expenses		**(44,171)**		(47,104)
General exploration and business development (Note 18)		**(44,212)**		(77,848)
Finance income (Note 19)		**6,491**		14,122
Finance costs (Note 19)		**(53,115)**		(52,914)
Income from equity investment in associate (Note 7)		**3,302**		6,239
Other expense (Note 20)		**(24,938)**		(16,000)
Earnings before income taxes		**341,478**		266,888
Current tax expense (Note 21)		**(52,944)**		(62,861)
Deferred tax expense (Note 21)		**(99,477)**		(14,850)
Net earnings	**$**	**189,057**	$	189,177
Net earnings attributable to:				
Lundin Mining Corporation shareholders	**$**	**168,798**	$	167,256
Non-controlling interests		**20,259**		21,921
Net earnings	**$**	**189,057**	$	189,177
Basic and diluted earnings per share attributable to Lundin Mining Corporation shareholders	**$**	**0.23**	$	0.23
Weighted average number of shares outstanding (Note 13)				
Basic		**734,074,514**		735,309,697
Diluted		**735,322,739**		736,056,877

[1] Comparatives for the 2019 reporting period have been restated. Refer to Note 2(iv).

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, 2020 and 2019
(in thousands of US dollars)

		2020		2019
Net earnings	**$**	**189,057**	$	189,177
Other comprehensive income (loss), net of taxes				
Item that will not be reclassified to net earnings:				
Remeasurements for post-employment benefit plans		**138**		(585)
Item that may be reclassified subsequently to net earnings:				
Effects of foreign exchange		**107,296**		(26,399)
Item that was reclassified to net earnings:				
Cumulative translation adjustment		**-**		2,514
Other comprehensive income (loss)		**107,434**		(24,470)
Total comprehensive income	**$**	**296,491**	$	164,707
Comprehensive income attributable to:				
Lundin Mining Corporation shareholders	**$**	**276,232**	$	142,786
Non-controlling interests		**20,259**		21,921
Total comprehensive income	**$**	**296,491**	$	164,707

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, 2020 and 2019
(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, 2019	734,233,642	$ 4,184,667	$ 51,339	$ (284,649)	$ (178,298)	$ 524,341	$ 4,297,400
Distributions	-	-	-	-	-	(26,000)	(26,000)
Exercise of share-based awards	4,018,308	26,254	(8,846)	-	-	-	17,408
Share-based compensation	-	-	9,605	-	-	-	9,605
Dividends declared (Note 13(e))	-	-	-	-	(87,282)	-	(87,282)
Share purchase (Note 13(f))	(2,212,600)	(9,644)	-	-	(1,449)	-	(11,093)
Net earnings	-	-	-	-	168,798	20,259	189,057
Other comprehensive income	-	-	-	107,434	-	-	107,434
Total comprehensive income	-	-	-	107,434	168,798	20,259	296,491
Balance, December 31, 2020	**736,039,350**	**$ 4,201,277**	**$ 52,098**	**$ (177,215)**	**$ (98,231)**	**$ 518,600**	**$ 4,496,529**
Balance, January 1, 2019	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	-	-	-	-	(66,607)	-	(66,607)
Share purchase	(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

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, 2020 and 2019

(in thousands of US dollars)

Cash provided by (used in)		**2020**		2019[1]
Operating activities				
Net earnings	**$**	**189,057**	$	189,177
Items not involving cash and other adjustments				
Depreciation, depletion and amortization		**447,474**		386,117
Share-based compensation		**9,605**		13,354
Foreign exchange gain		**(12,582)**		(4,153)
Finance costs, net		**46,624**		38,792
Recognition of deferred revenue		**(65,104)**		(44,458)
Deferred tax expense		**99,477**		14,850
Earnings from equity investment in associate		**(3,302)**		(6,239)
Revaluation of derivative asset and liability (Note 20)		**21,812**		21,940
Other		**8,969**		(7,090)
Reclamation payments (Note 12)		**(2,582)**		(10,495)
Other payments		**(8,611)**		(13,379)
Changes in long-term inventory		**(86,235)**		(27,670)
Changes in non-cash working capital items (Note 29)		**(78,714)**		13,813
		565,888		564,559
Investing activities				
Investment in mineral properties, plant and equipment		**(431,235)**		(665,288)
Chapada acquisition, net of cash acquired (Note 26)		**-**		(756,954)
Contingent consideration received (Note 4)		**25,714**		-
Payment of Chapada derivative liability (Note 9)		**(25,000)**		-
Interest received		**5,980**		13,095
Distributions from associate, net (Note 7)		**9,917**		114,225
Other		**(6,355)**		(2,910)
		(420,979)		(1,297,832)
Financing activities				
Interest paid		**(11,313)**		(12,631)
Principal payments of lease liabilities		**(15,186)**		(11,842)
Principal repayments of debt (Note 10)		**(489,293)**		(187,754)
Proceeds from debt (Note 10)		**386,551**		455,838
Dividends paid to shareholders		**(88,002)**		(66,437)
Share purchase (Note 13)		**(11,093)**		(21,744)
Proceeds from common shares issued		**17,408**		14,124
Distributions to non-controlling interests		**(26,000)**		-
Other		**-**		(2,420)
		(236,928)		167,134
Effect of foreign exchange on cash balances		**(17,097)**		1,273
Decrease in cash and cash equivalents during the year		**(109,116)**		(564,866)
Cash and cash equivalents, beginning of year		**250,563**		815,429
Cash and cash equivalents, end of year	**$**	**141,447**	$	250,563

Supplemental cash flow information (Note 29)

[1] Comparatives for the 2019 reporting period have been restated. Refer to Note 2(iv).

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

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 owns 80% of the Candelaria and Ojos del Salado mining complex ("Candelaria") located in Chile. 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'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 18, 2021.

(ii) Significant accounting policies

The Company has consistently applied the accounting policies to all the years presented. 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.

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.

(e) Restricted funds

Restricted funds include reclamation funds and cash on deposit that have 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 the 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 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 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.

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:

	Number of years
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 within a cash generating unit (“CGU”) may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the CGU and compares it against the CGU’s carrying amount. The recoverable amount is the higher of the fair value less cost of disposal and the CGU’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 CGU 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 CGU 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 partly on a discounted cash flow projections model.

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 CGU 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 CGU 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.

(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 a 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) Leases

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.

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.

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.

(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 pro-rated 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.

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 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 volumes 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.

(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.

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.

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 future taxable profits will be available against which deductible temporary differences or tax loss carryforwards 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.

(r) Earnings per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during each reporting period. Diluted earnings per share is calculated assuming the proceeds from the exercise of “in-the-money” share-based arrangements are used to purchase common shares at the average market price during the period.

(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:

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 intends 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.

(iii) New accounting pronouncements

In 2020, the IASB issued amendments to IAS 16, *Property Plant and Equipment*, which prohibits the deduction from the cost of an item of property, plant and equipment any proceeds received from the sales of the items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the entity recognizes the proceeds from the sale of such items, and the cost of producing those items in the Statement of Earnings. The amendments to IAS 16 are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

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

(iv) Voluntary change in accounting policy

The Company has elected to voluntarily change its accounting policy for foreign currency translation differences on deferred foreign tax liabilities and assets. The Company previously reported these translation gains and losses in other income and expense. The Company now reports these translation gains and losses in deferred tax expense/recovery. The Company believes that the revised policy and presentation provides more reliable and relevant financial information as the deferred tax expense/recovery in the consolidated statement of earnings is more closely aligned with the movement of the deferred tax liability/asset accounts on the consolidated balance sheets.

Management has applied the change in accounting retrospectively and the comparative information has been restated. The following is a summary of the impacts to the consolidated statements of earnings and cash flows:

Reconciliation of the Consolidated Statements of Earnings:

For the periods ended	**December 31, 2020**	**December 31, 2019**		
	Adjustments	Previous accounting policy	Adjustments	Restated
Other expense	$ (18,278)	$ (13,292)	$ (2,708)	$ (16,000)
Earnings before income taxes	(18,278)	269,596	(2,708)	266,888
Deferred tax (expense) recovery	18,278	(17,558)	2,708	(14,850)
Net earnings	-	-	-	-

Reconciliation of the Consolidated Statements of Cash Flows:

For the periods ended	**December 31, 2020**	**December 31, 2019**		
	Adjustments	Previous accounting policy	Adjustments	Restated
Foreign exchange loss (gain)	$ 18,278	$ (6,861)	$ 2,708	$ (4,153)
Deferred tax (recovery) expense	(18,278)	17,558	(2,708)	14,850
Cash provided by operating activities	-	-	-	-

(v) 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.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The Company has adapted to a new way of operating and continues to manage and respond to the COVID-19 pandemic. The Company has implemented preventative measures to ensure the safety of its workforce, local communities and other key stakeholders. To date, production disruptions as a result of COVID-19 have been minimal and there has been no significant disruption in the delivery of concentrate or receipt of goods at our operations. Future metal prices, exchange rates, discount rates and other key assumptions used in the Company's accounting estimates are subject to greater uncertainty given the current economic environment. Changes in these assumptions could significantly impact the Company's accounting estimates.

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 future production of the life of mine and R&R quantities. 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 considers the performance obligations to be the delivery of gold and silver in concentrate to offtakers and copper to streamers.

Valuation of long-term inventory - The Company carries its long-term inventory at the lower of production cost and NRV. If the 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.

The Company reviews NRV at least annually. In particular, for the NRV of long-term inventory the Company makes significant estimates in its use of a discounted NRV model related to future production plans, forecasted commodity prices, foreign exchange rates, R&R quantities, future production and capital costs to complete and the discount rate. 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. An impairment loss is recognized when the carrying value of those assets is not recoverable. Where a previous impairment has been recorded, the Company analyzes any reverse impairment indicators. 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 which 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, production 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.

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.

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

(vi) 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:

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 and deductible temporary differences 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 deductible temporary differences. 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 a CGU which would necessitate impairment testing. Internal and external factors such as significant changes in the use of the asset, commodity prices, foreign exchange rates, capital and production forecasts, R&R quantities, and discount rates are used by management in determining whether there are any indicators.

As at December 31, 2020, management did not identify any impairment indicators on the Company's mineral properties, plant and equipment.

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. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

		December 31, 2020		December 31, 2019
Cash	**$**	**127,033**	$	233,466
Short-term deposits		**14,414**		17,097
	$	**141,447**	$	250,563

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

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	December 31, 2020	December 31, 2019
Trade receivables	**$ 271,113**	$ 229,730
Value added tax	**38,631**	44,948
Prepaid expenses	**25,860**	21,726
Other receivables	**24,953**	39,378
	$ 360,557	$ 335,782

Included in other receivables are $8.9 million of employee loans and conditional bonuses paid related to union negotiation settlements.

In 2019, other receivables included $25.7 million for contingent consideration due under the terms of the TF Holdings Limited disposal that occurred in 2017. The Company received this payment in January 2020.

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 27.

The fair value of trade and other receivables is disclosed in Note 22.

The carrying amounts of trade and other receivables are mainly denominated as follows: $272.7 million, CLP 32.8 billion, €16.4 million, C$2.0 million, SEK 36.3 million and BRL 57.2 million as at December 31, 2020 (2019 - $241.5 million, CLP 16.6 billion, €15.3 million, C$1.6 million, SEK 37.5 million and BRL 87.6 million).

5. INVENTORIES

Inventories are comprised of the following:

	December 31, 2020	December 31, 2019
Ore stockpiles	**$ 66,312**	$ 49,696
Concentrate stockpiles	**60,758**	44,015
Materials and supplies	**126,974**	122,792
	$ 254,044	$ 216,503

Long-term inventory is comprised of ore stockpiles. As at December 31, 2020, the Company had $401.3 million (2019 - $297.3 million) and $291.1 million (2019 - $253.3 million) of long-term ore stockpiles at Candelaria and Chapada, respectively.

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

6. 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 January 1, 2019	$	3,656,432	$	2,458,440	$	350,269	$	6,465,141
Chapada acquisition (Note 26)		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
Additions		188,076		40,090		232,009		460,175
Disposals and transfers		50,587		186,139		(267,197)		(30,471)
Effects of foreign exchange		173,524		72,280		29,248		275,052
As at December 31, 2020	**$**	**5,059,793**	**$**	**3,280,374**	**$**	**421,697**	**$**	**8,761,864**

Accumulated depreciation, depletion and amortization		Mineral properties		Plant and equipment		Assets under construction		Total
As at January 1, 2019	$	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
Depreciation		319,783		204,345		-		524,128
Disposals and transfers		-		(24,369)		-		(24,369)
Effects of foreign exchange		107,426		37,516		-		144,942
As at December 31, 2020	**$**	**2,382,365**	**$**	**1,253,888**	**$**	**-**	**$**	**3,636,253**

Net book value		Mineral properties		Plant and equipment		Assets under construction		Total
As at December 31, 2019	$	2,692,450	$	1,945,469	$	427,637	$	5,065,556
As at December 31, 2020	**$**	**2,677,428**	**$**	**2,026,486**	**$**	**421,697**	**$**	**5,125,611**

During 2020, the Company capitalized $10.9 million (2019 - $11.4 million) of finance costs to assets under construction, at a weighted average interest rate of 4.4% (2019 - 5.0%).

During 2020, the Company capitalized $99.1 million (2019 - $129.0 million) of deferred stripping costs to mineral properties. The depreciation expense related to deferred stripping for the year was $150.3 million (2019 - $120.0 million). Included in the mineral properties balance at December 31, 2020 is $292.7 million (2019 - $205.4 million) related to deferred stripping at Candelaria and $88.0 million (2019 - $84.3 million) related to underground development of the Zinc Expansion Project at the Neves-Corvo mine, which are currently non-depreciable.

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

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:

Right-of-use assets within plant and equipment	Net book value
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
Additions	10,010
Depreciation	(15,604)
Disposals	(1,052)
Effects of foreign exchange	1,152
As at December 31, 2020	**$ 38,870**

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.

7. INVESTMENT IN ASSOCIATE

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

As at December 31, 2018	$	136,943
Distributions, net		(114,225)
Share of equity income		6,239
As at December 31, 2019		28,957
Distributions, net		(9,917)
Share of equity income		3,302
As at December 31, 2020	**$**	**22,342**

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.

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

8. 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, 2018	$ -	$ 99,081	$ 10,713	$ 109,794
Chapada acquisition (Note 26)	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
Effects of foreign exchange	-	8,975	-	8,975
Balance at December 31, 2020	**$ 134,284**	**$ 106,186**	**$ 10,713**	**$ 251,183**

[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 partly using the fair value less cost of disposal method applied by using a discounted cash flow projections model based on life-of-mine financial plans. The key assumptions used in the cash flow projections model consist of forecasted commodity prices, treatment and refining charges, R&R quantities, production and capital cost forecasts, reclamation and other closure costs, discount rates and foreign exchange rates.

For the 2020 assessment, commodity prices and foreign exchange rates used in the cash flow projections are within a range of market consensus observed during the fourth quarter of 2020. 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.

In performing the CGU impairment test for Chapada, 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 22), which were not based on observable market data. The R&R were based on the Company's last published estimate dated June 30, 2020. Incorporated in the FVLCD were fair value estimates developed by the Company for R&R not captured in the cash flow projections model. These estimates are valued using third-party market information.

Chapada

For the Chapada CGU impairment review, the Company used a FVLCD model (level 3 measurement). For the years ended December 31, 2020 and 2019, the Company determined that the recoverable amount of the Chapada CGU was higher than its carrying value, and therefore no impairment was recognized.

Sensitivity analysis was performed on the cash flow model for Chapada. 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.

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

Key assumptions for Chapada

	2020	2019
Copper price $/lb	3.25 - 3.50	2.80 - 3.10
Gold price $/oz	1,600 - 1,900	1,400 - 1,550
After-tax discount rate	6.5%	6.5%
BRL/$ exchange rate	4.50 – 5.10	4.00
Life of mine	32 years	31 years

Neves-Corvo

For the Neves-Corvo CGU impairment review, the Company used a FVLCD model (level 3 measurement). For the years ended December 31, 2020 and 2019, 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

	2020	2019
Copper price $/lb	3.25 - 3.50	2.80 – 3.10
Zinc price $/lb	1.10 – 1.15	1.10
After-tax discount rate	9.0%	9.0%
$/€ exchange rate	1.20 - 1.25	1.15 – 1.20
Life of mine	13 years	13 years

Ojos

For the Ojos CGU impairment review, the Company used a FVLCD model (level 3 measurement). For the years ended December 31, 2020 and 2019, the Company determined that the recoverable amount of the Ojos CGU was higher than its carrying value, and therefore no impairment was recognized.

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

	2020	2019
Copper price $/lb	3.25 - 3.50	2.80 – 3.10
After-tax discount rate	8.5%	8.5%
CLP/$ exchange rate	700 - 750	700
Life of mine	9 years	10 years

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

9. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	December 31, 2020	December 31, 2019
Trade payables	**$ 126,044**	$ 188,430
Unbilled goods and services	**66,411**	72,702
Employee benefits payable	**71,943**	59,792
Chapada derivative liability - current portion	**24,958**	22,472
Royalties payable	**8,630**	8,769
Prepayment from customers	**2,543**	6,562
Other	**16,500**	11,340
	$ 317,029	$ 370,067

The long-term portion of the derivative liability related to the Chapada acquisition (Note 23) of $63.7 million (2019 - $69.3 million) is included in other long-term liabilities. During 2020, the Company paid the first $25.0 million tranche of the derivative liability. The second tranche has been reclassified from other long-term liabilities to trade and other payables.

10. DEBT AND LEASE LIABILITIES

Debt and lease liabilities are comprised of the following:

	December 31, 2020	December 31, 2019
Revolving credit facility (a)	**$ 58,378**	$ 222,762
Term loans (b)	**100,000**	35,000
Lease liabilities (c)	**36,312**	42,616
Line of credit (d)	**8,358**	8,171
Debt and lease liabilities	**203,048**	308,549
Less: current portion	**116,942**	80,782
Long-term portion	**$ 86,106**	$ 227,767

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

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

	Leases	Debt	Total
As at January 1, 2019	$ 42,644	$ -	$ 42,644
Additions	13,902	453,418	467,320
Payments	(13,483)	(187,754)	(201,237)
Disposals	(1,870)	-	(1,870)
Interest	1,641	-	1,641
Financing fee amortization	-	196	196
Effects of foreign exchange	(218)	73	(145)
As at December 31, 2019	42,616	265,933	308,549
Additions	9,641	386,551	396,192
Payments	(16,665)	(489,293)	(505,958)
Disposals	(1,091)	-	(1,091)
Interest	1,479	-	1,479
Financing fee amortization	-	616	616
Effects of foreign exchange	332	2,929	3,261
As at December 31, 2020	36,312	166,736	203,048
Less: current portion	14,137	102,805	116,942
Long-term portion	**$ 22,175**	**$ 63,931**	**$ 86,106**

a) The Company has a secured revolving credit facility of $800.0 million with a $200.0 million accordion option, maturing August 2023. 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. During the first quarter of 2020, the Company repaid $30.0 million and subsequently drew down $150.0 million on the credit facility. During the third and fourth quarter of 2020, the Company repaid an additional $145.0 million and $140.0 million, respectively. As at December 31, 2020, the balance outstanding was $60.0 million (December 31, 2019 - $225.0 million), along with letters of credit totalling $22.5 million (SEK 162.0 million and €2.2 million) (December 31, 2019 - $23.6 million). Deferred financing fees of $1.6 million, at December 31, 2020, have been netted against borrowings (December 31, 2019 - $2.2 million).

b) During 2019, Candelaria obtained an unsecured fixed term loan in the amount of $50.0 million, of which $15.0 million was subsequently repaid. During the first quarter of 2020, Candelaria obtained two additional unsecured fixed term loans in the amount of $20.0 million and $35.0 million, respectively. All outstanding term loans were repaid in full during the third quarter and two additional unsecured fixed term loans in the amount of $80.0 million and $20.0 million were obtained. These loans mature on July 27, 2021 and August 12, 2021, respectively, and accrue interest at a rate of 1.1% per annum, with interest payable upon maturity. As at December 31, 2020, the total balance outstanding was $100.0 million (December 31, 2019 - $35.0 million).

c) Lease liabilities relate to leases on buildings, rail cars, vehicles, machinery and equipment which have remaining lease terms of one to fourteen 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 $30.7 million (€25.0 million) line of credit for equipment financing. During the first quarter of 2020, Somincor drew $2.0 million (€1.8 million) on the line of credit for purchases of equipment. As at December 31, 2020, the balance outstanding was $8.4 million (€6.8 million) (December 31, 2019 - $8.2 million). Interest rates vary from a fixed rate of 0.88% to EURIBOR +0.84%, dependent on the piece of equipment, with the debt maturing throughout 2023 and 2024.

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

e) Somincor has a commercial paper program which matures in October 2021. The $36.8 million (€30.0 million) program bears interest at EURIBOR +0.84%. During the second quarter of 2020, Somincor drew down $16.4 million (€15.0 million) and $22.5 million (€20.0 million) under this program. Both amounts were repaid on the required repayment dates of June 29, 2020 and July 29, 2020, respectively. During the third and fourth quarter of 2020, Somincor drew down an additional $22.9 million (€20.0 million) and $17.7 million (€15.0 million), and both amounts were repaid in full on August 28, 2020 and December 11, 2020, respectively. There was no balance outstanding as at December 31, 2020 (2019 – 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, 2020 was $134.4 million (2019 - $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, 2020 was $5.0 million (2019 - $24.6 million).

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

	Leases	Debt	Total
Less than one year	$ 15,347	$ 102,805	$ 118,152
One to five years	20,871	65,553	86,424
More than five years	3,139	-	3,139
Total undiscounted obligations as at December 31, 2020	**$ 39,357**	**$ 168,358**	**$ 207,715**

11. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2018	$ 588,854
Chapada acquisition (Note 26)	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
Recognition of revenue	(63,068)
Variable consideration adjustment	(3,354)
Finance costs	41,404
Effects of foreign exchange	6,438
As at December 31, 2020	739,566
Less: current portion	80,832
Long-term portion	**$ 658,734**

Consideration from the Company's streaming 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. As a result of changes in the Company's R&R, it has recognized adjustments to revenue and finance costs in 2019 and 2020.

For the year ended December 31, 2020, the Company recognized finance costs at a weighted average rate of 5.5% (2019 - 5.3%) 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 $412/oz of gold and $4.12/oz of silver (2019 - $408/oz of gold and $4.08/oz of silver), subject to a 1% annual inflationary adjustment. In 2020, approximately 48,000 oz of gold and 658,000 oz of silver (2019 - approximately 55,000 oz of gold and 786,000 oz of silver) were subject to the terms of the streaming agreement.

b) Chapada mine

As part of the Chapada acquisition (Note 26), the Company assumed the following streaming agreements from Yamana Gold Inc. ("Yamana"):

Sandstorm Gold Ltd. ("Sandstorm") is entitled to purchase the lesser of 3.9 million pounds ("Mlbs") or 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 in aggregate, the percentage of payable copper reduces to 1.5% for the remaining life of mine. In 2020, approximately 3.6 Mlbs (2019 - 1.0 Mlbs) were delivered under this agreement. The deferred revenue is being recognized as copper is delivered to Sandstorm under the contract.

Altius Minerals Corporation ("Altius") 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. In 2020, approximately 4.0 Mlbs (2019 - 1.6 Mlbs) were delivered under this agreement. The deferred revenue is being recognized as copper is delivered to Altius under the contract.

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 ("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 2020, the Company received approximately $4.34 per ounce of silver (2019 - $4.30). The agreement extends to the earlier of September 2057 and the end of mine life.

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

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 2020, the Company received approximately $4.43 per ounce of silver (2019 - $4.39). The agreement includes a guaranteed minimum delivery of 40.0 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 27.9 million ounces has been delivered since the inception of the contract in 2004.

12. 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, 2018	$	253,484	$	45,206	$	298,690
Chapada acquisition (Note 26)		71,154		-		71,154
Accretion		9,725		-		9,725
Changes in estimate		(1,557)		(3,517)		(5,074)
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
Accretion		10,363		-		10,363
Changes in estimate		18,785		2,117		20,902
Changes in discount rate		17,933		-		17,933
Payments		(2,582)		-		(2,582)
Effects of foreign exchange		12,227		1,618		13,845
Balance, December 31, 2020		399,838		44,407		444,245
Less: current portion		2,844		-		2,844
Long-term portion	**$**	**396,994**	**$**	**44,407**	**$**	**441,401**

The Company expects these liabilities to be settled between 2021 and 2055. The provisions are discounted using current market pre-tax discount rates which range from 0.1% to 7.2% (December 31, 2019 - 0.3% to 7.0%).

13. 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, 2020, there were 736,039,350 fully paid voting common shares issued (2019 - 734,233,642 shares).

(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 $4.2 million for 2020 (2019 - $5.9 million) with a corresponding credit to contributed surplus.

During 2020, the Company granted approximately 1.0 million SUs to employees and officers that expire in 2023. 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 11% (2019 - 10%). The weighted average fair value per SU granted during 2020 was C$7.07 (2019 - C$6.65). As at December 31, 2020, there was $5.3 million (2019 - $4.7 million) of unamortized stock-based compensation expense related to SUs.

During 2020, 529,328 common shares (2019 - 1,405,010) 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 seven years from the date of grant. The maximum number of stock options that are issuable under the 2014 Option Plan is 42,000,000. 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 $5.4 million for 2020 (2019 - $7.5 million) with a corresponding credit to contributed surplus.

During 2020, the Company granted approximately 4.0 million stock options to employees and officers that expire between 2025 and 2027. 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 0.33% to 1.38% (2019 - 1.41% to 1.82%), expected life of 3.2 years (2019 - 3.2 years) and expected price volatility of 42% to 49% (2019 - 43% to 47%). Volatility is determined using the historical daily volatility over the expected life of the options. A forfeiture rate of approximately 11% was applied (2019 - 10%). The weighted average fair value per stock option granted during 2020 was C$1.94 (2019 - C$2.07). As at December 31, 2020, there was $3.1 million of unamortized stock compensation expense (2019 - $3.3 million) related to stock options.

During 2020, 3,488,980 common shares (2019 - 3,586,515) were issued as a result of stock options being exercised.

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

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

	Number of SUs	Number of options	Weighted average exercise price (C$)
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
Granted	1,033,500	4,004,000	7.08
Forfeited	(92,482)	(1,847,140)	7.98
Exercised	(529,328)	(3,488,980)	6.46
Outstanding, December 31, 2020	**2,534,100**	**9,676,245**	**7.11**

The following table summarizes options outstanding as at December 31, 2020:

	Outstanding Options			Exercisable Options		
Range of exercise prices (C$)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)
4 to 4.99	285,400	0.2	4.33	285,400	0.2	4.33
5 to 5.99	54,000	2.8	5.25	54,000	2.8	5.25
6 to 6.99	3,216,599	3.2	6.63	735,598	3.2	6.64
7 to 7.99	3,989,200	4.1	7.10	177,533	2.0	7.30
8 to 8.99	2,131,046	1.7	8.27	1,590,580	1.6	8.24
	9,676,245	**3.2**	**7.11**	**2,843,111**	**1.9**	**7.32**

(d) Basic and diluted weighted average number of shares outstanding

	December 31, 2020	December 31, 2019
Basic weighted average number of shares outstanding	**734,074,514**	735,309,697
Effect of dilutive securities	**1,248,225**	747,180
Diluted weighted average number of shares outstanding	**735,322,739**	736,056,877
Antidilutive securities	**31,000**	3,350,500

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 $87.3 million (2019 - $66.6 million), or C$0.16 per share, for the year ended December 31, 2020 (2019 - C$0.12 per share).

(f) Normal course issuer bid

In 2019, the Company obtained approval from the TSX for the renewal of its normal course issuer bid ("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 were limited to a maximum of 517,131 common shares.

In December 2020, the Company obtained approval from the TSX for the renewal of its NCIB to purchase up to 63,682,170 common shares between December 9, 2020 and December 8, 2021. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to a maximum of 524,753 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. In connection with the NCIB renewal, the Company entered into an automatic share purchase plan (“ASPP”) with its broker to allow for the purchase of common shares at times when the Company ordinarily would not be active in the market due to trading blackout periods, insider trading rules or otherwise (any such period being an “Operating Period”). Purchases made pursuant to the plan, if any, will be made by the Company’s broker based upon the parameters prescribed by the TSX, applicable Canadian securities laws and the terms of the broker agreement. Outside of these Operating Periods, common shares will be purchasable by the Company at its discretion under its NCIB. The ASPP will commence on the effective date of the NCIB and will terminate on the earliest of the date on which: (i) the purchase limit under the NCIB has been reached; (ii) the NCIB expires; and (iii) the Company terminates the ASPP in accordance with its terms.

For the year ended December 31, 2020, 2,212,600 shares were purchased under the NCIB at an average price of C$6.69 per share for total consideration of $11.1 million. All of the common shares purchased were cancelled.

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. All of the common shares purchased were cancelled.

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

14. NON-CONTROLLING INTERESTS

The Company owns 80% of Compañia Contractual Minera Candelaria S.A. and Compañia 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

	Candelaria mine		Ojos mine	
For the years ended December 31	**2020**	2019	**2020**	2019
Total current assets	**$ 349,549**	$ 330,078	**$ 194,962**	$ 168,228
Total non-current assets	**$ 2,692,701**	$ 2,664,606	**$ 176,812**	$ 178,009
Total current liabilities	**$ 386,416**	$ 301,289	**$ 34,291**	$ 35,941
Total non-current liabilities	**$ 503,438**	$ 461,294	**$ 48,652**	$ 46,833

Summarized Statements of Earnings and Comprehensive Income

	Candelaria mine		Ojos mine	
For the years ended December 31	**2020**	2019	**2020**	2019
Total sales	**$ 885,344**	$ 896,011	**$ 214,654**	$ 198,510
Net earnings/Comprehensive income	**$ 44,541**	$ 63,010	**$ 55,368**	$ 45,585
Dividends paid to non-controlling interests	**$ 20,000**	$ -	**$ 6,000**	$ -

The above information is presented before inter-company eliminations.

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

15. REVENUE

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

		2020		2019
Revenue from contracts with customers:				
Copper	**$**	**1,255,922**	$	1,246,927
Gold		**246,581**		174,448
Zinc		**199,034**		253,594
Nickel		**176,498**		111,872
Lead		**39,562**		51,868
Silver		**34,415**		34,732
Other		**24,578**		19,635
		1,976,590		1,893,076
Provisional pricing adjustments on concentrate sales		**64,916**		(363)
Revenue	**$**	**2,041,506**	$	1,892,713

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

		2020		2019
Revenue from contracts with customers:				
Europe				
Spain	**$**	**384,761**	$	283,589
Finland		**219,954**		239,888
Other		**317,160**		380,111
Asia				
Japan		**403,682**		457,186
China		**189,271**		325,504
Other		**39,122**		37,382
Americas				
Canada		**303,801**		110,838
Other		**118,839**		58,578
		1,976,590		1,893,076
Provisional pricing adjustments on concentrate sales		**64,916**		(363)
Revenue	**$**	**2,041,506**	$	1,892,713

Revenue from contracts with customers for the year-ended December 31, 2020 includes an increase of $2.0 million (2019 – reversal of $14.6 million) due to variable consideration adjustments.

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

16. PRODUCTION COSTS

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

		2020		2019
Direct mine and mill costs	**$**	**980,381**	$	957,515
Transportation		**83,433**		88,644
Royalties		**32,097**		20,044
Total production costs	**$**	**1,095,911**	$	1,066,203

As a result of the labour action at the Company's Candelaria operations in Chile during the fourth quarter of 2020, its operations were temporarily suspended from October 20, 2020 to November 27, 2020. Incremental production costs incurred during the temporary suspension amounted to $5.1 million. These costs included transportation and other services for onsite personnel to perform critical works, and additional site security.

During the year ended December 31, 2020, the Company incurred $12.8 million related to union negotiation settlements.

17. EMPLOYEE BENEFITS

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

		2020		2019
Production costs				
Wages and benefits	**$**	**261,070**	$	244,143
Retirement benefits		**1,339**		1,576
Share-based compensation		**2,007**		3,516
		264,416		249,235
General and administrative expenses				
Wages and benefits		**20,164**		19,850
Retirement benefits		**854**		769
Share-based compensation		**7,470**		9,630
		28,488		30,249
General exploration and business development				
Wages and benefits		**4,108**		6,294
Retirement benefits		**41**		52
Share-based compensation		**128**		207
		4,277		6,553
Total employee benefits	**$**	**297,181**	$	286,037

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

18. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

		2020		2019
General exploration	**$**	**26,187**	$	61,021
Project development		**16,097**		13,130
Corporate development		**1,928**		3,697
Total general exploration and business development	**$**	**44,212**	$	77,848

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

19. FINANCE INCOME AND COSTS

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

		2020		2019
Interest income	**$**	**5,985**	$	12,165
Deferred revenue finance costs		**(30,436)**		(29,260)
Interest expense and bank fees		**(10,837)**		(12,289)
Accretion expense on reclamation provisions		**(10,363)**		(9,725)
Lease liability interest		**(1,479)**		(1,640)
Other		**506**		1,957
Total finance costs, net	**$**	**(46,624)**	$	(38,792)

Finance income	**$**	**6,491**	$	14,122
Finance costs		**(53,115)**		(52,914)
Total finance costs, net	**$**	**(46,624)**	$	(38,792)

20. OTHER INCOME AND EXPENSE

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

		2020		2019[1]
Foreign exchange gain	**$**	**12,962**	$	10,185
Revaluation of derivative asset and liability		**(21,812)**		(21,940)
Revaluation of marketable securities		**(707)**		(1,495)
Loss on sale of assets		**(882)**		(909)
Other expense		**(14,499)**		(1,841)
Total other income (expense), net	**$**	**(24,938)**	$	(16,000)

[1] Comparatives for the 2019 reporting period have been restated. Refer to Note 2(iv).

During 2020, the Company incurred $6.3 million of idle project costs related to COVID-19 restrictions and costs of $3.7 million were incurred for idle capital development contractors who could not access the operations during the strike action at Candelaria.

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

21. CURRENT AND DEFERRED INCOME TAXES

		2020		2019[1]
Current tax expense:				
Current tax on net taxable earnings	**$**	**70,937**	$	66,391
Adjustments in respect of prior years		**(17,993)**		(3,530)
		52,944		62,861
Deferred tax expense:				
Origination and reversal of temporary differences		**92,190**		11,322
Change in tax rates		**5,675**		168
Utilization and recognition of previously unrecognized tax losses and temporary differences		**(3,162)**		-
Temporary differences for which no deferred asset was recognized		**4,774**		3,360
		99,477		14,850
Total tax expense	**$**	**152,421**	$	77,711

[1] Comparatives for the 2019 reporting period have been restated. Refer to Note 2(iv).

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:

		2020		2019[1]
Earnings excluding income taxes	**$**	**341,478**	$	266,888
Combined basic federal and provincial rates		**26.5%**		26.5%
Income taxes based on Canadian statutory income tax rates	**$**	**90,492**	$	70,725
Effect of different tax rates in foreign jurisdictions		**41,683**		26,006
Tax calculated at domestic tax rates applicable to earnings in the respective countries		**132,175**		96,731
Tax effects of:				
Non-deductible and non-taxable items (a)		**(10,814)**		(5,765)
Change in tax rates (b)		**5,675**		(6,803)
Adjustments in respect of prior years (c)		**(14,657)**		(7,847)
Tax losses and temporary differences for which no deferred income tax asset was recognized		**4,774**		3,360
Foreign exchange impact on temporary differences and other translation amounts (d)		**39,684**		11,571
Utilization and recognition of previously unrecognized tax losses and temporary differences		**(3,162)**		-
Tax recovery associated with government grants and other tax credits (e)		**(8,862)**		(26,892)
Net withholding tax on accrued interest receivable		**7,292**		11,745
Other		**316**		1,611
Total tax expense	**$**	**152,421**	$	77,711

[1] Comparatives for the 2019 reporting period have been restated. Refer to Note 2(iv).

The Company operates in tax jurisdictions that have tax rates ranging from 21% to 34%, with Sweden lowering its corporate tax rate from 21.4% to 20.6% effective January 1, 2021.

a) Included in the non-taxable item of $10.8 million in 2020 is the impact of the tax depletion allowance at Eagle of $8.7 million (2019 - $5.1 million).

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

b) In 2020, Chile passed a tax reform which included a reduction on the refund rate of taxes paid on dividends, resulting in a write down of $9.9 million in recoverable taxes. This rate was reduced from 27% to 24.3% in 2020, 21.6% for 2021, gradually decreasing to 0% by 2024.

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

c) In 2020, Neves-Corvo received a tax refund of $14.1 million from a favourable ruling on a tax dispute. Also included in the above amount is a tax refund of $4.3 million received by Candelaria due to prior period adjustments.

d) $39.7 million (2019 - $11.6 million) is the net impact on deferred tax expense as a result of the revaluation of non-monetary assets in Brazil and the translation of deferred tax liabilities from BRL to USD.

e) In 2020, Neves-Corvo recorded $4.1 million in investment tax credits (2019 - $15.1 million).

Deferred tax liabilities, net

	December 31, 2020	December 31, 2019
Deferred tax assets	**$ 62,743**	$ 104,627
Deferred tax liabilities	**(701,103)**	(636,700)
Deferred tax liabilities, net	**$ (638,360)**	$ (532,073)

Net deferred tax liabilities of $747.1 million (2019 - $522.9 million) are expected to be settled after 12 months and net deferred tax assets of $108.7 million (2019 - net deferred tax liabilities of $9.2 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, 2019	(Expensed) / recovered	Equity adjustment	Chapada acquisition	Effects of foreign exchange	**As at December 31, 2020**
Deferred tax assets:						
Loss carryforwards	$ 167,965	$ 2,516	$ -	$ -	$ 927	**$ 171,408**
Reclamation and other closure provisions	59,797	(1,297)	-	-	1,293	**59,793**
Deferred revenue	9,848	(612)	-	-	1,107	**10,343**
Future tax credits	7,123	4,065	-	-	990	**12,178**
Other	17,819	(6,761)	-	-	(277)	**10,781**
Deferred tax liabilities:						
Mineral properties, plant and equipment	(673,750)	(46,677)	-	-	(6,832)	**(727,259)**
Provisions	(19,648)	73	(574)	-	(2,495)	**(22,644)**
Mining royalty taxes	(14,483)	(4,434)	-	-	-	**(18,917)**
Long-term inventory	(77,055)	(44,172)	-	-	(949)	**(122,176)**
Fair value gains	(9,689)	(2,178)	-	-	-	**(11,867)**
	$ (532,073)	**$ (99,477)**	**$ (574)**	**$ -**	**$ (6,236)**	**$ (638,360)**

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

	As at December 31, 2018	(Expensed) / recovered[1]	Equity adjustment	Chapada acquisition	Effects of foreign exchange[1]	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)	(25,785)	-	(201,588)	4,239	(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)	$ (14,850)	$ (1,141)	$ (209,787)	$ 4,435	$ (532,073)

[1] Comparatives for the 2019 reporting period have been restated. Refer to Note 2(iv).

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 assets to be utilized.

The Company did not recognize deferred tax assets of $15.5 million (2019 - $13.9 million) arising from the provision for asset retirement obligation at Eagle and $7.0 million (2019 - $13.3 million) in respect of losses amounting to $54.6 million (2019 - $51.7 million) that can be carried forward against future taxable income.

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

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at December 31, 2020 and December 31, 2019:

		December 31, 2020		December 31, 2019	
	Level	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Restricted funds	1	$ 56,611	$ 56,611	$ 47,666	$ 47,666
Trade receivables (provisional)	2	234,979	234,979	203,565	203,565
Marketable securities	1	3,594	3,594	4,331	4,331
Derivative asset	2	-	-	25,714	25,714
		$ 295,184	**$ 295,184**	$ 281,276	$ 281,276
Financial liabilities					
Amortized cost					
Debt	2	**$ 166,736**	**$ 166,736**	$ 265,933	$ 265,933
Fair value through profit or loss					
Chapada derivative liability (Note 23)	2	**$ 88,659**	**$ 88,659**	$ 91,817	$ 91,817

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 funds – The fair value of investments in shares is determined based on the quoted market price.

Trade receivables – The fair value of trade receivables that contain provisional pricing sales arrangements are valued using quoted forward market prices. The Company recognized positive pricing adjustments of $64.9 million in revenue during the year ended December 31, 2020 (2019 - $0.4 million negative pricing adjustments).

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

Debt – The fair values approximate carrying values as the interest rates are comparable to current market rates.

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

23. COMMITMENTS AND CONTINGENCIES

a) The Company has capital commitments of $75.0 million on various initiatives, of which $68.8 million is expected to be paid during 2021.

b) The Chapada acquisition (Note 26) included contingent consideration of up to $125.0 million payable over five years from the acquisition date if certain gold price thresholds are met. During 2020, the Company paid $25.0 million, thereby reducing the maximum future contingent payments to $100.0 million over the next four years as follows:

- a $10.0 million payment per year if the gold price averages at least $1,350/oz in any sequential annual period,
- a $10.0 million payment per year if the gold price averages at least $1,400/oz in any sequential annual period,
- a $5.0 million payment per year if the gold price averages at least $1,450/oz in any sequential annual period.

In addition, contingent consideration of $100.0 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 a 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 $19.5 million (BRL 101.5 million). While it is uncertain, no material liabilities have been accrued as the Company believes material payment is not likely due to the nature of the tax claims.

c) The following summarizes total tax exposure under two contradictory assessments received from the Chilean Internal Revenue Service (“IRS”). Given that the assessments relate to the same issue, the Company’s potential exposure is expected to be limited to one of the below scenarios:

i) During 2018, the 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. The Company filed a claim against this tax assessment with the Chilean tax court on April 30, 2019 as the Company believes its original filing position is in compliance with tax regulations.

In August 2020, the IRS issued another tax assessment for the 2016 taxation year in the amount of $30.4 million ($13.8 million in taxes and $16.6 million in interest and penalties) on the interest deducted in 2016 on the same intercompany debt. The Company has filed an administrative appeal in response to the assessment.

While not yet assessed by the IRS, a similar position would deny tax refunds of approximately $54.9 million, excluding possible penalties and interest, related to taxation years 2017 to 2020 in addition to a current tax receivable of $51.1 million and deferred tax asset of $30.9 million recorded at December 31, 2020. As with the claim filed in 2019 on the same issue, the Company maintains that the assessment is inconsistent with Chilean tax law and, therefore, without merit. 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.

ii) In 2019, the Company received an assessment from the IRS on the same intercompany debt as noted above for the 2016 tax year on the interest payments. It is seeking additional withholding taxes, including interest and penalties, of approximately $30.4 million ($13.8 million in withholding taxes and $16.6 million in interest and penalties) on interest payments made in 2016. The Company filed a claim against this tax assessment with the Chilean tax court on March 26, 2020 as the Company believes that the correct withholding tax rate has been applied to the interest payments.

In July 2020, a tax assessment was received for the 2017 taxation year relating to the withholding taxes paid on intercompany interest payments, on the same intercompany debt. The IRS issued a tax assessment of $144.3 million ($66.0 million in withholding taxes plus interest and penalties of $78.3 million) on interest payments made in 2017. The Company has filed an administrative appeal in response to the assessment.

While not yet assessed by the IRS, a similar position taken on interest payments could result in approximately $59.4 million in additional withholding taxes, excluding possible penalties and interest, related to the taxation years 2018 to 2020. As with the claim filed earlier in the year on the same issue, the Company believes that the correct withholding tax rate has been applied according to the Canada-Chile tax treaty. No tax expense was accrued for the additional withholding tax assessments as the Company believes its original filing position is in compliance with tax regulations and intends to vigorously defend this position.

d) 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 $137.4 million (C$175.0 million) and punitive damages of $7.9 million (C$10.0 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. On September 2, 2020, the plaintiff filed their leave application and motion for certification with the Ontario Superior Court of Justice. The application and motion have been scheduled for a court hearing in December 2021. 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 totalling 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.

e) As a result of the mill interruption at Chapada, the Company believes it is probable it will receive business interruption insurance proceeds. Given the uncertainty of the amount of proceeds to be received, no amount has been recognized in the consolidated financial statements as of December 31, 2020.

24. 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.

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

For the year ended December 31, 2020

	Candelaria Chile	Chapada Brazil	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Other	Total
Revenue	$ 875,348	$ 445,399	$ 294,280	$ 257,046	$ 169,433	$ -	$ 2,041,506
Cost of goods sold							
Production costs	(460,215)	(177,404)	(144,060)	(219,956)	(92,640)	(1,636)	(1,095,911)
Depreciation, depletion and amortization	(244,509)	(39,454)	(72,807)	(51,083)	(37,781)	(1,840)	(447,474)
Gross profit (loss)	170,624	228,541	77,413	(13,993)	39,012	(3,476)	498,121
General and administrative expenses	-	-	-	-	-	(44,171)	(44,171)
General exploration and business development	(25,549)	(5,101)	(32)	(1,709)	(6,499)	(5,322)	(44,212)
Finance (costs) income	(30,638)	(16,369)	(1,711)	13,797	(2,901)	(8,802)	(46,624)
Income from equity investment in associate	-	-	-	-	-	3,302	3,302
Other (expense) income	(12,737)	7,890	(3,302)	1,420	(1,843)	(16,366)	(24,938)
Income tax (expense) recovery	(38,697)	(112,399)	(7,121)	23,042	(651)	(16,595)	(152,421)
Net earnings (loss)	**$ 63,003**	**$ 102,562**	**$ 65,247**	**$ 22,557**	**$ 27,118**	**$ (91,430)**	**$ 189,057**
Capital expenditures	**$ 216,018**	**$ 38,646**	**$ 11,259**	**$ 128,094**	**$ 36,946**	**$ 272**	**$ 431,235**
Total non-current assets[1]	**$ 2,866,178**	**$ 1,314,109**	**$ 327,742**	**$ 1,242,432**	**$ 309,391**	**$ 31,646**	**$ 6,091,498**

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

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

For the year ended December 31, 2019[1]

	Candelaria Chile	Chapada Brazil	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Other	Total
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 (loss)	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	(19,526)	(922)	1,861	2,718	(2,065)	(16,000)
Income tax (expense) recovery	(22,812)	(37,772)	2,546	11,744	(11,400)	(20,017)	(77,711)
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 assets[2]	$ 2,841,343	$ 1,303,588	$ 385,058	$ 1,074,845	$ 240,269	$ 42,179	$ 5,887,282

[1] Comparatives for the 2019 reporting period have been restated. Refer to Note 2(iv).
[2] Non-current assets include long-term inventory, mineral properties, plant and equipment, investment in associates and goodwill.

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

25. RELATED PARTY TRANSACTIONS

a) **Transactions with associates** - The Company may enter 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 7).

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:

		2020		2019
Wages and salaries	**$**	**6,562**	$	6,343
Share-based compensation		**4,128**		3,447
Pension benefits		**169**		162
	$	**10,859**	$	9,952

26. BUSINESS COMBINATION

On July 5, 2019, the Company acquired 100% of Mineração Maracá Indústria e Comércio S/A, which owns the Chapada copper-gold mine located in Brazil from 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, if the Company chooses to develop the project, and contingent consideration of $100 million on potential construction of a pyrite roaster. Further, the Company is responsible for contingent payments if certain gold price thresholds are met (Note 23).

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, expiry date, and risk-free interest rate. The consideration associated with the NSR and pyrite roaster were valued at nil.

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

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.

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 were recorded in the consolidated statement of earnings for the year ended December 31, 2019, as a business development cost.

27. 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, 2020 is the carrying value of its trade receivables.

Concentrate produced at the Company's Candelaria, Chapada, Eagle, Neves-Corvo and Zinkgruvan mines is 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, 2020, the Company has four customers that individually account for more than 10% of the Company's total sales. These customers represent approximately 19%, 16%, 14% and 13% of total sales.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and restricted funds, 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.

(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 10).

The maturities of the Company's non-current liabilities are disclosed in Note 10 and Note 23. 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, BRL and CLP.

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. The Company may, at its discretion, use forward or derivative contracts to manage its exposure to foreign currencies, the use of which is subject to appropriate approval procedures. 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.

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

The following table illustrates the impact a 10% US dollar change against the €, SEK, BRL and CLP 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
€	+/-10%	+/- $4,517
SEK	+/-10%	+/- $2,550
BRL	+/-10%	+/- $2,111
CLP	+/-10%	+/- $1,857

The impact of a US dollar change against the € and SEK by 10% at December 31, 2020 would have a $136.0 million (2019 - $108.1 million) impact on OCI.

(d) Commodity price risk

The Company is subject to price risk associated with fluctuations in the market prices for metals. A significant change in metal prices could have a material effect on the Company's revenues.

The Company may, at its discretion, 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.

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, 2020	Change	Effect on Revenue ($millions)
Copper	47,693 t	$3.52/lb	+/-10%	+/-$37.0
Zinc	18,789 t	$1.24/lb	+/-10%	+/-$5.1
Gold	25,312 oz	$1,936/oz	+/-10%	+/-$4.9
Nickel	1,470 t	$7.52/lb	+/-10%	+/-$2.4

(e) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents, restricted funds, and debt facilities. Currently, the interest rates on the Company's revolving credit facility of $60.0 million includes a variable rate component referenced to LIBOR.

As at December 31, 2020, holding all other variables constant, a 1% change in the interest rate would result in an approximate $0.6 million change in interest expense on an annualized basis.

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

28. 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 debt and lease liabilities.

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.

29. SUPPLEMENTARY CASH FLOW INFORMATION

		2020		2019
Changes in non-cash working capital items consist of:				
Trade and income taxes receivable, inventories, and other current assets	**$**	**(78,918)**	$	39,322
Trade and income taxes payable, and other current liabilities		**204**		(25,509)
	$	**(78,714)**	$	13,813
Operating activities included the following cash payments:				
Income taxes paid	**$**	**35,612**	$	33,079

During the year ended December 31, 2020, total interest paid, including capitalized interest, was $12.6 million (2019 - $13.9 million). Total interest received for the year ended December 31, 2020 was $6.0 million (2019 - $13.1 million).