lundin mining

Management’s Discussion and Analysis
For the three months ended March 31, 2023

This management’s discussion and analysis (“MD&A”) has been prepared as of May 3, 2023 and should be read in conjunction with the Company’s condensed interim consolidated financial statements for the three months ended March 31, 2023. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. The Company’s presentation currency is United States (“US”) dollars. Reference herein of $ or USD is to United States dollars, ARS is to Argentine pesos, BRL is to Brazilian reais, C$ is to Canadian dollars, CLP is to Chilean pesos, € 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 projects and operations in Argentina, Brazil, Chile, Portugal, Sweden, and the United States of America, primarily producing copper, zinc, gold and nickel.

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Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts included in this document constitute forward-looking information, including but not limited to statements regarding the Company's plans, prospects and business strategies; the Company's guidance on the timing and amount of future production and its expectations regarding the results of operations; expected costs; permitting requirements and timelines; timing and possible outcome of pending litigation; the results of any Preliminary Economic Assessment, Feasibility Study, or Mineral Resource and Mineral Reserve estimations, life of mine estimates, and mine and mine closure plans; anticipated market prices of metals, currency exchange rates, and interest rates; the development and implementation of the Company's Responsible Mining Management System; the Company's ability to comply with contractual and permitting or other regulatory requirements; anticipated exploration and development activities at the Company's projects; expectations and ability to complete the Caserones transaction; the Company's integration of acquisitions and any anticipated benefits thereof, including the Caserones transaction; and expectations for other economic, business, and/or competitive factors. 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: global financial conditions, market volatility and inflation, including pricing and availability of key supplies and services; 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; project financing risks, liquidity risks and limited financial resources; volatility and fluctuations in metal and commodity demand and prices; delays or the inability to obtain, retain or comply with permits; significant reliance on a single asset; reputation risks related to negative publicity with respect to the Company or the mining industry in general; health and safety risks; risks relating to the development of the Josemaria Project; inability to attract and retain highly skilled employees; risks associated with climate change; compliance with environmental, health and safety laws and regulations; unavailable or inaccessible infrastructure, infrastructure failures, and risks related to ageing infrastructure; risks inherent in and/or associated with operating in foreign countries and emerging markets, including with respect to foreign exchange and capital controls; economic, political and social instability and mining regime changes in the Company's operating jurisdictions, including but not limited to those related to permitting and approvals, environmental and tailings management, labour, trade relations, and transportation; risks relating to indebtedness; the inability to effectively compete in the industry; the inability to currently control the Caserones mine and the ability to satisfy the conditions and consummate the Caserones transaction on the proposed terms and expected schedule; 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; changing taxation regimes; risks related to mine closure activities, reclamation obligations, environmental liabilities and closed and historical sites; reliance on key personnel and reporting and oversight systems, as well as third parties and consultants in foreign jurisdictions; information technology and cybersecurity risks; risks associated with the estimation of Mineral Resources and Mineral Reserves and the geology, grade and continuity of mineral deposits including but not limited to models relating thereto; actual ore mined and/or metal recoveries varying from Mineral Resource and Mineral Reserve estimates, estimates of grade, tonnage, dilution, mine plans and metallurgical and other characteristics; ore processing efficiency; community and stakeholder opposition; financial projections, including estimates of future expenditures and cash costs, and estimates of future production may not be reliable; enforcing legal rights in foreign jurisdictions; environmental and regulatory risks associated with the structural stability of waste rock dumps or tailings storage facilities; activist shareholders and proxy solicitation matters; risks relating to dilution; regulatory investigations, enforcement, sanctions and/or related or other litigation; risks relating to payment of dividends; counterparty and customer concentration risks; the estimation of asset carrying values; risks associated with the use of derivatives; relationships with employees and contractors, and the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; conflicts of interest; existence of a significant shareholder; exchange rate fluctuations; challenges or defects in title; internal controls; compliance with foreign laws; 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; the threat associated with outbreaks of viruses and infectious diseases; risks relating to minor elements contained in concentrate products; and other risks and uncertainties, including but not limited to those described in the "Risk and Uncertainties" section of the Company's Annual Information Form and the "Managing Risks" section of the Company's MD&A for the year ended December 31, 2022, 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

For the quarter ended March 31, 2023 the Company generated revenue of $751.3 million (Q1 2022 - $991.1 million). Production costs were higher than the prior year quarter due to inflationary impacts, however cash cost[1] continues on track with recent guidance. The Company generated gross profit of $213.3 million (Q1 2022 - $478.8 million) and adjusted EBITDA[1] of $336.9 million (Q1 2022 - $587.8 million).

Overall, our operations performed well during the first quarter of 2023 and the Company remains on track to achieve production guidance.

Operational Performance

Candelaria (80% owned): Candelaria produced 39,167 tonnes of copper, and approximately 24,000 ounces of gold in concentrate on a 100% basis in the quarter. Copper production was lower than the comparable prior year quarter due to grades whereas gold production was higher than the prior year quarter due to throughput. Current quarter production costs and copper cash cost of $2.21/lb were higher than the prior year quarter largely owing to higher contractor and maintenance costs. Cash cost was further impacted by union bonus payments for the finalization of the remaining two union negotiations, which were successfully completed during the first quarter 2023, and lower sales volumes.

Chapada (100% owned): Chapada produced 9,864 tonnes of copper and approximately 12,000 ounces of gold in concentrate in the quarter. Copper production was lower than the prior year quarter primarily due to planned lower recoveries partially offset by higher throughput. Current quarter production for both metals was above expectations due to higher throughput. Production costs were lower due to lower sales volumes. Copper cash cost of $2.37/lb for the quarter was higher than the prior year quarter due to higher consumable costs and lower sales volumes.

Eagle (100% owned): During the quarter Eagle produced 3,724 tonnes of nickel and 3,140 tonnes of copper which were lower than the prior year quarter due to planned lower grades and lower throughput. Production costs were higher than the comparable prior year quarter due to higher consumable costs. Nickel cash cost in the quarter of $2.43/lb was higher than the prior year quarter due primarily to lower by-product copper price and lower sales volumes.

Neves-Corvo (100% owned): Neves-Corvo produced 7,574 tonnes of copper for the quarter and 27,793 tonnes of zinc. Copper production was lower than the prior year comparable quarter, due primarily to lower throughput and grades, while zinc production was higher primarily due to increased throughput driven by the ramp-up of the Zinc Expansion Project ("ZEP"). Production costs were higher than the prior year due to higher zinc volumes and copper cash cost of $1.69/lb for the quarter was comparable to the prior year quarter.

Zinkgruvan (100% owned): Zinc production of 20,760 tonnes, lead production of 7,407 tonnes and copper production of 1,717 tonnes were higher than the prior year quarter. Zinc and lead production were higher due to higher grades, and better than expected throughput while copper production was higher due to grades. Production costs were lower than the prior year quarter due to favourable foreign exchange. Zinc cash cost of $0.54/lb was higher than the prior year quarter due to lower by-product credits.

Total Production[a]

	2023	2022				
(contained metal in concentrate)	**Q1**	**Total**	Q4	Q3	Q2	Q1
Copper (t)[b]	**61,462**	**249,659**	56,552	63,930	64,096	65,081
Zinc (t)	**48,553**	**158,938**	44,308	40,327	41,912	32,391
Gold (koz)[b]	**36**	**154**	36	45	39	34
Nickel (t)	**3,724**	**17,475**	4,096	4,379	4,719	4,281

a - Tonnes (t) and thousands of ounces (koz)
b - Candelaria's production is on a 100% basis

[1] This is a non-GAAP measure - see section "Non-GAAP and Other Performance Measures" of this MD&A for discussion.

Corporate Updates

- On February 8, 2023, the Company reported its Mineral Resource and Mineral Reserve estimates as at December 31, 2022.

- On February 22, 2023, the Company filed updated technical reports for Candelaria, Neves-Corvo and Eagle.

- On March 23, 2023, the Company announced the appointment of Ms. Maria Olivia Recart to the Company's Board of Directors.

- On March 27, 2023, the Company announced it entered into a binding purchase agreement with JX Nippon Mining and Metals Corporation to acquire a majority interest in the Caserones copper-molybdenum mine ("Caserones") in Chile. The Company will pay $800 million and in addition, $150 million in deferred cash consideration over a six year period following the closing date. The Company will also have the right to acquire an additional 19% interest in Caserones for $350 million over a five-year period commencing on the first anniversary of the date of closing. The transaction is expected to close in the third quarter of 2023.

- On April 11, 2023, the Company announced the Annual Meeting of Shareholders will be held on Thursday, May 11, 2023.

- On April 26, 2023, the Company executed a fifth amended and restated credit agreement that extended the term of its revolving credit facility ("the Credit Facility") to April 2028.

Financial Performance

- Gross profit for the quarter ended March 31, 2023 was $213.3 million, a decrease of $265.5 million in comparison to the prior year quarter due to higher operating costs impacted by inflationary impacts, lower metal prices net of price adjustments ($151.8 million) and lower sales volumes.

- For the three months ended March 31, 2023, net earnings of $165.3 million were $212.8 million lower than the prior year comparable period due to lower gross profit partially offset by lower income taxes.

- Adjusted earnings[1] of $125.7 million for the quarter ended March 31, 2023, were lower than the prior year comparable quarter due to lower net attributable earnings.

Financial Position and Financing

- During the quarter ended March 31, 2023, cash and cash equivalents decreased by $7.1 million. Cash flow from operations of $211.9 million was used to fund investing activities of $240.1 million. Cash from financing activities was $19.5 million which was comprised primarily of the proceeds from debt on a net basis and the settlement of foreign currency derivatives.

- As at March 31, 2023, the Company had a net debt[1] balance of $34.6 million.

- As at May 3, 2023, the Company had cash and net debt balances of approximately $180.0 million and $90.0 million, respectively.

[1] This is a non-GAAP measure - see section "Non-GAAP and Other Performance Measures" of this MD&A for discussion.

Outlook

The Company remains in a strong financial position with its producing assets generating material free cash flow from operations[1] which continues to be allocated towards growth projects, acquisitions and shareholder distributions.

All metal production continues to track against the most recently reported guidance ranges as outlined in the MD&A for the year ended December 31, 2022. Metal production is modestly weighted to the second half of the year for all sites except Neves-Corvo where copper is equally weighted and zinc production is expected to increase as initiatives to enable ZEP to consistently achieve nameplate capacity are executed and expected to result in improved overall throughput and metal recovery rates.

Forecast cash costs at all sites are trending within or better than guidance ranges due to lower than anticipated production cost at all sites except Eagle, where cash cost is trending higher due to anticipated lower sales volumes.

The Company continues to experience continuing risks associated with global inflation as well as supply chain delivery. To date, there have been no significant impacts on our operations relating to supply chain availability. The Company has implemented procurement strategies and foreign exchange and diesel hedging programs to mitigate the impact on costs and continues to monitor these risks.

Cash based capital expenditures, are tracking well to the most recent guidance of $1,100.0 million, inclusive of capitalized costs for the Josemaria Project. Similarly, total exploration expenditures are on target of $45.0 million for 2023.

[1] This is a non-GAAP measure - see section "Non-GAAP and Other Performance Measures" of this MD&A for discussion.

Selected Quarterly Financial Information[1]

($ millions, except share and per share amounts)	Three months ended March 31, 2023	2022
Revenue	**751.3**	991.1
Costs of goods sold:		
Production costs	**(417.8)**	(382.4)
Depreciation, depletion and amortization	**(120.2)**	(129.8)
Gross profit	**213.3**	478.8
Net earnings attributable to:		
Lundin Mining shareholders	**146.6**	345.1
Non-controlling interests	**18.7**	33.0
Net earnings	**165.3**	378.1
Adjusted earnings[3]	**125.7**	295.6
Adjusted EBITDA[3]	**336.9**	587.8
Cash flow from operations	**211.9**	317.3
Adjusted operating cash flow[3]	**235.1**	472.8
Free cash flow from operations	**71.1**	194.8
Free cash flow[3]	**(34.2)**	172.3
Capital expenditures[4]	**246.1**	144.9
Per share amounts:		
Basic and diluted earnings per share ("EPS") attributable to shareholders	**0.19**	0.47
Adjusted EPS	**0.16**	0.40
Adjusted operating cash flow per share[3]	**0.30**	0.64
Dividends declared (C$/share)	**0.09**	0.20

	March 31, 2023	December 31, 2022
Total assets	**8,347.0**	8,172.8
Total debt and lease liabilities	**214.7**	197.3
Net debt[3]	**(34.6)**	(10.9)

Summary of Quarterly Results[1,2,5]

($ millions, except per share data)	Q1-23	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21
Revenue	751.3	811.4	648.5	590.2	991.1	1,018.6	756.4	872.3
Gross profit	213.3	155.2	82.5	46.0	478.8	433.2	303.9	380.2
Net earnings (loss)	165.3	145.3	(11.2)	(48.6)	378.1	266.1	190.6	268.4
- attributable to shareholders	146.6	145.6	(11.2)	(52.6)	345.1	228.8	173.7	242.6
Adjusted earnings (loss)[3]	125.7	191.5	30.9	(35.3)	295.6	281.5	168.4	226.3
Adjusted EBITDA[3]	336.9	353.7	202.4	148.6	587.8	623.0	411.3	480.7
EPS - Basic and Diluted	0.19	0.19	(0.01)	(0.07)	0.47	0.31	0.24	0.33
Adjusted EPS[3]	0.16	0.25	0.04	(0.05)	0.40	0.38	0.23	0.31
Cash flow from operations	211.9	156.9	36.3	366.4	317.3	384.2	523.1	419.0
Adjusted operating cash flow per share[3]	0.30	0.38	0.23	0.06	0.64	0.65	0.40	0.58
Capital expenditures[4]	246.1	281.2	199.5	217.3	144.9	153.9	133.8	131.9

[1] Except where otherwise noted, financial data has been prepared in accordance with IFRS as issued by the IASB.

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

[3] This is a non-GAAP measure - see the "Non-GAAP and Other Performance Measures" section of this MD&A for discussion.

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

[5] Variability in revenues and net earnings is largely driven by metal prices and sales volumes. In recent quarters, net earnings has also been impacted by inflation factors. For further metal price trending discussion, refer to page 19 of this MD&A.

Revenue Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)	2023	2022				
	Q1	Total	Q4	Q3	Q2	Q1
Copper (t)						
Candelaria (100%)	**35,570**	147,251	33,561	35,587	39,655	38,448
Chapada	**9,072**	45,563	12,037	12,817	7,905	12,804
Eagle	**2,785**	14,060	2,672	3,721	4,159	3,508
Neves-Corvo	**8,031**	31,592	6,351	8,574	8,183	8,484
Zinkgruvan	**869**	4,428	886	1,570	337	1,635
	56,327	242,894	55,507	62,269	60,239	64,879
Zinc (t)						
Neves-Corvo	**23,542**	66,966	20,205	18,770	16,289	11,702
Zinkgruvan	**16,612**	65,684	17,635	13,722	18,525	15,802
	40,154	132,650	37,840	32,492	34,814	27,504
Gold (koz)						
Candelaria (100%)	**22**	83	20	20	22	21
Chapada	**11**	65	17	23	10	15
	33	148	37	43	32	36
Nickel (t)						
Eagle	**2,735**	14,427	3,239	3,715	4,206	3,267
Lead (t)						
Neves-Corvo	**1,039**	2,908	673	654	818	763
Zinkgruvan	**5,478**	30,163	7,654	7,502	10,163	4,844
	6,517	33,071	8,327	8,156	10,981	5,607
Silver (koz)						
Candelaria (100%)	**295**	1,442	278	305	412	447
Chapada	**31**	156	50	32	26	48
Eagle	**6**	34	9	9	9	7
Neves-Corvo	**171**	552	92	117	152	191
Zinkgruvan	**399**	2,088	551	532	650	355
	902	4,272	980	995	1,249	1,048

Revenue Analysis

by Mine	Three months ended March 31, 2023		2022		Change
($ thousands)	$	%	$	%	$
Candelaria (100%)	**380,405**	51	457,546	46	(77,141)
Chapada	**111,118**	15	159,605	16	(48,487)
Eagle	**69,420**	9	149,869	15	(80,449)
Neves-Corvo	**129,403**	17	134,567	14	(5,164)
Zinkgruvan	**60,998**	8	89,492	9	(28,494)
	751,344		991,079		(239,735)

by Metal	Three months ended March 31, 2023		2022		Change
($ thousands)	$	%	$	%	$
Copper	**529,681**	70	679,075	69	(149,394)
Zinc	**99,151**	13	107,615	11	(8,464)
Gold	**57,068**	8	59,717	6	(2,649)
Nickel	**41,959**	6	106,790	11	(64,831)
Lead	**11,459**	2	11,837	1	(378)
Silver	**9,236**	1	13,898	1	(4,662)
Other	**2,790**	—	12,147	1	(9,357)
	751,344		991,079		(239,735)

Revenue for the quarter ended March 31, 2023 amounted to $751.3 million which was lower in comparison to the prior quarter primarily as a result of lower realized metal prices and price adjustments ($151.8 million).

Revenue from gold and silver for the quarter ended March 31, 2023 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 $425/oz for gold and between $4.25/oz and $4.57/oz for silver.

Chapada's copper revenue includes the recognition of deferred revenue from copper streams acquired with the Chapada mine, as well as the cash proceeds of 30% of the market price of the copper sold under the streams.

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.

Provisionally Valued Revenue as of March 31, 2023

Metal	Payable metal	Valued at
Copper	88,628 t	$4.08 /lb
Zinc	41,644 t	$1.33 /lb
Gold	38 koz	$1,975 /oz
Nickel	2,048 t	$10.75 /lb

Quarterly Reconciliation of Realized Prices

	Three months ended March 31, 2023				
($ thousands)	Copper	Zinc	Gold	Nickel	Total
Current period sales[1]	505,239	118,233	64,506	64,657	752,635
Prior period price adjustments	52,643	5,139	3,147	(20,260)	40,669
	557,882	123,372	67,653	44,397	793,304
Other metal sales					41,053
Copper stream cash effect					(6,510)
Gold stream cash effect					(20,596)
Less: Treatment & refining charges					(55,907)
Total Revenue					**751,344**
Payable Metal	**56,327 t**	**40,154 t**	**32 koz**	**2,735 t**	
Current period sales[1,2]	$4.07	$1.34	$1,978	$10.72	
Prior period adjustments[2]	0.42	0.05	96	(3.36)	
Realized prices[2, 3]	$4.49 /lb	$1.39 /lb	$2,074 /oz	$7.36 /lb	

	Three months ended March 31, 2022				
	Copper	Zinc	Gold	Nickel	Total
Current period sales[1]	671,395	111,706	70,530	102,516	956,147
Prior period price adjustments	34,906	7,428	732	6,757	49,823
	706,301	119,134	71,262	109,273	1,005,970
Other metal sales					55,536
Copper stream cash effect					(7,140)
Gold stream cash effect					(21,108)
Less: Treatment & refining charges					(42,179)
Total Revenue					**991,079**
Payable Metal	64,879 t	27,504 t	36 koz	3,267 t	
Current period sales[1,2]	$4.69	$1.84	$1,939	$14.23	
Prior period adjustments[2]	0.25	0.12	20	0.94	
Realized prices[2, 3]	$4.94 /lb	$1.96 /lb	$1,959 /oz	$15.17 /lb	

1. Includes provisional price adjustments on current period sales.

2. This is a non-GAAP measure – see the "Non-GAAP and Other Performance Measures" section of this MD&A for discussion.

3. The realized price for copper inclusive of the impact of streaming agreements for the three months ended March 31, 2023 is $4.44/lb (2022: $4.89/lb). The realized price for gold inclusive of the impact of streaming agreements for the three months ended March 31, 2023 is $1,443/oz (2022: $1,379/oz).

Financial Results

Production Costs

Production costs for the quarter ended March 31, 2023 were $417.8 million an increase of $35.3 million over the first quarter in the prior year. These production cost increases were primarily due to increased contractor and maintenance costs at Candelaria.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense for the quarter ended March 31, 2023 decreased, primarily attributable to reduced Candelaria deferred stripping amortization.

Depreciation, depletion & amortization	**Three months ended March 31,**		
($ thousands)	**2023**	2022	Change
Candelaria	**58,375**	68,109	(9,734)
Chapada	**12,081**	11,117	964
Eagle	**11,151**	16,849	(5,698)
Josemaria	**38**	—	38
Neves-Corvo	**30,080**	20,845	9,235
Zinkgruvan	**8,087**	12,479	(4,392)
Other	**435**	438	(3)
	120,247	129,837	(9,590)

General Exploration and Business Development

Total general exploration and business development expenses for the quarter ended March 31, 2023 was higher than the comparable prior year quarter due mainly to increased corporate development expenses related to the acquisition of Caserones. During the current quarter, exploration costs were spent primarily on in-mine and near-mine targets at the Company's operations. Geophysical surveys were conducted at Candelaria, Chapada and Zinkgruvan. Drilling at Candelaria was divided between Ojos district and Candelaria North with four rigs. Exploration drilling at Neves-Corvo and Zinkgruvan was primarily focused along near-mine mineralized trends; Drilling at Chapada has primarily focused on Saúva and the Chapada District with four drill rigs operating during the quarter. Drilling and geophysical surveys will ramp up during the second quarter at Eagle.

Other Income

Net other income for the year ended March 31, 2023 was higher than the prior year due to foreign exchange and trading gains on equity investments of $22.1 million and realized as well as unrealized gains on foreign currency contracts of $34.2 million. In the prior year quarter, a larger tax refund was received related to a subsidiary sold in a prior period.

Foreign exchange gains and losses recorded in other income primarily resulted from foreign exchange revaluation of working capital denominated in foreign currencies. Period end exchange rates having a meaningful impact on foreign exchange recorded at March 31, 2023 were:

	March 31, 2023	**December 31, 2022**
Brazilian Real (USD:BRL)	**5.08**	5.22
Chilean Peso (USD:CLP)	**789**	860
Euro (USD:€)	**0.92**	0.94
Swedish Kronor (USD:SEK)	**10.35**	10.44
Argentine Peso (USD:ARS)	**209**	177

Income Taxes

Income tax expense (recovery)	Three months ended March 31,		
($ thousands)	**2023**	2022	Change
Candelaria	**42,547**	72,969	(30,422)
Chapada	**(5,349)**	(27,681)	22,332
Eagle	**7**	13,762	(13,755)
Neves-Corvo	**1,272**	7,111	(5,839)
Zinkgruvan	**3,979**	11,265	(7,286)
Other	**6,237**	(220)	6,457
	48,693	77,206	(28,513)

Income taxes by classification	Three months ended March 31,		
($ thousands)	**2023**	2022	Change
Current income tax expense	**59,501**	95,538	(36,037)
Deferred income tax expense (recovery)	**(10,808)**	(18,332)	7,524
	48,693	77,206	(28,513)

Income tax expense for the quarter ended March 31, 2023 was lower than the prior year quarter primarily due to lower taxable earnings. Included in Chapada's income taxes for the quarter ended March 31, 2023 was a $6.0 million recovery recorded for deferred tax on foreign exchange revaluation of non-monetary assets and deferred taxes (2022 – $35.0 million expense).

Mining Operations

Production Overview

(Contained metal in concentrate)	2023	2022				
	Q1	Total	Q4	Q3	Q2	Q1
Copper (t)						
Candelaria (100%)	**39,167**	152,042	34,398	37,192	40,949	39,503
Chapada	**9,864**	45,739	11,306	13,988	10,345	10,100
Eagle	**3,140**	15,895	3,081	3,994	4,400	4,420
Neves-Corvo	**7,574**	31,906	7,160	7,019	7,867	9,860
Zinkgruvan	**1,717**	4,077	607	1,737	535	1,198
	61,462	249,659	56,552	63,930	64,096	65,081
Zinc (t)						
Neves-Corvo	**27,793**	82,435	24,523	22,514	20,647	14,751
Zinkgruvan	**20,760**	76,503	19,785	17,813	21,265	17,640
	48,553	158,938	44,308	40,327	41,912	32,391
Gold (koz)						
Candelaria (100%)	**24**	86	20	21	23	22
Chapada	**12**	68	16	24	16	12
	36	154	36	45	39	34
Nickel (t)						
Eagle	**3,724**	17,475	4,096	4,379	4,719	4,281
Lead (t)						
Neves-Corvo	**1,172**	3,306	845	743	925	793
Zinkgruvan	**7,407**	30,517	7,619	7,046	9,124	6,728
	8,579	33,823	8,464	7,789	10,049	7,521
Silver (koz)						
Candelaria (100%)	**347**	1,595	306	337	457	495
Chapada	**56**	258	65	75	60	58
Eagle	**17**	93	20	20	26	27
Neves-Corvo	**436**	1,383	370	323	346	344
Zinkgruvan	**632**	2,621	663	642	739	577
	1,488	5,950	1,424	1,397	1,628	1,501

Production Cost and Cash Cost Overview ($ thousand, $/lb)

($ thousands)	Three months ended March 31, 2023	2022
Candelaria		
Production costs	**$187,979**	$152,809
Gross cost	**2.58**	1.96
By-product[1]	**(0.37)**	(0.38)
Cash Cost (Cu, $/lb)	**2.21**	1.58
AISC (Cu, $/lb)[2]	**3.44**	2.61
Chapada		
Production costs	**$68,634**	$79,677
Gross cost	**3.54**	2.85
By-product	**(1.17)**	(1.03)
Cash Cost (Cu, $/lb)	**2.37**	1.82
AISC (Cu, $/lb)	**3.42**	2.56
Eagle		
Production cost	**$45,449**	$39,558
Gross cost	**6.98**	4.73
By-product	**(4.55)**	(5.98)
Cash Cost (Ni, $/lb)	**2.43**	(1.25)
AISC (Ni, $/lb)	**5.16**	1.19
Neves-Corvo		
Production costs	**$85,726**	$78,470
Gross cost	**5.06**	4.32
By-product	**(3.37)**	(2.62)
Cash Cost (Cu, $/lb)	**1.69**	1.70
AISC (Cu, $/lb)	**3.29**	2.92
Zinkgruvan		
Production costs	**$28,905**	$31,188
Gross cost	**1.03**	1.07
By-product	**(0.49)**	(0.80)
Cash Cost (Zn, $/lb)	**0.54**	0.27
AISC (Zn, $/lb)	**0.97**	0.57

1. By-product is after related treatment and refining charges.
2. All-in Sustaining Cost ("AISC") is a non-GAAP measure, see the "Non-GAAP and Other Performance Measures" section of this MD&A for discussion.

Capital Expenditures[1]

	Three months ended March 31,							
	2023				2022			
($ thousands)	Sustaining	Expansionary	Capitalized Interest	**Total**	Sustaining	Expansionary	Capitalized Interest	Total
Candelaria	90,686	—	—	**90,686**	82,964	—	—	82,964
Chapada	16,027	—	—	**16,027**	14,455	—	—	14,455
Eagle	7,102	—	—	**7,102**	4,460	—	—	4,460
Josemaria	—	90,519	36	**90,555**	—	—	—	—
Neves-Corvo	25,061	—	—	**25,061**	19,516	14,154	—	33,670
Zinkgruvan	14,468	—	—	**14,468**	9,039	—	—	9,039
Other	2,220	—	—	**2,220**	324	—	—	324
	155,564	90,519	36	**246,119**	130,758	14,154	—	144,912

1. Capital expenditures are reported on a cash basis, as presented in the condensed interim consolidated statement of cash flows. Sustaining capital expenditure is a supplementary financial measure and expansionary capital expenditure is a non-GAAP measure – see the "Non-GAAP and Other Performance Measures" section of this MD&A for discussion.

Candelaria (Chile)

Operating Statistics

(100% Basis)	2023 Q1	2022 Total	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Ore mined (000s tonnes)	**6,602**	22,666	4,993	6,239	6,362	5,072
Ore milled (000s tonnes)	**7,202**	26,725	6,593	6,642	6,847	6,643
Grade						
Copper (%)	**0.59**	0.62	0.57	0.60	0.64	0.65
Gold (g/t)	**0.15**	0.14	0.13	0.14	0.14	0.14
Recovery						
Copper (%)	**92.6**	92.7	92.7	93.3	93.0	91.9
Gold (%)	**70.3**	73.9	74.0	74.6	73.8	73.0
Production (contained metal)						
Copper (tonnes)	**39,167**	152,042	34,398	37,192	40,949	39,503
Gold (000 oz)	**24**	86	20	21	23	22
Silver (000 oz)	**347**	1,595	306	337	457	495
Revenue ($000s)	**380,405**	1,317,223	342,348	255,330	261,999	457,546
Production costs ($000s)	**187,979**	697,171	207,596	168,602	168,164	152,809
Gross profit ($000s)	**134,051**	335,793	69,285	11,956	17,924	236,628
Cash cost ($ per pound copper)	**2.21**	1.96	2.52	1.97	1.86	1.58
AISC ($ per pound copper)	**3.44**	3.22	4.19	3.34	2.89	2.61

Gross Profit

Gross profit for the quarter ended March 31, 2023 was lower than the prior year quarter, primarily due to higher production costs, lower copper prices and sales volumes.

Production

Copper production for the quarter ended March 31, 2023 was lower than the prior year quarter due to lower grades from the open pit partially offset by higher throughput. Gold production was higher than the prior year quarter largely due to higher throughput. Both metals performed better than fourth quarter 2022 production. Annual copper and gold production are on track to achieve guidance.

Production Costs and Cash Cost

Production costs and copper cash cost for the quarter ended March 31, 2023 were higher than the prior year quarter, mainly due to higher contractor services and higher maintenance costs. Cash cost was further impacted by union bonus payments for the finalization of the remaining two union negotiations, which were successfully completed during the first quarter 2023, as well as lower copper sales volumes. Annual copper cash cost guidance remains unchanged.

AISC for the quarter ended March 31, 2023 was higher than that reported in the prior year quarter due to higher cash cost and higher sustaining capital expenditures.

For the quarter ended March 31, 2023, approximately 14,000 oz of gold and 200,000 oz of silver were subject to terms of a streaming agreement from which approximately $425/oz of gold and $4.25/oz of silver were received.

Chapada (Brazil)

Operating Statistics

	2023	2022				
(100% Basis)	**Q1**	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**6,121**	26,319	7,801	7,404	4,875	6,239
Ore milled (000s tonnes)	**5,976**	22,752	5,296	6,345	5,670	5,441
Grade						
Copper (%)	**0.23**	0.26	0.25	0.28	0.25	0.23
Gold (g/t)	**0.13**	0.16	0.16	0.19	0.17	0.13
Recovery						
Copper (%)	**73.3**	78.6	83.4	78.8	72.9	79.6
Gold (%)	**48.0**	56.0	59.5	58.3	50.6	55.3
Production (contained metal)						
Copper (tonnes)	**9,864**	45,739	11,306	13,988	10,345	10,100
Gold (000 oz)	**12**	68	16	24	16	12
Silver (000 oz)	**56**	258	65	75	60	58
Revenue ($000s)	**111,118**	477,927	142,328	118,734	57,260	159,605
Production costs ($000s)	**68,634**	324,096	84,247	88,665	71,507	79,677
Gross profit (loss) ($000s)	**30,403**	41,420	(22,522)	17,851	(22,720)	68,811
Cash cost ($ per pound copper)	**2.37**	2.08	1.95	1.92	2.98	1.82
AISC ($ per pound copper)	**3.42**	3.36	3.73	2.80	5.00	2.56

Gross Profit
Gross profit for the quarter ended March 31, 2023 was lower compared to the prior year quarter, largely due to lower sales volumes and inflationary increases for production costs.

Production
Copper production for the quarter ended March 31, 2023 was lower than the fourth quarter of 2022, as expected during the rainy season, and was lower than the prior year quarter due to planned lower recoveries, partially offset by higher throughput. Gold production in the quarter was comparable to the prior year quarter. Both metals performed better than plan during the first quarter of 2023 and are on track to meet annual production guidance.

Production Costs and Cash Cost
Current quarter production costs were lower than the prior year quarter due primarily to lower volumes sold.

Copper cash cost for the quarter ended March 31, 2023 was higher than the prior year quarter due to higher consumable costs and lower sales volumes. Annual copper cash cost guidance remains unchanged. AISC was higher compared to the prior year quarter due to higher cash cost.

Projects
The Company is continuing to evaluate options for long-term mine and plant expansion. Study work is being conducted following comprehensive exploration efforts focused on near-mine targets since acquisition. The results will be incorporated in any future expansionary or optimization plans. During the first quarter, approximately 9,400 metres of exploration drilling were completed, primarily on Saúva area targets.

Eagle (USA)

Operating Statistics

	2023	2022				
(100% Basis)	**Q1**	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**156**	718	165	190	181	182
Ore milled (000s tonnes)	**161**	718	170	187	182	179
Grade						
Nickel (%)	**2.6**	2.8	2.7	2.7	3.0	2.8
Copper (%)	**2.0**	2.3	1.9	2.2	2.5	2.5
Recovery						
Nickel (%)	**88.5**	86.6	88.6	85.5	87.3	85.3
Copper (%)	**97.2**	97.2	96.8	96.5	97.7	97.6
Production (contained metal)						
Nickel (tonnes)	**3,724**	17,475	4,096	4,379	4,719	4,281
Copper (tonnes)	**3,140**	15,895	3,081	3,994	4,400	4,420
Revenue ($000s)	**69,420**	520,472	157,060	106,715	106,828	149,869
Production costs ($000s)	**45,449**	193,003	50,581	47,736	55,128	39,558
Gross profit ($000s)	**12,820**	247,946	87,359	37,329	29,796	93,462
Cash cost ($ per pound nickel)	**2.43**	0.79	2.40	1.05	0.90	(1.25)
AISC ($ per pound nickel)	**5.16**	3.01	5.23	2.77	2.93	1.19

Gross Profit

Gross profit for the quarter ended March 31, 2023 was lower than the prior year quarter, primarily due to lower nickel price adjustments and lower sales volumes.

Production

Nickel and copper production in the current quarter was lower than the fourth quarter of 2022 and the prior year quarter, due to lower throughput and lower grades. Both metals are on track to meet full year production guidance.

Production Costs and Cash Cost

Production costs and nickel cash cost in the first quarter were higher than the prior year quarter due to higher costs for consumables. Cash cost was also impacted by lower by-product copper price and lower nickel sales volumes. Annual nickel cash cost guidance remains unchanged. AISC in the first quarter was higher than the prior year quarter largely as a result of higher cash cost, as well as higher sustaining capital expenditures.

Neves-Corvo (Portugal)

Operating Statistics

	2023	2022				
(100% Basis)	**Q1**	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000s tonnes)	**603**	2,501	611	598	610	682
Ore mined, zinc (000s tonnes)	**511**	1,632	462	447	426	297
Ore milled, copper (000s tonnes)	**604**	2,499	607	596	606	690
Ore milled, zinc (000s tonnes)	**510**	1,633	465	449	420	299
Grade						
Copper (%)	**1.6**	1.7	1.6	1.6	1.7	1.8
Zinc (%)	**6.7**	6.9	6.9	6.9	6.9	7.0
Recovery						
Copper (%)	**77.7**	76.1	75.1	73.0	77.0	78.7
Zinc (%)	**78.7**	70.2	74.3	70.3	68.4	66.1
Production (contained metal)						
Copper (tonnes)	**7,574**	31,906	7,160	7,019	7,867	9,860
Zinc (tonnes)	**27,793**	82,435	24,523	22,514	20,647	14,751
Lead (tonnes)	**1,172**	3,306	845	743	925	793
Silver (000 oz)	**436**	1,383	370	323	346	344
Revenue ($000s)	**129,403**	433,486	102,516	102,865	93,538	134,567
Production costs ($000s)	**85,726**	329,232	78,402	94,572	77,788	78,470
Gross profit (loss) ($000s)	**13,597**	2,447	(7,570)	(17,006)	(8,229)	35,252
Cash cost ($ per pound copper)	**1.69**	2.27	2.32	2.69	2.39	1.70
AISC ($ per pound copper)	**3.29**	3.40	4.22	3.51	3.14	2.92

Gross Profit

Gross profit for the quarter ended March 31, 2023, was lower than the first quarter of 2022 due to lower zinc and copper price and price adjustments and higher production costs.

Production

Copper production for the quarter ended March 31, 2023, was higher than the fourth quarter of 2022 due to higher recoveries, though lower than the prior year quarter due to lower throughput and grades. Zinc production in the first quarter was higher than both the fourth quarter of 2022 and the prior year quarter as a result of higher throughput due to the ZEP ramp up and better recoveries. Both metals are expected to achieve annual guidance.

Production Costs and Cash Cost

Production costs for the quarter ended March 31, 2023, were higher than the prior year quarter, primarily due to higher zinc production volumes. Production costs benefitted from the easing of inflationary pressures on consumable prices, in particular electricity.

Copper cash cost for the quarter was comparable to the prior year quarter. Annual copper cash cost guidance remains unchanged. AISC for the quarter ended March 31, 2023, was higher than the prior year quarter due to higher sustaining capital expenditures.

Zinkgruvan (Sweden)

Operating Statistics

	2023	2022				
(100% Basis)	**Q1**	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000s tonnes)	**310**	1,209	325	260	298	326
Ore mined, copper (000s tonnes)	**55**	192	48	61	38	45
Ore milled, zinc (000s tonnes)	**315**	1,234	309	293	327	305
Ore milled, copper (000s tonnes)	**78**	225	26	84	27	88
Grade						
Zinc (%)	**7.4**	7.0	7.3	6.9	7.3	6.5
Lead (%)	**2.9**	3.0	3.0	2.9	3.3	2.7
Copper (%)	**2.4**	2.1	2.6	2.4	2.3	1.6
Recovery						
Zinc (%)	**88.7**	88.4	88.3	87.5	89.1	88.7
Lead (%)	**82.1**	82.4	82.2	82.5	83.1	81.7
Copper (%)	**90.5**	87.1	89.0	86.1	87.7	87.3
Production (contained metal)						
Zinc (tonnes)	**20,760**	76,503	19,785	17,813	21,265	17,640
Lead (tonnes)	**7,407**	30,517	7,619	7,046	9,124	6,728
Copper (tonnes)	**1,717**	4,077	607	1,737	535	1,198
Silver (000 oz)	**632**	2,621	663	642	739	577
Revenue ($000s)	**60,998**	292,120	67,178	64,854	70,596	89,492
Production costs ($000s)	**28,905**	115,553	29,590	25,709	29,066	31,188
Gross profit ($000s)	**24,006**	139,828	29,800	33,703	30,500	45,825
Cash cost ($ per pound)	**0.54**	0.32	0.32	0.18	0.44	0.27
AISC ($ per pound)	**0.97**	0.68	0.77	0.50	0.82	0.57

Gross Profit

Gross profit for the quarter ended March 31, 2023, was lower than the prior year quarter due to lower zinc price and price adjustments.

Production

Production of zinc, lead and copper in current quarter was above the prior year quarter mainly due to higher grades. Zinc and lead also benefitted from higher throughput. Current quarter zinc and copper production was also higher than the fourth quarter of 2022. Annual zinc and copper production guidance remains unchanged.

Production Costs and Cash Cost

Production costs for the quarter ended March 31, 2023, were lower than the prior year quarter due to favourable foreign exchange.

Zinc cash cost for the quarter was higher than the prior year quarter cash cost, due to lower copper by-product sales volumes, partially offset by favourable foreign exchange movements. Full year cash cost guidance remains unchanged. AISC for the quarter was higher than the prior year quarter due to higher cash cost and higher sustaining capital spend.

Josemaria Project (Argentina)

Project Development

The Josemaria Project is updating its capital cost estimate and project execution schedule. The estimate report is advancing and intends to show capital cost at the Feasibility Study level. Plant engineering is at 39% completion as of March 31, 2023, including procurement of key long lead equipment. Early works continue onsite, mainly with the completion of the Phase 1 camp construction which was 94% complete and internal access roads construction was 84% complete at the end of the quarter. The geotechnical drilling campaign began in March 2023. Additionally, work continues in water, drilling, permitting and supply testing, and a program to initiate studies for water & permit requirements, including water balance and hydro-geological modelling, to be incorporated into the bi-annual EIA update submission in the second quarter of 2024. Agreements with provincial governments continue to progress on access road and power supply and infrastructure funding. Progress also continued on a project union agreement for construction.

During the current quarter, the Company spent $84.3 million, inclusive of foreign exchange and trading gains on equity investments of $22.1 million. Capital expenditures during the current quarter were $90.6 million.

Josemaria Mineral Resources and Mineral Reserves remain unchanged since the 2020 estimates. Subsequent to the 2020 estimate cut-off date infill drilling and assaying completed in 2021 and 2022 will be incorporated into future Mineral Resource and Mineral Reserve estimates.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper, zinc and nickel were lower in the current quarter compared to the prior year quarter while gold was higher than the prior year quarter. The average metal prices for copper, zinc, nickel and gold for the first quarter of 2023 were all higher than the average prices for the last quarter of 2022 by 12% copper, 4% zinc, 3% nickel and 10% gold. The prices for copper, zinc and nickel decreased through the quarter while gold increased over the same period of time.

		Three months ended March 31,		
(Average LME Price)		**2023**	2022	Change
Copper	US$/pound	**4.05**	4.53	-11%
	US$/tonne	**8,927**	9,997	
Zinc	US$/pound	**1.42**	1.70	-16%
	US$/tonne	**3,124**	3,754	
Gold	US$/ounce	**1,890**	1,877	1%
Nickel	US$/pound	**11.79**	11.97	-2%
	US$/tonne	**25,983**	26,395	

The LME inventories for copper and nickel decreased during the first quarter of 2023, 27% and 20%, respectively, while the LME inventory for zinc increased 41%.

During the first three months of 2023 the treatment charges (“TC”) and refining charges (“RC”) in the spot market for copper concentrates between miners and commodity traders decreased from an average spot TC during January of $73 per dmt of concentrate and a spot RC of $0.073 per lb of payable copper to a spot TC of $69 per dmt of concentrate and a spot RC of $0.069 per lb of payable copper during March 2023. Also, the spot terms at which Chinese copper smelters were prepared to buy decreased through the quarter from a TC of $84 per dmt of concentrate and a RC of $0.084 per payable lb of copper over January to a TC of $78 per dmt of concentrate and a RC of $0.078 per payable lb of copper at the end of March. The terms for annual contracts for copper concentrates for 2023 were reached in December 2022 at a TC of $88 per dmt with a RC of $0.088 per payable lb of copper. This represents an improvement for the smelters compared to the 2022 annual terms at a TC of $65 per dmt of concentrates and a RC of $0.065 per payable lb of copper.

The spot TC, delivered China, for zinc concentrates during the first three months of 2023 decreased from $275 per dmt, flat, at the beginning of the year to $245 per dmt, flat, by the end of the first quarter, on increased activity in the Chinese market after the Lunar holiday and increases in refined production in Europe.

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 March 31, 2023, the Company had cash and cash equivalents of $184.2 million.

Cash flow from operations for the three months ended March 31, 2023 amounted to $211.9 million and was $105.4 million lower than the prior year quarter as a result of lower gross profit before depreciation of $275.1 million partially offset by a lower comparative change in non-cash working capital and lower cash taxes paid.

Cash flow used in investing activities for the three months ended March 31, 2023 amounted to $240.1 million and was higher compared to the prior year quarter due to higher capital investments at Josemaria.

During the current quarter, the Company generated $19.5 million from financing activities compared to $10.3 million used in the prior year quarter. The change is due to higher net proceeds for debt, settlement of foreign currency derivatives and lower distributions to non-controlling interests during the current quarter.

Capital Resources

The Company continues to expect to be able to fund all its contractual commitments with its operating cash flow, cash on hand and available capital resources. The Company expects to fund the acquisition of Caserones with its revolving Credit Facility.

As at March 31, 2023, the Company had $189.2 million of debt and $25.5 million of lease liabilities outstanding.

As at March 31, 2023, the Company has a revolving Credit Facility of $1,750.0 million with $25.9 million outstanding (December 31, 2022 - $13.7 million). The Credit Facility bears interest on drawn funds at rates of Term Secured Overnight Financing Rate ("Term SOFR") + Credit Spread Adjustment ("CSA") + 1.45% to Term SOFR + CSA + 2.50% depending on the Company's net leverage ratio. The Credit Facility is subject to customary covenants. On April 26, 2023, the Credit Facility was amended extending the term to April 2028 and reducing the CSA to 0.10%.

The Company also has equipment financing with an outstanding balance of $1.8 million as at March 31, 2023 (December 31, 2022 - $2.4 million) and a commercial paper program of $27.2 million (€25.0 million) which matures in May 2025. The amount outstanding as at March 31, 2023 was $21.8 million (€20.0 million) and bears interest at EURIBOR + 0.50% (December 31, 2022 - $26.7 million). As at March 31, 2023, the Company had outstanding short-term unsecured term loans of $139.8 million (December 31, 2022 - $127.4 million).

During the first quarter of 2023, no shares were purchased under the Company's Normal Course Issuer Bid (Q1 2022 - nil).

Contractual Obligations, Commitments and Contingencies

The Company has contractual obligations and capital commitments as described in Note 19 "Commitments and Contingencies" in the Company's Condensed Interim Consolidated Financial Statements. From time to time, the Company may also be involved in legal proceedings that arise in the ordinary course of its business.

Financial Instruments

The Company has entered into derivative contracts consisting of foreign currency forward and option contracts. The option contracts consist of put and call contracts in a collar structure. The Company does not currently utilize financial instruments in hedging metal price or interest rate exposure. The Company entered into diesel forward swap contracts subsequent to quarter end.

For a detailed discussion of the Company's financial instruments refer to Note 18 of the Company's Condensed Interim Consolidated Financial Statements.

Sensitivities

Revenue, cost of goods sold and capital expenditures are affected by certain external factors including fluctuations in metal prices and changes in exchange rates between the €, the SEK, the CLP, the BRL, the ARS and the $. Foreign exchange changes may be limited by the cash flow hedges previously described.

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 $.

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 March 31, 2023	Change	Effect on Revenue ($millions)
Copper	88,628 t	$4.08/lb	+/- 10%	+/- $79.7
Zinc	41,644 t	$1.33/lb	+/- 10%	+/- $12.2
Gold	38 koz	$1,975/oz	+/- 10%	+/- $7.5
Nickel	2,048 t	$10.75/lb	+/- 10%	+/- $4.9

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 21 of the Company's March 31, 2023 Condensed Interim Consolidated Financial Statements.

Changes in Accounting Policies and Critical Accounting Estimates and Judgments

The Company describes its material accounting policies as well as any changes in accounting policies in Note 2 "Basis of Presentation and Summary of Material Accounting Policies" of the March 31, 2023 Condensed Interim Consolidated Financial Statements.

Non-GAAP and Other 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

Net debt is a performance measure used by the Company to assess its financial position. Management believes that in addition to conventional performance measures prepared in accordance with IFRS, net debt is a useful indicator to some investors to evaluate the Company's 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)	**March 31, 2023**	December 31, 2022
Cash and cash equivalents	**184,239**	191,387
Current portion of total debt and lease liabilities	**(177,108)**	(170,149)
Debt and lease liabilities	**(37,634)**	(27,179)
	(214,742)	(197,328)
Deferred financing fees (netted in above)	**(4,070)**	(4,926)
	(218,812)	(202,254)
Net debt	**(34,573)**	(10,867)

Adjusted Operating Cash Flow and Adjusted Operating Cash Flow per Share

Adjusted operating cash flow per share is a performance measure used by the Company to assess its ability to generate cash from its operations. Adjusted operating cash flow is defined as cash provided by operating activities, excluding changes in non-cash working capital items. The Company believes adjusted operating cash flow per share is a relevant measure to some investors, as it removes the impact of working capital, which can experience variability period-to-period. Adjusted operating cash flow per share can be reconciled to the Company's cash provided by operating activities as follows:

	Three months ended March 31,	
($thousands, except share and per share amounts)	**2023**	2022
Cash provided by operating activities	**211,875**	317,257
Changes in non-cash working capital items	**23,192**	155,548
Adjusted operating cash flow	**235,067**	472,805
Basic weighted average number of shares outstanding	**771,216,060**	736,410,739
Adjusted operating cash flow per share	**0.30**	0.64

Free Cash Flow from Operations and Free Cash Flow

The Company believes free cash flow from operations and free cash flow are relevant measures for investors. Free cash flow from operations is indicative of the Company's ability to generate cash from operations, after consideration of required sustaining capital expenditures necessary to maintain operations. Free cash flow is a relevant measure for some investors, as it is indicative of the Company's available cash generated.

Free cash flow from operations is defined as cash flow provided by operating activities, excluding exploration and project investigation costs and less sustaining capital expenditures. Free cash flow is defined as free cash flow from operations less expansionary capex and exploration and project investigation costs.

The Company has redefined free cash flow so that it encompasses all capital expenditures, including both sustaining and expansionary, to more fully represent available cash generation.

	Three months ended March 31,	
($thousands)	**2023**	2022
Cash provided by operating activities	**211,875**	317,257
Sustaining capital expenditures	**(155,564)**	(130,758)
General exploration and business development	**14,765**	8,282
Free cash flow from operations	**71,076**	194,781
General exploration and business development	**(14,765)**	(8,282)
Expansionary capital expenditures	**(90,519)**	(14,154)
Free cash flow	**(34,208)**	172,345

Adjusted EBITDA, Adjusted Earnings and Adjusted EPS

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

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

	Three months ended March 31,	
($thousands)	**2023**	2022
Net earnings	**165,311**	378,109
Add back:		
Depreciation, depletion and amortization	**120,247**	129,837
Finance income and costs	**15,699**	14,972
Income taxes	**48,693**	77,206
	349,950	600,124
Unrealized foreign exchange	**8,644**	7,853
Revaluation (gain) loss on derivatives	**(19,250)**	3,293
Sinkhole costs	**4,582**	—
Revaluation gain on marketable securities	**(438)**	(3,892)
Gain on disposal of subsidiary	**(5,718)**	(16,828)
Other	**(827)**	(2,776)
Total adjustments - EBITDA	**(13,007)**	(12,350)
Adjusted EBITDA	**336,943**	587,774

Adjusted earnings and adjusted EPS can be reconciled to the Company's Condensed Interim Consolidated Statement of Earnings as follows:

	Three months ended March 31,	
($thousands, except share and per share amounts)	**2023**	2022
Net earnings attributable to Lundin Mining shareholders	**146,620**	345,078
Add back:		
Total adjustments - EBITDA	**(13,007)**	(12,350)
Tax effect on adjustments	**(3,126)**	(2,034)
Deferred tax arising from foreign exchange translation	**(6,007)**	(34,954)
Other	**1,202**	(132)
Total adjustments	**(20,938)**	(49,470)
Adjusted earnings	**125,682**	295,608
Basic weighted average number of shares outstanding	**771,216,060**	736,410,739
Net earnings attributable to Lundin Mining shareholders	**0.19**	0.47
Total adjustments	**(0.03)**	(0.07)
Adjusted EPS	**0.16**	0.40

Realized Price per Pound

Realized price per pound and price per ounce are non-GAAP ratios that are calculated using the non-GAAP financial measures of current period sales and prior period adjustments. Realized prices exclude the effects of the stream cash effects as well as TC/RCs. Management believes that measuring these prices enables investors to better understand performance based on the realized metal sales in the current and prior periods.

Capital Expenditures

Identifying capital expenditures, on a cash basis, using a sustaining or expansionary classification provides investors 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. Expansionary capital expenditures are reported excluding capitalized interest and therefore is a non-GAAP measure. Sustaining capital expenditure is a supplementary financial measure.

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 a non-GAAP measure and, although it is calculated according to accepted industry practice, the Company's disclosed cash costs may not be directly comparable to other base metal producers.

- **Cash cost per pound, gross –** Total cash costs directly attributable to mining operations, excluding any allocation of upfront streaming proceeds or capital expenditures for deferred stripping, are divided by the sales volume of the primary metal to arrive at gross cash cost per pound. As this measure is not impacted by fluctuations in sales of by-product metals, it is generally more consistent across periods.

- **Cash cost per pound, net of by-products –** Credits for by-products sales are deducted from total cash costs directly attributable to mining operations. By-product revenue is adjusted for the terms of streaming agreements, but excludes any deferred revenue from the allocation of upfront cash received. The net cash costs are divided by the sales volume of the primary metal to arrive at net cash cost per pound. The inclusion of by-product credits provides a broader economic measurement, incorporating the benefit of other metals extracted in the production of the primary metal.

All-in Sustaining Cost ("AISC") per Pound

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

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

Three months ended March 31, 2023						
Operations	**Candelaria**	**Chapada**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):						
Tonnes	35,570	9,072	2,735	8,031	16,612	
Pounds (000s)	78,418	20,000	6,030	17,705	36,623	
Production costs						417,764
Less: Royalties and other						(12,086)
						405,678
Deduct: By-product credits						(156,965)
Add: Treatment and refining charges						36,615
Cash cost	173,692	47,318	14,640	29,892	19,786	285,328
Cash cost per pound ($/lb)	**2.21**	**2.37**	**2.43**	**1.69**	**0.54**	
Add: Sustaining capital expenditure	90,686	16,027	7,102	25,061	14,468	
Royalties	—	2,223	5,686	1,730	—	
Reclamation and other closure accretion and depreciation	2,307	1,801	2,958	1,324	1,061	
Leases and other	3,143	966	747	158	102	
All-in sustaining cost	269,828	68,335	31,133	58,165	35,417	
AISC per pound ($/lb)	**3.44**	**3.42**	**5.16**	**3.29**	**0.97**	

Three months ended March 31, 2022						
Operations	**Candelaria**	**Chapada**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):						
Tonnes	38,448	12,804	3,267	8,484	15,802	
Pounds (000s)	84,763	28,228	7,202	18,704	34,837	
Production costs						382,427
Less: Royalties and other						(15,877)
						366,550
Deduct: By-product credits						(181,007)
Add: Treatment and refining charges						32,155
Cash cost	133,985	51,437	(8,979)	31,797	9,458	217,698
Cash cost per pound ($/lb)	**1.58**	**1.82**	**(1.25)**	**1.70**	**0.27**	
Add: Sustaining capital expenditure	82,964	14,455	4,460	19,516	9,039	
Royalties	—	3,664	7,791	2,813	—	
Reclamation and other closure accretion and depreciation	1,969	1,884	4,617	331	1,117	
Leases and other	1,968	929	651	202	238	
All-in sustaining cost	220,886	72,369	8,540	54,669	19,852	
AISC per pound ($/lb)	**2.61**	**2.56**	**1.19**	**2.92**	**0.57**	

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.

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, 2022 and the "Cautionary Statement on Forward-Looking Information" of this MD&A.

Management's Report on Internal Controls

Disclosure controls and procedures ("DCP")

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

Internal control over financial reporting ("ICFR")

The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations ICFR may not prevent or detect all misstatements and fraud. Management will continue to monitor the effectiveness of its ICFR and may make modifications from time to time as considered necessary.

Control Framework

Management assesses the effectiveness of the Company's ICFR using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Changes in ICFR

There have been no changes in the Company's ICFR during the quarter ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

Outstanding Share Data

As at May 3, 2023, the Company has 771,908,307 common shares issued and outstanding, and 8,064,505 stock options and 1,938,797 share units outstanding under the Company's 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).

Condensed Interim Consolidated Financial Statements of

Lundin Mining Corporation

March 31, 2023
(Unaudited)

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited - in thousands of US dollars)

	As at	
	March 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents (Note 3)	**$ 184,239**	$ 191,387
Trade and other receivables (Note 4)	**581,035**	576,178
Income taxes receivable	**70,157**	72,402
Inventories (Note 5)	**320,218**	296,710
Current portion of derivative assets (Note 18)	**58,997**	43,521
Other current assets	**23,683**	38,571
Total current assets	**1,238,329**	1,218,769
Restricted funds	**51,025**	50,195
Long-term inventory (Note 5)	**664,062**	641,877
Derivative assets (Note 18)	**25,520**	25,111
Other non-current assets	**20,994**	20,035
Mineral properties, plant and equipment (Note 6)	**6,107,452**	5,975,686
Deferred tax assets	**531**	3,837
Goodwill	**239,101**	237,294
	7,108,685	6,954,035
Total assets	**$ 8,347,014**	$ 8,172,804
LIABILITIES		
Trade and other payables (Note 7)	**$ 624,739**	$ 612,965
Income taxes payable	**60,645**	45,000
Current portion of derivative liabilities (Note 18)	**24,725**	24,423
Current portion of debt and lease liabilities (Note 8)	**177,108**	170,149
Current portion of deferred revenue (Note 9)	**74,764**	74,061
Current portion of reclamation and other closure provisions (Note 10)	**20,712**	23,550
Total current liabilities	**982,693**	950,148
Derivative liabilities (Note 18)	**23,559**	27,876
Debt and lease liabilities (Note 8)	**37,634**	27,179
Deferred revenue (Note 9)	**570,061**	580,045
Reclamation and other closure provisions (Note 10)	**447,457**	422,298
Other long-term liabilities	**21,534**	24,922
Provision for pension obligations	**5,060**	5,613
Deferred tax liabilities	**696,328**	709,602
	1,801,633	1,797,535
Total liabilities	**2,784,326**	2,747,683
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	**4,561,478**	4,555,125
Contributed surplus	**53,767**	55,769
Accumulated other comprehensive loss	**(323,035)**	(342,287)
Retained earnings	**687,755**	592,425
Equity attributable to Lundin Mining Corporation shareholders	**4,979,965**	4,861,032
Non-controlling interests	**582,723**	564,089
Total shareholders' equity	**5,562,688**	5,425,121
Total liabilities and shareholders' equity	**$ 8,347,014**	$ 8,172,804

Commitments and contingencies (Note 19)

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three months ended March 31,	
	2023	2022
Revenue (Note 12)	**$ 751,344**	$ 991,079
Cost of goods sold		
Production costs (Note 13)	**(417,764)**	(382,427)
Depreciation, depletion and amortization	**(120,247)**	(129,837)
Gross profit	**213,333**	478,815
General and administrative expenses	**(15,110)**	(11,502)
General exploration and business development (Note 15)	**(14,765)**	(8,282)
Finance income (Note 16)	**1,764**	601
Finance costs (Note 16)	**(17,463)**	(15,573)
Other income (Note 17)	**46,245**	11,256
Earnings before income taxes	**214,004**	455,315
Current tax expense	**(59,501)**	(95,538)
Deferred tax recovery	**10,808**	18,332
Net earnings	**$ 165,311**	$ 378,109
Net earnings attributable to:		
Lundin Mining Corporation shareholders	**$ 146,620**	$ 345,078
Non-controlling interests	**18,691**	33,031
Net earnings	**$ 165,311**	$ 378,109
Basic and diluted earnings per share attributable to Lundin Mining Corporation shareholders:	**$ 0.19**	$ 0.47
Weighted average number of shares outstanding (Note 11)		
Basic	**771,216,060**	736,410,739
Diluted	**771,992,179**	738,172,357

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited - in thousands of US dollars)

	Three months ended March 31,	
	2023	2022
Net earnings	**$ 165,311**	$ 378,109
Other comprehensive income (loss), net of taxes		
Item that will not be reclassified to net earnings:		
Remeasurements for post-employment benefit plans	**(258)**	(863)
Item that may be reclassified subsequently to net earnings:		
Effects of foreign exchange	**19,453**	(23,823)
Other comprehensive income (loss)	**19,195**	(24,686)
Total comprehensive income	**$ 184,506**	$ 353,423
Comprehensive income attributable to:		
Lundin Mining Corporation shareholders	**$ 165,872**	$ 320,563
Non-controlling interests	**18,634**	32,860
Total comprehensive income	**$ 184,506**	$ 353,423

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Non-controlling interests	Total
Balance, December 31, 2022	770,746,531	$ 4,555,125	$ 55,769	$ (342,287)	$ 592,425	$ 564,089	$ 5,425,121
Exercise of share-based awards	999,480	6,353	(4,268)	—	—	—	2,085
Share-based compensation	—	—	2,266	—	—	—	2,266
Dividends declared (Note 11(c))	—	—	—	—	(51,290)	—	(51,290)
Net earnings	—	—	—	—	146,620	18,691	165,311
Other comprehensive income (loss)	—	—	—	19,252	—	(57)	19,195
Total comprehensive income	—	—	—	19,252	146,620	18,634	184,506
Balance, March 31, 2023	**771,746,011**	**$ 4,561,478**	**$ 53,767**	**$ (323,035)**	**$ 687,755**	**$ 582,723**	**$ 5,562,688**
Balance, December 31, 2021	734,987,154	$ 4,199,756	$ 58,166	$ (249,929)	$ 437,160	$ 547,580	$ 4,992,733
Exercise of share-based awards	2,959,473	21,135	(10,243)	—	—	—	10,892
Share-based compensation	—	—	3,196	—	—	—	3,196
Dividends declared	—	—	—	—	(116,252)	—	(116,252)
Net earnings	—	—	—	—	345,078	33,031	378,109
Other comprehensive loss	—	—	—	(24,515)	—	(171)	(24,686)
Total comprehensive (loss) income	—	—	—	(24,515)	345,078	32,860	353,423
Balance, March 31, 2022	737,946,627	$ 4,220,891	$ 51,119	$ (274,444)	$ 665,986	$ 580,440	$ 5,243,992

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - in thousands of US dollars)

	Three months ended March 31,	
Cash provided by (used in)	**2023**	2022
Operating activities		
Net earnings	**$ 165,311**	$ 378,109
Items not involving cash and other adjustments		
Depreciation, depletion and amortization	**120,247**	129,837
Share-based compensation	**2,266**	3,196
Foreign exchange loss	**8,644**	7,853
Finance costs, net (Note 16)	**15,699**	14,972
Recognition of deferred revenue (Note 9)	**(19,100)**	(20,705)
Deferred tax recovery	**(10,808)**	(18,332)
Revaluation of derivative liability (Note 17)	**1,416**	3,293
Revaluation of marketable securities (Note 17)	**(438)**	(3,892)
Revaluation of foreign currency derivatives (Note 18)	**(34,243)**	—
Other	**6,647**	(19,768)
Reclamation payments (Note 10)	**(2,581)**	(1,747)
Other payments	**(578)**	(551)
Changes in long-term inventory	**(17,415)**	540
Changes in non-cash working capital items (Note 22)	**(23,192)**	(155,548)
	211,875	317,257
Investing activities		
Investment in mineral properties, plant and equipment	**(246,119)**	(144,912)
Cash received from disposal of subsidiary (Note 17)	**5,718**	16,828
Interest received	**878**	230
Josemaria bridge loan	**—**	(40,500)
Other	**(543)**	(4,130)
	(240,066)	(172,484)
Financing activities		
Proceeds from debt (Note 8)	**148,830**	—
Interest paid	**(4,695)**	(1,459)
Principal payments of lease liabilities	**(5,218)**	(4,064)
Principal repayments of debt (Note 8)	**(130,480)**	(652)
Proceeds from common shares issued	**2,085**	10,892
Distributions paid to non-controlling interests	**—**	(15,000)
Proceeds from settlement of foreign currency derivatives	**11,069**	—
Other	**(2,085)**	—
	19,506	(10,283)
Effect of foreign exchange on cash balances	**1,537**	5,316
(Decrease) increase in cash and cash equivalents during the period	**(7,148)**	139,807
Cash and cash equivalents, beginning of period	**191,387**	594,069
Cash and cash equivalents, end of period	**$ 184,239**	$ 733,876

Supplemental cash flow information (Note 22)

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

1. NATURE OF OPERATIONS

Lundin Mining Corporation 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. In addition, the Company owns the large scale copper-gold Josemaria project ("Josemaria Project"), located in Argentina. On March 27, 2023, the Company announced that it had entered into a binding purchase agreement to acquire fifty-one percent (51%) of the Caserones copper-molybdenum mine ("Caserones") located in Chile (Note 23).

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 MATERIAL ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting including IAS 34 Interim financial reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022.

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$ or CAD is to Canadian dollars, SEK is to Swedish krona, € refers to the Euro, CLP refers to the Chilean peso, BRL refers to the Brazilian real, and ARS refers to the Argentine peso.

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

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on May 3, 2023.

(ii) Material accounting policies

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2022, except as discussed below.

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

(iii) New standards and interpretations adopted

In May 2021, the IASB issued amendments to IAS 12, Income Taxes. The amendments to IAS 12 narrow the scope of the initial recognition exemption so that it no longer applies to transactions which give rise to equal amounts of taxable and deductible temporary differences. The Company is to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition for certain transactions, including leases and reclamation provisions. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The Company adopted the amendments effective January 1, 2023, with no material impact to the consolidated financial statements for 2023 or the comparative period.

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

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2022.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

		March 31, 2023		December 31, 2022
Cash	**$**	**149,424**	$	158,153
Short-term deposits		**34,815**		33,234
	$	**184,239**	$	191,387

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

		March 31, 2023		December 31, 2022
Trade receivables	**$**	**416,987**	$	430,734
Prepaid expenses		**70,324**		53,767
Value added tax		**62,711**		65,028
Other receivables		**31,013**		26,649
	$	**581,035**	$	576,178

5. INVENTORIES

Inventories are comprised of the following:

		March 31, 2023		December 31, 2022
Ore stockpiles	**$**	**58,680**	$	69,781
Concentrate stockpiles		**56,136**		42,209
Materials and supplies		**205,402**		184,720
	$	**320,218**	$	296,710

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

Long-term inventory is comprised of ore stockpiles. As at March 31, 2023, the Company had $403.1 million (December 31, 2022 - $394.2 million) and $261.0 million (December 31, 2022 - $247.7 million) of long-term ore stockpiles at Candelaria and Chapada, respectively.

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

Cost	Mineral properties	Plant and equipment	Assets under construction[1]	Development project[2]	Software intangible assets	Total
As at December 31, 2021	$ 5,279,143	$ 3,441,171	$ 342,592	$ 6,631	$ 14,678	$ 9,084,215
Additions	83,204	7,287	63,490	—	793	154,774
Disposals and transfers	8,075	95,342	(107,178)	—	3,258	(503)
Effects of foreign exchange	(38,028)	(17,438)	(4,822)	—	(41)	(60,329)
As at March 31, 2022	5,332,394	3,526,362	294,082	6,631	18,688	9,178,157
Josemaria acquisition	—	22,233	—	646,605	—	668,838
Additions	239,261	85,362	213,759	228,462	13,477	780,321
Disposals and transfers	85,030	164,088	(262,509)	(5,279)	783	(17,887)
Effects of foreign exchange	(109,762)	(45,868)	(9,276)	—	(322)	(165,228)
As at December 31, 2022	5,546,923	3,752,177	236,056	876,419	32,626	10,444,201
Additions	73,485	8,453	80,020	76,149	22	238,129
Disposals and transfers	4,278	1,188	(12,495)	—	99	(6,930)
Effects of foreign exchange	28,534	17,374	1,030	—	98	47,036
As at March 31, 2023	**$ 5,653,220**	**$ 3,779,192**	**$ 304,611**	**$ 952,568**	**$ 32,845**	**$ 10,722,436**

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Assets under construction[1]	Development project[2]	Software intangible assets	Total
As at December 31, 2021	$ 2,620,196	$ 1,405,084	$ —	$ —	$ 8,036	$ 4,033,316
Depreciation	76,102	56,479	—	—	462	133,043
Disposals and transfers	(79)	(64)	—	—	—	(143)
Effects of foreign exchange	(23,293)	(8,057)	—	—	(16)	(31,366)
As at March 31, 2022	2,672,926	1,453,442	—	—	8,482	4,134,850
Depreciation	232,729	195,524	—	—	3,367	431,620
Disposals and transfers	—	(5,397)	—	—	(119)	(5,516)
Effects of foreign exchange	(70,224)	(22,130)	—	—	(85)	(92,439)
As at December 31, 2022	2,835,431	1,621,439	—	—	11,645	4,468,515
Depreciation	69,765	58,429	—	—	1,056	129,250
Disposals and transfers	—	(6,870)	—	—	—	(6,870)
Effects of foreign exchange	17,096	6,968	—	—	25	24,089
As at March 31, 2023	**$ 2,922,292**	**$ 1,679,966**	**$ —**	**$ —**	**$ 12,726**	**$ 4,614,984**

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

Net book value	Mineral properties	Plant and equipment	Assets under construction[1]	Development project[2]	Software intangible assets	Total
As at December 31, 2022	$ 2,711,492	$ 2,130,738	$ 236,056	$ 876,419	$ 20,981	$ 5,975,686
As at March 31, 2023	**$ 2,730,928**	**$ 2,099,226**	**$ 304,611**	**$ 952,568**	**$ 20,119**	**$ 6,107,452**

[1] Represent assets under construction at the Company's operating mine sites which are currently non-depreciable.

[2] Assets relate to the Josemaria Project which are currently non-depreciable.

During the second quarter of 2022, the Company completed the Josemaria Resources Inc. acquisition acquiring $668.8 million of mineral properties, plant and equipment related to the Josemaria Project. During the fourth quarter of 2022, the Company began to capitalize the Josemaria Project development costs.

During the three months ended March 31, 2023, the Company capitalized $3.3 million of finance costs to the Josemaria Project (first quarter ("Q1") 2022 - $1.1 million capitalized to assets under construction), at a weighted average interest rate of 5.5% (2022 - 5.5%).

During the three months ended March 31, 2023, the Company capitalized $41.3 million (Q1 2022 - $58.9 million) of deferred stripping costs to mineral properties. The depreciation expense related to deferred stripping for the quarter was $25.6 million (Q1 2022 - $27.9 million). Included in the mineral properties balance at March 31, 2023 is $177.8 million (December 31, 2022 - $681.7 million) related to deferred stripping at Candelaria, which is currently non-depreciable.

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

	Net book value
As at December 31, 2021	$ 27,597
Additions	1,546
Depreciation	(4,796)
Effects of foreign exchange	(103)
As at March 31, 2022	24,244
Josemaria acquisition	32
Additions	20,525
Depreciation	(16,492)
Disposals	(75)
Effects of foreign exchange	(311)
As at December 31, 2022	27,923
Additions	3,187
Depreciation	(5,606)
Effects of foreign exchange	333
As at March 31, 2023	**$ 25,837**

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

7. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	March 31, 2023	December 31, 2022
Trade payables	$ **289,039**	$ 315,948
Unbilled goods and services	**107,258**	122,390
Employee benefits payable	**91,038**	88,086
Dividends payable	**51,342**	—
Sinkhole provision	**33,200**	38,000
Pricing provisions on concentrate sales	**25,768**	8,484
Royalties payable	**14,531**	16,283
Prepayment from customers	**362**	389
Other	**12,201**	23,385
	$ **624,739**	$ 612,965

The sinkhole provision relates to expected remediation costs and potential fines directly related to the sinkhole near the Company's Ojos del Salado operations.

Included in pricing provisions on concentrate sales are balances owing to customers and provisions arising from forward market price adjustments.

8. DEBT AND LEASE LIABILITIES

Debt and lease liabilities are comprised of the following:

	March 31, 2023	December 31, 2022
Revolving credit facility (a)	$ **25,930**	$ 13,730
Term loans (b)	**139,750**	127,400
Lease liabilities (c)	**25,522**	27,166
Commercial paper (d)	**21,750**	26,665
Line of credit (e)	**1,790**	2,367
Debt and lease liabilities	**214,742**	197,328
Less: current portion	**177,108**	170,149
Long-term portion	$ **37,634**	$ 27,179

(Unaudited - 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 December 31, 2021	$ 25,878	$ 5,125	$ 31,003
Additions	1,544	—	1,544
Payments	(4,381)	(652)	(5,033)
Interest	317	—	317
Effects of foreign exchange	1,238	(87)	1,151
As at March 31, 2022	24,596	4,386	28,982
Josemaria acquisition	38	47,000	47,038
Additions	19,654	282,938	302,592
Payments	(17,270)	(160,172)	(177,442)
Disposals	(26)	—	(26)
Interest	1,117	—	1,117
Financing fee amortization	—	656	656
Financing fee reclassification	—	(4,926)	(4,926)
Effects of foreign exchange	(943)	280	(663)
As at December 31, 2022	27,166	170,162	197,328
Additions	3,117	148,830	151,947
Payments	(5,590)	(130,480)	(136,070)
Interest	372	—	372
Financing fee amortization	—	200	200
Effects of foreign exchange	457	508	965
As at March 31, 2023	25,522	189,220	214,742
Less: current portion	13,818	163,290	177,108
Long-term portion	**$ 11,704**	**$ 25,930**	**$ 37,634**

a) The Company has a secured revolving credit facility of $1,750.0 million, originally maturing April 2027. The credit facility bears interest on drawn funds at rates of Term Secured Overnight Financing Rate ("Term SOFR") + Credit Spread Adjustment ("CSA") + 1.45% to Term SOFR+CSA+2.50%, depending on the Company's net leverage ratio. The revolving credit facility is subject to customary covenants. On April 26, 2023, the credit facility was amended, extending the term by one year to April 2028 and reducing the credit spread adjustment to 10 basis points. During the first quarter of 2023, the Company drew down $25.0 million and subsequently repaid $13.0 million. As at March 31, 2023, the balance outstanding was $30.0 million (December 31, 2022 - $18.0 million) with deferred financing fees of $4.1 million (December 31, 2022 - $4.3 million) netted against borrowings.

b) During 2022, Candelaria obtained an unsecured fixed term loan in the amount of $50.0 million which remains outstanding as at March 31, 2023 (December 31, 2022 - $50.0 million). The loan matures on December 20, 2023 and accrues interest at a rate of 6.13% per annum, with interest payable upon maturity.

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

During 2022, Mineração Maracá Indústria e Comércio S/A (“Chapada”), a subsidiary of the Company which owns the Chapada mine, obtained eleven unsecured fixed term loans totalling $101.4 million. The term loans accrue interest at rates ranging from 4.00% to 6.70% per annum with interest payable upon maturity. The maturity dates range from November 3, 2022 to May 18, 2023. Two term loans totalling $24.0 million were repaid in full upon their respective maturity dates in 2022.

Chapada obtained an additional twelve unsecured fixed term loans totalling $59.5 million during the quarter. The term loans accrue interest at rates ranging from 5.74% to 6.74% per annum with interest payable upon maturity. The maturity dates range from March 20, 2023 to June 20, 2023. Chapada subsequently repaid seven term loans totalling $47.1 million on their respective maturity dates ranging from January 5, 2023 to March 27, 2023. As at March 31, 2023, the total balance outstanding for all fourteen term loans at Chapada was $89.8 million (December 31, 2022 - $77.4 million).

In April 2023, Chapada obtained four additional unsecured fixed term loans totalling $12.8 million, accruing interest at rates of 6.19% and 6.95% per annum with interest payable upon maturity. The maturity dates range from August 9, 2023 to August 23, 2023. Additionally, Chapada repaid one term loan in the amount of $7.5 million.

c) Lease liabilities relate to leases on buildings, rail cars, vehicles, machinery and equipment which have remaining lease terms of one to twelve years and interest rates of 0.8% - 8.0% over the terms of the leases. Additionally, 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.

d) Sociedade Mineira de Neves-Corvo, S.A. (“Somincor”), a subsidiary of the Company which owns the Neves-Corvo mine, has a commercial paper program which matures in May 2025. The $27.2 million (€25.0 million) program bears interest on drawn funds at EURIBOR+0.50%. As at December 31, 2022, the credit facility was fully drawn at $26.7 million (€25.0 million). During 2023, Somincor made several repayments totalling $69.8 million (€65.0 million) and made several drawdowns totalling $64.4 million (€60.0 million). As at March 31, 2023, the credit facility remains drawn at $21.8 million (€20.0 million).

e) As at March 31, 2023, the balance outstanding for Somincor equipment financing was $1.8 million (€1.6 million) (December 31, 2022 - $2.4 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.

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

		Leases		Debt		Total
Less than one year	$	14,893	$	163,290	$	178,183
One to five years		11,658		30,000		41,658
More than five years		2,139		—		2,139
Total undiscounted obligations as at March 31, 2023	**$**	**28,690**	**$**	**193,290**	**$**	**221,980**

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

9. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2021	$	693,467
Recognition of revenue		(20,705)
Finance costs		9,477
Effects of foreign exchange		(1,574)
As at March 31, 2022		680,665
Recognition of revenue		(53,028)
Variable consideration adjustment		3,492
Finance costs		28,144
Effects of foreign exchange		(5,167)
As at December 31, 2022		654,106
Recognition of revenue		(19,100)
Finance costs		9,010
Effects of foreign exchange		809
As at March 31, 2023		644,825
Less: current portion		74,764
Long-term portion	**$**	**570,061**

Consideration received under the Company’s gold, silver and copper streaming agreements is deemed to be variable and can be subject to cumulative adjustments when the contractual volume to be delivered changes. In 2022, as a result of changes to the Company’s Mineral Resources and Mineral Reserves estimates, an adjustment was made to the deferred revenue liability which was recognized through revenue and finance costs.

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

10. 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, 2021	$ 406,966	$ 39,089	$ 446,055
Accretion	3,613	—	3,613
Changes in estimate	29,317	2,749	32,066
Changes in discount rate	(20,668)	—	(20,668)
Payments	(700)	(1,047)	(1,747)
Effects of foreign exchange	(2,843)	2,043	(800)
Balance, March 31, 2022	415,685	42,834	458,519
Accretion	10,731	—	10,731
Changes in estimate	16,449	8,625	25,074
Changes in discount rate	(22,999)	—	(22,999)
Payments	(10,475)	(3,681)	(14,156)
Effects of foreign exchange	(8,371)	(2,950)	(11,321)
Balance, December 31, 2022	401,020	44,828	445,848
Accretion	5,209	—	5,209
Changes in estimate	10,393	1,113	11,506
Changes in discount rate	2,635	—	2,635
Payments	(2,169)	(412)	(2,581)
Effects of foreign exchange	1,864	3,688	5,552
Balance, March 31, 2023	418,952	49,217	468,169
Less: current portion	15,264	5,448	20,712
Long-term portion	**$ 403,688**	**$ 43,769**	**$ 447,457**

The Company expects these liabilities to be settled between 2023 and 2062. The reclamation provisions are discounted using current market pre-tax discount rates which range from 2.2% to 13.1% (December 31, 2022 - 2.0% to 13.5%).

11. SHARE CAPITAL

a) Basic and diluted weighted average number of shares outstanding

	Three months ended March 31,	
	2023	2022
Basic weighted average number of shares outstanding	**771,216,060**	736,410,739
Effect of dilutive securities	**776,119**	1,761,618
Diluted weighted average number of shares outstanding	**771,992,179**	738,172,357
Antidilutive securities	**1,257,075**	574,829

The effect of dilutive securities relates to in-the-money outstanding stock options and share units ("SUs").

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

b) Stock options and SUs granted/issued

	Three months ended March 31,	
	2023	2022
Stock options	**1,862,433**	1,753,520
SUs	**1,247,573**	480,429

c) Dividends

During the three months ended March 31, 2023, the Company declared dividends in the amount of $51.3 million (Q1 2022 - $116.3 million) or C$0.09 per share (Q1 2022 - C$0.20 per share), which were paid on April 12, 2023.

12. REVENUE

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

	Three months ended March 31,	
	2023	2022
Revenue from contracts with customers:		
Copper	**$ 480,980**	$ 623,785
Zinc	**98,489**	100,208
Nickel	**63,630**	84,732
Gold	**53,343**	57,426
Lead	**12,840**	11,453
Silver	**9,266**	13,896
Other	**4,455**	11,059
	723,003	902,559
Provisional pricing adjustments on concentrate sales	**28,341**	88,520
Revenue	**$ 751,344**	$ 991,079

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

	Three months ended March 31,	
	2023	2022
Revenue from contracts with customers:		
Japan	**$ 194,338**	$ 325,244
China	**140,565**	62,953
Spain	**132,568**	65,807
Canada	**91,116**	124,792
Finland	**67,052**	103,250
Germany	**27,788**	80,098
Other	**69,576**	140,415
	723,003	902,559
Provisional pricing adjustments on concentrate sales	**28,341**	88,520
Revenue	**$ 751,344**	$ 991,079

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

13. PRODUCTION COSTS

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

	Three months ended March 31,	
	2023	2022
Direct mine and mill costs	**$ 377,643**	$ 339,360
Transportation	**30,482**	28,799
Royalties	**9,639**	14,268
Total production costs	**$ 417,764**	$ 382,427

14. EMPLOYEE BENEFITS

The Company's employee benefits recognized in the consolidated statement of earnings are comprised of the following:

	Three months ended March 31,	
	2023	2022
Production costs		
Wages and benefits	**$ 79,762**	$ 75,733
Retirement benefits	**576**	420
Share-based compensation	**542**	730
	80,880	76,883
General and administrative expenses		
Wages and benefits	**5,573**	5,842
Retirement benefits	**402**	200
Share-based compensation	**1,640**	2,336
Termination benefits	**1,849**	—
	9,464	8,378
General exploration and business development		
Wages and benefits	**1,658**	1,243
Retirement benefits	**12**	6
Share-based compensation	**84**	130
	1,754	1,379
Total employee benefits	**$ 92,098**	$ 86,640

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

15. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

	Three months ended March 31,	
	2023	2022
General exploration	**$ 9,203**	$ 7,060
Corporate development	**5,026**	—
Project development	**536**	1,222
Total general exploration and business development	**$ 14,765**	$ 8,282

For the three months ended March 31, 2023, corporate development expenses include $4.8 million in transaction costs incurred related to the acquisition of Caserones (Note 23).

Project development expenses include study costs related to potential expansion projects at the Company's operating sites. During the fourth quarter of 2022, the Company began to capitalize the Josemaria Project development costs.

16. FINANCE INCOME AND COSTS

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

	Three months ended March 31,	
	2023	2022
Interest income	**$ 883**	$ 601
Interest expense and bank fees	**(6,209)**	(1,310)
Deferred revenue finance costs	**(5,673)**	(8,415)
Accretion expense on reclamation provisions	**(5,209)**	(3,613)
Lease liability interest	**(372)**	(317)
Other	**881**	(1,918)
Total finance costs, net	**$ (15,699)**	$ (14,972)

Finance income	**$ 1,764**	$ 601
Finance costs	**(17,463)**	(15,573)
Total finance costs, net	**$ (15,699)**	$ (14,972)

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

17. OTHER INCOME AND EXPENSE

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

	Three months ended March 31, 2023	2022
Foreign exchange and trading gains on equity investments (a)	**$ 22,078**	$ —
Unrealized gain on revaluation of foreign currency contracts (Note 18)	**20,666**	—
Realized gain on foreign currency contracts (Note 18)	**13,577**	—
Gain on disposal of subsidiary (b)	**5,718**	16,828
Revaluation of marketable securities	**438**	3,892
Foreign exchange loss	**(9,945)**	(10,784)
Ojos del Salado sinkhole expenses (c)	**(4,582)**	—
Revaluation of Chapada derivative liability	**(1,416)**	(3,293)
(Loss)/income from equity investment in associate	**(54)**	4,696
Other expense	**(235)**	(83)
Total other income, net	**$ 46,245**	$ 11,256

a) Foreign exchange and trading gains on equity investments include the changes in fair value of equity instruments supporting capital funding for the Josemaria Project.

b) Pursuant to the terms of the original sale agreement of Rio Narcea Recursos, S.A. in 2016, the Company received a $16.8 million payment during the first quarter of 2022, and a further $5.7 million payment in the first quarter of 2023, which were contingent on historical tax assessments which have now been closed.

c) Ojos del Salado sinkhole expenses include idle costs related to the sinkhole near the Company's Ojos del Salado operations.

18. FINANCIAL INSTRUMENTS

Derivative instruments

From time to time, the Company uses derivative contracts as part of its risk management strategy to mitigate exposure to foreign currencies and commodities.

During 2022, the Company entered into EUR, BRL, CLP, SEK and CAD foreign currency options and forward contracts intended to limit the foreign exchange exposure of its forecasted foreign currency denominated after-tax attributable operating and capital expenditures. The foreign exchange contracts have not been designated as hedges for purposes of hedge accounting and are measured at fair value with changes in fair value recognized in the consolidated statement of earnings. The following table shows the remaining contract positions and their expiry dates:

	Expired in	Expiring throughout:	
Foreign currency forward contracts	**Q1 2023**	**remainder of 2023**	**2024**
EUR/USD forwards			
Average contract price	1.01	1.01	1.02
Position (EUR millions)	62	187	155
USD/SEK forwards			
Average contract price	11.1	11.1	10.9
Position (SEK millions)	309	927	900

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

	Expired in	Expiring throughout:	
Foreign currency zero cost collar contracts	**Q1 2023**	**remainder of 2023**	**2024**
USD/BRL collars			
Average contract price	5.00/6.40	5.00/6.40	5.00/6.40
Position (BRL millions)	285	857	974
USD/CLP collars			
Average contract price	900/1,050	900/1,050	900/1,050
Position (CLP millions)	61,628	184,885	143,426
USD/CAD collars			
Average contract price	1.34/1.38	1.33/1.38	1.30/1.40
Position (CAD millions)	9	27	19

The Company's net unrealized and realized gains on foreign currency derivative contracts are as follows:

	Three months ended March 31,	
	2023	2022
Unrealized gain on derivative financial instruments:		
Foreign currency contracts	**$ 20,666**	$ —
Realized gain on derivative financial instruments		
Foreign currency contracts	**13,577**	—
Total unrealized and realized gain on foreign currency derivative contracts:	**$ 34,243**	$ —

A summary of the fair values of unsettled derivative contracts recorded on the consolidated balance sheet is as follows:

	March 31, 2023	December 31, 2022
Foreign currency contracts:		
Current asset position	**$ 58,997**	$ 43,521
Non-current asset position	**25,520**	25,111
Current liability position	**10**	—
Non-current liability position	**83**	5,524
Other contracts:		
Chapada derivative current liability	**24,715**	24,423
Chapada derivative non-current liability	**23,476**	22,352

Diesel forward swap contracts

In April 2023, the Company entered into forward swap contracts intended to limit exposure to changes in the price of diesel fuel purchases at Candelaria. Positions taken represent approximately 75% and 50% of Candelaria's forecasted attributable diesel fuel purchases for the remainder of 2023 and 2024, respectively.

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

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 March 31, 2023 and December 31, 2022:

		March 31, 2023		December 31, 2022	
	Level	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Restricted funds	1	**$ 51,025**	**$ 51,025**	$ 50,195	$ 50,195
Trade receivables (provisional)	2	**398,811**	**398,811**	403,300	403,300
Marketable securities and equity investments	1	**12,517**	**12,517**	12,075	12,075
Foreign currency contracts	2	**84,517**	**84,517**	68,632	68,632
		$ 546,870	**$ 546,870**	$ 534,202	$ 534,202
Financial liabilities					
Amortized cost					
Debt	3	**$ 189,220**	**$ 189,220**	$ 170,162	$ 170,162
Fair value through profit or loss					
Pricing provisions on concentrate sales	2	**$ 18,436**	**$ 18,436**	$ 5,006	$ 5,006
Chapada derivative liability	2	**48,191**	**48,191**	46,775	46,775
Foreign currency contracts	2	**93**	**93**	5,524	5,524
		$ 66,720	**$ 66,720**	$ 57,305	$ 57,305

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

Trade receivables/pricing provisions on concentrate sales – 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 $28.3 million in revenue during the three months ended March 31, 2023 (Q1 2022 - $88.5 million positive pricing adjustments).

Foreign currency contracts – The fair value of these derivatives are determined by the counterparties to the contracts and are assessed by Management using pricing models based on active market prices.

Chapada derivative liability – The fair value of this derivative 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 other than those provisionally priced, which are classified as amortized cost.

19. COMMITMENTS AND CONTINGENCIES

a) The Company has capital commitments of $592.9 million on various initiatives, of which $357.0 million is expected to be paid during 2023.

b) The Company may be involved in legal proceedings arising in the ordinary course of business. The potential amount of the liability with respect to such legal proceedings is not expected to materially affect the Company's financial position.

c) There were no significant changes to contingencies since those reported at December 31, 2022.

20. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Chile, Brazil, USA, Argentina, 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.

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

For the three months ended March 31, 2023

	Candelaria Chile	**Chapada** Brazil	**Eagle** USA	**Josemaria** Argentina	**Neves-Corvo** Portugal	**Zinkgruvan** Sweden	**Other**	**Total**
Revenue	$ 380,405	$ 111,118	$ 69,420	$ —	$ 129,403	$ 60,998	$ —	$ 751,344
Cost of goods sold								
Production costs	(187,979)	(68,634)	(45,449)	—	(85,726)	(28,905)	(1,071)	(417,764)
Depreciation, depletion and amortization	(58,375)	(12,081)	(11,151)	(38)	(30,080)	(8,087)	(435)	(120,247)
Gross profit (loss)	134,051	30,403	12,820	(38)	13,597	24,006	(1,506)	213,333
General and administrative expenses	—	—	—	—	—	—	(15,110)	(15,110)
General exploration and business development	(3,840)	(1,504)	(586)	—	(1,136)	(1,620)	(6,079)	(14,765)
Finance (costs) income	(8,001)	(6,034)	(1,084)	2,810	(565)	(1,103)	(1,722)	(15,699)
Other income (expense)	13,311	6,368	(182)	15,313	2,569	(248)	9,114	46,245
Income tax (expense) recovery	(42,547)	5,349	(7)	—	(1,272)	(3,979)	(6,237)	(48,693)
Net earnings (loss)	**$ 92,974**	**$ 34,582**	**$ 10,961**	**$ 18,085**	**$ 13,193**	**$ 17,056**	**$ (21,540)**	**$ 165,311**
Capital expenditures	**$ 90,686**	**$ 16,027**	**$ 7,102**	**$ 90,555**	**$ 25,061**	**$ 14,468**	**$ 2,220**	**$ 246,119**

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

For the three months ended March 31, 2022

	Candelaria Chile	Chapada Brazil	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Other	Total
Revenue	$ 457,546	$ 159,605	$ 149,869	$ 134,567	$ 89,492	$ —	$ 991,079
Cost of goods sold							
Production costs	(152,809)	(79,677)	(39,558)	(78,470)	(31,188)	(725)	(382,427)
Depreciation, depletion and amortization	(68,109)	(11,117)	(16,849)	(20,845)	(12,479)	(438)	(129,837)
Gross profit (loss)	236,628	68,811	93,462	35,252	45,825	(1,163)	478,815
General and administrative expenses	—	—	—	—	—	(11,502)	(11,502)
General exploration and business development	(2,585)	(1,876)	(245)	(1,556)	(959)	(1,061)	(8,282)
Finance costs	(7,003)	(4,582)	(470)	(1,546)	(904)	(467)	(14,972)
Other (expense) income	(4,217)	(11,076)	(320)	(150)	143	26,876	11,256
Income tax (expense) recovery	(72,969)	27,681	(13,762)	(7,111)	(11,265)	220	(77,206)
Net earnings	$ 149,854	$ 78,958	$ 78,665	$ 24,889	$ 32,840	$ 12,903	$ 378,109
Capital expenditures	$ 82,964	$ 14,455	$ 4,460	$ 33,670	$ 9,039	$ 324	$ 144,912

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

21. 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.

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:

	Three months ended March 31,	
	2023	2022
Wages and salaries	**$ 1,294**	$ 1,366
Pension benefits	**44**	41
Share-based compensation	**743**	1,235
Termination benefits	**1,406**	—
	$ 3,487	$ 2,642

c) **Other related parties** - For the three months ended March 31, 2023, the Company incurred $0.3 million (Q1 2022 – $nil) for services provided by a company owned by a member of key management personnel.

22. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended March 31,	
	2023	2022
Changes in non-cash working capital items consist of:		
Trade and income taxes receivable, inventories, and other current assets	**$ (14,169)**	$ (173,872)
Trade and income taxes payable, and other current liabilities	**(9,023)**	18,324
	$ (23,192)	$ (155,548)
Operating activities included the following cash payments:		
Income taxes paid	**$ 39,857**	$ 81,109

23. PURCHASE AGREEMENT TO ACQUIRE MAJORITY INTEREST IN CASERONES MINE

On March 27, 2023, the Company announced that it had entered into a binding purchase agreement with JX Nippon Mining & Metals Corporation and certain of its subsidiaries (collectively, "JX"), to acquire fifty-one percent (51%) of the issued and outstanding equity of SCM Minera Lumina Copper Chile ("Lumina Copper"), a wholly owned subsidiary of JX which operates the Caserones copper-molybdenum mine ("Caserones") located in Chile (the "Acquisition").

Under the terms of the Acquisition, JX will receive upfront cash consideration from the Company of $800 million subject to any adjustments from the effective locked box date of December 31, 2022, until closing. In addition, $150 million in deferred cash consideration will be payable by the Company in installments over a six-year period following the closing date. The Company will also have the right to acquire up to an additional 19% interest in Caserones for $350 million over a five-year period commencing on the first anniversary of the date of closing.

The Acquisition is based on Lumina Copper containing zero debt and zero cash as of the locked box date of December 31, 2022. The purchase price is expected to be funded from the Company's revolving credit facility.

The Acquisition has been unanimously approved by the Board of Directors of both the Company and JX and is expected to close in the third quarter of 2023 subject to typical closing conditions, including third-party and requisite regulatory approvals. The transaction does not require shareholder approval of either party.

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