

## NEWS RELEASE

### Lundin Mining Third Quarter Results

**Toronto, October 25, 2017 (TSX: LUN; OMX: LUMI)** Lundin Mining Corporation (“Lundin Mining” or the “Company”) today reported cash flows of \$249.5 million generated from operations in its third quarter of the year, with net earnings from continuing operations attributable to Lundin Mining shareholders of \$131.8 million (\$0.18 per share) for the quarter ended September 30, 2017.

Mr. Paul Conibear, President and CEO commented, *“Our Candelaria and Eagle operations delivered another quarter of excellent production and cost performance. Cash cost guidance has been further improved for both Eagle and Zinkgruvan. We have revised production guidance for Zinkgruvan and Neves-Corvo which includes an allowance for labour action by some of the unionized employees of the Neves-Corvo operation in the fourth quarter.*

*All growth projects are on schedule and budget, including construction of the Los Diques tailings dam facility at Candelaria on plan to be ready for use early next year. We remain active and focused on value creation through disciplined investment in our existing assets and on potential acquisition initiatives.”*

#### **Summary financial results for the quarter and year-to-date:**

| US\$ Millions (except per share amounts)                          | Three months ended<br>September 30, |         | Nine months ended<br>September 30, |         |
|---|-------------------------------------|---------|------------------------------------|---------|
|   | 2017                                | 2016    | 2017                               | 2016    |
| Sales   | <b>601.7</b>                        | 374.5   | <b>1,544.2</b>                     | 1,086.4 |
| Operating costs   | <b>(241.4)</b>                      | (225.6) | <b>(665.0)</b>                     | (638.1) |
| Operating earnings <sup>1</sup>                                   | <b>350.7</b>                        | 142.6   | <b>851.4</b>                       | 428.9   |
| Impairment  | -                                   | -       | -                                  | (772.1) |
| <b>Continuing, attributable net earnings / (loss)<sup>2</sup></b> | <b>131.8</b>                        | (18.9)  | <b>238.4</b>                       | (56.4)  |
| Attributable net earnings / (loss) <sup>2</sup>                   | <b>131.8</b>                        | (11.4)  | <b>293.4</b>                       | (824.6) |
| Net earnings / (loss)   | <b>156.6</b>                        | (7.1)   | <b>348.0</b>                       | (810.5) |
| Basic and diluted earnings / (loss) per share <sup>3</sup>        | <b>0.18</b>                         | (0.02)  | <b>0.40</b>                        | (1.15)  |
| Cash flow from operations   | <b>249.5</b>                        | 59.3    | <b>673.4</b>                       | 255.3   |
| Cash and cash equivalents   | <b>2,152.9</b>                      | 691.3   | <b>2,152.9</b>                     | 691.3   |
| Net cash / (debt) <sup>4</sup>                                    | <b>1,145.5</b>                      | (308.8) | <b>1,145.5</b>                     | (308.8) |

<sup>1</sup> Operating earnings is a non-GAAP measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs.

<sup>2</sup> Attributable to shareholders of Lundin Mining Corporation.

<sup>3</sup> Basic and diluted earnings / (loss) per share attributable to shareholders of Lundin Mining Corporation.

<sup>4</sup> Net cash / (debt) is a non-GAAP measure defined as cash and cash equivalents, less long-term debt and finance leases, before deferred financing fees.

## Highlights

### Operational Performance

Copper and zinc production for the third quarter of 2017 were higher than that realized in the third quarter of 2016, while lower nickel grades at Eagle contributed to lower comparable nickel production. Cash costs<sup>1</sup> for the quarter across all operations benefitted from higher by-product metal prices, resulting in lower cash costs than those realized in the third quarter of 2016. Full year cash cost guidance has been lowered for Eagle and Zinkgruvan to reflect this.

**Candelaria (80% owned):** The Candelaria operations produced, on a 100% basis, 49,203 tonnes of copper, and approximately 27,000 ounces of gold and 525,000 ounces of silver in concentrate during the quarter. Copper production for the quarter was in-line with expectations, but exceeded the prior year comparable period due primarily to higher grades. Copper cash costs of \$1.17/lb for the quarter were lower than the prior year and are expected to meet guidance over the full year.

In September, Candelaria achieved successful labour negotiations with the three organized groups at the operation and these agreements have since been completed. Agreements were reached ahead of the 2017 year-end contract expiry, and have a term of 36 months. The new agreements, signed under the new labour law in Chile, recognize the existing benefits workers have and place a focus on improving the productivity of the operations, which is of benefit to both workers and the Company.

Construction of the Los Diques tailings dam facility continues on schedule and on budget, with pre-commissioning activities commencing during the quarter. Water is now being placed in the containment area for pre-wetting of the basin ahead of tailings placement that is expected to commence in the first half of 2018. Total forecast spend on the project remains unchanged at \$295 million, of which approximately \$60 million remains to be spent as of September 30, 2017; \$30 million in the fourth quarter of 2017 and \$30 million in 2018.

**Eagle (100% owned):** Eagle production was in-line with expectations for the quarter, with the operations producing 5,618 tonnes of nickel and 4,995 tonnes of copper. Quantities were less than the same period in 2016 as a result of lower head grades. Nickel cash costs of \$0.63/lb for the quarter benefitted significantly from higher copper by-product prices than the comparable period in the prior year. Full year cash cost guidance has been revised to \$1.10/lb (from \$1.35/lb) to reflect the continued benefit from by-products.

The Eagle East ramp is advancing ahead of schedule. Permit amendment review and approvals for mining and processing of Eagle East ore are progressing according to plan.

**Neves-Corvo (100% owned):** Neves-Corvo produced 7,946 tonnes of copper and 19,562 tonnes of zinc in the quarter, below expectations. Zinc production exceeded the prior year comparable period, while copper production was negatively impacted by lower throughput, grades and recoveries. Copper cash costs of \$0.75/lb for the quarter were significantly lower than the prior year comparable period, aided by higher zinc by-product volumes and prices. Year-to-date cash costs of \$0.95/lb remains in line with full year guidance.

The Zinc Expansion Project (“ZEP”) investment to double zinc production at Neves-Corvo progressed over the quarter and remains on target to commence production ramp up prior to the end of 2019, with over 2,000 metres of underground development achieved to date.

Subsequent to the end of the quarter, the Company was subject to labour action at Neves-Corvo. The Mining Industry Workers Union organized a strike at the mine from October 3-7, 2017. The Company has been advised that the union intends to undertake another strike during a five-day period commencing November 6, 2017 and it may repeat this action a third time in the month of December. The Company has revised production guidance downward to reflect anticipated lost production from the labour actions. The Company has engaged in dialogue

<sup>1</sup> Cash cost per pound is a non-GAAP measure – for discussion of non-GAAP measures see page 28 of the Company’s Management’s Discussion & Analysis for the period ending September 30, 2017 available under the Company’s profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

with the unions, who are looking for changes to work schedules and other factors that have also been demanded of other industries as part of a nation-wide union initiative.

**Zinkgruvan (100% owned):** Zinc production of 18,958 tonnes in the third quarter of 2017 was in-line with the prior year comparable period, while lead production of 7,899 tonnes was 23% higher, driven by higher mill throughput of zinc-lead ore and higher lead grades. However, given the lower zinc head grades realized to date and expected for the remainder of the year, full year zinc production guidance has been reduced.

Zinc cash costs of \$0.30/lb for the quarter were lower than the prior year comparable period and full year guidance. Given the performance to date, zinc cash cost guidance has been reduced to \$0.35/lb.

### Senior Operational Changes

The Company is pleased to announce that Peter Richardson has assumed the position of Chief Operating Officer of Lundin Mining. Mr. Richardson was most recently General Manager of the Company's Eagle Mine, of which he remains Managing Director, and brought more than two decades of industry experience to Lundin Mining when he joined in 2015. Taking up the role of General Manager at the Eagle Mine is Kristen Mariuzza. Mrs. Mariuzza was previously the Health, Safety, Environment, and Permitting Manager at Eagle Mine and has significant experience from the early project phase to full production.

### Financial Performance

- Sales for the quarter ended September 30, 2017 were \$601.7 million, an increase of \$227.2 million in comparison to the third quarter of the prior year (\$374.5 million). The increase was mainly due to higher realized metal prices and price adjustments (\$158.2 million) and higher sales volumes (\$57.1 million).

On a year-to-date basis, sales were \$1,544.2 million, an increase of \$457.8 million in comparison to the nine months ended September 30, 2016 (\$1,086.4 million). The increase was mainly due to higher realized metal prices and price adjustments (\$359.6 million) and higher sales volumes (\$81.5 million).

- Operating costs (excluding depreciation) for the quarter ended September 30, 2017 were \$241.4 million, an increase of \$15.8 million in comparison to the third quarter of the prior year (\$225.6 million). Although per unit operating costs were lower (\$29.0 million), this was more than offset by higher sales volumes (\$38.6 million) and disadvantageous movements in foreign exchange (\$6.1 million).

On a year-to-date basis, operating costs (excluding depreciation) were \$665.0 million, an increase of \$26.9 million in comparison to the nine months ended September 30, 2016 (\$638.1 million). The increase was largely due to higher overall sales volumes (\$48.9 million) and disadvantageous movements in foreign exchange (\$7.0 million), partially offset by lower per unit operating costs (\$27.6 million).

- Operating earnings<sup>1</sup> for the quarter ended September 30, 2017 were \$350.7 million, an increase of \$208.1 million in comparison to the third quarter of the prior year (\$142.6 million). The increase was primarily due to higher realized metal prices and price adjustments (\$158.2 million), lower per unit operating costs (\$29.0 million), and higher sales volumes (\$18.5 million), partially offset by negative foreign exchange impacts (\$6.1 million).

On a year-to-date basis, operating earnings were \$851.4 million, an increase of \$422.5 million in comparison to the nine months ended September 30, 2016 (\$428.9 million). The increase was primarily due to higher realized metal prices and price adjustments (\$359.6 million), higher sales volumes (\$32.5 million), and lower per unit operating costs (\$27.6 million), partially offset by negative foreign exchange impacts (\$7.0 million).

<sup>1</sup> Operating earnings is a non-GAAP measure – for discussion of non-GAAP measures see page 28 of the Company's Management's Discussion & Analysis for the period ending September 30, 2017 available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

- Net earnings from continuing operations for the quarter ended September 30, 2017 were \$156.6 million, an increase of \$171.2 million in comparison to the three months ended September 30, 2016 (loss of \$14.6 million). Comparative earnings were higher due to:
  - higher operating earnings (\$208.1 million); partially offset by
  - higher net tax expense (\$58.4 million).

On a year-to-date basis, the Company reported net earnings from continuing operations of \$293.0 million, an increase of \$335.2 million in comparison to the nine months ended September 30, 2016 (loss of \$42.2 million). Comparative earnings in the current year were higher due to:

- higher operating earnings (\$422.5 million); and
  - lower depreciation, depletion and amortization expense (\$31.0 million); partially offset by
  - higher net tax expense (\$125.5 million).
- Cash flow from operations for the quarter ended September 30, 2017 was \$249.5 million, an increase of \$190.2 million in comparison to the third quarter of the prior year (\$59.3 million). The increase was primarily due to higher operating earnings (\$208.1 million).

On a year-to-date basis, cash flow from operations was \$673.4 million, an increase of \$418.1 million in comparison to the nine months ended September 30, 2016 (\$255.3 million). The increase was attributable to higher operating earnings in the current year (\$422.5 million) as well as changes in non-cash working capital (\$114.7 million), partially offset by higher net tax payments (\$92.1 million).

### **Corporate Highlights**

- On September 5, 2017, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2017 on SEDAR ([www.sedar.com](http://www.sedar.com)). On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totaled 3,232,000 tonnes of copper, 3,415,000 tonnes of zinc and 130,000 tonnes of nickel.
- On October 20, 2017, the Company announced that it had issued a notice to redeem all of its 7.50% Senior Secured Notes due 2020 (the "2020 Notes") on November 20, 2017 at the redemption price of 103.75% of the principal amount of the 2020 Notes plus accrued and unpaid interest. There is \$550 million principal amount of the 2020 Notes currently outstanding. The early redemption of the 2020 Notes will save the Company \$41.25 million per annum in interest payments.

### **Financial Position and Financing**

- Cash and cash equivalents increased \$102.2 million during the quarter from \$2,050.7 million at June 30, 2017 to \$2,152.9 million at September 30, 2017. The increase is primarily a reflection of cash generated from operating activities of \$249.5 million, partially offset by investments in mineral properties, plant and equipment of \$117.3 million.

For the nine months ended September 30, 2017, cash increased by \$1,437.6 million due primarily to proceeds from the sale of the Company's indirect interest in, and distributions from, Tenke Fungurume Mining S.A. ("Tenke") of \$1.1 billion and \$58.3 million, respectively. In addition, operating cash flows of \$673.4 million were partially offset by investments in mineral properties, plant and equipment of \$280.9 million, shareholder dividends of \$50.7 million, distributions to non-controlling interests of \$46.0 million, and interest paid of \$33.1 million.

- Net cash<sup>1</sup> position at September 30, 2017 was \$1,145.5 million compared to \$1,045.1 million at June 30, 2017 and a net debt position of \$284.1 million at December 31, 2016.
- The Company has a revolving credit facility available for borrowing up to \$350 million. As at September 30, 2017, the Company had no amount drawn on the credit facility, only letters of credit in the amount of \$26.9 million.
- As at October 25, 2017, cash and net cash were approximately \$2.2 billion and \$1.2 billion, respectively.

## Outlook

Production, cash cost, and capital expenditure guidance for 2017 have been updated from that disclosed in our Management's Discussion and Analysis for the three and six months ended June 30, 2017, while exploration expenditure guidance remains unchanged.

### 2017 Production and Cost Guidance

| 2017 Guidance<br>(contained tonnes) |                    | Previous Guidance <sup>a</sup><br>Tonnes C1 Cost |           | Revised Guidance <sup>b</sup><br>Tonnes C1 Cost |           |
|-------------------------------------|--------------------|--|-----------|---|-----------|
| <b>Copper</b>                       | Candelaria (80%)   | 147,000 - 151,000                                | \$1.20/lb | 147,000 - 151,000                               | \$1.20/lb |
|                                     | Eagle              | 19,000 - 22,000                                  |           | 19,000 - 22,000                                 |           |
|                                     | Neves-Corvo        | 36,000 - 39,000                                  | \$1.00/lb | 32,000 - 35,000                                 | \$1.00/lb |
|                                     | Zinkgruvan         | 1,000 - 2,000                                    |           | 1,000   |           |
|                                     | Total attributable | 203,000 - 214,000                                |           | 199,000 - 209,000                               |           |
| <b>Nickel</b>                       | Eagle              | 20,000 - 23,000                                  | \$1.35/lb | 20,000 - 23,000                                 | \$1.10/lb |
| <b>Zinc</b>                         | Neves-Corvo        | 72,000 - 77,000                                  |           | 70,000 - 73,000                                 |           |
|                                     | Zinkgruvan         | 80,000 - 85,000                                  | \$0.40/lb | 77,000 - 80,000                                 | \$0.35/lb |
| Total                               |                    | 152,000 - 162,000                                |           | 147,000 - 153,000                               |           |

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2017.

b. Cash costs are dependent upon exchange rates (forecast at €/USD:1.20, USD/SEK:8.00, USD/CLP:625) and metal prices (forecast at Cu: \$2.75/lb, Ni: \$4.50/lb, Zn: \$1.30/lb, Pb: \$1.00/lb, Au: \$1,250/oz, Ag: \$16.50/oz).

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## 2017 Capital Expenditure and Exploration Guidance

Total capital expenditures, excluding capitalized interest, are expected to remain unchanged at \$490 million. An additional \$10 million is expected to be spent on capitalized stripping, given strong open pit mining progress to date at Candelaria, offset by \$10 million lower spend on Neves-Corvo sustaining capital due to timing of expenditures.

### Revised Capital Expenditure Guidance

| (\$ millions)                     | Previous Guidance <sup>a</sup> | Revisions | Revised Guidance |
|-----------------------------------|--------------------------------|-----------|------------------|
| Candelaria                        |                                |           |                  |
| Capitalized Stripping             | 110                            | 10        | <b>120</b>       |
| Los Diques Tailings               | 135                            | -         | 135              |
| Other Sustaining                  | 80                             | -         | 80               |
|                                   | 325                            | 10        | <b>335</b>       |
| Eagle                             | 10                             | -         | 10               |
| Neves-Corvo                       | 50                             | (10)      | <b>40</b>        |
| Zinkgruvan                        | 40                             | -         | 40               |
| <b>Total Sustaining Capital</b>   | <b>425</b>                     | <b>-</b>  | <b>425</b>       |
| Eagle East                        | 30                             | -         | 30               |
| Zinc Expansion (Neves-Corvo)      | 30                             | -         | 30               |
| Zinkgruvan Expansion (1350)       | 5                              | -         | 5                |
| <b>Total Expansionary Capital</b> | <b>65</b>                      | <b>-</b>  | <b>65</b>        |
| <b>Total Capital Expenditures</b> | <b>490</b>                     | <b>-</b>  | <b>490</b>       |

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2017.

Exploration spend is expected to remain unchanged at \$75 million, as previously disclosed.

The information in this news release is subject to the disclosure requirements of Lundin Mining under the EU Market Abuse Regulation. This information was publicly communicated on October 25, 2017 at 6:30 p.m. Eastern Time.

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### **Cautionary Statement on Forward-Looking Information and Non-GAAP performance measures**

*Certain of the statements made and information contained or incorporated by reference in this news release is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts in this news release constitute forward-looking information based on current expectations, estimates, forecasts and projections as well as beliefs and assumptions made by the Company's management. Such forward-looking statements include but are not limited to those regarding the Company's outlook and guidance on estimated metal production, costs, and exploration and capital expenditures; the Zinc Expansion Project at Neves-Corvo and Eagle East; and Mineral Reserve and Mineral Resource estimates. Words such as "aim", "anticipate", "assumption", "believe", "budget", "estimate", "expectation", "exploration", "focus", "forecast", "growth", "guidance", "initiative", "outlook", "plan", "potential", "project", "schedule", or "target", or variations of or similar such terms, or statements that certain actions, events or results could, may, might or will be taken or occur or be achieved, identify forward-looking information. Although the Company believes that the expectations reflected in the forward-looking information herein are reasonable, these statements by their nature involve risks and uncertainties and are not guarantees of future performance. These estimates, expectations and other forward-looking statements are based on a number of assumptions and are subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties inherent in and/or relating to: estimates of future production and operations, cash and all-in sustaining costs; metal and commodity price fluctuations; foreign currency fluctuations; mining operations including but not limited to environmental hazards, industrial accidents, ground control problems and flooding; geology including, but not limited to, unusual or unexpected geological formations, estimation and modelling of grade, tonnes, metallurgy continuity of mineral deposits, dilution, and mineral resources and mineral reserves, and actual ore mined and/or metal recoveries varying from such estimates; mine plans, and life of mine estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; the expected strike by union workers (and potential further such strikes) at Neves-Corvo, and the potential for and effects of other labour disputes or shortages, or other unanticipated difficulties with or interruptions in production; potential for unexpected costs and expenses including, without limitation, for mine closure and reclamation at current and historical operations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental approvals and/or permits, including but not limited to the Alcaparrosa underground mine operating license, the Punta Padrones process operating license and the Ojos del Salado mill tailings line permit at Candelaria which are required by the end of the year; regulatory investigations, enforcement, sanctions and/or related or other litigation; and other risks and uncertainties, including but not limited to those described in the "Managing Risks" section of the Company's Management's Discussion and Analysis for the financial period ending December 31, 2016 and completed financial quarters in 2017, and the "Risks and Uncertainties" section of our most recently filed Annual Information Form. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management; assumed prices of copper, nickel, zinc and other metals; that the Company can access financing, appropriate equipment and sufficient labour; and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, there can be no assurance that forward-looking information will prove to be accurate, and readers should not place undue reliance on forward-looking statements. The Company disclaims any intention or obligation to update or revise forward-looking statements or to explain any material difference between such and subsequent actual events, except as required by applicable law.*

*Certain financial measures contained herein, such as operating earnings, net debt and cash costs, have no meaning within generally accepted accounting principles under IFRS and therefore amounts presented may not be comparable to similar data resented 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 or performance prepared in accordance with IFRS.*



## Management's Discussion and Analysis

### For the three and nine months ended September 30, 2017

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This management's discussion and analysis ("MD&A") has been prepared as of October 25, 2017 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2017. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of \$ or USD is to United States dollars, C\$ is to Canadian dollars, CLP is to Chilean pesos, SEK is to Swedish krona and € refers to the Euro.

#### About Lundin Mining

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

#### Cautionary Statement on Forward-Looking Information

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## Highlights

### Operational Performance

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In September, Candelaria achieved successful labour negotiations with the three organized groups at the operation and these agreements have since been completed. Agreements were reached ahead of the 2017 year-end contract expiry, and have a term of 36 months. The new agreements, signed under the new labour law in Chile, recognize the existing benefits workers have and place a focus on improving the productivity of the operations, which is of benefit to both workers and the Company.

Construction of the Los Diques tailings dam facility continues on schedule and on budget, with pre-commissioning activities commencing during the quarter. Water is now being placed in the containment area for pre-wetting of the basin ahead of tailings placement that is expected to commence in the first half of 2018. Total forecast spend on the project remains unchanged at \$295 million, of which approximately \$60 million remains to be spent as of September 30, 2017; \$30 million in the fourth quarter of 2017 and \$30 million in 2018.

**Eagle (100% owned):** Eagle production was in-line with expectations for the quarter, with the operations producing 5,618 tonnes of nickel and 4,995 tonnes of copper. Quantities were less than the same period in 2016 as a result of lower head grades. Nickel cash costs of \$0.63/lb for the quarter benefited significantly from higher copper by-product prices than the comparable period in the prior year. Full year cash cost guidance has been revised to \$1.10/lb (from \$1.35/lb) to reflect the continued benefit from by-products.

The Eagle East ramp is advancing ahead of schedule. Permit amendment review and approvals for mining and processing of Eagle East ore are progressing according to plan.

**Neves-Corvo (100% owned):** Neves-Corvo produced 7,946 tonnes of copper and 19,562 tonnes of zinc in the quarter, below expectations. Zinc production exceeded the prior year comparable period, while copper production was negatively impacted by lower throughput, grades and recoveries. Copper cash costs of \$0.75/lb for the quarter were significantly lower than the prior year comparable period, aided by higher zinc by-product volumes and prices. Year-to-date cash costs of \$0.95/lb remains in line with full year guidance.

The Zinc Expansion Project (“ZEP”) investment to double zinc production at Neves-Corvo progressed over the quarter and remains on target to commence production ramp up prior to the end of 2019, with over 2,000 metres of underground development achieved to date.

Subsequent to the end of the quarter, the Company was subject to labour action at Neves-Corvo. The Mining Industry Workers Union organized a strike at the mine from October 3-7, 2017. The Company has been advised that the union intends to undertake another strike during a five-day period commencing November 6, 2017 and it may repeat this action a third time in the month of December. The Company has revised production guidance downward to reflect anticipated lost production from the labour actions. The Company has engaged in dialogue with the unions, who are looking for changes to work schedules and other factors that have also been demanded of other industries as part of a nation-wide union initiative.

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

**Zinkgruvan (100% owned):** Zinc production of 18,958 tonnes in the third quarter of 2017 was in-line with the prior year comparable period, while lead production of 7,899 tonnes was 23% higher, driven by higher mill throughput of zinc-lead ore and higher lead grades. However, given the lower zinc head grades realized to date and expected for the remainder of the year, full year zinc production guidance has been reduced.

Zinc cash costs of \$0.30/lb for the quarter were lower than the prior year comparable period and full year guidance. Given the performance to date, zinc cash cost guidance has been reduced to \$0.35/lb.

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

| (Contained metal in concentrate - tonnes) | YTD     | 2017   |        |        | Total   | 2016   |        |        |        |
|---|---------|--------|--------|--------|---------|--------|--------|--------|--------|
|   |         | Q3     | Q2     | Q1     |         | Q4     | Q3     | Q2     | Q1     |
| Copper <sup>a</sup>                       | 157,334 | 52,882 | 56,448 | 48,004 | 205,154 | 55,975 | 47,627 | 48,361 | 53,191 |
| Zinc                                      | 111,987 | 38,520 | 36,216 | 37,251 | 148,050 | 35,659 | 36,450 | 35,558 | 40,383 |
| Nickel                                    | 17,782  | 5,618  | 5,822  | 6,342  | 24,114  | 5,249  | 6,085  | 6,812  | 5,968  |

a. excludes attributable share of copper production from discontinued operations.

**Financial Performance**

- Sales for the quarter ended September 30, 2017 were \$601.7 million, an increase of \$227.2 million in comparison to the third quarter of the prior year (\$374.5 million). The increase was mainly due to higher realized metal prices and price adjustments (\$158.2 million) and higher sales volumes (\$57.1 million).

On a year-to-date basis, sales were \$1,544.2 million, an increase of \$457.8 million in comparison to the nine months ended September 30, 2016 (\$1,086.4 million). The increase was mainly due to higher realized metal prices and price adjustments (\$359.6 million) and higher sales volumes (\$81.5 million).

- Operating costs (excluding depreciation) for the quarter ended September 30, 2017 were \$241.4 million, an increase of \$15.8 million in comparison to the third quarter of the prior year (\$225.6 million). Although per unit operating costs were lower (\$29.0 million), this was more than offset by higher sales volumes (\$38.6 million) and disadvantageous movements in foreign exchange (\$6.1 million).

On a year-to-date basis, operating costs (excluding depreciation) were \$665.0 million, an increase of \$26.9 million in comparison to the nine months ended September 30, 2016 (\$638.1 million). The increase was largely due to higher overall sales volumes (\$48.9 million) and disadvantageous movements in foreign exchange (\$7.0 million), partially offset by lower per unit operating costs (\$27.6 million).

- Operating earnings<sup>1</sup> for the quarter ended September 30, 2017 were \$350.7 million, an increase of \$208.1 million in comparison to the third quarter of the prior year (\$142.6 million). The increase was primarily due to higher realized metal prices and price adjustments (\$158.2 million), lower per unit operating costs (\$29.0 million), and higher sales volumes (\$18.5 million), partially offset by negative foreign exchange impacts (\$6.1 million).

On a year-to-date basis, operating earnings were \$851.4 million, an increase of \$422.5 million in comparison to the nine months ended September 30, 2016 (\$428.9 million). The increase was primarily due to higher realized metal prices and price adjustments (\$359.6 million), higher sales volumes (\$32.5 million), and lower per unit operating costs (\$27.6 million), partially offset by negative foreign exchange impacts (\$7.0 million).

- Net earnings from continuing operations for the quarter ended September 30, 2017 were \$156.6 million, an increase of \$171.2 million in comparison to the three months ended September 30, 2016 (loss of \$14.6 million). Comparative earnings were higher due to:
  - higher operating earnings (\$208.1 million); partially offset by
  - higher net tax expense (\$58.4 million).

<sup>1</sup> Operating earnings is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

On a year-to-date basis, the Company reported net earnings from continuing operations of \$293.0 million, an increase of \$335.2 million in comparison to the nine months ended September 30, 2016 (loss of \$42.2 million). Comparative earnings in the current year were higher due to:

- higher operating earnings (\$422.5 million); and
  - lower depreciation, depletion and amortization expense (\$31.0 million); partially offset by
  - higher net tax expense (\$125.5 million).
- Cash flow from operations for the quarter ended September 30, 2017 was \$249.5 million, an increase of \$190.2 million in comparison to the third quarter of the prior year (\$59.3 million). The increase was primarily due to higher operating earnings (\$208.1 million).

On a year-to-date basis, cash flow from operations was \$673.4 million, an increase of \$418.1 million in comparison to the nine months ended September 30, 2016 (\$255.3 million). The increase was attributable to higher operating earnings in the current year (\$422.5 million) as well as changes in non-cash working capital (\$114.7 million), partially offset by higher net tax payments (\$92.1 million).

### Corporate Highlights

- On September 5, 2017, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2017, on SEDAR ([www.sedar.com](http://www.sedar.com)). On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totaled 3,232,000 tonnes of copper, 3,415,000 tonnes of zinc and 130,000 tonnes of nickel.
- On October 20, 2017, the Company announced that it had issued a notice to redeem all of its 7.50% Senior Secured Notes due 2020 (the "2020 Notes") on November 20, 2017 at the redemption price of 103.75% of the principal amount of the 2020 Notes plus accrued and unpaid interest. There is \$550 million principal amount of the 2020 Notes currently outstanding. The early redemption of the 2020 Notes will save the Company \$41.25 million per annum in interest payments.

### Financial Position and Financing

- Cash and cash equivalents increased \$102.2 million during the quarter from \$2,050.7 million at June 30, 2017 to \$2,152.9 million at September 30, 2017. The increase is primarily a reflection of cash generated from operating activities of \$249.5 million, partially offset by investments in mineral properties, plant and equipment of \$117.3 million.

For the nine months ended September 30, 2017, cash increased by \$1,437.6 million due primarily to proceeds from the sale of the Company's indirect interest in, and distributions from, Tenke Fungurume Mining S.A. ("Tenke") of \$1.1 billion and \$58.3 million, respectively. In addition, operating cash flows of \$673.4 million were partially offset by investments in mineral properties, plant and equipment of \$280.9 million, shareholder dividends of \$50.7 million, distributions to non-controlling interests of \$46.0 million, and interest paid of \$33.1 million.

- Net cash<sup>1</sup> position at September 30, 2017 was \$1,145.5 million compared to \$1,045.1 million at June 30, 2017 and a net debt position of \$284.1 million at December 31, 2016.
- The Company has a revolving credit facility available for borrowing up to \$350 million. As at September 30, 2017, the Company had no amount drawn on the credit facility, only letters of credit in the amount of \$26.9 million.
- As at October 25, 2017, cash and net cash were approximately \$2.2 billion and \$1.2 billion, respectively.

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

## Outlook

Production, cash cost, and capital expenditure guidance for 2017 have been updated from that disclosed in our Management's Discussion and Analysis for the three and six months ended June 30, 2017, while exploration expenditure guidance remains unchanged.

### 2017 Production and Cost Guidance

| 2017 Guidance<br>(contained tonnes) |                    | Previous Guidance <sup>a</sup><br>Tonnes C1 Cost |           | Revised Guidance <sup>b</sup><br>Tonnes C1 Cost |                  |
|-------------------------------------|--------------------|--|-----------|---|------------------|
| <b>Copper</b>                       | Candelaria (80%)   | 147,000 - 151,000                                | \$1.20/lb | 147,000 - 151,000                               | \$1.20/lb        |
|                                     | Eagle              | 19,000 - 22,000                                  |           | 19,000 - 22,000                                 |                  |
|                                     | Neves-Corvo        | 36,000 - 39,000                                  | \$1.00/lb | <b>32,000 - 35,000</b>                          | \$1.00/lb        |
|                                     | Zinkgruvan         | 1,000 - 2,000                                    |           | <b>1,000</b>                                    |                  |
|                                     | Total attributable | 203,000 - 214,000                                |           | <b>199,000 - 209,000</b>                        |                  |
| <b>Nickel</b>                       | Eagle              | 20,000 - 23,000                                  | \$1.35/lb | 20,000 - 23,000                                 | <b>\$1.10/lb</b> |
| <b>Zinc</b>                         | Neves-Corvo        | 72,000 - 77,000                                  |           | <b>70,000 - 73,000</b>                          |                  |
|                                     | Zinkgruvan         | 80,000 - 85,000                                  | \$0.40/lb | <b>77,000 - 80,000</b>                          | <b>\$0.35/lb</b> |
|                                     | Total              | 152,000 - 162,000                                |           | <b>147,000 - 153,000</b>                        |                  |

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2017.

b. Cash costs are dependent upon exchange rates (forecast at €/USD:1.20, USD/SEK:8.00, USD/CLP:625) and metal prices (forecast at Cu: \$2.75/lb, Ni: \$4.50/lb, Zn: \$1.30/lb, Pb: \$1.00/lb, Au: \$1,250/oz, Ag: \$16.50/oz).

### 2017 Capital Expenditure and Exploration Guidance

Total capital expenditures, excluding capitalized interest, are expected to remain unchanged at \$490 million. An additional \$10 million is expected to be spent on capitalized stripping, given strong open pit mining progress to date at Candelaria, offset by \$10 million lower spend on Neves-Corvo sustaining capital due to timing of expenditures.

### Revised Capital Expenditure Guidance

| (\$ millions)                     | Previous Guidance <sup>a</sup> | Revisions | Revised Guidance |
|-----------------------------------|--------------------------------|-----------|------------------|
| Candelaria                        |                                |           |                  |
| Capitalized Stripping             | 110                            | 10        | <b>120</b>       |
| Los Diques Tailings               | 135                            | -         | 135              |
| Other Sustaining                  | 80                             | -         | 80               |
|                                   | 325                            | 10        | <b>335</b>       |
| Eagle                             | 10                             | -         | 10               |
| Neves-Corvo                       | 50                             | (10)      | <b>40</b>        |
| Zinkgruvan                        | 40                             | -         | 40               |
| <b>Total Sustaining Capital</b>   | <b>425</b>                     | <b>-</b>  | <b>425</b>       |
| Eagle East                        | 30                             | -         | 30               |
| Zinc Expansion (Neves-Corvo)      | 30                             | -         | 30               |
| Zinkgruvan Expansion (1350)       | 5                              | -         | 5                |
| <b>Total Expansionary Capital</b> | <b>65</b>                      | <b>-</b>  | <b>65</b>        |
| <b>Total Capital Expenditures</b> | <b>490</b>                     | <b>-</b>  | <b>490</b>       |

a. Guidance as outlined in our Management's Discussion and Analysis for the three and six months ended June 30, 2017.

Exploration spend is expected to remain unchanged at \$75 million, as previously disclosed.

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

|  | Three months ended<br>September 30, |             | Nine months ended<br>September 30, |             |
|--|-------------------------------------|-------------|------------------------------------|-------------|
|  | 2017                                | 2016        | 2017                               | 2016        |
| (\$ millions, except share and per share amounts)                        |                                     |             |                                    |             |
| <b>Sales</b>   | <b>601.7</b>                        | 374.5       | <b>1,544.2</b>                     | 1,086.4     |
| Operating costs  | (241.4)                             | (225.6)     | (665.0)                            | (638.1)     |
| General and administrative expenses                                      | (9.6)                               | (6.3)       | (27.8)                             | (19.4)      |
| <b>Operating earnings</b>  | <b>350.7</b>                        | 142.6       | <b>851.4</b>                       | 428.9       |
| Depreciation, depletion and amortization                                 | (99.8)                              | (112.3)     | (311.4)                            | (342.4)     |
| General exploration and business development                             | (23.5)                              | (9.8)       | (59.2)                             | (39.0)      |
| Finance income and costs, net  | (10.2)                              | (19.3)      | (39.5)                             | (59.3)      |
| Other income and expenses, net   | 6.4                                 | (7.1)       | (7.5)                              | (14.9)      |
| <b>Earnings / (loss) before income taxes</b>                             | <b>223.6</b>                        | (5.9)       | <b>433.8</b>                       | (26.7)      |
| Income tax expense   | (67.0)                              | (8.7)       | (140.8)                            | (15.5)      |
| <b>Net earnings / (loss) from continuing operations</b>                  | <b>156.6</b>                        | (14.6)      | <b>293.0</b>                       | (42.2)      |
| Earnings / (loss) from discontinued operations                           | -                                   | 7.5         | 55.0                               | (768.3)     |
| <b>Net earnings / (loss)</b>   | <b>156.6</b>                        | (7.1)       | <b>348.0</b>                       | (810.5)     |
| <b>Attributable to:</b> Lundin Mining shareholders, continuing           | <b>131.8</b>                        | (18.9)      | <b>238.4</b>                       | (56.4)      |
| Lundin Mining shareholders, discontinued                                 | -                                   | 7.5         | 55.0                               | (768.3)     |
| Non-controlling interests  | 24.8                                | 4.3         | 54.6                               | 14.2        |
| <b>Net earnings / (loss)</b>   | <b>156.6</b>                        | (7.1)       | <b>348.0</b>                       | (810.5)     |
| <b>Cash flow from operations</b>   | <b>249.5</b>                        | 59.3        | <b>673.4</b>                       | 255.3       |
| <b>Capital expenditures (including capitalized interest)</b>             | <b>117.3</b>                        | 41.4        | <b>280.9</b>                       | 127.7       |
| <b>Total assets</b>  | <b>6,636.2</b>                      | 5,960.5     | <b>6,636.2</b>                     | 5,960.5     |
| <b>Total long-term debt &amp; finance leases</b>                         | <b>993.6</b>                        | 983.4       | <b>993.6</b>                       | 983.4       |
| <b>Net cash / (debt)</b>   | <b>1,145.5</b>                      | (308.8)     | <b>1,145.5</b>                     | (308.8)     |
| <b>Shareholders' equity</b>  | <b>3,999.7</b>                      | 3,456.5     | <b>3,999.7</b>                     | 3,456.5     |
| <b>Key Financial Data:</b>   |                                     |             |                                    |             |
| Basic and diluted earnings (loss) per share attributable to shareholders |                                     |             |                                    |             |
| - continuing operations (EPS - Continuing)                               | <b>0.18</b>                         | (0.03)      | <b>0.33</b>                        | (0.08)      |
| - net earnings / (loss) (EPS - Total)                                    | <b>0.18</b>                         | (0.02)      | <b>0.40</b>                        | (1.15)      |
| Operating cash flow per share <sup>2</sup>                               | <b>0.33</b>                         | 0.14        | <b>0.79</b>                        | 0.38        |
| Dividends declared (C\$/share)   | <b>0.03</b>                         | -           | <b>0.09</b>                        | -           |
| <b>Shares outstanding:</b>   |                                     |             |                                    |             |
| Basic weighted average   | <b>727,237,280</b>                  | 719,932,559 | <b>726,722,669</b>                 | 719,732,581 |
| Diluted weighted average   | <b>730,390,380</b>                  | 719,932,559 | <b>729,380,431</b>                 | 719,732,581 |
| End of period  | <b>727,573,982</b>                  | 720,099,957 | <b>727,573,982</b>                 | 720,099,957 |

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

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

## Summary of Quarterly Results<sup>1</sup>

| (\$ millions, except per share data)                     | Q3-17   | Q2-17   | Q1-17   | Q4-16   | Q3-16   | Q2-16                | Q1-16   | Q4-15   |
|--|---------|---------|---------|---------|---------|----------------------|---------|---------|
| <b>Sales</b>   | 601.7   | 454.7   | 487.8   | 459.2   | 374.5   | 342.3                | 369.6   | 316.0   |
| <b>Operating costs</b>                                   | (241.4) | (209.5) | (214.1) | (226.4) | (225.6) | (202.2)              | (210.3) | (208.2) |
| <b>Operating earnings (excluding depreciation)</b>       | 350.7   | 236.2   | 264.4   | 225.3   | 142.6   | 134.5                | 151.7   | 101.0   |
| <b>Impairment reversals / (impairment)</b>               | -       | -       | -       | 95.9    | -       | -                    | -       | (293.3) |
| <b>Net earnings / (loss)</b>                             | 156.6   | 85.0    | 106.4   | 180.2   | (7.1)   | (787.9)              | (15.5)  | (383.5) |
| - attributable to shareholders, continuing               | 131.8   | 49.0    | 57.6    | 148.7   | (18.9)  | (19.8)               | (17.7)  | (375.5) |
| - attributable to shareholders, discontinued             | -       | 21.0    | 34.0    | 14.2    | 7.5     | (771.4) <sup>2</sup> | (4.4)   | (2.2)   |
| - attributable to shareholders, total                    | 131.8   | 70.0    | 91.6    | 162.9   | (11.4)  | (791.2)              | (22.1)  | (377.7) |
| <b>EPS Continuing - Basic and diluted</b>                | 0.18    | 0.07    | 0.08    | 0.21    | (0.03)  | (0.03)               | (0.02)  | (0.52)  |
| <b>EPS Total - Basic and diluted</b>                     | 0.18    | 0.10    | 0.13    | 0.23    | (0.02)  | (1.10)               | (0.03)  | (0.52)  |
| <b>Cash flow from operations</b>                         | 249.5   | 179.2   | 244.7   | 107.9   | 59.3    | 153.2                | 42.9    | 107.1   |
| <b>Capital expenditures (incl. capitalized interest)</b> | 117.3   | 84.5    | 79.1    | 59.8    | 41.4    | 38.8                 | 47.5    | 62.0    |

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

2. Includes impairment loss of \$772.1 million on investment in Tenke.

## Sales Overview

### Sales Volumes by Payable Metal

| (Contained metal in concentrate) | 2017    |        |        |        | 2016    |        |        |        |        |
|----------------------------------|---------|--------|--------|--------|---------|--------|--------|--------|--------|
|                                  | Total   | Q3     | Q2     | Q1     | Total   | Q4     | Q3     | Q2     | Q1     |
| <b>Copper (tonnes)</b>           |         |        |        |        |         |        |        |        |        |
| Candelaria (100%)                | 140,967 | 53,062 | 45,222 | 42,683 | 158,983 | 42,974 | 39,082 | 35,611 | 41,316 |
| Eagle                            | 16,487  | 4,985  | 5,253  | 6,249  | 21,675  | 4,864  | 5,493  | 5,366  | 5,952  |
| Neves-Corvo                      | 24,336  | 7,511  | 8,058  | 8,767  | 44,553  | 10,110 | 9,368  | 11,804 | 13,271 |
| Zinkgruvan                       | 920     | 920    | -      | -      | 1,757   | (9)    | 886    | 902    | (22)   |
|                                  | 182,710 | 66,478 | 58,533 | 57,699 | 226,968 | 57,939 | 54,829 | 53,683 | 60,517 |
| <b>Nickel (tonnes)</b>           |         |        |        |        |         |        |        |        |        |
| Eagle                            | 15,678  | 4,787  | 5,554  | 5,337  | 21,193  | 4,697  | 6,026  | 5,314  | 5,156  |
|                                  | 15,678  | 4,787  | 5,554  | 5,337  | 21,193  | 4,697  | 6,026  | 5,314  | 5,156  |
| <b>Zinc (tonnes)</b>             |         |        |        |        |         |        |        |        |        |
| Neves-Corvo                      | 44,704  | 16,355 | 13,654 | 14,695 | 56,357  | 12,658 | 15,042 | 15,044 | 13,613 |
| Zinkgruvan                       | 48,789  | 16,594 | 15,306 | 16,889 | 65,863  | 17,100 | 14,842 | 14,673 | 19,248 |
|                                  | 93,493  | 32,949 | 28,960 | 31,584 | 122,220 | 29,758 | 29,884 | 29,717 | 32,861 |
| <b>Gold (000 oz)</b>             |         |        |        |        |         |        |        |        |        |
| Candelaria (100%)                | 79      | 28     | 26     | 25     | 89      | 23     | 22     | 21     | 23     |
|                                  | 79      | 28     | 26     | 25     | 89      | 23     | 22     | 21     | 23     |
| <b>Lead (tonnes)</b>             |         |        |        |        |         |        |        |        |        |
| Neves-Corvo                      | 3,188   | 1,000  | 1,013  | 1,175  | 3,819   | 1,144  | 748    | 1,174  | 753    |
| Zinkgruvan                       | 18,180  | 4,989  | 7,319  | 5,872  | 30,450  | 8,237  | 5,830  | 6,178  | 10,205 |
|                                  | 21,368  | 5,989  | 8,332  | 7,047  | 34,269  | 9,381  | 6,578  | 7,352  | 10,958 |
| <b>Silver (000 oz)</b>           |         |        |        |        |         |        |        |        |        |
| Candelaria (100%)                | 1,315   | 523    | 427    | 365    | 1,372   | 340    | 322    | 300    | 410    |
| Eagle                            | 70      | 29     | 19     | 22     | 86      | 22     | 22     | 16     | 26     |
| Neves-Corvo                      | 392     | 116    | 130    | 146    | 552     | 129    | 114    | 159    | 150    |
| Zinkgruvan                       | 1,194   | 362    | 447    | 385    | 1,861   | 593    | 340    | 368    | 560    |
|                                  | 2,971   | 1,030  | 1,023  | 918    | 3,871   | 1,084  | 798    | 843    | 1,146  |

## Sales Analysis

| (\$ thousands) | Three months ended September 30, |    |                |    |                | Nine months ended September 30, |    |                  |    |                |
|----------------|----------------------------------|----|----------------|----|----------------|---------------------------------|----|------------------|----|----------------|
|                | 2017                             |    | 2016           |    | Change         | 2017                            |    | 2016             |    | Change         |
|                | \$                               | %  | \$             | %  | \$             | \$                              | %  | \$               | %  | \$             |
| <b>by Mine</b> |                                  |    |                |    |                |                                 |    |                  |    |                |
| Candelaria     | 374,207                          | 62 | 196,766        | 53 | 177,441        | 920,288                         | 60 | 579,205          | 53 | 341,083        |
| Eagle          | 74,263                           | 12 | 71,101         | 19 | 3,162          | 210,976                         | 14 | 182,323          | 17 | 28,653         |
| Neves-Corvo    | 89,561                           | 15 | 64,523         | 17 | 25,038         | 245,648                         | 16 | 205,510          | 19 | 40,138         |
| Zinkgruvan     | 63,707                           | 11 | 42,099         | 11 | 21,608         | 167,305                         | 10 | 121,366          | 11 | 45,939         |
| Other          | -                                | -  | -              | -  | -              | -                               | -  | (2,030)          | -  | 2,030          |
|                | <b>601,738</b>                   |    | <b>374,489</b> |    | <b>227,249</b> | <b>1,544,217</b>                |    | <b>1,086,374</b> |    | <b>457,843</b> |

| (\$ thousands)  | Three months ended September 30, |    |                |    |                | Nine months ended September 30, |    |                  |    |                |
|-----------------|----------------------------------|----|----------------|----|----------------|---------------------------------|----|------------------|----|----------------|
|                 | 2017                             |    | 2016           |    | Change         | 2017                            |    | 2016             |    | Change         |
|                 | \$                               | %  | \$             | %  | \$             | \$                              | %  | \$               | %  | \$             |
| <b>by Metal</b> |                                  |    |                |    |                |                                 |    |                  |    |                |
| Copper          | 415,492                          | 69 | 230,848        | 62 | 184,644        | 1,043,512                       | 68 | 707,916          | 65 | 335,596        |
| Nickel          | 38,184                           | 6  | 41,640         | 11 | (3,456)        | 99,809                          | 6  | 94,854           | 9  | 4,955          |
| Zinc            | 88,561                           | 15 | 52,712         | 14 | 35,849         | 222,522                         | 14 | 138,113          | 13 | 84,409         |
| Gold            | 29,676                           | 5  | 24,476         | 7  | 5,200          | 85,044                          | 6  | 70,827           | 7  | 14,217         |
| Lead            | 13,537                           | 2  | 11,064         | 3  | 2,473          | 45,948                          | 3  | 36,451           | 3  | 9,497          |
| Silver          | 9,895                            | 2  | 7,890          | 2  | 2,005          | 26,574                          | 2  | 25,341           | 2  | 1,233          |
| Other           | 6,393                            | 1  | 5,859          | 1  | 534            | 20,808                          | 1  | 12,872           | 1  | 7,936          |
|                 | <b>601,738</b>                   |    | <b>374,489</b> |    | <b>227,249</b> | <b>1,544,217</b>                |    | <b>1,086,374</b> |    | <b>457,843</b> |

Sales for the quarter ended September 30, 2017 were \$601.7 million, an increase of \$227.2 million in comparison to the third quarter of the prior year (\$374.5 million). The increase was mainly due to higher realized metal prices and price adjustments (\$158.2 million) and higher sales volumes (\$57.1 million).

On a year-to-date basis, sales were \$1,544.2 million, an increase of \$457.8 million in comparison to the nine months ended September 30, 2016 (\$1,086.4 million). The increase was mainly due to higher realized metal prices and price adjustments (\$359.6 million) and higher sales volumes (\$81.5 million).

Sales of gold and silver for the three and nine months ended September 30, 2017 include 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 \$400/oz for gold and between \$4.00/oz and \$4.29/oz for silver.

Sales are recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the expected month of settlement and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting gross sales in the period in which the sale (finalization adjustment) is settled. The finalization adjustment recorded for these sales depends on the actual price when the sale settles. Settlement dates can range from one to six months after shipment.



## Provisionally valued sales as of September 30, 2017

| Metal  | Tonnes Payable | Valued at \$ per lb | Valued at \$ per tonne |
|--------|----------------|---------------------|------------------------|
| Copper | 62,081         | 2.93                | 6,467                  |
| Nickel | 3,846          | 4.75                | 10,463                 |
| Zinc   | 16,778         | 1.44                | 3,182                  |

## Quarterly Reconciliation of Realized Prices

| (\$ thousands)                            | Three months ended September 30, 2017 |               |               |                | Three months ended September 30, 2016 |               |               |                |
|---|---------------------------------------|---------------|---------------|----------------|---------------------------------------|---------------|---------------|----------------|
|   | Copper                                | Nickel        | Zinc          | Total          | Copper                                | Nickel        | Zinc          | Total          |
| Current period sales <sup>1</sup>         | 430,882                               | 51,391        | 103,663       | 585,936        | 265,970                               | 63,387        | 69,162        | 398,519        |
| Prior period price adjustments            | 20,830                                | 2,038         | 15            | 22,883         | (3,107)                               | 4,426         | 1,224         | 2,543          |
|   | 451,712                               | 53,429        | 103,678       | 608,819        | 262,863                               | 67,813        | 70,386        | 401,062        |
| Other metal sales                         |                                       |               |               | 61,106         |                                       |               |               | 51,856         |
| Less: TC/RC                               |                                       |               |               | (68,187)       |                                       |               |               | (78,429)       |
| <b>Total Sales</b>                        |                                       |               |               | <b>601,738</b> |                                       |               |               | <b>374,489</b> |
| <b>Payable Metal (tonnes)</b>             | <b>66,478</b>                         | <b>4,787</b>  | <b>32,949</b> |                | <b>54,829</b>                         | <b>6,026</b>  | <b>29,884</b> |                |
| Current period sales (\$/lb) <sup>1</sup> | \$2.94                                | \$4.87        | \$1.43        |                | \$2.20                                | \$4.77        | \$1.05        |                |
| Prior period adjustments (\$/lb)          | 0.14                                  | 0.19          | -             |                | (0.03)                                | 0.33          | 0.02          |                |
| <b>Realized prices (\$/lb)</b>            | <b>\$3.08</b>                         | <b>\$5.06</b> | <b>\$1.43</b> |                | <b>\$2.17</b>                         | <b>\$5.10</b> | <b>\$1.07</b> |                |

1. Includes provisional price adjustments on current period sales.

## Year to Date Reconciliation of Realized Prices

| (\$ thousands)                            | Nine months ended September 30, 2017 |               |               |                  | Nine months ended September 30, 2016 |               |               |                  |
|---|--------------------------------------|---------------|---------------|------------------|--------------------------------------|---------------|---------------|------------------|
|   | Copper                               | Nickel        | Zinc          | Total            | Copper                               | Nickel        | Zinc          | Total            |
| Current period sales <sup>1</sup>         | 1,132,497                            | 158,223       | 266,701       | 1,557,421        | 807,730                              | 161,414       | 191,072       | 1,160,216        |
| Prior period price adjustments            | 10,019                               | (4,100)       | 5,904         | 11,823           | (858)                                | (2,135)       | (721)         | (3,714)          |
|   | 1,142,516                            | 154,123       | 272,605       | 1,569,244        | 806,872                              | 159,279       | 190,351       | 1,156,502        |
| Other metal sales                         |                                      |               |               | 184,051          |                                      |               |               | 155,199          |
| Less: TC/RC                               |                                      |               |               | (209,078)        |                                      |               |               | (225,327)        |
| <b>Total Sales</b>                        |                                      |               |               | <b>1,544,217</b> |                                      |               |               | <b>1,086,374</b> |
| <b>Payable Metal (tonnes)</b>             | <b>182,710</b>                       | <b>15,678</b> | <b>93,493</b> |                  | <b>169,029</b>                       | <b>16,496</b> | <b>92,462</b> |                  |
| Current period sales (\$/lb) <sup>1</sup> | \$2.81                               | \$4.58        | \$1.29        |                  | \$2.17                               | \$4.44        | \$0.94        |                  |
| Prior period adjustments (\$/lb)          | 0.03                                 | (0.12)        | 0.03          |                  | -                                    | (0.06)        | (0.01)        |                  |
| <b>Realized prices (\$/lb)</b>            | <b>\$2.84</b>                        | <b>\$4.46</b> | <b>\$1.32</b> |                  | <b>\$2.17</b>                        | <b>\$4.38</b> | <b>\$0.93</b> |                  |

1. Includes provisional price adjustments on current period sales.

## Financial Results

### Operating Costs

Operating costs (excluding depreciation) for the quarter ended September 30, 2017 were \$241.4 million, an increase of \$15.8 million in comparison to the third quarter of the prior year (\$225.6 million). Although per unit operating costs were lower (\$29.0 million), this was more than offset by higher sales volumes (\$38.6 million) and disadvantageous movements in foreign exchange (\$6.1 million).

On a year-to-date basis, operating costs (excluding depreciation) were \$665.0 million, an increase of \$26.9 million compared to the nine months of 2016 (\$638.1 million). The increase was largely due to higher overall sales volumes (\$48.9 million) and disadvantageous movements in foreign exchange (\$7.0 million), partially offset by lower per unit operating costs (\$27.6 million).

### Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense decreased for the three and nine months ended September 30, 2017 when measured against the comparable periods in 2016. The decrease for the quarter was primarily attributable to lower production at Neves-Corvo and an increased Mineral Reserve estimate at Eagle. For the comparable nine month period, lower production at Neves-Corvo and lower amortization of deferred stripping at Candelaria contributed to the decrease.

For the three and nine months ended September 30, 2017, Candelaria's depreciation expense included the amortization of previously capitalized deferred stripping costs of \$11.3 million and \$37.1 million, respectively. The deferred stripping asset balance at September 30, 2017 was \$352.0 million.

| Depreciation by operation<br>(\$ thousands) | Three months ended September 30, |         |          | Nine months ended September 30, |         |          |
|---|----------------------------------|---------|----------|---------------------------------|---------|----------|
|   | 2017                             | 2016    | Change   | 2017                            | 2016    | Change   |
| Candelaria                                  | 50,215                           | 52,721  | (2,506)  | 150,467                         | 163,347 | (12,880) |
| Eagle                                       | 25,418                           | 33,228  | (7,810)  | 89,858                          | 97,064  | (7,206)  |
| Neves-Corvo                                 | 17,146                           | 20,970  | (3,824)  | 52,424                          | 64,258  | (11,834) |
| Zinkgruvan                                  | 6,625                            | 4,731   | 1,894    | 17,243                          | 16,011  | 1,232    |
| Other                                       | 401                              | 613     | (212)    | 1,413                           | 1,724   | (311)    |
|   | 99,805                           | 112,263 | (12,458) | 311,405                         | 342,404 | (30,999) |

### General Exploration and Business Development

General exploration and business development expenses were \$23.5 million and \$59.2 million for the three and nine months ended September 30, 2017, respectively. The increases over the prior year comparable periods of \$13.7 million and \$20.2 million, respectively, are the result of expanded exploration activities at or near each of the Company's operations.

### Finance Costs

For the three and nine months ended September 30, 2017, net finance costs were \$10.2 million and \$39.5 million, respectively, which represent a decrease in comparison with the prior year comparable periods of \$19.3 million and \$59.3 million, respectively. The decrease is largely attributed to lower net interest expense, primarily as a result of income earned on cash balances.

### Other Income and Expense

Net other income of \$6.4 million for the three months ended September 30, 2017 was \$13.6 million higher than the net other expense of \$7.2 million in the prior year comparable period. The increase is a result of a comparative gain on the sale of miscellaneous non-operating assets (\$6.3 million) and higher earnings from the Company's equity investment in Freeport Cobalt (\$6.0 million).

Net other expense of \$7.4 million for the nine months ended September 30, 2017 was \$7.6 million lower than the \$15.0 million in the prior year comparable period. The decrease is primarily the result of higher earnings from the Company's equity investment in Freeport Cobalt (\$8.9 million) and lower expenses from mine closure related activities (\$9.7 million), partially offset by higher foreign exchange losses (\$13.8 million).

Foreign exchange gains and losses recorded in Other Income and Expenses relate to working capital denominated in foreign currencies that was held by the Company's subsidiaries. Period end exchange rates having a meaningful impact on such subsidiaries at September 30, 2017 were \$1.00:CLP637 (June 30, 2017 - \$1.00:CLP663; December 31, 2016 - \$1.00:CLP669), \$1.18:€1.00 (June 30, 2017 - \$1.14:€1.00; December 31, 2016 - \$1.05:€1.00) and \$1.00:SEK8.11 (June 30, 2017 - \$1.00:SEK8.47; December 31, 2016 - \$1.00:SEK9.10).

## Income Taxes

### Income taxes by mine

| Income tax expense (recovery)<br>(\$ thousands) | Three months ended September 30, |         |        | Nine months ended September 30, |         |         |
|---|----------------------------------|---------|--------|---------------------------------|---------|---------|
|   | 2017                             | 2016    | Change | 2017                            | 2016    | Change  |
| Candelaria                                      | 49,280                           | 2,193   | 47,087 | 99,543                          | 4,903   | 94,640  |
| Neves-Corvo                                     | 3,802                            | (1,416) | 5,218  | 3,141                           | (9,250) | 12,391  |
| Zinkgruvan                                      | 6,376                            | 3,760   | 2,616  | 16,671                          | 9,652   | 7,019   |
| Other   | 7,628                            | 4,124   | 3,504  | 21,518                          | 10,140  | 11,378  |
|   | 67,086                           | 8,661   | 58,425 | 140,873                         | 15,445  | 125,428 |

### Income taxes by classification

| Income tax expense (recovery)<br>(\$ thousands) | Three months ended September 30, |          |        | Nine months ended September 30, |          |         |
|---|----------------------------------|----------|--------|---------------------------------|----------|---------|
|   | 2017                             | 2016     | Change | 2017                            | 2016     | Change  |
| Current income tax                              | 71,173                           | 19,379   | 51,794 | 169,409                         | 40,461   | 128,948 |
| Deferred income tax                             | (4,087)                          | (10,718) | 6,631  | (28,536)                        | (25,016) | (3,520) |
|   | 67,086                           | 8,661    | 58,425 | 140,873                         | 15,445   | 125,428 |

Income tax expense for the three months ended September 30, 2017 was \$67.1 million compared to \$8.7 million recorded in the prior year. The increase in tax expense was mainly due to higher taxable earnings at operating sites, primarily Candelaria.

On a year-to-date basis, income tax expense of \$140.9 million was \$125.5 million higher than the \$15.4 million recorded in the prior year due to higher taxable earnings at all operating sites.

## Discontinued Operations

Earnings from discontinued operations for the nine months ended September 30, 2017 arose from a gain on the sale of the Company's indirect interest in Tenke, reversal of impairment on Tenke and equity earnings generated prior to its sale.

In the second quarter of 2016, an impairment loss of \$772.1 million was taken against the Company's interest in Tenke.

## Mining Operations

### Production Overview

| (Contained metal in concentrate) |         |            |        |        |         |            |        |        |        |
|----------------------------------|---------|------------|--------|--------|---------|------------|--------|--------|--------|
|                                  | YTD     | 2017<br>Q3 | Q2     | Q1     | Total   | 2016<br>Q4 | Q3     | Q2     | Q1     |
| <b>Copper (tonnes)</b>           |         |            |        |        |         |            |        |        |        |
| Candelaria (80%)                 | 112,946 | 39,363     | 42,277 | 31,306 | 133,274 | 39,258     | 31,285 | 29,525 | 33,206 |
| Eagle                            | 17,172  | 4,995      | 5,674  | 6,503  | 23,417  | 5,742      | 5,796  | 5,639  | 6,240  |
| Neves-Corvo                      | 26,239  | 7,946      | 8,098  | 10,195 | 46,557  | 10,975     | 9,691  | 12,146 | 13,745 |
| Zinkgruvan                       | 977     | 578        | 399    | -      | 1,906   | -          | 855    | 1,051  | -      |
| Tenke (24%)                      | 12,932  | -          | -      | 12,932 | 51,826  | 13,017     | 13,521 | 13,300 | 11,988 |
|                                  | 170,266 | 52,882     | 56,448 | 60,936 | 256,980 | 68,992     | 61,148 | 61,661 | 65,179 |
| <b>Nickel (tonnes)</b>           |         |            |        |        |         |            |        |        |        |
| Eagle                            | 17,782  | 5,618      | 5,822  | 6,342  | 24,114  | 5,249      | 6,085  | 6,812  | 5,968  |
|                                  | 17,782  | 5,618      | 5,822  | 6,342  | 24,114  | 5,249      | 6,085  | 6,812  | 5,968  |
| <b>Zinc (tonnes)</b>             |         |            |        |        |         |            |        |        |        |
| Neves-Corvo                      | 55,521  | 19,562     | 18,011 | 17,948 | 69,527  | 15,886     | 17,642 | 18,272 | 17,727 |
| Zinkgruvan                       | 56,466  | 18,958     | 18,205 | 19,303 | 78,523  | 19,773     | 18,808 | 17,286 | 22,656 |
|                                  | 111,987 | 38,520     | 36,216 | 37,251 | 148,050 | 35,659     | 36,450 | 35,558 | 40,383 |
| <b>Gold (000 oz)</b>             |         |            |        |        |         |            |        |        |        |
| Candelaria (80%)                 | 64      | 21         | 24     | 19     | 78      | 22         | 19     | 18     | 19     |
|                                  | 64      | 21         | 24     | 19     | 78      | 22         | 19     | 18     | 19     |
| <b>Lead (tonnes)</b>             |         |            |        |        |         |            |        |        |        |
| Neves-Corvo                      | 3,897   | 1,308      | 1,183  | 1,406  | 4,126   | 1,142      | 833    | 1,245  | 906    |
| Zinkgruvan                       | 21,399  | 7,899      | 5,901  | 7,599  | 31,661  | 7,363      | 6,406  | 7,063  | 10,829 |
|                                  | 25,296  | 9,207      | 7,084  | 9,005  | 35,787  | 8,505      | 7,239  | 8,308  | 11,735 |
| <b>Silver (000 oz)</b>           |         |            |        |        |         |            |        |        |        |
| Candelaria (80%)                 | 1,138   | 421        | 431    | 286    | 1,332   | 373        | 304    | 276    | 379    |
| Eagle                            | 162     | 55         | 49     | 58     | 223     | 56         | 55     | 50     | 62     |
| Neves-Corvo                      | 987     | 341        | 316    | 330    | 1,242   | 313        | 279    | 331    | 319    |
| Zinkgruvan                       | 1,742   | 710        | 494    | 538    | 2,159   | 556        | 449    | 495    | 659    |
|                                  | 4,029   | 1,527      | 1,290  | 1,212  | 4,956   | 1,298      | 1,087  | 1,152  | 1,419  |

## Cash Cost Overview

|   | Cash cost/lb (US dollars)        |             |                                 |             |
|---|----------------------------------|-------------|---------------------------------|-------------|
|   | Three months ended September 30, |             | Nine months ended September 30, |             |
|   | 2017                             | 2016        | 2017                            | 2016        |
| <b>Candelaria (Cu)</b>                    |                                  |             |                                 |             |
| Gross cost                                | 1.38                             | 1.56        | 1.39                            | 1.50        |
| By-product <sup>1</sup>                   | (0.21)                           | (0.22)      | (0.22)                          | (0.22)      |
| <b>Net Cash Cost</b>                      | <b>1.17</b>                      | <b>1.34</b> | <b>1.17</b>                     | <b>1.28</b> |
| <b>All-In Sustaining Cost<sup>2</sup></b> | <b>2.04</b>                      | <b>1.65</b> | <b>1.85</b>                     | <b>1.59</b> |
| <b>Eagle (Ni)</b>                         |                                  |             |                                 |             |
| Gross cost                                | 4.05                             | 4.37        | 4.09                            | 4.23        |
| By-product                                | (3.42)                           | (2.22)      | (3.22)                          | (2.38)      |
| <b>Net Cash Cost</b>                      | <b>0.63</b>                      | <b>2.15</b> | <b>0.87</b>                     | <b>1.85</b> |
| <b>All-In Sustaining Cost</b>             | <b>1.11</b>                      | <b>2.48</b> | <b>1.29</b>                     | <b>2.21</b> |
| <b>Neves-Corvo (Cu)</b>                   |                                  |             |                                 |             |
| Gross cost                                | 3.53                             | 3.09        | 3.07                            | 2.46        |
| By-product                                | (2.78)                           | (1.33)      | (2.12)                          | (0.90)      |
| <b>Net Cash Cost</b>                      | <b>0.75</b>                      | <b>1.76</b> | <b>0.95</b>                     | <b>1.56</b> |
| <b>All-In Sustaining Cost</b>             | <b>1.46</b>                      | <b>2.25</b> | <b>1.51</b>                     | <b>1.91</b> |
| <b>Zinkgruvan (Zn)</b>                    |                                  |             |                                 |             |
| Gross cost                                | 0.79                             | 0.86        | 0.79                            | 0.78        |
| By-product                                | (0.49)                           | (0.45)      | (0.45)                          | (0.41)      |
| <b>Net Cash Cost</b>                      | <b>0.30</b>                      | <b>0.41</b> | <b>0.34</b>                     | <b>0.37</b> |
| <b>All-In Sustaining Cost</b>             | <b>0.55</b>                      | <b>0.58</b> | <b>0.57</b>                     | <b>0.56</b> |

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

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

## Capital Expenditures (including capitalized interest)<sup>1</sup>

| by Mine        | Three months ended September 30, |              |          |         |             |              |          |         |
|----------------|----------------------------------|--------------|----------|---------|-------------|--------------|----------|---------|
|                | 2017                             |              |          |         | 2016        |              |          |         |
|                | Capitalized                      |              |          |         | Capitalized |              |          |         |
| (\$ thousands) | Sustaining                       | Expansionary | Interest | Total   | Sustaining  | Expansionary | Interest | Total   |
| Candelaria     | 78,141                           | -            | 2,289    | 80,430  | 23,418      | -            | 1,500    | 24,918  |
| Eagle          | 2,768                            | 8,999        | 740      | 12,507  | 1,901       | 1,113        | -        | 3,014   |
| Neves-Corvo    | 10,186                           | 5,813        | -        | 15,999  | 7,508       | -            | -        | 7,508   |
| Zinkgruvan     | 7,786                            | 332          | -        | 8,118   | 2,268       | 3,410        | -        | 5,678   |
| Other          | 292                              | -            | -        | 292     | 271         | -            | -        | 271     |
|                | 99,173                           | 15,144       | 3,029    | 117,346 | 35,366      | 4,523        | 1,500    | 41,389  |
| by Mine        | Nine months ended September 30,  |              |          |         |             |              |          |         |
|                | 2017                             |              |          |         | 2016        |              |          |         |
|                | Capitalized                      |              |          |         | Capitalized |              |          |         |
| (\$ thousands) | Sustaining                       | Expansionary | Interest | Total   | Sustaining  | Expansionary | Interest | Total   |
| Candelaria     | 177,311                          | -            | 7,573    | 184,884 | 71,815      | -            | 2,805    | 74,620  |
| Eagle          | 7,432                            | 19,561       | 740      | 27,733  | 4,947       | 1,113        | -        | 6,060   |
| Neves-Corvo    | 26,446                           | 10,704       | -        | 37,150  | 23,685      | -            | -        | 23,685  |
| Zinkgruvan     | 25,602                           | 5,138        | -        | 30,740  | 17,727      | 5,074        | -        | 22,801  |
| Other          | 432                              | -            | -        | 432     | 567         | -            | -        | 567     |
|                | 237,223                          | 35,403       | 8,313    | 280,939 | 118,741     | 6,187        | 2,805    | 127,733 |

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

## Candelaria

*Compañía Contractual Minera Candelaria ("CCMC") and Compañía Contractual Minera Ojos del Salado ("CCMO"), collectively "Candelaria", are located near Copiapó in the Atacama Province, Region III of Chile. The Company holds an indirect 80 percent ownership interest in Candelaria with the remaining 20 percent interest indirectly held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation. CCMC consists of an open pit mine and an underground mine, Candelaria Norte, providing copper ore to an on-site processing plant. CCMO consists of two underground mines, Santos and Alcaparrosa, and the Pedro Aguirre Cerda ("PAC") processing plant. The Santos mine provides copper ore to the PAC plant, while ore from both the Santos mine and Alcaparrosa mine is treated at the CCMC plant. The CCMC plant has a processing capacity of 27.0 million tonnes per annum ("mtpa"), and the PAC plant has a capacity of 1.3 mtpa, both producing copper in concentrate. The primary metal is copper, with gold and silver as by-product metals.*

## Operating Statistics

| (100% Basis)                 | Total     | 2017      |           |           | 2016      |           |           |           |           |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                              |           | Q3        | Q2        | Q1        | Total     | Q4        | Q3        | Q2        | Q1        |
| Ore mined (000s tonnes)      | 19,866    | 7,313     | 6,183     | 6,370     | 30,915    | 8,877     | 6,817     | 5,910     | 9,311     |
| Ore milled (000s tonnes)     | 22,156    | 7,316     | 7,745     | 7,095     | 31,938    | 8,097     | 7,794     | 7,890     | 8,157     |
| Grade                        |           |           |           |           |           |           |           |           |           |
| Copper (%)                   | 0.69      | 0.73      | 0.74      | 0.60      | 0.57      | 0.67      | 0.55      | 0.52      | 0.55      |
| Recovery                     |           |           |           |           |           |           |           |           |           |
| Copper (%)                   | 92.5      | 92.4      | 92.9      | 91.7      | 91.8      | 93.1      | 90.5      | 90.7      | 92.7      |
| Production (contained metal) |           |           |           |           |           |           |           |           |           |
| Copper (tonnes)              | 141,182   | 49,203    | 52,846    | 39,133    | 166,592   | 49,072    | 39,106    | 36,907    | 41,507    |
| Gold (000 oz)                | 80        | 27        | 30        | 23        | 97        | 27        | 24        | 22        | 24        |
| Silver (000 oz)              | 1,423     | 526       | 540       | 357       | 1,665     | 466       | 381       | 345       | 473       |
| Sales (\$000s)               | 920,288   | 374,207   | 267,741   | 278,340   | 847,684   | 268,479   | 196,766   | 175,737   | 206,702   |
| Operating costs (\$000s)     | (359,412) | (135,019) | (104,529) | (119,864) | (445,469) | (124,870) | (112,883) | (100,330) | (107,386) |
| Operating earnings (\$000s)  | 560,876   | 239,188   | 163,212   | 158,476   | 402,215   | 143,609   | 83,883    | 75,407    | 99,316    |
| Cash cost (\$ per pound)     | 1.17      | 1.17      | 1.08      | 1.27      | 1.31      | 1.40      | 1.34      | 1.28      | 1.22      |
| AISC (\$ per pound)          | 1.85      | 2.04      | 1.73      | 1.73      | 1.63      | 1.76      | 1.65      | 1.53      | 1.59      |

## Sales

Sales for three months ended September 30, 2017 were \$374.2 million with \$336.9 million generated from copper and \$37.3 million from gold, silver and other metals. Higher realized metal prices and price adjustments (\$106.6 million) and higher sales volumes (\$69.2 million) in the current year were the primary factors for increased sales over 2016.

For the nine months ended September 30, 2017 sales were \$920.3 million with \$816.5 million from copper and \$103.8 million from gold, silver and other metals. Higher realized metal prices and price adjustments (\$210.0 million) and higher sales volumes (\$125.8 million) in the current year attributed to increased sales over the prior year comparable period.

## Operating Costs

Operating costs for the quarter and nine months ended September 30, 2017 were higher than the prior year comparable periods largely as a result of higher sales volumes, partially offset by lower per unit operating costs.

## Operating Earnings

Operating earnings of \$239.2 million for the three months ended September 30, 2017 were \$155.3 million higher than the prior year comparable period. The increase was largely due to higher realized metal prices and price adjustments (\$106.6 million), higher sales volumes (\$25.3 million) and lower per unit operating costs (\$24.1 million).

On a year-to-date basis, operating earnings of \$560.9 million were \$302.3 million higher than the prior year comparable period. The increase was due to higher realized metal prices and price adjustments (\$210.0 million), higher sales volumes (\$49.1 million) and lower per unit operating costs (\$44.8 million).

## **Production**

Copper production for the three and nine months ended September 30, 2017 of 49,203 tonnes and 141,182 tonnes, respectively, was higher than the comparable periods in 2016. The increase in copper production is largely a result of higher copper head grades in 2017.

Copper production remains on track to achieve full year guidance.

## **Cash Costs**

Copper cash costs for the three months ended September 30, 2017 were \$1.17/lb, lower than cash costs of \$1.34/lb in the prior year comparable period, largely as a result of lower per unit mine, mill and administration costs (\$0.17/lb) due primarily to efficiencies gained from higher metal production and sales.

On a year-to-date basis, copper cash costs were \$1.17/lb, lower than cash costs of \$1.28/lb in the prior year comparable period, largely as a result of lower per unit mine, mill and administration costs (\$0.12/lb) due to higher metal production and sales.

Copper cash costs to date are in-line with full year cash cost guidance of \$1.20/lb.

All-in sustaining costs of \$2.04/lb for the three months ended September 30, 2017, were higher than that of the corresponding period in 2016 (\$1.65/lb). The increase is largely a result of higher sustaining capital expenditures in the current period in respect of Los Diques and deferred stripping charges.

For the nine months ended September 30, 2017, all-in sustaining costs of \$1.85/lb were higher than the prior year comparable period of \$1.59/lb, again largely as a result of higher sustaining capital expenditures in the current period in respect of Los Diques and deferred stripping charges.

For the nine months ended September 30, 2017, approximately 52,000 oz of gold and 900,000 oz of silver were subject to terms of a streaming agreement, in which \$400/oz and \$4.00/oz were received for gold and silver, respectively.

## **Projects**

The Los Diques Tailings Project remains on budget and on schedule with first tailings to be placed in the first quarter of 2018. The main dam wall construction is ahead of schedule and construction of the seepage collection system is substantially complete. Pre-commissioning activities have commenced.

The project's capital cost forecast remains at \$295 million, with expenditures in 2017 and 2018 expected to be approximately \$135 million and \$30 million, respectively.

Future phases of the main dam construction that were planned to start in 2019 have been initiated ahead of schedule, capitalizing on synergies with the current project and the ready availability of mine waste.

Optimization studies at Candelaria continue to progress well. Acceleration of underground mine development for an increase in mining rates, as well as refinement to the open pit mine plan and a capital re-investment program, will be reflected in 2018 guidance to be announced prior to the end of the year. Plant improvement studies continue in two parts; incremental throughput and operating improvements, as well as potential for an appropriate 15%-20% throughput increase.

Authorities have approved the environmental permit to expand production at Candelaria underground deposits from 6,000 to 14,000 tonnes per day. Production ramp up has begun with levels in the range of 8,000 tonnes per day currently being achieved in the Candelaria Norte area. Permit approvals are still pending for the Alcaparrosa underground mine operating license, the Punta Padrones process operating license and the Ojos del Salado mill tailings line permit renewals which are required by the end of the year. Efforts remain focussed on opportunities to further increase production from existing underground mines.

## Eagle Mine

The Eagle Mine consists of the Eagle underground mine, located approximately 55 km northwest of Marquette, Michigan, U.S.A. and the Humboldt mill, located 45 km west of Marquette in Champion, Michigan. The mill has a processing capacity of 0.7 mtpa, producing nickel and copper in concentrates. The primary metal is nickel, with copper, cobalt, gold, and platinum-group metals as by-product metals.

### Operating Statistics

|                              | Total    | 2017     |          |          | 2016      |          |          |          |          |
|------------------------------|----------|----------|----------|----------|-----------|----------|----------|----------|----------|
|                              |          | Q3       | Q2       | Q1       | Total     | Q4       | Q3       | Q2       | Q1       |
| Ore mined (000s tonnes)      | 568      | 187      | 185      | 196      | 745       | 183      | 189      | 188      | 185      |
| Ore milled (000s tonnes)     | 567      | 191      | 189      | 187      | 748       | 190      | 188      | 184      | 186      |
| Grade                        |          |          |          |          |           |          |          |          |          |
| Nickel (%)                   | 3.7      | 3.5      | 3.5      | 4.0      | 3.9       | 3.4      | 3.9      | 4.3      | 3.8      |
| Copper (%)                   | 3.1      | 2.7      | 3.0      | 3.5      | 3.2       | 3.0      | 3.2      | 3.1      | 3.4      |
| Recovery                     |          |          |          |          |           |          |          |          |          |
| Nickel (%)                   | 85.4     | 84.1     | 86.6     | 85.5     | 84.8      | 86.0     | 84.1     | 85.4     | 83.6     |
| Copper (%)                   | 98.1     | 98.0     | 98.2     | 98.1     | 97.7      | 98.3     | 97.1     | 97.5     | 97.7     |
| Production (contained metal) |          |          |          |          |           |          |          |          |          |
| Nickel (tonnes)              | 17,782   | 5,618    | 5,822    | 6,342    | 24,114    | 5,249    | 6,085    | 6,812    | 5,968    |
| Copper (tonnes)              | 17,172   | 4,995    | 5,674    | 6,503    | 23,417    | 5,742    | 5,796    | 5,639    | 6,240    |
| Sales (\$000s)               | 210,976  | 74,263   | 64,442   | 72,271   | 244,467   | 62,144   | 71,101   | 57,999   | 53,223   |
| Operating costs (\$000s)     | (94,871) | (29,764) | (34,082) | (31,025) | (124,112) | (30,845) | (33,481) | (28,795) | (30,991) |
| Operating earnings (\$000s)  | 116,105  | 44,499   | 30,360   | 41,246   | 120,355   | 31,299   | 37,620   | 29,204   | 22,232   |
| Cash cost (\$ per pound)     | 0.87     | 0.63     | 1.02     | 0.94     | 1.75      | 1.38     | 2.15     | 1.75     | 1.61     |
| AISC (\$ per pound)          | 1.29     | 1.11     | 1.46     | 1.28     | 2.10      | 1.74     | 2.48     | 2.19     | 1.91     |

### Sales

Sales for the quarter ended September 30, 2017 were \$74.3 million, of which \$38.2 million was realized from nickel, \$29.9 million from copper, and the balance from other metals. Higher realized metal prices, net of price adjustments (\$7.8 million) and lower treatment charges (\$5.6 million), due to changes in customer mix, were largely offset by lower sales volumes (\$10.2 million), resulting in a marginal increase in sales from the \$71.1 million reported in 2016.

Sales for the nine months ended September 30, 2017 were \$211.0 million, of which \$99.8 million was realized from nickel, \$90.3 million from copper, and the balance from other metals. Increased sales over the prior year comparable period are due to higher realized metal prices, net of price adjustments (\$20.8 million) and lower treatment charges (\$7.1 million), due to changes in customer mix.

### Operating Costs

Operating costs for the three months ended September 30, 2017 were \$3.7 million lower than the comparable period in 2016 due to lower sales volumes, royalties, and severance tax.

Operating costs for the nine months ended September 30, 2017 were in-line with the comparable period in 2016.

### Operating Earnings

Operating earnings for the three months ended September 30, 2017 of \$44.5 million were higher than the prior year comparable period largely due to higher realized metal prices, net of price adjustments (\$7.8 million)

On a year-to-date basis, operating earnings of \$116.1 million were \$27.0 million higher than 2016. The increase was primarily due to higher realized metal prices, net of price adjustments (\$20.8 million) and lower treatment charges (\$7.1 million), due to changes in customer mix.



## **Production**

Nickel production for the three months ended September 30, 2017 was 5,618 tonnes compared to 6,085 tonnes in the prior year comparable period, while copper production was 4,995 tonnes compared to 5,796 tonnes in the prior year comparable period. The decrease in both nickel and copper production was primarily due to lower expected head grades.

On a year-to-date basis, nickel production was 17,782 tonnes compared to 18,865 tonnes in the prior year comparable period, while copper production was 17,172 tonnes in the current year, compared with 17,675 tonnes in 2016. The decrease was again attributable to lower expected grades. Both nickel and copper production are on target to achieve full year guidance.

## **Cash Costs**

Nickel cash costs for the three months ended September 30, 2017 of \$0.63/lb were significantly lower than the \$2.15/lb reported in the prior year. The decrease in cash costs is due primarily to higher by-product credits (\$1.20/lb) and lower treatment costs (\$0.53/lb) associated with the customer mix.

On a year-to-date basis, nickel cash costs of \$0.87/lb were lower than the \$1.85/lb reported in the prior year. The decrease in cash costs is due primarily to higher by-product credits (\$0.84/lb).

Given strong metal production to date and significantly higher copper by-product prices, full year nickel cash cost guidance has been reduced to \$1.10/lb.

All-in sustaining costs for the three and nine months ended September 30, 2017 of \$1.11/lb and \$1.29/lb, respectively, were lower than that of the corresponding period in 2016. The decrease is largely the result of lower cash costs.

## **Projects**

The permitting process for mining of Eagle East progressed with a second public meeting held in September. The Company expects to receive formal approval for mining of Eagle East prior to year-end, well in advance of project schedule requirements.

Engineering and development of the Eagle East decline ramp continued during the quarter, advancing 818 metres on centreline and 904 metres in total. A total of 423 metres of vertical development was completed and the main exhaust ventilation circuit for Eagle East was established.

In the third quarter of 2017, approximately \$9 million in expansionary capital expenditures has been incurred in support of the project, for a total of \$20 million year-to-date. An additional \$10 million is expected to be spent for the remainder of this year as part of an overall budget of \$102 million for Eagle East. Production of Eagle East ore is scheduled into the mill by 2020.

A second permitting process was initiated for the additional disposal of tailings at the Humboldt Mill and approval is anticipated by mid-2018.

Exploration drilling is continuing on the property, testing for possible extensions of the Eagle East mineralization.

## Neves-Corvo Mine

Neves-Corvo consists of an underground mine and an on-site processing facility, located 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The copper plant has a processing capacity of 2.5 mtpa, producing copper in concentrate, and the zinc plant has a capacity of 1.2 mtpa with the ability to process zinc or copper ore, producing zinc or copper in concentrate. The primary metal is copper, with zinc, lead and silver as by-product metals.

### Operating Statistics

|                                 | 2017      |          |          |          | 2016      |          |          |          |          |
|---------------------------------|-----------|----------|----------|----------|-----------|----------|----------|----------|----------|
|                                 | Total     | Q3       | Q2       | Q1       | Total     | Q4       | Q3       | Q2       | Q1       |
| Ore mined, copper (000 tonnes)  | 1,619     | 503      | 530      | 586      | 2,351     | 598      | 557      | 594      | 602      |
| Ore mined, zinc (000 tonnes)    | 794       | 268      | 260      | 266      | 1,041     | 247      | 254      | 272      | 268      |
| Ore milled, copper (000 tonnes) | 1,623     | 504      | 528      | 591      | 2,386     | 598      | 560      | 602      | 626      |
| Ore milled, zinc (000 tonnes)   | 802       | 267      | 266      | 269      | 1,039     | 237      | 257      | 270      | 275      |
| Grade                           |           |          |          |          |           |          |          |          |          |
| Copper (%)                      | 2.1       | 2.1      | 2.0      | 2.2      | 2.5       | 2.4      | 2.3      | 2.6      | 2.8      |
| Zinc (%)                        | 8.5       | 9.0      | 8.3      | 8.3      | 8.2       | 8.0      | 8.3      | 8.3      | 8.2      |
| Recovery                        |           |          |          |          |           |          |          |          |          |
| Copper (%)                      | 76.4      | 73.8     | 77.7     | 77.6     | 76.5      | 75.5     | 76.3     | 77.1     | 77.2     |
| Zinc (%)                        | 79.5      | 79.6     | 80.4     | 78.6     | 78.5      | 80.3     | 81.0     | 77.4     | 75.9     |
| Production (contained metal)    |           |          |          |          |           |          |          |          |          |
| Copper (tonnes)                 | 26,239    | 7,946    | 8,098    | 10,195   | 46,557    | 10,975   | 9,691    | 12,146   | 13,745   |
| Zinc (tonnes)                   | 55,521    | 19,562   | 18,011   | 17,948   | 69,527    | 15,886   | 17,642   | 18,272   | 17,727   |
| Lead (tonnes)                   | 3,897     | 1,308    | 1,183    | 1,406    | 4,126     | 1,142    | 833      | 1,245    | 906      |
| Silver (000 oz)                 | 987       | 341      | 316      | 330      | 1,242     | 313      | 279      | 331      | 319      |
| Sales (\$000s)                  | 245,648   | 89,561   | 73,051   | 83,036   | 281,134   | 75,624   | 64,523   | 69,674   | 71,313   |
| Operating costs (\$000s)        | (148,329) | (53,692) | (49,614) | (45,023) | (210,603) | (48,288) | (57,760) | (54,208) | (50,347) |
| Operating earnings (\$000s)     | 97,319    | 35,869   | 23,437   | 38,013   | 70,531    | 27,336   | 6,763    | 15,466   | 20,966   |
| Cash cost (€ per pound)         | 0.86      | 0.64     | 1.23     | 0.70     | 1.39      | 1.37     | 1.57     | 1.32     | 1.34     |
| Cash cost (\$ per pound)        | 0.95      | 0.75     | 1.38     | 0.75     | 1.54      | 1.47     | 1.76     | 1.49     | 1.48     |
| AISC (\$ per pound)             | 1.51      | 1.46     | 1.72     | 1.42     | 1.96      | 2.13     | 2.25     | 1.84     | 1.73     |

### Sales

Sales for the quarter ended September 30, 2017 were \$89.6 million, of which \$43.3 million was realized from copper, \$43.5 million from zinc, and the balance from lead, silver and other metals. Higher realized metal prices and price adjustments (\$27.0 million) resulted in an increase in sales over the comparable period in 2016.

Sales for the nine months ended September 30, 2017 were \$245.6 million, of which \$131.4 million was realized from copper, \$105.5 million from zinc, and the balance from lead, silver and other metals. Higher realized metal prices and price adjustments (\$75.6 million) were partially offset by lower sales volumes (\$37.3 million) when compared to results over the prior year comparable period.

### Operating Costs

Operating costs for the three and nine months ended September 30, 2017 were \$4.1 million and \$14.0 million lower, respectively, than 2016. The decrease was primarily due to lower production and sales volumes and improved contractor and supplier terms.

### Operating Earnings

Operating earnings of \$35.9 million for the three months ended September 30, 2017 were \$29.1 million higher than 2016. The increase was mainly attributable to higher realized metal prices and price adjustments (\$27.0 million).

Operating earnings of \$97.3 million for the nine months ended September 30, 2017 were \$54.1 million higher than 2016. The increase was attributable to higher realized metal prices and price adjustments (\$75.6 million), partially offset by lower sales volumes (\$14.3 million).

## **Production**

Copper production for the three and nine months ended September 30, 2017 was lower than the comparable periods in 2016 by 1,745 tonnes and 9,343 tonnes, respectively. Lower mill throughput, grades, and recoveries were a result of mine sequencing and complex ore metallurgy.

Zinc production of 19,562 tonnes and 55,521 tonnes for the three and nine months and ended September 30, 2017, respectively, was higher than the comparable periods in 2016 largely resulting from higher head grades.

The Mining Industry Workers Union organized a strike at the mine from October 3-7, 2017. The Company has been advised that the union intends to undertake another strike during a five-day period commencing November 6, 2017 and it may repeat this action a third time in the month of December. The Company has revised production guidance downward to reflect anticipated lost production from the labour actions.

## **Cash Costs**

Copper cash costs of \$0.75/lb for the quarter ended September 30, 2017 were significantly lower than that of the corresponding period in 2016 of \$1.76/lb. The decrease is primarily as a result of higher by-product credits (\$1.45/lb), partially offset by higher per unit mine and mill costs (\$0.29/lb) due to lower sales volumes, and unfavourable foreign exchange rates (\$0.16/lb).

On a year-to-date basis, copper cash costs of \$0.95/lb were lower than that of the corresponding period in 2016 of \$1.56/lb. The decrease is primarily as a result of higher by-product credits (\$1.22/lb), partially offset by higher per unit mine, mill and administration costs (\$0.56/lb) due to lower sales volumes.

Copper cash costs to date are in-line with full year cash cost guidance of \$1.00/lb.

All-in sustaining costs of \$1.46/lb and \$1.51/lb for the three and nine months ended September 30, 2017, respectively, were lower than those of the corresponding period in 2016 due to lower cash costs.

## **Projects**

The Zinc Expansion Project remains on target to commence production ramp up prior to the end of 2019. Project team mobilization is complete, engineering of surface facilities is well underway, and major equipment is being ordered. Over 2,000 metres of underground development has been achieved to date, and shaft improvement engineering has begun.

Portuguese authorities have approved the ZEP Environmental Impact Study, and Neves-Corvo has initiated the next step in the environmental permitting process; a review of project engineering by authorities. Construction work on the process plant expansion and surface infrastructure may begin once the review process is completed, which is expected during the first quarter of 2018.

## Zinkgruvan Mine

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

### Operating Statistics

|                                 | 2017     |          |          |          | 2016     |          |          |          |          |
|---------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                 | Total    | Q3       | Q2       | Q1       | Total    | Q4       | Q3       | Q2       | Q1       |
| Ore mined, zinc (000 tonnes)    | 843      | 276      | 252      | 315      | 1,057    | 294      | 211      | 264      | 288      |
| Ore mined, copper (000 tonnes)  | 92       | 41       | 37       | 14       | 107      | -        | 46       | 48       | 13       |
| Ore milled, zinc (000 tonnes)   | 842      | 280      | 278      | 284      | 1,093    | 296      | 256      | 237      | 304      |
| Ore milled, copper (000 tonnes) | 76       | 42       | 34       | -        | 107      | -        | 56       | 51       | -        |
| Grade                           |          |          |          |          |          |          |          |          |          |
| Zinc (%)                        | 7.5      | 7.6      | 7.3      | 7.6      | 8.0      | 7.4      | 8.1      | 8.2      | 8.3      |
| Lead (%)                        | 3.1      | 3.4      | 2.7      | 3.2      | 3.5      | 3.0      | 3.1      | 3.6      | 4.3      |
| Copper (%)                      | 1.5      | 1.6      | 1.3      | -        | 2.0      | -        | 1.7      | 2.3      | -        |
| Recovery                        |          |          |          |          |          |          |          |          |          |
| Zinc (%)                        | 89.6     | 89.8     | 89.6     | 89.4     | 89.8     | 89.8     | 90.7     | 89.3     | 90.0     |
| Lead (%)                        | 81.7     | 82.5     | 79.6     | 82.2     | 82.3     | 83.0     | 80.9     | 81.6     | 83.8     |
| Copper (%)                      | 88.3     | 89.0     | 87.4     | -        | 91.6     | -        | 90.5     | 92.4     | -        |
| Production (contained metal)    |          |          |          |          |          |          |          |          |          |
| Zinc (tonnes)                   | 56,466   | 18,958   | 18,205   | 19,303   | 78,523   | 19,773   | 18,808   | 17,286   | 22,656   |
| Lead (tonnes)                   | 21,399   | 7,899    | 5,901    | 7,599    | 31,661   | 7,363    | 6,406    | 7,063    | 10,829   |
| Copper (tonnes)                 | 977      | 578      | 399      | -        | 1,906    | -        | 855      | 1,051    | -        |
| Silver (000 oz)                 | 1,742    | 710      | 494      | 538      | 2,159    | 556      | 449      | 495      | 659      |
| Sales (\$000s)                  | 167,305  | 63,707   | 49,458   | 54,140   | 174,336  | 52,970   | 42,099   | 38,906   | 40,361   |
| Operating costs (\$000s)        | (60,720) | (22,079) | (21,279) | (17,362) | (82,097) | (21,935) | (20,824) | (18,306) | (21,032) |
| Operating earnings (\$000s)     | 106,585  | 41,628   | 28,179   | 36,778   | 92,239   | 31,035   | 21,275   | 20,600   | 19,329   |
| Cash cost (SEK per pound)       | 2.90     | 2.44     | 2.97     | 3.30     | 3.18     | 3.43     | 3.49     | 2.78     | 3.02     |
| Cash cost (\$ per pound)        | 0.34     | 0.30     | 0.34     | 0.37     | 0.37     | 0.38     | 0.41     | 0.34     | 0.36     |
| AISC (\$ per pound)             | 0.57     | 0.55     | 0.61     | 0.57     | 0.57     | 0.60     | 0.58     | 0.56     | 0.55     |

### Sales

Sales for the quarter ended September 30, 2017 of \$63.7 million were \$21.6 million higher than the prior year comparable period largely as a result of higher realized metal prices and price adjustments (\$16.9 million). Current period sales, by metal, include zinc (\$45.1 million), lead (\$11.4 million) and other metals (\$7.2 million).

Sales for the nine months ended September 30, 2017 of \$167.3 million were \$45.9 million higher than the comparable period in the prior year largely as a result of higher realized metal prices and price adjustments (\$53.2 million), partially offset by lower sales volumes (\$9.8 million). Year-to-date sales in the current period were composed of zinc (\$117.0 million), lead (\$39.3 million) and other metals (\$11.0 million).

### Operating Costs

Operating costs of \$22.1 million and \$60.7 million for the three and nine months ended September 30, 2017, respectively, were in-line with the prior year comparable periods.

### Operating Earnings

Operating earnings of \$41.6 million were \$20.3 million higher than the \$21.3 million reported in the third quarter of 2016. The increase in earnings is largely attributable to higher realized metal prices and price adjustments (\$16.9 million).

For the nine months ended September 30, 2017, operating earnings of \$106.6 million were \$45.4 million higher than the comparable period in 2016. Higher realized metal prices and price adjustments (\$53.2 million), partially offset by lower sales volumes (\$7.8 million), contributed to the higher operating earnings in the current period.

### **Production**

Zinc production in the third quarter of 2017 was in-line with the comparable period in 2016. Higher mill throughput was offset by lower planned zinc grades.

Lead production of 7,899 tonnes in the current quarter was 23% higher than the prior year comparable period driven by higher mill throughput of zinc-lead ore and higher lead grades.

On a year-to-date basis, zinc and lead production were lower than that reported in the prior year largely as a result of lower head grades resulting from mine sequencing, partially offset by higher throughput. Given the lower head grades realized to date and expected for the remainder of the year, full year zinc production guidance has been reduced.

### **Cash Costs**

Zinc cash costs of \$0.30/lb for the three months ended September 30, 2017 were lower than the prior year comparable period (\$0.41/lb) due to lower treatment charges (\$0.05/lb) and higher zinc production and metal sold in the current period.

Zinc cash costs for the nine months ended September 30, 2017 were consistent with those reported in the corresponding period in 2016. Given cash cost performance to date, full year zinc cash cost guidance has been reduced to \$0.35/lb.

All-in sustaining costs of \$0.55/lb and \$0.57/lb for the three and nine months ended September 30, 2017, respectively, were largely consistent with those reported in the corresponding period in 2016.

## **Exploration**

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

Fifteen rigs drilled 51,252 metres within the three existing underground mines, around the Candelaria open pit mine, and on surface in the south district to rapidly expand Mineral Resource and Mineral Reserve estimates and to determine the potential extension of known ore bodies. Geophysics continued in the south district and north of the pit in the third quarter to verify mineral extensions and assist in the development of drilling targets for the remainder of the year.

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

Eagle exploration continued in the third quarter with four surface rigs maintaining focus on tracing the Eagle East conduit. A total of 15,053 surface metres were drilled during the quarter, with drilling to continue for the remainder of 2017. Limited borehole geophysics and a single seismic test line were completed in the period.

### **European Operations**

Exploration planning sessions were further developed at Zinkgruvan and Neves-Corvo aimed at strategically expanding exploration efforts for zinc and copper mineralization extensions. A significant ramp up in exploration activity is underway and will continue for the balance of the year and throughout 2018.

### **Peru (Copper)**

Field work continued on a copper/gold exploration project acquired in late 2016. Initial work includes geophysical surveys, geological mapping and surface rock and soil sampling, which is aimed at outlining potential drill targets to be tested in 2018.

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

Project evaluation work is continuing on new copper and zinc-lead opportunities in Eastern Europe. Prospecting permits for polymetallic mineralization were obtained in Romania in an area with a long history of copper-gold mining activities. Field work has commenced on several projects and will include geophysical surveys, geological mapping, and surface rock and soil sampling.

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

The average metal prices for copper, nickel and zinc for the third quarter of 2017 were all higher than the average prices for the previous quarter by 12%, 14% and 14%, respectively. Continued strength in global economic and manufacturing activity boosted copper demand over recent months leading to a higher copper price. The increase in nickel price stems from an expectation of increased nickel demand from the battery sector, while a shortage of zinc raw materials continues to have a positive influence on zinc price.

| (Average LME Price) |            | Three months ended September 30, |        |        | Nine months ended September 30, |       |        |
|---------------------|------------|----------------------------------|--------|--------|---------------------------------|-------|--------|
|                     |            | 2017                             | 2016   | Change | 2017                            | 2016  | Change |
| Copper              | US\$/pound | <b>2.88</b>                      | 2.16   | 33%    | <b>2.70</b>                     | 2.14  | 26%    |
|                     | US\$/tonne | <b>6,349</b>                     | 4,772  |        | <b>5,952</b>                    | 4,725 |        |
| Nickel              | US\$/pound | <b>4.78</b>                      | 4.66   | 3%     | <b>4.55</b>                     | 4.18  | 9%     |
|                     | US\$/tonne | <b>10,528</b>                    | 10,265 |        | <b>10,021</b>                   | 9,211 |        |
| Zinc                | US\$/pound | <b>1.34</b>                      | 1.02   | 31%    | <b>1.26</b>                     | 0.89  | 42%    |
|                     | US\$/tonne | <b>2,963</b>                     | 2,255  |        | <b>2,783</b>                    | 1,955 |        |

LME inventory for copper and nickel increased during the third quarter of 2017 by 19% and 3%, respectively, while inventory for zinc decreased by 12%. The increase in copper LME inventory occurred in September, increasing 68,800 tonnes compared to the end of August, primarily taking place in the Far East with copper metal moving from bonded warehouses into LME warehouses.

Treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates between mining companies and commodity trading companies was stable during the third quarter of 2017. The spot TC traded in a range of \$75-\$76 per dmt of concentrate with a spot RC of \$0.075-\$0.076 per lb of payable copper during the quarter. However, the spot TC and RC at which the Chinese smelters are buying increased from a spot TC of \$83 per dmt of concentrate and a spot RC of \$0.083 per lb of payable copper at the beginning of the third quarter to a TC of \$87 per dmt of concentrate and a RC of \$0.087 per payable lb of copper contained at the end of September. The increase is due to the China Smelters Purchase Team having increased their target minimum spot TC and RC for imported clean concentrate in view of the upcoming annual negotiation season.

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

During the third quarter of 2017, the spot TC for zinc concentrates in China continued to trade at around \$50 per dmt, flat with supply being very limited. During the first quarter of 2017, the TC for annual contracts for zinc concentrates was agreed at \$172 per dmt of concentrates, based on a zinc price of \$2,800/tonne, with escalators of +/-0% (i.e. flat). When compared to 2016, the agreed terms represent an improvement of approximately \$100 per dmt of concentrates at a zinc price of \$2,800/tonne in favour of the mines.

## **Liquidity and Financial Condition**

### **Cash Reserves**

Cash and cash equivalents were \$2,152.9 million at September 30, 2017, an increase of \$1,437.6 million from \$715.3 million at December 31, 2016 and an increase of \$102.2 million from the \$2,050.7 million reported at June 30, 2017.

Cash inflows for the three months ended September 30, 2017 included operating cash flows of \$249.5 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$117.3 million.

For the nine months ended September 30, 2017, cash inflows included Tenke sale proceeds (\$1.1 billion), operating cash flows of \$673.4 million, and receipt of distributions from Tenke of \$58.3 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$280.9 million, shareholder dividends of \$50.7 million, distributions to non-controlling interests of \$46.0 million, and interest paid of \$33.1 million.

### **Working Capital**

Working capital was \$2,291.7 million as at September 30, 2017, compared to \$982.8 million at December 31, 2016 and \$2,192.6 million as at June 30, 2017. The increase in working capital for the three and nine months ended September 30, 2017 is largely a reflection of the higher period-end cash balance.

### **Long-Term Debt**

As at September 30, 2017, the Company had \$550 million of 7.5% senior secured notes (due 2020) and \$445 million of 7.875% senior secured notes (due 2022) outstanding.

On October 20, 2017, the Company announced that it had issued a notice to redeem all of its 7.50% Senior Secured Notes due 2020 on November 20, 2017 at the redemption price of 103.75% of the principal amount of the 2020 Notes plus accrued and unpaid interest. The early redemption of the 2020 Notes will save the Company \$41.25 million per annum in interest payments.

In addition, the Company has an undrawn \$350 million revolving credit facility, expiring in June 2020. Letters of credit have been issued totalling \$25.9 million.

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

### **Shareholders' Equity**

Shareholders' equity was \$3,999.7 million at September 30, 2017, compared to \$3,627.6 million at December 31, 2016. The increase in shareholders' equity is primarily due to current year's net earnings of \$348.0 million.



## Sensitivities

Sales and operating costs are affected by certain external factors including fluctuations in metal prices and changes in exchange rates between the Euro, the SEK, the Chilean peso and the US dollar.

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

| <b>Metal</b> | <b>Tonnes Payable</b> | <b>Provisional price on<br/>September 30, 2017<br/>(\$US/tonne)</b> | <b>Change</b> | <b>Effect on Sales<br/>(\$millions)</b> |
|--------------|-----------------------|---|---------------|---|
| Copper       | 62,081                | 6,467   | +/-10%        | +/- \$40.1                              |
| Nickel       | 3,846                 | 10,463  | +/-10%        | +/- \$4.0                               |
| Zinc         | 16,778                | 3,182   | +/-10%        | +/- \$5.3                               |

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

| <b>Currency</b> | <b>Change</b> | <b>Three months ended<br/>September 30, 2017<br/>(\$millions)</b> | <b>Nine months ended<br/>September 30, 2017<br/>(\$millions)</b> |
|-----------------|---------------|---|--|
| Chilean peso    | +/-10%        | +/- \$11.3  | +/- \$30.3   |
| Euro            | +/-10%        | +/- \$5.2   | +/- \$14.2   |
| Swedish krona   | +/-10%        | +/- \$2.3   | +/- \$6.2  |

## Commitments

The Company has the following capital commitments as at September 30, 2017:

(\$ thousands)

|              |                |
|--------------|----------------|
| 2017         | 101,120        |
| 2018         | 40,070         |
| 2019         | 45             |
| <b>Total</b> | <b>141,235</b> |

The sale of the Company's interest in Tenke is considered an Asset Sale under the terms of the Company's bond indenture for the \$1 billion senior secured notes. When the Company completes an Asset Sale, to the extent that, after a period of 365 days, there are proceeds which have not been committed to the reinvestment in capital expenditures, acquisition of long term assets or businesses, repayment of senior or secured indebtedness or open market purchase of the \$1 billion senior secured notes, they are considered Excess Proceeds. If the amount of Excess Proceeds is greater than \$100 million, the Company must issue a tender to purchase the \$1 billion senior secured notes at par value plus accrued interest for the amount of the Excess Proceeds.

## Financial Instruments

Summary of financial instruments:

|                                    | Fair value at September 30,<br>2017 (\$ thousands) | Basis of<br>measurement | Associated risks       |
|------------------------------------|--|-------------------------|------------------------|
| Cash and cash equivalents          | 2,152,896  | FVTPL                   | Credit/Exchange        |
| Restricted funds                   | 42,005   | FVTPL                   | Market/Liquidity       |
| Trade receivables                  | 232,152  | FVTPL                   | Credit/Market/Exchange |
| Trade and other receivables        | 130,789  | FVTPL                   | Credit/Market/Exchange |
| Marketable securities - short term | 3,501  | FVTPL                   | Market/Liquidity       |
| Other non-currents assets          | 24,752   | FVTPL                   | Credit/Market          |
| Currency options                   | 3,533  | FVTPL                   | Market/Liquidity       |
| Marketable securities - long term  | 30,958   | AFS                     | Market/Liquidity       |
| Trade and other payables           | 257,851  | FVTPL                   | Exchange               |
| Long-term debt and finance leases  | 1,070,059  | Amortized cost          | Interest               |
| Other long-term liabilities        | 9,835  | Amortized cost          | Interest               |

Fair value through profit and loss ("FVTPL") (trade receivables) – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on forward LME prices.

FVTPL (marketable securities/restricted funds) – The fair value of investments in shares is determined based on quoted market price.

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

FVTPL (other non-current assets) - The fair value of the contingent asset is determined using a valuation model that incorporates copper and cobalt prices, metal price volatility and expiry date of the consideration.

Available-for-sale ("AFS") - Revaluation adjustment related to available-for-sale financial instruments is recorded in other comprehensive income.

Amortized cost – The fair value of long-term debt is determined using quoted market prices. The fair value of the finance leases and other long-term liabilities approximates its carrying value as the interest rates are comparable to current market rates. The fair value of other long-term liabilities is determined using a valuation model that incorporates such factors as metals prices, metal price volatility and option expiry date.

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

The Company holds currency options to hedge its CLP exposure. The call options expire between October 2017 and December 2018 and have strike prices of 675 and 700 CLP:USD.

For the quarter ended September 30, 2017, the Company recognized:

- positive prior period pricing adjustments of \$22.9 million in sales (2016: positive pricing adjustments of \$2.5 million); and
- a revaluation gain of \$1.1 million on FVTPL securities (2016: gain of \$0.9 million); and
- a revaluation gain of \$2.4 million on FVTPL currency options (2016: nil).

In addition, a foreign exchange loss of \$4.3 million (2016: loss of \$1.5 million) was realized in the quarter on working capital denominated in foreign currencies that was held in the Company's various entities.

For the nine months ended September 30, 2017, the Company recognized:

- positive prior period pricing adjustments of \$11.8 million in sales (2016: negative pricing adjustments of \$3.7 million); and
- a revaluation gain of \$0.3 million on FVTPL securities (2016: gain of \$0.3 million)
- a revaluation gain of \$2.4 million on FVTPL currency options (2016: gain of \$3.6 million).

In addition, a foreign exchange loss of \$17.2 million (2016: loss of \$3.4 million) was realized in the year on working capital denominated in foreign currencies that was held in the Company's various entities.

## Related Party Transactions

### Freeport Cobalt

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

### Key Management Personnel

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

| (\$ thousands)           | Three months ended<br>September 30, |              | Nine months ended<br>September 30, |              |
|--------------------------|-------------------------------------|--------------|------------------------------------|--------------|
|                          | 2017                                | 2016         | 2017                               | 2016         |
| Wages and salaries       | 1,666                               | 1,532        | 5,024                              | 4,647        |
| Pension and benefits     | 38                                  | 27           | 132                                | 108          |
| Share-based compensation | 944                                 | 632          | 2,981                              | 1,912        |
|                          | <b>2,648</b>                        | <b>2,191</b> | <b>8,137</b>                       | <b>6,667</b> |

For the three and nine months ended September 30, 2017, the Company paid \$0.3 million and \$0.9 million, respectively (Q3 2016 - \$0.1 million; YTD 2016 - \$0.5 million), to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

## **Changes in Accounting Policies**

### **New Accounting Pronouncements**

In 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which provides guidance on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effective date of the standard is January 1, 2018, with earlier adoption permitted.

The Company is in the process of analyzing all its contracts with customers with respect to the application of IFRS 15. The Company does not expect material changes from the review of its concentrate sales contracts.

It is anticipated that the Company's streaming arrangement contracts will be impacted by the adoption of IFRS 15 as a significant financing component has been identified in these contracts. As a result, it is expected that the Company's deferred revenue balance will increase. Additionally, finance costs as well as deferred revenue recognition will increase going forward after transition. The Company is still finalizing its analysis, including presentation, and will continue to monitor industry developments with respect to this topic.

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

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a revised model for classification and measurement, a forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but is available for early adoption. The Company plans to adopt the standard beginning January 1, 2018. A preliminary assessment has been made and it is anticipated that there will be no material change as a result of adopting this new standard.

### **Critical Accounting Estimates and Assumptions**

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ materially from the amounts included in the financial statements. For a complete discussion of accounting estimates and assumptions deemed most critical by the Company, refer to the Company's annual 2016 Management's Discussion and Analysis.

## Non-GAAP Performance Measures

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

### Net Cash/Debt

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

| (\$thousands)  | September 30, 2017 | June 30, 2017    | December 31, 2016 |
|--|--------------------|------------------|-------------------|
| Current portion of long-term debt and finance leases | (3,435)            | (2,816)          | (1,082)           |
| Long-term debt and finance leases                    | (990,119)          | (988,264)        | (982,295)         |
|  | (993,554)          | (991,080)        | (983,377)         |
| Deferred financing fees (netted in above)            | (13,800)           | (14,575)         | (16,038)          |
|  | (1,007,354)        | (1,005,655)      | (999,415)         |
| Cash and cash equivalents                            | 2,152,896          | 2,050,718        | 715,311           |
| <b>Net cash / (debt)</b>                             | <b>1,145,542</b>   | <b>1,045,063</b> | <b>(284,104)</b>  |

### Operating Earnings

Operating earnings is a performance measure used by the Company to assess the contribution by mining operations to the Company's net earnings or loss. Operating earnings is defined as sales, less operating costs (excluding depreciation) and general and administrative expenses.

### Operating Cash Flow per Share

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

Operating cash flow per share can be reconciled to cash provided by operating activities as follows:

|  | Three months ended<br>September 30, |             | Nine months ended<br>September 30, |             |
|--|-------------------------------------|-------------|------------------------------------|-------------|
| (\$thousands, except share and per share amounts)                    | 2017                                | 2016        | 2017                               | 2016        |
| Cash provided by operating activities                                | 249,520                             | 59,276      | 673,422                            | 255,337     |
| Changes in non-cash working capital items                            | (9,127)                             | 42,517      | (98,389)                           | 16,254      |
| Operating cash flow before changes in non-cash working capital items | 240,393                             | 101,793     | 575,033                            | 271,591     |
| Weighted average common shares outstanding                           | 727,237,280                         | 719,932,559 | 726,722,669                        | 719,732,581 |
| <b>Operating cash flow per share</b>                                 | <b>0.33</b>                         | <b>0.14</b> | <b>0.79</b>                        | <b>0.38</b> |

## Capital Expenditures

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

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

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

## Cash Cost per Pound

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

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

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

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

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

| Three months ended September 30, 2017                               |                    |               |                     |                    |           |
|---|--------------------|---------------|---------------------|--------------------|-----------|
| Operations<br>(\$000s, unless otherwise noted)                      | Candelaria<br>(Cu) | Eagle<br>(Ni) | Neves-Corvo<br>(Cu) | Zinkgruvan<br>(Zn) | Total     |
| Sales volumes (Contained metal in concentrate):                     |                    |               |                     |                    |           |
| Tonnes  | 53,062             | 4,787         | 7,511               | 16,594             |           |
| Pounds (000s)   | 116,982            | 10,554        | 16,559              | 36,583             |           |
| Operating cost  |                    |               |                     |                    | 241,381   |
| Less: By-product credits  |                    |               |                     |                    | (125,375) |
| Treatment costs   |                    |               |                     |                    | 55,688    |
| Non-cash inventory  |                    |               |                     |                    | (237)     |
| Royalties and other   |                    |               |                     |                    | (4,308)   |
| Cash operating cost   | 137,278            | 6,623         | 12,344              | 10,904             | 167,149   |
| <b>Cash cost per pound (\$/lb)</b>                                  | <b>1.17</b>        | <b>0.63</b>   | <b>0.75</b>         | <b>0.30</b>        |           |
| Add: Sustaining capital expenditure<br>& exploration <sup>(1)</sup> | 100,014            | 2,494         | 9,794               | 8,987              |           |
| Royalties   | -                  | 2,307         | 1,175               | -                  |           |
| Accretion   | 1,039              | 262           | 157                 | 92                 |           |
| Leases & other  | -                  | -             | 640                 | 248                |           |
| All-in sustaining cost  | 238,331            | 11,686        | 24,110              | 20,231             |           |
| <b>AISC per pound (\$/lb)</b>                                       | <b>2.04</b>        | <b>1.11</b>   | <b>1.46</b>         | <b>0.55</b>        |           |

  

| Three months ended September 30, 2016                |                    |               |                     |                    |          |
|--|--------------------|---------------|---------------------|--------------------|----------|
| Operations<br>(\$000s, unless otherwise noted)       | Candelaria<br>(Cu) | Eagle<br>(Ni) | Neves-Corvo<br>(Cu) | Zinkgruvan<br>(Zn) | Total    |
| Sales volumes (Contained metal in concentrate):      |                    |               |                     |                    |          |
| Tonnes   | 39,082             | 6,026         | 9,368               | 14,842             |          |
| Pounds (000s)  | 86,161             | 13,285        | 20,653              | 32,721             |          |
| Operating cost                                       |                    |               |                     |                    | 225,600  |
| Less: By-product credits                             |                    |               |                     |                    | (91,219) |
| Treatment costs                                      |                    |               |                     |                    | 63,213   |
| Non-cash inventory                                   |                    |               |                     |                    | (197)    |
| Royalties and other                                  |                    |               |                     |                    | (3,849)  |
| Cash operating cost                                  | 115,247            | 28,571        | 36,357              | 13,373             | 193,548  |
| <b>Cash cost per pound (\$/lb)</b>                   | <b>1.34</b>        | <b>2.15</b>   | <b>1.76</b>         | <b>0.41</b>        |          |
| Add: Sustaining capital expenditure<br>& exploration | 26,092             | 1,493         | 8,974               | 5,393              |          |
| Royalties  | -                  | 2,705         | 608                 | -                  |          |
| Accretion  | 730                | 208           | 395                 | 112                |          |
| Leases & other                                       | -                  | -             | 66                  | 225                |          |
| All-in sustaining cost                               | 142,069            | 32,977        | 46,400              | 19,103             |          |
| <b>AISC per pound (\$/lb)</b>                        | <b>1.65</b>        | <b>2.48</b>   | <b>2.25</b>         | <b>0.58</b>        |          |

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

**Nine months ended September 30, 2017**

| <b>Operations</b><br>(\$000s, unless otherwise noted)               | <b>Candelaria<br/>(Cu)</b> | <b>Eagle<br/>(Ni)</b> | <b>Neves-Corvo<br/>(Cu)</b> | <b>Zinkgruvan<br/>(Zn)</b> | <b>Total</b> |
|---|----------------------------|-----------------------|-----------------------------|----------------------------|--------------|
| Sales volumes (Contained metal in concentrate):                     |                            |                       |                             |                            |              |
| Tonnes  | 140,967                    | 15,678                | 24,336                      | 48,789                     |              |
| Pounds (000s)   | 310,779                    | 34,564                | 53,652                      | 107,561                    |              |
| Operating cost  |                            |                       |                             |                            | 664,961      |
| Less: By-product credits  |                            |                       |                             |                            | (340,475)    |
| Treatment costs   |                            |                       |                             |                            | 169,597      |
| Non-cash inventory  |                            |                       |                             |                            | 341          |
| Royalties and other   |                            |                       |                             |                            | (12,821)     |
| Cash operating cost   | 364,151                    | 30,234                | 51,182                      | 36,036                     | 481,603      |
| <b>Cash cost per pound (\$/lb)</b>                                  | <b>1.17</b>                | <b>0.87</b>           | <b>0.95</b>                 | <b>0.34</b>                |              |
| Add: Sustaining capital expenditure<br>& exploration <sup>(1)</sup> | 207,218                    | 5,626                 | 24,559                      | 24,523                     |              |
| Royalties   | -                          | 7,784                 | 3,765                       | -                          |              |
| Accretion   | 2,661                      | 972                   | 446                         | 261                        |              |
| Leases & other  | -                          | -                     | 1,283                       | 929                        |              |
| All-in sustaining cost  | 574,030                    | 44,616                | 81,235                      | 61,749                     |              |
| <b>AISC per pound (\$/lb)</b>                                       | <b>1.85</b>                | <b>1.29</b>           | <b>1.51</b>                 | <b>0.57</b>                |              |

**Nine months ended September 30, 2016**

| <b>Operations</b><br>(\$000s, unless otherwise noted) | <b>Candelaria<br/>(Cu)</b> | <b>Eagle<br/>(Ni)</b> | <b>Neves-Corvo<br/>(Cu)</b> | <b>Zinkgruvan<br/>(Zn)</b> | <b>Total</b> |
|---|----------------------------|-----------------------|-----------------------------|----------------------------|--------------|
| Sales volumes (Contained metal in                     |                            |                       |                             |                            |              |
| Tonnes  | 116,009                    | 16,496                | 34,443                      | 48,763                     |              |
| Pounds (000s)   | 255,756                    | 36,367                | 75,934                      | 107,504                    |              |
| Operating cost  |                            |                       |                             |                            | 638,098      |
| Less: By-product credits                              |                            |                       |                             |                            | (254,424)    |
| Treatment costs                                       |                            |                       |                             |                            | 178,931      |
| Non-cash inventory                                    |                            |                       |                             |                            | 1,131        |
| Royalties and other                                   |                            |                       |                             |                            | (11,826)     |
| Cash operating cost                                   | 326,793                    | 67,339                | 118,309                     | 39,469                     | 551,910      |
| <b>Cash cost per pound (\$/lb)</b>                    | <b>1.28</b>                | <b>1.85</b>           | <b>1.56</b>                 | <b>0.37</b>                |              |
| Add: Sustaining capital expenditure<br>& exploration  | 77,541                     | 6,158                 | 23,664                      | 20,041                     |              |
| Royalties   | -                          | 6,189                 | 1,946                       | -                          |              |
| Accretion   | 2,166                      | 623                   | 1,185                       | 341                        |              |
| Leases & other  | -                          | -                     | 197                         | 576                        |              |
| All-in sustaining cost                                | 406,500                    | 80,309                | 145,301                     | 60,427                     |              |
| <b>AISC per pound (\$/lb)</b>                         | <b>1.59</b>                | <b>2.21</b>           | <b>1.91</b>                 | <b>0.56</b>                |              |

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



## Managing Risks

### Risks and Uncertainties

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

### Outstanding Share Data

As at October 25, 2017, the Company has 727,586,982 common shares issued and outstanding, and 13,656,600 stock options and 3,078,790 share units outstanding under the Company's incentive plans.

## Management’s Report on Internal Controls

### *Disclosure controls and procedures*

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

### *Internal control over financial reporting*

The Company’s internal control over financial reporting (“ICFR”) is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

### *Control Framework*

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

### *Changes in internal control over financial reporting*

There have been no changes in the Company’s internal control over financial reporting during the three month period ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

### Other Information

Additional information regarding the Company is included in the Company’s Annual Information Form (“AIF”) which is filed with the Canadian securities regulators. A copy of the Company’s AIF can be obtained from the Canadian Securities Administrators' website at [www.sedar.com](http://www.sedar.com).

### For further information, please contact:

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Condensed Interim Consolidated Financial Statements of

# **Lundin Mining Corporation**

September 30, 2017  
(Unaudited)

**LUNDIN MINING CORPORATION****CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS**

**September 30,**      December 31,  
**(Unaudited - in thousands of US dollars)**      **2017**      **2016**

**ASSETS**

|                                      |              |            |
|--------------------------------------|--------------|------------|
| Cash and cash equivalents (Note 3)   | \$ 2,152,896 | \$ 715,311 |
| Trade and other receivables (Note 4) | 362,941      | 338,931    |
| Income taxes receivable              | 41,859       | 34,853     |
| Inventories (Note 5)                 | 159,480      | 163,138    |
| Other current assets                 | 9,897        | 8,877      |

**2,727,073**      1,261,110

Asset classified as held for sale (Note 9)      -      1,146,776

**Total current assets**      **2,727,073**      **2,407,886**

|  |           |           |
|--|-----------|-----------|
| Restricted funds                                 | 42,005    | 41,272    |
| Long-term inventory                              | 221,839   | 217,914   |
| Other non-current assets (Note 6)                | 68,292    | 11,977    |
| Mineral properties, plant and equipment (Note 7) | 3,282,444 | 3,179,600 |
| Investment in associate (Note 8)                 | 95,760    | 79,166    |
| Deferred tax assets                              | 85,863    | 102,786   |
| Goodwill   | 112,874   | 101,928   |

**3,909,077**      3,734,643

**Total assets**      **\$ 6,636,150**      **\$ 6,142,529**

**LIABILITIES**

|   |            |            |
|---|------------|------------|
| Trade and other payables (Note 10)                          | \$ 315,896 | \$ 243,675 |
| Income taxes payable  | 119,477    | 34,592     |
| Current portion of long-term debt and finance leases        | 3,435      | 1,082      |
| Current portion of deferred revenue (Note 11)               | 45,275     | 55,934     |
| Current portion of reclamation and other closure provisions | 17,442     | 20,279     |

**Total current liabilities**      **501,525**      355,562

|  |         |         |
|--|---------|---------|
| Long-term debt and finance leases        | 990,119 | 982,295 |
| Deferred revenue (Note 11)               | 479,029 | 504,009 |
| Reclamation and other closure provisions | 246,460 | 236,526 |
| Other long-term liabilities              | 9,835   | 9,992   |
| Provision for pension obligations        | 14,111  | 13,269  |
| Deferred tax liabilities                 | 395,324 | 413,249 |

**2,134,878**      2,159,340

**Total liabilities**      **2,636,403**      2,514,902

**SHAREHOLDERS' EQUITY**

|   |           |           |
|---|-----------|-----------|
| Share capital   | 4,147,836 | 4,135,367 |
| Contributed surplus   | 48,033    | 44,779    |
| Accumulated other comprehensive loss                          | (215,751) | (320,138) |
| Deficit   | (452,306) | (695,718) |
| Equity attributable to Lundin Mining Corporation shareholders | 3,527,812 | 3,164,290 |
| Non-controlling interests                                     | 471,935   | 463,337   |

**3,999,747**      3,627,627

**\$ 6,636,150**      **\$ 6,142,529**

Commitments (Note 19)

Subsequent event (Note 23)

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

**APPROVED BY THE BOARD OF DIRECTORS**

(Signed) Lukas H. Lundin - **Director**

(Signed) Dale C. Peniuk - **Director**

# LUNDIN MINING CORPORATION

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

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

|   | Three months ended<br>September 30 |            | Nine months ended<br>September 30 |              |
|---|------------------------------------|------------|-----------------------------------|--------------|
|   | 2017                               | 2016       | 2017                              | 2016         |
| Sales   | \$ 601,738                         | \$ 374,489 | \$ 1,544,217                      | \$ 1,086,374 |
| Operating costs (Note 13)                             | (241,381)                          | (225,600)  | (664,961)                         | (638,098)    |
| Depreciation, depletion and amortization (Note 7)     | (99,805)                           | (112,263)  | (311,405)                         | (342,404)    |
| General and administrative expenses                   | (9,666)                            | (6,247)    | (27,900)                          | (19,381)     |
| General exploration and business development          | (23,462)                           | (9,762)    | (59,215)                          | (38,977)     |
| Finance income (Note 15)                              | 9,044                              | 1,531      | 19,118                            | 5,461        |
| Finance costs (Note 15)                               | (19,238)                           | (20,867)   | (58,581)                          | (64,728)     |
| Other income (Note 16)                                | 12,461                             | 995        | 13,291                            | 2,518        |
| Other expenses (Note 16)                              | (6,051)                            | (8,207)    | (20,721)                          | (17,500)     |
| Earnings (loss) before income taxes                   | 223,640                            | (5,931)    | 433,843                           | (26,735)     |
| Current tax expense (Note 17)                         | (71,173)                           | (19,379)   | (169,409)                         | (40,461)     |
| Deferred tax recovery (Note 17)                       | 4,087                              | 10,718     | 28,536                            | 25,016       |
| Net earnings (loss) from continuing operations        | 156,554                            | (14,592)   | 292,970                           | (42,180)     |
| Earnings (loss) from discontinued operations (Note 9) | -                                  | 7,482      | 55,066                            | (768,296)    |
| Net earnings (loss)                                   | \$ 156,554                         | \$ (7,110) | \$ 348,036                        | \$ (810,476) |

### Net earnings (loss) from continuing operations attributable to:

|  |            |             |            |             |
|--|------------|-------------|------------|-------------|
| Lundin Mining Corporation shareholders         | \$ 131,786 | \$ (18,856) | \$ 238,372 | \$ (56,331) |
| Non-controlling interests                      | 24,768     | 4,264       | 54,598     | 14,151      |
| Net earnings (loss) from continuing operations | \$ 156,554 | \$ (14,592) | \$ 292,970 | \$ (42,180) |

### Net earnings (loss) attributable to:

|  |            |             |            |              |
|--|------------|-------------|------------|--------------|
| Lundin Mining Corporation shareholders | \$ 131,786 | \$ (11,374) | \$ 293,438 | \$ (824,627) |
| Non-controlling interests              | 24,768     | 4,264       | 54,598     | 14,151       |
| Net earnings (loss)                    | \$ 156,554 | \$ (7,110)  | \$ 348,036 | \$ (810,476) |

### Basic and diluted earnings (loss) per share attributable to

#### Lundin Mining Corporation shareholders:

|  |         |           |         |           |
|--|---------|-----------|---------|-----------|
| Earnings (loss) from continuing operations   | \$ 0.18 | \$ (0.03) | \$ 0.33 | \$ (0.08) |
| Earnings (loss) from discontinued operations | \$ -    | \$ 0.01   | \$ 0.07 | \$ (1.07) |
| Net earnings (loss)                          | \$ 0.18 | \$ (0.02) | \$ 0.40 | \$ (1.15) |

### Weighted average number of shares outstanding (Note 12)

|         |             |             |             |             |
|---------|-------------|-------------|-------------|-------------|
| Basic   | 727,237,280 | 719,932,559 | 726,722,669 | 719,732,581 |
| Diluted | 730,390,380 | 719,932,559 | 729,380,431 | 719,732,581 |

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

# LUNDIN MINING CORPORATION

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

(Unaudited - in thousands of US dollars)

|   | Three months ended<br>September 30 |                   | Nine months ended<br>September 30 |                     |
|---|------------------------------------|-------------------|-----------------------------------|---------------------|
|   | 2017                               | 2016              | 2017                              | 2016                |
| Net earnings (loss)   | \$ 156,554                         | \$ (7,110)        | \$ 348,036                        | \$ (810,476)        |
| <b>Other comprehensive income, net of taxes</b>             |                                    |                   |                                   |                     |
| Item that may be reclassified subsequently to net earnings: |                                    |                   |                                   |                     |
| Unrealized gain on marketable securities                    | 1,455                              | -                 | 1,455                             | -                   |
| Effects of foreign exchange                                 | 30,757                             | 2,392             | 96,922                            | 14,885              |
| Item that was reclassified to net earnings (loss):          |                                    |                   |                                   |                     |
| Reclassification adjustment (Note 16)                       | -                                  | -                 | 6,010                             | -                   |
| <b>Other comprehensive income</b>                           | <b>32,212</b>                      | <b>2,392</b>      | <b>104,387</b>                    | <b>14,885</b>       |
| <b>Total comprehensive income (loss)</b>                    | <b>\$ 188,766</b>                  | <b>\$ (4,718)</b> | <b>\$ 452,423</b>                 | <b>\$ (795,591)</b> |
| <b>Comprehensive income (loss) attributable to:</b>         |                                    |                   |                                   |                     |
| Lundin Mining Corporation shareholders                      | \$ 163,998                         | \$ (8,982)        | \$ 397,825                        | \$ (809,742)        |
| Non-controlling interests                                   | 24,768                             | 4,264             | 54,598                            | 14,151              |
| <b>Total comprehensive income (loss)</b>                    | <b>\$ 188,766</b>                  | <b>\$ (4,718)</b> | <b>\$ 452,423</b>                 | <b>\$ (795,591)</b> |

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<br>shares | Share<br>capital    | Contributed<br>surplus | Accumulated<br>other<br>comprehensive<br>loss | Deficit             | Non-<br>controlling<br>interests | Total               |
|------------------------------------|---------------------|---------------------|------------------------|---|---------------------|----------------------------------|---------------------|
| Balance, December 31, 2016         | 725,134,187         | \$ 4,135,367        | \$ 44,779              | \$ (320,138)                                  | \$ (695,718)        | \$ 463,337                       | \$ 3,627,627        |
| Distributions                      | -                   | -                   | -                      | -   | -                   | (46,000)                         | (46,000)            |
| Exercise of share-based awards     | 2,439,795           | 13,320              | (3,999)                | -   | -                   | -                                | 9,321               |
| Share-based compensation           | -                   | -                   | 7,253                  | -   | -                   | -                                | 7,253               |
| Dividends declared                 | -                   | -                   | -                      | -   | (50,026)            | -                                | (50,026)            |
| Deferred tax adjustment            | -                   | (851)               | -                      | -   | -                   | -                                | (851)               |
| Net earnings                       | -                   | -                   | -                      | -   | 293,438             | 54,598                           | 348,036             |
| Other comprehensive income         | -                   | -                   | -                      | 104,387                                       | -                   | -                                | 104,387             |
| Total comprehensive income         | -                   | -                   | -                      | 104,387                                       | 293,438             | 54,598                           | 452,423             |
| <b>Balance, September 30, 2017</b> | <b>727,573,982</b>  | <b>\$ 4,147,836</b> | <b>\$ 48,033</b>       | <b>\$ (215,751)</b>                           | <b>\$ (452,306)</b> | <b>\$ 471,935</b>                | <b>\$ 3,999,747</b> |
| Balance, December 31, 2015         | 719,628,357         | \$ 4,107,469        | \$ 49,112              | \$ (308,819)                                  | \$ (33,975)         | \$ 433,824                       | \$ 4,247,611        |
| Distributions                      | -                   | -                   | -                      | -   | -                   | (2,000)                          | (2,000)             |
| Exercise of share-based awards     | 471,600             | 2,423               | (1,012)                | -   | -                   | -                                | 1,411               |
| Share-based compensation           | -                   | -                   | 5,061                  | -   | -                   | -                                | 5,061               |
| Net (loss) earnings                | -                   | -                   | -                      | -   | (824,627)           | 14,151                           | (810,476)           |
| Other comprehensive income         | -                   | -                   | -                      | 14,885  | -                   | -                                | 14,885              |
| Total comprehensive income (loss)  | -                   | -                   | -                      | 14,885  | (824,627)           | 14,151                           | (795,591)           |
| Balance, September 30, 2016        | 720,099,957         | \$ 4,109,892        | \$ 53,161              | \$ (293,934)                                  | \$ (858,602)        | \$ 445,975                       | \$ 3,456,492        |

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

# LUNDIN MINING CORPORATION

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - in thousands of US dollars)

|   | Three months ended<br>September 30 |                   | Nine months ended<br>September 30 |                   |
|---|------------------------------------|-------------------|-----------------------------------|-------------------|
|   | 2017                               | 2016              | 2017                              | 2016              |
| <b>Cash provided by (used in)</b>                           |                                    |                   |                                   |                   |
| <b>Operating activities</b>                                 |                                    |                   |                                   |                   |
| Net earnings (loss)   | \$ 156,554                         | \$ (7,110)        | \$ 348,036                        | \$ (810,476)      |
| Items not involving cash and other adjustments              |                                    |                   |                                   |                   |
| Depreciation, depletion and amortization                    | 99,805                             | 112,263           | 311,405                           | 342,404           |
| Share-based compensation                                    | 2,128                              | 1,718             | 7,253                             | 5,061             |
| (Earnings) loss from equity investment in associate         | (5,237)                            | 785               | (7,716)                           | 1,207             |
| (Earnings) loss from discontinued operations                | -                                  | (7,482)           | (55,066)                          | 768,296           |
| Foreign exchange (gain) loss                                | (7,743)                            | (1,259)           | 3,935                             | 256               |
| Deferred tax recovery                                       | (4,087)                            | (10,718)          | (28,536)                          | (25,016)          |
| Recognition of deferred revenue                             | (13,314)                           | (11,632)          | (39,234)                          | (33,832)          |
| Reclamation and closure provisions                          | 2,319                              | 4,789             | 779                               | 5,906             |
| Finance income and cost                                     | 10,194                             | 19,336            | 46,329                            | 59,267            |
| Other   | (5,860)                            | 2,591             | (1,970)                           | 3,688             |
| Reclamation payments  | (427)                              | (145)             | (1,593)                           | (7,218)           |
| Pension payments  | (299)                              | (298)             | (895)                             | (971)             |
| Changes in long-term inventory                              | 6,360                              | (1,045)           | (7,694)                           | (36,981)          |
| Changes in non-cash working capital items (Note 22)         | 9,127                              | (42,517)          | 98,389                            | (16,254)          |
|   | <b>249,520</b>                     | <b>59,276</b>     | <b>673,422</b>                    | <b>255,337</b>    |
| <b>Investing activities</b>                                 |                                    |                   |                                   |                   |
| Investment in mineral properties, plant and equipment       | (117,346)                          | (41,389)          | (280,939)                         | (127,733)         |
| Interest received   | 3,881                              | -                 | 7,834                             | -                 |
| (Contributions to) distributions from associate (Note 8)    | (4,398)                            | 1,200             | (8,878)                           | 7,500             |
| Distributions from discontinued operations (Note 9)         | -                                  | 15,600            | 58,320                            | 31,005            |
| Proceeds from sale of discontinued operations (Note 9)      | -                                  | -                 | 1,121,426                         | -                 |
| (Purchase) proceeds from sale of marketable securities, net | (19,022)                           | 287               | (28,654)                          | 1,908             |
| Restricted funds movement                                   | -                                  | (553)             | -                                 | 2,560             |
| Other   | 351                                | 945               | 2,669                             | 1,539             |
|   | <b>(136,534)</b>                   | <b>(23,910)</b>   | <b>871,778</b>                    | <b>(83,221)</b>   |
| <b>Financing activities</b>                                 |                                    |                   |                                   |                   |
| Interest paid   | -                                  | (1,311)           | (33,060)                          | (40,220)          |
| Distributions to non-controlling interests                  | -                                  | -                 | (46,000)                          | (2,000)           |
| Dividends paid to shareholders                              | (17,776)                           | -                 | (50,703)                          | -                 |
| Proceeds from common shares issued                          | 3,184                              | 1,411             | 9,321                             | 1,411             |
| Debt and finance lease payments                             | (208)                              | (291)             | (2,336)                           | (773)             |
| Other   | 2,368                              | (519)             | 1,185                             | (1,193)           |
|   | <b>(12,432)</b>                    | <b>(710)</b>      | <b>(121,593)</b>                  | <b>(42,775)</b>   |
| Effect of foreign exchange on cash balances                 | 1,624                              | (993)             | 13,978                            | 5,429             |
| Increase in cash and cash equivalents during the period     | <b>102,178</b>                     | <b>33,663</b>     | <b>1,437,585</b>                  | <b>134,770</b>    |
| Cash and cash equivalents, beginning of period              | <b>2,050,718</b>                   | <b>657,618</b>    | <b>715,311</b>                    | <b>556,511</b>    |
| Cash and cash equivalents, end of period                    | <b>\$ 2,152,896</b>                | <b>\$ 691,281</b> | <b>\$ 2,152,896</b>               | <b>\$ 691,281</b> |

Supplemental cash flow information (Note 22)

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

# LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2017 and 2016

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

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## 1. NATURE OF OPERATIONS

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

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

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### (i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting including IAS 34 *Interim financial reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

The Company's presentation currency is US dollars. Reference herein of \$ or USD is to US dollars. Reference of C\$ is to Canadian dollars, reference of SEK is to Swedish Krona, reference of CLP is to Chilean pesos and € refers to the Euro.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on October 25, 2017.

### (ii) Critical accounting estimates and judgments

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2016.

### (iii) Accounting principles

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, 2016, with the addition of the following accounting policy for available for sale ("AFS") financial assets.

A financial asset is classified as AFS if it is a non-derivative financial asset that is designated as AFS or is not classified as loans and receivables, a held-to-maturity investment or fair value through profit and loss ("FVTPL").

AFS assets are measured at fair value with changes in fair values recognized in other comprehensive income. When an AFS asset has sustained a loss in value which is significant or prolonged, the loss is recognized in the consolidated statement of earnings. Subsequent losses related to impaired AFS investments



## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2017 and 2016

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

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will also be recognized in the consolidated statement of earnings and subsequent gains will be recognized in OCI.

### (iv) **New accounting pronouncements**

In 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which provides guidance on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effective date of the standard is January 1, 2018, with earlier adoption permitted.

The Company is conducting an analysis of its contracts with customers and applying the five-step model from IFRS 15 to assess the implications of adopting the new standard for existing contracts. The Company does not expect material changes in the timing or measurement of revenue from the review of its concentrate sales contracts.

The Company's concentrate sales contracts are provisionally priced at the time of sale. Variations between the price at the time of sale and actual final price received result in embedded derivatives in trade receivables that are recorded at fair value until final settlement. Under IFRS 15, the Company expects that changes in the fair value will continue to be classified as sales in the statement of earnings and will be separately disclosed in the notes to the financial statements.

It is anticipated that the Company's streaming arrangement contracts will be impacted by the adoption of IFRS 15 as a significant financing component has been identified in these contracts. As a result, it is expected that the Company's deferred revenue balance will increase. Additionally, finance costs as well as deferred revenue recognition will increase going forward after transition. The Company is still finalizing its analysis, including presentation, and will continue to monitor industry developments with respect to this topic.

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

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a revised model for classification and measurement, a forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but is available for early adoption. The Company plans to adopt the standard beginning January 1, 2018. A preliminary assessment has been made and it is anticipated that there will be no material change as a result of adopting this new standard.

Subsequent to the transition date, investments classified as available-for-sale will be re-designated as fair value through profit and loss financial instruments. Associated revaluation adjustments will be recorded in the statement of earnings instead of through other comprehensive income. The Company expects that there will be an adjustment to opening deficit and accumulated other comprehensive loss on transition for cumulative gains/losses on these instruments.

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### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

|                     | September 30,<br>2017 | December 31,<br>2016 |
|---------------------|-----------------------|----------------------|
| Cash                | \$ 1,560,153          | \$ 516,212           |
| Short-term deposits | 592,743               | 199,099              |
|                     | <u>\$ 2,152,896</u>   | <u>\$ 715,311</u>    |

### 4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

|                   | September 30,<br>2017 | December 31,<br>2016 |
|-------------------|-----------------------|----------------------|
| Trade receivables | \$ 292,076            | \$ 289,803           |
| Value added tax   | 15,897                | 15,710               |
| Prepaid expenses  | 31,411                | 16,307               |
| Other receivables | 23,557                | 17,111               |
|                   | <u>\$ 362,941</u>     | <u>\$ 338,931</u>    |

Included in prepaid expenses are \$14.6 million of deferred bonus paid related to employee contract settlements (Note 13).

### 5. INVENTORIES

Inventories are comprised of the following:

|                        | September 30,<br>2017 | December 31,<br>2016 |
|------------------------|-----------------------|----------------------|
| Ore stockpiles         | \$ 58,836             | \$ 48,436            |
| Concentrate stockpiles | 19,858                | 33,786               |
| Materials and supplies | 80,786                | 80,916               |
|                        | <u>\$ 159,480</u>     | <u>\$ 163,138</u>    |

### 6. OTHER NON-CURRENT ASSETS

Other non-current assets comprise the following:

|                                       | September 30,<br>2017 | December 31,<br>2016 |
|---------------------------------------|-----------------------|----------------------|
| Long-term portion of currency options | \$ 863                | \$ 2,986             |
| Marketable securities                 | 34,459                | 2,137                |
| Contingent asset (Note 9)             | 24,752                | -                    |
| Other                                 | 8,218                 | 6,854                |
|                                       | <u>\$ 68,292</u>      | <u>\$ 11,977</u>     |

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### 7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

| Cost                            | Mineral properties  | Plant and equipment | Exploration properties | Assets under construction | Total               |
|---------------------------------|---------------------|---------------------|------------------------|---------------------------|---------------------|
| As at December 31, 2015         | \$ 2,960,720        | \$ 2,047,138        | \$ 4,147               | \$ 82,946                 | \$ 5,094,951        |
| Additions                       | 38,066              | 2,005               | -                      | 100,172                   | 140,243             |
| Disposals and transfers         | 5,047               | 13,666              | (3,963)                | (28,853)                  | (14,103)            |
| Effects of foreign exchange     | 11,715              | 9,470               | (184)                  | (347)                     | 20,654              |
| As at September 30, 2016        | 3,015,548           | 2,072,279           | -                      | 153,918                   | 5,241,745           |
| Additions                       | 61,050              | 819                 | -                      | 37,730                    | 99,599              |
| Impairment reversal             | 95,922              | -                   | -                      | -                         | 95,922              |
| Disposals and transfers         | (4,695)             | 1,032               | -                      | (35,538)                  | (39,201)            |
| Effects of foreign exchange     | (78,453)            | (37,449)            | -                      | (2,053)                   | (117,955)           |
| As at December 31, 2016         | 3,089,372           | 2,036,681           | -                      | 154,057                   | 5,280,110           |
| Additions                       | 104,346             | 16,834              | -                      | 189,638                   | 310,818             |
| Disposals and transfers         | (68,907)            | (14,619)            | -                      | (30,118)                  | (113,644)           |
| Effects of foreign exchange     | 160,511             | 74,643              | -                      | 5,959                     | 241,113             |
| <b>As at September 30, 2017</b> | <b>\$ 3,285,322</b> | <b>\$ 2,113,539</b> | <b>\$ -</b>            | <b>\$ 319,536</b>         | <b>\$ 5,718,397</b> |

| Accumulated depreciation, depletion and amortization | Mineral properties  | Plant and equipment | Exploration properties | Assets under construction | Total               |
|--|---------------------|---------------------|------------------------|---------------------------|---------------------|
| As at December 31, 2015                              | \$ 1,205,139        | \$ 535,101          | \$ -                   | \$ -                      | \$ 1,740,240        |
| Depreciation   | 195,731             | 159,841             | -                      | -                         | 355,572             |
| Disposals and transfers                              | (91)                | (7,884)             | -                      | -                         | (7,975)             |
| Effects of foreign exchange                          | 5,017               | 4,499               | -                      | -                         | 9,516               |
| As at September 30, 2016                             | 1,405,796           | 691,557             | -                      | -                         | 2,097,353           |
| Depreciation   | 53,279              | 46,435              | -                      | -                         | 99,714              |
| Disposals and transfers                              | (1,454)             | (25,325)            | -                      | -                         | (26,779)            |
| Effects of foreign exchange                          | (49,114)            | (20,664)            | -                      | -                         | (69,778)            |
| As at December 31, 2016                              | 1,408,507           | 692,003             | -                      | -                         | 2,100,510           |
| Depreciation   | 161,837             | 145,179             | -                      | -                         | 307,016             |
| Disposals and transfers                              | (71,505)            | (36,908)            | -                      | -                         | (108,413)           |
| Effects of foreign exchange                          | 96,367              | 40,473              | -                      | -                         | 136,840             |
| <b>As at September 30, 2017</b>                      | <b>\$ 1,595,206</b> | <b>\$ 840,747</b>   | <b>\$ -</b>            | <b>\$ -</b>               | <b>\$ 2,435,953</b> |

| Net book value                  | Mineral properties  | Plant and equipment | Exploration properties | Assets under construction | Total               |
|---------------------------------|---------------------|---------------------|------------------------|---------------------------|---------------------|
| As at December 31, 2016         | \$ 1,680,865        | \$ 1,344,678        | \$ -                   | \$ 154,057                | \$ 3,179,600        |
| <b>As at September 30, 2017</b> | <b>\$ 1,690,116</b> | <b>\$ 1,272,792</b> | <b>\$ -</b>            | <b>\$ 319,536</b>         | <b>\$ 3,282,444</b> |

During the three and nine months ended September 30, 2017, the Company capitalized \$36.0 million (2016 - \$8.9 million) and \$83.3 million (2016 - \$17.0 million), respectively, of deferred stripping costs to mineral properties. Included in the mineral properties balance as at September 30, 2017 is \$307.3 million (December 31, 2016 - \$224.0 million) which is currently non-depreciable.

During the three and nine months ended September 30, 2017 the Company capitalized \$3.0 million (2016 - \$1.5 million) and \$8.3 million (2016 - \$2.8 million) of borrowing costs, at a rate of 8.1%, related to construction of the

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Candelaria Los Diques tailings facility project and the Eagle East project.

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

During 2016, the Company disposed of the Aguablanca assets and liabilities. The net carrying amount of the plant and equipment was \$9.5 million.

### 8. INVESTMENT IN ASSOCIATES

|                                 |           | Freeport<br>Cobalt |
|---------------------------------|-----------|--------------------|
| As at December 31, 2015         | \$        | 89,576             |
| Distributions                   |           | (7,500)            |
| Share of equity loss            |           | (1,207)            |
| As at September 30, 2016        |           | 80,869             |
| Distributions                   |           | (1,800)            |
| Share of equity income          |           | 97                 |
| As at December 31, 2016         |           | 79,166             |
| Contributions                   |           | 8,878              |
| Share of equity income          |           | 7,716              |
| <b>As at September 30, 2017</b> | <b>\$</b> | <b>95,760</b>      |

### 9. ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

On April 19, 2017, the Company completed the sale of its indirect interest in TF Holdings Limited ("TF Holdings") to an affiliate of BHR Partners ("BHR") for \$1.136 billion in cash and contingent consideration of up to \$51.4 million. Lundin Mining's effective 24% interest in the Tenke Fungurume mine was held through its 30% indirect interest in TF Holdings.

Under the terms of the agreement, the Company could also receive contingent consideration of up to \$51.4 million, consisting of \$25.7 million if the average copper price exceeds \$3.50 per pound and \$25.7 million if the average cobalt price exceeds \$20.00 per pound, both during a 24-month period beginning on January 1, 2018.

The gain on disposal of Tenke Fungurume is calculated as follows:

|   |           |                  |
|---|-----------|------------------|
| Consideration received at fair value:             |           |                  |
| Cash proceeds (a)                                 | \$        | 1,135,993        |
| Contingent consideration (b)                      |           | 22,096           |
| Settlement agreement costs (c)                    |           | (14,196)         |
| Transaction costs                                 |           | (371)            |
| <b>Total consideration received at fair value</b> | <b>\$</b> | <b>1,143,522</b> |
| Assets disposed of at carrying value:             |           |                  |
| Asset held for sale                               | \$        | 1,140,725        |
| <b>Total assets disposed of at carrying value</b> | <b>\$</b> | <b>1,140,725</b> |
| <b>Gain on disposal of Tenke Fungurume</b>        | <b>\$</b> | <b>2,797</b>     |

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- (a) Cash proceeds of \$1.121 billion were received net of the settlement agreement costs discussed in (c).
- (b) The fair value of the contingent consideration was determined using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 1.2% and an expected price volatility of 17% and 26% for copper and cobalt, respectively. The contingent consideration was recorded as an asset under other non-current assets (Note 6). The Company has determined that the contingent consideration is a derivative financial instrument that is classified as FVTPL.
- (c) On completion of the sale, the Company paid \$14.2 million to China Molybdenum Co., Ltd (together with its affiliates, "CMOC") as reimbursement for payments made by CMOC for a settlement agreement among La Générale des Carrières et des Mines ("Gécamines"), Tenke Fungurume Mining S.A., TF Holdings, Freeport-McMoRan Inc., CMOC, the Company and BHR to resolve all claims brought by Gécamines against TF Holdings and several other parties (other than the Company) related to the sale of TF Holdings.

Asset held for sale related to Tenke Fungurume is comprised of the following:

|  | <b>Tenke<br/>Fungurume</b> |
|--|----------------------------|
| As at December 31, 2015 and September 30, 2016 | \$ -                       |
| Reclassification from investment in associates | 1,146,776                  |
| As at December 31, 2016                        | \$ 1,146,776               |
| Distributions                                  | (58,320)                   |
| Share of equity income                         | 30,347                     |
| Impairment reversal of asset held for sale     | 21,922                     |
| Disposition of asset held for sale             | (1,140,725)                |
| <b>As at September 30, 2017</b>                | <b>\$ -</b>                |

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

|   | <b>Three months ended<br/>September 30</b> |                 | <b>Nine months ended<br/>September 30</b> |                     |
|---|--|-----------------|---|---------------------|
|   | <b>2017</b>                                | <b>2016</b>     | <b>2017</b>                               | <b>2016</b>         |
| Impairment and impairment reversals                 | \$ -                                       | \$ -            | \$ 21,922                                 | \$ (772,114)        |
| Share of equity income (loss)                       | -  | 7,482           | 30,347                                    | 3,818               |
| Gain on disposal                                    | -  | -               | 2,797                                     | -                   |
| <b>Earnings (loss) from discontinued operations</b> | <b>\$ -</b>                                | <b>\$ 7,482</b> | <b>\$ 55,066</b>                          | <b>\$ (768,296)</b> |

Net investing cash flows from discontinued operations for the three and nine months ended September 30, 2017 were nil (2016 - \$15.6 million) and \$1,179.7 million (2016 - \$31.0 million).

During the second quarter of 2016, the Company identified an impairment indicator, specifically, the Freeport McMoran Ltd. ("FCX") May 9, 2016 announcement which stated it had entered into a definitive agreement to sell its interests in TF Holdings to CMOC for \$2.65 billion in cash and contingent consideration up to \$120 million based upon future copper and cobalt prices to 2019 ("FCX Sale").

In previous periods, the Company used a fair value less cost to dispose model ("FVLTD" – a level 3 measurement) which assumed an expansion scenario. The expansion scenario contemplated the mining and processing of the Tenke Fungurume mine's mixed sulphide ores in addition to the oxide ores it is currently mining ("expansion scenario"). The prospective change in operator presented a level of uncertainty in respect of the nature and timing of this expansion scenario. For the quarter ended June 30, 2016, the Company calculated the recoverable amount for TF Holdings using an operating scenario where no future investments are made for the processing of the mixed sulphide resource ("base case scenario") for its cash flow projections. A separate valuation was performed for the in-situ value of the mixed sulphide resource which was benchmarked using third-party market information.

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The recoverable amount was determined using cash flow projections based on life-of-mine financial plans. The assumptions used in cash flow projections consisted of forecasted commodity prices, reserve and resource quantities, operating costs, capital expenditures, reclamation and other closure costs and discount rates. Commodity prices used in the cash flow projections were within the range of current market consensus observed during the second quarter of 2016. The valuation of recoverable amount was most sensitive to changes in metal prices and discount rates. Operating costs and capital expenditure included in the cash flow projections were based on approved operating plans.

The Company assessed the recoverable amount to be lower than the carrying value; as such, an impairment loss of \$772.1 million was recognized. The recoverable amount after the impairment, based on FVLTD, was \$1,170.1 million.

The Company prepared a sensitivity analysis on the assumptions used for the cash flow model. A 5% change in the metal price and 1% change in discount rate would have impacted the recoverable amount by approximately \$82.0 million and \$38.0 million, respectively.

### Key assumptions for Tenke Fungurume

|                         | 2016              | 2015            |
|-------------------------|-------------------|-----------------|
| Copper price \$/lb      | \$2.20 – \$3.00   | \$2.30 – \$3.00 |
| Cobalt price \$/lb      | \$11.00 – \$12.40 | \$12.50         |
| After-tax discount rate | 10%               | 10%             |
| Life of mine            | 25 years          | 45 years        |

## 10. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

|                             | September 30,<br>2017 | December 31,<br>2016 |
|-----------------------------|-----------------------|----------------------|
| Trade payables              | \$ 144,300            | \$ 119,718           |
| Unbilled goods and services | 70,036                | 60,141               |
| Payroll obligations         | 58,045                | 43,130               |
| Interest payable            | 31,953                | 12,781               |
| Royalty payable             | 11,562                | 7,905                |
|                             | \$ 315,896            | \$ 243,675           |

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## 11. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

|                             |           |                |
|-----------------------------|-----------|----------------|
| As at December 31, 2015     | \$        | 608,496        |
| Prepayments received        |           | 2,601          |
| Recognition of revenue      |           | (33,832)       |
| Effects of foreign exchange |           | (601)          |
| As at September 30, 2016    |           | 576,664        |
| Recognition of revenue      |           | (14,955)       |
| Effects of foreign exchange |           | (1,766)        |
| As at December 31, 2016     |           | 559,943        |
| Recognition of revenue      |           | (39,234)       |
| Effects of foreign exchange |           | 3,595          |
| As at September 31, 2017    |           | 524,304        |
| Less: current portion       |           | 45,275         |
| <b>Long-term portion</b>    | <b>\$</b> | <b>479,029</b> |

## 12. SHARE CAPITAL

The total incremental shares added to the basic weighted average number of common shares outstanding to arrive at the fully diluted number of shares is comprised of 3,153,100 shares for the three months and 2,657,762 for the nine months ended September 30, 2017 (2016 - nil). The incremental shares relate to in-the-money outstanding stock options and outstanding restricted share units ("SU"). Stock options and SUs were not included in the computation of diluted loss per common share for the three months and nine months ended September 30, 2016.

During the three months and nine months ended September 30, 2017, the Company granted 76,800 (2016 - nil) and 4,406,090 (2016 - 3,919,365), respectively, stock options to employees. The Company also granted 29,000 (2016 - nil) and 1,209,190 (2016 - 1,074,900), respectively, SUs.

## 13. OPERATING COSTS

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

|  | Three months ended<br>September 30 |            | Nine months ended<br>September 30 |            |
|--|------------------------------------|------------|-----------------------------------|------------|
|  | 2017                               | 2016       | 2017                              | 2016       |
| Direct mine and mill costs               | \$ 220,558                         | \$ 204,548 | \$ 600,660                        | \$ 576,449 |
| Transportation                           | 17,341                             | 17,739     | 52,752                            | 53,514     |
| Royalties                                | 3,482                              | 3,313      | 11,549                            | 8,135      |
|  | 241,381                            | 225,600    | 664,961                           | 638,098    |
| Depreciation, depletion and amortization | 99,805                             | 112,201    | 311,405                           | 342,198    |
| Total operating costs                    | \$ 341,186                         | \$ 337,801 | \$ 976,366                        | \$ 980,296 |

During the three months ended September 30, 2017 the Company expensed \$14.2 million related to employee contract settlements.

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## 14. EMPLOYEE BENEFITS

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

|  | Three months ended<br>September |           | Nine months ended<br>September |            |
|--|---------------------------------|-----------|--------------------------------|------------|
|  | 2017                            | 2016      | 2017                           | 2016       |
| Operating costs                              |                                 |           |                                |            |
| Wages and benefits                           | \$ 69,244                       | \$ 50,259 | \$ 176,878                     | \$ 154,250 |
| Pension benefits                             | 301                             | 298       | 897                            | 971        |
| Share-based compensation                     | 570                             | 596       | 2,036                          | 896        |
|  | 70,115                          | 51,153    | 179,811                        | 156,117    |
| General and administrative expenses          |                                 |           |                                |            |
| Wages and benefits                           | 4,561                           | 3,414     | 12,773                         | 9,907      |
| Pension benefits                             | 148                             | 123       | 623                            | 388        |
| Share-based compensation                     | 1,635                           | 771       | 4,911                          | 3,720      |
|  | 6,344                           | 4,308     | 18,307                         | 14,015     |
| General exploration and business development |                                 |           |                                |            |
| Wages and benefits                           | 2,386                           | 1,824     | 6,647                          | 5,974      |
| Pension benefits                             | 13                              | 10        | 35                             | 32         |
| Share-based compensation                     | 41                              | 49        | 306                            | 143        |
|  | 2,440                           | 1,883     | 6,988                          | 6,149      |
| Other  |                                 |           |                                |            |
| Wages and benefits                           | -                               | 914       | -                              | 3,648      |
| Share-based compensation                     | -                               | 302       | -                              | 302        |
|  | -                               | 1,216     | -                              | 3,950      |
| Total employee benefits                      | \$ 78,899                       | \$ 58,560 | \$ 205,106                     | \$ 180,231 |

## 15. FINANCE INCOME AND COSTS

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

|   | Three months ended<br>September 30 |             | Nine months ended<br>September 30 |             |
|---|------------------------------------|-------------|-----------------------------------|-------------|
|   | 2017                               | 2016        | 2017                              | 2016        |
| Interest income                             | \$ 5,465                           | \$ 329      | \$ 16,284                         | \$ 819      |
| Interest expense and bank fees              | (17,688)                           | (19,400)    | (54,241)                          | (60,346)    |
| Accretion expense on reclamation provisions | (1,550)                            | (1,467)     | (4,340)                           | (4,382)     |
| Gain on currency options                    | 2,365                              | 36          | 2,386                             | 3,590       |
| Other                                       | 1,214                              | 1,166       | 448                               | 1,052       |
| Total finance costs                         | \$ (10,194)                        | \$ (19,336) | \$ (39,463)                       | \$ (59,267) |
| Finance income                              | \$ 9,044                           | \$ 1,531    | \$ 19,118                         | \$ 5,461    |
| Finance costs                               | (19,238)                           | (20,867)    | (58,581)                          | (64,728)    |
| Total finance costs, net                    | \$ (10,194)                        | \$ (19,336) | \$ (39,463)                       | \$ (59,267) |



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### 16. OTHER INCOME AND EXPENSES

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

|  | Three months ended<br>September 30 |                   | Nine months ended<br>September 30 |                    |
|--|------------------------------------|-------------------|-----------------------------------|--------------------|
|  | 2017                               | 2016              | 2017                              | 2016               |
| Gain (loss) on sale of assets              | \$ 3,494                           | \$ (2,837)        | \$ (400)                          | \$ (2,837)         |
| Foreign exchange loss                      | (4,325)                            | (1,462)           | (17,154)                          | (3,369)            |
| Other expenses                             | (1,726)                            | (3,123)           | (3,167)                           | (10,087)           |
| Other income                               | 3,730                              | 995               | 5,575                             | 2,518              |
| Income from equity investment in associate | 5,237                              | (785)             | 7,716                             | (1,207)            |
| <b>Total other (expenses) income</b>       | <b>\$ 6,410</b>                    | <b>\$ (7,212)</b> | <b>\$ (7,430)</b>                 | <b>\$ (14,982)</b> |
| Other income                               | \$ 12,461                          | \$ 995            | \$ 13,291                         | \$ 2,518           |
| Other expenses                             | (6,051)                            | (8,207)           | (20,721)                          | (17,500)           |
| <b>Total other (expenses) income, net</b>  | <b>\$ 6,410</b>                    | <b>\$ (7,212)</b> | <b>\$ (7,430)</b>                 | <b>\$ (14,982)</b> |

Other income and other expenses include ancillary activities of the Company, including closure costs for closed operations.

During the nine months ended September 30, 2017, the Company reclassified \$6.0 million previously recorded in accumulated other comprehensive loss to foreign exchange loss on the disposal of the Galmoy assets.

### 17. INCOME TAXES

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

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## 18. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at September 30, 2017 and December 31, 2016:

|                                   |       | September 30, 2017 |              | December 31, 2016 |              |
|-----------------------------------|-------|--------------------|--------------|-------------------|--------------|
|                                   | Level | Carrying value     | Fair value   | Carrying value    | Fair value   |
| <b>Financial assets</b>           |       |                    |              |                   |              |
| Fair value through profit or loss |       |                    |              |                   |              |
| Cash and cash equivalents         | 1     | \$ 2,152,896       | \$ 2,152,896 | \$ 715,311        | \$ 715,311   |
| Restricted funds                  | 1     | 42,005             | 42,005       | 41,272            | 41,272       |
| Trade receivables                 | 2     | 232,152            | 232,152      | 241,672           | 241,672      |
| Marketable securities - shares    | 1     | 3,501              | 3,501        | 2,986             | 2,986        |
| Contingent asset                  | 2     | 24,752             | 24,752       | -                 | -            |
| Currency options                  | 2     | 3,533              | 3,533        | 4,512             | 4,512        |
|                                   |       | \$ 2,458,839       | \$ 2,458,839 | \$ 1,005,753      | \$ 1,005,753 |
| Available for sale                |       |                    |              |                   |              |
| Marketable securities - shares    | 1     | 30,958             | 30,958       | -                 | -            |
| <b>Financial liabilities</b>      |       |                    |              |                   |              |
| Amortized cost                    |       |                    |              |                   |              |
| Long-term debt and finance leases | 1,2   | \$ 993,554         | \$ 1,070,059 | \$ 983,377        | \$ 1,075,154 |
| Other long-term liabilities       | 2     | 9,835              | 9,835        | 9,992             | 9,992        |
|                                   |       | \$ 1,003,389       | \$ 1,079,894 | \$ 993,369        | \$ 1,085,146 |

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

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

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

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

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

Trade receivables – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized positive pricing adjustments of \$38.5 million in sales during the three months ended September 30, 2017 (2016 - \$14.8 million positive price adjustment) and positive pricing adjustments of \$63.9 million in sales during the nine months ended September 30, 2017 (2016 - \$27.0 million positive pricing adjustment).

Marketable securities/restricted funds – The fair value of investments in shares is determined based on the quoted market price. Revaluation adjustment related to available-for-sale financial instruments is recorded in other comprehensive income.

## LUNDIN MINING CORPORATION

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

Other non-current assets – The fair value of the contingent asset is determined using a valuation model that incorporates copper and cobalt prices, metal price volatility and expiry date of the consideration.

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

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

Other long-term liabilities – The fair value of other long-term liabilities is determined using a valuation model that incorporates such factors as metals prices, metal price volatility and option expiry date.

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

## 19. COMMITMENTS

The Company has the following capital commitments as at September 30, 2017:

|              |           |                |
|--------------|-----------|----------------|
| 2017         | \$        | 101,120        |
| 2018         |           | 40,070         |
| 2019         |           | 45             |
| <b>Total</b> | <b>\$</b> | <b>141,235</b> |

The sale of the Company's interest in Tenke Fungurume is considered an Asset Sale under the terms of the Company's bond indenture for the \$1 billion senior secured notes ("Notes"). When the Company completes an Asset Sale, to the extent that, after a period of 365 days, there are proceeds which have not been committed to the reinvestment in capital expenditures, acquisition of long term assets or businesses, repayment of senior or secured indebtedness or open market purchase of the Notes, they are considered Excess Proceeds. If the amount of Excess Proceeds is greater than \$100 million, the Company must issue a tender to purchase the Notes at par value plus accrued interest for the amount of the Excess Proceeds.

## 20. SEGMENTED INFORMATION

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

# LUNDIN MINING CORPORATION

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For the three and nine months ended September 30, 2017 and 2016

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

## For the three months ended September 30, 2017

|  | Candelaria | Eagle     | Neves-Corvo | Zinkgruvan | Tenke<br>Fungurume | Other       | Total      |
|--|------------|-----------|-------------|------------|--------------------|-------------|------------|
|  | Chile      | USA       | Portugal    | Sweden     | DRC                |             |            |
| Sales  | \$ 374,207 | \$ 74,263 | \$ 89,561   | \$ 63,707  | \$ -               | \$ -        | \$ 601,738 |
| Operating costs                              | (135,019)  | (29,764)  | (53,692)    | (22,079)   | -                  | (827)       | (241,381)  |
| General and administrative expenses          | -          | -         | -           | -          | -                  | (9,666)     | (9,666)    |
|  | 239,188    | 44,499    | 35,869      | 41,628     | -                  | (10,493)    | 350,691    |
| Depreciation, depletion and amortization     | (50,215)   | (25,418)  | (17,146)    | (6,625)    | -                  | (401)       | (99,805)   |
| General exploration and business development | (13,077)   | (4,895)   | (1,885)     | (1,851)    | -                  | (1,754)     | (23,462)   |
| Finance (costs) income                       | (553)      | (262)     | 49          | (164)      | -                  | (9,264)     | (10,194)   |
| Other (expenses) income                      | (3,135)    | 109       | (2,678)     | (3,363)    | -                  | 15,477      | 6,410      |
| Income tax expense                           | (49,280)   | -         | (3,802)     | (6,376)    | -                  | (7,628)     | (67,086)   |
| Net earnings (loss)                          | \$ 122,928 | \$ 14,033 | \$ 10,407   | \$ 23,249  | \$ -               | \$ (14,063) | \$ 156,554 |
| Capital expenditures                         | \$ 80,430  | \$ 12,507 | \$ 15,999   | \$ 8,118   | \$ -               | \$ 292      | \$ 117,346 |

## For the nine months ended September 30, 2017

|  | Candelaria | Eagle      | Neves-Corvo | Zinkgruvan | Tenke<br>Fungurume | Other       | Total        |
|--|------------|------------|-------------|------------|--------------------|-------------|--------------|
|  | Chile      | USA        | Portugal    | Sweden     | DRC                |             |              |
| Sales  | \$ 920,288 | \$ 210,976 | \$ 245,648  | \$ 167,305 | \$ -               | \$ -        | \$ 1,544,217 |
| Operating costs                                | (359,412)  | (94,871)   | (148,329)   | (60,720)   | -                  | (1,629)     | (664,961)    |
| General and administrative expenses            | -          | -          | -           | -          | -                  | (27,900)    | (27,900)     |
|  | 560,876    | 116,105    | 97,319      | 106,585    | -                  | (29,529)    | 851,356      |
| Depreciation, depletion and amortization       | (150,467)  | (89,858)   | (52,424)    | (17,243)   | -                  | (1,413)     | (311,405)    |
| General exploration and business development   | (28,930)   | (15,009)   | (4,580)     | (4,208)    | -                  | (6,488)     | (59,215)     |
| Finance (costs) income                         | (1,416)    | (972)      | 6,580       | (441)      | -                  | (43,214)    | (39,463)     |
| Other (expenses) income                        | (3,963)    | 193        | (13,413)    | (7,432)    | -                  | 17,185      | (7,430)      |
| Income tax expense                             | (99,543)   | -          | (3,141)     | (16,671)   | -                  | (21,518)    | (140,873)    |
| Net earnings (loss) from continuing operations | 276,557    | 10,459     | 30,341      | 60,590     | -                  | (84,977)    | 292,970      |
| Earnings from discontinued operations          | -          | -          | -           | -          | 55,066             | -           | 55,066       |
| Net earnings (loss)                            | \$ 276,557 | \$ 10,459  | \$ 30,341   | \$ 60,590  | \$ 55,066          | \$ (84,977) | \$ 348,036   |
| Capital expenditures                           | \$ 184,884 | \$ 27,733  | \$ 37,150   | \$ 30,740  | \$ -               | \$ 432      | \$ 280,939   |

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

## For the three months ended September 30, 2016

|  | Candelaria | Eagle     | Neves-Corvo | Zinkgruvan | Tenke<br>Fungurume | Other       | Total      |
|--|------------|-----------|-------------|------------|--------------------|-------------|------------|
|  | Chile      | USA       | Portugal    | Sweden     | DRC                |             |            |
| Sales  | \$ 196,766 | \$ 71,101 | \$ 64,523   | \$ 42,099  | \$ -               | \$ -        | \$ 374,489 |
| Operating costs                                | (112,883)  | (33,481)  | (57,760)    | (20,824)   | -                  | (652)       | (225,600)  |
| General and administrative expenses            | -          | -         | -           | -          | -                  | (6,247)     | (6,247)    |
|  | 83,883     | 37,620    | 6,763       | 21,275     | -                  | (6,899)     | 142,642    |
| Depreciation, depletion and amortization       | (52,721)   | (33,228)  | (20,970)    | (4,731)    | -                  | (613)       | (112,263)  |
| General exploration and business development   | (5,206)    | (4,238)   | 1,924       | 29         | -                  | (2,271)     | (9,762)    |
| Finance (costs) income                         | (576)      | (208)     | (33)        | (150)      | -                  | (18,369)    | (19,336)   |
| Other income (expense)                         | 513        | 605       | (269)       | 1,059      | -                  | (9,120)     | (7,212)    |
| Income tax recovery (expense)                  | (2,193)    | -         | 1,416       | (3,760)    | -                  | (4,124)     | (8,661)    |
| Net earnings (loss) from continuing operations | 23,700     | 551       | (11,169)    | 13,722     | -                  | (41,396)    | (14,592)   |
| Loss from discontinued operations              | -          | -         | -           | -          | 7,482              | -           | 7,482      |
| Net earnings (loss)                            | \$ 23,700  | \$ 551    | \$ (11,169) | \$ 13,722  | \$ 7,482           | \$ (41,396) | \$ (7,110) |
| Capital expenditures                           | \$ 24,918  | \$ 3,014  | \$ 7,508    | \$ 5,678   | \$ -               | \$ 271      | \$ 41,389  |

## For the nine months ended September 30, 2016

|  | Candelaria | Eagle       | Neves- Corvo | Zinkgruvan | Tenke<br>Fungurume | Other        | Total        |
|--|------------|-------------|--------------|------------|--------------------|--------------|--------------|
|  | Chile      | USA         | Portugal     | Sweden     | DRC                |              |              |
| Sales  | \$ 579,205 | \$ 182,323  | \$ 205,510   | \$ 121,366 | \$ -               | \$ (2,030)   | \$ 1,086,374 |
| Operating costs                                | (320,599)  | (93,267)    | (162,315)    | (60,162)   | -                  | (1,755)      | (638,098)    |
| General and administrative expenses            | -          | -           | -            | -          | -                  | (19,381)     | (19,381)     |
|  | 258,606    | 89,056      | 43,195       | 61,204     | -                  | (23,166)     | 428,895      |
| Depreciation, depletion and amortization       | (163,347)  | (97,064)    | (64,258)     | (16,011)   | -                  | (1,724)      | (342,404)    |
| General exploration and business development   | (11,309)   | (19,667)    | (1,762)      | (537)      | -                  | (5,702)      | (38,977)     |
| Finance (costs) income                         | (1,768)    | (623)       | (405)        | (449)      | -                  | (56,022)     | (59,267)     |
| Other income (expense)                         | 1,541      | 574         | (1,829)      | 915        | -                  | (16,183)     | (14,982)     |
| Income tax recovery (expense)                  | (4,903)    | -           | 9,250        | (9,652)    | -                  | (10,140)     | (15,445)     |
| Net earnings (loss) from continuing operations | 78,820     | (27,724)    | (15,809)     | 35,470     | -                  | (112,937)    | (42,180)     |
| Loss from discontinued operations              | -          | -           | -            | -          | (768,296)          | -            | (768,296)    |
| Net earnings (loss)                            | \$ 78,820  | \$ (27,724) | \$ (15,809)  | \$ 35,470  | \$ (768,296)       | \$ (112,937) | \$ (810,476) |
| Capital expenditures                           | \$ 74,620  | \$ 6,060    | \$ 23,685    | \$ 22,801  | \$ -               | \$ 567       | \$ 127,733   |

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

|        | Three months ended<br>September 30 |            | Nine months ended<br>September 30 |              |
|--------|------------------------------------|------------|-----------------------------------|--------------|
|        | 2017                               | 2016       | 2017                              | 2016         |
| Copper | \$ 415,492                         | \$ 230,848 | \$ 1,043,512                      | \$ 707,916   |
| Nickel | 38,184                             | 41,640     | 99,809                            | 94,854       |
| Zinc   | 88,561                             | 52,712     | 222,522                           | 138,113      |
| Gold   | 29,676                             | 24,476     | 85,044                            | 70,827       |
| Lead   | 13,537                             | 11,064     | 45,948                            | 36,451       |
| Silver | 9,895                              | 7,890      | 26,574                            | 25,341       |
| Other  | 6,393                              | 5,859      | 20,808                            | 12,872       |
|        | \$ 601,738                         | \$ 374,489 | \$ 1,544,217                      | \$ 1,086,374 |

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

|               | Three months ended<br>September 30 |            | Nine months ended<br>September 30 |              |
|---------------|------------------------------------|------------|-----------------------------------|--------------|
|               | 2017                               | 2016       | 2017                              | 2016         |
| Europe        | \$ 237,215                         | \$ 213,900 | \$ 642,856                        | \$ 604,428   |
| Asia          | 279,975                            | 102,642    | 656,521                           | 307,426      |
| North America | 50,673                             | 41,963     | 152,090                           | 118,281      |
| South America | 33,876                             | 15,984     | 92,750                            | 56,239       |
|               | \$ 601,738                         | \$ 374,489 | \$ 1,544,217                      | \$ 1,086,374 |

## 21. RELATED PARTY TRANSACTIONS

- a) **Transactions with associates** - The Company enters into transactions related to its investments in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Note 9 and 16).
- b) **Key management personnel** - The Company has identified its directors and certain senior officers as its key management personnel. The employee benefits for key management personnel are as follows:

|                          | Three months ended<br>September 30 |          | Nine months ended<br>September 30 |          |
|--------------------------|------------------------------------|----------|-----------------------------------|----------|
|                          | 2017                               | 2016     | 2017                              | 2016     |
| Wages and salaries       | \$ 1,666                           | \$ 1,532 | \$ 5,024                          | \$ 4,647 |
| Pension benefits         | 38                                 | 27       | 132                               | 108      |
| Share-based compensation | 944                                | 632      | 2,981                             | 1,912    |
|                          | \$ 2,648                           | \$ 2,191 | \$ 8,137                          | \$ 6,667 |

- c) **Other related parties** - For the three and nine months ended September 30, 2017, the Company paid \$0.3 million (2016 - \$0.1 million) and \$1.0 million (2016 - \$0.5 million), respectively, to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

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### 22. SUPPLEMENTARY CASH FLOW INFORMATION

|  | Three months ended<br>September 30 |             | Nine months ended<br>September 30 |             |
|--|------------------------------------|-------------|-----------------------------------|-------------|
|  | 2017                               | 2016        | 2017                              | 2016        |
| Changes in non-cash working capital items consist of:      |                                    |             |                                   |             |
| Trade receivable, inventories and other current assets     | \$ (84,042)                        | \$ (44,835) | \$ (21,715)                       | \$ (7,807)  |
| Trade payable and other current liabilities                | 93,169                             | 2,318       | 120,104                           | (8,447)     |
|  | \$ 9,127                           | \$ (42,517) | \$ 98,389                         | \$ (16,254) |
| Operating activities included the following cash payments: |                                    |             |                                   |             |
| Income taxes paid (refunded)                               | \$ 37,534                          | \$ 2,607    | \$ 76,602                         | \$ (15,546) |

During the three and nine months ended September 30, 2017, total interest paid, including capitalized interest, was nil (2016 - \$1.3 million) and \$38.3 million (2016 - \$40.2 million). Total interest received for the three and nine months ended September 30, 2017 was \$3.9 million (2016 - \$0.3 million) and \$14.7 million (2016 - \$0.8 million), respectively.

### 23. SUBSEQUENT EVENT

The Company issued a notice to the trustee for redemption on November 20, 2017 of its \$550 million 7.5% Senior Secured Notes due 2020 (the "2020 Notes") at the redemption price of 103.75% of the principal amount of the 2020 Notes plus accrued and unpaid interest.