lundin mining

Management's Discussion and Analysis
For the three and six months ended June 30, 2019

This management's discussion and analysis ("MD&A") has been prepared as of July 24, 2019 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2019. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of $ or USD is to United States dollars, C$ is to Canadian dollars, CLP is to Chilean pesos, BRL is to Brazilian reais, € refers to euros, and SEK is to Swedish kronor.

About Lundin Mining

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

Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts included in this document constitute forward-looking information, including but not limited to statements regarding the Company's plans, prospects and business strategies; the Company's guidance on the timing and amount of future production and its expectations regarding the results of operations; expected costs; permitting requirements and timelines; timing and possible outcome of pending litigation; the results of any Preliminary Economic Assessment, Feasibility Study, or Mineral Resource and Mineral Reserve estimations, life of mine estimates, and mine and mine closure plans; anticipated market prices of metals, currency exchange rates, and interest rates; the development and implementation of the Company's Responsible Mining Management System; the Company's ability to comply with contractual and permitting or other regulatory requirements; anticipated exploration and development activities at the Company's projects; and the Company's integration of acquisitions (such as the Chapada mine) and any anticipated benefits thereof. Words such as "believe", "expect", "anticipate", "contemplate", "target", "plan", "goal", "aim", "intend", "continue", "budget", "estimate", "may", "will", "can", "could", "should", "schedule" and similar expressions identify forward-looking statements.

Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management, including that the Company can access financing, appropriate equipment and sufficient labour; assumed and future price of copper, nickel, zinc, gold and other metals; anticipated costs; ability to achieve goals; the prompt and effective integration of acquisitions; that the political environment in which the Company operates will continue to support the development and operation of mining projects; and assumptions related to the factors set forth below. While these factors and assumptions are considered reasonable by Lundin Mining as at the date of this document in light of management's experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information. Such factors include, but are not limited to: risks inherent in and/or associated with operating in foreign countries; uncertain political and economic environments; community activism, shareholder activism and risks related to negative publicity with respect to the Company or the mining industry in general; changes in laws, regulations or policies including but not limited to those related to permitting and approvals, environmental and tailings management, labour, trade relations, and transportation; delays or the inability to obtain necessary governmental approvals and/or permits; regulatory investigations, enforcement, sanctions and/or related or other litigation; risks associated with business arrangements and partners over which the Company does not have full control; risks associated with acquisitions and related integration efforts (including with respect to the Chapada mine), including the ability to achieve anticipated benefits, unanticipated difficulties or expenditures relating to integration and diversion of management time on integration; competition; development or mining results not being consistent with the Company's expectations; estimates of future production and operations; operating, cash and all-in sustaining cost estimates; allocation of resources and capital; litigation; uninsurable risks; volatility and fluctuations in metal and commodity prices; the estimation of asset carrying values; funding requirements and availability of financing; indebtedness; foreign currency fluctuations; interest rate volatility; changes in the Company's share price, and equity markets, in general; changing taxation regimes; counterparty and credit risks; health and safety risks; risks related to the environmental impact of the Company's operations and products and management thereof; unavailable or inaccessible infrastructure and risks related to ageing infrastructure; risks inherent in mining including but not limited to risks to the environment, industrial accidents, catastrophic equipment failures, unusual or unexpected geological formations or unstable ground conditions; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; ore processing efficiency; risks relating to attracting and retaining of highly skilled employees; ability to retain key personnel; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; the price and availability of energy and key operating supplies or services; the inherent uncertainty of exploration and development, and the potential for unexpected costs and expenses including, without limitation, for mine closure and reclamation at current and historical operations; risks associated with the estimation of Mineral Resources and Mineral Reserves and the geology, grade and continuity of mineral deposits including but not limited to models relating thereto; actual ore mined and/or metal recoveries varying from Mineral Resource and Mineral Reserve estimates; mine plans, and life of mine estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; natural phenomena such as earthquakes, flooding, and unusually severe weather; potential for the allegation of fraud and corruption involving the Company, its customers, suppliers or employees, or the allegation of improper or discriminatory employment practices, or human rights violations; security at the Company's operations; breach or compromise of key information technology systems; materially increased or unanticipated reclamation obligations; risks related to mine closure activities; risks related to closed and historical sites; title risk and the potential of undetected encumbrances; risks associated with the structural stability of waste rock dumps or tailings storage facilities; and other risks and uncertainties, including but not limited to those described in the "Risk and Uncertainties" section of the Annual Information Form for the year ended December 31, 2018 and the

"Managing Risks" section of the Company's MD&A for the year ended December 31, 2018, which are available on SEDAR at www.sedar.com under the Company's profile. All of the forward-looking statements made in this document are qualified by these cautionary statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, forecast or intended and readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information. Accordingly, there can be no assurance that forward-looking information will prove to be accurate and forward-looking information is not a guarantee of future performance. Readers are advised not to place undue reliance on forward-looking information. The forward-looking information contained herein speaks only as of the date of this document. The Company disclaims any intention or obligation to update or revise forward-looking information or to explain any material difference between such and subsequent actual events, except as required by applicable law.

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Highlights

Operational Performance

Production remains largely on target to achieve the Company's annual guidance. Copper grades are expected to be higher in the second half of the year as higher-grade ore is accessed at Neves-Corvo and Candelaria. Copper and nickel cash costs are higher than the prior year comparatives due to lower metal prices for by-products.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 33,633 tonnes of copper, and approximately 21,000 ounces of gold and 292,000 ounces of silver in concentrate during the quarter. Copper production in the quarter was lower than the prior year comparable period primarily due to lower mill throughput resulting from maintenance stops. Copper cash costs[1] of $1.86/lb for the quarter were higher than the prior year quarter owing to higher maintenance and diesel and energy costs. Ore grades are expected to increase and cash costs decrease over the remainder of the year as more ore is sourced directly from the open pit and less from the low grade stockpile.

Development of the Candelaria Underground South Sector is progressing well with production start-up expected before the end of the third quarter of 2019.

Eagle (100% owned): Eagle produced 3,398 tonnes of nickel and 3,732 tonnes of copper during the quarter. Nickel and copper production were both lower than the prior year quarter reflecting the planned lower ore grades. Nickel cash costs of $3.14/lb for the quarter were higher than the prior year comparable period, primarily as a result of lower by-product credits.

Development of Eagle East continues to progress ahead of schedule and under budget, with first ore feed to the mill scheduled in the fourth quarter of 2019.

Neves-Corvo (100% owned): Neves-Corvo produced 9,615 tonnes of copper and 18,251 tonnes of zinc for the quarter, both lower than the prior year comparable period. For copper, production was affected by lower head grades resulting from a change in mine sequencing. Zinc production was also negatively affected by lower head grades, as well as lower recoveries. Copper cash costs of $1.88/lb for the quarter were higher than the prior year period owing primarily to lower by-product credits.

Construction progressed on the Zinc Expansion Project ("ZEP") in the quarter, with underground development of conveyor ramps completed. Surface construction in the second quarter was focused on mechanical installation of the materials handling system, as well as continuing construction on the SAG mill, flotation equipment, tailings and water supply piping systems, and a new paste fill thickener.

Rates of advance during the quarter on surface facilities were negatively affected by engineering and construction delays and lagged targeted advance rates. Total project capital cost is now estimated to be $450 million (€380 million), with pre-production costs expected to be $430 million (€360 million). Capital spend for 2019 has been reduced to $140 million (€120 million) as project work is deferred to 2020. See additional detail in the Outlook section.

Zinkgruvan (100% owned): Zinc production of 18,865 tonnes and lead production of 6,219 tonnes were higher than the prior year quarter due to planned higher grades of both metals. Second quarter zinc cash costs of $0.41/lb were in-line with the prior year comparable period.

Total production

(Contained metal in concentrate - tonnes)	2019			2018				
	YTD	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Copper[a]	**93,807**	**47,685**	46,122	199,630	48,206	52,770	51,098	47,556
Zinc	**77,562**	**37,116**	40,446	152,041	42,024	36,062	37,075	36,880
Nickel	**7,611**	**3,398**	4,213	17,573	3,501	4,697	4,234	5,141

a - Candelaria's production is on a 100% basis.

[1] Cash cost per pound is a non-GAAP measure – see page 25 of this MD&A for discussion of non-GAAP measures.

Financial Performance

- Gross profit for the quarter ended June 30, 2019 was $25.1 million, a decrease of $130.0 million in comparison to the $155.1 million reported in the second quarter of the prior year. The decrease was primarily due to lower revenues as a result of lower metal prices ($57.7 million) and price adjustments ($41.4 million), higher depreciation expense ($21.0 million) as well as higher zinc treatment and refining charges resulting from the finalization of the 2019 contractual terms during the current quarter.

  On a year-to-date basis, gross profit was $166.3 million, a decrease of $138.7 million from the $305.0 million reported in the prior year comparative period. The decrease was primarily due to lower revenues as a result of lower realized metal prices arising largely from negative price adjustments in the second quarter ($78.2 million), lower sales volumes ($29.8 million), higher depreciation ($10.3 million) and higher zinc treatment and refining charges.

- Net loss for the quarter ended June 30, 2019 was $8.6 million, a decrease of $96.1 million from net earnings of $87.5 million reported in the prior year quarter. The decrease was attributable to lower gross profit, partially offset by lower income taxes ($49.9 million).

  On a year-to-date basis, net earnings were $52.3 million, a decrease of $122.3 million from the $174.6 million reported in the prior year comparative period. The decrease was attributable to lower gross profit, and lower income from our equity investment in Freeport Cobalt ($22.9 million), partially offset by lower income taxes ($44.6 million).

- Net cash[1] as at June 30, 2019 was $661.1 million, a decrease of $143.3 million in comparison to December 31, 2018. The decrease resulted from cash used for capital investments exceeding operating cash flow in the current year, as well as a $63.0 million increase in debt consisting of a fixed term loan for $35 million and an increase in lease liabilities of $39.0 million as a result of the implementation of IFRS 16, *Leases*.

Corporate Highlights

- On May 23, 2019, the Company announced that Freeport Cobalt, the Company's joint venture with Freeport-McMoRan Inc. had entered into a definitive agreement to sell its cobalt refinery in Kokkola, Finland and related cobalt cathode precursor business to Umicore for cash consideration of approximately US$150 million, plus working capital at the time of close (the "Transaction"). Lundin Mining is entitled to receive 30 percent of the proceeds of the Transaction. The joint venture will retain Freeport Cobalt's fine powders, chemicals, catalyst, ceramics and pigments businesses.

  The Transaction is subject to the completion of the separation of Freeport Cobalt, the receipt of required regulatory approvals, and other customary closing conditions. The Transaction is expected to close by year-end 2019.

- On July 5, 2019, the Company announced the closing of the acquisition of a 100% ownership stake in Mineração Maracá Indústria e Comércio SA, which owns the Chapada copper-gold mine located in Brazil from Yamana Gold Inc.

  Total cash consideration paid at closing by the Company was $800 million, funded by cash on hand and a drawdown of $285 million on the Company's revolving credit facility.

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

Financial Position

- Cash and cash equivalents of $735.1 million as at June 30, 2019 remained relatively unchanged from the $734.7 million reported in the first quarter of 2019.

- Cash flow from operations for the quarter ended June 30, 2019 was $204.5 million, an increase of $86.2 million in comparison to the $118.3 million reported in the second quarter of 2018. The increase was primarily attributable to higher comparative change in non-cash working capital ($153.8 million) and lower current taxes partially offset by lower revenues.

  On a year-to-date basis, cash flow from operations was $266.6 million, a decrease of $24.6 million in comparison to the six months ended June 30, 2018 ($291.2 million). The decrease was primarily due to lower sales revenues ($152.5 million), partially offset by comparative change in non-cash working capital ($74.3 million) and lower current taxes.

- Cash used in investing activities decreased when compared to the prior year comparable period for the quarter, reflecting lower investment in mineral properties, plant and equipment, as well as higher distributions received from the investment in associate. On a year-to-date basis cash used in investing activities increased due mainly to capital expenditures related to Candelaria Underground South Sector and the Mill Optimization project.

- Cash used in financing activities remained relatively consistent quarter over quarter. On a year-to-date basis, financing activities include proceeds of $35.0 million from a term loan in the first quarter of 2019.

  As of July 24, 2019, the Company had a cash balance of approximately $190.0 million and net debt of approximately $170.0 million. This change from June 30, 2019 reflects the Company's acquisition of the Chapada mine which was financed by $515 million in cash and a $285 million draw against the Company's revolving credit facility.

Outlook

2019 Production and Cash Cost

Production and cash cost guidance for 2019 has been revised from that disclosed in our Management's Discussion and Analysis for the three months ended March 31, 2019 to reflect higher cash costs at our Eagle mine, primarily due to expected lower by-product price, as well as lower grades resulting in lower nickel metal produced and sold. In addition, production guidance has been updated for copper production at our Neves-Corvo mine and nickel production at our Eagle mine. The revised guidance also includes six months of production and cash cost guidance for the Chapada mine. Chapada cash costs are calculated on a by-product basis and do not include the effects of copper stream agreements. Effects of copper stream agreements will be a component of the copper revenue and will impact realized revenue per pound.

2019 Guidance (contained tonnes)		**Previous Guidance**[a]		**Revised Guidance**[b]	
		Tonnes	**C1 Cost**	**Tonnes**	**C1 Cost**
Copper	Candelaria (100%)	*145,000 - 155,000*	*$1.60/lb*	*145,000 - 155,000*	*$1.60/lb*
	Chapada[c]	-	-	***27,000 - 30,000***	***$1.10/lb***
	Eagle	*12,000 - 15,000*		*12,000 - 15,000*	
	Neves-Corvo	*40,000 - 45,000*	*$1.70/lb*	***38,000 - 42,000***	*1.70/lb*
	Zinkgruvan	*2,000 - 3,000*		*2,000 - 3,000*	
	Total attributable	*199,000 - 218,000*		***224,000 - 245,000***	
Zinc	Neves-Corvo	*71,000 - 76,000*		*71,000 - 76,000*	
	Zinkgruvan	*76,000 - 81,000*	*$0.40/lb*	*76,000 - 81,000*	*$0.40/lb*
	Total	*147,000 - 157,000*		*147,000 - 157,000*	
Nickel	Eagle	*12,000 - 15,000*	*$2.20/lb*	***12,000 - 14,000***	***$2.60/lb***

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2019.
b. Cash costs are based on various assumptions and estimates, including but not limited to: production volumes, as noted above, commodity prices (Cu: $2.70/lb, Zn: $1.10/lb, Ni: $5.50/lb, Pb: $0.80/lb, Au: $1,250/oz), foreign exchange rates (€/USD:1.15, USD/SEK:9.00, USD/CLP:675, USD/BRL:3.75) and operating costs.
c. Chapada is expected to produce 50,000 to 55,000 ounces of gold for the second half of 2019.

2019 Capital Expenditure Guidance

Total capital expenditures, excluding capitalized interest, are forecast to be $695 million, $50 million lower than previously disclosed. A project cost review of ZEP has confirmed lower spending requirements in 2019 as costs are deferred to 2020; however, total cost for the project is increasing. The revised capital expenditure guidance includes capital spending over the second half of 2019 for the Chapada mine.

Revised Capital Expenditure Guidance

($ millions)	Previous Guidance[a]	Revisions	**Revised Guidance**
Candelaria (100% basis)			
Capitalized Stripping	130	-	130
Los Diques TSF	10	-	10
New Mine Fleet Investment	75	-	75
Candelaria Mill Optimization Project	50	-	50
Candelaria Underground Development	40	-	40
Other Sustaining	70	-	70
Candelaria Sustaining	375	-	375
Chapada	-	25	25
Eagle Sustaining	15	-	15
Neves-Corvo Sustaining	65	-	65
Zinkgruvan Sustaining	50	(5)	45
Total Sustaining Capital	505	20	**525**
Eagle East	30	-	30
ZEP (Neves-Corvo)	210	(70)	140
Total Expansionary Capital	240	(70)	**170**
Total Capital Expenditures	745	(50)	**695**

a. Guidance as outlined in our Management's Discussion and Analysis for the three months ended March 31, 2019.

Zinc Expansion Project (Neves-Corvo)

The Company expects total pre-production project costs to increase to $430 million (€360 million). The Company has been actively monitoring and regularly updating the cost and schedule estimates including trend analysis to predict costs and completion dates. The updated pre-production cost estimate of €360 million is an increase of €55 million over the previous estimate. The increase includes the following new items:

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

Capital spend for 2019 has been reduced to $140 million (€120 million) as project work is deferred to 2020.

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

2019 Exploration Investment Guidance

Exploration expenditures remain unchanged at $70 million, of which $4 million is related to Chapada.

Selected Quarterly Financial Information[1]

($ millions, except share and per share amounts)	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Revenue	**369.3**	467.7	**785.6**	938.1
Cost of goods sold:				
Production costs	**(255.8)**	(243.7)	**(460.9)**	(483.4)
Depreciation, depletion and amortization	**(88.3)**	(68.9)	**(158.4)**	(149.7)
Gross profit	**25.1**	155.1	**166.3**	305.0
Net (loss) earnings	**(8.6)**	87.5	**52.3**	174.6
Attributable to: Lundin Mining shareholders	**(7.8)**	78.8	**43.9**	160.1
Non-controlling interests	**(0.8)**	8.7	**8.5**	14.5
Net (loss) earnings	**(8.6)**	87.5	**52.3**	174.6
Cash flow from operations	**204.5**	118.3	**266.6**	291.2
Capital expenditures (including capitalized interest)[2]	**178.7**	193.2	**360.7**	343.9
Total assets	**6,012.6**	6,265.5	**6,012.6**	6,265.5
Total debt & lease liabilities	**74.0**	443.1	**74.0**	443.1
Net cash	**661.1**	1,063.1	**661.1**	1,063.1
Key Financial Data:				
Basic and diluted (loss) earnings per share ('EPS') attributable to shareholders	**(0.01)**	0.11	**0.06**	0.22
Operating cash flow per share[3]	**0.07**	0.16	**0.26**	0.39
Dividends declared (C$/share)	**0.03**	0.03	**0.06**	0.06

Summary of Quarterly Results[1]

($ millions, except per share data)	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
Revenue	369.3	416.4	407.7	379.7	467.7	470.5	533.3	601.7
Cost of goods sold	(344.1)	(275.2)	(335.7)	(320.1)	(312.6)	(320.6)	(280.7)	(341.2)
Gross profit	25.1	141.2	72.0	59.6	155.1	149.9	252.6	260.5
Net (loss) earnings	(8.6)	60.9	31.8	9.1	87.5	87.1	154.0	156.6
- attributable to shareholders	(7.8)	51.7	28.8	7.0	78.8	81.3	133.0	131.8
EPS - Basic and diluted	(0.01)	0.07	0.04	0.01	0.11	0.11	0.18	0.18
Cash flow from operations	204.5	62.1	44.2	140.9	118.3	172.9	230.1	249.5
Capital expenditures (cash basis)	178.7	182.0	234.1	173.7	193.2	150.7	197.9	117.3

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

1. Except where otherwise noted, financial data has been prepared in accordance with IFRS as issued by the IASB. Upon the adoption of new standards, the Company has elected not to restate comparative periods presented.
2. Capital expenditures are reported on a cash basis, as presented in the consolidated statement of cash flows.
3. Operating cash flow per share is a non-GAAP measure – see page 25 of this MD&A for discussion of non-GAAP measures.

Revenue Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)	2019			2018				
	Total	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)								
Candelaria (100%)	**62,211**	**31,138**	31,073	132,626	32,465	32,832	34,542	32,787
Eagle	**7,333**	**4,286**	3,047	16,480	3,987	4,678	3,295	4,520
Neves-Corvo	**17,598**	**9,888**	7,710	44,729	10,700	13,525	11,371	9,133
Zinkgruvan	**913**	**913**	-	1,385	18	495	872	-
	88,055	**46,225**	41,830	195,220	47,170	51,530	50,080	46,440
Zinc (tonnes)								
Neves-Corvo	**29,863**	**14,466**	15,397	61,150	15,492	16,434	15,746	13,478
Zinkgruvan	**35,492**	**19,466**	16,026	62,922	20,475	12,288	13,565	16,594
	65,355	**33,932**	31,423	124,072	35,967	28,722	29,311	30,072
Nickel (tonnes)								
Eagle	**5,626**	**3,935**	1,691	15,151	3,929	3,400	2,755	5,067
Gold (000 oz)								
Candelaria (100%)	**38**	**19**	19	76	20	19	19	18
Lead (tonnes)								
Neves-Corvo	**2,589**	**1,313**	1,276	5,577	1,243	1,420	1,732	1,182
Zinkgruvan	**9,673**	**5,799**	3,874	23,097	9,430	5,544	3,036	5,087
	12,262	**7,112**	5,150	28,674	10,673	6,964	4,768	6,269
Silver (000 oz)								
Candelaria (100%)	**535**	**252**	283	1,103	289	284	264	266
Eagle	**38**	**25**	13	72	16	27	10	19
Neves-Corvo	**427**	**201**	226	871	307	190	215	159
Zinkgruvan	**688**	**460**	228	1,401	529	341	295	236
	1,688	**938**	750	3,447	1,141	842	784	680

Revenue Analysis

by Mine	Three months ended June 30, 2019		2018		Change	Six months ended June 30, 2019		2018		Change
($ thousands)	$	%	$	%	$	$	%	$	%	$
Candelaria (100%)	**178,677**	48	243,585	52	(64,908)	**411,338**	52	461,827	49	(50,489)
Eagle	**59,412**	16	63,651	14	(4,239)	**105,620**	13	155,865	17	(50,245)
Neves-Corvo	**77,519**	21	110,816	24	(33,297)	**162,666**	21	208,474	22	(45,808)
Zinkgruvan	**53,643**	15	49,605	10	4,038	**106,011**	14	111,973	12	(5,962)
	369,251		467,657		(98,406)	**785,635**		938,139		(152,504)

by Metal	Three months ended June 30, 2019		2018		Change	Six months ended June 30, 2019		2018		Change
($ thousands)	$	%	$	%	$	$	%	$	%	$
Copper	**226,953**	62	309,187	66	(82,234)	**493,043**	63	584,549	62	(91,506)
Zinc	**59,679**	16	73,916	16	(14,237)	**142,353**	18	160,620	17	(18,267)
Nickel	**33,352**	9	38,969	8	(5,617)	**59,177**	8	93,784	10	(34,607)
Gold	**23,756**	6	21,893	5	1,863	**46,461**	6	44,143	5	2,318
Lead	**12,438**	3	11,368	2	1,070	**22,203**	3	26,399	3	(4,196)
Silver	**8,883**	3	8,310	2	573	**16,797**	2	15,899	2	898
Other	**4,190**	1	4,014	1	176	**5,601**	-	12,745	1	(7,144)
	369,251		467,657		(98,406)	**785,635**		938,139		(152,504)

Revenue for the quarter ended June 30, 2019 decreased in comparison to the second quarter of the prior year. The decrease was mainly due to lower realized metal prices and price adjustments ($99.1 million). Copper and nickel prices were negatively impacted by uncertainty in global trade discussions in the second quarter of 2019; however a fundamental shortage of zinc metal mitigated the impacts of trade uncertainty on zinc prices during the quarter.

On a year-to-date basis, revenue was lower than the prior year period. The decrease was mainly due to lower realized metal prices, net of price adjustments ($78.2 million) and lower sales volumes ($67.4 million).

Revenue from gold and silver for the three and six months ended June 30, 2019 includes the partial recognition of an upfront purchase price on the sale of precious metals streams for Candelaria, Neves-Corvo and Zinkgruvan, as well as the cash proceeds which amount to $408/oz for gold and between $4.08/oz and $4.34/oz for silver.

Provisionally valued revenue as of June 30, 2019

Metal	Tonnes Payable	Valued at $ per lb	Valued at $ per tonne
Copper	57,449	2.72	5,996
Zinc	24,314	1.15	2,529
Nickel	3,796	5.75	12,680

Quarterly Reconciliation of Realized Prices

	Three months ended June 30, 2019				Three months ended June 30, 2018			
($ thousands)	**Copper**	**Zinc**	**Nickel**	**Total**	**Copper**	**Zinc**	**Nickel**	**Total**
Current period sales[1]	277,238	87,472	50,171	414,881	334,820	86,497	41,304	462,621
Prior period price adjustments	(27,274)	(7,466)	(1,067)	(35,807)	248	(1,702)	5,220	3,766
	249,964	80,006	49,104	379,074	335,068	84,795	46,524	466,387
Other metal sales				50,595				46,263
Less: Treatment & refining charges				(60,418)				(44,993)
Total Revenue				**369,251**				**467,657**
Payable Metal (tonnes)	**46,225**	**33,932**	**3,935**		**50,080**	**29,311**	**2,755**	
Current period sales ($/lb)[1]	$2.72	$1.17	$5.78		$3.03	$1.34	$6.80	
Prior period adjustments ($/lb)	(0.27)	(0.10)	(0.12)		-	(0.03)	0.86	
Realized prices ($/lb)	**$2.45**	**$1.07**	**$5.66**		**$3.03**	**$1.31**	**$7.66**	

1. Includes provisional price adjustments on current period sales.

Year-to-Date Reconciliation of Realized Prices

	Six months ended June 30, 2019				Six months ended June 30, 2018			
($ thousands)	**Copper**	**Zinc**	**Nickel**	**Total**	**Copper**	**Zinc**	**Nickel**	**Total**
Current period sales[1]	529,453	173,870	71,924	775,247	650,953	186,469	108,507	945,929
Prior period price adjustments	7,695	1,467	8,389	17,551	(16,229)	(1,467)	5,443	(12,253)
	537,148	175,337	80,313	792,798	634,724	185,002	113,950	933,676
Other metal sales				93,503				100,686
Less: Treatment & refining charges				(100,666)				(96,223)
Total Revenue				**785,635**				**938,139**
Payable Metal (tonnes)	**88,055**	**65,355**	**5,626**		**96,520**	**59,383**	**7,822**	
Current period sales ($/lb)[1]	$2.73	$1.21	$5.80		$3.06	$1.42	$6.29	
Prior period adjustments ($/lb)	0.04	0.01	0.68		(0.08)	(0.01)	0.32	
Realized prices ($/lb)	**$2.77**	**$1.22**	**$6.48**		**$2.98**	**$1.41**	**$6.61**	

1. Includes provisional price adjustments on current period sales.

Financial Results

Production Costs

Production costs for the quarter ended June 30, 2019 were $255.8 million, $12.1 million higher than the second quarter of the prior year primarily attributable to higher diesel and energy costs at Candelaria and higher mill maintenance costs at Candelaria and Neves-Corvo, which were partially offset by the positive impacts of foreign exchange.

On a year-to-date basis, production costs were $460.9 million, a decrease of $22.6 million in comparison to the six months of 2018 ($483.5 million). The decrease was largely due to lower sales volumes and positive impacts of foreign exchange.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased for the quarter and six months ended June 30, 2019 when measured against the comparable periods in 2018. The increase was primarily attributable to increased amortization of deferred stripping at Candelaria as Phase 10 of the open pit has ramped up production. In addition, for the quarter ended June 30, 2019, Eagle's depreciation expense increased in comparison to the prior comparable period due to higher sales volumes.

Depreciation by operation	**Three months ended June 30,**			**Six months ended June 30,**		
($ thousands)	**2019**	2018	Change	**2019**	2018	Change
Candelaria	**45,962**	40,346	5,616	**85,761**	78,946	6,815
Eagle	**20,141**	13,129	7,012	**30,316**	34,105	(3,789)
Neves-Corvo	**12,795**	8,585	4,210	**25,398**	23,239	2,159
Zinkgruvan	**8,966**	6,411	2,555	**16,030**	12,702	3,328
Other	**429**	388	41	**892**	737	155
	88,293	68,859	19,434	**158,397**	149,729	8,668

Loss from Equity Investment in Associate

For the six months ended June 30, 2019, a loss of $10.6 million from equity investment in associate was recognized due mainly to inventory revaluations as a result of lower cobalt prices in the first quarter of 2019.

Finance Income and Costs

Net finance income and costs of $4.7 million for the three months and $8.4 million for the six months ended June 30, 2019 reflects a decrease of $5.2 million and $11.6 million, respectively, against the prior year comparable periods. The decrease is mainly attributable to lower interest expense in 2019 due to the repayment of long-term debt in 2018.

Other Income and Expenses

Net other expense for the three and six months ended June 30, 2019 was $13.6 million and $15.3 million, respectively, lower than net other income in the prior year comparable periods. The decrease is primarily the result of lower foreign exchange gains and lower revaluation gains recorded for marketable securities, as well as a $5.2 million expense related to a liability for ZEP contractor claims.

Foreign exchange gains and losses recorded in other income and expenses relate to working capital denominated in foreign currencies that was held by the Company. Period end exchange rates having a meaningful impact on foreign exchange recorded at June 30, 2019 were $1.00:CLP680 (March 31, 2019 - $1.00:CLP681; December 31, 2018 - $1.00:CLP695), $1.14:€1.00 (March 31, 2019 - $1.12:€1.00; December 31, 2018 - $1.15:€1.00) and $1.00:SEK9.27 (March 31, 2019 - $1.00:SEK9.28; December 31, 2018 - $1.00:SEK8.97).

Income Taxes

Income taxes by mine

Income tax (recovery) expense	Three months ended June 30,			Six months ended June 30,		
($ thousands)	**2019**	2018	Change	**2019**	2018	Change
Candelaria	**(10,335)**	12,999	(23,334)	**3,379**	12,861	(9,482)
Eagle	**(2,086)**	2,533	(4,619)	**(1,909)**	7,780	(9,689)
Neves-Corvo	**(5,185)**	16,142	(21,327)	**(515)**	20,641	(21,156)
Zinkgruvan	**3,124**	6,397	(3,273)	**9,254**	13,402	(4,148)
Other	**9,314**	6,697	2,617	**15,468**	15,629	(161)
	(5,168)	44,768	(49,936)	**25,677**	70,313	(44,636)

Income taxes by classification

Income tax (recovery) expense	Three months ended June 30,			Six months ended June 30,		
($ thousands)	**2019**	2018	Change	**2019**	2018	Change
Current income tax	**5,684**	44,240	(38,556)	**31,392**	73,224	(41,832)
Deferred income tax	**(10,852)**	528	(11,380)	**(5,715)**	(2,911)	(2,804)
	(5,168)	44,768	(49,936)	**25,677**	70,313	(44,636)

Income tax recovery for the three months and expense for the six months ended June 30, 2019 are lower than the tax expense recorded in the prior year comparable periods due to lower taxable earnings across all sites. Included in the current year is an investment tax credit of $4.0 million at Neves-Corvo for capital investments in ZEP, which further reduced current taxes payable.

Mining Operations

Production Overview

(Contained metal in concentrate)	2019 YTD	2019 Q2	2019 Q1	2018 Total	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Copper (tonnes)								
Candelaria (100%)	**66,411**	**33,633**	32,778	134,578	33,011	35,323	34,397	31,847
Eagle	**7,629**	**3,732**	3,897	17,974	3,908	5,178	4,115	4,773
Neves-Corvo	**18,483**	**9,615**	8,868	45,692	11,287	11,746	11,899	10,760
Zinkgruvan	**1,284**	**705**	579	1,386	-	523	687	176
	93,807	**47,685**	46,122	199,630	48,206	52,770	51,098	47,556
Zinc (tonnes)								
Neves-Corvo	**37,024**	**18,251**	18,773	75,435	18,465	18,905	20,230	17,835
Zinkgruvan	**40,538**	**18,865**	21,673	76,606	23,559	17,157	16,845	19,045
	77,562	**37,116**	40,446	152,041	42,024	36,062	37,075	36,880
Nickel (tonnes)								
Eagle	**7,611**	**3,398**	4,213	17,573	3,501	4,697	4,234	5,141
Gold (000 oz)								
Candelaria (100%)	**41**	**21**	20	78	21	20	20	17
Lead (tonnes)								
Neves-Corvo	**3,003**	**1,350**	1,653	6,571	1,418	1,524	1,872	1,757
Zinkgruvan	**12,051**	**6,219**	5,832	24,613	8,161	5,515	3,914	7,023
	15,054	**7,569**	7,485	31,184	9,579	7,039	5,786	8,780
Silver (000 oz)								
Candelaria (100%)	**613**	**292**	321	1,207	307	330	295	275
Eagle	**72**	**45**	27	158	41	46	28	43
Neves-Corvo	**890**	**392**	498	1,791	508	458	420	405
Zinkgruvan	**1,110**	**631**	479	2,155	607	531	452	565
	2,685	**1,360**	1,325	5,311	1,463	1,365	1,195	1,288

Cash Cost Overview[3]

($/lb)	Three months ended June 30, **2019**	2018	Six months ended June 30, **2019**	2018
Candelaria (cost/lb Cu)				
Gross cost	**2.12**	1.91	**1.99**	1.92
By-product[1]	**(0.26)**	(0.20)	**(0.25)**	(0.21)
Net Cash Cost	**1.86**	1.71	**1.74**	1.71
All-In Sustaining Cost[2]	**3.73**	2.92	**3.52**	2.92
Eagle (cost/lb Ni)				
Gross cost	**6.14**	5.15	**6.04**	4.30
By-product	**(3.00)**	(4.06)	**(3.74)**	(3.60)
Net Cash Cost	**3.14**	1.09	**2.30**	0.70
All-In Sustaining Cost	**3.65**	2.14	**3.05**	1.51
Neves-Corvo (cost/lb Cu)				
Gross cost	**3.14**	2.73	**3.27**	2.94
By-product	**(1.26)**	(1.77)	**(1.81)**	(1.90)
Net Cash Cost	**1.88**	0.96	**1.46**	1.04
All-In Sustaining Cost	**2.60**	1.46	**2.23**	1.63
Zinkgruvan (cost/lb Zn)				
Gross cost	**0.81**	0.87	**0.74**	0.82
By-product	**(0.40)**	(0.46)	**(0.32)**	(0.40)
Net Cash Cost	**0.41**	0.41	**0.42**	0.42
All-In Sustaining Cost	**0.63**	0.71	**0.66**	0.71

1. By-product is after related treatment and refining charges.
2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 25 of this MD&A for discussion of non-GAAP measures.
3. Beginning in 2019, resulting from the implementation of IFRS 16, *Leases*, sustaining lease liability costs previously recorded in cash cost are presented in AISC.

Capital Expenditures[1,2]

Three months ended June 30,

by Mine ($ thousands)	2019 Sustaining	2019 Expansionary	2019 **Total**	2018 Sustaining	2018 Expansionary	2018 Capitalized Interest	2018 Total
Candelaria	123,946	-	**123,946**	120,874	-	7,617	128,491
Eagle	1,257	9,277	**10,534**	3,537	8,087	1,006	12,630
Neves-Corvo	13,521	21,473	**34,994**	9,092	29,620	1,648	40,360
Zinkgruvan	9,208	-	**9,208**	9,451	-	-	9,451
Other	35	-	**35**	2,280	-	-	2,280
	147,967	30,750	**178,717**	145,234	37,707	10,271	193,212

Six months ended June 30,

by Mine ($ thousands)	2019 Sustaining	2019 Expansionary	2019 **Total**	2018 Sustaining	2018 Expansionary	2018 Capitalized Interest	2018 Total
Candelaria	232,892	-	**232,892**	211,742	-	7,617	219,359
Eagle	3,174	16,972	**20,146**	6,385	14,885	1,006	22,276
Neves-Corvo	24,397	63,844	**88,241**	20,573	54,035	1,648	76,256
Zinkgruvan	19,357	-	**19,357**	20,628	-	-	20,628
Other	78	-	**78**	5,405	-	-	5,405
	279,898	80,816	**360,714**	264,733	68,920	10,271	343,924

1. Capital expenditures are reported on a cash basis, including capitalized interest where applicable, as presented in the consolidated statement of cash flows.
2. Sustaining and expansionary capital expenditures are non-GAAP measures – see page 25 of this MD&A for discussion of non-GAAP measures.

Candelaria - Chile

Operating Statistics

(100% Basis)	2019 Total	2019 Q2	2019 Q1	2018 Total	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Ore mined (000s tonnes)	**9,357**	**5,620**	3,737	17,799	3,432	3,771	6,225	4,372
Ore milled (000s tonnes)	**13,656**	**6,450**	7,206	27,585	7,017	7,241	7,137	6,190
Grade								
Copper (%)	**0.53**	**0.57**	0.49	0.53	0.52	0.54	0.52	0.56
Recovery								
Copper (%)	**91.5**	**91.4**	91.9	91.2	89.8	91.0	91.6	92.6
Production (contained metal)								
Copper (tonnes)	**66,411**	**33,633**	32,778	134,578	33,011	35,323	34,397	31,847
Gold (000 oz)	**41**	**21**	20	78	21	20	20	17
Silver (000 oz)	**613**	**292**	321	1,207	307	330	295	275
Revenue ($000s)	**411,338**	**178,677**	232,661	838,772	200,434	176,511	243,585	218,242
Gross profit ($000s)	**80,049**	**1,390**	78,659	180,959	38,630	13,568	73,259	55,502
Cash cost ($ per pound)	**1.74**	**1.86**	1.62	1.68	1.65	1.64	1.71	1.71
AISC ($ per pound)	**3.52**	**3.73**	3.30	3.34	3.99	3.58	2.92	2.91

Gross Profit

Gross profit for the three and six months ended June 30, 2019 was lower than the prior year comparable periods. The decrease was largely due to lower realized metal prices and price adjustments and lower sales volumes.

Production

Copper production for the three months ended June 30, 2019 was lower than the comparable period in 2018. The decrease in copper production is largely the result of lower throughput in the current period due to maintenance stops, partially offset by higher grades. Ore grades are expected to continue to increase over the remainder of the year as more ore is sourced from the open pit and less from the low grade stockpile.

Copper production year-to-date was in-line with the comparable period in 2018. Copper production remains on track to achieve full year guidance.

Cash Costs

Copper cash costs for the three and six months ended June 30, 2019 were $0.15/lb and $0.03/lb higher, respectively, than cash costs in the prior year comparable periods. The increases were a result of higher power and diesel costs, as well as higher maintenance costs. These increases were partially offset by lower labour costs, reduced operating cost from new mine equipment performance and the positive impact of foreign exchange.

All-in sustaining costs of $3.73/lb and $3.52/lb for the three and six months ended June 30, 2019, respectively, were higher than those of the corresponding periods in 2018 primarily due to planned increased spending on sustaining capital and deferred stripping focused on improving the life-of-mine cost efficiency and production profile.

For the six months ended June 30, 2019, approximately 25,000 oz of gold and 365,000 oz of silver were subject to terms of a streaming agreement, in which $408/oz and $4.08/oz were received for gold and silver, respectively.

Projects

The Candelaria Mill Optimization Project to improve metal recoveries, increase throughput capacity and reduce maintenance costs for the mill is on track with commissioning expected by the end of the year.

Development of the Candelaria Underground South Sector continues and is progressing ahead of schedule with production start-up projected before the end of the third quarter 2019.

Delivery of open pit mine fleet replacement equipment under the Mine Fleet Investment program is well underway. Overall, the Mine Fleet Investment program is 87% complete with 74 of 85 units being placed into operations. The new equipment is performing as expected, increasing productivity as well as improving equipment availability and reliability, thereby reducing operational and maintenance costs.

Eagle Mine - USA

Operating Statistics

	2019			2018				
	Total	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**357**	**192**	165	753	192	192	183	186
Ore milled (000s tonnes)	**360**	**194**	165	754	195	192	185	182
Grade								
Nickel (%)	**2.5**	**2.1**	3.0	2.8	2.2	2.9	2.7	3.4
Copper (%)	**2.2**	**2.0**	2.4	2.5	2.1	2.8	2.3	2.7
Recovery								
Nickel (%)	**83.0**	**81.3**	85.0	82.8	81.5	82.6	83.6	83.6
Copper (%)	**96.6**	**95.7**	97.6	97.0	96.4	97.2	96.8	97.7
Production (contained metal)								
Nickel (tonnes)	**7,611**	**3,398**	4,213	17,573	3,501	4,697	4,234	5,141
Copper (tonnes)	**7,629**	**3,732**	3,897	17,974	3,908	5,178	4,115	4,773
Sales ($000s)	**105,620**	**59,412**	46,208	265,863	50,914	59,084	63,651	92,214
Gross profit (loss) ($000s)	**17,658**	**(800)**	18,458	74,218	(128)	13,341	24,220	36,785
Cash cost ($ per pound)	**2.30**	**3.14**	0.37	1.01	1.76	0.87	1.09	0.49
AISC ($ per pound)	**3.05**	**3.65**	1.65	1.84	2.55	1.76	2.14	1.17

Gross Profit

A gross loss was recorded for the three months ended June 30, 2019 compared to a gross profit recorded in the prior year comparable period. The loss was due to lower metal prices and price adjustments in the current period.

On a year-to-date basis, gross profit was lower than the comparative period in 2018. The decrease was primarily due to lower sales volumes resulting from extreme weather conditions in the first quarter of 2019, combined with lower metal prices.

Production

Nickel and copper production for the three months and six months ended June 30, 2019 were lower than the prior year comparable periods reflecting planned lower grades as well as a change in mining method. On a year-to-date basis, production of both metals was also impacted by extreme weather conditions in the first quarter of 2019 which reduced throughput.

Due to the extreme weather in the first quarter of 2019 and the change in mining method, the full year guidance range for nickel production has been modestly reduced to 12,000 – 14,000 tonnes.

Cash Costs

Nickel cash costs for the three and six months ended June 30, 2019 were higher than cash costs reported in the prior year comparable period. The increase in cash costs is primarily a result of higher treatment and refining charges, as well as lower copper by-product credits due to metal prices.

Full year nickel cash cost guidance has been increased to $2.60/lb, primarily as a result of lower forecast nickel sales and lower copper prices impacting by-product credits.

All-in sustaining costs for the three and six months ended June 30, 2019 were higher than those of the corresponding periods in 2018, largely as a result of higher cash costs.

Projects

During the second quarter of 2019, $9.3 million in expansionary capital expenditures were incurred in support of the Eagle East project. Access ramp development to Eagle East and vertical development for the ventilation and emergency egress system progressed during the quarter and development is tracking ahead of schedule and under budget. Main booster fans were installed and commissioned in Eagle East to support production mining later this year. The underground definition drilling campaign from the access ramp to Eagle East is ongoing with 5,600 metres drilled in the second quarter. Production of Eagle East ore remains scheduled into the mill in the fourth quarter of this year.

Neves-Corvo Mine - Portugal

Operating Statistics

	2019			2018				
	Total	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	**1,317**	**628**	689	2,693	696	688	618	691
Ore mined, zinc (000 tonnes)	**579**	**283**	296	1,119	280	273	283	283
Ore milled, copper (000 tonnes)	**1,296**	**626**	670	2,692	704	696	641	651
Ore milled, zinc (000 tonnes)	**566**	**280**	286	1,125	287	280	278	280
Grade								
Copper (%)	**1.8**	**2.0**	1.7	2.2	2.1	2.2	2.5	2.2
Zinc (%)	**8.0**	**7.9**	8.0	7.8	7.6	7.9	8.3	7.6
Recovery								
Copper (%)	**77.6**	**75.8**	79.3	75.5	76.8	76.3	74.2	74.6
Zinc (%)	**78.5**	**78.6**	78.3	80.6	79.1	81.0	82.0	80.4
Production (contained metal)								
Copper (tonnes)	**18,483**	**9,615**	8,868	45,692	11,287	11,746	11,899	10,760
Zinc (tonnes)	**37,024**	**18,251**	18,773	75,435	18,465	18,905	20,230	17,835
Lead (tonnes)	**3,003**	**1,350**	1,653	6,571	1,418	1,524	1,872	1,757
Silver (000 oz)	**890**	**392**	498	1,791	508	458	420	405
Sales ($000s)	**162,666**	**77,519**	85,147	404,263	91,059	104,730	110,816	97,658
Gross profit ($000s)	**22,578**	**3,834**	18,744	85,311	3,408	19,339	37,606	24,958
Cash cost (€ per pound)	**1.30**	**1.68**	0.81	1.09	1.31	1.28	0.81	0.93
Cash cost ($ per pound)	**1.46**	**1.88**	0.92	1.28	1.49	1.48	0.96	1.14
AISC ($ per pound)	**2.23**	**2.60**	1.72	1.95	2.64	1.90	1.46	1.84

Gross Profit

Gross profit for the three months ended June 30, 2019 was lower than the comparable period in 2018 largely due to lower metal prices and price adjustments.

Gross profit for the six months ended June 30, 2019 was $40.0 million lower than the comparable period in 2018. The decrease was attributable to lower prices net of price adjustments and lower sales volumes, partially offset by the positive impacts of foreign exchange.

Production

Copper production for the three and six months ended June 30, 2019 was lower than the comparable periods in 2018 by 2,284 tonnes and 4,176 tonnes, respectively. The decrease in copper production is a result of lower head grades due to a change in mine sequencing. Full-year production guidance has been moderately reduced to 38,000 – 42,000 tonnes.

Zinc production for the three months ended June 30, 2019 was lower than the prior year comparable period. Head grades in the current quarter were negatively impacted by mine resequencing, as well as complex ore characteristics resulting in lower recoveries. Zinc production for the six months ended June 30, 2019 was largely impacted by reduced metallurgical recoveries leading to lower production than the comparable period in 2018.

Zinc production remains on track to achieve full year guidance.

Cash Costs

Copper cash costs for the three and six months ended June 30, 2019 were higher than those of the corresponding periods in 2018. The increase is a result of higher per unit mine, mill, and administration costs (Q2 - $0.59/lb; YTD - $0.53/lb) due to lower sales volumes and higher plant maintenance costs, as well as lower by-product credits (Q2 - $0.51/lb; YTD - $0.10/lb).

All-in sustaining costs for the three and six months ended June 30, 2019 were higher than the corresponding period in 2018 due to higher cash costs and increased spending on sustaining capital expenditures (Q2 - $0.29/lb; YTD – $0.18/lb).

Projects

During the second quarter of 2019, ZEP continued increasing construction manpower with nearly 800 workers in total. Underground development of materials handling ramps was completed this quarter with work now focused on civil, mechanical, and electrical equipment installations for the 3.5 km of conveyor systems and the new crusher station. Concrete foundation work, including ore storage silos, progressed well throughout the quarter. Development of the lower zinc ore stopes was well underway with the first sublevel accesses established in the lower Lombador orebody. Surface construction was focused on mechanical installation of the materials handling system, SAG mill, flotation equipment, tailings and water supply piping systems, and a new paste fill thickener.

Capital spend for 2019 has been reduced to $140 million as project work is deferred into 2020 and total pre-production project cost is expected to increase as a result of a schedule and cost review of the project as discussed in the Outlook section.

Zinkgruvan Mine - Sweden

Operating Statistics

	2019			2018				
	Total	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	**572**	**303**	269	1,203	330	276	288	309
Ore mined, copper (000 tonnes)	**89**	**37**	52	97	-	23	34	40
Ore milled, zinc (000 tonnes)	**544**	**292**	252	1,202	325	280	288	309
Ore milled, copper (000 tonnes)	**89**	**48**	41	111	-	35	62	14
Grade								
Zinc (%)	**8.2**	**7.2**	9.3	7.0	7.9	6.7	6.6	6.8
Lead (%)	**2.8**	**2.7**	2.9	2.6	3.1	2.5	1.8	2.8
Copper (%)	**1.7**	**1.7**	1.6	1.4	-	1.7	1.3	1.4
Recovery								
Zinc (%)	**91.2**	**89.7**	92.5	90.6	91.7	91.2	89.4	89.9
Lead (%)	**79.3**	**80.0**	78.6	79.1	80.2	78.8	73.5	81.3
Copper (%)	**87.4**	**86.0**	89.1	88.4	-	90.6	87.0	88.2
Production (contained metal)								
Zinc (tonnes)	**40,538**	**18,865**	21,673	76,606	23,559	17,157	16,845	19,045
Lead (tonnes)	**12,051**	**6,219**	5,832	24,613	8,161	5,515	3,914	7,023
Copper (tonnes)	**1,284**	**705**	579	1,386	-	523	687	176
Silver (000 oz)	**1,110**	**631**	479	2,155	607	531	452	565
Sales ($000s)	**106,011**	**53,643**	52,368	216,691	65,334	39,384	49,605	62,368
Gross profit ($000s)	**48,856**	**21,873**	26,983	100,517	30,800	14,514	21,007	34,196
Cash cost (SEK per pound)	**3.97**	**3.88**	4.08	2.97	2.12	3.13	3.51	3.47
Cash cost ($ per pound)	**0.42**	**0.41**	0.44	0.34	0.23	0.35	0.41	0.43
AISC ($ per pound)	**0.66**	**0.63**	0.69	0.62	0.50	0.62	0.71	0.71

Gross Profit

Gross profit for the quarter was in-line with the second quarter of 2018. For the six months ended June 30, 2019, gross profit of $48.9 million was lower than the comparable period in 2018 of $55.2 million. Higher sales volumes were more than offset by lower metal prices which contributed to the lower gross profit on a year-to-date basis.

Production

Zinc and lead production for the three and six months ended June 30, 2019 were higher than the prior year comparable periods. The production increase in both metals was due to higher head grades as a result of mine sequencing.

Copper production for the six months ended June 30, 2019 was higher than the comparable period due to a combination of higher throughput in the mill and higher grades from sequencing.

Full year zinc and copper production remain on track to meet guidance.

Cash Costs

Zinc cash costs for the three and six months ended June 30, 2019 were in-line with the prior year comparable periods and remain on track to meet full year guidance.

All-in sustaining costs for the three and six months ended June 30, 2019 were lower than those reported in the corresponding period in 2018 due to planned lower spending on sustaining capital expenditures.

Exploration

Candelaria Mine, Chile (Copper, Gold)
A planned reduction to three exploration drill rigs was completed early in the second quarter of 2019. Drilling completed in the second quarter was 10,352 metres between Candelaria Underground North, South and other near-mine targets. Plans have been finalized for an airborne geophysical survey to commence during the fourth quarter of 2019.

Eagle Mine, USA (Nickel, Copper)
The near-mine surface exploration program was completed at the end of the second quarter following systematic testing of targets. A regional exploration program is in the early stages of activity. A total of 2,538 metres were drilled in support of exploration in the second quarter of 2019.

Neves-Corvo, Portugal (Copper, Zinc)
12,287 metres were drilled by three rigs on the Zambujal east extension towards Semblana and on the wider exploration concession during the second quarter of 2019. The surface geophysics program was finalized during the quarter.

Zinkgruvan, Sweden (Zinc, Lead)
Six surface and three underground rigs completed 17,758 metres of drilling in the second quarter of 2019. Surface drilling continued to focus in the Dalby and Flaxen exploration concessions.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper and nickel for the second quarter 2019 were lower than the average prices for the first quarter by: 2% copper and 1% nickel, while the price for zinc in the second quarter of 2019 was 2% higher than the price during the first quarter. The uncertainty of global trade discussions continued to have a negative impact on metal prices for copper and nickel while zinc fared slightly better due to a fundamental shortage of metal which kept zinc trading in a backwardation during the quarter.

		Three months ended June 30,			Six months ended June 30,		
(Average LME Price)		**2019**	2018	Change	**2019**	2018	Change
Copper	US$/pound	**2.77**	3.12	-11%	**2.80**	3.14	-11%
	US$/tonne	**6,113**	6,872		**6,165**	6,917	
Zinc	US$/pound	**1.25**	1.41	-11%	**1.24**	1.48	-16%
	US$/tonne	**2,763**	3,112		**2,732**	3,268	
Nickel	US$/pound	**5.56**	6.57	-15%	**5.59**	6.29	-11%
	US$/tonne	**12,258**	14,476		**12,315**	13,871	

The LME inventories for copper and zinc increased during the second quarter of 2019 by 42% and 81%, respectively, while the LME inventory for nickel decreased by 10%.

The treatment charges (“TC”) and refining charges (“RC”) in the spot market for copper concentrates between mining companies and commodity trading companies decreased during the second quarter of 2019. April saw miner-to-trader spot TC’s at $58 per dmt of concentrate and a spot RC at $0.058 per lb of payable copper; however, by the end of June the TC had decreased to $45 per dmt of concentrate with a RC of $0.045 per payable lb of copper contained. Additionally, the spot terms at which the Chinese copper smelters buy have fallen from a TC of $69 per dmt of concentrate and a RC of $0.069 per payable lb of copper during April to a TC of $60 per dmt of concentrate and a RC of $0.06 per payable lb of copper at the end of June. The terms for annual contracts for copper concentrates for 2019 were reached in November 2018 at a TC of $80.80 per dmt of concentrate with a RC of $0.0808 per payable lb of copper. This represents an improvement for the mines compared to the 2018 annual terms at a TC of $82.25 per dmt of concentrates and a RC of $0.08225 per payable lb of copper.

The Company’s nickel concentrate production from Eagle is sold under long-term contracts.

The spot TC for zinc concentrates in China has traded in a range of $270-$275 per dmt, flat, during the second quarter of 2019 and ended the quarter at the lower end of the range. Chinese smelters that have been closed or operating at reduced capacity since Q4 2018 due to environmental restrictions imposed by the government are slowly coming back into the market increasing the demand for concentrates. During the second quarter the terms for annual contracts for zinc concentrates between miners and smelters were agreed. Though there have been several different sets of terms agreed, the most widely reported is a settlement at $245 per dmt at a base price range of $2,700 to $3,000, with the reintroduction of small up and down scales. This and other settlements represent an improvement of approximately $100 per dmt of concentrate in favour of the smelters compared to the reported 2018 annual settlement.

Liquidity and Capital Resources

As at June 30, 2019, the Company had cash and cash equivalents of $735.1 million. The Company expects to be able to fund all its contractual commitments and obligations through operating cash flow generated, cash on hand and available debt facilities.

Capital Resources

As at June 30, 2019, the Company had $74.0 million of debt and lease liabilities, including a term loan of $35.0 million. Lease liabilities increased in the first quarter due to the implementation of IFRS 16, *Leases*. Subsequent to the quarter end, the Company drew $285.0 million on its $550.0 million revolving credit facility to fund the purchase of Chapada mine.

Contractual Obligations, Commitments and Contingencies

The Company has contractual obligations and capital commitments as described in the Note 22 “Commitments and Contingencies” in the Company’s Condensed Interim Consolidated Financial Statements. From time to time, the Company may also be involved in legal proceedings that arise in the ordinary course of its business.

Financial Instruments

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

The Company has no Level 3 fair value financial instruments.

Provisionally priced trade receivables are valued using forward LME prices until final prices are settled at a future date. The derivative asset is related to contingent consideration and is determined using a valuation method that incorporates metal price, metal price volatility and expiry date.

The Company’s revenue from operations is received in US dollars while a significant portion of its expenses are incurred in CLP, €, SEK and other currencies. Accordingly, foreign currency fluctuations may adversely affect the Company’s financial position and operating results. The Company regularly reviews its exposure to currency price volatility as part of its financial risk management efforts. Hedging activities approved by the Company’s Board of Directors may be undertaken from time to time to mitigate the potential impact of currency price volatility.

For a detailed discussion of the Company’s financial instruments refer to Note 21 of the Company’s Condensed Interim Consolidated Financial Statements.

Market and Liquidity Risks and Sensitivities

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

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

Metal	Tonnes Payable	Provisional price on June 30, 2019 ($US/tonne)	Change	Effect on Revenue ($millions)
Copper	57,449	5,996	+/- 10%	+/- $34.4
Zinc	24,314	2,529	+/- 10%	+/- $6.1
Nickel	3,796	12,680	+/- 10%	+/- $4.8

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

Currency	Change	Three months ended June 30, 2019 ($millions)	Six months ended June 30, 2019 ($millions)
Chilean peso	+/-10%	+/-$11.0	+/-$21.6
Euro	+/-10%	+/-$7.3	+/-$13.7
Swedish krona	+/-10%	+/-$3.3	+/-$5.8

Related Party Transactions

The Company enters into related party transactions that are in the normal course of business and on an arm's length basis. Related party disclosures can be found in Note 24 of the Company's June 30, 2019 Condensed Interim Consolidated Financial Statements.

Changes in Accounting Policies and Critical Accounting Estimates and Judgments

The Company describes its significant accounting policies as well as any changes in accounting policies in Note 2 "Basis of Presentation and Significant Accounting Policies" of the June 30, 2019 Condensed Interim Consolidated Financial Statements. No significant changes in accounting policies have occurred other than the implementation of new IFRS as issued by the IASB.

Non-GAAP Performance Measures

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

Net Cash

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

($thousands)	**June 30, 2019**	March 31, 2019	December 31, 2018[1]
Current portion of debt and finance leases	**(45,666)**	(45,214)	(3,830)
Debt and finance leases	**(28,300)**	(30,676)	(7,162)
	(73,966)	(75,890)	(10,992)
Cash and cash equivalents	**735,068**	734,742	815,429
Net cash	**661,102**	658,852	804,437

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 June 30,		**Six months ended June 30,**	
($thousands, except share and per share amounts)	**2019**	2018 [1]	**2019**	2018 [1]
Cash provided by operating activities	**204,469**	118,348	**266,609**	291,206
Changes in non-cash working capital items	**(154,530)**	(735)	**(77,549)**	(3,167)
Operating cash flow before changes in non-cash working capital items	**49,939**	117,613	**189,060**	288,039
Weighted average common shares outstanding	**735,934,553**	731,481,815	**735,598,232**	730,545,931
Operating cash flow per share	**0.07**	0.16	**0.26**	0.39

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.

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

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

Cash Cost per Pound

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

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

All-in Sustaining Cost (AISC) per Pound

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

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

Three months ended June 30, 2019					
Operations	**Candelaria**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):					
Tonnes	31,138	3,935	9,888	19,466	
Pounds (000s)	68,647	8,675	21,799	42,915	
Production costs					255,838
Less: items included in the above					
Royalties and other					(2,531)
					253,307
Deduct: By-product credits					(88,337)
Add: Treatment and refining charges					48,352
Cash cost	127,478	27,213	41,073	17,558	213,322
Cash cost per pound ($/lb)	**1.86**	**3.14**	**1.88**	**0.41**	
Add: Sustaining capital expenditure(1)	126,249	1,073	13,867	8,930	
Royalties	-	2,550	447	-	
Interest expense	1,544	490	193	73	
Leases & other(2)	841	315	1,164	305	
All-in sustaining cost	256,112	31,641	56,744	26,866	
AISC per pound ($/lb)	**3.73**	**3.65**	**2.60**	**0.63**	

Three months ended June 30, 2018					
Operations	**Candelaria**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):					
Tonnes	34,542	2,755	11,371	13,565	
Pounds (000s)	76,152	6,074	25,069	29,906	
Production costs					243,718
Less: items included in the above					
Royalties and other					(7,910)
					235,808
Deduct: By-product credits					(97,866)
Add: Treatment and refining charges					35,377
Cash cost	130,518	6,622	24,059	12,120	173,319
Cash cost per pound ($/lb)	**1.71**	**1.09**	**0.96**	**0.41**	
Add: Sustaining capital expenditure(1)	90,662	3,552	8,829	8,621	
Royalties	-	2,553	3,014	-	
Interest expense	1,044	263	129	122	
Leases & other	-	-	646	237	
All-in sustaining cost	222,224	12,990	36,677	21,100	
AISC per pound ($/lb)	**2.92**	**2.14**	**1.46**	**0.71**	

1. Sustaining capital expenditure, as reported in AISC, is presented on an accrual basis and excludes capitalized interest.
2. Beginning in 2019, resulting from the implementation of IFRS 16, *Leases*, sustaining lease liability costs previously recorded in cash cost are included in AISC.

Six months ended June 30, 2019					
Operations	**Candelaria**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):					
Tonnes	62,211	5,626	17,598	35,492	
Pounds (000s)	137,152	12,403	38,797	78,246	
Production costs					460,908
Less: items included in the above					
Royalties and other					(6,677)
					454,231
Deduct: By-product credits					(176,480)
Add: Treatment and refining charges					79,325
Cash cost	238,581	28,585	56,662	33,248	357,076
Cash cost per pound ($/lb)	**1.74**	**2.30**	**1.46**	**0.42**	
Add: Sustaining capital expenditure[(1)]	239,064	3,829	25,271	17,327	
Royalties	-	3,754	2,001	-	
Interest expense	255	167	57	48	
Leases & other[(2)]	4,386	1,442	2,657	705	
All-in sustaining cost	482,286	37,777	86,648	51,328	
AISC per pound ($/lb)	**3.52**	**3.05**	**2.23**	**0.66**	

Six months ended June 30, 2018					
Operations	**Candelaria**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):					
Tonnes	67,329	7,822	20,504	30,159	
Pounds (000s)	148,435	17,245	45,204	66,489	
Production cost					483,454
Less: items included in the above					
Royalties and other					(13,534)
					469,920
Deduct: By-product credits					(206,004)
Add: Treatment and refining charges					77,216
Cash cost	254,295	12,088	46,980	27,769	341,132
Cash cost per pound ($/lb)	**1.71**	**0.70**	**1.04**	**0.42**	
Add: Sustaining capital expenditure[(1)]	176,508	6,697	20,403	18,392	
Royalties	-	6,752	4,803	-	
Interest expense	1,926	526	261	253	
Leases & other	-	-	1,281	489	
All-in sustaining cost	432,729	26,063	73,728	46,903	
AISC per pound ($/lb)	**2.92**	**1.51**	**1.63**	**0.71**	

1. Sustaining capital expenditure, as reported in AISC, is presented on an accrual basis and excludes capitalized interest.
2. Beginning in 2019, resulting from the implementation of IFRS 16, *Leases*, sustaining lease liability costs previously recorded in cash cost are included in AISC.

Managing Risks

Risks and Uncertainties

The operations of Lundin Mining are exposed to a number of inherent risks and uncertainties, including those related to health and safety, environment, fluctuations in commodity prices, foreign exchange rates and other risks as discussed in this document. For a complete discussion on risks, refer to the "Risks and Uncertainties" section of the Company's most recently filed Annual Information Form ("AIF").

Outstanding Share Data

As at July 24, 2019, the Company has 735,638,390 common shares issued and outstanding, and 12,769,445 stock options and 2,247,210 share units outstanding under the Company's incentive plans.

Management's Report on Internal Controls

Disclosure controls and procedures ("DCP")

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

Internal control over financial reporting ("ICFR")

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

Control Framework

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

Changes in ICFR

There have been no changes in the Company's ICFR during the three-month period ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

Other Information

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

Condensed Interim Consolidated Financial Statements of

Lundin Mining Corporation

June 30, 2019
(Unaudited)

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (Unaudited - in thousands of US dollars)	June 30, 2019	December 31, 2018[1]
ASSETS		
Cash and cash equivalents (Note 3)	$ **735,068**	$ 815,429
Trade and other receivables (Note 4)	**321,129**	384,332
Income taxes receivable	**32,781**	75,602
Inventories (Note 5)	**173,052**	160,993
Other current assets (Note 6)	**37,276**	7,242
Total current assets	**1,299,306**	1,443,598
Restricted cash	**45,246**	44,424
Long-term inventory (Note 5)	**253,402**	241,545
Other non-current assets (Note 7)	**12,128**	34,644
Mineral properties, plant and equipment (Note 8)	**4,081,311**	3,829,345
Investment in associate (Note 9)	**110,566**	136,943
Deferred tax assets	**101,491**	94,472
Goodwill	**109,189**	109,794
	4,713,333	4,491,167
Total assets	$ **6,012,639**	$ 5,934,765
LIABILITIES		
Trade and other payables (Note 11)	$ **373,951**	$ 380,016
Income taxes payable	**38,034**	42,971
Current portion of debt and lease liabilities (Note 12)	**45,666**	3,830
Current portion of deferred revenue (Note 13)	**61,239**	61,478
Current portion of reclamation and other closure provisions (Note 14)	**3,871**	6,604
Total current liabilities	**522,761**	494,899
Debt and lease liabilities (Note 12)	**28,300**	7,162
Deferred revenue (Note 13)	**516,664**	527,376
Reclamation and other closure provisions (Note 14)	**314,898**	292,086
Other long-term liabilities	**2,886**	3,406
Provision for pension obligations	**10,266**	11,068
Deferred tax liabilities	**405,481**	405,202
	1,278,495	1,246,300
Total liabilities	**1,801,256**	1,741,199
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	**4,188,873**	4,177,660
Contributed surplus	**48,448**	49,424
Accumulated other comprehensive loss	**(270,934)**	(260,179)
Deficit	**(265,874)**	(275,759)
Equity attributable to Lundin Mining Corporation shareholders	**3,700,513**	3,691,146
Non-controlling interests	**510,870**	502,420
	4,211,383	4,193,566
	$ **6,012,639**	$ 5,934,765

Commitments and contingencies (Note 22)
Subsequent event (Note 27)

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

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018[1]	**2019**	2018[1]
Revenue (Note 16)	**$ 369,251**	$ 467,657	**$ 785,635**	$ 938,139
Cost of goods sold				
Production costs (Note 17)	**(255,838)**	(243,718)	**(460,908)**	(483,454)
Depreciation, depletion and amortization	**(88,293)**	(68,859)	**(158,397)**	(149,729)
Gross profit	**25,120**	155,080	**166,330**	304,956
General and administrative expenses	**(10,169)**	(11,591)	**(23,787)**	(24,016)
General exploration and business development	**(23,995)**	(21,003)	**(42,695)**	(40,850)
Finance income (Note 19)	**3,749**	5,698	**8,815**	10,383
Finance costs (Note 19)	**(8,419)**	(15,597)	**(17,221)**	(30,414)
Income (loss) from equity investment in associate (Note 9)	**1,288**	7,488	**(10,647)**	12,292
Other (expense) income	**(1,368)**	12,210	**(2,795)**	12,539
(Loss) earnings before income taxes	**(13,794)**	132,285	**78,000**	244,890
Current tax expense (Note 20)	**(5,684)**	(44,240)	**(31,392)**	(73,224)
Deferred tax recovery (expense) (Note 20)	**10,852**	(528)	**5,715**	2,911
Net (loss) earnings	**$ (8,626)**	$ 87,517	**$ 52,323**	$ 174,577
Net (loss) earnings attributable to:				
Lundin Mining Corporation shareholders	**$ (7,793)**	$ 78,806	**$ 43,873**	$ 160,055
Non-controlling interests	**(833)**	8,711	**8,450**	14,522
Net (loss) earnings	**$ (8,626)**	$ 87,517	**$ 52,323**	$ 174,577
Basic and diluted (loss) earnings per share attributable to Lundin Mining Corporation shareholders	**$ (0.01)**	$ 0.11	**$ 0.06**	$ 0.22
Weighted average number of shares outstanding (Note 15)				
Basic	**735,934,553**	731,481,815	**735,598,232**	730,545,931
Diluted	**735,934,553**	733,604,974	**736,337,361**	732,910,237

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

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited - in thousands of US dollars)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018[1]	**2019**	2018[1]
Net (loss) earnings	**$ (8,626)**	$ 87,517	**$ 52,323**	$ 174,577
Other comprehensive income (loss), net of taxes				
Item that may be reclassified subsequently to net earnings:				
Effects of foreign exchange	**9,396**	(56,714)	**(10,755)**	(37,946)
Other comprehensive income (loss)	**9,396**	(56,714)	**(10,755)**	(37,946)
Total comprehensive income	**$ 770**	$ 30,803	**$ 41,568**	$ 136,631
Comprehensive income (loss) attributable to:				
Lundin Mining Corporation shareholders	**$ 1,603**	$ 22,092	**$ 33,118**	$ 122,109
Non-controlling interests	**(833)**	8,711	**8,450**	14,522
Total comprehensive income	**$ 770**	$ 30,803	**$ 41,568**	$ 136,631

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

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non-controlling interests	Total
Balance, December 31, 2018[1]	733,534,879	$ 4,177,660	$ 49,424	$ (260,179)	$ (275,759)	$ 502,420	$ 4,193,566
Exercise of share-based awards	3,337,085	16,704	(8,424)	-	-	-	8,280
Share-based compensation	-	-	7,448	-	-	-	7,448
Dividends declared (Note 15)	-	-	-	-	(32,985)	-	(32,985)
Share purchase (Note 15)	(1,283,674)	(5,491)	-	-	(1,003)	-	(6,494)
Net earnings	-	-	-	-	43,873	8,450	52,323
Other comprehensive loss	-	-	-	(10,755)	-	-	(10,755)
Total comprehensive (loss) income	-	-	-	(10,755)	43,873	8,450	41,568
Balance, June 30, 2019	**735,588,290**	**$ 4,188,873**	**$ 48,448**	**$ (270,934)**	**$ (265,874)**	**$ 510,870**	**$ 4,211,383**
Balance, December 31, 2017	728,418,632	$ 4,152,469	$ 48,926	$ (196,657)	$ (336,353)	$ 482,830	$ 4,151,215
IFRS 9 & *IFRS 15* adjustments	-	-	-	(9,879)	(66,982)	-	(76,861)
Balance, January 1, 2018	728,418,632	4,152,469	48,926	(206,536)	(403,335)	482,830	4,074,354
Exercise of share-based awards	3,562,447	17,680	(8,248)	-	-	-	9,432
Share-based compensation	-	-	5,658	-	-	-	5,658
Dividends declared	-	-	-	-	(34,588)	-	(34,588)
Deferred tax adjustment	-	(882)	-	-	-	-	(882)
Net earnings	-	-	-	-	160,055	14,522	174,577
Other comprehensive loss	-	-	-	(37,946)	-	-	(37,946)
Total comprehensive (loss) income	-	-	-	(37,946)	160,055	14,522	136,631
Balance, June 30 2018[1]	731,981,079	$ 4,169,267	$ 46,335	$ (244,482)	$ (277,868)	$ 497,352	$ 4,190,604

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

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 June 30,		Six months ended June 30,	
Cash provided by (used in)	**2019**	2018[1]	**2019**	2018[1]
Operating activities				
Net (loss) earnings	**$ (8,626)**	$ 87,517	**$ 52,323**	$ 174,577
Items not involving cash and other adjustments				
Depreciation, depletion and amortization	**88,293**	68,859	**158,397**	149,729
Share-based compensation	**2,752**	3,073	**7,448**	5,658
Foreign exchange gain	**(1,417)**	(13,347)	**(863)**	(9,568)
Finance costs	**4,670**	9,899	**8,406**	20,031
Recognition of deferred revenue (Note 13)	**(12,811)**	(13,748)	**(25,335)**	(26,286)
Deferred tax (recovery) expense	**(10,852)**	528	**(5,715)**	(2,911)
(Income) loss from equity investment in associate (Note 9)	**(1,288)**	(7,488)	**10,647**	(12,292)
Other	**3,088**	(3,514)	**3,553**	(7,006)
Reclamation payments	**(2,202)**	(2,687)	**(6,367)**	(4,346)
Other payments	**(662)**	223	**(3,052)**	(526)
Changes in long-term inventory	**(11,006)**	(11,702)	**(10,382)**	979
Changes in non-cash working capital items (Note 25)	**154,530**	735	**77,549**	3,167
	204,469	118,348	**266,609**	291,206
Investing activities				
Investment in mineral properties, plant and equipment	**(178,717)**	(193,212)	**(360,714)**	(343,924)
Interest received	**3,797**	5,041	**7,921**	9,888
(Purchase of) proceeds from marketable securities	**(2,976)**	-	**(2,976)**	35,446
Distributions from (contributions to) associate	**15,505**	(6,000)	**15,730**	(5,885)
Other	**332**	4,440	**703**	3,353
	(162,059)	(189,731)	**(339,336)**	(301,122)
Financing activities				
Interest paid	**(1,034)**	(7,588)	**(2,421)**	(7,588)
Dividends paid to shareholders	**(33,061)**	(33,633)	**(33,061)**	(33,633)
Proceeds from common shares issued	**1,921**	3,120	**8,280**	10,676
Principal payments of lease liabilities	**(2,712)**	-	**(5,350)**	-
Secured notes redemption	**-**	(5,808)	**-**	(5,808)
Proceeds from term loan (Note 12)	**-**	-	**35,000**	-
Share purchase (Note 15)	**(6,494)**	-	**(6,494)**	-
Other	**-**	(883)	**-**	(3,015)
	(41,380)	(44,792)	**(4,046)**	(39,368)
Effect of foreign exchange on cash balances	**(704)**	(10,420)	**(3,588)**	(5,241)
Increase (decrease) in cash and cash equivalents during the period	**326**	(126,595)	**(80,361)**	(54,525)
Cash and cash equivalents, beginning of period	**734,742**	1,639,108	**815,429**	1,567,038
Cash and cash equivalents, end of period	**$ 735,068**	$ 1,512,513	**$ 735,068**	$ 1,512,513

Supplemental cash flow information (Note 25)

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

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

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company primarily producing copper, nickel and zinc. The Company's wholly-owned operating assets include the Eagle mine located in the United States of America ("USA"), the Neves-Corvo mine located in Portugal and the Zinkgruvan mine located in Sweden. The Company also owns 80% of the Candelaria and Ojos del Salado mining complex ("Candelaria") located in Chile, and holds an indirect 24% equity interest in the Freeport Cobalt Oy business ("Freeport Cobalt") (Note 9), which includes a cobalt refinery located in Kokkola, Finland.

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

2. BASIS OF PRESENTATION AND 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, 2018.

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

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

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

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on July 24, 2019.

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

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2018.

(iii) Significant accounting policies

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2018 except for those noted below.

IFRS 16, Leases

The Company adopted *IFRS 16* effective January 1, 2019, using the modified retrospective approach. The comparatives for the 2018 reporting period have not been restated and are accounted for under *IAS 17, Leases*, and *IFRIC 4, Determining Whether an Arrangement Contains a Lease*, as permitted under the specific transitional provisions in the standard. The transitional adjustments arising from the adoption are recognized in the opening balance sheet on January 1, 2019 (Note 26).

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

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

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

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

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

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

The lease liability is subsequently measured by:

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

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

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

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

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

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

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

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

		June 30, 2019		December 31, 2018
Cash	**$**	**725,997**	$	679,619
Short-term deposits		**9,071**		135,810
	$	**735,068**	$	815,429

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

		June 30, 2019		December 31, 2018
Trade receivables	**$**	**205,840**	$	251,010
Prepaid expenses		**70,149**		79,299
Value added tax		**28,904**		34,467
Other receivables		**16,236**		19,556
	$	**321,129**	$	384,332

Included in prepaid expenses is $43.0 million (2018 - $58.7 million) related to advance payment of mine equipment purchases.

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

5. INVENTORIES

Inventories are comprised of the following:

		June 30, 2019		December 31, 2018
Ore stockpiles	$	**26,647**	$	33,207
Concentrate stockpiles		**40,697**		23,776
Materials and supplies		**105,708**		104,010
	$	**173,052**	$	160,993

Long-term inventory is comprised of ore stockpiles.

6. OTHER CURRENT ASSETS

Other current assets are comprised of the following:

		June 30, 2019		December 31, 2018
Derivative asset	$	**25,461**	$	-
Other		**11,815**		7,242
	$	**37,276**	$	7,242

The Company has recorded a derivative asset for the contingent consideration agreed upon under the terms of the TF Holdings Limited disposal in 2017, previously recorded in other non-current assets (Note 7).

7. OTHER NON-CURRENT ASSETS

Other non-current assets comprise the following:

		June 30, 2019		December 31, 2018
Marketable securities	$	**6,442**	$	2,756
Deferred financing costs		**2,541**		2,913
Derivative asset		**-**		25,098
Other		**3,145**		3,877
	$	**12,128**	$	34,644

During the first quarter of 2019, the Company reclassified its derivative asset to other current assets (Note 6).

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

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

Cost	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2017	$ 3,359,061	$ 2,133,591	$ 402,817	$ 5,895,469
Additions	140,805	69	174,475	315,349
Disposals and transfers	5,368	264,539	(271,630)	(1,723)
Effects of foreign exchange	(68,797)	(28,192)	(4,730)	(101,719)
As at June 30, 2018	3,436,437	2,370,007	300,932	6,107,376
Additions	200,582	3,077	289,072	492,731
Disposals and transfers	38,624	61,737	(237,841)	(137,480)
Effects of foreign exchange	(19,211)	(9,218)	(1,894)	(30,323)
As at December 31, 2018	3,656,432	2,425,603	350,269	6,432,304
IFRS 16 transition (Note 26)	-	32,837	-	32,837
As at January 1, 2019	3,656,432	2,458,440	350,269	6,465,141
Additions	148,649	938	245,524	395,111
Disposals and transfers	118	151,914	(153,414)	(1,382)
Effects of foreign exchange	(20,884)	(7,349)	(1,519)	(29,752)
As at June 30, 2019	**$ 3,784,315**	**$ 2,603,943**	**$ 440,860**	**$ 6,829,118**

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2017	$ 1,637,113	$ 869,890	$ -	$ 2,507,003
Depreciation	68,091	73,426	-	141,517
Disposals and transfers	-	(349)	-	(349)
Effects of foreign exchange	(43,737)	(15,506)	-	(59,243)
As at June 30, 2018	1,661,467	927,461	-	2,588,928
Depreciation	71,423	87,512	-	158,935
Disposals and transfers	(1,992)	(126,799)	-	(128,791)
Effects of foreign exchange	(11,137)	(4,976)	-	(16,113)
As at December 31, 2018	1,719,761	883,198	-	2,602,959
Depreciation	78,211	84,720	-	162,931
Disposals and transfers	-	(513)	-	(513)
Effects of foreign exchange	(13,622)	(3,948)	-	(17,570)
As at June 30, 2019	**$ 1,784,350**	**$ 963,457**	**$ -**	**$ 2,747,807**

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

Net book value	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2018	$ 1,936,671	$ 1,542,405	$ 350,269	$ 3,829,345
As at January 1, 2019	$ 1,936,671	$ 1,575,242	$ 350,269	$ 3,862,182
As at June 30, 2019	**$ 1,999,965**	**$ 1,640,486**	**$ 440,860**	**$ 4,081,311**

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

Plant and equipment	Net book value
Leased assets as at December 31, 2018 reclassified as right-of-use assets as at January 1, 2019	$ 10,425
IFRS 16 transition (Note 26)	32,837
As at January 1, 2019	43,262
Additions	879
Depreciation	(5,173)
Effects of foreign exchange	84
As at June 30, 2019	**$ 39,052**

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

During the three and six months ended June 30, 2019, the Company capitalized $2.8 million (2018 - $5.8 million) and $5.1 million (2018 - $10.3 million), respectively, of finance costs to assets under construction, at a weighted average interest rate of 5.12% (2018 - 6.5%).

During the three and six months ended June 30, 2019, the Company capitalized $33.3 million (2018 - $48.8 million) and $83.9 million (2018 – $89.6 million), respectively, of deferred stripping costs to mineral properties. The depreciation expense related to deferred stripping for the three and six months ended June 30, 2019 was $18.1 million (2018 - $3.8 million) and $21.3 million (2018 - $10.6 million), respectively. Included in the mineral properties balance is $164.1 million (December 31, 2018 - $555.3 million) related to deferred stripping at Candelaria and $71.4 million (December 31, 2018 - $56.5 million) related to underground development of the Zinc Expansion Project at the Neves-Corvo mine, which are currently non-depreciable.

9. INVESTMENT IN ASSOCIATE

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

As at December 31, 2017	$ 101,424
Contributions, net	5,885
Share of equity income	12,292
As at June 30, 2018	119,601
Distributions	(299)
Share of equity income	17,641
As at December 31, 2018	136,943
Distributions	(15,730)
Share of equity loss	(10,647)
As at June 30, 2019	**$ 110,566**

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

The Company has a 24% ownership interest in Freeport Cobalt, a cobalt refinery, and its related sales and marketing business. Freeport-McMoRan Inc. holds a 56% ownership interest and La Générale des Carrières et des Mines, a Democratic Republic of the Congo government-owned corporation, owns the remaining 20% interest in Freeport Cobalt.

On May 23, 2019, Freeport Cobalt entered into a definitive agreement to sell its cobalt refinery and related cobalt cathode precursor business to Umicore for cash consideration of approximately $150 million, plus working capital at the time of close ("the Transaction"). The Company is entitled to receive 30% of the proceeds of the Transaction. The Company will continue to retain a 24% ownership in Freeport Cobalt's fine powders, chemicals, catalyst, ceramics and pigments businesses.

The Transaction is subject to a separation of the Freeport Cobalt business, the receipt of required regulatory approvals, and other customary closing conditions. The transaction is expected to close before the end of 2019.

10. ASSET IMPAIRMENT

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

Investment in Freeport Cobalt

During the second quarter of 2019, the Company identified an impairment indicator; specifically, the definitive agreement entered into by Freeport Cobalt to sell its cobalt refinery and related cobalt cathode precursor business (Note 9). During the quarter ended June 30, 2019, the recoverable amount of the investment in Freeport Cobalt was determined based on its value in use.

The Company has calculated its value in use as the present value of the expected cash distributions from its investment, which includes the cash flows from the operations of Freeport Cobalt and the proceeds from the Transaction. The valuation is considered to be level 3 in the fair value hierarchy (Note 21).

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

Sensitivity analysis was performed on the value in use calculation. A 1% change in the after-tax discount rate of 9% did not have a material impact on the result of the impairment assessment.

11. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	June 30, 2019	December 31, 2018
Trade payables	**$ 205,481**	$ 228,608
Unbilled goods and services	**72,802**	81,813
Employee benefits payable	**47,759**	59,238
Prepayment from customer	**30,983**	162
Royalty payable	**11,248**	10,195
Other	**5,678**	-
	$ 373,951	$ 380,016

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

12. DEBT AND LEASE LIABILITIES

Debt and lease liabilities are comprised of the following:

		June 30, 2019		December 31, 2018
Term loan (a)	**$**	**35,000**	$	-
Lease liabilities (b)		**38,966**		-
Finance leases (Note 26)		**-**		10,992
As at June 30, 2019		**73,966**		10,992
Less: current portion		**45,666**		3,830
Long-term portion	**$**	**28,300**	$	7,162

a) During the first quarter of 2019, Candelaria obtained an unsecured fixed term loan ("term loan") in the amount of $35 million. The term loan accrues interest at a rate of 3.1% per annum, with interest payable upon maturity, on January 6, 2020.

b) Lease liabilities relate to leases on buildings, rail cars, vehicles, machinery and equipment which have remaining lease terms of one to fifteen years and interest rates of 0.8% - 4.6% over the terms of the leases.

The schedule of undiscounted lease payment obligations is as follows:

Less than one year	$	11,861
One to five years		25,865
More than five years		4,973
Total undiscounted lease liabilities as at June 30, 2019		**42,699**
Discounted lease liabilities as at June 30, 2019		38,966
Less: current portion		10,666
Long-term portion	**$**	**28,300**

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

13. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2017	$ 513,759
IFRS 15 transition adjustment	85,978
As at January 1, 2018	599,737
Recognition of revenue	(26,286)
Finance costs	15,389
Effects of foreign exchange	(4,375)
As at June 30, 2018	584,465
Recognition of revenue	(26,840)
Variable consideration adjustment	15,307
Finance costs	16,525
Effects of foreign exchange	(603)
As at December 31, 2018	588,854
Recognition of revenue	(25,335)
Finance costs	14,995
Effects of foreign exchange	(611)
As at June 30, 2019	577,903
Less: current portion	61,239
Long-term portion	**$ 516,664**

Consideration from the Company's stream agreements is considered variable. Gold and silver revenue can be subject to cumulative adjustments when the numbers of ounces to be delivered under contract changes. During 2018, the Company recognized an adjustment to gold and silver revenue and finance costs due to an increase in the Company's Mineral Resources and Mineral Reserves estimates.

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

14. RECLAMATION AND OTHER CLOSURE PROVISIONS

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

	Reclamation provisions	Other closure provisions	Total
Balance, December 31, 2017	$ 218,188	$ 45,411	$ 263,599
Accretion	2,966	-	2,966
Accruals for services	-	(598)	(598)
Changes in estimates	11,148	-	11,148
Payments	(4,346)	-	(4,346)
Effects of foreign exchange	(3,469)	653	(2,816)
Balance, June 30, 2018	224,487	45,466	269,953
Accretion	2,812	-	2,812
Accruals for services	-	5,457	5,457
Changes in estimates	27,858	-	27,858
Changes in discount rate	6,866	-	6,866
Payments	(7,488)	-	(7,488)
Effects of foreign exchange	(1,051)	(5,717)	(6,768)
Balance, December 31, 2018	253,484	45,206	298,690
Accretion	4,008	-	4,008
Accruals for services	-	(1,220)	(1,220)
Changes in estimates	4,069	-	4,069
Changes in discount rate	20,687	-	20,687
Payments	(6,367)	-	(6,367)
Effects of foreign exchange	(1,147)	49	(1,098)
Balance, June 30, 2019	274,734	44,035	318,769
Less: current portion	3,871	-	3,871
Long-term portion	**$ 270,863**	**$ 44,035**	**$ 314,898**

The Company expects the liability to be settled between 2019 and 2051. The provisions are discounted using current market pre-tax discount rates which range from 0.2% to 4.4%.

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

15. SHARE CAPITAL

a) Basic and diluted weighted average number of shares outstanding

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Basic weighted average number of shares outstanding	**735,934,553**	731,481,815	**735,598,232**	730,545,931
Effect of dilutive securities (i)	**-**	2,123,159	**739,129**	2,364,306
Diluted weighted average number of shares outstanding	**735,934,553**	733,604,974	**736,337,361**	732,910,237
Antidilutive securities	**3,513,000**	24,000	**4,518,500**	769,900

(i) As a result of the Company's net loss position for the current quarter, 750,580 shares that would have been dilutive had the Company been in a net earnings position were excluded from diluted weighted average number of shares outstanding.

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

b) Stock options and SUs granted

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Stock options	**-**	162,000	**3,934,000**	2,970,800
SUs	**-**	24,000	**1,029,500**	811,800

c) Dividends

During the three and six months ended June 30, 2019, the Company declared dividends in the amount of $16.4 million (2018 - $17.1 million) or C$0.03 per share (2018 - C$0.03) and $33.0 million (2018 - $34.6 million), or C$0.06 per share (2018 - C$0.06), respectively.

d) Normal Course Issuer Bid

During 2018, the Company obtained approval of the TSX under its normal course issuer bid to purchase up to 63,718,842 common shares over a period of twelve months commencing on December 7, 2018. Under this bid, during the three and six months ended June 30, 2019, 1,283,674 shares were purchased at an average price of C$6.82 per share for total consideration of $6.5 million (C$8.8 million). The total amount paid to purchase the shares is allocated to share capital and deficit in the consolidated statement of changes in equity. The amount allocated to share capital is based on the average cost per common share and amounts paid above the average cost are allocated to deficit. All of the common shares purchased have been cancelled.

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

16. REVENUE

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Copper	**$ 257,881**	$ 309,883	**$ 503,335**	$ 608,875
Zinc	**69,800**	79,311	**147,636**	169,467
Nickel	**32,702**	34,530	**48,911**	92,517
Gold	**23,805**	27,763	**46,410**	50,194
Lead	**13,503**	11,323	**23,497**	26,214
Silver	**7,488**	3,303	**14,551**	10,887
Other	**4,782**	4,773	**7,739**	13,406
	409,961	470,886	**792,079**	971,560
Provisional pricing adjustments on concentrate sales	**(40,710)**	(3,229)	**(6,444)**	(33,421)
Revenue	**$ 369,251**	$ 467,657	**$ 785,635**	$ 938,139

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Europe	**$ 227,628**	$ 262,700	**$ 389,041**	$ 514,568
Asia	**150,795**	144,613	**334,137**	309,236
North America	**26,508**	41,082	**51,856**	106,331
South America	**5,030**	22,491	**17,045**	41,425
	409,961	470,886	**792,079**	971,560
Provisional pricing adjustments on concentrate sales	**(40,710)**	(3,229)	**(6,444)**	(33,421)
Revenue	**$ 369,251**	$ 467,657	**$ 785,635**	$ 938,139

17. PRODUCTION COSTS

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Direct mine and mill costs	**$ 234,322**	$ 222,402	**$ 421,282**	$ 440,346
Transportation	**18,519**	15,749	**33,871**	31,553
Royalties	**2,997**	5,567	**5,755**	11,555
Total production costs	**$ 255,838**	$ 243,718	**$ 460,908**	$ 483,454

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

18. EMPLOYEE BENEFITS

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Production costs				
Wages and benefits	**$ 58,831**	$ 71,104	**$ 116,084**	$ 141,122
Pension benefits	**213**	225	**444**	541
Share-based compensation	**739**	609	**1,864**	1,793
	59,783	71,938	**118,392**	143,456
General and administrative expenses				
Wages and benefits	**4,903**	5,026	**10,842**	11,365
Pension benefits	**195**	367	**402**	545
Share-based compensation	**1,965**	2,421	**5,474**	3,752
	7,063	7,814	**16,718**	15,662
General exploration and business development				
Wages and benefits	**1,591**	1,760	**3,687**	3,944
Pension benefits	**13**	11	**29**	27
Share-based compensation	**48**	43	**110**	113
	1,652	1,814	**3,826**	4,084
Total employee benefits	**$ 68,498**	$ 81,566	**$ 138,936**	$ 163,202

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

19. FINANCE INCOME AND COSTS

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Interest income	**$ 3,704**	$ 5,533	**$ 7,770**	$ 10,383
Deferred revenue finance costs	**(4,648)**	(7,650)	**(9,851)**	(15,389)
Accretion expense on reclamation provisions	**(2,038)**	(1,558)	**(4,008)**	(2,966)
Interest expense and bank fees	**(1,417)**	(4,508)	**(2,730)**	(9,936)
Lease liability interest	**(316)**	-	**(632)**	-
Loss on currency options	**-**	(1,881)	**-**	(1,691)
Other	**45**	165	**1,045**	(432)
Total finance costs, net	**$ (4,670)**	$ (9,899)	**$ (8,406)**	$ (20,031)

Finance income	**$ 3,749**	$ 5,698	**$ 8,815**	$ 10,383
Finance costs	**(8,419)**	(15,597)	**(17,221)**	(30,414)
Total finance costs, net	**$ (4,670)**	$ (9,899)	**$ (8,406)**	$ (20,031)

20. 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.

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

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at June 30, 2019 and December 31, 2018:

		June 30, 2019		December 31, 2018	
	Level	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Restricted cash	1	**$ 45,246**	**$ 45,246**	$ 44,424	$ 44,424
Trade receivables (provisional)	2	**92,077**	**92,077**	244,577	244,577
Marketable securities	1	**6,442**	**6,442**	2,756	2,756
Derivative asset	2	**25,461**	**25,461**	25,098	25,098
		$ 169,226	**$ 169,226**	$ 316,855	$ 316,855
Financial liabilities					
Amortized cost					
Term loan	2	**$ 35,000**	**$ 35,000**	$ -	$ -
Finance leases	2	**-**	**-**	10,992	10,992
		$ 35,000	**$ 35,000**	$ 10,992	$ 10,992
Fair value through profit or loss					
Derivative liability	2	**$ 30**	**$ 30**	$ 30	$ 30

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

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

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

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

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

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

Trade receivables – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized negative pricing adjustments of $40.7 million in revenue during the three months ended June 30, 2019 (2018 - $3.2 million negative pricing adjustments) and negative pricing adjustments of $6.4 million in revenue during the six months ended June 30, 2019 (2018 - $33.4 million negative pricing adjustments).

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

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

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

22. COMMITMENTS AND CONTINGENCIES

a) The Company has capital commitments of $158.0 million on various initiatives, of which $146.9 million is expected to be paid during 2019.

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

c) Significant changes to commitments and contingencies, since that reported at December 31, 2018, are described below:

i) In early 2018, the Company was notified of claims alleging contamination to marine habitat as a result of vessel loading activities at the Punta Padrones port owned by Candelaria. The claims seek damages totalling approximately $39.3 million. The Company's response sought dismissal of the claims based primarily on the lack of evidence supporting the environmental damage caused by the port facility, the imprecise nature of the monetary claims being made and the absence of actual damages. On February 25, 2019, the presiding judge issued a ruling dismissing all claims. On March 9, 2019, the Company became aware that the plaintiff Caldera fishermen had filed an appeal with the Valparaiso Court of Appeals. The Company believes the claim to be without merit and accordingly has not accrued any amounts related to the litigation. The Company intends to vigorously defend this claim.

ii) During 2018, the Chilean Internal Revenue Service ("IRS") issued a tax assessment of $8.2 million (recovery of $4.2 million in tax refunds and $4.0 million in interest and penalties) denying a tax deduction related to interest expenses arising from an intercompany debt for the taxation years 2014 and 2015. The Company believes the claims are inconsistent with Chilean tax law and without merit and accordingly filed a claim against the tax assessments with the Chilean tax court on April 30, 2019. While it is uncertain, no tax expense was accrued for this assessment as the Company believes its original filing position is in compliance with tax regulations and intends to vigorously defend this position.

In April 2019, the Company received an assessment for 2016 related to the above tax matter seeking additional withholding taxes, excluding interest and penalties, of $9 million on interest payments made in 2016. While not yet assessed, a similar position taken on interest payments made for 2017 and 2018 would equate to approximately $57 million in additional withholding taxes, excluding possible penalties and interest. The Company has filed an appeal with the Administrative Tax Procedure of the IRS and will be challenging this assessment as the Company believes its original filing position is in compliance with tax regulations.

iii) During the second quarter of 2019, the Company accrued $5.2 million for contractor claims related to project schedule delays for the Zinc Expansion Project at the Neves-Corvo mine. In addition, the Company has received notification of a further $5.8 million in potential claims from contractors. No amounts have been accrued for these unsettled claims as they cannot be measured with sufficient reliability. The Company believes the unsettled claims will not materially impact its financial position.

23. SEGMENTED INFORMATION

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

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

For the three months ended June 30, 2019

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Other	Total
	Chile	USA	Portugal	Sweden		
Revenue	$ 178,677	$ 59,412	$ 77,519	$ 53,643	$ -	$ 369,251
Cost of goods sold						
Production costs	(131,325)	(40,071)	(60,890)	(22,804)	(748)	(255,838)
Depreciation, depletion and amortization	(45,962)	(20,141)	(12,795)	(8,966)	(429)	(88,293)
Gross profit (loss)	1,390	(800)	3,834	21,873	(1,177)	25,120
General and administrative expenses	-	-	-	-	(10,169)	(10,169)
General exploration and business development	(9,317)	(3,015)	(2,208)	(5,487)	(3,968)	(23,995)
Finance (costs) income	(8,035)	(213)	(954)	(784)	5,316	(4,670)
Income from equity investment in associate	-	-	-	-	1,288	1,288
Other income (expense)	1,745	24	(5,835)	388	2,310	(1,368)
Income tax recovery (expense)	10,335	2,086	5,185	(3,124)	(9,314)	5,168
Net (loss) earnings	$ (3,882)	$ (1,918)	$ 22	$ 12,866	$ (15,714)	$ (8,626)
Capital expenditures	$ 123,946	$ 10,534	$ 34,994	$ 9,208	$ 35	$ 178,717

For the six months ended June 30, 2019

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Other	Total
	Chile	USA	Portugal	Sweden		
Revenue	$ 411,338	$ 105,620	$ 162,666	$ 106,011	$ -	$ 785,635
Cost of goods sold						
Production costs	(245,528)	(57,646)	(114,690)	(41,125)	(1,919)	(460,908)
Depreciation, depletion and amortization	(85,761)	(30,316)	(25,398)	(16,030)	(892)	(158,397)
Gross profit (loss)	80,049	17,658	22,578	48,856	(2,811)	166,330
General and administrative expenses	-	-	-	-	(23,787)	(23,787)
General exploration and business development	(15,168)	(8,120)	(4,036)	(9,662)	(5,709)	(42,695)
Finance (costs) income	(16,054)	(386)	(684)	(1,634)	10,352	(8,406)
Loss from equity investment in associate	-	-	-	-	(10,647)	(10,647)
Other (expense) income	(73)	44	(3,950)	2,028	(844)	(2,795)
Income tax (expense) recovery	(3,379)	1,909	515	(9,254)	(15,468)	(25,677)
Net earnings (loss)	$ 45,375	$ 11,105	$ 14,423	$ 30,334	$ (48,914)	$ 52,323
Capital expenditures	$ 232,892	$ 20,146	$ 88,241	$ 19,357	$ 78	$ 360,714

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

For the three months ended June 30, 2018

	Candelaria Chile	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Other	Total
Revenue	$ 243,585	$ 63,651	$ 110,816	$ 49,605	$ -	$ 467,657
Cost of goods sold						
Production costs	(129,980)	(26,302)	(64,625)	(22,187)	(624)	(243,718)
Depreciation, depletion and amortization	(40,346)	(13,129)	(8,585)	(6,411)	(388)	(68,859)
Gross profit (loss)	73,259	24,220	37,606	21,007	(1,012)	155,080
General and administrative expenses	-	-	-	-	(11,591)	(11,591)
General exploration and business development	(10,951)	(5,656)	(1,161)	(1,533)	(1,702)	(21,003)
Finance costs	(6,174)	(40)	(520)	(971)	(2,194)	(9,899)
Income from equity investment in associate	-	-	-	-	7,488	7,488
Other income (expense)	2,931	41	6,166	4,645	(1,573)	12,210
Income tax (expense) recovery	(12,999)	(2,533)	(16,142)	(6,397)	(6,697)	(44,768)
Net earnings (loss)	$ 46,066	$ 16,032	$ 25,949	$ 16,751	$ (17,281)	$ 87,517
Capital expenditures	$ 128,491	$ 12,630	$ 40,360	$ 9,451	$ 2,280	$ 193,212

For the six months ended June 30, 2018

	Candelaria Chile	Eagle USA	Neves- Corvo Portugal	Zinkgruvan Sweden	Other	Total
Revenue	$ 461,827	$ 155,865	$ 208,474	$ 111,973	$ -	$ 938,139
Cost of goods sold						
Production costs	(254,120)	(60,755)	(122,671)	(44,068)	(1,840)	(483,454)
Depreciation, depletion and amortization	(78,946)	(34,105)	(23,239)	(12,702)	(737)	(149,729)
Gross profit (loss)	128,761	61,005	62,564	55,203	(2,577)	304,956
General and administrative expenses	-	-	-	-	(24,016)	(24,016)
General exploration and business development	(21,632)	(10,152)	(1,876)	(3,288)	(3,902)	(40,850)
Finance costs	(12,165)	(121)	(1,892)	(1,911)	(3,942)	(20,031)
Income from equity investment in associate	-	-	-	-	12,292	12,292
Other income (expense)	2,643	56	2,698	6,102	1,040	12,539
Income tax (expense) recovery	(12,861)	(7,780)	(20,641)	(13,402)	(15,629)	(70,313)
Net earnings (loss)	$ 84,746	$ 43,008	$ 40,853	$ 42,704	$ (36,734)	$ 174,577
Capital expenditures	$ 219,359	$ 22,276	$ 76,256	$ 20,628	$ 5,405	$ 343,924

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

24. RELATED PARTY TRANSACTIONS

a) **Transactions with associates** - The Company enters into transactions related to its investment in associate. These transactions are entered into in the normal course of business and on an arm's length basis (Note 9).

b) **Key management personnel -** The Company has identified its directors and senior officers as its key management personnel. The employee benefits for key management personnel are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Wages and salaries	**$ 1,508**	$ 1,356	**$ 3,276**	$ 2,931
Pension benefits	**41**	31	**79**	88
Share-based compensation	**849**	1,330	**1,719**	1,716
Post-employment benefits	**-**	1,126	**-**	1,126
	$ 2,398	$ 3,843	**$ 5,074**	$ 5,861

25. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Changes in non-cash working capital items consist of:				
Trade and income tax receivables, inventories, and other current assets	**$ 92,588**	$ 75,617	**$ 74,453**	$ 81,928
Trade and income taxes payable, and other current liabilities	**61,942**	(74,882)	**3,096**	(78,761)
	$ 154,530	$ 735	**$ 77,549**	$ 3,167
Operating activities included the following cash payments:				
Income taxes (refunded) paid	**$ (57,623)**	$ 91,520	**$ (7,214)**	$ 109,995

26. *IFRS 16* TRANSITION ADJUSTMENTS

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

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

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

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

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

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

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

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

27. SUBSEQUENT EVENT

On July 5, 2019, the Company closed the acquisition of a 100% ownership stake in Mineração Maracá Indústria e Comércio S/A, which owns the Chapada copper-gold mine located in Brazil from Yamana Gold Inc. (“Yamana”). Total cash consideration paid at closing by the Company was $800 million, funded by cash on hand and the Company’s $550 million revolving credit facility. Yamana retains a 2.0% net smelter return royalty on future gold production from the Suruca gold deposit, will receive contingent consideration of up to $125 million over five years if certain gold price thresholds are met and contingent consideration of $100 million on potential construction of a pyrite roaster.

As the transaction closed in July 2019, the initial allocation of the purchase price to the assets and liabilities acquired has not been prepared. The Company’s preliminary purchase price allocation will be completed in the third quarter of 2019.

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