

# lundin mining

## Management's Discussion and Analysis For the three months ended March 31, 2021

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This management's discussion and analysis ("MD&A") has been prepared as of April 28, 2021 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended March 31, 2021. 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 \$ is to United States dollars, C\$ is to Canadian dollars, CLP is to Chilean pesos, € refers to the euro, BRL is to Brazilian reais, and SEK is to Swedish krona.

### About Lundin Mining

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

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## Cautionary Statement on Forward-Looking Information

*Certain of the statements made and information contained herein is “forward-looking information” within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts included in this document constitute forward-looking information, including but not limited to statements regarding the Company’s plans, prospects and business strategies; the Company’s guidance on the timing and amount of future production and its expectations regarding the results of operations; expected costs; permitting requirements and timelines; timing and possible outcome of pending litigation; the results of any Preliminary Economic Assessment, Feasibility Study, or Mineral Resource and Mineral Reserve estimations, life of mine estimates, and mine and mine closure plans; anticipated market prices of metals, currency exchange rates, and interest rates; the development and implementation of the Company’s Responsible Mining Management System; the Company’s ability to comply with contractual and permitting or other regulatory requirements; anticipated exploration and development activities at the Company’s projects; and the Company’s integration of acquisitions 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 labor; 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 mining including but not limited to risks to the environment, industrial accidents, catastrophic equipment failures, unusual or unexpected geological formations or unstable ground conditions, and natural phenomena such as earthquakes, flooding or unusually severe weather; uninsurable risks; global financial conditions and inflation; changes in the Company’s share price, and volatility in the equity markets in general; volatility and fluctuations in metal and commodity prices; the threat associated with outbreaks of viruses and infectious diseases, including the COVID-19 virus; changing taxation regimes; reliance on a single asset; delays or the inability to obtain, retain or comply with permits; risks related to negative publicity with respect to the Company or the mining industry in general; health and safety risks; exploration, development or mining results not being consistent with the Company’s expectations; unavailable or inaccessible infrastructure and risks related to ageing infrastructure; actual ore mined and/or metal recoveries varying from Mineral Resource and Mineral Reserve estimates, estimates of grade, tonnage, dilution, mine plans and metallurgical and other characteristics; risks associated with the estimation of Mineral Resources and Mineral Reserves and the geology, grade and continuity of mineral deposits including but not limited to models relating thereto; ore processing efficiency; community and stakeholder opposition; information technology and cybersecurity risks; 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; regulatory investigations, enforcement, sanctions and/or related or other litigation; uncertain political and economic environments, including in Brazil and Chile; risks associated with the structural stability of waste rock dumps or tailings storage facilities; estimates of future production and operations; estimates of operating, cash and all-in sustaining cost estimates; civil disruption in Chile; the potential for and effects of labor disputes or other unanticipated difficulties with or shortages of labor or interruptions in production; risks related to the environmental regulation and environmental impact of the Company’s operations and products and management thereof; exchange rate fluctuations; reliance on third parties and consultants in foreign jurisdictions; climate change; risks relating to attracting and retaining of highly skilled employees; compliance with environmental, health and safety laws; counterparty and credit risks and customer concentration; litigation; risks inherent in and/or associated with operating in foreign countries and emerging markets; risks related to mine closure activities and closed and historical sites; changes in laws, regulations or policies including but not limited to those related to mining regimes, permitting and approvals, environmental and tailings management, labor, trade relations, and transportation; internal controls; challenges or defects in title; the estimation of asset carrying values; historical environmental liabilities and ongoing reclamation obligations; the price and availability of key operating supplies or services; competition; indebtedness; compliance with foreign laws; existence of significant shareholders; liquidity risks and limited financial resources; funding requirements and availability of financing; enforcing legal rights in foreign jurisdictions; dilution; risks relating to dividends; risks associated with acquisitions and related integration efforts, including the ability to achieve anticipated benefits, unanticipated difficulties or expenditures relating to integration and diversion of management time on integration; activist shareholders and proxy solicitation matters; and other risks and uncertainties, including but not limited to those described in the “Risk and Uncertainties” section of the Annual Information Form and the “Managing Risks” section of the Company’s MD&A for the year ended December 31, 2020, which are available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company’s profile. All of the forward-looking statements made in this document are qualified by these cautionary statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, forecast or intended and readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information. Accordingly, there can be no assurance that forward-looking information will prove to be accurate and forward-looking information is not a guarantee of future performance. Readers are advised not to place undue reliance on forward-looking information. The forward-looking information contained herein speaks only as of the date of this document. The Company disclaims any intention or obligation to update or revise forward-looking information or to explain any material difference between such and subsequent actual events, except as required by applicable law.*

## Highlights

### Operational Performance

Operations performed well during the quarter with production in-line with expectations. Full-year metal production at all mines remains on track to achieve or exceed previously reported guidance. Cash costs are also trending at or better than previously reported guidance.

The Company continues to manage and respond to the COVID-19 pandemic and has implemented preventative measures to ensure the safety of its workforce, local communities and other key stakeholders. Candelaria and Chapada have experienced a recent increase in case levels as infection rates in Chile and Brazil have been increasing. The sites have reinforced safety procedures and implemented additional controls and mass testing to identify and control further spread. To date, production disruptions as a result of COVID-19 have been minimal and there has been no significant disruption in the delivery or receipt of goods at our operations.

**Candelaria (80% owned):** Candelaria produced 34,203 tonnes of copper, and approximately 21,000 ounces of gold in concentrate on a 100% basis in the quarter. While mill throughput was higher than the prior year quarter, copper production was lower primarily due to planned lower grades in the current year quarter. Gold production was comparable to the prior year quarter. Copper cash costs<sup>1</sup> of \$1.65/lb for the quarter were higher than the prior year comparable quarter largely owing to the impact of lower sales volumes.

**Chapada (100% owned):** Chapada produced 9,841 tonnes of copper and approximately 13,000 ounces of gold in concentrate. Copper and gold production for the quarter were lower than the prior year quarter primarily due to planned lower grades and recoveries. Processed ore of over 5.8 million tonnes was the second highest quarterly throughput achieved since acquisition. Copper cash costs of \$1.33/lb for the quarter were higher than the prior year quarter due mainly to lower sales volumes, impacted by timing of sales.

**Eagle (100% owned):** Eagle produced 5,354 tonnes of nickel and 5,391 tonnes of copper during the quarter. Nickel and copper production were higher than the prior year quarter as a result of a greater proportion of mining in the higher grade Eagle East orebody. By-product credits, aided by rising copper prices, exceeded gross cash costs in the quarter resulting in nickel cash costs of negative \$1.62/lb.

**Neves-Corvo (100% owned):** Neves-Corvo produced 7,441 tonnes of copper and 14,710 tonnes of zinc for the quarter. Copper and zinc production were lower than the prior year quarter due to lower mill throughput and grades. Copper cash costs of \$2.61/lb for the quarter were higher than the prior year quarter primarily due to lower sales volumes.

The Zinc Expansion Project (“ZEP”) officially restarted in January 2021, following proactive suspension in March 2020 due to the COVID-19 pandemic. It is expected that the project construction will be substantially completed by the end of 2021 with commissioning of the mine materials handling systems, shaft upgrade and the expanded zinc processing plant.

**Zinkgruvan (100% owned):** Zinc production of 18,655 tonnes was comparable with the prior year quarter. Lead production of 4,709 tonnes was lower than the prior year quarter due to lower feed grades. Zinc cash costs of \$0.76/lb were higher than the prior year quarter as a result of lower by-product credits.

(Contained metal in concentrate)	2021	Total	2020			
	Q1		Q4	Q3	Q2	Q1
Copper (t) <sup>a</sup>	57,354	230,781	41,885	61,444	65,285	62,167
Zinc (t)	33,365	142,744	41,428	32,787	31,582	36,947
Gold (koz) <sup>a</sup>	34	163	35	45	44	39
Nickel (t)	5,354	16,718	4,909	4,854	3,380	3,575

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

<sup>1</sup> This is a non-GAAP measure – see page 22 of this MD&A for discussion of non-GAAP measures.

## Financial Performance

- Gross profit for the quarter ended March 31, 2021 was \$252.5 million, an increase in gross profit of \$275.1 million compared to the first quarter of 2020. The increase was primarily due to higher revenues driven by higher metal prices and price adjustments (\$331.0 million), partially offset by lower copper sales volumes.
- Net earnings for the current quarter were \$154.2 million, a \$267.8 million increase over the net loss from the first quarter of 2020. The increase was primarily attributable to higher gross profit.
- Adjusted earnings<sup>1</sup> for the quarter were \$144.4 million, compared to adjusted loss of \$40.6 million in the prior year quarter and reflects higher gross profit partially offset by higher income taxes and non-controlling interest.

## Corporate Highlights

- On February 18, 2021, the Company announced a 50% increase in its cash dividend, to C\$0.06 per share or C\$0.24 per share annualized, compared to the quarterly dividend paid in 2020.

## Financial Position and Financing

- Cash and cash equivalents increased by \$39.9 million during the quarter ended March 31, 2021 to \$181.3 million. Cash flow from operations of \$158.7 million exceeded capital expenditures of \$112.5 million, partially offset by the effects of foreign exchange on cash balances.
- Net debt<sup>1</sup> as at March 31, 2021 was \$8.1 million, a decrease of \$55.1 million from the net debt balance as at December 31, 2020. The decrease in net debt is attributable to the positive cash flow impacts previously described.
- As of April 28, 2021, the Company had a cash and net cash balance of approximately \$215.0 million and \$25.0 million, respectively.

<sup>1</sup> This is a non-GAAP measure – see page 22 of this MD&A for discussion of non-GAAP measures.

## Outlook

Annual nickel production guidance has been increased, reflecting excellent first quarter 2021 results from Eagle. All other production guidance for 2021 remains unchanged from that previously provided.

Cash cost guidance for Eagle has been improved given the first quarter performance and the expectation of continued favourable copper by-product metal prices. Cash cost guidance for all other operations are unchanged from those previously provided.

While the Company has not experienced significant disruptions to production, shipments of concentrate, or its supply chain due to COVID-19, we continue to caution that a localized outbreak at the operations may require the need to implement increased isolation and containment measures which could impact production, delay maintenance activities or disrupt supply chains. Given the uncertainty of the duration and magnitude of the impact of COVID-19, production and cash cost estimates are subject to a higher than normal degree of uncertainty. The guidance below does not reflect any potential for additional suspensions or other significant disruption to operations due to COVID-19.

### 2021 Production and Cash Cost

(contained metal in concentrate)		Previous Guidance <sup>a</sup>		Revised Guidance	
		Tonnes	Cash Costs (\$/lb)	Tonnes	Cash Costs (\$/lb) <sup>b</sup>
<b>Copper (t)</b>	Candelaria (100%)	172,000 - 182,000	1.35	172,000 - 182,000	1.35 <sup>c</sup>
	Chapada	48,000 - 53,000	1.10	48,000 - 53,000	1.10 <sup>d</sup>
	Eagle	17,000 - 20,000		17,000 - 20,000	
	Neves-Corvo	35,000 - 40,000	2.20	35,000 - 40,000	2.20 <sup>c</sup>
	Zinkgruvan	3,000 - 4,000		3,000 - 4,000	
	<b>Total</b>	<b>275,000 - 299,000</b>		<b>275,000 - 299,000</b>	
<b>Zinc (t)</b>	Neves-Corvo	70,000 - 75,000		70,000 - 75,000	
	Zinkgruvan	71,000 - 76,000	0.65	71,000 - 76,000	0.65 <sup>c</sup>
	<b>Total</b>	<b>141,000 - 151,000</b>		<b>141,000 - 151,000</b>	
<b>Gold (oz)</b>	Candelaria (100%)	95,000 - 100,000		95,000 - 100,000	
	Chapada	75,000 - 80,000		75,000 - 80,000	
	<b>Total</b>	<b>170,000 - 180,000</b>		<b>170,000 - 180,000</b>	
<b>Nickel (t)</b>	Eagle	15,000 - 18,000	0.50	<b>17,000 - 20,000</b>	<b>(0.25)</b>

a. Guidance as outlined in the Management's Discussion and Analysis for the year ended December 31, 2020.

b. Cash costs are based on various assumptions and estimates, including but not limited to: production volumes, as noted above, commodity prices (Cu: \$3.75/lb, Zn: \$1.15/lb, Pb: \$0.85/lb, Au: \$1,700/oz), foreign exchange rates (€/USD:1.20, USD/SEK:8.20, USD/CLP:700, USD/BRL:5.10) and operating costs for the remainder of 2021.

c. 68% of Candelaria's total gold and silver production are subject to a streaming agreement and silver production at Zinkgruvan and Neves-Corvo are also subject to streaming agreements. Cash costs are calculated based on receipt of approximately \$416/oz gold and \$4.16/oz to \$4.48/oz silver.

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

## 2021 Capital Expenditure Guidance

(\$ millions)	Previous Guidance <sup>a</sup>	Revisions	Revised Guidance
Candelaria (100% basis)	345	-	345
Chapada	65	-	65
Eagle	15	5	20
Neves-Corvo	65	-	65
Zinkgruvan	50	-	50
<b>Total Sustaining Capital</b>	<b>540</b>	<b>5</b>	<b>545</b>
<b>Zinc Expansion Project (Neves-Corvo)</b>	<b>70</b>	<b>-</b>	<b>70</b>
<b>Total Capital Expenditures</b>	<b>610</b>	<b>5</b>	<b>615</b>

a. Guidance as outlined in the Management's Discussion and Analysis for the year ended December 31, 2020.

## 2021 Exploration Investment Guidance

Total planned exploration expenditures are expected to be \$40.0 million in 2021, unchanged from previous guidance. Approximately \$38.0 million will be spent supporting significant in-mine and near-mine targets at our operations (\$14.0 million at Candelaria, \$6.0 million at Zinkgruvan, \$14.0 million at Chapada, and \$4.0 million at Neves-Corvo). The remaining amount is planned to advance activities on exploration stage and new business development projects.

## Selected Quarterly Financial Information

	Three months ended	
	March 31,	
(\$ millions, except share and per share amounts)	2021	2020
<b>Revenue</b>	<b>681.5</b>	378.0
Cost of goods sold:		
Production costs	(303.1)	(278.7)
Depreciation, depletion and amortization	(125.9)	(122.0)
<b>Gross profit (loss)</b>	<b>252.5</b>	(22.7)
<b>Net earnings (loss) attributable to:</b>		
Lundin Mining shareholders	135.2	(111.5)
Non-controlling interests	19.1	(2.1)
<b>Net earnings (loss)</b>	<b>154.2</b>	(113.6)
<b>Adjusted earnings (loss)<sup>3</sup></b>	<b>144.4</b>	(40.6)
<b>Adjusted EBITDA<sup>3</sup></b>	<b>354.4</b>	90.3
<b>Cash flow from operations</b>	<b>158.7</b>	83.4
<b>Adjusted operating cash flow<sup>3</sup></b>	<b>279.8</b>	27.9
<b>Capital expenditures<sup>4</sup></b>	<b>112.5</b>	141.1
<b>Per share amounts:</b>		
Basic and diluted earnings (loss) per share attributable to shareholders	0.18	(0.15)
Adjusted earnings (loss) per share <sup>3</sup>	0.20	(0.06)
Adjusted operating cash flow per share <sup>3</sup>	0.38	0.04
Dividends declared (C\$/share)	0.06	0.04
	<b>March 31,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
<b>Total assets</b>	<b>7,089.1</b>	7,058.5
<b>Total debt and lease liabilities</b>	<b>188.0</b>	203.0
<b>Net debt<sup>3</sup></b>	<b>8.1</b>	63.2

## Summary of Quarterly Results<sup>1,2,5</sup>

(\$ millions, except per share data)	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19
<b>Revenue</b>	681.5	529.5	600.7	533.3	378.0	568.4	538.7	369.3
<b>Cost of goods sold</b>	(429.0)	(350.1)	(401.4)	(391.2)	(400.7)	(422.9)	(410.1)	(344.1)
<b>Gross profit (loss)</b>	252.5	179.4	199.3	142.1	(22.7)	145.5	128.6	25.1
<b>Net earnings (loss)</b>	154.2	120.8	133.6	48.3	(113.6)	104.8	32.1	(8.6)
- attributable to shareholders	135.2	119.2	122.4	38.7	(111.5)	97.0	26.4	(7.8)
<b>EPS - Basic and diluted</b>	0.18	0.16	0.17	0.05	(0.15)	0.13	0.04	(0.01)
<b>Cash flow from operations</b>	158.7	172.7	272.2	37.6	83.4	186.4	111.6	204.5
<b>Adjusted operating cash flow per share<sup>3</sup></b>	0.38	0.24	0.36	0.24	0.04	0.28	0.21	0.07
<b>Capital expenditures<sup>4</sup></b>	112.5	100.2	89.8	100.2	141.1	139.6	165.0	178.7

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

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

3. These are non-GAAP measures please see 22 of this MD&A for discussion of non-GAAP measures.

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

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

## Revenue Overview

### Sales Volumes by Payable Metal

(Contained metal in concentrate)	2021	2020				
	Q1	Total	Q4	Q3	Q2	Q1
<b>Copper (tonnes)</b>						
Candelaria (100%)	35,516	123,183	16,574	34,713	34,130	37,766
Chapada	7,379	47,119	10,966	11,220	13,446	11,487
Eagle	4,318	17,111	4,312	4,732	3,668	4,399
Neves-Corvo	6,565	30,799	4,708	6,892	11,471	7,728
Zinkgruvan	2	3,212	830	929	910	543
	<b>53,780</b>	<b>221,424</b>	<b>37,390</b>	<b>58,486</b>	<b>63,625</b>	<b>61,923</b>
<b>Zinc (tonnes)</b>						
Neves-Corvo	11,605	58,029	12,506	14,563	15,896	15,064
Zinkgruvan	15,703	62,150	22,399	15,002	10,465	14,284
	<b>27,308</b>	<b>120,179</b>	<b>34,905</b>	<b>29,565</b>	<b>26,361</b>	<b>29,348</b>
<b>Gold (000 oz)</b>						
Candelaria (100%)	21	73	11	21	19	22
Chapada	12	81	23	18	23	17
	<b>33</b>	<b>154</b>	<b>34</b>	<b>39</b>	<b>42</b>	<b>39</b>
<b>Nickel (tonnes)</b>						
Eagle	4,118	12,481	3,714	3,539	2,419	2,809
<b>Lead (tonnes)</b>						
Neves-Corvo	1,245	4,149	748	794	1,309	1,298
Zinkgruvan	4,705	23,556	5,475	6,352	5,705	6,024
	<b>5,950</b>	<b>27,705</b>	<b>6,223</b>	<b>7,146</b>	<b>7,014</b>	<b>7,322</b>
<b>Silver (000 oz)</b>						
Candelaria (100%)	272	966	119	254	272	321
Chapada	20	131	40	26	31	34
Eagle	15	79	21	16	22	20
Neves-Corvo	242	779	159	170	270	180
Zinkgruvan	292	1,544	327	441	427	349
	<b>841</b>	<b>3,499</b>	<b>666</b>	<b>907</b>	<b>1,022</b>	<b>904</b>

## Revenue Analysis

by Mine (\$ thousands)	Three months ended March 31,					Change \$
	2021		2020			
	\$	%	\$	%		
Candelaria (100%)	351,990	52	172,972	46		179,018
Chapada	86,218	13	84,121	22		2,097
Eagle	118,868	17	47,337	13		71,531
Neves-Corvo	80,760	12	45,777	12		34,983
Zinkgruvan	43,642	6	27,778	7		15,864
	<b>681,478</b>		<b>377,985</b>			<b>303,493</b>

by Metal (\$ thousands)	Three months ended March 31,					Change \$
	2021		2020			
	\$	%	\$	%		
Copper	478,910	70	243,509	64		235,401
Zinc	56,577	8	32,104	8		24,473
Gold	43,471	6	56,584	15		(13,113)
Nickel	70,225	10	24,378	6		45,847
Lead	10,002	2	9,859	3		143
Silver	8,850	1	8,719	2		131
Other	13,443	3	2,832	2		10,611
	<b>681,478</b>		<b>377,985</b>			<b>303,493</b>

Revenue for the quarter ended March 31, 2021 was \$681.5 million, an increase of \$303.5 million in comparison to the \$378.0 million reported in the first quarter of the prior year. The increase was primarily due to higher metal prices and price adjustments (\$331.0 million), partially offset by lower copper sales volumes.

Revenue from gold and silver for the quarter ended March 31, 2021 includes the 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 \$416/oz for gold and between \$4.16/oz and \$4.48/oz for silver.

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

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

### Provisionally valued revenue as of March 31, 2021

Metal	Payable metal	Valued at
Copper	62,781 t	\$3.99 /lb
Zinc	17,163 t	\$1.27 /lb
Gold	34,228 oz	\$1,718 /oz
Nickel	1,539 t	\$7.29 /lb

## Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended March 31, 2021				
	Copper	Zinc	Gold	Nickel	Total
Current period sales <sup>1</sup>	471,343	76,188	56,975	71,757	676,263
Prior period price adjustments	26,999	186	(3,669)	(1,033)	22,483
	498,342	76,374	53,306	70,724	698,746
Other metal sales					50,060
Copper stream cash effect					(4,106)
Gold stream cash effect					(19,340)
Less: Treatment & refining charges					(43,882)
<b>Total Revenue</b>					<b>681,478</b>
<b>Payable Metal</b>	<b>53,780 t</b>	<b>27,308 t</b>	<b>33 koz</b>	<b>4,118 t</b>	
Current period sales <sup>1</sup>	\$3.98	\$1.27	\$1,708	\$7.90	
Prior period adjustments	0.22	-	(110)	(0.11)	
<b>Realized prices<sup>2</sup></b>	<b>\$4.20 /lb</b>	<b>\$1.27 /lb</b>	<b>\$1,598 /oz</b>	<b>\$7.79 /lb</b>	

	Three months ended March 31, 2020				
	Copper	Zinc	Gold	Nickel	Total
Current period sales <sup>1</sup>	312,620	58,332	61,902	33,932	466,786
Prior period price adjustments	(46,223)	(8,151)	1,784	(10,219)	(62,809)
	266,397	50,181	63,686	23,713	403,977
Other metal sales					39,176
Copper stream cash effect					(3,787)
Gold stream cash effect					(16,567)
Less: Treatment & refining charges					(44,814)
<b>Total Revenue</b>					<b>377,985</b>
<b>Payable Metal</b>	<b>61,923 t</b>	<b>29,348 t</b>	<b>39 koz</b>	<b>2,809 t</b>	
Current period sales <sup>1</sup>	\$2.29	\$0.90	\$1,597	\$5.48	
Prior period adjustments	(0.34)	(0.12)	46	(1.65)	
<b>Realized prices<sup>2</sup></b>	<b>\$1.95 /lb</b>	<b>\$0.78 /lb</b>	<b>\$1,644 /oz</b>	<b>\$3.83 /lb</b>	

1. Includes provisional price adjustments on current period sales.

2. The realized price for copper inclusive of the impact of streaming agreements for 2021 is \$4.17/lb (2020: \$1.92/lb). The realized price for gold inclusive of the impact of streaming agreements for 2021 is \$1,018/koz (2020: \$1,216/koz).

## Financial Results

### Production Costs

Production costs for the quarter ended March 31, 2021 were \$303.1 million, an increase of \$24.4 million in comparison to the \$278.7 million reported in the first quarter of the prior year. This increase was primarily due to increases in maintenance costs and amortization of the union contract costs at Candelaria.

### Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense for the current quarter was in-line with the prior year comparable quarter. Increased depreciation at Zinkgruvan as a result of mining from stopes with higher development costs in the current quarter was partially offset by lower depreciation at Chapada as a result of lower sales volumes.

Depreciation by operation (\$ thousands)	Three months ended March 31,		
	2021	2020	Change
Candelaria	73,252	71,069	2,183
Chapada	7,926	11,610	(3,684)
Eagle	20,304	18,767	1,537
Neves-Corvo	13,241	13,649	(408)
Zinkgruvan	10,733	6,456	4,277
Other	454	424	30
	125,910	121,975	3,935

### General Exploration and Business Development

General exploration and business development expenses for the current quarter were \$9.8 million, a decrease against the prior year comparable quarter by \$3.5 million due partially to the lack of drilling contractor availability. At Chapada, exploration activity in the current quarter was focused on new near-mine targets, finishing the quarter with six drill rigs. Chapada participated in an auction of government held exploration claims and, in early April, was successful in increasing the Company's near mine district position by 80% of current holding. This offers the opportunity for further exploration of district continuity of mineralization. Exploration drilling at Candelaria and Zinkgruvan was primarily focused along known mineralized trends within existing workings. Neves-Corvo began exploration drilling with one rig on the mine concession mid-way through the first quarter of 2021.

### Finance Costs

Finance costs of \$11.1 million for the quarter ended March 31, 2021 were \$5.1 million lower than the prior year comparable quarter, as more non-cash interest was capitalized to ZEP.

### Other Income and Expenses

Net other income for the quarter ended March 31, 2021 was \$5.2 million, a decrease of \$4.9 million over the net other income of \$10.1 million recorded in the first quarter of 2020. The change was primarily due to lower foreign exchange revaluations recorded in the current quarter partially offset by higher revaluation gains recognized on derivative instruments.

Foreign exchange gains recorded in other income and expenses relate to the foreign exchange revaluation of working capital denominated in foreign currencies that was held by the Company. Period end exchange rates affecting foreign exchange recorded at March 31, 2021 were:

	March 31, 2021	December 31, 2020
Chilean Peso (USD:CLP)	732	711
Euro (USD:€)	0.85	0.81
Brazilian Real (USD:BRL)	5.70	5.20
Swedish Kroner (USD:SEK)	8.72	8.19

## Income Taxes

Income tax expense (recovery) by mine (\$ thousands)	Three months ended March 31,		
	2021	2020	Change
Candelaria	41,360	2,727	38,633
Chapada	21,008	57,258	(36,250)
Eagle	7,129	(42)	7,171
Neves-Corvo	(740)	(6,877)	6,137
Zinkgruvan	3,640	2,712	928
Other	(2,495)	3,798	(6,293)
	<b>69,902</b>	<b>59,576</b>	<b>10,326</b>

Income taxes by classification (\$ thousands)	Three months ended March 31,		
	2021	2020	Change
Current income tax	37,480	26,163	11,317
Deferred income tax	32,422	33,413	(991)
	<b>69,902</b>	<b>59,576</b>	<b>10,326</b>

Income tax expense for the current quarter was \$10.3 million higher than the comparable quarter of the prior year.

Excluding Chapada, all sites reported higher tax expense due to higher taxable earnings compared to the first quarter in the prior year. Chapada also had higher taxable earnings; however, included in the prior period expense is a net \$43.5 million in deferred tax impact of foreign exchange translation on non-monetary assets.

## Mining Operations

### Production Overview

(Contained metal in concentrate)	2021	2020				
	Q1	Total	Q4	Q3	Q2	Q1
<b>Copper (tonnes)</b>						
Candelaria (100%)	34,203	126,702	19,509	35,836	35,060	36,297
Chapada	9,841	50,038	11,368	12,990	13,799	11,881
Eagle	5,391	18,663	5,128	5,055	4,102	4,378
Neves-Corvo	7,441	32,032	5,880	6,518	10,559	9,075
Zinkgruvan	478	3,346	-	1,045	1,765	536
	<b>57,354</b>	<b>230,781</b>	<b>41,885</b>	<b>61,444</b>	<b>65,285</b>	<b>62,167</b>
<b>Zinc (tonnes)</b>						
Neves-Corvo	14,710	69,143	16,750	15,459	18,986	17,948
Zinkgruvan	18,655	73,601	24,678	17,328	12,596	18,999
	<b>33,365</b>	<b>142,744</b>	<b>41,428</b>	<b>32,787</b>	<b>31,582</b>	<b>36,947</b>
<b>Gold (000 oz)</b>						
Candelaria (100%)	21	76	13	21	21	21
Chapada	13	87	22	24	23	18
	<b>34</b>	<b>163</b>	<b>35</b>	<b>45</b>	<b>44</b>	<b>39</b>
<b>Nickel (tonnes)</b>						
Eagle	5,354	16,718	4,909	4,854	3,380	3,575
<b>Lead (tonnes)</b>						
Neves-Corvo	1,073	5,108	1,321	760	1,559	1,468
Zinkgruvan	4,709	24,128	6,745	5,571	3,799	8,013
	<b>5,782</b>	<b>29,236</b>	<b>8,066</b>	<b>6,331</b>	<b>5,358</b>	<b>9,481</b>
<b>Silver (000 oz)</b>						
Candelaria (100%)	280	1,074	155	283	305	331
Chapada	50	242	55	61	69	57
Eagle	30	140	37	33	35	35
Neves-Corvo	345	1,557	420	281	479	377
Zinkgruvan	420	2,064	514	499	389	662
	<b>1,125</b>	<b>5,077</b>	<b>1,181</b>	<b>1,157</b>	<b>1,277</b>	<b>1,462</b>

## Cash Cost Overview<sup>1</sup>

	Three months ended March 31,	
	2021	2020
<b>Candelaria (cost/lb Cu)</b>		
Gross cost	1.95	1.57
By-product <sup>1</sup>	(0.30)	(0.26)
<b>Net Cash Cost</b>	<b>1.65</b>	<b>1.31</b>
<b>All-in Sustaining Cost<sup>2</sup></b>	<b>2.59</b>	<b>2.26</b>
<b>Chapada (cost/lb Cu)</b>		
Gross cost	2.44	2.06
By-product	(1.11)	(1.14)
<b>Net Cash Cost</b>	<b>1.33</b>	<b>0.92</b>
<b>All-in Sustaining Cost</b>	<b>2.11</b>	<b>1.22</b>
<b>Eagle (cost/lb Ni)</b>		
Gross cost	3.74	5.14
By-product	(5.36)	(3.71)
<b>Net Cash Cost</b>	<b>(1.62)</b>	<b>1.43</b>
<b>All-in Sustaining Cost</b>	<b>(0.17)</b>	<b>3.50</b>
<b>Neves-Corvo (cost/lb Cu)</b>		
Gross cost	4.39	3.33
By-product	(1.78)	(1.09)
<b>Net Cash Cost</b>	<b>2.61</b>	<b>2.24</b>
<b>All-in Sustaining Cost</b>	<b>3.38</b>	<b>3.28</b>
<b>Zinkgruvan (cost/lb Zn)</b>		
Gross cost	1.03	0.87
By-product	(0.27)	(0.36)
<b>Net Cash Cost</b>	<b>0.76</b>	<b>0.51</b>
<b>All-in Sustaining Cost</b>	<b>1.10</b>	<b>0.79</b>

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

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 22 of this MD&A for discussion of non-GAAP measures.

## Capital Expenditures<sup>1,2</sup>

(\$ thousands)	Three months ended March 31,							
	2021				2020			
	Sustaining	Expansionary	Capitalized Interest	Total	Sustaining	Expansionary	Capitalized Interest	Total
Candelaria	70,742	-	-	<b>70,742</b>	76,580	-	-	76,580
Chapada	8,970	-	-	<b>8,970</b>	3,724	-	-	3,724
Eagle	3,529	-	-	<b>3,529</b>	5,431	-	-	5,431
Neves-Corvo	8,946	9,483	336	<b>18,765</b>	15,801	30,946	451	47,198
Zinkgruvan	10,411	-	-	<b>10,411</b>	7,934	-	-	7,934
Other	46	-	-	<b>46</b>	199	-	-	199
	<b>102,644</b>	<b>9,483</b>	<b>336</b>	<b>112,463</b>	<b>109,669</b>	<b>30,946</b>	<b>451</b>	<b>141,066</b>

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

2. Sustaining and expansionary capital expenditures are non-GAAP measures – see page 22 of this MD&A for discussion of non-GAAP measures.

## Candelaria (Chile)

### Operating Statistics

(100% Basis)	2021	2020				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	5,595	29,739	3,596	8,977	9,085	8,081
Ore milled (000s tonnes)	6,933	22,858	4,007	7,040	6,104	5,707
Grade						
Copper (%)	0.53	0.60	0.53	0.55	0.62	0.67
Gold (g/t)	0.13	0.14	0.13	0.13	0.14	0.15
Recovery						
Copper (%)	93.1	93.4	92.6	92.6	93.5	94.7
Gold (%)	74.7	74.9	75.1	75.1	74.0	73.0
Production (contained metal)						
Copper (tonnes)	34,203	126,702	19,509	35,836	35,060	36,297
Gold (000 oz)	21	76	13	21	21	21
Silver (000 oz)	280	1,074	155	283	305	331
Revenue (\$000s)	351,990	875,348	166,827	280,417	255,132	172,972
Gross profit (loss) (\$000s)	141,797	170,624	27,354	88,511	71,544	(16,785)
Cash cost (\$ per pound)	1.65	1.45	2.17	1.37	1.36	1.31
AISC (\$ per pound)	2.59	2.29	3.24	2.05	2.10	2.26

### Gross Profit (Loss)

Candelaria recognized \$158.6 million higher gross profit for the three months ended March 31, 2021 compared to the prior year quarter as a result of higher realized metal prices and price adjustments in the current period.

### Production

Copper production for the current quarter was lower than the comparable quarter in 2020 despite higher mill throughput. This was the result of a delay in mine sequencing following the work stoppage during the fourth quarter of 2020. Higher tonnage and grades are expected from this area later in the year. Ore milled was in-line with plan, including the impact of mill maintenance completed in February 2021. Gold production was comparable to the prior year quarter.

### Cash Costs

Copper cash costs for the three months ended March 31, 2021 were \$0.34/lb higher than the prior year comparable period, due largely to lower sales volumes, as well as the impact of unfavourable foreign exchange (\$0.09/lb). Cash costs were better than plan and are forecast to improve as metal production increases throughout the year.

All-in sustaining costs were higher than the prior year comparable quarter due to higher cash costs.

Approximately 14,000 oz of gold and 185,000 oz of silver were subject to terms of a streaming agreement in which \$416/oz and \$4.16/oz were received for gold and silver, respectively.

## Chapada (Brazil)

### Operating Statistics

(100% Basis)	2021	2020				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	6,497	29,386	5,575	7,831	7,528	8,452
Ore milled (000s tonnes)	5,843	19,192	3,618	4,808	5,278	5,488
Grade						
Copper (%)	0.23	0.30	0.35	0.31	0.30	0.27
Gold (g/t)	0.15	0.24	0.30	0.25	0.23	0.20
Recovery						
Copper (%)	72.1	86.2	90.7	87.7	86.1	80.9
Gold (%)	46.2	59.7	64.6	62.7	60.0	51.0
Production (contained metal)						
Copper (tonnes)	9,841	50,038	11,368	12,990	13,799	11,881
Gold (000 oz)	13	87	22	24	23	18
Silver (000 oz)	50	242	55	61	69	57
Revenue (\$000s)	86,218	445,399	133,567	113,586	114,125	84,121
Gross profit (\$000s)	39,312	228,541	84,830	62,558	59,320	21,833
Cash cost (\$ per pound)	1.33	0.29	(0.18)	0.21	0.21	0.92
AISC (\$ per pound)	2.11	0.84	0.82	0.73	0.64	1.22

### Gross Profit

Gross profit for the three months ended March 31, 2021 was higher than the prior year comparable quarter primarily due to higher realized metal prices and price adjustments as well as the positive effects of foreign exchange, partially offset by lower sales volumes.

### Production

Copper and gold production for the first quarter of 2021 was lower than the prior year quarter largely attributable to planned lower grades and more ore than planned sourced from the stockpile due to heavy rains during the quarter. Lower recoveries during the current quarter were a result of the mill feed blend including a proportion of weathered ores. Total ore processed in the quarter was the second highest level since acquisition.

### Cash Costs

Copper cash costs for the quarter ended March 31, 2021 were higher than the comparable quarter in 2020. The increase was largely attributable to higher per unit costs resulting from lower sales volumes, partially offset by favourable foreign exchange effects in the current quarter. A shipment of concentrate (approximately 5,800 dry metric tonnes) planned for late in the current quarter was delayed to the second quarter. Operating costs in aggregate, and on a per tonne milled unit basis, were better than planned.

AISC was higher than the prior year quarter due to higher cash costs and higher capital spending.

### Projects

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

During the current quarter approximately 10,800 metres of drilling was completed. Chapada participated in an auction of government held exploration claims and were successful in increasing our near mine district position by 80% of current holding. This offers opportunity for further exploration of district continuity of mineralization.

## Eagle (USA)

### Operating Statistics

	2021	2020				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	186	758	204	180	185	189
Ore milled (000s tonnes)	186	761	205	179	183	194
Grade						
Nickel (%)	3.3	2.6	2.8	3.2	2.2	2.2
Copper (%)	3.0	2.5	2.6	2.9	2.3	2.4
Recovery						
Nickel (%)	86.1	83.9	84.4	84.3	82.5	83.9
Copper (%)	97.5	96.7	96.7	97.2	96.6	96.3
Production (contained metal)						
Nickel (tonnes)	5,354	16,718	4,909	4,854	3,380	3,575
Copper (tonnes)	5,391	18,663	5,128	5,055	4,102	4,378
Revenue (\$000s)	118,868	294,280	102,940	91,314	52,689	47,337
Gross profit (loss) (\$000s)	58,304	77,413	45,805	36,634	3,762	(8,788)
Cash cost (\$ per pound)	(1.62)	0.10	(0.89)	(0.63)	1.13	1.43
AISC (\$ per pound)	(0.17)	1.51	0.32	0.54	2.48	3.50

### Gross Profit (Loss)

Gross profit for the three months ended March 31, 2021 was higher than the gross loss recorded in the prior year comparable period by \$67.1 million. Higher sales volumes as well as higher realized metal prices and price adjustments were the primary drivers of the increase in the current quarter.

### Production

Nickel and copper production in the current quarter were higher than production in the first quarter of 2020 benefitting from planned higher grades and recoveries resulting from an increased proportion of mining in the high-grade Eagle East orebody. Annual nickel production guidance has been increased reflecting the excellent performance in the current quarter.

### Cash Costs

Nickel cash costs for the three months ended March 31, 2021 were significantly lower than the prior year quarter largely due to higher volumes as well as higher copper by-product credits (higher realized price and sales volumes). Eagle's full-year cash cost guidance has been improved to negative \$0.25/lb of nickel on the expectation of reduced per-unit operating costs and better by-product copper metal prices.

All-in sustaining costs for the quarter were lower than that reported in the comparable prior year period due to lower cash costs and less sustaining capital spend.

## Neves-Corvo (Portugal)

### Operating Statistics

	2021	2020				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	631	2,396	475	566	715	640
Ore mined, zinc (000 tonnes)	258	1,091	291	242	272	286
Ore milled, copper (000 tonnes)	620	2,427	489	565	734	639
Ore milled, zinc (000 tonnes)	255	1,106	296	240	286	284
Grade						
Copper (%)	1.5	1.7	1.5	1.5	1.8	1.8
Zinc (%)	7.4	8.1	7.5	8.4	8.5	8.0
Recovery						
Copper (%)	80.0	79.1	79.0	78.4	81.3	77.4
Zinc (%)	76.0	76.2	74.2	75.9	76.7	77.7
Production (contained metal)						
Copper (tonnes)	7,441	32,032	5,880	6,518	10,559	9,075
Zinc (tonnes)	14,710	69,143	16,750	15,459	18,986	17,948
Lead (tonnes)	1,073	5,108	1,321	760	1,559	1,468
Silver (000 oz)	345	1,557	420	281	479	377
Revenue (\$000s)	80,760	257,046	60,794	69,287	81,188	45,777
Gross profit (loss) (\$000s)	6,820	(13,993)	(3,320)	2,954	6,299	(19,926)
Cash cost (€ per pound)	2.17	1.84	2.37	1.69	1.58	2.03
Cash cost (\$ per pound)	2.61	2.09	2.85	1.97	1.75	2.24
AISC (\$ per pound)	3.38	3.16	5.35	2.93	2.32	3.28

### Gross Profit (Loss)

Neves-Corvo recorded a gross profit for the three months ended March 31, 2021 which was higher than the gross loss recorded in the comparable period in 2020 by \$26.7 million. Gross profit was positively impacted by higher realized metal prices and price adjustments, partially offset by lower sales volumes in the current year quarter.

### Production

Copper and zinc production for the three months ended March 31, 2021 was lower than the prior year quarter as a result of lower head grades and throughput. Zinc production was impacted early in the quarter in part due to rescheduled plant maintenance moved from late 2020, following which production returned to normal levels. Lower copper and zinc grades compared to last year's comparable quarter was primarily due to mine sequencing.

### Cash Costs

Copper cash costs for the quarter ended March 31, 2021 were higher than that of the corresponding prior year quarter as a result of higher per-unit production costs related to lower sales volumes in the current year period, as well as the impact of unfavourable foreign exchange rates (\$0.35/lb).

All-in sustaining costs were higher than the prior year comparable period as a result of higher cash costs partially offset by lower sustaining capital spending.

### Projects

ZEP officially restarted in January 2021, after proactive temporary suspension due to the COVID-19 pandemic. It is expected that the project construction will be substantially completed by the end of 2021 with the commencement of commissioning of the mine materials handling systems, paste fill plant expansion and associated reticulation network underground as well as the expanded zinc processing plant. Upgrades to the shaft are also planned for completion in the current year. Production ramp up to full production rates is scheduled for the first half of 2022.

Timing of an approximate three-week shaft shutdown, currently planned for the third quarter, is being reviewed in light of COVID-19 restrictions on international travel, which could affect the availability of shaft experts to be on site in Portugal.

Notwithstanding, project progress will continue to be dependent on any future effects of COVID-19 with government public health restrictions and recommendations. The Company continues to focus on the protection of its employees and contractors, while also trying to minimize any potential impact of COVID-19 restrictions.

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

## Zinkgruvan (Sweden)

### Operating Statistics

	2021	2020				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	<b>328</b>	1,208	323	282	279	324
Ore mined, copper (000 tonnes)	<b>43</b>	215	29	61	81	44
Ore milled, zinc (000 tonnes)	<b>334</b>	1,208	324	316	239	329
Ore milled, copper (000 tonnes)	<b>24</b>	181	-	62	98	21
Grade						
Zinc (%)	<b>6.3</b>	6.7	8.3	6.2	5.9	6.4
Lead (%)	<b>1.8</b>	2.5	2.7	2.3	2.0	2.9
Copper (%)	<b>2.2</b>	2.2	-	2.0	2.1	2.8
Recovery						
Zinc (%)	<b>88.8</b>	90.4	91.9	88.8	89.5	90.4
Lead (%)	<b>76.5</b>	79.5	78.5	77.0	78.1	83.0
Copper (%)	<b>89.5</b>	85.2	-	83.3	84.8	90.6
Production (contained metal)						
Zinc (tonnes)	<b>18,655</b>	73,601	24,678	17,328	12,596	18,999
Lead (tonnes)	<b>4,709</b>	24,128	6,745	5,571	3,799	8,013
Copper (tonnes)	<b>478</b>	3,346	-	1,045	1,765	536
Silver (000 oz)	<b>420</b>	2,064	514	499	389	662
Revenue (\$000s)	<b>43,642</b>	169,433	65,401	46,069	30,185	27,778
Gross profit (\$000s)	<b>7,317</b>	39,012	24,905	9,665	2,239	2,203
Cash cost (SEK per pound)	<b>6.43</b>	4.77	4.22	4.90	5.50	4.96
Cash cost (\$ per pound)	<b>0.76</b>	0.52	0.50	0.55	0.56	0.51
AISC (\$ per pound)	<b>1.10</b>	0.82	0.78	0.74	1.03	0.79

### Gross Profit

Gross profit for the three months ended March 31, 2021 was higher than the first quarter of 2020, due to higher realized metal prices and price adjustments.

### Production

Zinc production for the current quarter was comparable to the first quarter of 2020, with lead production in the current year impacted by lower grades. Higher mill throughput in the current year quarter was partially offset by lower than planned mill feed grades as a result of changes to the planned mine sequence. Zinc and lead mill feed grades are planned to increase over the course of the year considering the resequencing.

### Cash Costs

Zinc cash costs in the first quarter of 2021 were higher than the comparable prior year period as a result of lower by-product credits and the impact of unfavourable foreign exchange.

All-in sustaining cost was higher than the prior year comparable period, resulting from higher cash costs.

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

The average metal prices for copper, zinc and nickel for the first quarter of 2021 were higher than the average prices for the last quarter of 2020 by; 19% copper, 5% zinc and 10% nickel. The average gold metal price for the first quarter of 2021 was lower than the average price for the last quarter of 2020 by 4%. The prices for copper and zinc increased through the quarter while the price of nickel decreased through the quarter.

(Average LME Price)		Three months ended March 31,		
		2021	2020	Change
Copper	US\$/pound	3.86	2.56	51%
	US\$/tonne	8,504	5,637	
Zinc	US\$/pound	1.25	0.97	29%
	US\$/tonne	2,750	2,128	
Gold	US\$/ounce	1,794	1,583	13%
Nickel	US\$/pound	7.97	5.77	38%
	US\$/tonne	17,570	12,723	

LME inventories for copper, zinc and nickel all increased during the first quarter of 2021 by 30%, 34% and 6%, respectively.

During the first three months of 2021 the treatment charges (“TC”) and refining charges (“RC”) in the spot market for copper concentrates between miners and commodity traders decreased from an average spot TC during January of \$33 per dmt of concentrate and a spot RC of \$0.033 per lb of payable copper to a spot TC of \$21 per dmt of concentrate and a spot RC of \$0.021 per lb of payable copper during March 2021. Also, the spot terms at which Chinese copper smelters were prepared to buy decreased through the quarter from a TC of \$46 per dmt of concentrate and a RC of \$0.046 per payable lb of copper over January to a TC of \$32 per dmt of concentrate and a RC of \$0.032 per payable lb of copper at the end of March. The terms for annual contracts for copper concentrates for 2021 were reached in December 2020 at a TC of \$59.50 per dmt with a RC of \$0.0595 per payable lb of copper. This represents an improvement for the mines compared to the 2020 annual terms at a TC of \$62 per dmt of concentrates and a RC of \$0.062 per payable lb of copper.

The spot TC, delivered China, for zinc concentrates during the first three months of 2021 ranged from \$85 per dmt, flat, at the beginning of the year to \$70 per dmt, flat, by the end of the first quarter, on very limited activity. As of the beginning of April, a settlement in the negotiations between the mines and smelters for annual contracts for zinc concentrates was reported at \$159 per dmt, flat which represents a significant improvement in favour of the mines compared to the settlement for 2020 which was \$299.75 per dmt, flat.

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

## Liquidity and Capital Resources

As at March 31, 2021, the Company had cash and cash equivalents of \$181.3 million. With the ongoing COVID-19 pandemic, there is still uncertainty in the marketplace, as well as potential risks to production, supply chain, delivery of concentrates, commodity prices and many other variables. However, the Company continues to expect to be able to fund all its contractual commitments and obligations through operating cash flow generated, cash on hand and available debt facilities.

Cash flow from operations for the quarter ended March 31, 2021 was \$158.7 million, an increase of \$75.3 million in comparison to the \$83.4 million reported in the prior year comparable quarter. The increase was primarily attributable to higher gross profit (\$275.1 million) partially offset by the comparative change in non-cash working capital (\$176.7 million) and increase in cash tax paid.

Cash flow used in investing activities was comparable to the prior year comparable quarter. While capital expenditures were \$28.6 million lower in the current year, the prior year period included contingent consideration received of \$25.7 million.

Cash flow from financing activities decreased by \$170.4 million compared to the prior year comparable quarter which included net borrowings of \$176.4 million from the Company's credit facility and term loans.

### Capital Resources

As at March 31, 2021, the Company had \$188.0 million of debt and lease liabilities.

As at March 31, 2021, the Company had \$45.0 million drawn on its credit facility, \$105.0 million in outstanding term loans and \$7.3 million of equipment financing. The Company has approximately \$734.0 million available for drawdown on its credit facility.

During the first quarter of 2021, the Company did not purchase any shares under its Normal Course Issuer Bid (2020 Q1- 1.6 million shares, \$7.4 million consideration).

### Contractual Obligations, Commitments and Contingencies

The Company has contractual obligations and capital commitments as described in the Note 18 "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.

For details of the Company's financial instruments refer to Note 17 of the Company's Condensed Interim Consolidated Financial Statements.

### Sensitivities

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

### **Metal Prices**

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

<b>Metal</b>	<b>Payable Metal</b>	<b>Provisional price on March 31, 2021</b>	<b>Change</b>	<b>Effect on Revenue (\$millions)</b>
Copper	62,781 t	\$3.99/lb	+/- 10%	+/- \$55.2
Zinc	17,163 t	\$1.27/lb	+/- 10%	+/- \$4.8
Gold	34,228 oz	\$1,718/oz	+/- 10%	+/- \$5.9
Nickel	1,539 t	\$7.29/lb	+/- 10%	+/- \$2.5

### **Related Party Transactions**

The Company may enter 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 20 of the Company's March 31, 2021 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 March 31, 2021 Condensed Interim Consolidated Financial Statements.

## Non-GAAP Performance Measures

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

### Net Debt

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

(\$thousands)	March 31, 2021	December 31, 2020
Current portion of total debt and lease liabilities	120,480	116,942
Long-term debt and lease liabilities	67,490	86,106
	187,970	203,048
Deferred financing fees (netted in above)	1,462	1,622
	189,432	204,670
Cash and cash equivalents	(181,322)	(141,447)
<b>Net debt</b>	<b>8,110</b>	<b>63,223</b>

### Adjusted Operating Cash Flow and Adjusted Operating Cash Flow per Share

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

(\$thousands, except share and per share amounts)	Three months ended March 31,	
	2021	2020
Cash provided by operating activities	158,675	83,411
Changes in non-cash working capital items	121,170	(55,529)
Adjusted operating cash flow before changes in non-cash working capital items	279,845	27,882
Weighted average common shares outstanding	736,891,008	734,487,266
<b>Adjusted operating cash flow per share</b>	<b>0.38</b>	<b>0.04</b>

### Adjusted EBITDA, Adjusted Earnings (Loss) and Adjusted Earnings (Loss) per Share

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

As a result of a change in accounting policy, foreign currency translation differences on deferred tax liabilities and assets have been retrospectively restated. This change is described in Note 2 (iv) “Voluntary change in accounting policy” of the March 31, 2021 Condensed Interim Consolidated Financial Statements.

(\$thousands)	Three months ended March 31,	
	2021	2020
Net earnings (loss)	154,219	(113,568)
Add back:		
Depreciation, depletion and amortization	125,910	121,975
Finance income and costs	11,096	16,164
Income taxes	69,902	59,576
	361,127	84,147
Unrealized foreign exchange loss (gain)	962	(6,319)
Unrealized revaluation (gain) loss of derivative asset and liability	(7,103)	4,838
Unrealized revaluation (gain) loss of marketable securities	(549)	2,188
Project standby costs	-	2,512
Other	2	2,976
Total adjustments - EBITDA	(6,688)	6,195
<b>Adjusted EBITDA</b>	<b>354,439</b>	<b>90,342</b>

(\$thousands, except share and per share amounts)	Three months ended March 31,	
	2021	2020
Net earnings (loss) attributable to Lundin Mining shareholders	135,185	(111,485)
Add back:		
Total adjustments - EBITDA	(6,688)	6,195
Tax effect on adjustments	3,129	7,583
Effects of tax rate change on deferred tax balances	-	13,562
Deferred tax arising from foreign exchange on non-monetary balances	22,854	62,453
Deferred tax expense arising from foreign exchange translation	(9,946)	(18,955)
Other	(166)	-
Total adjustments	9,184	70,838
<b>Adjusted earnings (loss)</b>	<b>144,369</b>	<b>(40,647)</b>
Weighted average number of shares outstanding:		
Basic	736,891,008	734,487,266
Diluted	739,865,869	734,487,266
Basic and diluted earnings per share attributable to Lundin Mining shareholders:		
Net earnings (loss)	0.18	(0.15)
Total adjustments	0.02	0.09
<b>Adjusted earnings (loss) per share</b>	<b>0.20</b>	<b>(0.06)</b>

## Capital Expenditures

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

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

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

## Cash Cost per Pound

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

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

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

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

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

Three months ended March 31, 2021						
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Chapada (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):						
Tonnes	35,516	7,379	4,118	6,565	15,703	
Pounds (000s)	78,299	16,268	9,079	14,473	34,619	
Production costs						303,113
Less: Royalties and other						(6,505)
						296,608
Deduct: By-product credits						(125,380)
Add: Treatment and refining charges						28,993
Cash cost	129,071	21,699	(14,730)	37,753	26,428	200,221
<b>Cash cost per pound (\$/lb)</b>	<b>1.65</b>	<b>1.33</b>	<b>(1.62)</b>	<b>2.61</b>	<b>0.76</b>	
Add: Sustaining capital expenditure						
Royalties	-	2,073	6,846	704	-	
Interest expense	1,119	859	177	20	18	
Leases & other	2,056	669	2,591	1,546	1,381	
All-in sustaining cost	202,988	34,270	(1,587)	48,969	38,238	
<b>AISC per pound (\$/lb)</b>	<b>2.59</b>	<b>2.11</b>	<b>(0.17)</b>	<b>3.38</b>	<b>1.10</b>	

Three months ended March 31, 2020						
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Chapada (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):						
Tonnes	37,766	11,487	2,809	7,728	14,284	
Pounds (000s)	83,260	25,324	6,193	17,037	31,491	
Production costs						278,685
Less: Royalties and other						(9,872)
						268,813
Deduct: By-product credits						(103,260)
Add: Treatment and refining charges						29,575
Cash cost	108,680	23,276	8,871	38,160	16,141	195,128
<b>Cash cost per pound (\$/lb)</b>	<b>1.31</b>	<b>0.92</b>	<b>1.43</b>	<b>2.24</b>	<b>0.51</b>	
Add: Sustaining capital expenditure						
Royalties	-	2,238	4,863	412	-	
Interest expense	1,216	968	312	74	129	
Leases & other	1,761	712	2,199	1,470	773	
All-in sustaining cost	188,237	30,918	21,676	55,917	24,977	
<b>AISC per pound (\$/lb)</b>	<b>2.26</b>	<b>1.22</b>	<b>3.50</b>	<b>3.28</b>	<b>0.79</b>	

## **Managing Risks**

### **Risks and Uncertainties**

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

The global COVID-19 pandemic, and the emergence of successive waves of outbreak and more virulent strains of the virus continues to affect the jurisdictions in which the Company operates.

For a detailed discussion on Lundin Mining's risks, refer to the "Risks and Uncertainties" section of the Company's most recently filed Annual Information Form ("AIF").

## **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 March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

## **Outstanding Share Data**

As at April 28, 2021, the Company has 738,356,011 common shares issued and outstanding, and 9,683,292 stock options and 2,629,250 share units outstanding under the Company's incentive plans.

### **Other Information**

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

Condensed Interim Consolidated Financial Statements of

# **Lundin Mining Corporation**

March 31, 2021  
(Unaudited)

**LUNDIN MINING CORPORATION**

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands of US dollars)

	As at	
	March 31, 2021	December 31, 2020
<b>ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 181,322	\$ 141,447
Trade and other receivables (Note 4)	467,098	360,557
Income taxes receivable	65,809	61,416
Inventories (Note 5)	250,897	254,044
Other current assets	13,259	20,462
<b>Total current assets</b>	<b>978,385</b>	<b>837,926</b>
Restricted funds	54,748	56,611
Long-term inventory (Note 5)	711,007	692,362
Other non-current assets	8,593	9,699
Mineral properties, plant and equipment (Note 6)	5,008,807	5,125,611
Investment in associate	22,715	22,342
Deferred tax assets	58,385	62,743
Goodwill	246,456	251,183
	<b>6,110,711</b>	<b>6,220,551</b>
<b>Total assets</b>	<b>\$ 7,089,096</b>	<b>\$ 7,058,477</b>
<b>LIABILITIES</b>		
Trade and other payables (Note 7)	\$ 345,428	\$ 317,029
Income taxes payable	48,279	69,738
Current portion of debt and lease liabilities (Note 8)	120,480	116,942
Current portion of deferred revenue (Note 9)	82,568	80,832
Current portion of reclamation and other closure provisions (Note 10)	5,800	2,844
<b>Total current liabilities</b>	<b>602,555</b>	<b>587,385</b>
Debt and lease liabilities (Note 8)	67,490	86,106
Deferred revenue (Note 9)	645,798	658,734
Reclamation and other closure provisions (Note 10)	397,173	441,401
Other long-term liabilities	68,300	76,000
Provision for pension obligations	8,341	11,219
Deferred tax liabilities	725,832	701,103
	<b>1,912,934</b>	<b>1,974,563</b>
<b>Total liabilities</b>	<b>2,515,489</b>	<b>2,561,948</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 11)	4,217,654	4,201,277
Contributed surplus	49,702	52,098
Accumulated other comprehensive loss	(233,450)	(177,215)
Retained earnings (deficit)	2,067	(98,231)
Equity attributable to Lundin Mining Corporation shareholders	4,035,973	3,977,929
Non-controlling interests	537,634	518,600
	<b>4,573,607</b>	<b>4,496,529</b>
	<b>\$ 7,089,096</b>	<b>\$ 7,058,477</b>
Commitments and contingencies (Note 18)		

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

## LUNDIN MINING CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

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

	Three months ended March 31,	
	2021	2020 <sup>1</sup>
Revenue (Note 12)	\$ 681,478	\$ 377,985
Cost of goods sold		
Production costs (Note 13)	(303,113)	(278,685)
Depreciation, depletion and amortization	(125,910)	(121,975)
Gross profit (loss)	252,455	(22,675)
General and administrative expenses	(13,094)	(11,944)
General exploration and business development	(9,762)	(13,215)
Finance income (Note 15)	569	371
Finance costs (Note 15)	(11,665)	(16,535)
Income (loss) from equity investment in associate	373	(84)
Other income (Note 16)	5,245	10,090
Earnings (loss) before income taxes	224,121	(53,992)
Current tax expense	(37,480)	(26,163)
Deferred tax expense	(32,422)	(33,413)
Net earnings (loss)	\$ 154,219	\$ (113,568)
<b>Net earnings (loss) attributable to:</b>		
Lundin Mining Corporation shareholders	\$ 135,185	\$ (111,485)
Non-controlling interests	19,034	(2,083)
Net earnings (loss)	\$ 154,219	\$ (113,568)
Basic and diluted earnings (loss) per share attributable to Lundin Mining Corporation shareholders	\$ 0.18	\$ (0.15)
Weighted average number of shares outstanding (Note 11)		
Basic	736,891,008	734,487,266
Diluted	739,865,869	734,487,266

<sup>1</sup>Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iii).

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

**LUNDIN MINING CORPORATION**

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

(Unaudited - in thousands of US dollars)

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Net earnings (loss)	\$ 154,219	\$ (113,568)
<b>Other comprehensive income (loss), net of taxes</b>		
Item that may be reclassified subsequently to net earnings (loss):		
Effects of foreign exchange	(56,235)	(32,851)
<b>Other comprehensive loss</b>	<b>(56,235)</b>	<b>(32,851)</b>
<b>Total comprehensive income (loss)</b>	<b>\$ 97,984</b>	<b>\$ (146,419)</b>
<b>Comprehensive income (loss) attributable to:</b>		
Lundin Mining Corporation shareholders	\$ 78,950	\$ (144,336)
Non-controlling interests	19,034	(2,083)
<b>Total comprehensive income (loss)</b>	<b>\$ 97,984</b>	<b>\$ (146,419)</b>

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

## LUNDIN MINING CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings (deficit)	Non- controlling interests	Total
Balance, December 31, 2020	736,039,350	\$ 4,201,277	\$ 52,098	\$ (177,215)	\$ (98,231)	\$ 518,600	\$ 4,496,529
Exercise of share-based awards	2,211,161	16,377	(6,019)	-	-	-	10,358
Share-based compensation	-	-	3,623	-	-	-	3,623
Dividends declared (Note 11(c))	-	-	-	-	(34,887)	-	(34,887)
Net earnings	-	-	-	-	135,185	19,034	154,219
Other comprehensive loss	-	-	-	(56,235)	-	-	(56,235)
Total comprehensive (loss) income	-	-	-	(56,235)	135,185	19,034	97,984
<b>Balance, March 31, 2021</b>	<b>738,250,511</b>	<b>\$ 4,217,654</b>	<b>\$ 49,702</b>	<b>\$ (233,450)</b>	<b>\$ 2,067</b>	<b>\$ 537,634</b>	<b>\$ 4,573,607</b>
Balance, December 31, 2019	734,233,642	\$ 4,184,667	\$ 51,339	\$ (284,649)	\$ (178,298)	\$ 524,341	\$ 4,297,400
Exercise of share-based awards	932,405	5,251	(3,194)	-	-	-	2,057
Share-based compensation	-	-	2,989	-	-	-	2,989
Dividends declared	-	-	-	-	(22,139)	-	(22,139)
Share purchase	(1,591,600)	(6,924)	-	-	(503)	-	(7,427)
Net loss	-	-	-	-	(111,485)	(2,083)	(113,568)
Other comprehensive loss	-	-	-	(32,851)	-	-	(32,851)
Total comprehensive loss	-	-	-	(32,851)	(111,485)	(2,083)	(146,419)
Balance, March 31, 2020	733,574,447	\$ 4,182,994	\$ 51,134	\$ (317,500)	\$ (312,425)	\$ 522,258	\$ 4,126,461

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)

<b>Cash provided by (used in)</b>	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020<sup>1</sup></b>
<b>Operating activities</b>		
Net earnings (loss)	\$ 154,219	\$ (113,568)
Items not involving cash and other adjustments		
Depreciation, depletion and amortization	125,910	121,975
Share-based compensation	3,623	2,989
Foreign exchange loss (gain)	962	(6,319)
Finance costs, net (Note 15)	11,096	16,164
Recognition of deferred revenue (Note 9)	(17,643)	(18,004)
Deferred tax expense	32,422	33,413
(Income) loss from equity investment in associate	(373)	84
Revaluation of derivative liability (Note 16)	(7,103)	4,838
Revaluation of marketable securities (Note 16)	(549)	2,188
Other	(3,840)	3,036
Reclamation payments (Note 10)	(342)	(655)
Other payments	(1,347)	(460)
Changes in long-term inventory	(17,190)	(17,799)
Changes in non-cash working capital items (Note 21)	(121,170)	55,529
	<b>158,675</b>	<b>83,411</b>
<b>Investing activities</b>		
Investment in mineral properties, plant and equipment	(112,463)	(141,066)
Contingent consideration received	-	25,714
Interest received	76	378
Other	873	621
	<b>(111,514)</b>	<b>(114,353)</b>
<b>Financing activities</b>		
Interest paid	(2,495)	(3,564)
Principal payments of lease liabilities	(3,736)	(3,570)
Principal repayments of debt (Note 8)	(27,790)	(30,626)
Proceeds from debt (Note 8)	17,171	207,005
Share purchase (Note 11)	-	(7,427)
Proceeds from common shares issued	10,358	2,057
	<b>(6,492)</b>	<b>163,875</b>
Effect of foreign exchange on cash balances	(794)	(16,576)
Increase in cash and cash equivalents during the period	<b>39,875</b>	<b>116,357</b>
Cash and cash equivalents, beginning of period	<b>141,447</b>	<b>250,563</b>
Cash and cash equivalents, end of period	\$ <b>181,322</b>	\$ <b>366,920</b>
Supplemental cash flow information (Note 21)		

<sup>1</sup>Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iii).

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

# LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2021 and 2020

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

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## 1. NATURE OF OPERATIONS

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

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

## 2. BASIS OF PRESENTATION AND 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, 2020.

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

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

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

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on April 28, 2021.

### (ii) 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, 2020 except as noted below.

#### *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)*

In 2020, the IASB published *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)* ("IAS 16 amendments") which applies to annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company has elected to early adopt these IAS 16 amendments effective January 1, 2021 and has applied the IAS 16 amendments retrospectively.

## LUNDIN MINING CORPORATION

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These IAS 16 amendments prohibit the deduction from the cost of an item of property, plant and equipment any net proceeds received from the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the Company recognizes the proceeds from the sale of such items, and the cost of producing those items in the Statement of Earnings. There was no impact to the current period or comparative periods presented as a result of the IAS 16 amendments.

### *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)*

In 2020, the IASB published *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)* ("Phase 2 amendments") to address the financial reporting impacts of replacing one benchmark interest rate with an alternative rate. The Phase 2 amendments provide a practical expedient to ease the potential burden of accounting for changes in contractual cash flows and include disclosure requirements at the time of benchmark interest rate replacement. The Company has adopted these Phase 2 amendments effective January 1, 2021 and has applied the Phase 2 amendments retrospectively. There was no impact to the current period or comparative periods presented as a result of the Phase 2 amendments.

### **(iii) Voluntary change in accounting policy**

As disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2020, the Company elected to voluntarily change its accounting policy for foreign currency translation differences on deferred foreign tax liabilities and assets. The Company previously reported these translation gains and losses in other income and expense. The Company now reports these translation gains and losses in deferred tax expense/recovery. Management has applied the change in accounting retrospectively and the comparative information has been restated. The following is a summary of the impacts to the Consolidated Statements of Earnings and Cash Flows:

#### Reconciliation of the Consolidated Statements of Earnings:

<b>For the period ended March 31, 2020</b>	Previous accounting policy	Adjustments	Restated
Other income	\$ 29,045	\$ (18,955)	\$ 10,090
Loss before income taxes	(35,037)	(18,955)	(53,992)
Deferred tax expense	(52,368)	18,955	(33,413)
Net loss	(113,568)	-	(113,568)

#### Reconciliation of the Consolidated Statements of Cash Flows:

<b>For the period ended March 31, 2020</b>	Previous accounting policy	Adjustments	Restated
Foreign exchange gain	\$ (25,274)	\$ 18,955	\$ (6,319)
Deferred tax expense	52,368	(18,955)	33,413
Cash provided by operating activities	83,411	-	83,411

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

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2020.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2021 and 2020

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

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	March 31, 2021	December 31, 2020
Cash	\$ 150,206	\$ 127,033
Short-term deposits	31,116	14,414
	<b>\$ 181,322</b>	<b>\$ 141,447</b>

### 4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	March 31, 2021	December 31, 2020
Trade receivables	\$ 386,955	\$ 271,113
Value added tax	24,719	38,631
Prepaid expenses	29,546	25,860
Other receivables	25,878	24,953
	<b>\$ 467,098</b>	<b>\$ 360,557</b>

### 5. INVENTORIES

Inventories are comprised of the following:

	March 31, 2021	December 31, 2020
Ore stockpiles	\$ 53,099	\$ 66,312
Concentrate stockpiles	63,012	60,758
Materials and supplies	134,786	126,974
	<b>\$ 250,897</b>	<b>\$ 254,044</b>

Long-term inventory is comprised of ore stockpiles. As at March 31, 2021, the Company had \$407.3 million (December 31, 2020 - \$401.3 million) and \$303.7 million (December 31, 2020 - \$291.1 million) of long-term ore stockpiles at Candelaria and Chapada, respectively.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2021 and 2020

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

### 6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

Cost	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2019	\$ 4,647,606	\$ 2,981,865	\$ 427,637	\$ 8,057,108
Additions	29,931	4,096	70,116	104,143
Disposals and transfers	2,995	68,071	(71,777)	(711)
Effects of foreign exchange	(62,932)	(25,662)	(6,856)	(95,450)
As at March 31, 2020	4,617,600	3,028,370	419,120	8,065,090
Additions	158,145	35,994	161,893	356,032
Disposals and transfers	47,592	118,068	(195,420)	(29,760)
Effects of foreign exchange	236,456	97,942	36,104	370,502
As at December 31, 2020	5,059,793	3,280,374	421,697	8,761,864
Additions	22,111	3,750	53,781	79,642
Disposals and transfers	1,201	44,992	(47,630)	(1,437)
Effects of foreign exchange	(91,694)	(40,150)	(14,537)	(146,381)
<b>As at March 31, 2021</b>	<b>\$ 4,991,411</b>	<b>\$ 3,288,966</b>	<b>\$ 413,311</b>	<b>\$ 8,693,688</b>

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2019	\$ 1,955,156	\$ 1,036,396	\$ -	\$ 2,991,552
Depreciation	85,631	50,084	-	135,715
Disposals and transfers	-	(296)	-	(296)
Effects of foreign exchange	(40,524)	(12,837)	-	(53,361)
As at March 31, 2020	2,000,263	1,073,347	-	3,073,610
Depreciation	234,152	154,261	-	388,413
Disposals and transfers	-	(24,073)	-	(24,073)
Effects of foreign exchange	147,950	50,353	-	198,303
As at December 31, 2020	2,382,365	1,253,888	-	3,636,253
Depreciation	71,039	54,971	-	126,010
Disposals and transfers	-	(429)	-	(429)
Effects of foreign exchange	(56,449)	(20,504)	-	(76,953)
<b>As at March 31, 2021</b>	<b>\$ 2,396,955</b>	<b>\$ 1,287,926</b>	<b>\$ -</b>	<b>\$ 3,684,881</b>

Net book value	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2020	\$ 2,677,428	\$ 2,026,486	\$ 421,697	\$ 5,125,611
<b>As at March 31, 2021</b>	<b>\$ 2,594,456</b>	<b>\$ 2,001,040</b>	<b>\$ 413,311</b>	<b>\$ 5,008,807</b>

During the three months ended March 31, 2021, the Company capitalized \$3.9 million (Q1 2020 - \$3.1 million) of finance costs to assets under construction, at a weighted average interest rate of 4.5% (Q1 2020 - 4.4%).

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2021 and 2020

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

During the three months ended March 31, 2021, the Company capitalized \$42.7 million (Q1 2020 - \$33.9 million) of deferred stripping costs to mineral properties. The depreciation expense related to deferred stripping for the current quarter was \$28.4 million (Q1 2020 - \$41.0 million). Included in the mineral properties balance at March 31, 2021 is \$333.7 million (December 31, 2020 - \$292.7 million) related to deferred stripping at Candelaria and \$68.4 million (December 31, 2020 - \$88.0 million) related to underground development of the Zinc Expansion Project at the Neves-Corvo mine, which are currently non-depreciable.

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

Right-of-use assets within plant and equipment	Net book value
As at December 31, 2019	\$ 44,364
Additions	3,595
Depreciation	(3,512)
Effects of foreign exchange	(530)
As at March 31, 2020	43,917
Additions	6,415
Depreciation	(12,092)
Disposals	(1,052)
Effects of foreign exchange	1,682
As at December 31, 2020	38,870
Additions	375
Depreciation	(4,366)
Effects of foreign exchange	(571)
<b>As at March 31, 2021</b>	<b>\$ 34,308</b>

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

## 7. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	March 31, 2021	December 31, 2020
Trade payables	\$ 120,201	\$ 126,044
Unbilled goods and services	76,556	66,411
Employee benefits payable	64,216	71,943
Chapada derivative liability - current portion	24,998	24,958
Dividends payable	35,226	-
Royalties payable	10,003	8,630
Prepayment from customers	2,868	2,543
Other	11,360	16,500
	<b>\$ 345,428</b>	<b>\$ 317,029</b>

The long-term portion of the derivative liability related to the Chapada acquisition of \$56.6 million (December 31, 2020 - \$63.7 million) is included in other long-term liabilities.

## LUNDIN MINING CORPORATION

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### 8. DEBT AND LEASE LIABILITIES

Debt and lease liabilities are comprised of the following:

	March 31, 2021	December 31, 2020
Revolving credit facility (a)	\$ 43,538	\$ 58,378
Term loans (b)	105,000	100,000
Lease liabilities (c)	32,115	36,312
Line of credit (d)	7,317	8,358
Debt and lease liabilities	187,970	203,048
Less: current portion	120,480	116,942
<b>Long-term portion</b>	<b>\$ 67,490</b>	<b>\$ 86,106</b>

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

	Leases	Debt	Total
As at December 31, 2019	\$ 42,616	\$ 265,933	\$ 308,549
Additions	2,996	207,005	210,001
Payments	(3,920)	(30,626)	(34,546)
Interest	350	-	350
Financing fee amortization	-	150	150
Effects of foreign exchange	(1,701)	(225)	(1,926)
As at March 31, 2020	40,341	442,237	482,578
Additions	6,645	179,546	186,191
Payments	(12,745)	(458,667)	(471,412)
Disposals	(1,091)	-	(1,091)
Interest	1,129	-	1,129
Financing fee amortization	-	466	466
Effects of foreign exchange	2,033	3,154	5,187
As at December 31, 2020	36,312	166,736	203,048
Additions	669	17,171	17,840
Payments	(4,067)	(27,790)	(31,857)
Interest	331	-	331
Financing fee amortization	-	160	160
Effects of foreign exchange	(1,130)	(422)	(1,552)
As at December 31, 2020	36,312	166,736	203,048
Additions	669	17,171	17,840
Payments	(4,067)	(27,790)	(31,857)
Interest	331	-	331
Financing fee amortization	-	160	160
Effects of foreign exchange	(1,130)	(422)	(1,552)
As at March 31, 2020	32,115	155,855	187,970
Less: current portion	12,794	107,686	120,480
<b>Long-term portion</b>	<b>\$ 19,321</b>	<b>\$ 48,169</b>	<b>\$ 67,490</b>

- a) The Company has a secured revolving credit facility of \$800.0 million with a \$200.0 million accordion option, maturing August 2023. The credit facility bears interest on drawn funds at rates of LIBOR +1.75% to LIBOR +2.75%, depending on the Company's net leverage ratio. The revolving credit facility is subject to customary covenants. During the first quarter of 2021, the Company repaid \$15.0 million. As at March 31, 2021, the balance outstanding was \$45.0 million (December 31, 2020 - \$60.0 million), along with letters of credit totalling \$21.1 million (SEK 162.0 million and €2.2 million) (December 31, 2020 - \$22.5 million). Deferred financing fees of \$1.5 million, at March 31, 2021, have been netted against borrowings (December 31, 2020 - \$1.6 million).

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2021 and 2020

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

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- b) At December 31, 2020, Candelaria had two outstanding unsecured fixed term loans in the amounts of \$80.0 million and \$20.0 million. These loans mature on July 27, 2021 and August 12, 2021, respectively, and accrue interest at a rate of 1.1% per annum, with interest payable upon maturity. The total balance outstanding remained unchanged as at March 31, 2021.

During the first quarter of 2021, Mineração Maracá Indústria e Comércio S/A, a subsidiary of the Company which owns the Chapada mine, obtained two unsecured fixed term loans, each in the amount of \$2.5 million. The first term loan accrues interest at a rate of 1.0% per annum, with interest payable upon maturity on May 10, 2021. The second term loan accrues interest at a rate of 1.1% per annum, with interest payable upon maturity on June 9, 2021. As at March 31, 2021, the total balance outstanding was \$5.0 million.

- c) Lease liabilities relate to leases on buildings, rail cars, vehicles, machinery and equipment which have remaining lease terms of one to fourteen years and interest rates of 0.8% - 7.1% over the terms of the leases.
- d) Sociedade Mineira de Neves-Corvo, S.A. ("Somincor"), a subsidiary of the Company which owns the Neves-Corvo mine, has a \$29.3 million (€25.0 million) line of credit for equipment financing. As at March 31, 2021, the balance outstanding was \$7.3 million (€6.2 million) (December 31, 2020 - \$8.4 million). Interest rates vary from a fixed rate of 0.88% to EURIBOR +0.84%, dependent on the piece of equipment, with the debt maturing throughout 2023 and 2024.
- e) Somincor has a commercial paper program which matures in October 2021. The \$35.2 million (€30.0 million) program bears interest at EURIBOR +0.84%. During the quarter, Somincor drew down \$12.2 million (€10.0 million) under this program and repaid the amount in full on February 26, 2021. There was no balance outstanding as at March 31, 2021.

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

	Leases		Debt		Total
Less than one year	\$	13,713	\$	107,686	\$ 121,399
One to five years		17,851		49,631	67,482
More than five years		2,661		-	2,661
<b>Total undiscounted obligations as at March 31, 2021</b>	<b>\$</b>	<b>34,225</b>	<b>\$</b>	<b>157,317</b>	<b>\$ 191,542</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2021 and 2020

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### 9. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2019	\$ 758,146
Recognition of revenue	(18,004)
Finance costs	10,290
Effects of foreign exchange	(4,058)
As at March 31, 2020	746,374
Recognition of revenue	(45,064)
Variable consideration adjustment	(3,354)
Finance costs	31,114
Effects of foreign exchange	10,496
As at December 31, 2020	739,566
Recognition of revenue	(17,643)
Finance costs	10,071
Effects of foreign exchange	(3,628)
As at March 31, 2021	728,366
Less: current portion	82,568
<b>Long-term portion</b>	<b>\$ 645,798</b>

Consideration from the Company's streaming agreements is considered variable. Gold, silver and copper revenue can be subject to cumulative adjustments when the volume to be delivered under the contracts changes. In 2020, as a result of changes to the Company's Mineral Resources and Mineral Reserves estimates, an adjustment was made to the deferred revenue liability which was recognized through revenue and finance costs.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

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### 10. RECLAMATION AND OTHER CLOSURE PROVISIONS

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

	Reclamation provisions	Other closure provisions	Total
Balance, December 31, 2019	\$ 343,112	\$ 40,672	\$ 383,784
Accretion	2,699	-	2,699
Changes in estimate	(26,666)	(15)	(26,681)
Changes in discount rate	2,186	-	2,186
Payments	(655)	-	(655)
Effects of foreign exchange	(3,795)	(3,539)	(7,334)
Balance, March 31, 2020	316,881	37,118	353,999
Accretion	7,664	-	7,664
Changes in estimate	45,451	2,132	47,583
Changes in discount rate	15,747	-	15,747
Payments	(1,927)	-	(1,927)
Effects of foreign exchange	16,022	5,157	21,179
Balance, December 31, 2020	399,838	44,407	444,245
Accretion	2,193	-	2,193
Changes in estimate	(2,008)	(531)	(2,539)
Changes in discount rate	(32,841)	-	(32,841)
Payments	(342)	-	(342)
Effects of foreign exchange	(7,282)	(461)	(7,743)
Balance, March 31, 2021	359,558	43,415	402,973
Less: current portion	5,800	-	5,800
<b>Long-term portion</b>	<b>\$ 353,758</b>	<b>\$ 43,415</b>	<b>\$ 397,173</b>

The Company expects these liabilities to be settled between 2021 and 2055. The provisions are discounted using current market pre-tax discount rates which range from 0.4% to 9.2% (December 31, 2020 - 0.1% to 7.2%).

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2021 and 2020

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

### 11. SHARE CAPITAL

a) Basic and diluted weighted average number of shares outstanding

	<u>Three months ended March 31,</u>	
	2021	2020
Basic weighted average number of shares outstanding	736,891,008	734,487,266
Effect of dilutive securities (i)	2,974,861	-
<b>Diluted weighted average number of shares outstanding</b>	<b>739,865,869</b>	<b>734,487,266</b>
Antidilutive securities	556,750	4,268,500

(i) As a result of the Company's net loss position for the three months ended March 31, 2020, 1,022,578 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

	<u>Three months ended March 31,</u>	
	2021	2020
Stock options	1,948,000	3,899,000
SUs	556,750	1,002,500

c) Dividends

During the three months ended March 31, 2021, the Company declared dividends in the amount of \$34.9 million (Q1 2020 - \$22.1 million) or C\$0.06 per share (Q1 2020 - C\$0.04) payable on April 14, 2021.

d) Normal course issuer bid

No common shares were purchased under the normal course issuer bid ("NCIB") during the three months ended March 31, 2021.

For the three months ended March 31, 2020, 1,591,600 shares were purchased under the NCIB at an average price of C\$6.24 per share for total consideration of \$7.4 million. All the common shares purchased were cancelled.

## LUNDIN MINING CORPORATION

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### 12. REVENUE

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

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers:		
Copper	\$ 448,897	\$ 307,530
Nickel	70,112	36,357
Zinc	54,853	40,465
Gold	47,314	56,341
Lead	9,494	9,983
Silver	9,145	7,652
Other	11,839	5,387
	<b>651,654</b>	<b>463,715</b>
Provisional pricing adjustments on concentrate sales	<b>29,824</b>	<b>(85,730)</b>
<b>Revenue</b>	<b>\$ 681,478</b>	<b>\$ 377,985</b>

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

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers:		
<b>Europe</b>		
Spain	\$ 115,848	\$ 100,418
Finland	57,352	29,638
Other	78,098	56,047
<b>Asia</b>		
Japan	164,057	130,794
China	55,411	56,014
Other	-	17,254
<b>Americas</b>		
Canada	112,759	63,088
Other	68,129	10,462
	<b>651,654</b>	<b>463,715</b>
Provisional pricing adjustments on concentrate sales	<b>29,824</b>	<b>(85,730)</b>
<b>Revenue</b>	<b>\$ 681,478</b>	<b>\$ 377,985</b>

## LUNDIN MINING CORPORATION

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### 13. PRODUCTION COSTS

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

	Three months ended March 31,	
	2021	2020
Direct mine and mill costs	\$ 272,936	\$ 248,913
Transportation	20,554	22,259
Royalties	9,623	7,513
<b>Total production costs</b>	<b>\$ 303,113</b>	<b>\$ 278,685</b>

### 14. EMPLOYEE BENEFITS

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

	Three months ended March 31,	
	2021	2020
Production costs		
Wages and benefits	\$ 74,772	\$ 58,824
Retirement benefits	387	771
Share-based compensation	600	761
	<b>75,759</b>	<b>60,356</b>
General and administrative expenses		
Wages and benefits	6,335	4,851
Retirement benefits	205	291
Share-based compensation	2,985	2,174
	<b>9,525</b>	<b>7,316</b>
General exploration and business development		
Wages and benefits	1,332	1,108
Retirement benefits	10	13
Share-based compensation	38	54
	<b>1,380</b>	<b>1,175</b>
<b>Total employee benefits</b>	<b>\$ 86,664</b>	<b>\$ 68,847</b>

## LUNDIN MINING CORPORATION

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### 15. FINANCE INCOME AND COSTS

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

	Three months ended March 31,	
	2021	2020
Interest income	\$ 72	\$ 371
Deferred revenue finance costs	(6,541)	(7,639)
Interest expense and bank fees	(2,600)	(2,920)
Accretion expense on reclamation provisions	(2,193)	(2,699)
Lease liability interest	(331)	(350)
Other	497	(2,927)
<b>Total finance costs, net</b>	<b>\$ (11,096)</b>	<b>\$ (16,164)</b>
<hr/>		
Finance income	\$ 569	\$ 371
Finance costs	(11,665)	(16,535)
<b>Total finance costs, net</b>	<b>\$ (11,096)</b>	<b>\$ (16,164)</b>

### 16. OTHER INCOME AND EXPENSE

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

	Three months ended March 31,	
	2021	2020 <sup>1</sup>
Foreign exchange gain	\$ 35	\$ 20,874
Revaluation of marketable securities	549	(2,188)
Revaluation of derivative liability	7,103	(4,838)
Other expense	(2,442)	(3,758)
<b>Total other income, net</b>	<b>\$ 5,245</b>	<b>\$ 10,090</b>

<sup>1</sup> Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iii).

## LUNDIN MINING CORPORATION

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### 17. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at March 31, 2021 and December 31, 2020:

	Level	March 31, 2021		December 31, 2020	
		Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>					
Fair value through profit or loss					
Restricted funds	1	\$ 54,748	\$ 54,748	\$ 56,611	\$ 56,611
Trade receivables (provisional)	2	369,631	369,631	234,979	234,979
Marketable securities	1	4,161	4,161	3,594	3,594
		<b>\$ 428,540</b>	<b>\$ 428,540</b>	<b>\$ 295,184</b>	<b>\$ 295,184</b>
<b>Financial liabilities</b>					
Amortized cost					
Debt	2	\$ 155,855	\$ 155,855	\$ 166,736	\$ 166,736
Fair value through profit or loss					
Chapada derivative liability (Note 7)	2	\$ 81,556	\$ 81,556	\$ 88,659	\$ 88,659

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

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

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

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

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

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

Trade receivables – The fair value of trade receivables that contain provisional pricing sales arrangements are valued using quoted forward market prices. The Company recognized positive pricing adjustments of \$29.8 million in revenue during the three months ended March 31, 2021 (Q1 2020 - \$85.7 million negative pricing adjustments).

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

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

## **LUNDIN MINING CORPORATION**

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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.

### **18. COMMITMENTS AND CONTINGENCIES**

- a) The Company has capital commitments of \$109.0 million on various initiatives, of which \$100.2 million is expected to be paid during 2021.
- b) The Company may be involved in legal proceedings arising in the ordinary course of business, including the action described below. The potential amount of the liability with respect to such legal proceedings is not expected to materially affect the Company's financial position.
- c) Significant changes to commitments and contingencies, since those reported at December 31, 2020, are described below:

On April 19, 2021, the Valparaíso Court of Appeals dismissed the appeal of the plaintiff Caldera fishermen and confirmed the lower court ruling that dismissed all claims. The plaintiff may seek leave to appeal to the Supreme Court of Chile.

### **19. SEGMENTED INFORMATION**

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

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### For the three months ended March 31, 2021

	<b>Candelaria</b>	<b>Chapada</b>	<b>Eagle</b>	<b>Neves-Corvo</b>	<b>Zinkgruvan</b>	<b>Other</b>	<b>Total</b>
	Chile	Brazil	USA	Portugal	Sweden		
Revenue	\$ 351,990	\$ 86,218	\$ 118,868	\$ 80,760	\$ 43,642	\$ -	\$ 681,478
Cost of goods sold							
Production costs	(136,941)	(38,980)	(40,260)	(60,699)	(25,592)	(641)	(303,113)
Depreciation, depletion and amortization	(73,252)	(7,926)	(20,304)	(13,241)	(10,733)	(454)	(125,910)
Gross profit (loss)	141,797	39,312	58,304	6,820	7,317	(1,095)	252,455
General and administrative expenses	-	-	-	-	-	(13,094)	(13,094)
General exploration and business development	(6,074)	(829)	-	(682)	(1,199)	(978)	(9,762)
Finance (costs) income	(7,586)	(4,294)	(263)	3,128	(874)	(1,207)	(11,096)
Income from equity investment in associate	-	-	-	-	-	373	373
Other income (expense)	30	4,433	(135)	(1,024)	816	1,125	5,245
Income tax (expense) recovery	(41,360)	(21,008)	(7,129)	740	(3,640)	2,495	(69,902)
<b>Net earnings (loss)</b>	<b>\$ 86,807</b>	<b>\$ 17,614</b>	<b>\$ 50,777</b>	<b>\$ 8,982</b>	<b>\$ 2,420</b>	<b>\$ (12,381)</b>	<b>\$ 154,219</b>
<b>Capital expenditures</b>	<b>\$ 70,742</b>	<b>\$ 8,970</b>	<b>\$ 3,529</b>	<b>\$ 18,765</b>	<b>\$ 10,411</b>	<b>\$ 46</b>	<b>\$ 112,463</b>

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### For the three months ended March 31, 2020<sup>1</sup>

	Candelaria Chile	Chapada Brazil	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Other	Total
Revenue	\$ 172,972	\$ 84,121	\$ 47,337	\$ 45,777	\$ 27,778	-	\$ 377,985
Cost of goods sold							
Production costs	(118,688)	(50,678)	(37,358)	(52,054)	(19,119)	(788)	(278,685)
Depreciation, depletion and amortization	(71,069)	(11,610)	(18,767)	(13,649)	(6,456)	(424)	(121,975)
Gross (loss) profit	(16,785)	21,833	(8,788)	(19,926)	2,203	(1,212)	(22,675)
General and administrative expenses	-	-	-	-	-	(11,944)	(11,944)
General exploration and business development	(4,663)	(794)	(96)	(1,172)	(3,832)	(2,658)	(13,215)
Finance costs	(7,897)	(4,042)	(422)	(526)	(905)	(2,372)	(16,164)
Loss from equity investment in associate	-	-	-	-	-	(84)	(84)
Other income (expense)	4,695	12,432	(544)	1,739	2,498	(10,730)	10,090
Income tax (expense) recovery	(2,727)	(57,258)	42	6,877	(2,712)	(3,798)	(59,576)
Net loss	\$ (27,377)	\$ (27,829)	\$ (9,808)	\$ (13,008)	\$ (2,748)	\$ (32,798)	\$ (113,568)
Capital expenditures	\$ 76,580	\$ 3,724	\$ 5,431	\$ 47,198	\$ 7,934	\$ 199	\$ 141,066

<sup>1</sup> Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iii).

## LUNDIN MINING CORPORATION

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### 20. RELATED PARTY TRANSACTIONS

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

	Three months ended March 31,	
	2021	2020
Wages and benefits	\$ 1,534	\$ 1,836
Pension benefits	48	41
Share-based compensation	1,621	1,160
	<u>\$ 3,203</u>	<u>\$ 3,037</u>

### 21. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended March 31,	
	2021	2020
Changes in non-cash working capital items consist of:		
Trade and income taxes receivable, inventories, and other current assets	\$ (108,594)	\$ 64,553
Trade and income taxes payable, and other current liabilities	(12,576)	(9,024)
	<u>\$ (121,170)</u>	<u>\$ 55,529</u>
Operating activities included the following cash payments:		
Income taxes paid	\$ 54,743	\$ 40,121