

# lundin mining

## Management's Discussion and Analysis For the three months ended March 31, 2016

---

This management's discussion and analysis ("MD&A") has been prepared as of April 27, 2016 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended March 31, 2016. 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, SEK is to Swedish krona and € refers to the Euro.

### **About Lundin Mining**

Lundin Mining Corporation ("Lundin", "Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations in Chile, the USA, Portugal, and Sweden, primarily producing copper, nickel and zinc. In addition, Lundin Mining holds a 24% equity stake in the world-class Tenke Fungurume ("Tenke") copper/cobalt mine in the Democratic Republic of Congo ("DRC") and in the Freeport Cobalt Oy business ("Freeport Cobalt"), which includes a cobalt refinery located in Kokkola, Finland.

### **Cautionary Statement on Forward-Looking Information**

*Certain of the statements made and information contained herein is "forward-looking information" within the meaning of applicable Canadian securities legislation. This report includes, but is not limited to, forward looking statements with respect to the Company's estimated annual metal production, cash costs, exploration expenditures and capital expenditures, as noted in the Outlook section and elsewhere in this document. These estimates and other forward-looking statements are based on a number of assumptions and are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to estimated operating and cash costs, foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; including risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, and commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed price of copper, nickel, zinc and other metals; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.*

## Table of Contents

Highlights .....	1
Financial Position and Financing.....	3
Outlook .....	4
Selected Quarterly Financial Information.....	5
Sales Overview.....	6
Financial Results .....	8
Mining Operations .....	10
Production Overview .....	10
Cash Cost Overview .....	11
Capital Expenditures.....	11
Candelaria .....	12
Eagle Mine .....	14
Neves-Corvo Mine .....	15
Zinkgruvan Mine .....	16
Tenke Fungurume.....	17
Exploration.....	19
Metal Prices, LME Inventories and Smelter Treatment and Refining Charges.....	19
Liquidity and Financial Condition.....	20
Related Party Transactions .....	22
Changes in Accounting Policies.....	23
Critical Accounting Estimates and Assumptions.....	23
Managing Risks .....	23
Outstanding Share Data.....	23
Non-GAAP Performance Measures .....	24
Management’s Report on Internal Controls.....	26
Other Supplementary Information .....	27

## Highlights

### Operational Performance

For the first quarter of 2016, production and cash costs<sup>1</sup> results were favourable as the Company continues with its production optimization and spending restraint measures, but financial results were negatively impacted by a lower metal price environment. The Company remains on track to meet or exceed full year guidance.

**Candelaria (80% owned):** The Candelaria operations produced, on a 100% basis, 41,507 tonnes of copper, and approximately 473,000 ounces of silver and 24,300 ounces of gold in concentrate. Copper production was 16% lower than the prior year comparable period due to lower head grades. Copper cash costs of \$1.22/lb for the quarter were in-line with the prior year, and better than full year guidance due to cost reduction plans, operational efficiencies, lower electricity and diesel prices, increased productivity, and higher sales volumes.

Early works on the Los Diques tailings project continues on schedule. Highlights during the quarter include approval from Sernageomin (Chile's National Geology and Mining Service) to reduce the existing dam freeboard to enable an extra year of tailings capacity while the Los Diques dam is completed. Approvals from Dirección General de Aguas ("DGA"), Chile's General Water Department, for the freeboard adjustment and main dam permitting are still pending.

An updated cost estimate has been prepared for the Los Diques project taking into account design development, excellent progress to date on early works construction, owner self-perform cost trends and other positive factors including weakness in the Chilean peso. The new cost target to complete the project is \$250 million (from January 1, 2016), a significant reduction from the original estimate of \$325 million. At March 31, 2016, \$225 million remains to be spent over the remainder of 2016 to 2018.

**Eagle (100% owned):** Eagle produced 5,968 tonnes of nickel and 6,240 tonnes of copper in the current quarter, lower than the prior year comparable period for both metals due to lower head grades as a result of planned mine sequencing. Nickel cash costs of \$1.61/lb for the quarter were higher than the comparable period in the prior year due to higher treatment costs and lower by-product credit prices, but were significantly better than full year guidance of \$2.25/lb due to high production rates and operating efficiency initiatives.

Drilling on Eagle East and other targets continued with seven rigs active on the property. The intent is to provide a maiden Inferred Mineral Resource prior to the end of the second quarter of 2016. In parallel, a Preliminary Economic Assessment is being completed to define access ramp and other resource exploitation concepts, and to support potential permitting and investment initiatives.

**Neves-Corvo (100% owned):** Neves-Corvo produced 13,745 tonnes of copper and 17,727 tonnes of zinc in the first quarter. Copper production was lower than the prior year comparable period due largely to lower recoveries, while zinc production in the quarter nominally exceeded the prior year comparable period. Copper cash costs of \$1.48/lb for the quarter were higher than the prior year comparable period, a result of lower copper metal sales due to lower copper production (\$0.08/lb) and lower by-product volumes and prices (\$0.03/lb), but were better than full year guidance of \$1.65/lb.

**Zinkgruvan (100% owned):** Zinkgruvan had one of its best production quarters on record. Zinc production in the first quarter of 2016 was 23% higher than the comparable period in 2015, while lead production was 46% higher than the 2015 comparable period. Production increases for both metals were due to higher mill throughput of zinc ore and higher head grades for both metals. Cash costs for zinc of \$0.36/lb for the quarter were better than both the prior year comparable period and full year guidance (\$0.45/lb).

Given positive trends in zinc price, together with Zinkgruvan's production and cash flow achievements, a decision was made to immediately remobilize the 1350 Zinc Expansion Project, a low cost (\$16 million) initiative to increase zinc production by 10%. This expansion is now expected to be commissioned by mid-2017.

<sup>1</sup> Cash cost per pound is a non-GAAP measure – see page 24 of this MD&A for discussion of non-GAAP measures.

**Aguablanca (100% owned):** In January 2016, the Company advised local authorities, employees and affected communities that, in light of the current market prices for nickel and copper and expectations of continued financial losses, the mine would be permanently closed. The Company continues to work with authorities to move the operation into active closure and begin site remediation immediately following receipt of necessary approvals.

**Tenke (24% owned):** Tenke operations continue to perform well, generally meeting expectations for the quarter. Lundin's attributable share of first quarter production included 11,988 tonnes of copper cathode and 1,032 tonnes of cobalt in hydroxide. The Company's attributable share of sales included 13,369 tonnes of copper at an average realized price of \$2.10/lb and 1,118 tonnes of cobalt, a quarterly record, at an average realized price of \$6.32/lb. Tenke's operating cash costs for the first quarter of 2016 were \$1.31/lb of copper sold, in-line with the latest guidance. Cash distributions received by Lundin Mining in the quarter from Tenke were \$0.8 million. An additional \$2.4 million was received from the Freeport Cobalt operations, for total Tenke related distributions to the Company of \$3.2 million for the first quarter of 2016.

**Total production, including attributable share of Candelaria (80%) and Tenke (24%):**

(tonnes)	2016	Total	2015			
	Q1		Q4	Q3	Q2	Q1
Copper	65,179	282,210	61,418	70,481	73,565	76,746
Zinc	40,383	145,372	39,535	32,821	37,259	35,757
Nickel	5,968	34,380	7,588	8,146	8,594	10,052

**Financial Performance**

- Operating earnings<sup>1</sup> for the quarter ended March 31, 2016 were \$151.7 million, a decrease of \$122.3 million in comparison to the first quarter of the prior year (\$274.0 million). The decrease was primarily due to lower metal prices, net of price adjustments (\$79.9 million), lower sales volumes (\$28.6 million), and the shutdown of the Aguablanca operations (\$17.0 million).
- Sales for the quarter ended March 31, 2016 were \$369.6 million, a decrease of \$161.9 million in comparison to the first quarter of the prior year. The decrease was again due to lower metal prices, net of price adjustments (\$79.9 million), lower sales volumes (\$52.9 million), and the shutdown of the Aguablanca operations (\$28.5 million).
- Operating costs (excluding depreciation) for the quarter ended March 31, 2016 were \$210.3 million, a decrease of \$40.3 million in comparison to the first quarter of the prior year. The decrease was largely due to lower sales volumes (\$24.3 million), the shutdown of the Aguablanca operations (\$11.5 million), and favourable foreign exchange rates (\$10.8 million).
- Depreciation, depletion and amortization expense for the quarter ended March 31, 2016 was \$119.6 million, a decrease of \$37.5 million in comparison to the \$157.1 million reported in 2015. The decrease was attributable to lower production in the current quarter at Candelaria and an increase in the Candelaria Mineral Resources & Reserves Estimate (\$23.7 million), and the shutdown of the Aguablanca operations (\$4.7 million). In addition, an impairment loss of \$62.9 million on Eagle mineral properties recognized in the fourth quarter of 2015, resulting in a lower asset base for depreciation, coupled with lower metal production at Eagle (\$6.9 million) also contributed to the decrease in depreciation.

<sup>1</sup> Operating earnings is a non-GAAP measure – see page 24 of this MD&A for discussion of non-GAAP measures.

- Cash flow from operations for the quarter ended March 31, 2016 was \$42.9 million, a decrease of \$181.1 million in comparison to the first quarter of the prior year (\$224.0 million). The decrease in cash flow is attributable to lower operating earnings in the current quarter (\$122.3 million) and changes in non-cash working capital and long-term inventory (\$60.6 million).
- Net loss for the quarter ended March 31, 2016 was \$15.5 million, a decrease of \$98.8 million in comparison to net earnings of \$83.3 million reported in 2015, negatively impacted by:
  - lower operating earnings (\$122.3 million); and
  - lower income from investment in Tenke (\$14.1 million); and
  - comparative foreign exchange losses (\$22.1 million); partially offset by
  - lower depreciation, depletion and amortization expense (\$37.5 million); and
  - lower net tax expense (\$26.8 million).

### **Corporate Highlights**

- On March 3, 2016, the Company announced that it had entered into an agreement with an affiliate of Freeport-McMoRan Inc. ("Freeport") to purchase an interest in their stake in the Timok project located in Serbia for total consideration of up to \$262.5 million.

The transaction was subject to Reservoir Mineral Inc.'s ("Reservoir") right of first offer ("ROFO"), as well as other customary closing conditions.

On April 25, 2016, Lundin Mining was advised by Freeport that Reservoir has provided notice that it is proceeding to exercise its ROFO.

### **Financial Position and Financing**

- Net debt<sup>1</sup> position at March 31, 2016 was \$438.1 million compared to \$441.3 million at December 31, 2015.
- Net debt remained relatively unchanged during the quarter as operating cash flows of \$42.9 million and distributions from Tenke and Freeport Cobalt totaling \$3.2 million were offset by investments in mineral properties, plant and equipment of \$47.5 million.
- The Company has a revolving credit facility available for borrowing up to \$350 million. As at March 31, 2016, the Company had no amount drawn on the credit facility. A letter of credit in the amount of \$19.9 million (SEK 162 million) is outstanding.
- Net debt at April 27, 2016 is approximately \$460 million.

<sup>1</sup> Net debt is a non-GAAP measure – see page 24 of this MD&A for discussion of non-GAAP measures.

## Outlook

### Market Conditions

Production optimization, cost saving and cost deferral programs remain in place, pending improvements in market conditions. As metal prices improve, spending restraint programs will be reassessed.

### 2016 Production and Cost Guidance

- Candelaria's copper production guidance has been increased to reflect higher throughput than planned over the first quarter and improved production expectations for the remainder of the year resulting from optimized pit and underground feed mine planning.
- Cash cost guidance at Candelaria, Eagle and Neves-Corvo have all been lowered reflecting modest improvements in by-product metal prices and benefits from cost saving initiatives.
- Guidance on Tenke's copper production and cash costs have been updated to reflect the most recent guidance from Freeport.

2016 Guidance (contained tonnes)		Previous Guidance <sup>a</sup>		Revised Guidance	
		Tonnes	C1 Cost	Tonnes	C1 Cost <sup>b</sup>
<b>Copper</b>	Candelaria (80%)	118,000 - 123,000	\$1.55/lb	<b>124,000 - 128,000</b>	<b>\$1.45/lb</b>
	Eagle	20,000 - 23,000		20,000 - 23,000	
	Neves-Corvo	50,000 - 55,000	\$1.65/lb	50,000 - 55,000	<b>\$1.60/lb</b>
	Zinkgruvan	3,500 - 4,000		<b>2,500 - 3,000</b>	
	Tenke (24%) <sup>c</sup>	54,000	\$1.32/lb	<b>52,800</b>	\$1.32/lb
	Total attributable	245,500 - 259,000		<b>249,300 - 261,800</b>	
<b>Nickel</b>	Eagle	21,000 - 24,000	\$2.25/lb	21,000 - 24,000	<b>\$2.00/lb</b>
<b>Zinc</b>	Neves-Corvo	65,000 - 70,000		65,000 - 70,000	
	Zinkgruvan	80,000 - 85,000	\$0.45/lb	80,000 - 85,000	\$0.45/lb
	Total	145,000 - 155,000		145,000 - 155,000	

a. Guidance as outlined in our Management's Discussion and Analysis for the year ended December 31, 2015.

b. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.10, USD/SEK:8.50, USD/CLP:690) and metal prices (forecast at Cu: \$2.10/lb, Ni: \$4.00/lb, Zn: \$0.75/lb, Pb: \$0.75/lb, Au: \$1,150/oz, Ag: \$15.00/oz). Prior guidance assumed an exchange rate of USD/CLP:700 and metal prices of Cu: \$2.05/lb, Ni: \$4.15/lb, Zn: \$0.70/lb, Pb: \$0.70/lb, and Au: \$1,100/oz.

c. Freeport has provided 2016 sales and cash costs guidance. Tenke's 2016 production is assumed to approximate sales guidance. Tenke's 2016 cash costs assume a cobalt price of \$10.00/lb.

### 2016 Capital Expenditure and Exploration Guidance

Capital and exploration (excluding Tenke) expenditures for 2016 are expected to be \$220 million and \$40 million, respectively, unchanged from guidance provided in the Management's Discussion and Analysis for the year ended December 31, 2015.

The Company estimates its share of sustaining capital funding for 2016 at Tenke to be \$25 million, unchanged from previous guidance. All of Tenke's capital expenditures and exploration programs are expected to be self-funded by cash flow from operations. The Company expects to receive cash distributions from Tenke in 2016 of approximately \$50 million to \$60 million, higher than previous guidance of \$30 million to \$40 million, as a result of modest increases in copper prices.

## Selected Quarterly Financial Information

	Three months ended	
	March 31, <sup>1</sup>	
	2016	2015
(\$ millions, except share and per share amounts)		
<b>Sales</b>	<b>369.6</b>	531.5
Operating costs	(210.3)	(250.6)
General and administrative expenses	(7.6)	(6.9)
<b>Operating earnings</b>	<b>151.7</b>	274.0
Depreciation, depletion and amortization	(119.6)	(157.1)
General exploration and business development	(12.8)	(11.9)
(Loss) income from equity investment in associates	(5.3)	11.6
Finance income and costs, net	(18.3)	(22.6)
Other income and expenses, net	(7.9)	19.4
<b>(Loss) earnings before income taxes</b>	<b>(12.2)</b>	113.4
Income tax expense	(3.3)	(30.1)
<b>Net (loss) earnings</b>	<b>(15.5)</b>	83.3
<b>Attributable to:</b> Lundin Mining Corporation shareholders	<b>(22.1)</b>	71.8
Non-controlling interests	6.6	11.5
<b>Net (loss) earnings</b>	<b>(15.5)</b>	83.3
<b>Cash flow from operations</b>	<b>42.9</b>	224.0
<b>Capital expenditures (including capitalized interest)</b>	<b>47.5</b>	63.9
<b>Total assets</b>	<b>6,789.6</b>	7,209.2
<b>Long-term debt and finance leases</b>	<b>980.8</b>	983.3
<b>Net debt</b>	<b>438.1</b>	649.2
<b>Shareholders' equity</b>	<b>4,268.2</b>	4,598.6
<b>Key Financial Data:</b>		
Basic and diluted (loss) earnings per share	(0.03)	0.10
attributable to shareholders (EPS)		
Operating cash flow per share <sup>2</sup>	0.12	0.31
Dividends	-	-
<b>Shares outstanding:</b>		
Basic weighted average	719,628,357	718,251,840
Diluted weighted average	719,628,357	719,698,156
End of period	719,632,457	718,388,673

(\$ millions, except per share data)	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14
<b>Sales</b>	369.6	316.0	353.2	501.3	531.5	443.0	166.6	191.8
<b>Operating earnings</b>	151.7	101.0	94.1	243.0	274.0	144.1	42.9	74.2
<b>Net (loss) earnings</b>	(15.5)	(383.5)	(35.3)	53.7	83.3	36.6	33.7	39.7
Attributable to shareholders	(22.1)	(377.7)	(34.6)	46.4	71.8	25.8	33.7	39.7
<b>EPS - Basic and Diluted</b>	(0.03)	(0.52)	(0.05)	0.06	0.10	0.04	0.06	0.07
<b>Cash flow from operations</b>	42.9	107.1	120.2	262.7	224.0	68.4	57.5	33.8
<b>Capital expenditures (incl. capitalized interest)</b>	47.5	62.0	73.0	78.8	63.9	101.2	128.7	99.3
<b>Net debt</b>	438.1	441.3	453.8	497.2	649.2	829.2	214.7	174.4

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

2. Operating cash flow per share is a non-GAAP measure – see page 24 of this MD&A for discussion of non-GAAP measures.

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

## Sales Overview

### Sales Volumes by Payable Metal

	2016 Q1	2015				
		Total	Q4	Q3	Q2	Q1
<b>Copper (tonnes)</b>						
Candelaria (100%)	41,316	176,133	38,619	42,345	44,588	50,581
Eagle	5,952	22,661	6,075	5,689	5,797	5,100
Neves-Corvo	13,271	54,104	12,675	11,662	14,631	15,136
Zinkgruvan	(22)	2,065	12	461	906	686
Aguablanca	nil	2,319	186	559	790	784
	60,517	257,282	57,567	60,716	66,712	72,287
<b>Nickel (tonnes)</b>						
Eagle	5,156	23,069	5,756	6,063	5,815	5,435
Aguablanca	nil	4,399	324	978	1,415	1,682
	5,156	27,468	6,080	7,041	7,230	7,117
<b>Zinc (tonnes)</b>						
Neves-Corvo	13,613	51,279	10,737	12,638	13,744	14,160
Zinkgruvan	19,248	70,550	20,931	17,243	17,711	14,665
	32,861	121,829	31,668	29,881	31,455	28,825
<b>Gold (000 oz)</b>						
Candelaria (100%)	23	95	20	23	25	27
	23	95	20	23	25	27
<b>Lead (tonnes)</b>						
Neves-Corvo	753	2,767	387	174	1,134	1,072
Zinkgruvan	10,205	32,093	10,475	8,991	4,999	7,628
	10,958	34,860	10,862	9,165	6,133	8,700
<b>Silver (000 oz)</b>						
Candelaria (100%)	410	1,574	316	349	390	519
Eagle	26	93	56	18	8	11
Neves-Corvo	150	663	143	118	197	205
Zinkgruvan	560	1,936	597	553	378	408
	1,146	4,266	1,112	1,038	973	1,143

### Sales Analysis

(\$ thousands)	Three months ended March 31,					Change \$
	2016		2015			
	\$	%	\$	%		
<b>by Mine</b>						
Candelaria	206,702	56	292,190	55	(85,488)	
Eagle	53,223	14	88,391	17	(35,168)	
Neves-Corvo	71,313	19	86,623	16	(15,310)	
Zinkgruvan	40,361	11	37,864	7	2,497	
Other	(2,030)	-	26,460	5	(28,490)	
	369,569		531,528		(161,959)	



(\$ thousands)	Three months ended March 31,					Change \$
	2016		2015			
	\$	%	\$	%		
<b>by Metal</b>						
Copper	258,167	70	354,027	67	(95,860)	
Nickel	22,740	6	75,686	14	(52,946)	
Zinc	39,225	11	39,675	7	(450)	
Gold	23,170	6	30,806	6	(7,636)	
Lead	14,586	4	12,213	2	2,373	
Silver	8,702	2	11,312	2	(2,610)	
Other	2,979	1	7,809	2	(4,830)	
	<b>369,569</b>		<b>531,528</b>		<b>(161,959)</b>	

Sales for the quarter ended March 31, 2016 were \$369.6 million, a decrease of \$161.9 million in comparison to the first quarter of the prior year (\$531.5 million). The decrease was due to lower metal prices, net of price adjustments (\$79.9 million), lower sales volumes (\$52.9 million), and the shutdown of the Aguablanca operations (\$28.5 million).

Sales of gold and silver for the quarter ended March 31, 2016 include the partial recognition of an upfront purchase price on the sale of precious metals streams for Candelaria, Neves-Corvo, and Zinkgruvan as well as the cash proceeds which amount to \$400/oz for gold and between \$4.00/oz and \$4.27/oz for silver.

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

#### Provisionally valued sales as of March 31, 2016

Metal	Tonnes Payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	61,840	2.20	4,856
Nickel	4,888	3.84	8,466
Zinc	18,467	0.82	1,811

#### Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended March 31, 2016				Three months ended March 31, 2015			
	Copper	Nickel	Zinc	Total	Copper	Nickel	Zinc	Total
Current period sales <sup>1</sup>	293,740	44,102	59,373	397,215	437,341	94,549	59,108	590,998
Prior period price adjustments	322	(3,728)	(1,017)	(4,423)	(37,849)	(3,757)	(2,527)	(44,133)
	294,062	40,374	58,356	392,792	399,492	90,792	56,581	546,865
Other metal sales				53,702				65,324
Less: TC/RC				(76,925)				(80,661)
<b>Total Sales</b>				<b>369,569</b>				<b>531,528</b>
<b>Payable Metal (tonnes)</b>	<b>60,517</b>	<b>5,156</b>	<b>32,861</b>		<b>72,287</b>	<b>7,117</b>	<b>28,825</b>	
Current period sales (\$/lb) <sup>1</sup>	\$ 2.20	\$ 3.88	\$ 0.82		\$ 2.74	\$ 6.03	\$ 0.93	
Prior period adjustments (\$/lb)	nil	(0.33)	(0.01)		(0.23)	(0.24)	(0.04)	
<b>Realized prices (\$/lb)</b>	<b>\$ 2.20</b>	<b>\$ 3.55</b>	<b>\$ 0.81</b>		<b>\$ 2.51</b>	<b>\$ 5.79</b>	<b>\$ 0.89</b>	

1. Includes provisional price adjustments on current period sales.

## Financial Results

### Operating Costs

Operating costs (excluding depreciation) for the quarter ended March 31, 2016 were \$210.3 million, a decrease of \$40.3 million in comparison to the first quarter of the prior year (\$250.6 million). The decrease was largely due to lower sales volumes (\$24.3 million), the shutdown of the Aguablanca operations (\$11.5 million), and favourable foreign exchange rates (\$10.8 million).

### Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense for the quarter ended March 31, 2016 was \$119.6 million, a decrease of \$37.5 million in comparison to the \$157.1 million reported in 2015. The decrease was attributable to lower current period production at Candelaria and an increase in its Mineral Resources & Reserves Estimate (\$23.7 million), and the shutdown of the Aguablanca operations (\$4.7 million). In addition, lower metal production at Eagle and a 2015 impairment loss on mineral properties, resulting in a lower asset base for depreciation, also contributed to the decrease in depreciation (\$6.9 million).

For the quarter, \$28.2 million of Candelaria's depreciation relates to the amortization of deferred stripping costs that were previously capitalized. The deferred stripping asset balance at March 31, 2016 was \$341.6 million.

Depreciation by operation (\$ thousands)	Three months ended March 31,		
	2016	2015	Change
Candelaria	61,387	85,120	(23,733)
Eagle	30,512	37,421	(6,909)
Neves-Corvo	21,412	23,635	(2,223)
Zinkgruvan	5,732	5,525	207
Other	531	5,374	(4,843)
	119,574	157,075	(37,501)

### Income from Equity Investment in Associates

Income from equity investments includes earnings from a 24% interest in each of Tenke Fungurume and Freeport Cobalt. For Tenke, an equity loss of \$4.4 million was recognized for the three months ended March 31, 2016 (Q1 2015 - earnings of \$9.7 million). Refer to the section titled "Tenke Fungurume" contained in this MD&A for further discussion.

### Finance Costs

For the quarter ended March 31, 2016, finance costs were \$18.3 million, compared to \$22.6 million for the comparable period in the prior year. The decrease was primarily attributable to net unrealized gains on revaluation of currency options and marketable securities (\$4.0 million).

### Other Income and Expense

Net other expenses for the three months ended March 31, 2016 were \$7.9 million compared to net other income of \$19.4 million for the three months ended March 31, 2015. A foreign exchange loss was recognized in the current year of \$4.8 million, while a foreign exchange gain of \$17.3 million was recognized in the prior year quarter.

Foreign exchange gains and losses recorded in Other Income and Expense relate to working capital denominated in foreign currencies that was held by the Company's subsidiaries. Period end exchange rates having a meaningful impact on such subsidiaries at March 31, 2016 were \$1.00:CLP675 (December 31, 2015 - \$1.00:CLP710), \$1.14:€1.00 (December 31, 2015 - \$1.09:€1.00) and \$1.00:SEK8.15 (December 31, 2014 - \$1.00:SEK8.35).

## Income Taxes

### Income taxes by mine

Income tax expense (recovery) (\$ thousands)	Three months ended March 31,		
	2016	2015	Change
Candelaria	(501)	19,215	(19,716)
Eagle	-	3,459	(3,459)
Neves-Corvo	(3,766)	2,853	(6,619)
Zinkgruvan	2,265	2,650	(385)
Other	5,259	1,945	3,314
	<b>3,257</b>	<b>30,122</b>	<b>(26,865)</b>

### Income taxes by classification

Income tax expense (recovery) (\$ thousands)	Three months ended March 31,		
	2016	2015	Change
Current income tax	19,665	37,166	(17,501)
Deferred income tax	(16,408)	(7,044)	(9,364)
	<b>3,257</b>	<b>30,122</b>	<b>(26,865)</b>

Income tax expense of \$3.3 million for the three months ended March 31, 2016 was \$26.8 million lower than the \$30.1 million expense recorded in the prior year. The decrease in income tax expense was associated with:

- lower taxable earnings at all the operations, including the shutdown of Aguablanca; and
- prior period adjustments of \$6.3 million at Candelaria.

## Mining Operations

### Production Overview

	2016	2015				
	Q1	Total	Q4	Q3	Q2	Q1
<b>Copper (tonnes)</b>						
Candelaria (80%)	<b>33,206</b>	144,832	31,875	36,156	37,321	39,480
Eagle	<b>6,240</b>	24,331	5,996	6,514	5,403	6,418
Neves-Corvo	<b>13,745</b>	55,831	11,078	13,917	15,348	15,488
Zinkgruvan	<b>nil</b>	2,044	5	475	974	590
Aguablanca	<b>nil</b>	6,221	466	1,658	1,975	2,122
Tenke (24%)	<b>11,988</b>	48,951	11,998	11,761	12,544	12,648
	<b>65,179</b>	282,210	61,418	70,481	73,565	76,746
<b>Nickel (tonnes)</b>						
Eagle	<b>5,968</b>	27,167	7,074	6,438	6,349	7,306
Aguablanca	<b>nil</b>	7,213	514	1,708	2,245	2,746
	<b>5,968</b>	34,380	7,588	8,146	8,594	10,052
<b>Zinc (tonnes)</b>						
Neves-Corvo	<b>17,727</b>	61,921	14,196	14,363	16,022	17,340
Zinkgruvan	<b>22,656</b>	83,451	25,339	18,458	21,237	18,417
	<b>40,383</b>	145,372	39,535	32,821	37,259	35,757
<b>Gold (000 oz)</b>						
Candelaria (80%)	<b>19</b>	82	18	20	22	22
	<b>19</b>	82	18	20	22	22
<b>Lead (tonnes)</b>						
Neves-Corvo	<b>906</b>	3,077	311	366	1,080	1,320
Zinkgruvan	<b>10,829</b>	34,120	10,733	8,609	7,379	7,399
	<b>11,735</b>	37,197	11,044	8,975	8,459	8,719
<b>Silver (000 oz)</b>						
Candelaria (80%)	<b>379</b>	1,499	315	347	371	466
Eagle	<b>62</b>	210	63	60	46	41
Neves-Corvo	<b>319</b>	1,329	269	310	359	391
Zinkgruvan	<b>659</b>	2,542	729	627	622	564
	<b>1,419</b>	5,580	1,376	1,344	1,398	1,462

## Cash Cost Overview

	Cash cost/lb (US dollars)	
	Three months ended March 31,	
	2016	2015
<b>Candelaria</b>		
Gross cost	1.42	1.39
By-product <sup>1</sup>	(0.20)	(0.19)
<b>Net Cost - cost/lb Cu</b>	<b>1.22</b>	1.20
<b>Eagle</b>		
Gross cost	4.20	4.09
By-product <sup>1</sup>	(2.59)	(2.64)
<b>Net Cost - cost/lb Ni</b>	<b>1.61</b>	1.45
<b>Neves-Corvo</b>		
Gross cost	2.05	1.99
By-product <sup>1</sup>	(0.57)	(0.60)
<b>Net Cost - cost/lb Cu</b>	<b>1.48</b>	1.39
<b>Zinkgruvan</b>		
Gross cost	0.72	0.90
By-product <sup>1</sup>	(0.36)	(0.48)
<b>Net Cost - cost/lb Zn</b>	<b>0.36</b>	0.42

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

## Capital Expenditures (including capitalized interest)

(\$ thousands)	Three months ended March 31,							
	2016				2015			
	Sustaining	Expansionary	Capitalized Interest	Total	Sustaining	Expansionary	Capitalized Interest	Total
<b>by Mine</b>								
Candelaria	27,378	-	1,305	<b>28,683</b>	29,294	-	-	29,294
Eagle	1,570	-	-	<b>1,570</b>	4,222	7,258	-	11,480
Neves-Corvo	8,033	-	-	<b>8,033</b>	6,428	3,392	-	9,820
Zinkgruvan	8,266	736	-	<b>9,002</b>	7,028	-	-	7,028
Other	232	-	-	<b>232</b>	6,298	-	-	6,298
	45,479	736	1,305	<b>47,520</b>	53,270	10,650	-	63,920

Commentary on production and cash costs is included under the following individual mine operational discussions.

## Candelaria

*Compañía Contractual Minera Candelaria ("CCMC") and Compañía Contractual Minera Ojos del Salado ("CCMO"), collectively "Candelaria", are located near Copiapó in the Atacama Province, Region III of Chile. The Company holds an indirect 80 percent ownership interest in Candelaria with the remaining 20 percent interest indirectly held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation. CCMC consists of an open pit mine and an underground mine, Candelaria Norte, providing copper ore to an on-site processing plant. CCMO consists of two underground mines, Santos and Alcaparrosa, and the Pedro Aguirre Cerde (PAC) processing plant. The Santos mine provides copper ore to the PAC plant, while ore from the Alcaparrosa mine is treated at the CCMC plant. The CCMC plant has a processing capacity of 24.5 mtpa, and the PAC plant has a capacity of 1.3 mtpa, both producing copper in concentrate. The primary metal is copper, with gold and silver as by-product metals.*

### Operating Statistics

(100% Basis)	2016 Q1	2015				
		Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	9,311	33,922	8,012	8,240	9,022	8,648
Ore milled (000s tonnes)	8,157	30,133	7,943	7,933	7,327	6,930
Grade						
Copper (%)	0.55	0.64	0.53	0.61	0.68	0.78
Recovery						
Copper (%)	92.7	92.7	92.2	92.4	94.0	92.6
Production (contained metal)						
Copper (tonnes)	41,507	181,040	39,844	45,195	46,651	49,350
Gold (000 oz)	24	102	22	25	27	28
Silver (000 oz)	473	1,874	394	433	464	583
Sales (\$000s)	206,702	908,129	167,451	191,964	256,524	292,190
Operating earnings (\$000s)	99,316	451,240	79,475	66,737	141,338	163,690
Cash cost (\$ per pound) <sup>1</sup>	1.22	1.25	1.14	1.44	1.21	1.20

1. Includes the impact of the streaming agreement but excludes any allocation of upfront cash received and capitalized stripping costs.

### Operating Earnings

Operating earnings of \$99.3 million for the three months ended March 31, 2016 were \$64.4 million lower than the prior year comparable period. The decrease was due to lower metal prices, net of price adjustments (\$35.4 million) and lower sales volumes (\$29.1 million).

### Production

Copper production of 41,507 tonnes for the three months ended March 31, 2016 was lower than the comparable period in 2015 by 7,843 tonnes (or 16%). The decrease in copper production is a result of lower copper head grades as the benches mined in prior year had better ore grade than the current year mine plan.

Although copper production in the current quarter was lower than the prior year comparable period, it exceeded expectations due to higher mill throughput, and therefore full year guidance for copper production at Candelaria has been increased.

### Cash Costs

Copper cash costs for the three months ended March 31, 2016 were \$1.22/lb, in-line with cash costs of \$1.20/lb in the prior year comparable period. Higher per unit mine and mills costs (\$0.18/lb), were offset by reductions in administration costs from aggressive cost reduction plans (\$0.09/lb) and favourable foreign exchange rates (\$0.09/lb). Mine and mill costs for the current quarter were consistent with that reported in the prior year, but lower sales in 2016 has resulted in higher costs on a per unit basis.

Approximately 16,000 oz of gold and 296,000 oz of silver were subject to terms of a streaming agreement in which \$400/oz and \$4.00/oz were recognized for gold and silver, respectively.

Cash costs for the quarter were lower than full year guidance of \$1.55/lb due to cost reduction plans, operational efficiencies, lower electricity and diesel prices, increased productivity, and higher sales volumes. As a result, full year copper cash costs guidance has been reduced to \$1.45/lb.

## **Projects**

The Los Diques tailings dam facility is progressing under budget and on schedule, with early construction activities progressing well. The construction of a large crushing/screening plant to produce aggregates for the main dam construction commenced in January 2016 and is expected to be completed in the second quarter of 2016. The relocation of power lines and a provincial road continues. Approval of permits for the main tailings dam embankments construction is expected in the third quarter of 2016. Approval from Sernageomin to reduce the existing dam freeboard was received in early April 2016. This freeboard reduction will accommodate another year's capacity in the existing dam. DGA approval of the freeboard reduction remains outstanding but is expected in the near term.

An updated project cost estimate was completed in the current quarter for the Los Diques tailings facility taking into account design development, excellent progress to date on early works construction, owner self-perform cost trends and other positive factors including weakness in the Chilean peso. Total project costs to complete the Los Diques facility are currently estimated to be \$250 million (from January 1, 2016), a significant reduction from the original estimate of \$325 million. For the first quarter of 2016, approximately \$25 million has been spent with \$50 million to be spent over the remainder of the year. Expenditures in 2017 and 2018 are expected to be \$145 million and \$30 million, respectively.

Conceptual level studies are advancing at Candelaria combining additional optimization of the Life of Mine ("LOM") open pit production plan with increased production from the three underground mines at Candelaria. These studies are being supported by ongoing underground exploration success from the large exploration program which is advancing ahead of schedule.

In pursuit of value-added initiatives for Candelaria infrastructure, a conceptual level study has been completed with the assistance of external consultants to assess opportunities for tolling of third party concentrates handled through the Candelaria port. At this point in time, the volumes of third party concentrate currently available, permitting timelines, and potential revenues do not make this initiative compelling. The Company intends to progress with permitting of third party concentrate handling such that if sufficient volumes of material become available in the future, the Company will be better positioned to consider value-added opportunities at the port.

## Eagle Mine

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

### Operating Statistics

	2016 Q1	2015				
		Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	185	740	190	191	175	184
Ore milled (000s tonnes)	186	746	183	193	184	186
Grade						
Nickel (%)	3.8	4.3	4.3	3.9	4.2	4.7
Copper (%)	3.4	3.4	3.4	3.5	3.1	3.6
Recovery						
Nickel (%)	83.6	84.2	83.8	85.0	84.4	83.5
Copper (%)	97.7	97.0	97.9	97.3	96.4	96.4
Production (contained metal)						
Nickel (tonnes)	5,968	27,167	7,074	6,438	6,349	7,306
Copper (tonnes)	6,240	24,331	5,996	6,514	5,403	6,418
Sales (\$000s)	53,223	284,015	50,611	59,981	85,032	88,391
Operating earnings (\$000s)	22,232	128,595	13,676	18,489	40,297	56,133
Cash cost (\$ per pound)	1.61	2.02	2.06	2.38	2.15	1.45

### Operating Earnings

Operating earnings for the three months ended March 31, 2016 of \$22.2 million were \$33.9 million lower than 2015. The decrease was primarily due to lower metal prices, net of price adjustments (\$32.9 million).

### Production

Nickel production for the three months ended March 31, 2016 was 5,968 tonnes compared to 7,306 tonnes in the prior year comparable period, while copper production was 6,240 tonnes compared to 6,418 tonnes in the prior year comparable period. The decrease in both metals was due to lower head grades, a result of planned mine sequencing.

### Cash Costs

Nickel cash costs for the three months ended March 31, 2016 of \$1.61/lb were higher than the \$1.45/lb reported in the prior year. The increase in cash costs is due to higher treatment costs associated with the customer mix (\$0.30/lb) and lower realized prices on by-product credits (\$0.06/lb), partially offset by lower freight charges and targeted cost savings in response to nickel market conditions (\$0.20/lb).

Cash costs for the quarter were significantly lower than full year guidance of \$2.25/lb. Copper by-product credits were significantly higher than expected in the quarter. In addition, higher nickel metal sales coupled with lower mine, mill, and administration costs led to significantly lower per unit operating costs than targeted. As a result, full year nickel cash costs guidance has been reduced to \$2.00/lb.

### Projects

Drilling on Eagle East and other targets continued with seven rigs active on the property. Six rigs are providing infill and step out drilling on Eagle East and the seventh rig is drilling new targets. The intent is to provide a maiden Inferred Mineral Resource on Eagle East prior to the end of the second quarter of 2016. In parallel, a Preliminary Economic Assessment is being completed to define access ramp and other resource exploitation concepts, and to support potential permitting and investment initiatives.



## Neves-Corvo Mine

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

### Operating Statistics

	2016	2015				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	602	2,501	583	614	673	631
Ore mined, zinc (000 tonnes)	268	1,000	241	255	254	250
Ore milled, copper (000 tonnes)	626	2,542	584	619	699	640
Ore milled, zinc (000 tonnes)	275	1,014	240	257	258	259
Grade per tonne						
Copper (%)	2.8	2.7	2.4	2.8	2.7	2.9
Zinc (%)	8.2	8.0	7.5	8.1	7.9	8.5
Recovery						
Copper (%)	77.2	80.6	79.6	79.1	81.1	82.4
Zinc (%)	75.9	71.8	75.6	63.3	73.6	74.9
Production (contained metal)						
Copper (tonnes)	13,745	55,831	11,078	13,917	15,348	15,488
Zinc (tonnes)	17,727	61,921	14,196	14,363	16,022	17,340
Lead (tonnes)	906	3,077	311	366	1,080	1,320
Silver (000 oz)	319	1,329	270	310	359	390
Sales (\$000s)	71,313	292,107	55,543	56,268	93,673	86,623
Operating earnings (loss) (\$000s)	20,966	71,316	(439)	6,991	34,051	30,713
Cash cost (€ per pound)	1.34	1.47	1.80	1.64	1.29	1.24
Cash cost (\$ per pound)	1.48	1.63	1.96	1.83	1.43	1.39

### Operating Earnings

Operating earnings of \$21.0 million for the three months ended March 31, 2016 were \$9.7 million lower than 2015. The decrease was mainly attributable to lower metal prices, net of price adjustments (\$5.3 million) and lower sales volumes (\$3.8 million).

### Production

Copper production of 13,745 tonnes for the three months ended March 31, 2016 was lower than the comparable period in 2015 by 1,743 tonnes (or 11%). The decrease in copper production is primarily a result of lower recoveries, and to a lesser extent, lower head grades and mill throughput. Lower recoveries in the current quarter were the result of the treatment of a greater proportion of more complex massive sulphide mineralization.

Zinc production of 17,727 tonnes for the three months ended March 31, 2016 was comparable to 2015.

### Cash Costs

Copper cash costs of \$1.48/lb for the quarter ended March 31, 2016 were higher than that of the corresponding period in 2015 of \$1.39/lb. The increase over the prior period was a result of lower copper metal sales due to lower copper production (\$0.08/lb) and lower by-product sales volumes and prices (\$0.03/lb).

Copper cash costs of \$1.48/lb were lower than full year guidance of \$1.65/lb due to lower than planned mine and mill costs, lower treatment charges, and higher copper metal sales. As a result, full year copper cash costs guidance has been reduced to \$1.60/lb.

## Zinkgruvan Mine

The Zinkgruvan mine consists of an underground mine and on-site processing facilities, located approximately 250 km south-west of Stockholm, Sweden. The zinc plant has processing capacity of 1.1 mtpa, producing zinc and lead in concentrate, and the copper plant has capacity of 0.3 mtpa with the ability to process copper or zinc-lead ore, producing copper, or zinc and lead concentrates. The primary metal is zinc, with lead, silver, and copper as by-products.

### Operating Statistics

	2016 Q1	2015				
		Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	288	1,126	313	257	289	267
Ore mined, copper (000 tonnes)	13	137	nil	40	52	45
Ore milled, zinc (000 tonnes)	304	1,096	307	260	267	262
Ore milled, copper (000 tonnes)	nil	139	nil	52	43	44
Grade per tonne						
Zinc (%)	8.3	8.3	9.0	7.7	8.6	7.6
Lead (%)	4.3	3.8	4.2	4.0	3.4	3.4
Copper (%)	nil	1.7	nil	1.1	2.4	1.5
Recovery						
Zinc (%)	90.0	92.1	91.5	91.5	92.8	92.6
Lead (%)	83.8	82.9	83.0	83.7	82.4	82.6
Copper (%)	nil	88.1	nil	80.1	91.9	89.0
Production- tonnes (contained metal)						
Zinc (tonnes)	22,656	83,451	25,339	18,458	21,237	18,417
Lead (tonnes)	10,829	34,120	10,733	8,609	7,379	7,399
Copper (tonnes)	nil	2,044	5	475	974	590
Silver (000 oz)	659	2,542	729	627	622	564
Sales (\$000s)	40,361	155,130	40,082	35,883	41,301	37,864
Operating earnings (\$000s)	19,329	74,870	21,697	13,425	23,144	16,604
Cash cost (SEK per pound)	3.02	3.16	2.29	3.44	3.65	3.49
Cash cost (\$ per pound)	0.36	0.37	0.27	0.41	0.43	0.42

### Operating Earnings

Operating earnings of \$19.3 million were higher than the \$16.6 million reported in the first quarter of 2015. The increase was attributable to lower per unit operating costs (\$5.2 million) and higher sales volumes (\$2.8 million), partially offset by lower metal prices, net of price adjustments (\$6.2 million).

### Production

Mining and milling of zinc ore and head grades for both zinc and lead were higher in the first quarter of 2016 than the comparable period in 2015. As a result, zinc production of 22,656 tonnes and lead production of 10,829 tonnes were 23% and 46% higher for the quarter, respectively, than for the comparable period in the prior year. There was no copper production for the first quarter of 2016 as zinc ore was prioritized as planned.

### Cash Costs

Zinc cash costs of \$0.36/lb for the quarter ended March 31, 2016 were lower than the comparable period in 2015 of \$0.42/lb. Lower per unit mine and mill costs (\$0.15/lb) were only partly offset by lower by-product credits (\$0.12/lb). Zinc cash costs of \$0.36/lb for the quarter were also lower than full year guidance of \$0.45/lb due to significantly higher than expected zinc and lead sales in the quarter.

### Projects

The \$16 million zinc expansion project to increase overall mill capacity by approximately 10% was approved for immediate remobilization. Major equipment items and key elements of engineering have been secured and civil and concrete works have commenced. The project is scheduled to be commissioned by mid-2017 in anticipation of an improving zinc price environment.

## Tenke Fungurume

Lundin Mining holds a 24% equity interest in the mine. Freeport is the operating partner and holds a 56% interest in the mine. Gécamines, the Congolese state mining company, holds a 20% carried interest in the mine. Tenke Fungurume consists of an open-pit mine and on-site processing facilities located in the southeast region of the Democratic Republic of Congo. The processing facilities have a capacity of 5.6 mtpa of ore. Tenke has an annual nominal production capacity of 195 ktpa of copper cathode and 15 ktpa of cobalt in hydroxide. In addition, the Tenke electrowinning tankhouse has excess annual processing capacity of copper cathode, which is taken into consideration on studies for future expansion. The primary metal is copper, with cobalt as a by-product metal.

### Operating Statistics

100% Basis	2016	2015				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000 tonnes)	2,588	12,657	2,926	3,426	3,163	3,142
Ore milled (000 tonnes)	1,375	5,440	1,458	1,285	1,392	1,305
Grade per tonne Copper (%)	4.0	4.0	3.6	4.0	4.0	4.4
Recovery Copper (%)	92.8	94.0	94.0	94.0	93.9	94.0
Production (contained metal)						
Copper (tonnes)	49,948	203,964	49,990	49,005	52,268	52,701
Cobalt (tonnes)	4,301	16,014	4,571	3,973	4,148	3,322
Income (loss) from equity investment (\$000s) <sup>1</sup>	(4,391)	24,617	(2,212)	6,550	10,538	9,741
Attributable share of operating cash flows (\$000s)	26,096	63,486	8,780	9,296	4,279	41,131
Cash cost (\$ per pound) <sup>2</sup>	1.31	1.21	1.35	1.15	1.07	1.26

<sup>1</sup> Lundin Mining's share of equity earnings includes adjustments for GAAP harmonization differences and purchase price allocations.

<sup>2</sup> Cash cost is calculated and reported by Freeport. Unit costs attributable to Lundin Mining's share of production may vary slightly from time to time due to marginal differences in the basis of calculation.

### Income from Equity Investment

A loss of \$4.4 million in the current quarter was \$14.1 million lower than the results of the first quarter of last year due to lower realized copper and cobalt metal prices. The average price realized for copper sales during the quarter was \$2.10/lb, compared to \$2.66/lb in the first quarter of 2015. The average realized price for cobalt sold during the first quarter of 2016 was \$6.32/lb (2015: \$8.72/lb). Cobalt sales tonnages achieved a quarterly record in the current period.

### Production

Tenke produced 49,948 tonnes of copper for the three months ended March 31, 2016, lower than the prior year comparable period of 52,701 tonnes due primarily to lower head grades. Cobalt production for the quarter was 4,301 tonnes, 29% higher than the prior year comparable period of 3,322 tonnes due to higher head grades.

The expanded milling facilities at Tenke continue to exceed original design capacity with throughput averaging 15,100 metric tonnes of ore per day ("mtpd") for the three months ended March 31, 2016. Mining rate during the quarter was approximately 131,000 mtpd, slightly lower than expectations due to above average rainfall causing wet conditions in the open pits.

Construction of the second new acid plant was substantially completed under budget and ahead of schedule and was commissioned in the first quarter of 2016.

Freeport is expecting annual sales volumes to be approximately 220,000 tonnes of copper and 15,900 tonnes of cobalt in 2016.

**Cash Costs**

Cash costs for copper, net of cobalt by-product credits, were \$1.31/lb for the quarter. This is higher than cash costs in the first quarter of 2015 of \$1.26/lb and is a reflection of lower sales volumes realized in the current period. Freeport projects 2016 cash costs to approximate \$1.32/lb of copper, based on current sales volume and cost estimates and assuming an average cobalt price of \$10.00/lb.

**Tenke Cash Flow**

Lundin's attributable share of operating cash flow at Tenke for the first quarter of 2016 was \$26.1 million. This is lower than the \$41.1 million recognized in the first quarter of 2015, due primarily to lower operating earnings.

During the quarter ended March 31, 2016, \$10.0 million was spent on Lundin Mining's attributable share of capital investments, which was fully funded by cash flow from Tenke operations. Lundin Mining's share of 2016 capital investment for Tenke, which is also expected to be self-funded by cash flow from Tenke operations, is expected to be approximately \$25 million. Key capital spending areas in 2016 include costs for site and transport related infrastructure.

The Company received cash distributions of \$0.8 million for the quarter ended March 31, 2016 from Tenke and \$2.4 million from Freeport Cobalt for total distributions to the Company from Tenke related investments of \$3.2 million. The Company is expecting cash distributions from Tenke related investments in 2016 in the order of \$50 - \$60 million.

## Exploration

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

Block models for both the Candelaria and Alcaparrosa mines were completed, incorporating drilling results from July 2015 to February 2016. In January, 593 metres were drilled in the Santos mine and in March, eight drill rigs were mobilized to Candelaria with four working in Candelaria Norte, Lila 3 sector and four in the Damiana sector. A total of 7,703 metres were drilled in the first quarter. A geophysical survey in the Los Diques tailings dam area and Candelaria South was also completed.

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

Six drill rigs were in place at Eagle East to delineate the new mineralized zone and to continue step out exploration drilling. A seventh rig was added in March to test exploration targets elsewhere around Eagle. A total of 14,502 metres were drilled in the first quarter of 2016. The Eagle East deposit potential remains open at depth.

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

The average metal prices for copper and nickel for the first quarter of 2016 were lower than the average prices for the last quarter of 2015 by 4% and 10%, respectively. The average price for zinc in the first quarter of 2016 was 4% higher compared to the fourth quarter of 2015. However, after a slow start in January the prices of copper, nickel and zinc all increased during the quarter and ended the quarter higher due to a weaker US dollar and improved sentiment towards the base metals complex.

(Average LME Price)		Three months ended March 31,		
		2016	2015	Change
Copper	US\$/pound	2.12	2.64	-20%
	US\$/tonne	4,672	5,818	
Nickel	US\$/pound	3.86	6.50	-41%
	US\$/tonne	8,499	14,338	
Zinc	US\$/pound	0.76	0.94	-19%
	US\$/tonne	1,679	2,080	

LME inventory for copper, nickel and zinc all decreased during the first quarter of 2016 by 39%, 2% and 6%, respectively.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates between mining companies and commodity trading companies decreased during the first quarter of 2016. In January, the spot TC was \$80 per dmt of concentrate and the spot RC was \$0.08 per payable lb of copper and in March the TC had decreased to \$73 per dmt of concentrate with a RC of \$0.073 per payable lb of copper contained. In addition, the spot terms at which the Chinese copper smelters were buying at fell from a TC of \$90 per dmt of concentrate and a RC of \$0.090 per payable lb of copper in January to a TC of \$85 per dmt of concentrate and a RC of \$0.085 per payable lb of copper at the end of March. The terms for the annual contracts for copper concentrates for 2016 were set in January of 2016 at a TC of \$97.35 per dmt of concentrate with a RC of \$0.09735 per lb payable copper which is lower than the terms for 2015 (TC of \$107 per dmt of concentrate and a RC of \$0.107 per lb payable copper).

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

The spot TC for zinc concentrates in China dropped during the first quarter 2016 from \$175 per dmt, flat at the end of 2015 to \$130 per dmt, flat, at the end of the first quarter of 2016. Reduced supply due to mine closures, both scheduled due to depletion and price induced, caused the decrease. During the quarter, the TC between miners and smelters for annual contracts for zinc concentrates was agreed at \$188 per dmt of concentrates based on a zinc price of \$1,500 per mt with the same escalators as for 2015. The agreed terms represents an improvement in favour of the mines of approximately \$42 per dmt of concentrates compared to last year.

## Liquidity and Financial Condition

### Cash Reserves

Cash and cash equivalents were \$560.7 million as at March 31, 2016, an increase of \$4.2 million from \$556.5 million at December 31, 2015.

Cash inflows for the three months ended March 31, 2016 included operating cash flows of \$42.9 million and receipt of distributions from Tenke and Freeport Cobalt totalling \$3.2 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$47.5 million.

### Working Capital

Working capital was \$729.2 million as at March 31, 2016, compared to \$707.2 million at December 31, 2015. The increase in working capital is largely a reflection of a higher trade and other receivables balance at March 31, 2016.

### Long-Term Debt

As at March 31, 2016, the Company had \$550 million of 7.5% senior secured notes (due 2020) and \$445 million of 7.875% senior secured notes (due 2022) outstanding.

In addition, the Company has an undrawn \$350 million revolving credit facility, expiring in October 2017. A letter of credit has been issued in the amount of SEK 162 million (\$19.9 million).

Subject to various risks and uncertainties (*see Managing Risks section, page 23*), the Company believes it will generate sufficient cash flow and has adequate cash and debt facilities to finance on-going operations and planned capital and exploration investment programs.

### Commitments

The Company has the following capital commitments as at March 31, 2016:

(\$ thousands)

2016	33,916
2017	1,784
2018	164
<b>Total</b>	<b>35,864</b>

### Shareholders' Equity

Shareholders' equity was \$4,268.2 million at March 31, 2016, compared to \$4,247.6 million at December 31, 2015. The increase in shareholders' equity is primarily due to foreign currency translation adjustments of \$36.4 million in other comprehensive income, partially offset by current year's net loss of \$15.5 million.

## Sensitivities

Net earnings and earnings per share are affected by certain external factors including fluctuations in metal prices and changes in exchange rates between the Euro, the SEK, the Chilean peso and the US dollar.

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

Metal	Tonnes Payable	Provisional price on March 31, 2016 (\$US/tonne)	Change	Effect on operating earnings (\$millions)
Copper	61,840	4,856	+/-10%	+/- \$30.0
Nickel	4,888	8,466	+/-10%	+/- \$4.1
Zinc	18,467	1,811	+/-10%	+/- \$3.3

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

Currency	Change	For the three months ended March 31, 2016 (\$millions)
Chilean peso	+/-10%	+/- \$8.3
Euro	+/-10%	+/- \$4.6
Swedish krona	+/-10%	+/- \$2.1

## Financial Instruments

Summary of financial instruments:

	Fair value at March 31, 2016 (\$ thousands)	Basis of measurement	Associated risks
Cash and cash equivalents	560,748	Carrying value	Credit/Exchange
Trade and other receivables	56,829	Carrying value	Credit/Market/Exchange
Trade receivables	174,024	FVTPL	Credit/Market/Exchange
Marketable securities and restricted funds	55,372	FVTPL	Market/Liquidity
Currency options	6,043	FVTPL	Market/Liquidity
Marketable securities	611	AFS	Market/Liquidity
Trade and other payables	194,138	Carrying value	Exchange
Long-term debt and finance leases	963,787	Amortized cost	Interest
Other long-term liabilities	12,715	Amortized cost	Interest

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

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

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

Available for sale (“AFS”) – The fair value of marketable securities is determined based on quoted market price.

Amortized cost – The fair value of long-term debt is determined using quoted market prices. The fair value of the finance leases and other long-term liabilities approximates its carrying value as the interest rates are comparable to current market rates.

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

In the fourth quarter of 2015, the Company purchased currency options to hedge its CLP exposure. The remaining call options expire between April 2016 and December 2018 having a strike price between 650 to 700 CLP:USD.

For the quarter ended March 31, 2016, the Company recognized negative prior period pricing adjustments of \$4.4 million in sales (2015: \$44.1 million), a revaluation loss of \$0.4 million on FVTPL securities (2015: \$1.3 million), and a revaluation gain of \$3.1 million on FVTPL currency options (2015: nil). In addition, a foreign exchange loss of \$4.8 million (2015: gain of \$17.3 million) was realized in the quarter on working capital denominated in foreign currencies held by the Company's various entities.

## Related Party Transactions

### Tenke Fungurume

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

During the three months ended March 31, 2016, the Company received \$0.8 million in cash distributions from Tenke.

### Freeport Cobalt

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

During the three months ended March 31, 2016, the Company received \$2.4 million in cash distributions from Freeport Cobalt.

### Key Management Personnel

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

	Three months ended March 31,	
	2016	2015
Wages and salaries	\$ 1,434	\$ 1,466
Pension benefits	52	31
Share-based compensation	640	645
	<u>\$ 2,126</u>	<u>\$ 2,142</u>

For the three months ended March 31, 2016, the Company paid \$0.3 million (2015 - \$0.2 million) to a charitable foundation directed by members of the Company’s key management personnel to carry out social programs on behalf of the Company.



## **Changes in Accounting Policies**

### **New Accounting Pronouncements**

For information on new standards and interpretations not yet adopted, refer to note 2 of the Company's consolidated financial statements for the year ended December 31, 2015.

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

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ materially from the amounts included in the financial statements. For a complete discussion of accounting estimates and assumptions deemed most critical by the Company, refer to the Company's annual 2015 Management's Discussion and Analysis.

## **Managing Risks**

### **Risks and Uncertainties**

The operations of Lundin Mining involve certain significant risks, including but not limited to fluctuations in commodity prices and foreign exchange rates and various operational risk. For a complete discussion on risks, refer to the Company's annual 2015 Management's Discussion and Analysis.

### **Outstanding Share Data**

As at April 27, 2016, the Company has 719,632,457 common shares issued and outstanding, and 17,662,885 stock options and 2,033,300 share units outstanding under the Company's incentive plans.

## Non-GAAP Performance Measures

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

### Net Cash/Debt

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

(\$thousands)	March 31, 2016	December 31, 2015
Current portion of long-term debt and finance leases	(1,263)	(1,102)
Long-term debt and finance leases	(979,512)	(978,014)
	(980,775)	(979,116)
Deferred financing fees (netted in above)	(18,087)	(18,743)
	(998,862)	(997,859)
Cash and cash equivalents	560,748	556,511
<b>Net debt</b>	<b>(438,114)</b>	<b>(441,348)</b>

### Operating Earnings

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

### Operating Cash Flow per Share

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

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

(\$000s, except share and per share amounts)	Three months ended March 31,	
	2016	2015
Cash provided by operating activities	42,878	223,975
Add: Changes in non-cash working capital items	41,322	(3,711)
Operating cash flow before changes in non-cash working capital items	84,200	220,264
Weighted average common shares outstanding	719,628,357	718,251,840
<b>Operating cash flow per share</b>	<b>0.12</b>	<b>0.31</b>

## Cash Cost per Pound

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

- **Cash cost per pound, gross** – Total cash costs directly attributable to mining operations, excluding 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.

Cash costs can be reconciled to the Company's operating costs as follows:

	Three months ended March 31, 2016				Three months ended March 31, 2015			
	Total Tonnes Sold	Pounds (000s)	Cash Cost \$/lb	Operating Costs (\$000s)	Total Tonnes Sold	Pounds (000s)	Cash Cost \$/lb	Operating Costs (\$000s)
<b>Operation</b>								
Candelaria (Cu) - 100%	41,316	91,086	1.22	111,125	50,581	111,512	1.20	133,814
Eagle (Ni)	5,156	11,367	1.61	18,301	5,435	11,982	1.45	17,374
Neves-Corvo (Cu)	13,271	29,258	1.48	43,302	15,136	33,369	1.39	46,383
Zinkgruvan (Zn)	19,248	42,435	0.36	15,277	14,665	32,331	0.42	13,579
Aguablanca (Ni)	nil	nil	nil	nil	1,682	3,708	0.91	3,374
				188,005				214,524
Add: By-product credits				79,303				96,116
Treatment costs				(60,305)				(65,496)
Non-cash inventory				(275)				(707)
Royalties and other				3,562				6,190
<b>Total Operating Costs</b>				<b>210,290</b>				<b>250,627</b>

## **Management's Report on Internal Controls**

### ***Disclosure controls and procedures***

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

### ***Internal control over financial reporting***

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

### ***Control Framework***

Management has used the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') in order to assess the effectiveness of the Company's internal control over financial reporting.

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

There have been no changes in the Company's internal control over financial reporting during the three month period ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### ***Other Information***

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

## Other Supplementary Information

### 1. *List of directors and officers at April 27, 2016:*

#### (a) **Directors:**

Donald K. Charter  
Paul K. Conibear  
John H. Craig  
Peter C. Jones  
Lukas H. Lundin  
Dale C. Peniuk  
William A. Rand  
Catherine J. G. Stefan

#### (b) **Officers:**

Lukas H. Lundin, *Chairman*  
Paul K. Conibear, *President and Chief Executive Officer*  
Marie Inkster, *Senior Vice President and Chief Financial Officer*  
Peter M. Quinn, *Chief Operating Officer*  
Julie A. Lee HARRS, *Senior Vice President, Corporate Development*  
Paul M. McRae, *Senior Vice President, Projects*  
Neil P. M. O'Brien, *Senior Vice President, Exploration and New Business Development*  
Stephen T. Gatley, *Vice President, Technical Services*  
Susan J. Boxall, *Vice President, Human Resources*  
Jinhee Magie, *Vice President, Finance*  
J. Mikael Schauman, *Vice President, Marketing*  
Derek Riehm, *Vice President, Environment*  
Lesley Duncan, *Corporate Secretary*

### 2. **Financial Information**

The report for the second quarter of 2016 is expected to be published by July 27, 2016.

### 3. **Other information**

Address (Corporate head office):

Lundin Mining Corporation  
Suite 1500, 150 King Street West  
P.O. Box 38  
Toronto, Ontario M5H 1J9  
Canada  
Telephone: +1-416-342-5560  
Fax: +1-416-348-0303  
Website: [www.lundinmining.com](http://www.lundinmining.com)

Address (UK office):

Lundin Mining UK Limited  
Hayworthe House, 2 Market Place  
Haywards Heath, West Sussex  
RH16 1DB  
United Kingdom  
Telephone: +44-1-444-411-900  
Fax: +44-1-444-456-901

The Canadian federal corporation number for the Company is 443736-5.

#### **For further information, please contact:**

John Miniotis, *Senior Manager, Corporate Development and Investor Relations*: +1-416-342-5565,  
[john.miniotis@lundinmining.com](mailto:john.miniotis@lundinmining.com)

Sonia Tercas, *Investor Relations, North America*: +1-416-342-5583, [sonia.tercas@lundinmining.com](mailto:sonia.tercas@lundinmining.com)

Robert Eriksson, *Investor Relations, Sweden*: +46-(0)8-440-54-50, [robert.eriksson@lundinmining.com](mailto:robert.eriksson@lundinmining.com)



Condensed Interim Consolidated Financial Statements of

# **Lundin Mining Corporation**

March 31, 2016  
(Unaudited)

**LUNDIN MINING CORPORATION**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS  
(Unaudited - in thousands of US dollars)March 31, December 31,  
2016 2015**ASSETS**

## Current

Cash and cash equivalents (Note 3)	\$ 560,748	\$ 556,511
Trade and other receivables (Note 4)	230,853	192,194
Income taxes receivable	53,030	54,795
Inventories (Note 5)	128,103	144,746
Other current assets	4,106	5,101
	<b>976,840</b>	<b>953,347</b>

## Non-Current

Restricted funds	53,526	53,818
Long-term inventory	221,422	194,065
Other non-current assets	13,514	13,341
Mineral properties, plant and equipment (Note 6)	3,318,130	3,354,711
Investment in associates (Note 7)	2,042,357	2,050,823
Deferred tax assets	54,626	55,022
Goodwill	109,232	104,921
	<b>5,812,807</b>	<b>5,826,701</b>
	<b>\$ 6,789,647</b>	<b>\$ 6,780,048</b>

**LIABILITIES**

## Current

Trade and other payables (Note 9)	\$ 231,750	\$ 231,960
Income taxes payable	15,928	14,201
Current portion of long-term debt and finance leases	1,263	1,102
Current portion of deferred revenue (Note 10)	52,176	58,666
Current portion of reclamation and other closure provisions	16,359	14,425
	<b>317,476</b>	<b>320,354</b>

## Non-Current

Long-term debt and finance leases	979,512	978,014
Deferred revenue (Note 10)	546,723	549,830
Reclamation and other closure provisions	251,753	242,556
Other long-term liabilities	12,715	13,815
Provision for pension obligations	14,652	15,332
Deferred tax liabilities	398,611	412,536
	<b>2,203,966</b>	<b>2,212,083</b>
	<b>2,521,442</b>	<b>2,532,437</b>

**SHAREHOLDERS' EQUITY**

Share capital	4,107,486	4,107,469
Contributed surplus	50,784	49,112
Accumulated other comprehensive loss	(272,449)	(308,819)
Deficit	(56,060)	(33,975)
Equity attributable to Lundin Mining Corporation shareholders	3,829,761	3,813,787
Non-controlling interests	438,444	433,824
	<b>4,268,205</b>	<b>4,247,611</b>
	<b>\$ 6,789,647</b>	<b>\$ 6,780,048</b>

Commitments and contingencies (Note 17)

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

**APPROVED BY THE BOARD OF DIRECTORS**(Signed) Lukas H. Lundin  
Director(Signed) Dale C. Peniuk  
Director



**LUNDIN MINING CORPORATION**

## CONSOLIDATED STATEMENT OF (LOSS) EARNINGS

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

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Sales	\$ 369,569	\$ 531,528
Operating costs (Note 12)	(210,290)	(250,627)
Depreciation, depletion and amortization (Note 6)	(119,574)	(157,075)
General and administrative expenses	(7,542)	(6,940)
General exploration and business development (Note 14)	(12,821)	(11,902)
(Loss) Income from equity investment in associates (Note 7)	(5,286)	11,591
Finance costs (Note 15)	(18,278)	(22,565)
Other income (Note 16)	1,020	22,318
Other expenses (Note 16)	(9,006)	(2,881)
(Loss) earnings before income taxes	(12,208)	113,447
Current tax expense (Note 8)	(19,665)	(37,166)
Deferred tax recovery (Note 8)	16,408	7,044
Net (loss) earnings	\$ (15,465)	\$ 83,325
<b>Net (loss) earnings attributable to:</b>		
Lundin Mining Corporation shareholders	\$ (22,085)	\$ 71,789
Non-controlling interests	6,620	11,536
Net (loss) earnings	\$ (15,465)	\$ 83,325
Basic and diluted (loss) earnings per share attributable to Lundin Mining Corporation shareholders	\$ (0.03)	\$ 0.10
Weighted average number of shares outstanding (Note 11)		
Basic	719,628,357	718,251,840
Diluted	719,628,357	719,698,156

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

**LUNDIN MINING CORPORATION**

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited - in thousands of US dollars)

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Net (loss) earnings	\$ (15,465)	\$ 83,325
<b>Other comprehensive income (loss), net of taxes</b>		
Items that may be reclassified to net earnings:		
Effects of foreign currency translation	36,370	(126,185)
<b>Other comprehensive income (loss)</b>	<b>36,370</b>	<b>(126,185)</b>
<b>Comprehensive income (loss)</b>	<b>\$ 20,905</b>	<b>\$ (42,860)</b>
<b>Comprehensive income (loss) attributable to:</b>		
Lundin Mining Corporation shareholders	\$ 14,285	\$ (54,396)
Non-controlling interests	6,620	11,536
<b>Comprehensive income (loss)</b>	<b>\$ 20,905</b>	<b>\$ (42,860)</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	(Deficit) Retained earnings	Non- controlling interests	Total
Balance, December 31, 2015	719,628,357	\$ 4,107,469	\$ 49,112	\$ (308,819)	\$ (33,975)	\$ 433,824	\$ 4,247,611
Distributions	-	-	-	-	-	(2,000)	(2,000)
Exercise of share-based awards	4,100	17	(17)	-	-	-	-
Share-based compensation	-	-	1,689	-	-	-	1,689
Net loss	-	-	-	-	(22,085)	6,620	(15,465)
Other comprehensive income	-	-	-	36,370	-	-	36,370
Total comprehensive income (loss)	-	-	-	36,370	(22,085)	6,620	20,905
<b>Balance, March 31, 2016</b>	<b>719,632,457</b>	<b>\$ 4,107,486</b>	<b>\$ 50,784</b>	<b>\$ (272,449)</b>	<b>\$ (56,060)</b>	<b>\$ 438,444</b>	<b>\$ 4,268,205</b>
Balance, December 31, 2014	718,168,173	\$ 4,099,038	\$ 45,021	\$ (199,023)	\$ 260,109	\$ 433,529	\$ 4,638,674
Exercise of share-based awards	220,500	1,158	(430)	-	-	-	728
Share-based compensation	-	-	2,107	-	-	-	2,107
Net earnings	-	-	-	-	71,789	11,536	83,325
Other comprehensive loss	-	-	-	(126,185)	-	-	(126,185)
Total comprehensive (loss) income	-	-	-	(126,185)	71,789	11,536	(42,860)
Balance, March 31, 2015	718,388,673	\$ 4,100,196	\$ 46,698	\$ (325,208)	\$ 331,898	\$ 445,065	\$ 4,598,649

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

**LUNDIN MINING CORPORATION**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - in thousands of US dollars)

	Three months ended March 31,	
	2016	2015
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net (loss) earnings	\$ (15,465)	\$ 83,325
Items not involving cash and other adjustments		
Depreciation, depletion and amortization	119,574	157,075
Share-based compensation	1,689	2,038
Loss (income) from equity investment in associates	5,286	(11,591)
Unrealized foreign exchange loss (gain)	2,077	(149)
Deferred tax recovery	(16,408)	(7,044)
Recognition of deferred revenue (Note 10)	(10,854)	(18,891)
Reclamation and closure provisions	985	(302)
Finance costs	18,278	22,565
Other	871	325
Reclamation payments	(315)	(1,072)
Pension payments	(343)	(365)
Changes in long-term inventory	(21,175)	(5,650)
Changes in non-cash working capital items (Note 21)	(41,322)	3,711
	<b>42,878</b>	<b>223,975</b>
<b>Investing activities</b>		
Investment in mineral properties, plant and equipment	(47,520)	(63,920)
Distributions from associates (Note 7)	3,180	10,307
Restricted funds movement	2,083	12,848
Proceeds from sale of marketable securities, net	1,593	-
Other	179	6,507
	<b>(40,485)</b>	<b>(34,258)</b>
<b>Financing activities</b>		
Interest paid	(565)	(1,495)
Distributions to non-controlling interests	(2,000)	-
Proceeds from common shares issued, stock option exercise	-	728
Long-term debt repayments	(154)	(420)
Other	(134)	(134)
	<b>(2,853)</b>	<b>(1,321)</b>
Effect of foreign exchange on cash balances	4,697	(8,533)
Increase in cash and cash equivalents during the period	4,237	179,863
Cash and cash equivalents, beginning of period	556,511	174,792
Cash and cash equivalents, end of period	\$ 560,748	\$ 354,655

Supplemental cash flow information (Note 21)

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, 2016 and 2015

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

---

## 1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company. The Company's wholly-owned operating assets include the Eagle nickel/copper mine located in the United States ("US"), the Neves-Corvo copper/zinc mine located in Portugal and the Zinkgruvan zinc/lead mine located in Sweden. The Company also owns 80% of the Candelaria and Ojos del Salado copper/gold mining complex located in Chile ("Candelaria"), and 24% equity accounted interests in the Tenke Fungurume copper/cobalt mine located in the Democratic Republic of Congo ("DRC") and the Freeport Cobalt Oy business ("Freeport Cobalt"), which includes a cobalt refinery located in Kokkola, Finland.

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

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### (i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting including IAS 34 *Interim financial reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015.

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

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on April 27, 2016.

### (ii) Critical accounting estimates and judgments

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2015.

### (iii) Accounting principles

The accounting policies followed in these condensed interim financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2015.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

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

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	<b>March 31, 2016</b>	December 31, 2015
Cash	\$ 452,194	\$ 438,142
Short-term deposits	108,554	118,369
	<b>\$ 560,748</b>	<b>\$ 556,511</b>

### 4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	<b>March 31, 2016</b>	December 31, 2015
Trade receivables	\$ 183,166	\$ 141,094
Value added tax	19,759	21,321
Other receivables	10,722	12,593
Prepaid expenses	17,206	17,186
	<b>\$ 230,853</b>	<b>\$ 192,194</b>

### 5. INVENTORIES

Inventories are comprised of the following:

	<b>March 31, 2016</b>	December 31, 2015
Ore stockpiles	\$ 17,218	\$ 26,446
Concentrate stockpiles	23,270	29,197
Materials and supplies	87,615	89,103
	<b>\$ 128,103</b>	<b>\$ 144,746</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

(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	Exploration properties	Assets under construction	Total
As at December 31, 2014	\$ 3,087,148	\$ 2,031,502	\$ 8,687	\$ 99,093	\$ 5,226,430
Additions	38,371	1,867	-	24,338	64,576
Disposals and transfers	10,506	(2,763)	-	(18,915)	(11,172)
Effects of foreign exchange	(174,036)	(78,783)	(987)	(3,418)	(257,224)
As at March 31, 2015	2,961,989	1,951,823	7,700	101,098	5,022,610
Additions	91,274	1,942	-	111,973	205,189
Impairment	(145,959)	(662)	(3,861)	(2,047)	(152,529)
Disposals and transfers	28,374	84,026	-	(128,308)	(15,908)
Effects of foreign exchange	25,042	10,009	308	230	35,589
As at December 31, 2015	2,960,720	2,047,138	4,147	82,946	5,094,951
Additions	14,698	344	-	37,009	52,051
Disposals and transfers	(201)	3,194	-	(3,744)	(751)
Effects of foreign exchange	59,684	27,846	(41)	980	88,469
<b>As at March 31, 2016</b>	<b>\$ 3,034,901</b>	<b>\$ 2,078,522</b>	<b>\$ 4,106</b>	<b>\$ 117,191</b>	<b>\$ 5,234,720</b>

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2014	\$ 945,313	\$ 353,826	\$ -	\$ -	\$ 1,299,139
Depreciation	90,367	66,708	-	-	157,075
Disposals and transfers	(2,099)	(4,901)	-	-	(7,000)
Effects of foreign exchange	(101,358)	(38,126)	-	-	(139,484)
As at March 31, 2015	932,223	377,507	-	-	1,309,730
Depreciation	255,713	168,659	-	-	424,372
Disposals and transfers	2,099	(15,655)	-	-	(13,556)
Effects of foreign exchange	15,104	4,590	-	-	19,694
As at December 31, 2015	1,205,139	535,101	-	-	1,740,240
Depreciation	71,818	53,427	-	-	125,245
Disposals and transfers	-	(295)	-	-	(295)
Effects of foreign exchange	37,014	14,386	-	-	51,400
<b>As at March 31, 2016</b>	<b>\$ 1,313,971</b>	<b>\$ 602,619</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,916,590</b>

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2015	\$ 1,755,581	\$ 1,512,037	\$ 4,147	\$ 82,946	\$ 3,354,711
<b>As at March 31, 2016</b>	<b>\$ 1,720,930</b>	<b>\$ 1,475,903</b>	<b>\$ 4,106</b>	<b>\$ 117,191</b>	<b>\$ 3,318,130</b>

During the quarter ended March 31, 2016, the Company capitalized \$4.9 million (2015 - \$21.6 million) of deferred stripping costs to mineral properties.

Included in the mineral properties balance as at March 31, 2016 and December 31, 2015 are \$201.7 million and \$196.7 million, respectively, which are non-depreciable.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

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

During the current quarter, the Company capitalized borrowing costs of \$1.3 million (2015 - \$nil) related to the construction of a tailings management facility at Candelaria.

Depreciation, depletion and amortization is comprised of:

	Three months ended March 31,	
	2016	2015
Operating costs	\$ 119,499	\$ 156,984
General and administrative expenses	75	91
Depreciation, depletion and amortization	\$ 119,574	\$ 157,075

### 7. INVESTMENT IN ASSOCIATES

	Tenke Fungurume	Freeport Cobalt	Total
As at December 31, 2014	\$ 1,961,200	\$ 97,999	\$ 2,059,199
Distributions	(8,250)	(2,057)	(10,307)
Share of equity income	9,741	1,850	11,591
As at March 31, 2015	1,962,691	97,792	2,060,483
Distributions	(16,320)	(6,312)	(22,632)
Share of equity income (loss)	14,876	(1,904)	12,972
As at December 31, 2015	1,961,247	89,576	2,050,823
Distributions	(780)	(2,400)	(3,180)
Share of equity loss	(4,391)	(895)	(5,286)
<b>As at March 31, 2016</b>	<b>\$ 1,956,076</b>	<b>\$ 86,281</b>	<b>\$ 2,042,357</b>

### 8. INCOME TAXES

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

### 9. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	March 31, 2016	December 31, 2015
Trade payables	\$ 97,411	\$ 122,195
Unbilled goods and services	91,100	62,100
Payroll obligations	37,612	41,427
Royalty payable	5,627	6,238
	<b>\$ 231,750</b>	<b>\$ 231,960</b>



## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

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

### 10. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2014	\$	667,342
Recognition of revenue		(18,891)
Effects of foreign exchange		(4,803)
As at March 31, 2015		643,648
Stream agreement proceeds		7,500
Recognition of revenue		(44,143)
Effects of foreign exchange		1,491
As at December 31, 2015		608,496
Recognition of revenue		(10,854)
Effects of foreign exchange		1,257
		598,899
Less: current portion		52,176
<b>As at March 31, 2016</b>	<b>\$</b>	<b>546,723</b>

### 11. DILUTED WEIGHTED AVERAGE NUMBER OF SHARES

The total incremental shares added to the basic weighted average number of common shares outstanding to arrive at the fully diluted number of shares is comprised of nil shares for the three months ended March 31, 2016 (2015 - 1,446,316 shares). The incremental shares relate to in-the-money outstanding stock options and outstanding restricted share units ("SU"). Stock options and SUs were not included in the computation of diluted loss per common share for the three months ended March 31, 2016 as their inclusion would be anti-dilutive. During the quarter ended March 31, 2016, the Company granted 3,900,165 stock options (2015 - 3,961,170) to employees. The Company also granted 1,054,400 SUs (2015 - 967,900) which vest over three years.

### 12. OPERATING COSTS

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

	Three months ended March 31,	
	2016	2015
Direct mine and mill costs	\$ 189,895	\$ 223,837
Transportation	18,232	21,788
Royalties	2,163	5,002
	210,290	250,627
Depreciation, depletion and amortization	119,499	156,984
<b>Total operating costs</b>	<b>\$ 329,789</b>	<b>\$ 407,611</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

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

### 13. EMPLOYEE BENEFITS

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

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Operating costs		
Wages and benefits	\$ 50,333	\$ 51,817
Pension benefits	343	365
Share-based compensation	568	1,238
	<b>51,244</b>	<b>53,420</b>
General and administrative expenses		
Wages and benefits	3,732	2,899
Pension benefits	132	231
Share-based compensation	966	780
	<b>4,830</b>	<b>3,910</b>
General exploration and business development		
Wages and benefits	2,375	2,679
Pension benefits	11	11
Share-based compensation	158	20
	<b>2,544</b>	<b>2,710</b>
Other		
Wages and benefits	482	-
Total employee benefits	\$ 59,100	\$ 60,040

### 14. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
General exploration	\$ 10,708	\$ 10,162
Project and corporate development	2,113	1,740
	<b>\$ 12,821</b>	<b>\$ 11,902</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

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

### 15. FINANCE COSTS

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

	Three months ended March 31,	
	2016	2015
Interest income	\$ 146	\$ 52
Interest expense and bank fees	(19,718)	(21,863)
Accretion expense on reclamation provisions	(1,443)	(1,195)
Unrealized loss on revaluation of marketable securities	(379)	(1,304)
Unrealized gain on revaluation of currency options	3,099	-
Other	17	1,745
<b>Total finance costs</b>	<b>\$ (18,278)</b>	<b>\$ (22,565)</b>

During the three months ended March 31, 2016, the Company accrued \$19.2 million (2015 - \$19.1 million) in interest expense on its \$1.0 billion senior secured notes.

### 16. OTHER INCOME AND EXPENSES

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

	Three months ended March 31,	
	2016	2015
Foreign exchange (loss) gain	\$ (4,848)	\$ 17,295
Other income	1,020	5,023
Other expenses	(4,158)	(2,881)
<b>Total other (expenses) income, net</b>	<b>\$ (7,986)</b>	<b>\$ 19,437</b>

  

Other income	\$ 1,020	\$ 22,318
Other expenses	(9,006)	(2,881)
<b>Total other (expenses) income, net</b>	<b>\$ (7,986)</b>	<b>\$ 19,437</b>

Other income and other expenses include ancillary activities of the Company.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

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

---

### 17. COMMITMENTS

The Company has the following capital commitments as at March 31, 2016:

2016	\$ 33,916
2017	1,784
2018	164
<b>Total</b>	<b>\$ 35,864</b>

### 18. SEGMENTED INFORMATION

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

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

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

### For the three months ended March 31, 2016

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Sales	\$ 206,702	\$ 53,223	\$ 71,313	\$ 40,361	\$ -	\$ (2,030)	\$ 369,569
Operating costs	(107,386)	(30,991)	(50,347)	(21,032)	-	(534)	(210,290)
General and administrative expenses	-	-	-	-	-	(7,542)	(7,542)
Operating earnings (loss) <sup>1</sup>	99,316	22,232	20,966	19,329	-	(10,106)	151,737
Depreciation, depletion and amortization	(61,387)	(30,512)	(21,412)	(5,732)	-	(531)	(119,574)
General exploration and business development	(2,166)	(6,708)	(1,707)	(303)	-	(1,937)	(12,821)
Loss from equity investments in associates	-	-	-	-	(4,391)	(895)	(5,286)
Finance costs	(676)	(208)	(369)	(151)	-	(16,874)	(18,278)
Other (expenses) income	(1,393)	36	(3,876)	(2,549)	-	(204)	(7,986)
Income tax recovery (expense)	501	-	3,766	(2,265)	-	(5,259)	(3,257)
Net earnings (loss)	\$ 34,195	\$ (15,160)	\$ (2,632)	\$ 8,329	\$ (4,391)	\$ (35,806)	\$ (15,465)
Capital expenditures	\$ 28,683	\$ 1,570	\$ 8,033	\$ 9,002	\$ -	\$ 232	\$ 47,520

1. Operating earnings (loss) is a non-GAAP measure.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

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

### For the three months ended March 31, 2015

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Sales	292,190 \$	88,391 \$	86,623 \$	37,864 \$	- \$	26,460 \$	531,528
Operating costs	(128,500)	(32,258)	(55,910)	(21,260)	-	(12,699)	(250,627)
General and administrative expenses	-	-	-	-	-	(6,940)	(6,940)
Operating earnings (loss) <sup>1</sup>	163,690	56,133	30,713	16,604	-	6,821	273,961
Depreciation, depletion and amortization	(85,120)	(37,421)	(23,635)	(5,525)	-	(5,374)	(157,075)
General exploration and business development	(4,783)	(1,687)	(1,522)	(278)	-	(3,632)	(11,902)
Income from equity investments in associates	-	-	-	-	9,741	1,850	11,591
Finance (costs) income	(517)	(199)	1,264	(843)	-	(22,270)	(22,565)
Other income (expenses)	5,406	11	12,446	2,781	-	(1,207)	19,437
Income tax (expense) recovery	(19,215)	(3,459)	(2,853)	(2,650)	-	(1,945)	(30,122)
Net earnings (loss)	\$ 59,461	\$ 13,378	\$ 16,413	\$ 10,089	\$ 9,741	\$ (25,757)	\$ 83,325
Capital expenditures	\$ 29,294	\$ 11,480	\$ 9,820	\$ 7,028	\$ -	\$ 6,298	\$ 63,920

1. Operating earnings (loss) is a non-GAAP measure.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

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

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

	Three months ended March 31,	
	2016	2015
Copper	\$ 258,167	\$ 354,027
Nickel	22,740	75,686
Zinc	39,225	39,675
Lead	14,586	12,213
Gold	23,170	30,806
Silver	8,702	11,312
Other	2,979	7,809
	<u>\$ 369,569</u>	<u>\$ 531,528</u>

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

	Three months ended March 31,	
	2016	2015
Europe	\$ 215,884	\$ 228,742
Asia	96,119	207,458
North America	38,831	59,135
South America	18,735	36,193
	<u>\$ 369,569</u>	<u>\$ 531,528</u>

## 19. RELATED PARTY TRANSACTIONS

- a) **Transactions with associates** - The Company enters into transactions related to its investment in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Note 7).
- b) **Key management personnel** - The Company has identified its directors and certain senior officers as its key management personnel. The employee benefits for key management personnel are as follows:

	Three months ended March 31,	
	2016	2015
Wages and salaries	\$ 1,434	\$ 1,466
Pension benefits	52	31
Share-based compensation	640	645
	<u>\$ 2,126</u>	<u>\$ 2,142</u>

- c) **Other related parties** - For the three months ended March 31, 2016, the Company paid \$0.3 million (2015 - \$0.2 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

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

### 20. 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, 2016 and December 31, 2015:

	Level	March 31, 2016		December 31, 2015	
		Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>					
Cash and cash equivalents	1	\$ 560,748	\$ 560,748	\$ 556,511	\$ 556,511
Restricted funds	1	53,526	53,526	53,818	53,818
Trade receivables	2	174,024	174,024	141,207	141,207
Marketable securities - shares	1	1,846	1,846	3,337	3,337
Currency options	2	6,043	6,043	2,944	2,944
		\$ 796,187	\$ 796,187	\$ 757,817	\$ 757,817
Available for sale					
Marketable securities - shares	1	\$ 611	\$ 611	\$ 867	\$ 867
		611	611	867	867
<b>Financial liabilities</b>					
Amortized cost					
Long-term debt and finance leases	1,2	\$ 980,775	\$ 963,787	\$ 979,116	\$ 937,865
Other long-term liabilities	2	12,715	12,715	13,815	13,815
		\$ 993,490	\$ 976,502	\$ 992,931	\$ 951,680

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

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

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

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

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

Trade receivables – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized positive pricing adjustments of \$8.5 million in sales during the three months ended March 31, 2016 (2015 - \$28.1 million negative pricing adjustments).

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

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



## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2016 and 2015

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

---

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

Finance leases and other long-term liabilities – The fair value of the finance leases and other long-term liabilities approximates its carrying value as the interest rates are comparable to current market rates.

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

### 21. SUPPLEMENTARY CASH FLOW INFORMATION

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Changes in non-cash working capital items consist of:		
Trade receivable, inventories and other current assets	\$ (19,215)	\$ 29,342
Trade payables and other current liabilities	(22,107)	(25,631)
	<b>\$ (41,322)</b>	<b>\$ 3,711</b>
Operating activities included the following cash payments:		
Income taxes paid	\$ 16,044	\$ 37,935





**lundin mining**