

lundin mining

Management's Discussion and Analysis For the three months ended March 31, 2018

This management's discussion and analysis ("MD&A") has been prepared as of April 25, 2018 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended March 31, 2018. 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, zinc and nickel. In addition, Lundin Mining holds an indirect 24% equity stake in the Freeport Cobalt Oy business, which includes a cobalt refinery located in Kokkola, Finland.

Cautionary Statement on Forward-Looking Information

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

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Highlights

Operational Performance

Production and cash costs¹ across all operations and for all metals were in line with expectations for the quarter, on target to achieve or better the Company's annual guidance. Lower copper production in the quarter compared to the prior year quarter is a result of planned lower throughput and grades at Candelaria. Strong operating performance was achieved at both Neves-Corvo and Zinkgruvan. Significant progress was made on projects at Candelaria, Eagle and Neves-Corvo.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 31,847 tonnes of copper, and approximately 17,000 ounces of gold and 275,000 ounces of silver in concentrate during the quarter. Copper production largely met expectations but was lower than the prior year comparable period due to planned mining and processing of lower grade materials and routine mill maintenance resulting in lower throughput. Copper cash costs of \$1.71/lb for the quarter were in line with full year guidance (\$1.70/lb), but higher than the prior year quarter due primarily to lower planned sales volumes, higher mill maintenance costs and foreign exchange in the current quarter.

The first phase of the Los Diques Tailings Storage Facility ("TSF") is complete and continuous tailings placement commenced in April. The facility has satisfied all regulatory requirements and operating permit applications have been submitted. Construction of subsequent phases has been initiated early, with excellent progress to date.

Eagle (100% owned): Eagle production remains on track to achieve full year guidance producing 5,141 tonnes of nickel and 4,773 tonnes of copper during the quarter. Quantities were lower than the prior year as a result of planned mine sequencing. Nickel cash costs of \$0.49/lb for the quarter benefited from lower nickel treatment and refining charges, bettering both guidance and the prior year.

Development of the Eagle East access ramp continues ahead of schedule, and underground definition drilling is scheduled to commence in Eagle East in the second quarter of this year.

Neves-Corvo (100% owned): Neves-Corvo produced 10,760 tonnes of copper and 17,835 tonnes of zinc for the quarter with excellent mill throughput for both zinc and copper and remains on track to achieve full year guidance. Zinc production was in line with the prior year comparable period, despite lower head grades, while copper production was higher resulting from improved mine productivity and higher mill throughput driven by improvements in mine plan execution. Overall cash costs, on a copper basis, of \$1.14/lb for the quarter were higher than the prior year comparable period, negatively impacted by foreign exchange, but remain better than guidance (\$1.30/lb).

The Zinc Expansion Project ("ZEP") advanced, however some delays have been experienced due to both labour action and underground contractor progress.

Constructive dialogue with the Neves-Corvo workforce continues. The labour situation continues to be managed so as to minimize the risk of future work stoppages.

Zinkgruvan (100% owned): Zinc production of 19,045 tonnes for the quarter was in line with both guidance and prior year comparative period production. Lead production of 7,023 tonnes was lower than the prior year quarter driven by lower head grades as a result of mine sequencing. Zinc cash costs of \$0.43/lb for the quarter were better than full year guidance, but higher than the prior year comparable quarter due primarily to foreign exchange.

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

(Contained metal in concentrate - tonnes)	2018	Total	2017			
	Q1		Q4	Q3	Q2	Q1
Copper ^a	41,187	202,989	45,655	52,882	56,448	48,004
Zinc	36,880	149,319	37,332	38,520	36,216	37,251
Nickel	5,141	22,081	4,299	5,618	5,822	6,342

a - Excludes attributable share of copper production from discontinued operations.

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

Financial Performance

- Revenue for the quarter ended March 31, 2018 was \$470.5 million, a decrease of \$17.3 million in comparison to the \$487.8 million reported in the first quarter of the prior year. The decrease was due to lower sales volumes (\$74.9 million), partially offset by higher metal prices, net of price adjustments (\$36.7 million) and lower treatment and refining charges (\$16.5 million).
- Cost of goods sold for the quarter ended March 31, 2018 was \$320.6 million, a decrease of \$3.2 million in comparison to the \$323.8 million reported in the first quarter of the prior year. Higher per unit production costs (\$25.0 million) and the negative impact of foreign exchange (\$16.4 million) were offset by lower sales volumes (\$43.1 million).
- Gross profit for the quarter ended March 31, 2018 was \$149.9 million, a decrease of \$14.1 million in comparison to the \$164.0 million reported in the first quarter of the prior year. The decrease was primarily due to higher per unit production costs (\$25.0 million) and lower sales volumes (\$31.5 million), partially offset by higher realized metal prices, net of price adjustments (\$36.7 million).
- Net earnings for the quarter ended March 31, 2018 were \$87.1 million, a decrease of \$19.3 million over the \$106.4 million reported in the first quarter of 2017. Net earnings, in comparison with the prior year quarter, were negatively impacted by:
 - lower earnings from discontinued operations (\$34.0 million); and
 - lower gross profit (\$14.1 million); partially offset by
 - lower net income tax expense (\$18.6 million).
- Cash flow from operations for the quarter ended March 31, 2018 was \$172.9 million, a decrease of \$71.8 million in comparison to the cash flow of \$244.7 million reported in the first quarter of 2017. The decrease was primarily attributable to a comparative change in non-cash working capital.

Financial Position and Financing

- Cash and cash equivalents increased \$72.1 million over the quarter ended March 31, 2018, from \$1,567.0 million to \$1,639.1 million. The increase is primarily a result of cash generated from operating activities of \$172.9 million and proceeds from the sale of marketable securities of \$35.4 million, partially offset by investments in mineral properties, plant and equipment of \$150.7 million.
- Net cash¹ position at March 31, 2018 was \$1,183.2 million compared to \$1,110.5 million at December 31, 2017.
- The Company has a revolving credit facility available for borrowing up to \$350 million. As at March 31, 2018, the Company had no amount drawn on the credit facility, only letters of credit in the amount of \$26.6 million.
- As at April 25, 2018, cash and net cash balances were approximately \$1.7 billion and \$1.2 billion, respectively.

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

Outlook

Production and exploration guidance for 2018 remains unchanged from that provided on November 29, 2017 (see news release entitled “Lundin Mining Provides Operational Outlook & Update”). Eagle’s 2018 cash cost guidance has been reduced to \$1.10/lb, from \$1.35/lb, largely in recognition of higher expected copper by-product prices.

2018 Production and Cost Guidance

(contained tonnes in concentrate)		Tonnes	Cash Costs ^a
Copper	Candelaria (80%)	104,000 - 109,000	\$1.70/lb
	Eagle	15,000 - 18,000	
	Neves-Corvo	39,000 - 44,000	\$1.30/lb
	Zinkgruvan	1,000 - 2,000	
	Total attributable	159,000 - 173,000	
Zinc	Neves-Corvo	68,000 - 73,000	
	Zinkgruvan	76,000 - 81,000	\$0.45/lb
	Total	144,000 - 154,000	
Nickel	Eagle	14,000 - 17,000	\$1.10/lb

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.25, USD/SEK:8.00, USD/CLP:600) and metal prices (forecast at Cu: \$3.00/lb, Zn: \$1.40/lb, Ni: \$5.50/lb, Au: \$1,250/oz, Pb: \$1.00/lb, Ag: \$18.00/oz).

2018 Capital Expenditure and Exploration Guidance

Total capital expenditures, excluding capitalized interest, are forecast to be \$850 million as previously disclosed. Minor, offsetting changes in sustaining capital expenditures at Eagle (from \$25 million to \$20 million) and Neves-Corvo (from \$55 million to \$60 million) are expected. A comprehensive project cost review for the ZEP will be conducted and updates provided with the second quarter results.

2018 Guidance	\$ millions
Candelaria (100% basis)	
Capitalized Stripping	200
Los Diques TSF	60
New Mine Fleet Investment	75
Candelaria Mill Optimization Project	50
Candelaria Underground Development	20
Other Sustaining	105
Candelaria Sustaining	510
Eagle Sustaining	20
Neves-Corvo Sustaining	60
Zinkgruvan Sustaining	40
Total Sustaining Capital	630
Eagle East	30
ZEP (Neves-Corvo)	190
Total Expansionary Capital	220
Total Capital Expenditures	850

2018 Exploration Investment Guidance

Exploration expenditures are expected to remain unchanged at \$83 million in 2018.

Selected Quarterly Financial Information¹

	Three months ended	
	March 31,	
	2018	2017
(\$ millions, except share and per share amounts)		
Revenue	470.5	487.8
Cost of goods sold:		
Production costs	(239.7)	(214.1)
Depreciation, depletion and amortization	(80.9)	(109.7)
Gross profit	149.9	164.0
General and administrative expenses	(12.4)	(9.3)
General exploration and business development	(19.8)	(15.2)
Finance income and costs, net	(10.1)	(11.7)
Other income and expenses, net	5.0	(11.3)
Earnings before income taxes	112.6	116.5
Income tax expense	(25.5)	(44.1)
Net earnings from continuing operations	87.1	72.4
Earnings from discontinued operations	-	34.0
Net earnings	87.1	106.4
Attributable to: Lundin Mining shareholders, continuing	81.3	57.6
Lundin Mining shareholders, discontinued	-	34.0
Non-controlling interests	5.8	14.8
Net earnings	87.1	106.4
Cash flow from operations	172.9	244.7
Capital expenditures (including capitalized interest)²	150.7	79.1
Total assets	6,393.0	6,280.2
Long-term debt & finance leases	446.1	983.4
Net cash (debt)	1,183.2	(71.3)
Shareholders' equity	4,171.2	3,731.5
Key Financial Data:		
Basic and diluted earnings per share attributable to shareholders		
- continuing operations (EPS - Continuing)	0.11	0.08
- net earnings (EPS - Total)	0.11	0.13
Operating cash flow per share ³	0.23	0.24
Dividends declared (C\$/share)	0.03	0.03
Shares outstanding:		
Basic weighted average	729,599,641	726,184,033
Diluted weighted average	732,282,574	728,794,024
End of period	731,024,659	726,702,997

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

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

3. Operating cash flow per share is a non-GAAP measure – see page 25 of this MD&A for discussion of non-GAAP measures.

Summary of Quarterly Results^{1,2}

(\$ millions, except per share data)	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16
Revenue	470.5	533.3	601.7	454.7	487.8	459.2	374.5	342.3
Cost goods of sold	(320.6)	(280.7)	(341.2)	(311.4)	(323.8)	(318.8)	(337.9)	(312.8)
Gross profit	149.9	252.6	260.5	143.3	164.0	140.4	36.6	29.5
Impairment reversals	-	-	-	-	-	95.9	-	-
Net earnings (loss)	87.1	154.0	156.6	85.0	106.4	180.2	(7.1)	(787.9)
- attributable to shareholders, continuing	81.3	133.0	131.8	49.0	57.6	148.7	(18.9)	(19.8)
- attributable to shareholders, discontinued	-	-	-	21.0	34.0	14.2	7.5	(771.4) ³
- attributable to shareholders, total	81.3	133.0	131.8	70.0	91.6	162.9	(11.4)	(791.2)
EPS Continuing - Basic and diluted	0.11	0.18	0.18	0.07	0.08	0.21	(0.03)	(0.03)
EPS Total - Basic and diluted	0.11	0.18	0.18	0.10	0.13	0.23	(0.02)	(1.10)
Cash flow from operations	172.9	230.1	249.5	179.2	244.7	107.9	59.3	153.2
Capital expenditures (cash basis)	150.7	197.9	117.3	84.5	79.1	59.8	41.4	38.8

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

2. Q1-18 quarterly results have been prepared in accordance with IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers.

Comparative information for the previous seven quarters has not been restated and is accounted for under IAS 39, Financial Instruments: Recognition and Measurement and IAS 18, Revenue.

3. Includes impairment loss of \$772.1 million on investment in Tenke which has been reclassified from Impairment to Discontinued operations for prior periods.

Revenue Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)	2018	2017				
	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)						
Candelaria (100%)	32,787	179,259	38,292	53,062	45,222	42,683
Eagle	4,520	20,127	3,640	4,985	5,253	6,249
Neves-Corvo	9,133	30,399	6,063	7,511	8,058	8,767
Zinkgruvan	-	968	48	920	-	-
	46,440	230,753	48,043	66,478	58,533	57,699
Zinc (tonnes)						
Neves-Corvo	13,478	58,434	13,730	16,355	13,654	14,695
Zinkgruvan	16,594	66,621	17,832	16,594	15,306	16,889
	30,072	125,055	31,562	32,949	28,960	31,584
Nickel (tonnes)						
Eagle	5,067	18,960	3,282	4,787	5,554	5,337
	5,067	18,960	3,282	4,787	5,554	5,337
Gold (000 oz)						
Candelaria (100%)	18	100	21	28	26	25
	18	100	21	28	26	25
Lead (tonnes)						
Neves-Corvo	1,182	4,620	1,432	1,000	1,013	1,175
Zinkgruvan	5,087	26,887	8,707	4,989	7,319	5,872
	6,269	31,507	10,139	5,989	8,332	7,047
Silver (000 oz)						
Candelaria (100%)	266	1,645	330	523	427	365
Eagle	19	86	16	29	19	22
Neves-Corvo	159	521	129	116	130	146
Zinkgruvan	236	1,756	562	362	447	385
	680	4,008	1,037	1,030	1,023	918

Revenue Analysis

by Mine (\$ thousands)	Three months ended March 31,					Change \$
	2018		2017			
	\$	%	\$	%		
Candelaria (100%)	218,242	46	278,340	57	(60,098)	
Eagle	92,214	20	72,271	15	19,943	
Neves-Corvo	97,658	21	83,036	17	14,622	
Zinkgruvan	62,368	13	54,140	11	8,228	
	470,482		487,787		(17,305)	

by Metal (\$ thousands)	Three months ended March 31,					Change \$
	2018		2017			
	\$	%	\$	%		
Copper	275,362	59	325,122	67	(49,760)	
Zinc	86,704	18	72,356	15	14,348	
Nickel	54,815	12	31,850	6	22,965	
Gold	22,250	5	27,648	6	(5,398)	
Lead	15,031	3	16,009	3	(978)	
Silver	7,589	1	7,676	2	(87)	
Other	8,731	2	7,126	1	1,605	
	470,482		487,787		(17,305)	

Revenue for the quarter ended March 31, 2018 was \$470.5 million, a decrease of \$17.3 million in comparison to the \$487.8 million reported in the first quarter of the prior year. The decrease was due to lower sales volumes (\$74.9 million), partially offset by higher metal prices, net of price adjustments (\$36.7 million) and lower treatment and refining charges (\$16.5 million).

Revenue from gold and silver for the quarter ended March 31, 2018 includes the partial recognition of an upfront purchase price on the sale of precious metals streams for Candelaria, Neves-Corvo, and Zinkgruvan as well as the cash proceeds which amount to \$404/oz for gold and between \$4.04/oz and \$4.34/oz for silver.

Revenue is recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the expected month of settlement and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting gross revenue 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 revenue as of March 31, 2018

Metal	Tonnes Payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	49,974	3.04	6,711
Zinc	20,424	1.49	3,279
Nickel	3,884	6.03	13,284

Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended March 31, 2018				Three months ended March 31, 2017			
	Copper	Zinc	Nickel	Total	Copper	Zinc	Nickel	Total
Current period sales ¹	315,312	98,745	67,103	481,160	341,306	89,853	54,514	485,673
Prior period price adjustments	(15,656)	1,462	323	(13,871)	14,914	2,336	(55)	17,195
	299,656	100,207	67,426	467,289	356,220	92,189	54,459	502,868
Other metal sales				54,423				60,522
Less: Treatment & refining charges				(51,230)				(75,603)
Total Revenue				470,482				487,787
Payable Metal (tonnes)	46,440	30,072	5,067		57,699	31,584	5,337	
Current period sales (\$/lb) ¹	\$3.08	\$1.49	\$6.01		\$2.68	\$1.29	\$4.63	
Prior period adjustments (\$/lb)	(0.15)	0.02	0.03		0.12	0.03	-	
Realized prices (\$/lb)	\$2.93	\$1.51	\$6.04		\$2.80	\$1.32	\$4.63	

1. Includes provisional price adjustments on current period sales.

Financial Results

Production Costs

Production costs for the quarter ended March 31, 2018 were \$239.7 million, an increase of \$25.6 million in comparison to the \$214.1 million reported in the first quarter of the prior year. Higher per unit production costs (\$47.8 million), due in large part to higher mill maintenance, labour and diesel costs at Candelaria, and the negative impacts of foreign exchange (\$11.4 million), were partially offset by lower sales volumes (\$32.4 million).

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense for the quarter ended March 31, 2018 was \$80.9 million, a decrease of \$28.8 million in comparison to the \$109.7 million reported in 2017. The decrease was primarily attributable to increased Mineral Reserve estimates at Eagle (including a Mineral Reserve estimate on Eagle East), Neves-Corvo and Candelaria, as well as lower sales volumes at Candelaria. Depreciation, depletion and amortization rates of mineral assets are adjusted annually to reflect changes in Mineral Reserve estimates.

Candelaria's depreciation expense for the current quarter included \$6.8 million (Q1 2017 - \$13.6 million) for amortization of previously capitalized deferred stripping costs. The deferred stripping asset at March 31, 2018 was \$408.6 million (December 31, 2017 - \$374.5 million), of which \$383.3 million (December 31, 2017 - \$342.5 million) is not currently subject to depreciation because the related phases of the open pit mine are not currently in the production stage.

Depreciation by operation (\$ thousands)	Three months ended March 31,		
	2018	2017	Change
Candelaria	38,600	50,284	(11,684)
Eagle	20,976	36,519	(15,543)
Neves-Corvo	14,654	17,531	(2,877)
Zinkgruvan	6,291	4,806	1,485
Other	349	520	(171)
	80,870	109,660	(28,790)

Finance Costs

Net finance costs of \$10.1 million for the quarter ended March 31, 2018 decreased \$1.6 million from the prior year comparable quarter costs of \$11.7 million. Interest expense of \$9.7 million in the current quarter (Q1 2017 – nil) on the deferred revenue liability arising from the adoption of IFRS 15 on January 1, 2018 was offset by lower interest expense resulting from the early redemption of the 7.50% Senior Secured Notes due 2020 on November 20, 2017 (\$10.1 million).

Other Income and Expenses

Net other income of \$5.0 million for the quarter ended March 31, 2018 was \$16.3 million higher compared to the net other expenses of \$11.3 million for the quarter ended March 31, 2017. The increase in net other income was largely as a result of lower foreign exchange losses (\$5.7 million), a gain on marketable securities of \$5.6 million (Q1 2017 – nil), and higher earnings from the Company's equity investment in Freeport Cobalt (\$5.5 million) in the current quarter.

Foreign exchange losses recorded in Other Income and Expenses relate to working capital denominated in foreign currencies that was held by the Company. In the first quarter of 2017, the disposal of Galmoy assets also resulted in a foreign exchange loss of \$6.0 million. Period end exchange rates having a meaningful impact on foreign exchange recorded at March 31, 2018 were \$1.00:CLP605 (December 31, 2017 - \$1.00:CLP615), \$1.23:€1.00 (December 31, 2017 - \$1.20:€1.00) and \$1.00:SEK8.36 (December 31, 2017 - \$1.00:SEK8.23).

Income Taxes

Income taxes by mine

Income tax expense (recovery) (\$ thousands)	Three months ended March 31,		
	2018	2017	Change
Candelaria	(138)	24,051	(24,189)
Eagle	5,247	-	5,247
Neves-Corvo	4,499	5,894	(1,395)
Zinkgruvan	7,005	6,390	615
Other	8,932	7,787	1,145
	25,545	44,122	(18,577)

Income taxes by classification

Income tax expense (recovery) (\$ thousands)	Three months ended March 31,		
	2018	2017	Change
Current income tax	28,984	58,245	(29,261)
Deferred income tax	(3,439)	(14,123)	10,684
	25,545	44,122	(18,577)

Income tax expense of \$25.5 million for the three months ended March 31, 2018 was \$18.6 million lower than the \$44.1 million expense recorded in the comparable quarter of the prior year.

The \$24.2 million increase in income tax recovery at Candelaria resulted from lower taxable earnings in the current quarter and an increase in refundable taxes. The refundable tax on dividends in Chile increased from 20.9% to 27% resulting in a \$6.5 million increase to deferred tax assets and higher tax refunds in the current period.

The \$5.2 million increase in income tax expense at Eagle was due to a decrease in deferred tax assets, as Eagle had sufficient taxable profits in the current quarter to utilize previously recorded tax losses.

Discontinued Operations

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

In the first quarter of 2017, earnings from discontinued operations related to Tenke Fungurume were \$34.0 million.

Mining Operations

Production Overview

(Contained metal in concentrate)	2018	2017				
	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)						
Candelaria (80%)	25,478	147,086	34,140	39,363	42,277	31,306
Eagle	4,773	21,302	4,130	4,995	5,674	6,503
Neves-Corvo	10,760	33,624	7,385	7,946	8,098	10,195
Zinkgruvan	176	977	-	578	399	-
Tenke (24%)	-	12,932	-	-	-	12,932
	41,187	215,921	45,655	52,882	56,448	60,936
Zinc (tonnes)						
Neves-Corvo	17,835	71,356	15,835	19,562	18,011	17,948
Zinkgruvan	19,045	77,963	21,497	18,958	18,205	19,303
	36,880	149,319	37,332	38,520	36,216	37,251
Nickel (tonnes)						
Eagle	5,141	22,081	4,299	5,618	5,822	6,342
	5,141	22,081	4,299	5,618	5,822	6,342
Gold (000 oz)						
Candelaria (80%)	14	83	19	21	24	19
	14	83	19	21	24	19
Lead (tonnes)						
Neves-Corvo	1,757	5,164	1,267	1,308	1,183	1,406
Zinkgruvan	7,023	28,324	6,925	7,899	5,901	7,599
	8,780	33,488	8,192	9,207	7,084	9,005
Silver (000 oz)						
Candelaria (80%)	220	1,457	319	421	431	286
Eagle	43	200	38	55	49	58
Neves-Corvo	405	1,292	305	341	316	330
Zinkgruvan	565	2,361	619	710	494	538
	1,233	5,310	1,281	1,527	1,290	1,212

Cash Cost Overview

	Three months ended March 31,	
	2018	2017
Candelaria (cost/lb Cu)		
Gross cost	1.93	1.49
By-product ¹	(0.22)	(0.22)
Net Cash Cost	1.71	1.27
All-in Sustaining Cost²	2.91	1.73
Eagle (cost/lb Ni)		
Gross cost	3.84	4.38
By-product	(3.35)	(3.44)
Net Cash Cost	0.49	0.94
All-in Sustaining Cost	1.17	1.28
Neves-Corvo (cost/lb Cu)		
Gross cost	3.21	2.64
By-product	(2.07)	(1.89)
Net Cash Cost	1.14	0.75
All-in Sustaining Cost	1.84	1.42
Zinkgruvan (cost/lb Zn)		
Gross cost	0.78	0.76
By-product	(0.35)	(0.39)
Net Cash Cost	0.43	0.37
All-in Sustaining Cost	0.71	0.57

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

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 25 of this MD&A for discussion of non-GAAP measures.

Capital Expenditures (including capitalized interest)^{1,2}

(\$ thousands)	Three months ended March 31,							
	2018				2017			
	Sustaining	Expansionary	Capitalized Interest	Total	Sustaining	Expansionary	Capitalized Interest	Total
by Mine								
Candelaria	90,868	-	-	90,868	45,683	-	2,431	48,114
Eagle	2,848	6,798	-	9,646	2,303	7,504	-	9,807
Neves-Corvo	11,481	24,415	-	35,896	9,757	-	-	9,757
Zinkgruvan	11,177	-	-	11,177	7,666	3,689	-	11,355
Other	3,125	-	-	3,125	103	-	-	103
	119,499	31,213	-	150,712	65,512	11,193	2,431	79,136

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

2. Sustaining and expansionary capital expenditures are non-GAAP measures – see page 25 of this MD&A for discussion of non-GAAP measures.

Candelaria

Compañía Contractual Minera Candelaria ("CCMC") and Compañía Contractual Minera Ojos del Salado ("CCMO"), collectively "Candelaria", are located near Copiapó in the Atacama region 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 providing copper ore to an on-site processing plant. CCMO consists of two underground mines, Santos and Alcaparrosa, and the Pedro Aguirre Cerda ("PAC") processing plant. The Santos mine provides copper ore to the PAC plant, while ore from both the Santos mine and Alcaparrosa mine is treated at the CCMC plant. The CCMC plant has a processing capacity of 27.0 million tonnes per annum ("mtpa"), and the PAC plant has a capacity of 1.3 mtpa, both producing copper in concentrate. The primary metal is copper, with gold and silver as by-product metals.

Operating Statistics

(100% Basis)	2018	2017				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	4,372	28,005	8,139	7,313	6,183	6,370
Ore milled (000s tonnes)	6,190	29,435	7,279	7,316	7,745	7,095
Grade						
Copper (%)	0.56	0.67	0.62	0.73	0.74	0.60
Recovery						
Copper (%)	92.6	92.6	92.9	92.4	92.9	91.7
Production (contained metal)						
Copper (tonnes)	31,847	183,858	42,676	49,203	52,846	39,133
Gold (000 oz)	17	104	24	27	30	23
Silver (000 oz)	275	1,821	398	526	540	357
Revenue (\$000s)	218,242	1,230,196	309,908	374,207	267,741	278,340
Gross profit (\$000s)	55,502	563,677	153,268	188,973	113,244	108,192
Cash cost (\$ per pound)	1.71	1.22	1.38	1.17	1.08	1.27
AISC (\$ per pound)	2.91	2.04	2.76	2.04	1.73	1.73

Gross Profit

Gross profit of \$55.5 million for the three months ended March 31, 2018 was \$52.7 million lower than the prior year comparable period. The decrease was largely due to the planned mining and processing of lower grade material and lower mill throughput, resulting in lower sales volumes (\$24.0 million). Higher per unit production costs were impacted by higher mill maintenance, labour and diesel costs (\$27.7 million) and unfavourable foreign exchange (\$4.6 million) in the current period.

Production

Copper production of 31,847 tonnes for the three months ended March 31, 2018 was lower than the comparable period in 2017 by 7,286 tonnes (or 19%). The decrease in copper production was largely the result of planned mining and processing of lower grade material from the open pit and stockpiles, and lower mill throughput as a result of routine mill maintenance for mill liner replacement on both SAG mills.

Full year guidance for copper production at Candelaria remains unchanged from that previously disclosed.

Cash Costs

Copper cash costs for the three months ended March 31, 2018 were \$1.71/lb, \$0.44/lb higher than cash costs of \$1.27/lb in the prior year comparable period, largely as a result of expected lower sales volumes and higher operational per unit costs, mainly due to unfavourable foreign exchange, metal production and higher diesel, maintenance and labour costs.

Approximately 12,000 oz of gold and 183,000 oz of silver were subject to terms of a streaming agreement in which \$404/oz and \$4.04/oz were recognized for gold and silver, respectively.

All-in sustaining costs of \$2.91/lb were higher than the prior year comparable quarter of \$1.73/lb due to higher cash costs (\$0.44/lb) and planned increased spending on sustaining capital expenditures and deferred stripping (\$0.74/lb) focused on improving the life-of-mine production profile and increasing the value of the operation.

Projects

The first phase of the Los Diques TSF is complete and continuous tailings placement commenced in April. The facility has satisfied all regulatory requirements and the operating permits have been submitted. The project's capital cost forecast of \$295 million remains unchanged. The construction of two additional lifts of the main embankment is expected to be completed during the third quarter of 2018. Total capital expenditures on the facility, including the two additional lifts, remains forecast at \$60 million for the year.

The implementation phase of the Candelaria Mill Optimization Project continues and the awarding of major equipment packages has commenced. The project is on track to be completed by the end of 2019. The objectives are to increase throughput and metal recovery while reducing operating costs. All work can be completed under existing permits.

Ramp-up of Candelaria Underground continues, achieving approximately 8,600 tonnes per day or a 23% increase in the first full month of the introduction of larger 60 tonne underground trucks and loaders in the north sector. Initial development in the south sector continues with both overall project schedule and costs remaining on track. Studies for further optimization of Candelaria Underground continue, including a potential production increase beyond the currently permitted 14,000 tonnes per day.

Re-investment in the mine fleet equipment including haul trucks, water trucks, wheel dozers, track dozers, motor graders, hydraulic shovels, drills and other minor equipment remain on schedule and in line with 2018 guidance. All purchase orders have been issued and the delivery schedule has been committed to by various suppliers.

Waste stripping progressed in the quarter. Contractor mining equipment continues to be mobilized to site to assist the Candelaria fleet in accelerating waste movement.

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. The mill has a processing capacity of 0.7 mtpa, producing nickel and copper in concentrates. Access ramp development is underway from the Eagle mine to the Eagle East deposit, from which feed to the Humboldt mill is forecast to start in 2020. The primary metal is nickel with copper, cobalt, gold, and platinum-group metals as by-product metals.

Operating Statistics

	2018	2017				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	186	760	192	187	185	196
Ore milled (000s tonnes)	182	754	187	191	189	187
Grade						
Nickel (%)	3.4	3.4	2.8	3.5	3.5	4.0
Copper (%)	2.7	2.9	2.3	2.7	3.0	3.5
Recovery						
Nickel (%)	83.6	85.0	83.6	84.1	86.6	85.5
Copper (%)	97.7	97.9	97.5	98.0	98.2	98.1
Production (contained metal)						
Nickel (tonnes)	5,141	22,081	4,299	5,618	5,822	6,342
Copper (tonnes)	4,773	21,302	4,130	4,995	5,674	6,503
Revenue (\$000s)	92,214	276,531	65,555	74,263	64,442	72,271
Gross profit (\$000s)	36,785	46,155	19,908	19,081	2,439	4,727
Cash cost (\$ per pound)	0.49	0.93	1.19	0.63	1.02	0.94
AISC (\$ per pound)	1.17	1.42	2.02	1.11	1.46	1.28

Gross Profit

Gross profit for the three months ended March 31, 2018 of \$36.8 million was higher than the \$4.7 million reported in the prior year comparable period largely due to higher realized metal prices, net of price adjustments (\$20.6 million) and a lower depreciation rate (\$15.4 million) resulting from an increased Mineral Reserve estimate (which included an initial Mineral Reserve estimate on Eagle East).

Production

Nickel production for the three months ended March 31, 2018 was 5,141 tonnes compared to 6,342 tonnes in the prior year comparable period, while copper production was 4,773 tonnes compared to 6,503 tonnes in the prior year comparable period. The decrease in both metals was due primarily to planned mine sequencing.

Cash Costs

Nickel cash costs for the three months ended March 31, 2018 of \$0.49/lb were lower than the \$0.94/lb reported in the prior year. The decrease in cash costs is primarily due to significantly lower nickel treatment and refining charges (\$0.79/lb) associated with customer mix, partially offset by the impact of lower nickel sales in the current period.

All-in sustaining costs of \$1.17/lb for the quarter ended March 31, 2018 were lower than that reported in the comparable prior year period of \$1.28/lb due to lower cash costs (\$0.45/lb), partially offset by higher royalties as underground mining enters new mineral ownership areas (\$0.19/lb) and higher sustaining capital expenditures (\$0.16/lb).

Full year nickel cash cost guidance has been reduced from \$1.35/lb to \$1.10/lb to reflect higher expected copper by-product pricing.

Projects

During the first quarter of 2018, \$6.8 million in expansionary capital expenditures was incurred in support of the Eagle East project. Ventilation fan chamber construction was completed in the Eagle East decline, and the dual decline ventilation circuit was established. In addition, access ramp development and engineering of Eagle East continued during the quarter and remains one month ahead of schedule.

Approximately \$68 million is expected to be spent over the remainder of the project, of which \$23 million is expected to be incurred over the remainder of 2018. Production of Eagle East ore is scheduled into the mill by 2020.

Discussions with regulatory authorities regarding a second permitting process for disposal of additional tailings at the Humboldt Mill continued during the quarter and approval is anticipated by mid-2018.

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. The Zinc Expansion Project is currently in development, and will see zinc mining and processing capacity increased to 2.5 mtpa.

Operating Statistics

	2018	2017				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	691	2,110	491	503	530	586
Ore mined, zinc (000 tonnes)	283	996	202	268	260	266
Ore milled, copper (000 tonnes)	651	2,122	499	504	528	591
Ore milled, zinc (000 tonnes)	280	1,000	198	267	266	269
Grade						
Copper (%)	2.2	2.1	2.0	2.1	2.0	2.2
Zinc (%)	7.6	8.7	9.6	9.0	8.3	8.3
Recovery						
Copper (%)	74.6	75.8	73.9	73.8	77.7	77.6
Zinc (%)	80.4	79.9	81.7	79.6	80.4	78.6
Production (contained metal)						
Copper (tonnes)	10,760	33,624	7,385	7,946	8,098	10,195
Zinc (tonnes)	17,835	71,356	15,835	19,562	18,011	17,948
Lead (tonnes)	1,757	5,164	1,267	1,308	1,183	1,406
Silver (000 oz)	405	1,292	305	341	316	330
Revenue (\$000s)	97,658	328,925	83,277	89,561	73,051	83,036
Gross profit (\$000s)	24,958	80,828	35,933	18,723	5,690	20,482
Cash cost (€ per pound)	0.93	0.78	0.48	0.64	1.23	0.70
Cash cost (\$ per pound)	1.14	0.88	0.57	0.75	1.38	0.75
AISC (\$ per pound)	1.84	1.49	1.42	1.46	1.72	1.42

Gross Profit

Gross profit of \$25.0 million for the three months ended March 31, 2018 was \$4.5 million higher than 2017. The increase was mainly attributable to higher realized metal prices, net of price adjustments (\$12.0 million) partially offset by the negative impact of foreign exchange (\$9.5 million).

Production

Copper production of 10,760 tonnes for the three months ended March 31, 2018 was higher than the comparable period in 2017 by 6% and reverses a declining production trend in recent quarters. The increase in copper production is a result of improved mine productivity and higher mill throughput driven by improvements in mine plan execution.

Zinc production of 17,835 tonnes for the three months ended March 31, 2018 was comparable to the first quarter of 2017.

Constructive dialogue with the Neves-Corvo workforce continues. The labour situation continues to be managed so as to minimize the risk of future work stoppages.

Cash Costs

Copper cash costs of \$1.14/lb for the quarter ended March 31, 2018 were higher than that of the corresponding period in 2017 of \$0.75/lb. The increase over the prior period was largely as a result of the negative impact of foreign exchange (\$0.38/lb).

All-in sustaining costs of \$1.84/lb were higher than the prior year (\$1.42/lb) comparable period due to higher cash costs.

Projects

The Zinc Expansion Project advanced, however some delays have been experienced due to both labour action and underground contractor progress. Engineering of surface facilities is approximately 80% complete and all major process equipment has been ordered. Major construction contracts are being tendered while the contract for surface earthwork and concrete works has been awarded and mobilization has begun. Surface infrastructure and zinc plant expansion construction work commenced in April.

Approximately 57% of underground materials handling development has been completed and shaft upgrade engineering and procurement are underway. Construction of a new underground crusher is scheduled to start during the second quarter of 2018, with underground works being the current critical path for the project. A comprehensive schedule and project cost review will be conducted and updates provided with the Company's second quarter results.

Zinkgruvan Mine

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

Operating Statistics

	2018	2017				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	309	1,189	346	276	252	315
Ore mined, copper (000 tonnes)	40	92	-	41	37	14
Ore milled, zinc (000 tonnes)	309	1,188	346	280	278	284
Ore milled, copper (000 tonnes)	14	76	-	42	34	-
Grade						
Zinc (%)	6.8	7.3	7.0	7.6	7.3	7.6
Lead (%)	2.8	2.9	2.5	3.4	2.7	3.2
Copper (%)	1.4	1.5	-	1.6	1.3	-
Recovery						
Zinc (%)	89.9	89.5	89.3	89.8	89.6	89.4
Lead (%)	81.3	81.1	79.2	82.5	79.6	82.2
Copper (%)	88.2	88.3	-	89.0	87.4	-
Production (contained metal)						
Zinc (tonnes)	19,045	77,963	21,497	18,958	18,205	19,303
Lead (tonnes)	7,023	28,324	6,925	7,899	5,901	7,599
Copper (tonnes)	176	977	-	578	399	-
Silver (000 oz)	565	2,361	619	710	494	538
Revenue (\$000s)	62,368	241,845	74,540	63,707	49,458	54,140
Gross profit (\$000s)	34,196	132,664	43,322	35,003	22,367	31,972
Cash cost (SEK per pound)	3.47	2.65	1.95	2.44	2.97	3.30
Cash cost (\$ per pound)	0.43	0.31	0.23	0.30	0.34	0.37
AISC (\$ per pound)	0.71	0.57	0.55	0.55	0.61	0.57

Gross Profit

Gross profit of \$34.2 million for the three months ended March 31, 2018 was in line with the \$32.0 million reported in the first quarter of 2017, with the impact of higher realized metal prices, net of price adjustments (\$5.8 million) partially offset by the negative impact of foreign exchange (\$2.2 million) and lower sales volumes (\$1.8 million).

Production

Zinc production of 19,045 tonnes for the first quarter of 2018 was in line with the 19,303 tonnes produced in the prior year comparable period.

Lead production of 7,023 tonnes for the quarter was 8% lower than the comparable period in the prior year. Mine sequencing had a negative impact on lead grades.

Cash Costs

Zinc cash costs of \$0.43/lb for the quarter ended March 31, 2018 were higher than the comparable period in the prior year due primarily to fluctuations in the USD/SEK foreign exchange rate (\$0.05/lb).

All-in sustaining costs of \$0.71/lb were higher than the prior year comparable period (\$0.57/lb) due to increased spending on sustaining capital expenditures (\$0.08/lb) and higher cash costs (\$0.06/lb).

Exploration

Candelaria Mine, Chile (Copper, Gold)

A total of 40,013 metres were drilled in the first quarter of 2018. Drilling occurred within the existing underground mines, around the Candelaria open pit mine, and on surface in the south district to rapidly expand Mineral Resource and Mineral Reserve estimates and to determine the potential extension of known ore bodies. Geophysics were executed in the Santos mine to map geology and possible structures to assist with the development of drilling targets.

Eagle Mine, USA (Nickel, Copper)

Eagle exploration continued during the quarter with surface rigs maintaining focus on tracing the Eagle East conduit. A total of 8,353 metres were drilled from surface for the quarter. Limited borehole geophysics were also performed. Underground definition drilling on Eagle East is scheduled to commence in the second quarter of this year.

European Operations

Exploration planning sessions were further developed at Zinkgruvan and Neves-Corvo aimed at strategically expanding exploration efforts for zinc and copper mineralization extensions. A total of 10,120 metres were drilled in Zinkgruvan and 1,970 metres in Neves-Corvo for the quarter.

Peru (Copper, Gold)

Field work was completed in late 2017 on a copper-gold exploration project. Results were used to outline potential drill targets to be tested in 2019, following receipt of requisite drilling permits.

Eastern Europe (Copper, Zinc, Lead, Gold)

Project evaluation work is continuing on new copper and zinc-lead opportunities in Eastern Europe. Field work is underway on several copper projects and will include geophysical surveys, geological mapping, sampling, and an initial drill program.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

Average metal prices for copper, zinc, and nickel for the first quarter of 2018 were all higher than the average prices for the last quarter of 2017 by 2%, 6% and 15%, respectively. The prices for copper and zinc increased during the first two months of the quarter, but decreased in March. The decrease followed the announcement that the United States will impose import tariffs on steel and aluminium, combined with significant inflows of copper and zinc into London Metal Exchange (“LME”) warehouses. The nickel price remained strong during these events due in large part to the expectation of increased nickel demand from the battery sector.

(Average LME Price)		Three months ended March 31,		
		2018	2017	Change
Copper	US\$/pound	3.16	2.64	19%
	US\$/tonne	6,961	5,831	
Zinc	US\$/pound	1.55	1.26	23%
	US\$/tonne	3,421	2,780	
Nickel	US\$/pound	6.02	4.66	29%
	US\$/tonne	13,276	10,271	

LME inventory for copper and zinc increased during the first quarter of 2018 by 92% and 15%, respectively, while the LME inventory for nickel decreased by 12%.

The treatment charge (“TC”) and refining charge (“RC”) in the spot market for copper concentrates between mining companies and commodity trading companies decreased slightly during the first quarter of 2018. In January, the spot TC was \$68 per dry metric tonne (“dmt”) of concentrate and the spot RC was \$0.068 per lb of payable copper. In March, the TC had decreased to \$64 per dmt of concentrate with a spot RC of \$0.064 per lb of payable copper. In addition, the spot terms at which Chinese copper smelters were buying at had fallen from a TC of \$79 per dmt of concentrate and a RC of \$0.079 per lb of payable copper in January to a TC of \$72 per dmt of concentrate and a RC of \$0.072 per lb of payable copper at the end of March. The terms for annual contracts for copper concentrates for 2018 were reached in December 2017 at a TC of \$82.25 per dmt of concentrate with a RC of \$0.08225 per lb of payable copper. This represents an improvement for the miners compared to the 2017 annual terms of a TC of \$92.50 per dmt of concentrate and a RC of \$0.0925 per lb of payable copper.

The spot TC for zinc concentrates in China has remained historically low during the quarter. At the end of December 2017, the spot TC was \$15 per dmt of concentrate, flat (i.e. without escalators). During January and February of 2018, the spot TC increased slightly to \$22-\$25 per dmt of concentrate, flat, due to less activity in the Chinese market resulting from the Lunar holiday. In March, following the end of the Chinese holiday, the spot TC dropped to \$18-\$20 per dmt of concentrate, flat. At the end of quarter there had been no settlement in negotiations between miners and smelters for 2018 annual contracts for zinc concentrates. Negotiations are ongoing and the Company expects an improvement in favour of the miners compared to the TC of \$172 per dmt of concentrate, flat, agreed for 2017.

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

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents were \$1,639.1 million as at March 31, 2018, an increase of \$72.1 million from \$1,567.0 million at December 31, 2017. Cash inflows for the three months ended March 31, 2018 included operating cash flows of \$172.9 million and proceeds from the sale of marketable securities of \$35.4 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$150.7 million.

Working Capital

Working capital was \$1,817.8 million as at March 31, 2018, compared to \$1,772.7 million at December 31, 2017. The increase in working capital is largely a reflection of a higher balance of cash and cash equivalents, as discussed above, and higher inventories (\$18.6 million), partially offset by lower trade and other receivables (\$34.4 million) as at March 31, 2018.

Long-Term Debt

As at March 31, 2018, \$445 million of 7.875% Senior Secured Notes due 2022 ("2022 Notes") were outstanding.

The sale of the Company's interest in Tenke is considered an Asset Sale under the terms of the Company's bond indenture for the 2022 Notes. When the Company completes an Asset Sale, to the extent that, after a period of 365 days, there are proceeds which have not been committed to the reinvestment in capital expenditures, acquisition of long-term assets or businesses, repayment of senior or secured indebtedness or open market purchase of the 2022 Notes, they are considered Excess Proceeds. If the amount of Excess Proceeds is greater than \$100 million, the Company must issue a tender to purchase the 2022 Notes at par value plus accrued interest for the amount of the Excess Proceeds.

In addition, the Company has an undrawn \$350 million revolving credit facility, expiring in June 2020. Letters of credit have been issued totalling \$26.6 million.

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

Shareholders' Equity

Shareholders' equity was \$4,171.2 million at March 31, 2018, compared to \$4,151.2 million at December 31, 2017. The increase in shareholders' equity is primarily due to current quarter's net earnings of \$87.1 million, partially offset by retrospective adoption of IFRS 15 and IFRS 9 on January 1, 2018 (\$76.9 million), as described further in the Changes in Accounting Policy section of this MD&A.

Sensitivities

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

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

Metal	Tonnes Payable	Provisional price on March 31, 2018 (\$US/tonne)	Change	Effect on Revenue (\$millions)
Copper	49,974	6,711	+/-10%	+/- \$33.5
Zinc	20,424	3,279	+/-10%	+/- \$6.7
Nickel	3,884	13,284	+/-10%	+/- \$5.2

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

Currency	Change	For the three months ended March 31, 2018 (\$millions)
Chilean peso	+/-10%	+/- \$10.5
Euro	+/-10%	+/- \$7.0
Swedish krona	+/-10%	+/- \$2.9

Contractual Obligations, Commitments and Contingencies

The Company has the following contractual obligations, capital commitments, and contingencies as at March 31, 2018:

(\$ thousands)

2018	232,563
2019	64,780
2020	29,096
Total	326,439

The Company is from time to time involved in legal proceedings that arise in the ordinary course of its business. Refer to Note 19 "Commitments and Contingencies" in the Company's consolidated financial statements.

Financial Instruments

Summary of financial instruments:

	Fair value at March 31, 2018 (\$ thousands)	Basis of measurement	Associated risks
Cash and cash equivalents	1,639,108	FVTPL	Credit/Exchange
Restricted funds	45,125	FVTPL	Market/Liquidity
Trade receivables (provisional)	260,666	FVTPL	Credit/Market/Exchange
Trade and other receivables	130,603	Amortized cost	Credit/Market/Exchange
Marketable securities	12,456	FVTPL	Market/Liquidity
Derivative asset	31,148	FVTPL	Credit/Market
Currency options	4,050	FVTPL	Market/Liquidity
Trade and other payables	274,996	Amortized cost	Exchange
Long-term debt and finance leases	481,113	Amortized cost	Interest
Derivative liabilities	8,900	FVTPL	Market

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

Marketable securities/restricted funds (FVTPL) – The fair value of investments in shares and restricted funds is determined based on quoted market price. Restricted funds include cash that has been pledged for reclamation and closure activities which are not available for immediate disbursement.

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

Derivative asset and liability (FVTPL) – The fair value of derivative assets and liabilities is determined using a valuation model that incorporates such factors as metals prices, metal price volatility and expiry date.

Long-term debt and finance leases (Amortized cost) – The fair value of long-term debt is determined using quoted market prices. The fair value of the finance leases approximates carrying value as 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 trade and other receivables and trade and other payables which are measured at amortized cost.

The Company holds currency options to hedge its CLP exposure. The call options expire between April 2018 and December 2018 and have a strike price of 700 CLP:USD.

For the quarter ended March 31, 2018, the Company recognized:

- negative provisional price adjustments on prior period sales of \$13.9 million in revenue (2017: positive provisional price adjustments on prior period sales of \$17.2 million);
- a gain of \$5.6 million on FVTPL securities (2017: nil);
- a gain of \$0.2 million on FVTPL currency options (2017: gain of \$0.7 million); and
- a revaluation loss of \$2.2 million (2017: nil) on the derivative asset arising from the sale of TF Holdings.

In addition, a foreign exchange loss of \$2.0 million (2017: loss of \$7.7 million, including loss on sale of Galmoy assets) was realized in the quarter on working capital denominated in foreign currencies that was held in the Company's various entities.

Related Party Transactions

Freeport Cobalt

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

Key Management Personnel

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

	Three months ended March 31,	
	2018	2017
Wages and salaries	\$ 1,575	\$ 1,671
Pension benefits	58	56
Share-based compensation	385	1,152
	<u>\$ 2,018</u>	<u>\$ 2,879</u>

For the three months ended March 31, 2018, the Company paid \$0.7 million (2017 - \$0.3 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

Significant Accounting Policies

The Company adopted *IFRS 15, Revenue from Contracts with Customers* and *IFRS 9, Financial Instruments* effective January 1, 2018. Refer to Note 2 “Basis of Presentation and Significant Accounting Policies” in the Company’s Condensed Interim Consolidated Financial Statements for the period ended March 31, 2018 for further discussion.

New Accounting Pronouncements

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

Critical Accounting Estimates and Judgements

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements. These estimates and judgements 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 discussion of accounting estimates and judgements deemed most critical by the Company, refer to the Company’s annual 2017 Management’s Discussion and Analysis. In addition to those discussed, the following critical accounting judgements were made by the Company on adopting *IFRS 15* on January 1, 2018:

IFRS 15, Revenue from Contracts with Customers – Management exercised judgment in applying *IFRS 15* accounting standards to certain contracts with customers.

To determine the transaction price for stream agreements, the Company made estimates with respect to interest rates implicit in the agreements, future production of the life of mine and Mineral Resources and Reserves (“R&R”) quantities to adjust the consideration for the effects of the time value of money. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized.

The Company exercised judgment in the identification of performance obligations under its contracts and the allocation of the transaction price thereto. Specifically, the Company considers the following in the determination of the contract’s relevant performance obligations and the respective allocation of the transaction price to each of the performance obligations (i) the customer’s rights to the interest in R&R, (ii) the customer’s ability to benefit from this interest through the extraction services provided by the Company and (iii) the Company’s role as an agent to provide refined metal through a third party refinery.

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, 2018	December 31, 2017
Current portion of long-term debt and finance leases	(3,401)	(3,431)
Long-term debt and finance leases	(446,127)	(446,515)
	(449,528)	(449,946)
Deferred financing fees (netted in above)	(6,345)	(6,627)
	(455,873)	(456,573)
Cash and cash equivalents	1,639,108	1,567,038
Net cash	1,183,235	1,110,465

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:

(\$thousands, except share and per share amounts)	Three months ended March 31,	
	2018	2017
Cash provided by operating activities	172,858	244,677
Changes in non-cash working capital items	(2,432)	(72,311)
Operating cash flow before changes in non-cash working capital items	170,426	172,366
Weighted average common shares outstanding	729,599,641	726,184,033
Operating cash flow per share	0.23	0.24

Capital Expenditures

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

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

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

Cash Cost per Pound

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

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

All-in Sustaining Cost per Pound

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

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

Three months ended March 31, 2018					
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	32,787	5,067	9,133	16,594	
Pounds (000s)	72,283	11,171	20,135	36,583	
Production costs					239,736
Less: items included in the above					
Non-cash inventory					1,504
Royalties and other					(7,128)
					234,112
Deduct: By-product credits					(108,138)
Add: Treatment and refining charges					41,839
Cash cost	123,777	5,466	22,921	15,649	167,813
Cash cost per pound (\$/lb)	1.71	0.49	1.14	0.43	
Add: Sustaining capital expenditure & exploration ⁽¹⁾					
	85,846	3,145	11,574	9,771	
Royalties	-	4,199	1,789	-	
Accretion	882	263	132	131	
Leases & other	-	-	635	252	
All-in sustaining cost	210,505	13,073	37,051	25,803	
AISC per pound (\$/lb)	2.91	1.17	1.84	0.71	

Three months ended March 31, 2017					
Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales volumes (Contained metal in concentrate):					
Tonnes	42,683	5,337	8,767	16,889	
Pounds (000s)	94,100	11,766	19,328	37,234	
Production costs					214,124
Less: items included in the above					
Non-cash inventory					820
Royalties and other					(6,235)
					208,709
Deduct: By-product credits					(112,184)
Add: Treatment and refining charges					62,110
Cash cost	119,388	11,071	14,400	13,776	158,635
Cash cost per pound (\$/lb)	1.27	0.94	0.75	0.37	
Add: Sustaining capital expenditure & exploration					
	42,730	1,448	10,852	7,043	
Royalties	-	2,142	2,102	-	
Accretion	737	448	143	84	
Leases & other	-	-	-	180	
All-in sustaining cost	162,855	15,109	27,497	21,083	
AISC per pound (\$/lb)	1.73	1.28	1.42	0.57	

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

Managing Risks

Risks and Uncertainties

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

Outstanding Share Data

As at April 25, 2018, the Company has 731,255,139 common shares issued and outstanding, and 13,816,450 stock options and 2,650,420 share units outstanding under the Company's incentive plans.

Management’s Report on Internal Controls

Disclosure controls and procedures

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

Internal control over financial reporting

The Company’s internal control over financial reporting (“ICFR”) is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud. Management will continue to monitor the effectiveness of its ICFR and may make modifications from time to time as considered necessary.

Control Framework

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

Changes in internal control over financial reporting

There have been no changes in the Company’s internal control over financial reporting during the three month period ended March 31, 2018 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 on SEDAR (www.sedar.com) or on the Company’s website (www.lundinmining.com).

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Condensed Interim Consolidated Financial Statements of

Lundin Mining Corporation

March 31, 2018
(Unaudited)

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands of US dollars)	March 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents (Note 3)	\$ 1,639,108	\$ 1,567,038
Trade and other receivables (Note 4)	391,269	425,671
Income taxes receivable	51,593	46,716
Inventories (Note 5)	210,972	192,358
Other current assets	12,935	16,313
Total current assets	2,305,877	2,248,096
Restricted cash	45,125	44,848
Long-term inventory	204,000	220,690
Other non-current assets (Note 6)	50,754	83,700
Mineral properties, plant and equipment (Note 7)	3,484,968	3,388,466
Investment in associate	106,113	101,424
Deferred tax assets	78,866	84,713
Goodwill	117,331	114,491
	4,087,157	4,038,332
Total assets	\$ 6,393,034	\$ 6,286,428
LIABILITIES		
Trade and other payables (Note 8)	\$ 332,155	\$ 334,660
Income taxes payable	155,890	140,761
Current portion of long-term debt and finance leases	3,401	3,431
Current portion of deferred revenue (Note 9)	64,432	42,258
Current portion of reclamation and other closure provisions	14,973	18,641
Total current liabilities	570,851	539,751
Long-term debt and finance leases	446,127	446,515
Deferred revenue (Note 9)	530,397	471,501
Reclamation and other closure provisions	259,547	244,958
Other long-term liabilities	11,440	11,482
Provision for pension obligations	12,554	13,479
Deferred tax liabilities	390,869	407,527
	1,650,934	1,595,462
Total liabilities	2,221,785	2,135,213
SHAREHOLDERS' EQUITY		
Share capital	4,164,477	4,152,469
Contributed surplus	45,519	48,926
Accumulated other comprehensive loss	(187,768)	(196,657)
Deficit	(339,620)	(336,353)
Equity attributable to Lundin Mining Corporation shareholders	3,682,608	3,668,385
Non-controlling interests	488,641	482,830
	4,171,249	4,151,215
	\$ 6,393,034	\$ 6,286,428

Commitments and contingencies (Note 19)

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three months ended March 31,	
	2018	2017
Revenue (Note 11)	\$ 470,482	\$ 487,787
Cost of goods sold		
Production costs (Note 12)	(239,736)	(214,124)
Depreciation, depletion and amortization	(80,870)	(109,660)
Gross profit	149,876	164,003
General and administrative expenses	(12,425)	(9,240)
General exploration and business development	(19,847)	(15,181)
Finance income (Note 14)	5,040	8,107
Finance costs (Note 14)	(15,172)	(19,856)
Other income (Note 15)	10,975	882
Other expenses (Note 15)	(5,842)	(12,211)
Earnings before income taxes	112,605	116,504
Current tax expense (Note 16)	(28,984)	(58,245)
Deferred tax recovery (Note 16)	3,439	14,123
Net earnings from continuing operations	87,060	72,382
Earnings from discontinued operations (Note 17)	-	34,062
Net earnings	\$ 87,060	\$ 106,444
Net earnings from continuing operations attributable to:		
Lundin Mining Corporation shareholders	\$ 81,249	\$ 57,580
Non-controlling interests	5,811	14,802
Net earnings from continuing operations	\$ 87,060	\$ 72,382
Net earnings attributable to:		
Lundin Mining Corporation shareholders	\$ 81,249	\$ 91,642
Non-controlling interests	5,811	14,802
Net earnings	\$ 87,060	\$ 106,444
Basic and diluted earnings per share attributable to Lundin Mining Corporation shareholders:		
Earnings from continuing operations	\$ 0.11	\$ 0.08
Earnings from discontinued operations	\$ -	\$ 0.05
Net earnings	\$ 0.11	\$ 0.13
Weighted average number of shares outstanding (Note 10)		
Basic	729,599,641	726,184,033
Diluted	732,282,574	728,794,024

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited - in thousands of US dollars)

	Three months ended March 31,	
	2018	2017
Net earnings	\$ 87,060	\$ 106,444
Other comprehensive income, net of taxes		
Item that may be reclassified subsequently to net earnings:		
Effects of foreign exchange	18,768	11,630
Item that was reclassified to net earnings:		
Reclassification adjustment (Note 15)	-	6,010
Other comprehensive income	18,768	17,640
Total comprehensive income	\$ 105,828	\$ 124,084
Comprehensive income attributable to:		
Lundin Mining Corporation shareholders	\$ 100,017	\$ 109,282
Non-controlling interests	5,811	14,802
Total comprehensive income	\$ 105,828	\$ 124,084

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non- controlling interests	Total
Balance, December 31, 2017	728,418,632	\$ 4,152,469	\$ 48,926	\$ (196,657)	\$ (336,353)	\$ 482,830	\$ 4,151,215
IFRS adjustments (Note 24)	-	-	-	(9,879)	(66,982)	-	(76,861)
Balance, January 1, 2018	728,418,632	4,152,469	48,926	(206,536)	(403,335)	482,830	4,074,354
Exercise of share-based awards	2,606,027	12,302	(5,992)	-	-	-	6,310
Share-based compensation	-	-	2,585	-	-	-	2,585
Dividends declared (Note 10)	-	-	-	-	(17,534)	-	(17,534)
Deferred tax adjustment	-	(294)	-	-	-	-	(294)
Net earnings	-	-	-	-	81,249	5,811	87,060
Other comprehensive income	-	-	-	18,768	-	-	18,768
Total comprehensive income	-	-	-	18,768	81,249	5,811	105,828
Balance, March 31, 2018	731,024,659	\$ 4,164,477	\$ 45,519	\$ (187,768)	\$ (339,620)	\$ 488,641	\$ 4,171,249
Balance, December 31, 2016	725,134,187	\$ 4,135,367	\$ 44,779	\$ (320,138)	\$ (695,718)	\$ 463,337	\$ 3,627,627
Distributions	-	-	-	-	-	(12,000)	(12,000)
Exercise of share-based awards	1,568,810	8,453	(2,613)	-	-	-	5,840
Share-based compensation	-	-	2,781	-	-	-	2,781
Dividends declared	-	-	-	-	(16,532)	-	(16,532)
Deferred tax adjustment	-	(263)	-	-	-	-	(263)
Net earnings	-	-	-	-	91,642	14,802	106,444
Other comprehensive income	-	-	-	17,640	-	-	17,640
Total comprehensive income	-	-	-	17,640	91,642	14,802	124,084
Balance, March 31, 2017	726,702,997	\$ 4,143,557	\$ 44,947	\$ (302,498)	\$ (620,608)	\$ 466,139	\$ 3,731,537

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - in thousands of US dollars)

	Three months ended March 31,	
	2018	2017
Cash provided by (used in)		
Operating activities		
Net earnings	\$ 87,060	\$ 106,444
Items not involving cash and other adjustments		
Depreciation, depletion and amortization	80,870	109,660
Share-based compensation	2,585	2,781
Foreign exchange loss	3,779	8,576
Finance cost	10,132	19,631
Recognition of deferred revenue (Note 9)	(12,538)	(12,772)
Deferred tax recovery	(3,439)	(14,123)
(Earnings) loss from equity investment in associate	(4,804)	739
Earnings from discontinued operations	-	(34,062)
Other	(3,492)	2,668
Other payments	(2,408)	(348)
Changes in long-term inventory	12,681	(16,828)
Changes in non-cash working capital items (Note 23)	2,432	72,311
	172,858	244,677
Investing activities		
Investment in mineral properties, plant and equipment	(150,712)	(79,136)
Interest received	4,847	-
Proceeds from sale of marketable securities	35,446	-
Distributions from (contribution to) associate	115	(3,000)
Distributions from discontinued operations (Note 17)	-	55,620
Other	(1,087)	2,979
	(111,391)	(23,537)
Financing activities		
Proceeds from common shares issued	7,556	5,840
Distributions to non-controlling interests	-	(12,000)
Other	(2,132)	(452)
	5,424	(6,612)
Effect of foreign exchange on cash balances	5,179	(1,019)
Increase in cash and cash equivalents during the period	72,070	213,509
Cash and cash equivalents, beginning of period	1,567,038	715,311
Cash and cash equivalents, end of period	\$ 1,639,108	\$ 928,820

Supplemental cash flow information (Note 23)

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, 2018 and 2017

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

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting including IAS 34 *Interim financial reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

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

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

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

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on April 25, 2018.

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

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2017 except for the following critical accounting judgements which were made by the Company on adopting *IFRS 15* on January 1, 2018.

IFRS 15, Revenue from Contracts with Customers – Management exercised judgment in applying *IFRS 15* accounting standards to certain contracts with customers.

To determine the transaction price for stream agreements, the Company made estimates with respect to interest rates implicit in the agreements, future production of the life of mine and Mineral Resources and Reserves ("R&R") quantities to adjust the consideration for the effects of the time value of money. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2018 and 2017

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

The Company exercised judgment in the identification of performance obligations under its contracts and the allocation of the transaction price thereto. Specifically, the Company considered the following in determining the contract's relevant performance obligations and the respective allocation of the transaction price to each of the performance obligations (i) the customer's rights to the interest in R&R, (ii) the customer's ability to benefit from this interest through the extraction services provided by the Company and (iii) the Company's role as an agent to provide refined metal through a third party refinery.

(iii) Significant accounting policies

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2017 except for those noted below.

(a) *IFRS 15, Revenue from Contracts with Customers*

The Company adopted *IFRS 15 effective* January 1, 2018. The Company has applied *IFRS 15* on a retrospective basis such that the cumulative effect of initially applying this standard is recognized at the date of initial application (Note 24). Comparative information has not been restated and is accounted for under IAS 18 Revenue.

Revenue from Contracts with Customers is recognized when a customer obtains control of the promised asset and the Company satisfies its performance obligation. Revenue is allocated to each performance obligation. The Company considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the entity expects to be entitled to in exchange for the transferring of promised goods. The Company earns revenue from contracts with customers related to its concentrate sales and its gold and silver streaming arrangements.

The Company satisfies its performance obligations for its concentrate sales based upon specified contract terms which are generally upon shipment or upon delivery. Revenue from concentrate sales is recorded based upon forward market prices of the expected final sales price date. The Company typically receives payment within one to four weeks of shipment.

The Company has concluded that there were no significant changes in the accounting for concentrate sales as a result of the transition to *IFRS 15*.

Deferred revenue arises from up-front payments received by the Company in consideration for future commitments as specified in its various streaming arrangements. The accounting for streaming arrangements is dependent on the facts and terms of each of the arrangements. Revenue from streaming arrangements are recognized when the customer obtains control of the gold and/or silver metal and the Company has satisfied its performance obligations.

The Company identified significant financing components related to its streaming arrangements resulting from difference in the timing of the up-front consideration received and the promised goods delivered. Interest expense on deferred revenue is recognized in finance costs. The interest rate is determined based on the rate implicit in each streaming agreement at the date of inception. On transition to *IFRS 15*, the impact of the recognition of the financing component is described in Note 24.

The initial consideration received from the streaming arrangements is considered variable, subject to changes in the total gold and silver ounces to be delivered. Changes to variable consideration are reflected in revenue in the consolidated statement of earnings.

LUNDIN MINING CORPORATION

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For the three months ended March 31, 2018 and 2017

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

(b) *IFRS 9, Financial Instruments*

The Company adopted *IFRS 9* effective January 1, 2018. The Company has applied *IFRS 9* on a retrospective basis and was not required to restate prior periods. The Company recognized the difference between the previous carrying amount and the carrying amount at the date of initial application of *IFRS 9* in the opening retained earnings (deficit) (Note 24).

Financial instruments are recognized on the consolidated balance sheet on the trade date, the date on which the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories:

Financial Assets at Amortized Cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company's loans and receivables, which are not provisionally priced, consist of fixed or determined cash flows related solely to principal and interest amounts. The Company's intent is to hold these receivables until cash flows are collected. Loans and receivables are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

Financial Assets at Fair Value through Profit or Loss ("FVTPL") – Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income.

Provisionally priced trade receivables, are considered embedded derivatives as some or all of the cash flows are dependent on commodity prices. Trade receivables with embedded derivatives are initially measured at their transaction price. Subsequent changes to provisionally priced trade receivables are recorded in the consolidated statement of earnings as other revenue.

Foreign currency options, marketable securities and contingent assets are classified as FVTPL. These financial assets are initially recognized at their fair value with changes to fair values recognized in the consolidated statement of earnings.

Financial Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial Liabilities at FVTPL – Financial liabilities at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortized cost. Cash flows from the Company's derivative liability incorporate metal prices and volatility. Financial liabilities at FVTPL are initially recognized at fair value with changes to fair values recognized in the consolidated statement of earnings.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the consolidated statement of earnings.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of earnings.

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(iv) New accounting pronouncements

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	March 31, 2018	December 31, 2017
Cash	\$ 1,060,555	\$ 975,870
Short-term deposits	578,553	591,168
	\$ 1,639,108	\$ 1,567,038

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	March 31, 2018	December 31, 2017
Trade receivables	\$ 293,532	\$ 308,130
Value added tax	17,962	28,659
Prepaid expenses	52,404	61,526
Other receivables	27,371	27,356
	\$ 391,269	\$ 425,671

5. INVENTORIES

Inventories are comprised of the following:

	March 31, 2018	December 31, 2017
Ore stockpiles	\$ 92,454	\$ 67,356
Concentrate stockpiles	30,345	37,538
Materials and supplies	88,173	87,464
	\$ 210,972	\$ 192,358

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6. OTHER NON-CURRENT ASSETS

Other non-current assets comprise the following:

	March 31, 2018	December 31, 2017
Marketable securities	\$ 12,456	\$ 43,142
Derivative asset (Note 17)	31,148	33,351
Other	7,150	7,207
	\$ 50,754	\$ 83,700

During the quarter, the Company received cash proceeds of \$35.5 million from the sale of marketable securities.

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

Cost	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2016	\$ 3,089,372	\$ 2,036,681	\$ 154,057	\$ 5,280,110
Additions	18,291	103	49,267	67,661
Disposals and transfers	1,126	(3,830)	(1,872)	(4,576)
Effects of foreign exchange	21,036	9,631	651	31,318
As at March 31, 2017	3,129,825	2,042,585	202,103	5,374,513
Additions	143,825	2,260	276,727	422,812
Disposals and transfers	(61,014)	17,171	(82,094)	(125,937)
Effects of foreign exchange	146,425	71,575	6,081	224,081
As at December 31, 2017	3,359,061	2,133,591	402,817	5,895,469
Additions	68,430	79	86,169	154,678
Disposals and transfers	1,537	1,412	(3,354)	(405)
Effects of foreign exchange	21,240	12,573	1,560	35,373
As at March 31, 2018	\$ 3,450,268	\$ 2,147,655	\$ 487,192	\$ 6,085,115

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Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2016	\$ 1,408,507	\$ 692,003	\$ -	\$ 2,100,510
Depreciation	58,733	50,626	-	109,359
Disposals and transfers	-	(554)	-	(554)
Effects of foreign exchange	13,230	5,292	-	18,522
As at March 31, 2017	1,480,470	747,367	-	2,227,837
Depreciation	140,276	134,222	-	274,498
Disposals and transfers	(71,505)	(50,934)	-	(122,439)
Effects of foreign exchange	87,872	39,235	-	127,107
As at December 31, 2017	1,637,113	869,890	-	2,507,003
Depreciation	35,281	39,149	-	74,430
Disposals and transfers	-	(187)	-	(187)
Effects of foreign exchange	11,604	7,297	-	18,901
As at March 31, 2018	\$ 1,683,998	\$ 916,149	\$ -	\$ 2,600,147

Net book value	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2017	\$ 1,721,948	\$ 1,263,701	\$ 402,817	\$ 3,388,466
As at March 31, 2018	\$ 1,766,270	\$ 1,231,506	\$ 487,192	\$ 3,484,968

During the quarter ended March 31, 2018, the Company capitalized \$40.8 million (2017 - \$18.1 million) of deferred stripping costs to mineral properties. Included in the mineral properties balance as at March 31, 2018 is \$383.3 million (December 31, 2017 - \$342.5 million) which is currently non-depreciable.

During the quarter ended March 31, 2018, the Company capitalized \$4.5 million (2017 - \$2.4 million) of borrowing costs, at a weighted average rate of 6.5%, primarily related to construction of the Candelaria Los Diques tailings facility project.

During 2017, the Company disposed of the Galmoy assets and liabilities. The net carrying amount of the plant and equipment was \$3.8 million.

8. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	March 31, 2018	December 31, 2017
Trade payables	\$ 148,190	\$ 160,067
Unbilled goods and services	81,799	80,582
Employee benefits payable	57,159	60,643
Interest payable	14,766	5,906
Dividends payable	17,534	-
Royalty payable	12,707	8,258
Prepayment from customer	-	19,204
	\$ 332,155	\$ 334,660

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9. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2016	\$	559,943
Prepayments received		(595)
Recognition of revenue		(12,772)
Effects of foreign exchange		527
As at March 31, 2017		547,103
Recognition of revenue		(36,208)
Effects of foreign exchange		2,864
As at December 31, 2017		513,759
<i>IFRS 15</i> transition adjustment (Note 24)		85,978
As at January 1, 2018		599,737
Recognition of revenue		(12,538)
Finance costs		7,739
Effects of foreign exchange		(109)
As at March 31, 2018		594,829
Less: current portion		64,432
Long-term portion	\$	530,397

10. SHARE CAPITAL

The total incremental shares added to the basic weighted average number of common shares outstanding to arrive at the fully diluted number of shares is comprised of 2,682,933 shares for the three months ended March 31, 2018 (2017 - 2,609,991). The incremental shares relate to in-the-money outstanding stock options and outstanding restricted share units ("SU").

During the three months ended March 31, 2018, the Company granted 2,808,800 (2017 - 3,992,090) stock options to employees. The Company also granted 787,800 (2017 - 1,078,090) SUs which vest over three years.

During the three months ended March 31, 2018, the Company declared dividends in the amount of \$17.5 million (2017 - \$16.5 million), or C\$0.03 per share (2017 - C\$0.03).

11. REVENUE

		Three months ended March 31, 2018
Revenue from contracts with customers	\$	500,674
Revenue from other sources		
Provisional pricing adjustments on concentrate sales		(30,192)
	\$	470,482

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

	Three months ended March 31,	
	2018	2017
Copper	\$ 275,362	\$ 325,122
Zinc	86,704	72,356
Nickel	54,815	31,850
Gold	22,250	27,648
Lead	15,031	16,009
Silver	7,589	7,676
Other	8,731	7,126
	\$ 470,482	\$ 487,787

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

	Three months ended March 31,	
	2018	2017
Europe	\$ 240,221	\$ 226,529
Asia	148,730	182,822
North America	63,224	51,916
South America	18,307	26,520
	\$ 470,482	\$ 487,787

12. PRODUCTION COSTS

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

	Three months ended March 31,	
	2018	2017
Direct mine and mill costs	\$ 217,944	\$ 192,381
Transportation	15,804	17,499
Royalties	5,988	4,244
	\$ 239,736	\$ 214,124

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13. EMPLOYEE BENEFITS

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

	Three months ended March 31,	
	2018	2017
Operating costs		
Wages and benefits	\$ 70,018	\$ 53,257
Pension benefits	316	302
Share-based compensation	1,184	904
	71,518	54,463
General and administrative expenses		
Wages and benefits	6,339	4,457
Pension benefits	178	129
Share-based compensation	1,331	1,798
	7,848	6,384
General exploration and business development		
Wages and benefits	2,060	2,295
Pension benefits	140	11
Share-based compensation	70	79
	2,270	2,385
Total employee benefits	\$ 81,636	\$ 63,232

14. FINANCE INCOME AND COSTS

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

	Three months ended March 31,	
	2018	2017
Interest income	\$ 4,850	\$ 7,246
Gain on currency options	190	728
Interest expense and bank fees	(13,167)	(18,444)
Accretion expense on reclamation provisions	(1,408)	(1,412)
Other	(597)	133
Total finance costs	\$ (10,132)	\$ (11,749)
Finance income	\$ 5,040	\$ 8,107
Finance costs	(15,172)	(19,856)
Total finance costs, net	\$ (10,132)	\$ (11,749)

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15. OTHER INCOME AND EXPENSES

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

	Three months ended March 31,	
	2018	2017
Revaluation on derivative asset	\$ (2,204)	\$ -
Foreign exchange loss	(2,015)	(7,689)
Other expenses	(1,623)	(970)
Gain (loss) on sale of assets	22	(2,813)
Other income	552	882
Income (loss) from equity investment in associate	4,804	(739)
Gain on marketable securities	5,597	-
Total other income (expenses)	\$ 5,133	\$ (11,329)
<hr/>		
Other income	\$ 10,975	\$ 882
Other expenses	(5,842)	(12,211)
Total other income (expenses), net	\$ 5,133	\$ (11,329)

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

16. 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.

17. EARNINGS FROM DISCONTINUED OPERATIONS

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

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

	Three months ended March 31,	
	2018	2017
Impairment and impairment reversals	\$ -	\$ 8,575
Share of equity income	-	25,487
Earnings from discontinued operations	\$ -	\$ 34,062

Net investing cash flows from discontinued operations for the three months ended March 31, 2018 are nil (2017 - \$55.6 million).

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18. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at March 31, 2018 and December 31, 2017:

	Level	March 31, 2018		December 31, 2017	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Restricted cash	1	\$ 45,125	\$ 45,125	\$ 44,848	\$ 44,848
Trade receivables (provisional)	2	260,666	260,666	285,385	285,385
Marketable securities	1	12,456	12,456	3,425	3,425
Derivative asset	2	31,148	31,148	33,351	33,351
Currency options	2	4,050	4,050	5,318	5,318
		\$ 353,445	\$ 353,445	\$ 372,327	\$ 372,327
Available for sale					
Marketable securities	1	\$ -	\$ -	\$ 39,717	\$ 39,717
Financial liabilities					
Amortized cost					
Long-term debt and finance leases	1,2	\$ 449,528	\$ 481,113	\$ 449,946	\$ 489,605
Fair value through profit or loss					
Derivative liabilities	2	\$ 8,900	\$ 8,900	\$ 8,900	\$ 8,900

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 derivative on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized negative pricing adjustments of \$33.0 million in revenue during the quarter ended March 31, 2018 (2017 - \$25.6 million positive pricing adjustment).

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

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

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

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

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

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

19. COMMITMENTS AND CONTINGENCIES

a) The Company has the following capital commitments as at March 31, 2018:

2018	\$	232,563
2019		64,780
2020		29,096
2021		12,630
2022		1,099
Total	\$	340,168

b) The Company was notified of claims alleging contamination to marine habitat as a result of vessel loading activities at the Punta Padrones port owned by Candelaria. The claims seek damages totaling approximately \$34 million. These proceedings are at a very early stage and, although the Company believes the claims are without merit, it is not possible at this time for management to predict the outcome. Accordingly, the Company has not accrued any amounts related to this litigation.

21. SEGMENTED INFORMATION

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

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For the three months ended March 31, 2018

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Other	Total
	Chile	USA	Portugal	Sweden		
Revenue	\$ 218,242	\$ 92,214	\$ 97,658	\$ 62,368	\$ -	470,482
Production costs	(124,140)	(34,453)	(58,046)	(21,881)	(1,216)	(239,736)
Depreciation, depletion and amortization	(38,600)	(20,976)	(14,654)	(6,291)	(349)	(80,870)
Gross profit	55,502	36,785	24,958	34,196	(1,565)	149,876
General and administrative expenses	-	-	-	-	(12,425)	(12,425)
General exploration and business development	(10,681)	(4,496)	(715)	(1,755)	(2,200)	(19,847)
Finance costs	(5,991)	(81)	(1,372)	(940)	(1,748)	(10,132)
Other income (expense)	(288)	15	(3,468)	1,457	7,417	5,133
Income tax recovery (expense)	138	(5,247)	(4,499)	(7,005)	(8,932)	(25,545)
Net earnings (loss)	\$ 38,680	\$ 26,976	\$ 14,904	\$ 25,953	\$ (19,453)	\$ 87,060
Capital expenditures	\$ 90,868	\$ 9,646	\$ 35,896	\$ 11,177	\$ 3,125	\$ 150,712

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For the three months ended March 31, 2017

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Revenue	\$ 278,340	\$ 72,271	\$ 83,036	\$ 54,140	\$ -	\$ -	\$ 487,787
Production costs	(119,864)	(31,025)	(45,023)	(17,362)	-	(850)	(214,124)
Depreciation, depletion and amortization	(50,284)	(36,519)	(17,531)	(4,806)	-	(520)	(109,660)
Gross profit	108,192	4,727	20,482	31,972	-	(1,370)	164,003
General and administrative expenses					-	(9,240)	(9,240)
General exploration and business development	(6,278)	(5,068)	(1,484)	(991)	-	(1,360)	(15,181)
Finance (costs) income	(403)	(448)	6,678	(118)	-	(17,458)	(11,749)
Other (expenses) income	(2,049)	42	(1,838)	(623)	-	(6,861)	(11,329)
Income tax expense	(24,051)	-	(5,894)	(6,390)	-	(7,787)	(44,122)
Net earnings (loss) from continuing operations	75,411	(747)	17,944	23,850	-	(44,076)	72,382
Earnings from discontinued operations	-	-	-	-	34,062	-	34,062
Net earnings (loss)	\$ 75,411	\$ (747)	\$ 17,944	\$ 23,850	\$ 34,062	\$ (44,076)	\$ 106,444
Capital expenditures	\$ 48,114	\$ 9,807	\$ 9,757	\$ 11,355	\$ -	\$ 103	\$ 79,136

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22. RELATED PARTY TRANSACTIONS

- a) **Transactions with associates** - The Company enters into transactions related to its investments in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Notes 15 and 17).
- 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,	
	2018	2017
Wages and benefits	\$ 1,575	\$ 1,671
Pension benefits	58	56
Share-based compensation	385	1,152
	\$ 2,018	\$ 2,879

- c) **Other related parties** - For the three months ended March 31, 2018, the Company paid \$0.7 million (2017 - \$0.3 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.

23. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended March 31,	
	2018	2017
Changes in non-cash working capital items consist of:		
Trade receivables, inventories and other current assets	\$ 6,311	\$ 52,171
Trade payables and other current liabilities	(3,879)	20,140
	\$ 2,432	\$ 72,311

Operating activities included the following cash payments:

Income taxes paid (refunded)	\$ 18,475	\$ (1,927)
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24. IFRS 9 AND IFRS 15 TRANSITION ADJUSTMENTS

The Company has applied *IFRS 9* and *IFRS 15* retrospectively, with the cumulative effects of the standards recognized as an adjustment to the opening balance of deficit as of January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers

On the adoption of *IFRS 15*, the Company recorded a change to opening January 1, 2018 deficit and deferred revenue balances. Adjustments are due to a change in the transaction price for the Company's stream agreements as a result of the existence of significant financing components.

As of March 31, 2018, the Company recognized finance costs at a weighted average rate of 5.2% on the deferred revenue balances. The Company also made an adjustment to deferred revenue recognition for the inclusion of a significant financing component in the transaction price.

The adoption of *IFRS 15* did not have an impact on the timing of recognition of concentrate revenue.

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

IFRS 9 – Financial Instruments

On the adoption of *IFRS 9*, The Company recorded a change to its opening January 1, 2018 deficit and accumulated other comprehensive loss of \$10.1 million to reflect the impact of reclassifying marketable securities designated as Available for Sale (“AFS”) under *IAS 39* to Assets Measured at FVTPL under *IFRS 9*. Cumulative gains and losses previously recognized in other comprehensive income (“OCI”) on marketable securities which existed on January 1, 2018 have been reclassified to deficit.

The adoption of *IFRS 9* did not impact the carrying value of any financial asset or financial liability on the transition date. The table below outlines the change in classification of the Company’s financial assets under *IAS 39* to *IFRS 9*:

	<i>IFRS 9</i>	<i>IAS 39</i>	
	New Classification	Original classification	Measurement model
Cash and cash equivalents	FVTPL	FVTPL	FVTPL
Restricted funds	FVTPL	FVTPL	FVTPL
Loans and receivables (except for the embedded derivatives)	Amortized cost	Loans and receivables	Amortized cost
Trade receivables (embedded derivatives)	FVTPL	FVTPL	FVTPL
Marketable securities	FVTPL	FVTPL	FVTPL
Marketable securities - AFS	FVTPL	AFS	Fair value through OCI
Derivative assets	FVTPL	FVTPL	FVTPL
Trade payables and accrued liabilities	Amortized cost	Loans and receivables	Amortized cost
Long-term debt and finance leases	Amortized cost	Loans and receivables	Amortized cost
Derivative liabilities	FVTPL	FVTPL	FVTPL
Other long-term liabilities	Amortized cost	Loans and receivables	Amortized cost

The following table shows the cumulative effect of the adoption of *IFRS 9* and *IFRS 15* on the consolidated balance sheet as of January 1, 2018:

	Balance at December 31, 2017	Adjustments due to <i>IFRS 9</i>	Adjustments due to <i>IFRS 15</i>	Balance at January 1, 2018
Condensed Consolidated Balance Sheet				
LIABILITIES				
Current portion of deferred revenue	\$ 42,258	-	22,184	\$ 64,442
Deferred revenue	\$ 471,501	-	63,794	\$ 535,295
Deferred tax liabilities	\$ 407,527	-	(9,117)	\$ 398,410
EQUITY				
Accumulated other comprehensive loss	\$ (196,657)	(10,055)	176	\$ (206,536)
Deficit	\$ (336,353)	10,055	(77,037)	\$ (403,335)

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2018 and 2017

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

The following table shows the effect of the adoption of *IFRS 9* and *IFRS 15* on the condensed interim consolidated balance sheet as of March 31, 2018:

March 31, 2018				
Condensed Interim Consolidated Balance Sheet	Reported	Impact of adoption of <i>IFRS 9</i>	Impact of adoption of <i>IFRS 15</i>	Balance without adoption of <i>IFRS 9</i> and <i>15</i>
ASSETS				
Mineral properties, plant and equipment	\$ 3,484,968	-	(1,947)	\$ 3,486,915
LIABILITIES				
Current portion of deferred revenue	\$ 64,432	-	22,184	\$ 42,248
Deferred revenue	\$ 530,397	-	67,080	\$ 463,317
Deferred tax liabilities	\$ 390,869	-	(9,250)	\$ 400,119
EQUITY				
Accumulated other comprehensive loss	\$ (187,768)	1,177	181	\$ (189,126)
Deficit	\$ (339,620)	(1,177)	(82,142)	\$ (256,301)

The following table shows the effect of the adoption *IFRS 9* and *IFRS 15* on the condensed interim consolidated statement of earnings for the three months ended March 31, 2018:

Three months				
Interim Consolidated Statement of Earnings	Reported	Impact of adoption of <i>IFRS 9</i>	Impact of adoption of <i>IFRS 15</i>	Balance without adoption of <i>IFRS 9</i> and <i>15</i>
Revenue	\$ 470,482	-	4,447	\$ 466,035
Cost of goods sold				
Production costs	(239,736)	-	-	(239,736)
Depreciation, depletion and amortization	(80,870)	-	-	(80,870)
Gross profit	149,876	-	4,447	145,429
General and administrative expenses	(12,425)	-	-	(12,425)
General exploration and business development	(19,847)	-	-	(19,847)
Finance income	5,040	-	-	5,040
Finance costs	(15,172)	-	(9,686)	(5,486)
Other income	10,975	(10,956)	-	21,931
Other expenses	(5,842)	(276)	-	(5,566)
Earnings before income taxes	112,605	(11,232)	(5,239)	129,076
Current tax expense	(28,984)	-	-	(28,984)
Deferred tax recovery	3,439	-	134	3,305
Net earnings	\$ 87,060	(11,232)	(5,105)	\$ 103,397

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2018 and 2017

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

The following table shows the effect of the adoption *IFRS 9* and *IFRS 15* on the condensed interim consolidated statement of comprehensive income for the three months ended March 31, 2018:

Interim Consolidated Statement of Comprehensive Income	Three months ended March 31, 2018			
	Reported	Impact of adoption of <i>IFRS 9</i>	Impact of adoption of <i>IFRS 15</i>	Balance without adoption of <i>IFRS 9</i> and <i>IFRS 15</i>
Net earnings	\$ 87,060	(11,232)	(5,105)	\$ 103,397
Other comprehensive income, net of taxes				
Item that may be reclassified subsequently to net earnings:				
Unrealized gain on marketable securities	-	(30)	-	30
Effects of foreign exchange	18,768	276	181	18,311
Other comprehensive income	18,768	246	181	18,341
Total comprehensive income	\$ 105,828	(10,986)	(4,924)	\$ 121,738
Comprehensive income attributable to:				
Lundin Mining Corporate shareholders	\$ 100,017	(10,986)	(4,924)	\$ 115,927
Non-controlling interests	5,811	-	-	5,811
Total comprehensive income	\$ 105,828	(10,986)	(4,924)	\$ 121,738