Management's Discussion and Analysis
For the three and six months ended June 30, 2021

This management's discussion and analysis ("MD&A") has been prepared as of July 28, 2021 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2021. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of $ or USD is to United States dollars, C$ is to Canadian dollars, CLP is to Chilean pesos, BRL is to Brazilian reais, € refers to euros, and SEK is to Swedish kronor.

About Lundin Mining

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

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Cautionary Statement on Forward-Looking Information

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

Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management, including that the Company can access financing, appropriate equipment and sufficient labor; assumed and future price of copper, nickel, zinc, gold and other metals; anticipated costs; ability to achieve goals; the prompt and effective integration of acquisitions; that the political environment in which the Company operates will continue to support the development and operation of mining projects; and assumptions related to the factors set forth below. While these factors and assumptions are considered reasonable by Lundin Mining as at the date of this document in light of management's experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information. Such factors include, but are not limited to: risks inherent in mining including but not limited to risks to the environment, industrial accidents, catastrophic equipment failures, unusual or unexpected geological formations or unstable ground conditions, and natural phenomena such as earthquakes, flooding or unusually severe weather; uninsurable risks; global financial conditions and inflation; changes in the Company's share price, and volatility in the equity markets in general; volatility and fluctuations in metal and commodity prices; the threat associated with outbreaks of viruses and infectious diseases, including the COVID-19 virus; changing taxation regimes; reliance on a single asset; delays or the inability to obtain, retain or comply with permits; risks related to negative publicity with respect to the Company or the mining industry in general; health and safety risks; exploration, development or mining results not being consistent with the Company's expectations; unavailable or inaccessible infrastructure and risks related to ageing infrastructure; actual ore mined and/or metal recoveries varying from Mineral Resource and Mineral Reserve estimates, estimates of grade, tonnage, dilution, mine plans and metallurgical and other characteristics; risks associated with the estimation of Mineral Resources and Mineral Reserves and the geology, grade and continuity of mineral deposits including but not limited to models relating thereto; ore processing efficiency; community and stakeholder opposition; information technology and cybersecurity risks; potential for the allegation of fraud and corruption involving the Company, its customers, suppliers or employees, or the allegation of improper or discriminatory employment practices, or human rights violations; regulatory investigations, enforcement, sanctions and/or related or other litigation; uncertain political and economic environments, including in Brazil and Chile; risks associated with the structural stability of waste rock dumps or tailings storage facilities; estimates of future production and operations; estimates of operating, cash and all-in sustaining cost estimates; civil disruption in Chile; the potential for and effects of labor disputes or other unanticipated difficulties with or shortages of labor or interruptions in production; risks related to the environmental regulation and environmental impact of the Company's operations and products and management thereof; exchange rate fluctuations; reliance on third parties and consultants in foreign jurisdictions; climate change; risks relating to attracting and retaining of highly skilled employees; compliance with environmental, health and safety laws; counterparty and credit risks and customer concentration; litigation; risks inherent in and/or associated with operating in foreign countries and emerging markets; risks related to mine closure activities and closed and historical sites; changes in laws, regulations or policies including but not limited to those related to mining regimes, permitting and approvals, environmental and tailings management, labor, trade relations, and transportation; internal controls; challenges or defects in title; the estimation of asset carrying values; historical environmental liabilities and ongoing reclamation obligations; the price and availability of key operating supplies or services; competition; indebtedness; compliance with foreign laws; existence of significant shareholders; liquidity risks and limited financial resources; funding requirements and availability of financing; enforcing legal rights in foreign jurisdictions; dilution; risks relating to dividends; risks associated with acquisitions and related integration efforts, including the ability to achieve anticipated benefits, unanticipated difficulties or expenditures relating to integration and diversion of management time on integration; activist shareholders and proxy solicitation matters; and other risks and uncertainties, including but not limited to those described in the "Risk and Uncertainties" section of the Annual Information Form and the "Managing Risks" section of the Company's MD&A for the year ended December 31, 2020, which are available on SEDAR at www.sedar.com under the Company's profile. All of the forward-looking statements made in this document are qualified by these cautionary statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, forecast or intended and readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information. Accordingly, there can be no assurance that forward-looking information will prove to be accurate and forward-looking information is not a guarantee of future performance. Readers are advised not to place undue reliance on forward-looking information. The forward-looking information contained herein speaks only as of the date of this document. The Company disclaims any intention or obligation to update or revise forward-looking information or to explain any material difference between such and subsequent actual events, except as required by applicable law.

Highlights

Operational Performance

Operations performed well during the quarter with production generally in line with expectations, however, Neves-Corvo zinc grades were lower than planned.

Candelaria (80% owned): Candelaria produced 36,014 tonnes of copper, and approximately 24,000 ounces of gold in concentrate on a 100% basis in the quarter. Copper and gold production was higher than the prior year quarter mostly due to higher mill throughput. Copper cash costs[1] of $1.52/lb for the current quarter were higher than the prior year quarter largely owing to the impact of higher mining costs.

Chapada (100% owned): Chapada produced 11,258 tonnes of copper and approximately 17,000 ounces of gold in concentrate in the quarter. Copper and gold production increased compared to the previous quarter and expectations, though were lower than the prior year quarter primarily due to planned lower grades. Chapada set a monthly mill throughput record in May. Copper cash costs of $1.32/lb for the quarter were higher than the prior year quarter due mainly to higher mining costs and lower sales volumes. Gross operating costs were in line with expectations.

Eagle (100% owned): Eagle produced 4,774 tonnes of nickel and 5,227 tonnes of copper during the quarter, which was above plan. Nickel and copper production were higher than the prior year quarter as higher than planned ore tonnes continue to be mined in the higher-grade Eagle East orebody. By-product credits, aided by rising copper prices, exceeded gross cash costs in the quarter resulting in nickel cash costs of negative $2.01/lb.

Neves-Corvo (100% owned): Neves-Corvo produced 10,317 tonnes of copper for the quarter, ahead of plan, and 16,662 tonnes of zinc. Copper production increased over the previous quarter and was comparable to the prior year quarter as lower mill throughput was partially offset by higher grades. Zinc production was lower than the prior year due to lower grades. Copper cash costs of $1.65/lb for the quarter were lower than the prior year quarter and better than plan primarily due to favourable by-product metal prices.

The Zinc Expansion Project ("ZEP") continues to progress on schedule and on budget.

Zinkgruvan (100% owned): Zinc production of 18,171 tonnes was higher than the prior year quarter and plan due to higher grades and throughput. Lead production of 5,095 tonnes was higher than the prior year quarter due to higher grades and recoveries. Zinc cash costs of $0.42/lb were better than plan and the prior year quarter largely due to higher sales volumes.

Total production

(Contained metal in concentrate)	**2021**			2020				
	YTD	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Copper (t)[a]	**120,811**	**63,457**	57,354	230,781	41,885	61,444	65,285	62,167
Zinc (t)	**68,198**	**34,833**	33,365	142,744	41,428	32,787	31,582	36,947
Gold (koz)[a]	**75**	**41**	34	163	35	45	44	39
Nickel (t)	**10,128**	**4,774**	5,354	16,718	4,909	4,854	3,380	3,575

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

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

Financial Performance

- Gross profit for the quarter ended June 30, 2021 was $380.2 million, an increase of $238.1 million compared to the prior year quarter. On a year-to-date basis, gross profit was $632.6 million, an increase of $513.2 million over the prior year comparative period. The increase was primarily due to higher realized metal prices and price adjustments (Q2 - $298.1 million, YTD - $640.5 million), partially offset by higher operating costs at Candelaria and Chapada and the unfavourable effects of foreign exchange (Q2 - $18.9 million, YTD - $25.7 million). Total production costs were in line with expectations.

- Net earnings for the quarter ended June 30, 2021 were $268.4 million, an increase of $220.2 million compared to the prior year quarter. On a year-to-date basis, net earnings were $422.7 million, an increase of $488.0 million from the prior year comparative period. The increases were attributable to higher gross profit partially offset by higher income tax expense.

- Adjusted earnings[1] for the quarter were $226.3 million, an increase of $173.5 million over the prior year quarter. On a year-to-date basis, adjusted earnings were $370.7 million, $358.9 million higher than the prior year. The increases were primarily due to higher gross profit partially offset by higher income taxes and higher net earnings attributable to non-controlling interests.

Corporate Updates

- The Company continues to manage and respond to the COVID-19 pandemic and continues to implement preventative measures to ensure the safety of its workforce, local communities and other key stakeholders. The operational impact of second and third wave outbreaks is being closely monitored, especially in Brazil and Chile. Cases in Brazil and Chile have risen since the start of the year and remained high at the end of the quarter. To date, production disruptions as a result of COVID-19 have been minimal and there has been no significant disruption in the delivery or receipt of goods at our operations.

- On July 6, 2021, the Company published its annual Sustainability Report which provides updates on the economic, safety, environmental and social issues that are of greatest interest to communities near the Company's operations, employees, investors, and other stakeholders. A copy of the Sustainability Report is available on the Company's website (www.lundinmining.com).

- On July 27, 2021, the Company announced that its 24% owned subsidiary, Koboltti Chemicals Holding Limited, had entered into an agreement to sell its specialty cobalt business ("Freeport Cobalt") to Jervois Mining Limited ("Jervois") for $85.0 million, in cash and Jervois shares, plus working capital to be determined at closing with the right to receive up to $40.0 million in contingent cash consideration based on the future performance of the business. Assuming a full allotment of shares of up to 9.9% of Jervois shares and excluding contingent consideration, the Company estimates its net share of the proceeds would be $42.0 million in cash plus its pro-rata 24% share of up to 9.9% of Jervois shares. The transaction is expected to close in the third quarter of 2021.

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

Financial Position and Financing

- Cash and cash equivalents of $294.9 million as at June 30, 2021 represents an increase of $113.6 million during the quarter. Cash flow from operations of $419.0 million was used to invest in capital expenditures ($131.9 million), pay shareholder dividends ($71.2 million) and repurchase shares of $28.4 million. The Company also repaid approximately $53.2 million in debt including the remaining $45.0 million balance owing on its revolving credit facility.

  On a year-to-date basis, cash and cash equivalents increased by $153.5 million. Cash flow from operations of $577.7 million was used to invest in capital expenditure of $244.4 million, to repay debt ($81.0 million), pay shareholder dividends ($71.2 million) and fund share repurchases ($28.4 million).

- Free cash flow[1] for the three and the six months ended June 30, 2021 has increased (Q2 - $346.7 million, YTD - $429.0 million) over the prior year comparative periods due to higher cash provided by operating activities.

- As at June 30, 2021, the Company had a net cash[1] balance of $153.4 million. As at July 28, 2021, the Company had a cash and net cash balance of approximately $250.0 million and $190.0 million, respectively. Subsequent to the end of the quarter, $80.0 million of Candelaria's term loan was repaid.

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

Outlook

In late June, the Company announced revised 2021 production guidance for Candelaria due to a change in the near-term mining sequence impacting the amount of direct ore mined and available for processing. Production guidance was reduced to 150,000 – 155,000 tonnes of copper and 85,000 – 90,000 ounces of gold, on a 100% basis.

Annual production guidance ranges have been tightened for all other operations. Chapada gold and Neves-Corvo zinc production saw modest reductions based largely on forecast mill feed grades. All other metals were tightened within the previous ranges.

Full year cash cost guidance for Eagle and Neves-Corvo have been improved given year-to-date performance and forecasts for continued favourable by-product metal prices. Candelaria cash cost guidance has increased reflecting the previously disclosed near-term mine sequence changes in open pit phase 10 for the second half of the year. Cash cost guidance for Chapada and Zinkgruvan is unchanged.

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

2021 Production and Cash Cost

(contained metal in concentrate)		Previous Guidance[a] Tonnes	Previous Guidance[a] Cash Costs ($/lb)	Revised Guidance Tonnes	Revised Guidance Cash Costs ($/lb)[b]
Copper (t)	Candelaria (100%)	*150,000 - 155,000*	*N/A*	*150,000 - 155,000*	***1.55***[c]
	Chapada	*48,000 - 53,000*	*1.10*	***48,000 - 50,000***	*1.10*[d]
	Eagle	*17,000 - 20,000*		***18,000 - 20,000***	
	Neves-Corvo	*35,000 - 40,000*	*2.20*	***36,000 - 38,000***	***2.10***[c]
	Zinkgruvan	*3,000 - 4,000*		*3,000 - 4,000*	
	Total	*253,000 - 272,000*		***255,000 - 267,000***	
Zinc (t)	Neves-Corvo	*70,000 - 75,000*		***67,000 - 70,000***	
	Zinkgruvan	*71,000 - 76,000*	*0.65*	***73,000 - 76,000***	*0.65*[c]
	Total	*141,000 - 151,000*		***140,000 - 146,000***	
Gold (oz)	Candelaria (100%)	*85,000 - 90,000*		*85,000 - 90,000*	
	Chapada	*75,000 - 80,000*		***73,000 - 76,000***	
	Total	*160,000 - 170,000*		***158,000 - 166,000***	
Nickel (t)	Eagle	*17,000 - 20,000*	*(0.25)*	***18,000 - 20,000***	***(1.00)***

a. Guidance as outlined in the Management's Discussion and Analysis for the quarter ended March 31, 2021 in the Outlook section. Candelaria production guidance was updated and cash cost guidance temporarily suspended in a news release dated June 21, 2021 entitled "Lundin Mining Updates Candelaria 2021 Production Guidance".
b. Cash costs are based on various assumptions and estimates, including but not limited to: production volumes, as noted above, commodity prices (Cu: $4.30/lb, Zn: $1.25/lb, Pb: $0.90/lb, Au: $1,800/oz), foreign exchange rates (€/USD:1.25, USD/SEK:8.20, USD/CLP:700, USD/BRL:5.10) and operating costs for the remainder of 2021.
c. 68% of Candelaria's total gold and silver production are subject to a streaming agreement and silver production at Zinkgruvan and Neves-Corvo are also subject to streaming agreements. Cash costs are calculated based on receipt of approximately $416/oz gold and $4.16/oz to $4.48/oz silver.
d. Chapada cash costs are calculated on a by-product basis and do not include the effects of its copper stream agreements. Effects of the copper stream agreements are reflected in copper revenue and will impact realized price per pound.

2021 Capital Expenditure Guidance

Capital expenditure guidance remains unchanged from the prior quarter. Although Chapada's total sustaining capital guidance has not changed, forecast lower deferred stripping expenditures are expected to offset the cost of land acquisitions that was not included in the original guidance.

Capital Expenditure Guidance	$ millions
Candelaria (100% basis)	345
Chapada	65
Eagle	20
Neves-Corvo	65
Zinkgruvan	50
Total Sustaining Capital	**545**
Zinc Expansion Project (Neves-Corvo)	**70**
Total Capital Expenditures	**615**

2021 Exploration Investment Guidance

Total planned exploration expenditures are expected to be $40.0 million in 2021, unchanged from previous guidance. Approximately $38.0 million will be spent supporting significant in-mine and near-mine targets at our operations ($13.0 million at Candelaria, $6.0 million at Zinkgruvan, $16.0 million at Chapada, and $3.0 million at Neves-Corvo). The remaining amount is planned to advance activities at exploration stage and new business development projects.

2022 and 2023 Candelaria Production Guidance

The Company is currently preparing and optimizing Candelaria's life of mine plan as part of the annual planning process.

Preliminary plans for Candelaria consider:

- forecast annual processing of approximately 28 million tonnes per annum for the Candelaria complex utilizing existing infrastructure, and
- allowance for mine to mill copper grade dilution (5-8%) for 2022 and 2023.

While further work is required to complete and confirm the plans, on preliminary review, copper production forecast for 2022 and 2023 is expected to be approximately 10% - 15% lower than prior guidance[1] of 180,000 – 190,000 tonnes for both years.

Alternative plans, trade-off studies and further revisions being evaluated to improve future years' production include adding and debottlenecking pebble crushing and grinding, improved grade control, increased contribution to mill feed from underground mines and earlier and increased contribution of phase 11 ore.

The life of mine plans will be completed in coming months and approved by the Company's Board in November. A three year production outlook, along with one year cost and capital expenditure guidance for all mines will be provided at that time.

1. Guidance provided in the November 30, 2020 news release entitled "Lundin Mining Provides Operational Outlook & Shareholder Returns Update".

Selected Quarterly Financial Information[1]

($ millions, except share and per share amounts)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue	**872.3**	533.3	**1,553.8**	911.3
Cost of goods sold:				
Production costs	**(361.3)**	(273.0)	**(664.4)**	(551.7)
Depreciation, depletion and amortization	**(130.9)**	(118.2)	**(256.8)**	(240.2)
Gross profit	**380.2**	142.1	**632.6**	119.4
Net earnings (loss) attributable to:				
Lundin Mining shareholders	**242.6**	38.7	**377.8**	(72.7)
Non-controlling interests	**25.8**	9.6	**44.8**	7.4
Net earnings (loss)	**268.4**	48.3	**422.7**	(65.3)
Adjusted earnings [2]	**226.3**	52.8	**370.7**	11.7
Adjusted EBITDA[2]	**480.7**	231.5	**835.2**	321.8
Cash flow from operations	**419.0**	37.6	**577.7**	121.0
Adjusted operating cash flow [2]	**431.6**	179.0	**711.5**	206.9
Free cash flow [2]	**298.9**	(47.8)	**354.9**	(74.1)
Capital expenditures[3]	**131.9**	100.2	**244.4**	241.2
Per share amounts:				
Basic and diluted earnings (loss) per share attributable to shareholders	**0.33**	0.05	**0.51**	(0.10)
Adjusted earnings per share[2]	**0.31**	0.07	**0.50**	0.02
Adjusted operating cash flow per share[2]	**0.58**	0.24	**0.96**	0.28
Dividends declared (C$/share)	**0.06**	0.04	**0.12**	0.08

	June 30, 2021	December 31, 2020
Total assets	**7,316.8**	7,058.5
Total debt and lease liabilities	**141.5**	203.0
Net cash (debt)[2]	**153.4**	(63.2)

Summary of Quarterly Results[1,4]

($ millions, except per share data)	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Revenue	872.3	681.5	529.5	600.7	533.3	378.0	568.4	538.7
Cost of goods sold	(492.2)	(429.0)	(350.1)	(401.4)	(391.2)	(400.7)	(422.9)	(410.1)
Gross profit (loss)	380.2	252.5	179.4	199.3	142.1	(22.7)	145.5	128.6
Net earnings (loss)	268.4	154.2	120.8	133.6	48.3	(113.6)	104.8	32.1
- attributable to shareholders	242.6	135.2	119.2	122.4	38.7	(111.5)	97.0	26.4
EPS - Basic and diluted	0.33	0.18	0.16	0.17	0.05	(0.15)	0.13	0.04
Cash flow from operations	419.0	158.7	172.7	272.2	37.6	83.4	186.4	111.6
Adjusted operating cash flow per share[2]	0.58	0.38	0.24	0.36	0.24	0.04	0.28	0.21
Capital expenditures[3]	131.9	112.5	100.2	89.8	100.2	141.1	139.6	165.0

1. Except where otherwise noted, financial data has been prepared in accordance with IFRS as issued by the IASB.
2. These are non-GAAP measures please see page 25 of this MD&A for discussion of non-GAAP measures.
3. Capital expenditures are reported on a cash basis, as presented in the consolidated statement of cash flows.
4. The sum of quarterly amounts may differ from year-to-date results due to rounding.

Revenue Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)	2021			2020				
	Total	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)								
Candelaria (100%)	**71,053**	**35,537**	35,516	123,183	16,574	34,713	34,130	37,766
Chapada	**19,626**	**12,247**	7,379	47,119	10,966	11,220	13,446	11,487
Eagle	**9,575**	**5,257**	4,318	17,111	4,312	4,732	3,668	4,399
Neves-Corvo	**16,879**	**10,314**	6,565	30,799	4,708	6,892	11,471	7,728
Zinkgruvan	**928**	**926**	2	3,212	830	929	910	543
	118,061	**64,281**	53,780	221,424	37,390	58,486	63,625	61,923
Zinc (tonnes)								
Neves-Corvo	**26,048**	**14,443**	11,605	58,029	12,506	14,563	15,896	15,064
Zinkgruvan	**30,008**	**14,305**	15,703	62,150	22,399	15,002	10,465	14,284
	56,056	**28,748**	27,308	120,179	34,905	29,565	26,361	29,348
Gold (000 oz)								
Candelaria (100%)	**44**	**23**	21	73	11	21	19	22
Chapada	**28**	**16**	12	81	23	18	23	17
	72	**39**	33	154	34	39	42	39
Nickel (tonnes)								
Eagle	**8,376**	**4,258**	4,118	12,481	3,714	3,539	2,419	2,809
Lead (tonnes)								
Neves-Corvo	**2,299**	**1,054**	1,245	4,149	748	794	1,309	1,298
Zinkgruvan	**9,633**	**4,928**	4,705	23,556	5,475	6,352	5,705	6,024
	11,932	**5,982**	5,950	27,705	6,223	7,146	7,014	7,322
Silver (000 oz)								
Candelaria (100%)	**559**	**287**	272	966	119	254	272	321
Chapada	**34**	**14**	20	131	40	26	31	34
Eagle	**24**	**9**	15	79	21	16	22	20
Neves-Corvo	**470**	**228**	242	779	159	170	270	180
Zinkgruvan	**648**	**356**	292	1,544	327	441	427	349
	1,735	**894**	841	3,499	666	907	1,022	904

Revenue Analysis

by Mine	Three months ended June 30,					Six months ended June 30,				
	2021		2020		Change	**2021**		2020		Change
($ thousands)	$	%	$	%	$	$	%	$	%	$
Candelaria (100%)	**399,907**	46	255,132	48	144,775	**751,897**	48	428,104	47	323,793
Chapada	**148,137**	17	114,125	21	34,012	**234,355**	15	198,246	22	36,109
Eagle	**133,893**	15	52,689	10	81,204	**252,761**	16	100,026	11	152,735
Neves-Corvo	**134,496**	15	81,188	15	53,308	**215,256**	14	126,965	14	88,291
Zinkgruvan	**55,891**	7	30,185	6	25,706	**99,533**	7	57,963	6	41,570
	872,324		533,319		339,005	**1,553,802**		911,304		642,498

by Metal	Three months ended June 30,					Six months ended June 30,				
	2021		2020		Change	**2021**		2020		Change
($ thousands)	$	%	$	%	$	$	%	$	%	$
Copper	**626,615**	72	376,510	71	250,105	**1,105,525**	71	620,019	68	485,506
Zinc	**71,362**	8	35,120	7	36,242	**127,939**	8	67,224	7	60,715
Gold	**59,810**	7	69,645	13	(9,835)	**103,281**	7	126,229	14	(22,948)
Nickel	**75,009**	9	30,086	6	44,923	**145,234**	9	54,464	6	90,770
Lead	**11,660**	1	8,490	2	3,170	**21,662**	1	18,349	2	3,313
Silver	**10,925**	1	10,914	1	11	**19,775**	1	19,633	2	142
Other	**16,943**	2	2,554	-	14,389	**30,386**	3	5,386	1	25,000
	872,324		533,319		339,005	**1,553,802**		911,304		642,498

Revenue for the three and six months ended June 30, 2021 increased in comparison to the prior year comparatives, mainly due to higher realized metal prices. Quarter over quarter revenue was also higher due to overall higher sales volumes.

Revenue from gold and silver for the three and six months ended June 30, 2021 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 $416/oz for gold and between $4.16/oz and $4.48/oz for silver.

Revenue from copper for the three and six months ended June 30, 2021 includes the recognition of deferred revenue from the copper streams acquired with the Chapada mine, as well as the cash proceeds of 30% of the market price of copper sold.

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

Provisionally valued revenue as of June 30, 2021

Metal	Payable metal	Valued at
Copper	86,373 t	$4.25 /lb
Zinc	15,000 t	$1.35 /lb
Gold	33 koz	$1,776 /oz
Nickel	1,375 t	$8.26 /lb

Quarterly Reconciliation of Realized Prices

	Three months ended June 30, 2021				
($ thousands)	**Copper**	**Zinc**	**Gold**	**Nickel**	**Total**
Current period sales[1]	603,469	85,533	68,359	76,425	833,786
Prior period price adjustments	46,203	1,943	2,217	(957)	49,406
	649,672	87,476	70,576	75,468	883,192
Other metal sales					55,090
Copper stream cash effect					(2,911)
Gold stream cash effect					(20,860)
Less: Treatment & refining charges					(42,187)
Total Revenue					**872,324**
Payable Metal	**64,281 t**	**28,748 t**	**37 koz**	**4,258 t**	
Current period sales[1]	$4.26	$1.35	$1,776	$8.14	
Prior period adjustments	0.32	0.03	57	(0.10)	
Realized prices[2]	**$4.58 /lb**	**$1.38 /lb**	**$1,833 /oz**	**$8.04 /lb**	

	Three months ended June 30, 2020				
	Copper	**Zinc**	**Gold**	**Nickel**	**Total**
Current period sales[1]	370,779	53,589	74,549	30,480	529,397
Prior period price adjustments	29,532	(571)	3,378	(701)	31,637
	400,311	53,018	77,927	29,779	561,034
Other metal sales					38,720
Copper stream cash effect					(2,690)
Gold stream cash effect					(17,951)
Less: Treatment & refining charges					(45,795)
Total Revenue					**533,319**
Payable Metal	**63,625 t**	**26,361 t**	**42 koz**	**2,419 t**	
Current period sales[1]	$2.64	$0.92	$1,784	$5.72	
Prior period adjustments	0.21	(0.01)	81	(0.14)	
Realized prices[2]	**$2.85 /lb**	**$0.91 /lb**	**$1,865 /oz**	**$5.58 /lb**	

1. Includes provisional price adjustments on current period sales.

2. The realized price for copper inclusive of the impact of streaming agreements for 2021 is $4.56/lb (2020: $2.83/lb). The realized price for gold inclusive of the impact of streaming agreements for 2021 is $1,291/koz (2020: $1,435/koz).

Year-to-Date Reconciliation of Realized Prices

	Six months ended June 30, 2021				
($ thousands)	Copper	Zinc	Gold	Nickel	Total
Current period sales[1]	1,101,788	162,217	127,584	143,183	1,534,772
Prior period price adjustments	46,227	1,633	(3,702)	3,009	47,167
	1,148,015	163,850	123,882	146,192	1,581,939
Other metal sales					103,871
Copper stream cash effect					(7,017)
Gold stream cash effect					(40,200)
Less: Treatment & refining charges					(84,791)
Total Revenue					**1,553,802**
Payable Metal	**118,061 t**	**56,056 t**	**72 koz**	**8,376 t**	
Current period sales[1]	$4.23	$1.31	$1,775	$7.75	
Prior period adjustments	0.18	0.02	(51)	0.17	
Realized prices[2]	**$4.41 /lb**	**$1.33 /lb**	**$1,724 /oz**	**$7.92 /lb**	

	Six months ended June 30, 2020				
	Copper	Zinc	Gold	Nickel	Total
Current period sales[1]	709,479	114,214	140,494	65,509	1,029,696
Prior period price adjustments	(42,771)	(11,015)	1,119	(12,017)	(64,683)
	666,708	103,199	141,613	53,492	965,013
Other metal sales					77,898
Copper stream cash effect					(6,477)
Gold stream cash effect					(34,518)
Less: Treatment & refining charges					(90,612)
Total Revenue					**911,304**
Payable Metal	**125,548 t**	**55,709 t**	**81 koz**	**5,228 t**	
Current period sales[1]	$2.56	$0.93	$1,744	$5.68	
Prior period adjustments	(0.15)	(0.09)	14	(1.04)	
Realized prices[2]	**$2.41 /lb**	**$0.84 /lb**	**$1,758 /oz**	**$4.64 /lb**	

1. Includes provisional price adjustments on current period sales.
2. The realized price for copper inclusive of the impact of streaming agreements for 2021 is $4.38/lb (2020: $2.39/lb). The realized price for gold inclusive of the impact of streaming agreements for 2021 is $1,165/oz (2020: $1,330/oz).

Financial Results

Production Costs

Production costs for the quarter ended June 30, 2021 were $88.3 million higher than the prior year quarter and on a year-to-date basis production costs were higher by $112.7 million over the prior year period. These production cost increases were as a result of higher consumable and maintenance costs at Candelaria and Chapada as well as the effects of unfavourable foreign exchange rates.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased for the quarter and six months ended June 30, 2021 compared to the prior year periods. The increase was primarily attributable to higher overall sales volumes.

Depreciation by operation	**Three months ended June 30,**			**Six months ended June 30,**		
($ thousands)	**2021**	2020	Change	**2021**	2020	Change
Candelaria	**68,276**	68,065	211	**141,528**	139,134	2,394
Chapada	**12,447**	10,820	1,627	**20,373**	22,430	(2,057)
Eagle	**23,138**	17,139	5,999	**43,442**	35,906	7,536
Neves-Corvo	**16,565**	13,944	2,621	**29,806**	27,593	2,213
Zinkgruvan	**9,951**	7,787	2,164	**20,684**	14,243	6,441
Other	**473**	449	24	**927**	873	54
	130,850	118,204	12,646	**256,760**	240,179	16,581

General Exploration and Business Development

General exploration and business development expenses for the three and six months ended June 30, 2021 increased against the prior year comparable periods by $8.2 million and $4.7 million, respectively; due primarily to the acquisition of 40 new exploration claims at Chapada and in part due to increased surface exploration drilling at Chapada. Exploration drilling at Zinkgruvan has primarily focused along known mineralized trends within the underground workings. The Chapada and Candelaria programs are currently on track to meet targets of 60,000 and 40,000 metres, respectively.

Finance Income and Costs

Net finance costs decreased by $6.2 million comparing the current quarter to the prior year, and for the six months ended June 30, 2021 net finance costs decreased by $11.2 million over the prior year comparable period. These variances were mainly due to lower interest expense as a result of more non-cash interest being capitalized to ZEP in the current period.

Other Income and Expenses

Net other expense for the three months ended June 30, 2021 was comparable to the prior year quarter.

Net other expense for the six months ended June 30, 2021 was higher than the prior year-to-date period. The increase was due to a loss on foreign exchange recorded in the current year period compared to a gain on foreign exchange recorded in the prior year comparable period, partially offset by revaluation of derivative liability. A negative $17.7 million revaluation was recorded in the prior year comparative period.

As a result of a change in accounting policy for fiscal 2020, other income and expenses have been restated. This change is described in Note 2(iii) Voluntary change in accounting policy of the June 30, 2021 Condensed Interim Consolidated Financial Statements.

Foreign exchange gains and losses recorded in other income and expenses relate to working capital denominated in foreign currencies that were held by the Company. Period end exchange rates having a meaningful impact on foreign exchange recorded at June 30, 2021 were as follows:

	June 30, 2021	**March 31, 2021**	**December 31, 2020**
Chilean Peso (USD:CLP)	**735**	**732**	711
Euro (USD:€)	**0.84**	**0.85**	0.81
Brazilian Real (USD:BRL)	**5.00**	**5.70**	5.20
Swedish Kroner (USD:SEK)	**8.51**	**8.72**	8.19

Income Taxes

Income tax expense (recovery) by mine	**Three months ended June 30,**			**Six months ended June 30,**		
($ thousands)	**2021**	2020	Change	**2021**	2020	Change
Candelaria	**50,975**	17,481	33,494	**92,335**	20,208	72,127
Chapada	**(11,653)**	23,308	(34,961)	**9,355**	80,566	(71,211)
Eagle	**8,652**	(41)	8,693	**15,781**	(83)	15,864
Neves-Corvo	**9,387**	657	8,730	**8,647**	(6,220)	14,867
Zinkgruvan	**2,488**	(2,935)	5,423	**6,128**	(223)	6,351
Other	**2,765**	6,045	(3,280)	**270**	9,843	(9,573)
	62,614	44,515	18,099	**132,516**	104,091	28,425

Income taxes by classification	**Three months ended June 30,**			**Six months ended June 30,**		
($ thousands)	**2021**	2020	Change	**2021**	2020	Change
Current income tax expense	**22,500**	9,671	12,829	**59,980**	35,834	24,146
Deferred income tax	**40,114**	34,844	5,270	**72,536**	68,257	4,279
	62,614	44,515	18,099	**132,516**	104,091	28,425

Income tax expense for the three months ended June 30, 2021 was higher than the prior year quarter due to higher taxable earnings, partially offset by the Chapada deferred tax recovery on revaluation of non-monetary assets and translation of deferred taxes in BRL to USD due to the strengthening BRL ($31.1 million). In addition, Neves-Corvo received a tax refund of $14.3 million in the prior year quarter.

Income tax expense for the six months ended June 30, 2021 was higher than the prior year comparable period due primarily to higher taxable earnings, partially offset by the Chapada deferred tax recovery on revaluation of non-monetary assets and translation of deferred taxes in the current period ($61.7 million).

As a result of a change in accounting policy for fiscal 2020, income taxes have been restated. This change is described in Note 2(iii) Voluntary change in accounting policy of the June 30, 2021 Condensed Interim Consolidated Financial Statements.

Mining Operations

Production Overview

(Contained metal in concentrate)	2021 YTD	2021 Q2	2021 Q1	2020 Total	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Copper (tonnes)								
Candelaria (100%)	**70,217**	**36,014**	34,203	126,702	19,509	35,836	35,060	36,297
Chapada	**21,099**	**11,258**	9,841	50,038	11,368	12,990	13,799	11,881
Eagle	**10,618**	**5,227**	5,391	18,663	5,128	5,055	4,102	4,378
Neves-Corvo	**17,758**	**10,317**	7,441	32,032	5,880	6,518	10,559	9,075
Zinkgruvan	**1,119**	**641**	478	3,346	-	1,045	1,765	536
	120,811	**63,457**	57,354	230,781	41,885	61,444	65,285	62,167
Zinc (tonnes)								
Neves-Corvo	**31,372**	**16,662**	14,710	69,143	16,750	15,459	18,986	17,948
Zinkgruvan	**36,826**	**18,171**	18,655	73,601	24,678	17,328	12,596	18,999
	68,198	**34,833**	33,365	142,744	41,428	32,787	31,582	36,947
Gold (000 oz)								
Candelaria (100%)	**45**	**24**	21	76	13	21	21	21
Chapada	**30**	**17**	13	87	22	24	23	18
	75	**41**	34	163	35	45	44	39
Nickel (tonnes)								
Eagle	**10,128**	**4,774**	5,354	16,718	4,909	4,854	3,380	3,575
Lead (tonnes)								
Neves-Corvo	**2,416**	**1,343**	1,073	5,108	1,321	760	1,559	1,468
Zinkgruvan	**9,804**	**5,095**	4,709	24,128	6,745	5,571	3,799	8,013
	12,220	**6,438**	5,782	29,236	8,066	6,331	5,358	9,481
Silver (000 oz)								
Candelaria (100%)	**598**	**318**	280	1,074	155	283	305	331
Chapada	**105**	**55**	50	242	55	61	69	57
Eagle	**55**	**25**	30	140	37	33	35	35
Neves-Corvo	**752**	**407**	345	1,557	420	281	479	377
Zinkgruvan	**877**	**457**	420	2,064	514	499	389	662
	2,387	**1,262**	1,125	5,077	1,181	1,157	1,277	1,462

Cash Cost Overview

($/lb)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Candelaria (cost/lb Cu)				
Gross cost	**1.97**	1.68	**1.96**	1.62
By-product[1]	**(0.45)**	(0.32)	**(0.38)**	(0.29)
Net Cash Cost	**1.52**	1.36	**1.58**	1.33
All-In Sustaining Cost[2]	**2.61**	2.10	**2.60**	2.19
Chapada (cost/lb Cu)[3]				
Gross cost	**2.38**	1.56	**2.41**	1.79
By-product	**(1.06)**	(1.35)	**(1.08)**	(1.25)
Net Cash Cost	**1.32**	0.21	**1.33**	0.54
All-In Sustaining Cost	**1.98**	0.64	**2.03**	0.91
Eagle (cost/lb Ni)				
Gross cost	**4.27**	5.36	**4.01**	5.24
By-product	**(6.28)**	(4.23)	**(5.83)**	(3.95)
Net Cash Cost	**(2.01)**	1.13	**(1.82)**	1.29
All-In Sustaining Cost	**(0.23)**	2.48	**(0.21)**	3.02
Neves-Corvo (cost/lb Cu)				
Gross cost	**3.36**	2.64	**3.76**	2.91
By-product	**(1.71)**	(0.89)	**(1.73)**	(0.96)
Net Cash Cost	**1.65**	1.75	**2.03**	1.95
All-In Sustaining Cost	**2.34**	2.32	**2.75**	2.71
Zinkgruvan (cost/lb Zn)				
Gross cost	**1.04**	1.18	**1.04**	1.00
By-product	**(0.62)**	(0.62)	**(0.44)**	(0.47)
Net Cash Cost	**0.42**	0.56	**0.60**	0.53
All-In Sustaining Cost	**0.76**	1.03	**0.94**	0.89

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[1,2]

by Mine	Three months ended June 30, 2021				2020			
($ thousands)	Sustaining	Expansionary	Capitalized Interest	**Total**	Sustaining	Expansionary	Capitalized Interest	Total
Candelaria	81,573	-	-	**81,573**	53,615	-	-	53,615
Chapada	12,461	-	-	**12,461**	8,304	-	-	8,304
Eagle	5,346	-	-	**5,346**	2,214	-	-	2,214
Neves-Corvo	11,211	11,826	-	**23,037**	11,730	14,711	-	26,441
Zinkgruvan	9,415	-	-	**9,415**	9,571	-	-	9,571
Other	94	-	-	**94**	16	-	-	16
	120,100	11,826	-	**131,926**	85,450	14,711	-	100,161

by Mine	Six months ended June 30, 2021				2020			
($ thousands)	Sustaining	Expansionary	Capitalized Interest	**Total**	Sustaining	Expansionary	Capitalized Interest	Total
Candelaria	152,315	-	-	**152,315**	130,195	-	-	130,195
Chapada	21,431	-	-	**21,431**	12,028	-	-	12,028
Eagle	8,875	-	-	**8,875**	7,645	-	-	7,645
Neves-Corvo	20,157	21,309	336	**41,802**	27,531	45,657	451	73,639
Zinkgruvan	19,826	-	-	**19,826**	17,505	-	-	17,505
Other	140	-	-	**140**	215	-	-	215
	222,744	21,309	336	**244,389**	195,119	45,657	451	241,227

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 (Chile)

Operating Statistics

	2021			2020				
(100% Basis)	**Total**	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**10,657**	**5,062**	5,595	29,739	3,596	8,977	9,085	8,081
Ore milled (000s tonnes)	**13,945**	**7,012**	6,933	22,858	4,007	7,040	6,104	5,707
Grade								
Copper (%)	**0.55**	**0.56**	0.53	0.60	0.53	0.55	0.62	0.67
Gold (g/t)	**0.13**	**0.13**	0.13	0.14	0.13	0.13	0.14	0.15
Recovery								
Copper (%)	**92.2**	**91.5**	93.1	93.4	92.6	92.6	93.5	94.7
Gold (%)	**76.1**	**77.5**	74.7	74.9	75.1	75.1	74.0	73.0
Production (contained metal)								
Copper (tonnes)	**70,217**	**36,014**	34,203	126,702	19,509	35,836	35,060	36,297
Gold (000 oz)	**45**	**24**	21	76	13	21	21	21
Silver (000 oz)	**598**	**318**	280	1,074	155	283	305	331
Revenue ($000s)	**751,897**	**399,907**	351,990	875,348	166,827	280,417	255,132	172,972
Gross profit (loss) ($000s)	**324,664**	**182,867**	141,797	170,624	27,354	88,511	71,544	(16,785)
Cash cost ($ per pound)	**1.58**	**1.52**	1.65	1.45	2.17	1.37	1.36	1.31
AISC ($ per pound)	**2.60**	**2.61**	2.59	2.29	3.24	2.05	2.10	2.26

Gross Profit

Gross profit for the three and six months ended June 30, 2021 was higher than the prior year comparable periods primarily due to higher realized metal prices.

Production

Copper production for the three months ended June 30, 2021 was higher than the prior year quarter largely attributable to higher throughput. On a year-to-date basis, copper production was lower than the prior year period, as improved throughput was more than offset by the effects of lower grades and recoveries.

Gold production for the three and six months ended June 30, 2021 was higher than the prior year quarter due to higher throughput and recoveries.

As previously disclosed, the near-term mining sequence in phase 10 of the open pit has been adjusted for the second half of the year to manage the production challenges in a localized area of the open pit that, while nominal in volume, has the potential to impact activities on lower levels and the main ramp.

Cash Costs

Copper cash costs for the three and six months ended June 30, 2021 were higher than cash costs in the prior year comparable periods. The increase was largely due to higher diesel, maintenance and labour costs as a result of the union negotiations finalized last year.

As a result of the production changes described above, cash cost guidance for the full year has been revised to $1.55/lb of copper.

All-in sustaining costs for the three and six months ended June 30, 2021 were higher than those of the corresponding periods in 2020 due to higher cash costs and higher capitalized deferred stripping.

For the six months ended June 30, 2021, approximately 29,000 oz of gold and 383,000 oz of silver were subject to terms of a streaming agreement in which $416/oz and $4.16/oz were received for gold and silver, respectively.

Chapada (Brazil)

Operating Statistics

	2021			2020				
(100% Basis)	**Total**	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**15,222**	**8,725**	6,497	29,386	5,575	7,831	7,528	8,452
Ore milled (000s tonnes)	**11,975**	**6,132**	5,843	19,192	3,618	4,808	5,278	5,488
Grade								
Copper (%)	**0.24**	**0.25**	0.23	0.30	0.35	0.31	0.30	0.27
Gold (g/t)	**0.16**	**0.17**	0.15	0.24	0.30	0.25	0.23	0.20
Recovery								
Copper (%)	**74.0**	**75.7**	72.1	86.2	90.7	87.7	86.1	80.9
Gold (%)	**49.5**	**52.3**	46.2	59.7	64.6	62.7	60.0	51.0
Production (contained metal)								
Copper (tonnes)	**21,099**	**11,258**	9,841	50,038	11,368	12,990	13,799	11,881
Gold (000 oz)	**30**	**17**	13	87	22	24	23	18
Silver (000 oz)	**105**	**55**	50	242	55	61	69	57
Revenue ($000s)	**234,355**	**148,137**	86,218	445,399	133,567	113,586	114,125	84,121
Gross profit ($000s)	**111,335**	**72,023**	39,312	228,541	84,830	62,558	59,320	21,833
Cash cost ($ per pound)	**1.33**	**1.32**	1.33	0.29	(0.18)	0.21	0.21	0.92
AISC ($ per pound)	**2.03**	**1.98**	2.11	0.84	0.82	0.73	0.64	1.22

Gross Profit

Gross profit for the three and six months ended June 30, 2021 was higher than the prior year comparable periods largely due to higher realized metal prices partially offset by lower sales volumes.

Production

The production of both copper and gold for the three and six months ended June 30, 2021 was in line with plan, though lower than the comparable periods in 2020 due primarily to lower grades and increased use of the low grade stockpile. A new mill throughput monthly record was set in May of 2.2 million tonnes.

Chapada full year gold production guidance has been revised to 73,000 - 76,000 ounces as a result of a change in mine sequence (previously 75,000 - 80,000 ounces) while copper production guidance has been tightened to 48,000 - 50,000 tonnes.

Cash Costs

Copper cash costs for the three and six months ended June 30, 2021 were higher than the same periods in the prior year. The higher per-unit costs resulted from higher average haulage distances, increased material tonnages moved, and higher consumable prices for diesel and other operating contracts as well as lower sales volumes. Operating costs on a per tonne milled basis are in line with expectations.

Full year cash cost guidance remains unchanged at $1.10/lb of copper.

AISC for the three and six months ended June 30, 2021 were higher than the prior year comparable periods as a result of higher cash costs.

Projects

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

During the current quarter, approximately 18,500 metres of drilling were completed, for a total of 29,300 metres year-to-date. Chapada has been successful in acquiring 40 exploration claims near-mine during the year. This offers opportunity for further exploration of district continuity of mineralization.

Eagle (USA)

Operating Statistics

	2021			2020				
	Total	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**363**	**177**	186	758	204	180	185	189
Ore milled (000s tonnes)	**366**	**180**	186	761	205	179	183	194
Grade								
Nickel (%)	**3.3**	**3.2**	3.3	2.6	2.8	3.2	2.2	2.2
Copper (%)	**3.0**	**3.0**	3.0	2.5	2.6	2.9	2.3	2.4
Recovery								
Nickel (%)	**85.0**	**83.9**	86.1	83.9	84.4	84.3	82.5	83.9
Copper (%)	**97.4**	**97.2**	97.5	96.7	96.7	97.2	96.6	96.3
Production (contained metal)								
Nickel (tonnes)	**10,128**	**4,774**	5,354	16,718	4,909	4,854	3,380	3,575
Copper (tonnes)	**10,618**	**5,227**	5,391	18,663	5,128	5,055	4,102	4,378
Revenue ($000s)	**252,761**	**133,893**	118,868	294,280	102,940	91,314	52,689	47,337
Gross profit ($000s)	**120,532**	**62,228**	58,304	77,413	45,805	36,634	3,762	-8,788
Cash cost ($ per pound)	**(1.82)**	**(2.01)**	(1.62)	0.10	(0.89)	(0.63)	1.13	1.43
AISC ($ per pound)	**(0.21)**	**(0.23)**	(0.17)	1.51	0.32	0.54	2.48	3.50

Gross Profit

Gross profit for the three and six months ended June 30, 2021 was higher than the prior year comparable periods due to higher sales volumes as well as higher realized metal prices and price adjustments.

Production

Nickel and copper production for the three months and year-to-date ended June 30, 2021 was higher than the prior year comparable periods due to increased mining volumes against expectations in the high-grade Eagle East zone.

Full year production guidance for both nickel and copper has been tightened to 18,000 - 20,000 tonnes, reflecting an increase in the bottom end of the range.

Cash Costs

Nickel cash costs for the three and six months ended June 30, 2021 were significantly lower than the cash costs reported in the prior year comparable periods. The decrease in cash costs is primarily due to higher by-product metal prices as well as nickel sales volume. As a result of continued expected favourable copper by-product prices, cash cost guidance has been reduced from negative $0.25/lb to negative $1.00/lb.

All-in sustaining costs for the three and six months ended June 30, 2021 were also lower than those of the corresponding periods in 2020, as a result of lower cash costs.

Neves-Corvo (Portugal)

Operating Statistics

	2021			2020				
	Total	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	**1,277**	**646**	631	2,396	475	566	715	640
Ore mined, zinc (000 tonnes)	**533**	**275**	258	1,091	291	242	272	286
Ore milled, copper (000 tonnes)	**1,275**	**655**	620	2,427	489	565	734	639
Ore milled, zinc (000 tonnes)	**534**	**280**	254	1,106	296	240	286	284
Grade								
Copper (%)	**1.7**	**1.9**	1.5	1.7	1.5	1.5	1.8	1.8
Zinc (%)	**7.4**	**7.5**	7.4	8.1	7.5	8.4	8.5	8.0
Recovery								
Copper (%)	**81.0**	**81.7**	80.0	79.1	79.0	78.4	81.3	77.4
Zinc (%)	**76.8**	**77.5**	76.0	76.2	74.2	75.9	76.7	77.7
Production (contained metal)								
Copper (tonnes)	**17,758**	**10,317**	7,441	32,032	5,880	6,518	10,559	9,075
Zinc (tonnes)	**31,372**	**16,662**	14,710	69,143	16,750	15,459	18,986	17,948
Lead (tonnes)	**2,416**	**1,343**	1,073	5,108	1,321	760	1,559	1,468
Silver (000 oz)	**752**	**407**	345	1,557	420	281	479	377
Revenue ($000s)	**215,256**	**134,496**	80,760	257,046	60,794	69,287	81,188	45,777
Gross profit (loss) ($000s)	**50,905**	**44,085**	6,820	(13,993)	(3,320)	2,954	6,299	(19,926)
Cash cost (€ per pound)	**1.68**	**1.37**	2.17	1.84	2.37	1.69	1.58	2.03
Cash cost ($ per pound)	**2.03**	**1.65**	2.61	2.09	2.85	1.97	1.75	2.24
AISC ($ per pound)	**2.75**	**2.34**	3.38	3.16	5.35	2.93	2.32	3.28

Gross Profit

Gross profit for the three and six months ended June 30, 2021 was higher than the comparable period in 2020 largely due to higher metal price and price adjustments, partially offset by the negative impact of unfavourable foreign exchange.

Production

Copper production for the current quarter was comparable to the prior year quarter as lower throughput was partially offset by higher grades. Copper production for the six months ended June 30, 2021 was lower than the prior year comparable periods due to both lower throughput and grades. Copper production is in line with expectations.

Zinc production for the three and six months ended June 30, 2021 was lower than the prior year comparable periods primarily due to lower throughput and grades.

Full year zinc production guidance has been reduced to 67,000 - 70,000 tonnes (from 70,000 - 75,000 tonnes) while full year copper production range has been tightened to 36,000 - 38,000 tonnes.

Cash Costs

Copper cash costs for the three months ended June 30, 2021 were lower than those of the corresponding period in 2020 largely as a result of higher by-product credits due to higher zinc metal prices. Copper cash costs for the six months ended June 30, 2021 were higher than those of the prior year comparable period due to lower sales volumes and unfavourable foreign exchange, partially offset by higher by-product metal prices.

Full year copper cash cost guidance has been improved to $2.10/lb on the expectation of continued strong by-product prices.

All-in sustaining costs for the three and six months ended June 30, 2021 were higher than the corresponding period in 2020 due to higher per-unit sustaining capital expenditures as a result of lower sales volumes and, for the six months, higher cash costs.

Projects

ZEP officially restarted in January 2021, after a proactive temporary suspension in March 2020 due to the COVID-19 pandemic. The project continues to progress on schedule and on budget and it is expected construction will be substantially completed by the end of 2021 with the commencement of commissioning of the mine materials handling system and the expanded zinc processing plant. Upgrades to the shaft are also planned for completion in the third quarter of 2021. Production ramp up to full production rates is scheduled for the first half of 2022.

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

An estimated $70.0 million of expansionary capital is expected to be spent in 2021, with a further $30.0 million in 2022 to complete the project, primarily reflecting timing of payments. Total pre-production capital cost estimate of $430.0 million (€360.0 million) for the project remains unchanged.

Zinkgruvan (Sweden)

Operating Statistics

	2021			2020				
	Total	**Q2**	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	**626**	**298**	328	1,208	323	282	279	324
Ore mined, copper (000 tonnes)	**109**	**66**	43	215	29	61	81	44
Ore milled, zinc (000 tonnes)	**601**	**267**	334	1,208	324	316	239	329
Ore milled, copper (000 tonnes)	**74**	**50**	24	181	-	62	98	21
Grade								
Zinc (%)	**6.9**	**7.6**	6.3	6.7	8.3	6.2	5.9	6.4
Lead (%)	**2.1**	**2.4**	1.8	2.5	2.7	2.3	2.0	2.9
Copper (%)	**1.7**	**1.5**	2.2	2.2	-	2.0	2.1	2.8
Recovery								
Zinc (%)	**89.0**	**89.1**	88.8	90.4	91.9	88.8	89.5	90.4
Lead (%)	**77.6**	**78.7**	76.5	79.5	78.5	77.0	78.1	83.0
Copper (%)	**86.8**	**85.0**	89.5	85.2	-	83.3	84.8	90.6
Production (contained metal)								
Zinc (tonnes)	**36,826**	**18,171**	18,655	73,601	24,678	17,328	12,596	18,999
Lead (tonnes)	**9,804**	**5,095**	4,709	24,128	6,745	5,571	3,799	8,013
Copper (tonnes)	**1,119**	**641**	478	3,346	-	1,045	1,765	536
Silver (000 oz)	**877**	**457**	420	2,064	514	499	389	662
Revenue ($000s)	**99,533**	**55,891**	43,642	169,433	65,401	46,069	30,185	27,778
Gross profit ($000s)	**27,417**	**20,100**	7,317	39,012	24,905	9,665	2,239	2,203
Cash cost (SEK per pound)	**5.07**	**3.58**	6.43	4.77	4.22	4.90	5.50	4.96
Cash cost ($ per pound)	**0.60**	**0.42**	0.76	0.52	0.50	0.55	0.56	0.51
AISC ($ per pound)	**0.94**	**0.76**	1.10	0.82	0.78	0.74	1.03	0.79

Gross Profit

Gross profit for the three and six months ended June 30, 2021 was higher than the comparable periods in 2020 largely attributable to higher realized metal prices in the current quarter as well as higher zinc sales volumes.

Production

Zinc production for the quarter ended June 30, 2021 as well as on a year-to-date basis was higher than the prior year comparable periods due to higher throughput and grades.

Lead production for the quarter ended June 30, 2021 was higher than the prior year quarter as a result of higher throughput, head grades and recoveries. Lead production for the six months ended June 30, 2021 was lower than the prior year comparable periods as a result of lower grades in the first quarter of 2021.

Full year zinc production guidance has been tightened, with the bottom of the range revised upwards to 73,000 - 76,000 tonnes.

Cash Costs

Zinkgruvan's cash costs for the current quarter was lower than the prior year due to lower per unit operating costs as well as lower treatment charges partially offset by the impact of unfavourable foreign exchange.

Cash costs for the six months ended June 30, 2021 were higher than the prior year comparable period largely due to unfavourable foreign exchange rates offset by lower per unit operating costs.

Full year zinc cash cost guidance of $0.65/lb is unchanged.

All-in sustaining costs for the quarter ended June 30, 2021 were lower than those reported in the corresponding quarter in 2020 due to both lower cash costs and lower per-unit sustaining capital expenditures. All-in sustaining costs for the six months ended June 30, 2021 were primarily higher than the prior year comparable period due to higher cash costs.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper, zinc and gold for the second quarter of 2021 were higher than the average prices for the first quarter of 2021 by; 14% copper, 6% zinc and 1% gold. The average nickel price for the second quarter of 2021 was lower than the average price for the first quarter of 2021 by 1%. The prices for all metals increased through the quarter.

		Three months ended June 30,			Six months ended June 30,		
(Average LME Price)		**2021**	2020	Change	**2021**	2020	Change
Copper	US$/pound	**4.40**	2.43	81%	**4.12**	2.49	65%
	US$/tonne	**9,700**	5,356		**9,092**	5,500	
Zinc	US$/pound	**1.32**	0.89	49%	**1.28**	0.93	38%
	US$/tonne	**2,916**	1,961		**2,832**	2,047	
Gold	US$/ounce	**1,816**	1,711	6%	**1,805**	1,645	10%
Nickel	US$/pound	**7.87**	5.54	42%	**7.92**	5.66	40%
	US$/tonne	**17,359**	12,215		**17,466**	12,475	

LME inventory for copper increased by 32% during the second quarter of 2021 while the inventories for zinc and nickel decreased by 7% and 12%, respectively.

During the second quarter of 2021, the treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates between miners and commodity traders increased from an average spot TC during April of $12 per dmt of concentrate and a spot RC of $0.012 per lb of payable copper to a spot TC of $32 per dmt of concentrate and a spot RC of $0.032 per lb of payable copper during June 2021. Also, the spot terms at which Chinese copper smelters were prepared to buy increased slightly through the quarter from a TC of $30 per dmt of concentrate and a RC of $0.03 per payable lb of copper over April to a TC of $40 per dmt of concentrate and a RC of $0.04 per payable lb of copper at the end of June.

The spot TC, delivered China, for zinc concentrates during the second quarter of 2021 ranged from $75 per dmt, flat, at the beginning of April to $80 per dmt, flat, by the end of the quarter, on very limited activity. As of the beginning of April, a settlement in the negotiations between the mines and smelters for annual contracts for zinc concentrates was reported at $159 per dmt, flat which represents a significant improvement in favour of the mines compared to the settlement for 2020 which was $299.75 per dmt, flat.

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

Liquidity and Capital Resources

As at June 30, 2021, the Company had cash and cash equivalents of $294.9 million. With the ongoing COVID-19 pandemic, there is still uncertainty in the marketplace, as well as potential risks to production, supply chain, delivery of concentrates, commodity prices and many other variables. However, the Company continues to expect to be able to fund all its contractual commitments and obligations through operating cash flow generated, cash on hand and available debt facilities.

Cash flow from operations for the three and six months ended June 30, 2021 were $381.4 million and $456.7 million higher than the comparative periods in the prior year. The increase was primarily attributable to higher gross profit (Q2 - $238.1 million, YTD - $513.2 million) largely due to higher realized metal prices and price adjustments (Q2 - $298.1 million, YTD - $640.5 million). For the current quarter, this reflects a positive comparative change in non-cash working capital ($128.7 million), while on a year-to-date basis, there was a negative change in non-cash working capital ($48.0 million) which reduced cash flow from operations.

Cash flow used in investing activities was higher $45.2 million higher in the current quarter compared to the prior year quarter. In addition to capital expenditures being $31.8 million higher, the Company contributed $9.0 million to its investment in associate (whereas a distribution of $6.0 million was received in last year's comparable quarter). On a year-to-date basis, cash flow used in investing activities was higher than the prior year period due to the contributions to the investment in associate as well, in the prior year, a $25.7 million contingent asset was collected.

Cash flow used in financing activities increased by $140.7 million compared to the prior year quarter owing to higher dividends paid to shareholders, common share repurchases and net debt repayments. Cash flow used in financing activities was also higher on a year-to-date basis due to higher shareholder dividend payments and net debt repayments of $70.1 million (as compared to $190.5 million of net borrowings in the prior year comparative period).

Capital Resources

As at June 30, 2021, the Company had $141.5 million of debt and lease liabilities.

As at June 30, 2021, the Company has no amounts drawn on its credit facility, $100.0 million in outstanding term loans, $6.7 million of equipment financing and $34.8 million of lease liabilities. The Company has approximately $778.3 million available for drawdown on its credit facility.

During the second quarter and six months ended June 30, 2021, the Company purchased 2.7 million shares under its Normal Course Issuer Bid for consideration of $28.4 million. In the second quarter of 2020, no shares were repurchased (2020 YTD - 1.6 million shares, $7.4 million consideration).

Contractual Obligations, Commitments and Contingencies

The Company has contractual obligations and capital commitments as described in the Note 18 "Commitments and Contingencies" in the Company's Condensed Interim Consolidated Financial Statements. From time to time, the Company may also be involved in legal proceedings that arise in the ordinary course of its business.

Financial Instruments

The Company does not currently utilize complex financial instruments in hedging metal price, foreign exchange or interest rate exposure. The Company will not hold or issue derivative instruments for speculation or trading purposes.

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

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

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

Metal	Payable Metal	Provisional price on June 30, 2021	Change	Effect on Revenue ($millions)
Copper	86,373 t	$4.25/lb	+/- 10%	+/- $80.9
Zinc	15,000 t	$1.35/lb	+/- 10%	+/- $4.5
Gold	33 koz	$1,776/oz	+/- 10%	+/- $5.9
Nickel	1,375 t	$8.26/lb	+/- 10%	+/- $2.5

Related Party Transactions

The Company may enter into related party transactions that are in the normal course of business and on an arm's length basis. Related party disclosures can be found in Note 20 of the Company's June 30, 2021 Condensed Interim Consolidated Financial Statements.

Changes in Accounting Policies and Critical Accounting Estimates and Judgments

The Company describes its significant accounting policies as well as any changes in accounting policies in Note 2 "Basis of Presentation and Significant Accounting Policies" of the June 30, 2021 Condensed Interim Consolidated Financial Statements.

Non-GAAP Performance Measures

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

Net Cash (Debt)

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

($thousands)	**June 30, 2021**	March 31, 2021	December 31, 2020
Current portion of debt and lease liabilities	**(119,780)**	(120,480)	(116,942)
Debt and lease liabilities	**(21,752)**	(67,490)	(86,106)
	(141,532)	(187,970)	(203,048)
Deferred financing fees (netted in above)	**-**	(1,462)	(1,622)
	(141,532)	(189,432)	(204,670)
Cash and cash equivalents	**294,914**	181,322	141,447
Net cash (debt)	**153,382**	(8,110)	(63,223)

Adjusted Operating Cash Flow and Adjusted Operating Cash Flow per Share

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

Adjusted operating cash flow and adjusted operating cash flow per share can be reconciled to cash provided by operating activities as follows:

	Three months ended June 30,		**Six months ended June 30,**	
($thousands, except share and per share amounts)	**2021**	2020	**2021**	2020
Cash provided by operating activities	**418,998**	37,611	**577,673**	121,022
Changes in non-cash working capital items	**12,629**	141,359	**133,799**	85,830
Adjusted operating cash flow	**431,627**	178,970	**711,472**	206,852
Weighted average common shares outstanding	**738,612,506**	733,632,700	**737,756,508**	734,059,980
Adjusted operating cash flow per share	**0.58**	0.24	**0.96**	0.28

Free Cash Flow

Free cash flow is indicative of the Company's ability to generate cash from operations after consideration for required sustaining capital expenditures necessary to maintain operations. Free cash flow is defined as cash flow provided by operating activities, less sustaining capital expenditures.

Free cash flow can be reconciled to cash provided by operating activities as follows:

	Three months ended June 30,		Six months ended June 30,	
($thousands)	**2021**	2020	**2021**	2020
Cash provided by operating activities	**418,998**	37,611	**577,673**	121,022
Sustaining capital expenditures	**(120,100)**	(85,450)	**(222,744)**	(195,119)
Free cash flow	**298,898**	(47,839)	**354,929**	(74,097)

Adjusted EBITDA, Adjusted Earnings and Adjusted Earnings per Share

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

As a result of a change in accounting policy, foreign currency translation differences on deferred tax liabilities and assets have been retrospectively restated. This change is described in Note 2 (iii) "Voluntary change in accounting policy" of the June 30, 2021 Condensed Interim Consolidated Financial Statements.

Adjusted EBITDA can be reconciled to the Company's Consolidated Statement of Earnings as follows:

	Three months ended June 30,		Six months ended June 30,	
($thousands)	**2021**	2020	**2021**	2020
Net earnings (loss)	**268,432**	48,258	**422,651**	(65,310)
Add back:				
Depreciation, depletion and amortization	**130,850**	118,204	**256,760**	240,179
Finance income and costs	**9,078**	15,272	**20,174**	31,436
Income taxes	**62,614**	44,515	**132,516**	104,091
	470,974	226,249	**832,101**	310,396
Unrealized foreign exchange	**5,296**	(6,401)	**6,258**	(12,720)
Revaluation gain on derivative asset/liability	**5,084**	12,826	**(2,019)**	17,664
Revaluation of marketable securities	**(3,513)**	(1,635)	**(4,062)**	553
Income from investment in associates	**(773)**	(2,030)	**(1,146)**	(1,946)
Project standby and suspension costs	**-**	3,829	**-**	6,341
Other	**3,659**	(1,386)	**4,034**	1,518
Total adjustments - EBITDA	**9,753**	5,203	**3,065**	11,410
Adjusted EBITDA	**480,727**	231,452	**835,166**	321,806

Adjusted earnings and adjusted earnings per share can be reconciled to the Company's Consolidated Statement of Earnings as follows:

	Three months ended June 30,		Six months ended June 30,	
($thousands, except share and per share amounts)	**2021**	2020	**2021**	2020
Net earnings (loss) attributable to:				
Lundin Mining shareholders	**242,643**	38,729	**377,828**	(72,756)
Add back:				
Total adjustments - EBITDA	**9,753**	5,203	**3,065**	11,410
Tax effect on adjustments	**(2,302)**	3,479	**827**	11,062
Deferred tax arising from foreign exchange on non-monetary balances	**(40,555)**	13,209	**(17,701)**	75,662
Deferred tax arising from foreign exchange translation	**16,422**	(6,198)	**6,476**	(25,153)
Tax asset	**-**	-	**-**	13,562
Other	**320**	(1,635)	**155**	(2,062)
Total	**(16,362)**	14,058	**(7,178)**	84,481
Adjusted earnings	**226,281**	52,787	**370,650**	11,725
Weighted average number of shares outstanding:				
Basic	**738,612,506**	733,632,700	**737,756,508**	734,059,980
Diluted	**741,221,535**	734,501,902	**740,542,356**	734,059,980
Basic and diluted earnings (loss) per share attributable to Lundin Mining shareholders:				
Net earnings (loss)	**0.33**	0.05	**0.51**	(0.10)
Total adjustments	**(0.02)**	0.02	**(0.01)**	0.12
Adjusted earnings per share	**0.31**	0.07	**0.50**	0.02

Capital Expenditures

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

- **Sustaining capital expenditures –** Expenditures which maintain existing operations and sustain production levels.

- **Expansionary capital expenditures –** Expenditures which increase current or future production capacity, cash flow or earnings potential.

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

Cash Cost per Pound

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

- **Cash cost per pound, gross –** Total cash costs directly attributable to mining operations, excluding any allocation of upfront streaming proceeds or capital expenditures for deferred stripping, are divided by the sales volume of the primary metal to arrive at gross cash cost per pound. As this measure is not impacted by fluctuations in sales of by-product metals, it is generally more consistent across periods.

- **Cash cost per pound, net of by-products –** Credits for by-products sales are deducted from total cash costs directly attributable to mining operations. By-product revenue is adjusted for the terms of streaming agreements, but excludes any deferred revenue from the allocation of upfront cash received. The net cash costs are divided by the sales volume of the primary metal to arrive at net cash cost per pound. The inclusion of by-product credits provides a broader economic measurement, incorporating the benefit of other metals extracted in the production of the primary metal.

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

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

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

Three months ended June 30, 2021						
Operations	**Candelaria**	**Chapada**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):						
Tonnes	35,537	12,247	4,258	10,314	14,305	
Pounds (000s)	78,346	27,000	9,387	22,738	31,537	
Production costs						361,317
Less: Royalties and other						(22,564)
						338,753
Deduct: By-product credits						(180,782)
Add: Treatment and refining charges						28,915
Cash cost	119,000	35,731	(18,827)	37,611	13,371	186,886
Cash cost per pound ($/lb)	**1.52**	**1.32**	**(2.01)**	**1.65**	**0.42**	
Add: Sustaining capital expenditure	81,573	12,461	5,346	11,211	9,415	
Royalties	-	3,567	8,629	3,033	-	
Interest expense	1,165	859	177	19	18	
Leases & other	3,096	827	2,470	1,417	1,175	
All-in sustaining cost	204,834	53,445	(2,205)	53,291	23,979	
AISC per pound ($/lb)	**2.61**	**1.98**	**(0.23)**	**2.34**	**0.76**	

Three months ended June 30, 2020						
Operations	**Candelaria**	**Chapada**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):						
Tonnes	34,130	13,446	2,419	11,471	10,465	
Pounds (000s)	75,244	29,643	5,333	25,289	23,071	
Production costs						273,024
Less: Royalties and other						(7,264)
						265,760
Deduct: By-product credits						(123,887)
Add: Treatment and refining charges						29,700
Cash cost	102,099	6,284	6,000	44,220	12,970	171,573
Cash cost per pound ($/lb)	**1.36**	**0.21**	**1.13**	**1.75**	**0.56**	
Add: Sustaining capital expenditure	53,615	8,304	2,214	11,730	9,571	
Royalties	-	2,709	2,878	899	-	
Interest expense	964	1,249	313	74	-	
Leases & other	1,629	446	1,803	1,728	1,179	
All-in sustaining cost	158,307	18,992	13,208	58,651	23,720	
AISC per pound ($/lb)	**2.10**	**0.64**	**2.48**	**2.32**	**1.03**	

Six months ended June 30, 2021						
Operations	**Candelaria**	**Chapada**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):						
Tonnes	71,053	19,626	8,376	16,879	30,008	
Pounds (000s)	156,645	43,268	18,466	37,212	66,156	
Production costs						664,430
Less: Royalties and other						(29,069)
						635,361
Deduct: By-product credits						(306,162)
Add: Treatment and refining charges						57,908
Cash cost	248,071	57,430	(33,557)	75,364	39,799	387,107
Cash cost per pound ($/lb)	**1.58**	**1.33**	**(1.82)**	**2.03**	**0.60**	
Add: Sustaining capital expenditure	152,315	21,431	8,875	20,157	19,826	
Royalties	-	5,640	15,475	3,737	-	
Interest expense	2,284	1,718	354	39	36	
Leases & other	5,152	1,496	5,061	2,963	2,556	
All-in sustaining cost	407,822	87,715	(3,792)	102,260	62,217	
AISC per pound ($/lb)	**2.60**	**2.03**	**(0.21)**	**2.75**	**0.94**	

Six months ended June 30, 2020						
Operations	**Candelaria**	**Chapada**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):						
Tonnes	71,896	24,933	5,228	19,199	24,749	
Pounds (000s)	158,503	54,968	11,526	42,326	54,562	
Production cost						551,709
Less: Royalties and other						(17,106)
						534,603
Deduct: By-product credits						(227,147)
Add: Treatment and refining charges						59,275
Cash cost	210,779	29,560	14,871	82,380	29,141	366,731
Cash cost per pound ($/lb)	**1.33**	**0.54**	**1.29**	**1.95**	**0.53**	
Add: Sustaining capital expenditure	130,195	12,028	7,645	27,531	17,505	
Royalties	-	4,947	7,741	1,311	-	
Interest expense	2,180	2,217	625	148	129	
Leases & other	3,333	1,158	3,883	3,177	1,934	
All-in sustaining cost	346,487	49,910	34,765	114,547	48,709	
AISC per pound ($/lb)	**2.19**	**0.91**	**3.02**	**2.71**	**0.89**	

Managing Risks

Risks and Uncertainties

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

Tax code changes in the jurisdictions in which the Company operates can have a material adverse effect on profitability. In Chile, a new mining royalty tax has been proposed on the nominal value of copper and lithium production. If the proposed tax increase is approved by the Congress, this can result in increased royalty payments, decreased annual cash flow and reduced net asset value for Candelaria.

Infrastructure failures and geotechnical stability issues can have an adverse effect on the Company's operations. In Q2, the production guidance for Candelaria was adjusted for the second half of 2021 to accommodate required mining sequence changes in phase 10 of the open pit which were necessary to safely manage production risks in a localized area of geotechnical instability within a known fault zone.

While vaccination rates are increasing, and rates of infection are on the decline worldwide, the global COVID-19 pandemic and the emergence of more virulent strains, in particular the Delta variant of the virus, continue to affect the jurisdictions in which the Company operates.

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

Management's Report on Internal Controls

Disclosure controls and procedures ("DCP")

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

Internal control over financial reporting ("ICFR")

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

Control Framework

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

Changes in ICFR

There have been no changes in the Company's ICFR during the three-month period ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

Outstanding Share Data

As at July 28, 2021, the Company has 736,347,295 common shares issued and outstanding, and 8,982,923 stock options and 2,624,750 share units outstanding under the Company's incentive plans.

Other Information

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

Condensed Interim Consolidated Financial Statements of

Lundin Mining Corporation

June 30, 2021
(Unaudited)

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands of US dollars)

	As at	
	June 30, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents (Note 3)	**$ 294,914**	$ 141,447
Trade and other receivables (Note 4)	**540,570**	360,557
Income taxes receivable	**82,038**	61,416
Inventories (Note 5)	**208,798**	254,044
Other current assets	**21,695**	20,462
Total current assets	**1,148,015**	837,926
Restricted funds	**56,440**	56,611
Long-term inventory (Note 5)	**736,570**	692,362
Other non-current assets	**12,871**	9,699
Mineral properties, plant and equipment (Note 6)	**5,051,025**	5,125,611
Investment in associate	**32,488**	22,342
Deferred tax assets	**31,607**	62,743
Goodwill	**247,833**	251,183
	6,168,834	6,220,551
Total assets	**$ 7,316,849**	$ 7,058,477
LIABILITIES		
Trade and other payables (Note 7)	**$ 378,469**	$ 317,029
Income taxes payable	**63,517**	69,738
Current portion of debt and lease liabilities (Note 8)	**119,780**	116,942
Current portion of deferred revenue (Note 9)	**77,364**	80,832
Current portion of reclamation and other closure provisions (Note 10)	**6,057**	2,844
Total current liabilities	**645,187**	587,385
Debt and lease liabilities (Note 8)	**21,752**	86,106
Deferred revenue (Note 9)	**645,252**	658,734
Reclamation and other closure provisions (Note 10)	**392,872**	441,401
Other long-term liabilities	**77,436**	76,000
Provision for pension obligations	**8,689**	11,219
Deferred tax liabilities	**740,007**	701,103
	1,886,008	1,974,563
Total liabilities	**2,531,195**	2,561,948
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	**4,207,540**	4,201,277
Contributed surplus	**51,367**	52,098
Accumulated other comprehensive loss	**(216,684)**	(177,215)
Retained earnings (deficit)	**196,008**	(98,231)
Equity attributable to Lundin Mining Corporation shareholders	**4,238,231**	3,977,929
Non-controlling interests	**547,423**	518,600
	4,785,654	4,496,529
	$ 7,316,849	$ 7,058,477

Commitments and contingencies (Note 18)

Subsequent event (Note 22)

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(Unaudited - in thousands of US dollars, except for shares and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020[1]	**2021**	2020[1]
Revenue (Note 12)	**$ 872,324**	$ 533,319	**$ 1,553,802**	$ 911,304
Cost of goods sold				
Production costs (Note 13)	**(361,317)**	(273,024)	**(664,430)**	(551,709)
Depreciation, depletion and amortization	**(130,850)**	(118,204)	**(256,760)**	(240,179)
Gross profit	**380,157**	142,091	**632,612**	119,416
General and administrative expenses	**(9,597)**	(10,608)	**(22,691)**	(22,552)
General exploration and business development	**(17,561)**	(9,405)	**(27,323)**	(22,620)
Finance income (Note 15)	**1,126**	1,701	**1,695**	686
Finance costs (Note 15)	**(10,204)**	(16,973)	**(21,869)**	(32,122)
Income from equity investment in associate	**773**	2,030	**1,146**	1,946
Other expense (Note 16)	**(13,648)**	(16,063)	**(8,403)**	(5,973)
Earnings before income taxes	**331,046**	92,773	**555,167**	38,781
Current tax expense	**(22,500)**	(9,671)	**(59,980)**	(35,834)
Deferred tax expense	**(40,114)**	(34,844)	**(72,536)**	(68,257)
Net earnings (loss)	**$ 268,432**	$ 48,258	**$ 422,651**	$ (65,310)
Net earnings (loss) attributable to:				
Lundin Mining Corporation shareholders	**$ 242,643**	$ 38,729	**$ 377,828**	$ (72,756)
Non-controlling interests	**25,789**	9,529	**44,823**	7,446
Net earnings (loss)	**$ 268,432**	$ 48,258	**$ 422,651**	$ (65,310)
Basic and diluted earnings (loss) per share attributable to Lundin Mining Corporation shareholders	**$ 0.33**	$ 0.05	**$ 0.51**	$ (0.10)
Weighted average number of shares outstanding (Note 11)				
Basic	**738,612,506**	733,632,700	**737,756,508**	734,059,980
Diluted	**741,221,535**	734,501,902	**740,542,356**	734,059,980

[1]Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iii).

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited - in thousands of US dollars)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Net earnings (loss)	**$ 268,432**	$ 48,258	**$ 422,651**	$ (65,310)
Other comprehensive income (loss), net of taxes				
Item that may be reclassified subsequently to net earnings (loss):				
Effects of foreign exchange	**16,766**	29,110	**(39,469)**	(3,741)
Other comprehensive income (loss)	**16,766**	29,110	**(39,469)**	(3,741)
Total comprehensive income (loss)	**$ 285,198**	$ 77,368	**$ 383,182**	$ (69,051)
Comprehensive income (loss) attributable to:				
Lundin Mining Corporation shareholders	**$ 259,409**	$ 67,839	**$ 338,359**	$ (76,497)
Non-controlling interests	**25,789**	9,529	**44,823**	7,446
Total comprehensive income (loss)	**$ 285,198**	$ 77,368	**$ 383,182**	$ (69,051)

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited - in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings (deficit)	Non-controlling interests	Total
Balance, December 31, 2020	736,039,350	$ 4,201,277	$ 52,098	$ (177,215)	$ (98,231)	$ 518,600	$ 4,496,529
Distributions	-	-	-	-	-	(16,000)	(16,000)
Exercise of share-based awards	3,028,945	21,851	(7,367)	-	-	-	14,484
Share-based compensation	-	-	6,636	-	-	-	6,636
Dividends declared (Note 11(c))	-	-	-	-	(70,773)	-	(70,773)
Share purchase (Note 11(d))	(2,721,000)	(15,588)	-	-	(12,816)	-	(28,404)
Net earnings	-	-	-	-	377,828	44,823	422,651
Other comprehensive loss	-	-	-	(39,469)	-	-	(39,469)
Total comprehensive (loss) income	-	-	-	(39,469)	377,828	44,823	383,182
Balance, June 30, 2021	**736,347,295**	**$ 4,207,540**	**$ 51,367**	**$ (216,684)**	**$ 196,008**	**$ 547,423**	**$ 4,785,654**
Balance, December 31, 2019	734,233,642	$ 4,184,667	$ 51,339	$ (284,649)	$ (178,298)	$ 524,341	$ 4,297,400
Exercise of share-based awards	1,061,505	5,862	(3,597)	-	-	-	2,265
Share-based compensation	-	-	5,380	-	-	-	5,380
Dividends declared	-	-	-	-	(43,217)	-	(43,217)
Share purchase	(1,591,600)	(6,924)	-	-	(503)	-	(7,427)
Net (loss) earnings	-	-	-	-	(72,756)	7,446	(65,310)
Other comprehensive loss	-	-	-	(3,741)	-	-	(3,741)
Total comprehensive (loss) income	-	-	-	(3,741)	(72,756)	7,446	(69,051)
Balance, June 30, 2020	733,703,547	$ 4,183,605	$ 53,122	$ (288,390)	$ (294,774)	$ 531,787	$ 4,185,350

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - in thousands of US dollars)

	Three months ended June 30,		Six months ended June 30,	
Cash provided by (used in)	**2021**	2020[1]	**2021**	2020[1]
Operating activities				
Net earnings (loss)	**$ 268,432**	$ 48,258	**$ 422,651**	$ (65,310)
Items not involving cash and other adjustments				
Depreciation, depletion and amortization	**130,850**	118,204	**256,760**	240,179
Share-based compensation	**3,013**	2,391	**6,636**	5,380
Foreign exchange loss (gain)	**5,296**	(6,401)	**6,258**	(12,720)
Finance costs, net (Note 15)	**9,078**	15,272	**20,174**	31,436
Recognition of deferred revenue (Note 9)	**(17,120)**	(16,510)	**(34,763)**	(34,514)
Deferred tax expense	**40,114**	34,844	**72,536**	68,257
Income from equity investment in associate	**(773)**	(2,030)	**(1,146)**	(1,946)
Revaluation of derivative liability (Note 16)	**5,084**	12,826	**(2,019)**	17,664
Revaluation of marketable securities (Note 16)	**(3,513)**	(1,635)	**(4,062)**	553
Other	**14,359**	(4,999)	**10,519**	(1,963)
Reclamation payments (Note 10)	**(2,506)**	(567)	**(2,848)**	(1,222)
Other payments	**139**	(301)	**(1,208)**	(761)
Changes in long-term inventory	**(20,826)**	(20,382)	**(38,016)**	(38,181)
Changes in non-cash working capital items (Note 21)	**(12,629)**	(141,359)	**(133,799)**	(85,830)
	418,998	37,611	**577,673**	121,022
Investing activities				
Investment in mineral properties, plant and equipment	**(131,926)**	(100,161)	**(244,389)**	(241,227)
Contingent consideration received	**-**	-	**-**	25,714
Interest received	**102**	234	**178**	612
(Contributions to) distributions from associate, net	**(9,000)**	6,000	**(9,000)**	6,017
Other	**1,801**	90	**2,674**	694
	(139,023)	(93,837)	**(250,537)**	(208,190)
Financing activities				
Interest paid	**(1,128)**	(2,854)	**(3,623)**	(6,418)
Principal payments of lease liabilities	**(5,018)**	(3,700)	**(8,754)**	(7,270)
Principal repayments of debt (Note 8)	**(53,187)**	(17,496)	**(80,977)**	(48,122)
Proceeds from debt (Note 8)	**2,500**	38,862	**19,671**	245,867
Dividends paid to shareholders	**(71,170)**	(42,624)	**(71,170)**	(42,624)
Share purchase (Note 11)	**(28,404)**	-	**(28,404)**	(7,427)
Proceeds from common shares issued	**4,126**	208	**14,484**	2,265
Distributions to non-controlling interests	**(16,000)**	-	**(16,000)**	-
	(168,281)	(27,604)	**(174,773)**	136,271
Effect of foreign exchange on cash balances	**1,898**	850	**1,104**	(15,726)
Increase (decrease) in cash and cash equivalents during the period	**113,592**	(82,980)	**153,467**	33,377
Cash and cash equivalents, beginning of period	**181,322**	366,920	**141,447**	250,563
Cash and cash equivalents, end of period	**$ 294,914**	$ 283,940	**$ 294,914**	$ 283,940

Supplemental cash flow information (Note 21)

[1]Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iii).

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

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting including IAS 34 Interim financial reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020.

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

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

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

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

(ii) Significant accounting policies

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2020 except as noted below.

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

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

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

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

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

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

(iii) Voluntary change in accounting policy

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

Reconciliation of the Consolidated Statements of Earnings:

For the three months ended June 30, 2020	Previous accounting policy	Adjustments	Restated
Other expense	$ (9,865)	$ (6,198)	$ (16,063)
Earnings before income taxes	98,971	(6,198)	92,773
Deferred tax expense	(41,042)	6,198	(34,844)
Net earnings	48,258	-	48,258

For the six months ended June 30, 2020	Previous accounting policy	Adjustments	Restated
Other income (expense)	$ 19,180	$ (25,153)	$ (5,973)
Earnings before income taxes	63,934	(25,153)	38,781
Deferred tax expense	(93,410)	25,153	(68,257)
Net loss	(65,310)	-	(65,310)

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

Reconciliation of the Consolidated Statements of Cash Flows:

For the three months ended June 30, 2020	Previous accounting policy	Adjustments	Restated
Foreign exchange gain	$ (12,599)	$ 6,198	$ (6,401)
Deferred tax expense	41,042	(6,198)	34,844
Cash provided by operating activities	37,611	-	37,611

For the six months ended June 30, 2020	Previous accounting policy	Adjustments	Restated
Foreign exchange gain	$ (37,873)	$ 25,153	$ (12,720)
Deferred tax expense	93,410	(25,153)	68,257
Cash provided by operating activities	121,022	-	121,022

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

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

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	June 30, 2021	December 31, 2020
Cash	**$ 253,504**	$ 127,033
Short-term deposits	**41,410**	14,414
	$ 294,914	$ 141,447

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

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	June 30, 2021	December 31, 2020
Trade receivables	**$ 451,759**	$ 271,113
Value added tax	**32,161**	38,631
Prepaid expenses	**30,794**	25,860
Other receivables	**25,856**	24,953
	$ 540,570	$ 360,557

5. INVENTORIES

Inventories are comprised of the following:

	June 30, 2021	December 31, 2020
Ore stockpiles	**$ 36,101**	$ 66,312
Concentrate stockpiles	**38,007**	60,758
Materials and supplies	**134,690**	126,974
	$ 208,798	$ 254,044

Long-term inventory is comprised of ore stockpiles. As at June 30, 2021, the Company had $416.7 million (December 31, 2020 - $401.3 million) and $319.9 million (December 31, 2020 - $291.1 million) of long-term ore stockpiles at Candelaria and Chapada, respectively.

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

Cost	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2019	$ 4,647,606	$ 2,981,865	$ 427,637	$ 8,057,108
Additions	84,129	11,787	123,667	219,583
Disposals and transfers	30,363	83,994	(117,815)	(3,458)
Effects of foreign exchange	(4,448)	(2,399)	77	(6,770)
As at June 30, 2020	4,757,650	3,075,247	433,566	8,266,463
Additions	103,947	28,303	108,342	240,592
Disposals and transfers	20,224	102,145	(149,382)	(27,013)
Effects of foreign exchange	177,972	74,679	29,171	281,822
As at December 31, 2020	5,059,793	3,280,374	421,697	8,761,864
Additions	82,663	23,075	125,460	231,198
Disposals and transfers	16,369	49,718	(79,020)	(12,933)
Effects of foreign exchange	(61,844)	(27,298)	(10,449)	(99,591)
As at June 30, 2021	**$ 5,096,981**	**$ 3,325,869**	**$ 457,688**	**$ 8,880,538**

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

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2019	$ 1,955,156	$ 1,036,396	$ -	$ 2,991,552
Depreciation	173,500	101,169	-	274,669
Disposals and transfers	-	(924)	-	(924)
Effects of foreign exchange	(2,443)	(952)	-	(3,395)
As at June 30, 2020	2,126,213	1,135,689	-	3,261,902
Depreciation	146,283	103,176	-	249,459
Disposals and transfers	-	(23,445)	-	(23,445)
Effects of foreign exchange	109,869	38,468	-	148,337
As at December 31, 2020	2,382,365	1,253,888	-	3,636,253
Depreciation	140,381	110,631	-	251,012
Disposals and transfers	-	(5,871)	-	(5,871)
Effects of foreign exchange	(37,808)	(14,073)	-	(51,881)
As at June 30, 2021	**$ 2,484,938**	**$ 1,344,575**	**$ -**	**$ 3,829,513**

Net book value	Mineral properties	Plant and equipment	Assets under construction	Total
As at December 31, 2020	$ 2,677,428	$ 2,026,486	$ 421,697	$ 5,125,611
As at June 30, 2021	**$ 2,612,043**	**$ 1,981,294**	**$ 457,688**	**$ 5,051,025**

During the three and six months ended June 30, 2021, the Company capitalized $3.7 million (Q2 2020 - nil) and $7.6 million (YTD Q2 2020 - $3.1 million) of finance costs to assets under construction, at a weighted average interest rate of 5.2% (2020 - 4.4%).

During the three and six months ended June 30, 2021, the Company capitalized $48.1 million (Q2 2020 - $29.7 million) and $90.8 million (YTD Q2 2020 - $63.6 million), respectively, of deferred stripping costs to mineral properties. The depreciation expense related to deferred stripping for the three and six months ended June 30, 2021, was $25.3 million (Q2 2020 - $46.8 million) and $53.7 million (YTD Q2 2020 - $87.8 million), respectively. Included in the mineral properties balance at June 30, 2021, is $379.2 million (December 31, 2020 - $292.7 million) related to deferred stripping at Candelaria and $73.6 million (December 31, 2020 - $88.0 million) related to underground development of the Zinc Expansion Project at the Neves-Corvo mine, which are currently non-depreciable.

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

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

Right-of-use assets within plant and equipment	Net book value
As at December 31, 2019	$ 44,364
Additions	5,639
Depreciation	(6,999)
Disposals	(450)
Effects of foreign exchange	(114)
As at June 30, 2020	42,440
Additions	4,371
Depreciation	(8,605)
Disposals	(602)
Effects of foreign exchange	1,266
As at December 31, 2020	38,870
Additions	7,136
Depreciation	(9,310)
Effects of foreign exchange	(391)
As at June 30, 2021	**$ 36,305**

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

7. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	June 30, 2021	December 31, 2020
Trade payables	**$ 162,173**	$ 126,044
Unbilled goods and services	**82,719**	66,411
Employee benefits payable	**68,948**	71,943
Chapada derivative liability - current portion	**25,000**	24,958
Royalties payable	**14,518**	8,630
Prepayment from customers	**6,472**	2,543
Other	**18,639**	16,500
	$ 378,469	$ 317,029

The current portion of the Chapada derivative liability related to the Chapada acquisition ($25.0 million) is expected to be paid in August 2021. The long-term portion of the derivative liability of $61.6 million (December 31, 2020 - $63.7 million) is included in other long-term liabilities.

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

8. DEBT AND LEASE LIABILITIES

Debt and lease liabilities are comprised of the following:

		June 30, 2021		December 31, 2020
Revolving credit facility (a)	**$**	**-**	$	58,378
Term loans (b)		**100,000**		100,000
Lease liabilities (c)		**34,792**		36,312
Line of credit (d)		**6,740**		8,358
Debt and lease liabilities		**141,532**		203,048
Less: current portion		**119,780**		116,942
Long-term portion	**$**	**21,752**	$	86,106

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

		Leases		Debt		Total
As at December 31, 2019	$	42,616	$	265,933	$	308,549
Additions		5,187		245,867		251,054
Payments		(7,969)		(48,122)		(56,091)
Disposals		(464)		-		(464)
Interest		699		-		699
Financing fee amortization		-		300		300
Effects of foreign exchange		(2,461)		379		(2,082)
As at June 30, 2020		37,608		464,357		501,965
Additions		4,454		140,684		145,138
Payments		(8,696)		(441,171)		(449,867)
Disposals		(627)		-		(627)
Interest		780		-		780
Financing fee amortization		-		316		316
Effects of foreign exchange		2,793		2,550		5,343
As at December 31, 2020		36,312		166,736		203,048
Additions		7,427		19,671		27,098
Payments		(9,480)		(80,977)		(90,457)
Interest		726		-		726
Financing fee amortization		-		322		322
Financing fee reclassification		-		1,300		1,300
Effects of foreign exchange		(193)		(312)		(505)
As at June 30, 2021		34,792		106,740		141,532
Less: current portion		17,051		102,729		119,780
Long-term portion	**$**	**17,741**	**$**	**4,011**	**$**	**21,752**

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

a) The Company has a secured revolving credit facility of $800.0 million with a $200.0 million accordion option, maturing August 2023. The credit facility bears interest on drawn funds at rates of LIBOR +1.75% to LIBOR +2.75% (or an alternative benchmark rate as selected by the administrative agent), depending on the Company's net leverage ratio. The revolving credit facility is subject to customary covenants. During the first quarter of 2021, the Company repaid $15.0 million. During the second quarter of 2021, the Company repaid the remaining outstanding amount of $45.0 million. As at June 30, 2021, there was no balance outstanding (December 31, 2020 - $60.0 million), along with letters of credit totalling $21.7 million (SEK 162.0 million and €2.2 million) (December 31, 2020 - $22.5 million). Deferred financing fees of $1.3 million, at June 30, 2021, have been reclassified to other assets. As at December 31, 2020, deferred financing fees of $1.6 million were netted against long-term debt.

b) At December 31, 2020, Candelaria had two outstanding unsecured fixed term loans in the amounts of $80.0 million and $20.0 million. These loans mature on July 27, 2021 and August 12, 2021, respectively, and accrue interest at a rate of 1.1% per annum, with interest payable upon maturity. The total balance outstanding remained unchanged as at June 30, 2021. Candelaria repaid the $80.0 million loan and corresponding accrued interest on July 19, 2021.

   During the first quarter of 2021, Mineração Maracá Indústria e Comércio S/A, a subsidiary of the Company which owns the Chapada mine, obtained two unsecured fixed term loans, each in the amount of $2.5 million. The term loans accrued interest at a rate of 1.0% and 1.1% per annum with interest payable upon maturity. Both loans were repaid on their respective maturity dates of May 10, 2021 and June 9, 2021. During the second quarter of 2021, Chapada obtained an additional unsecured fixed term loan in the amount of $2.5 million with interest accruing at a rate of 1.0% per annum, payable upon maturity on July 9, 2021. The loan was repaid before the maturity date on June 25, 2021. There was no balance outstanding as at June 30, 2021.

c) Lease liabilities relate to leases on buildings, rail cars, vehicles, machinery and equipment which have remaining lease terms of one to fourteen years and interest rates of 0.8% - 7.1% over the terms of the leases.

d) Sociedade Mineira de Neves-Corvo, S.A. ("Somincor"), a subsidiary of the Company which owns the Neves-Corvo mine, has a $29.7 million (€25.0 million) line of credit for equipment financing. As at June 30, 2021, the balance outstanding was $6.7 million (€5.6 million) (December 31, 2020 - $8.4 million). Interest rates vary from a fixed rate of 0.88% to EURIBOR +0.84%, dependent on the piece of equipment, with the debt maturing throughout 2023 and 2024.

e) Somincor has a commercial paper program which matures in October 2021. The $35.7 million (€30.0 million) program bears interest at EURIBOR +0.84%. During the first quarter of 2021, Somincor drew down $12.2 million (€10.0 million) under this program and repaid the amount in full on February 26, 2021. There was no balance outstanding as at June 30, 2021.

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

	Leases	Debt	Total
Less than one year	$ 18,275	$ 102,729	$ 121,004
One to five years	16,121	4,011	20,132
More than five years	2,543	-	2,543
Total undiscounted obligations as at June 30, 2021	**$ 36,939**	**$ 106,740**	**$ 143,679**

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

9. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2019	$ 758,146
Recognition of revenue	(34,514)
Finance costs	20,627
Effects of foreign exchange	(886)
As at June 30, 2020	743,373
Recognition of revenue	(28,554)
Variable consideration adjustment	(3,354)
Finance costs	20,777
Effects of foreign exchange	7,324
As at December 31, 2020	739,566
Recognition of revenue	(34,763)
Finance costs	20,160
Effects of foreign exchange	(2,347)
As at June 30, 2021	722,616
Less: current portion	77,364
Long-term portion	**$ 645,252**

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

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

10. RECLAMATION AND OTHER CLOSURE PROVISIONS

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

	Reclamation provisions	Other closure provisions	Total
Balance, December 31, 2019	$ 343,112	$ 40,672	$ 383,784
Accretion	5,299	-	5,299
Changes in estimate	(27,399)	(225)	(27,624)
Changes in discount rate	18,486	-	18,486
Payments	(1,222)	-	(1,222)
Effects of foreign exchange	(409)	(1,047)	(1,456)
Balance, June 30, 2020	337,867	39,400	377,267
Accretion	5,064	-	5,064
Changes in estimate	46,184	2,342	48,526
Changes in discount rate	(553)	-	(553)
Payments	(1,360)	-	(1,360)
Effects of foreign exchange	12,636	2,665	15,301
Balance, December 31, 2020	399,838	44,407	444,245
Accretion	4,431	-	4,431
Changes in estimate	211	2,720	2,931
Changes in discount rate	(43,860)	-	(43,860)
Payments	(1,359)	(1,489)	(2,848)
Effects of foreign exchange	(4,868)	(1,102)	(5,970)
Balance, June 30, 2021	354,393	44,536	398,929
Less: current portion	5,708	349	6,057
Long-term portion	**$ 348,685**	**$ 44,187**	**$ 392,872**

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

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

11. SHARE CAPITAL

a) Basic and diluted weighted average number of shares outstanding

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Basic weighted average number of shares outstanding	**738,612,506**	733,632,700	**737,756,508**	734,059,980
Effect of dilutive securities (i)	**2,609,029**	869,202	**2,785,848**	-
Diluted weighted average number of shares outstanding	**741,221,535**	734,501,902	**740,542,356**	734,059,980
Antidilutive securities	**168,250**	3,249,000	**567,750**	4,251,500

(i) As a result of the Company's net loss position for the six months ended June 30, 2020, 938,673 shares that would have been dilutive had the Company been in a net earnings position were excluded from diluted weighted average number of shares outstanding.

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

b) Stock options and SUs granted

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Stock options	**37,500**	75,000	**1,985,500**	3,974,000
SUs	**12,500**	25,000	**569,250**	1,027,500

c) Dividends

During the three and six months ended June 30, 2021, the Company declared dividends in the amount of $35.9 million (Q2 2020 - $21.1 million) or C$0.06 per share (Q2 2020 - C$0.04), and $70.8 million (YTD Q2 2020 - $43.2 million) or C$0.12 per share (YTD Q2 2020 - C$0.08), respectively.

d) Normal course issuer bid

For the three and six months ended June 30, 2021, 2,721,000 shares were purchased at Management's discretion under the Company's normal course issuer bid ("NCIB") at an average price of C$12.67 per share for total consideration of $28.4 million. All common shares purchased were cancelled.

For the six months ended June 30, 2020, 1,591,600 shares were purchased at Management's discretion under the NCIB at an average price of C$6.24 per share for total consideration of $7.4 million. All common shares purchased were cancelled. During the three months ended June 30, 2020, no shares were purchased under the NCIB.

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

12. REVENUE

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Revenue from contracts with customers:				
Copper	**$ 605,649**	$ 320,908	**$ 1,054,546**	$ 628,438
Nickel	**74,634**	29,330	**144,746**	65,687
Zinc	**68,043**	35,583	**122,896**	76,048
Gold	**54,446**	67,012	**101,760**	123,353
Lead	**11,645**	8,327	**21,139**	18,310
Silver	**10,835**	11,183	**19,980**	18,835
Other	**17,255**	4,451	**29,094**	9,838
	842,507	476,794	**1,494,161**	940,509
Provisional pricing adjustments on concentrate sales	**29,817**	56,525	**59,641**	(29,205)
Revenue	**$ 872,324**	$ 533,319	**$ 1,553,802**	$ 911,304

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Revenue from contracts with customers:				
Europe				
Spain	**$ 128,900**	$ 105,413	**$ 244,748**	$ 205,831
Finland	**67,631**	82,519	**124,983**	112,157
Other	**213,888**	86,374	**291,986**	142,421
Asia				
Japan	**214,512**	95,044	**378,569**	225,838
China	**1,749**	16,907	**57,160**	72,921
Other	**-**	-	**-**	17,254
Americas				
Canada	**132,378**	53,678	**245,137**	116,761
Other	**83,449**	36,859	**151,578**	47,326
	842,507	476,794	**1,494,161**	940,509
Provisional pricing adjustments on concentrate sales	**29,817**	56,525	**59,641**	(29,205)
Revenue	**$ 872,324**	$ 533,319	**$ 1,553,802**	$ 911,304

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

13. PRODUCTION COSTS

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Direct mine and mill costs	**$ 321,499**	$ 244,480	**$ 594,435**	$ 493,393
Transportation	**24,589**	22,058	**45,143**	44,317
Royalties	**15,229**	6,486	**24,852**	13,999
Total production costs	**$ 361,317**	$ 273,024	**$ 664,430**	$ 551,709

14. EMPLOYEE BENEFITS

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Production costs				
Wages and benefits	**$ 73,023**	$ 64,420	**$ 147,795**	$ 123,244
Retirement benefits	**402**	57	**789**	828
Share-based compensation	**640**	634	**1,240**	1,395
	74,065	65,111	**149,824**	125,467
General and administrative expenses				
Wages and benefits	**5,029**	4,701	**11,364**	9,552
Retirement benefits	**206**	182	**411**	473
Share-based compensation	**2,340**	1,733	**5,325**	3,907
	7,575	6,616	**17,100**	13,932
General exploration and business development				
Wages and benefits	**989**	965	**2,321**	2,073
Retirement benefits	**11**	9	**21**	22
Share-based compensation	**33**	24	**71**	78
	1,033	998	**2,413**	2,173
Total employee benefits	**$ 82,673**	$ 72,725	**$ 169,337**	$ 141,572

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

15. FINANCE INCOME AND COSTS

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Interest income	**$ 101**	$ 315	**$ 173**	$ 686
Deferred revenue finance costs	**(6,380)**	(10,337)	**(12,921)**	(17,976)
Accretion expense on reclamation provisions	**(2,238)**	(2,600)	**(4,431)**	(5,299)
Interest expense and bank fees	**(1,191)**	(3,687)	**(3,791)**	(6,607)
Lease liability interest	**(395)**	(349)	**(726)**	(699)
Other	**1,025**	1,386	**1,522**	(1,541)
Total finance costs, net	**$ (9,078)**	$ (15,272)	**$ (20,174)**	$ (31,436)

Finance income	**$ 1,126**	$ 1,701	**$ 1,695**	$ 686
Finance costs	**(10,204)**	(16,973)	**(21,869)**	(32,122)
Total finance costs, net	**$ (9,078)**	$ (15,272)	**$ (20,174)**	$ (31,436)

16. OTHER INCOME AND EXPENSE

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020[1]	**2021**	2020[1]
Revaluation of marketable securities	**$ 3,513**	$ 1,635	**$ 4,062**	$ (553)
Revaluation of derivative liability	**(5,084)**	(12,826)	**2,019**	(17,664)
Foreign exchange (loss) gain	**(5,103)**	647	**(5,068)**	21,521
Other expense	**(6,974)**	(5,519)	**(9,416)**	(9,277)
Total other expense, net	**$ (13,648)**	$ (16,063)	**$ (8,403)**	$ (5,973)

[1]Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iii).

Other expense for the three and six months ended June 30, 2020, includes $3.8 million and $6.3 million, respectively, of idle project costs.

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

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at June 30, 2021 and December 31, 2020:

		June 30, 2021		December 31, 2020	
	Level	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Restricted funds	1	$ 56,440	$ 56,440	$ 56,611	$ 56,611
Trade receivables (provisional)	2	455,624	455,624	234,979	234,979
Marketable securities	1	7,663	7,663	3,594	3,594
		$ 519,727	**$ 519,727**	$ 295,184	$ 295,184
Financial liabilities					
Amortized cost					
Debt	2	**$ 106,740**	**$ 106,740**	$ 166,736	$ 166,736
Fair value through profit or loss					
Chapada derivative liability (Note 7)	2	**$ 86,641**	**$ 86,641**	$ 88,659	$ 88,659

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

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

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

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

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

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

Trade receivables – The fair value of trade receivables that contain provisional pricing sales arrangements are valued using quoted forward market prices. The Company recognized positive pricing adjustments of $29.8 million in revenue during the three months ended June 30, 2021 (Q2 2020 - $56.5 million positive pricing adjustments) and positive pricing adjustments of $59.6 million in revenue during the six months ended June 30, 2021 (YTD Q2 2020 - $29.2 million negative pricing adjustments).

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

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

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

18. COMMITMENTS AND CONTINGENCIES

a) The Company has capital commitments of $124.6 million on various initiatives, of which $101.1 million is expected to be paid during 2021.

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

c) Significant changes to commitments and contingencies, since those reported at December 31, 2020, are described below:

On April 19, 2021, the Valparaíso Court of Appeals dismissed the appeal of the plaintiff Caldera fishermen and confirmed the lower court ruling that dismissed all claims. On May 6, 2021, the plaintiff sought leave to appeal to the Supreme Court of Chile. The Company is awaiting the court's determination.

19. SEGMENTED INFORMATION

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

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

For the three months ended June 30, 2021

	Candelaria Chile	Chapada Brazil	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Other	Total
Revenue	$ 399,907	$ 148,137	$ 133,893	$ 134,496	$ 55,891	$ -	$ 872,324
Cost of goods sold							
Production costs	(148,764)	(63,667)	(48,527)	(73,846)	(25,840)	(673)	(361,317)
Depreciation, depletion and amortization	(68,276)	(12,447)	(23,138)	(16,565)	(9,951)	(473)	(130,850)
Gross profit (loss)	182,867	72,023	62,228	44,085	20,100	(1,146)	380,157
General and administrative expenses	-	-	-	-	-	(9,597)	(9,597)
General exploration and business development	(4,580)	(8,473)	(56)	(1,011)	(1,825)	(1,616)	(17,561)
Finance (costs) income	(7,461)	(3,717)	(264)	4,525	(891)	(1,270)	(9,078)
Income from equity investment in associate	-	-	-	-	-	773	773
Other (expense) income	(1,849)	(9,390)	(144)	(2,936)	319	352	(13,648)
Income tax (expense) recovery	(50,975)	11,653	(8,652)	(9,387)	(2,488)	(2,765)	(62,614)
Net earnings (loss)	**$ 118,002**	**$ 62,096**	**$ 53,112**	**$ 35,276**	**$ 15,215**	**$ (15,269)**	**$ 268,432**
Capital expenditures	**$ 81,573**	**$ 12,461**	**$ 5,346**	**$ 23,037**	**$ 9,415**	**$ 94**	**$ 131,926**

For the six months ended June 30, 2021

	Candelaria Chile	Chapada Brazil	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Other	Total
Revenue	$ 751,897	$ 234,355	$ 252,761	$ 215,256	$ 99,533	$ -	$ 1,553,802
Cost of goods sold							
Production costs	(285,705)	(102,647)	(88,787)	(134,545)	(51,432)	(1,314)	(664,430)
Depreciation, depletion and amortization	(141,528) $	(20,373) $	(43,442) $	(29,806) $	(20,684) $	(927)	(256,760)
Gross profit (loss)	324,664	111,335	120,532	50,905	27,417	(2,241)	632,612
General and administrative expenses	-	-	-	-	-	(22,691)	(22,691)
General exploration and business development	(10,654)	(9,302)	(56)	(1,693)	(3,024)	(2,594)	(27,323)
Finance (costs) income	(15,047)	(8,011)	(527)	7,653	(1,765)	(2,477)	(20,174)
Income from equity investment in associate	-	-	-	-	-	1,146	1,146
Other (expense) income	(1,819)	(4,957)	(279)	(3,960)	1,135	1,477	(8,403)
Income tax expense	(92,335)	(9,355)	(15,781)	(8,647)	(6,128)	(270)	(132,516)
Net earnings (loss)	**$ 204,809**	**$ 79,710**	**$ 103,889**	**$ 44,258**	**$ 17,635**	**$ (27,650)**	**$ 422,651**
Capital expenditures	**$ 152,315**	**$ 21,431**	**$ 8,875**	**$ 41,802**	**$ 19,826**	**$ 140**	**$ 244,389**

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

For the three months ended June 30, 2020[1]

	Candelaria Chile	Chapada Brazil	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Other	Total
Revenue	$ 255,132	$ 114,125	$ 52,689	$ 81,188	$ 30,185	$ -	$ 533,319
Cost of goods sold							
Production costs	(115,523)	(43,985)	(31,788)	(60,945)	(20,159)	(624)	(273,024)
Depreciation, depletion and amortization	(68,065)	(10,820)	(17,139)	(13,944)	(7,787)	(449)	(118,204)
Gross profit (loss)	71,544	59,320	3,762	6,299	2,239	(1,073)	142,091
General and administrative expenses	-	-	-	-	-	(10,608)	(10,608)
General exploration and business development	(6,924)	(796)	(112)	(151)	(699)	(723)	(9,405)
Finance (costs) income	(7,719)	(4,111)	(428)	580	(863)	(2,731)	(15,272)
Income from equity investment in associate	-	-	-	-	-	2,030	2,030
Other (expense) income	(4,318)	1,226	(1,718)	(2,182)	(1,486)	(7,585)	(16,063)
Income tax (expense) recovery	(17,481)	(23,308)	41	(657)	2,935	(6,045)	(44,515)
Net earnings (loss)	$ 35,102	$ 32,331	$ 1,545	$ 3,889	$ 2,126	$ (26,735)	$ 48,258
Capital expenditures	$ 53,615	$ 8,304	$ 2,214	$ 26,441	$ 9,571	$ 16	$ 100,161

For the six months ended June 30, 2020[1]

	Candelaria Chile	Chapada Brazil	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Other	Total
Revenue	$ 428,104	$ 198,246	$ 100,026	$ 126,965	$ 57,963	$ -	$ 911,304
Cost of goods sold							
Production costs	(234,211)	(94,663)	(69,146)	(112,999)	(39,278)	(1,412)	(551,709)
Depreciation, depletion and amortization	(139,134)	(22,430)	(35,906)	(27,593)	(14,243)	(873)	(240,179)
Gross profit (loss)	54,759	81,153	(5,026)	(13,627)	4,442	(2,285)	119,416
General and administrative expenses	-	-	-	-	-	(22,552)	(22,552)
General exploration and business development	(11,587)	(1,590)	(208)	(1,323)	(4,531)	(3,381)	(22,620)
Finance (costs) income	(15,616)	(8,153)	(850)	54	(1,768)	(5,103)	(31,436)
Loss from equity investment in associate	-	-	-	-	-	1,946	1,946
Other income (expense)	377	13,658	(2,262)	(443)	1,012	(18,315)	(5,973)
Income tax (expense) recovery	(20,208)	(80,566)	83	6,220	223	(9,843)	(104,091)
Net earnings (loss)	$ 7,725	$ 4,502	$ (8,263)	$ (9,119)	$ (622)	$ (59,533)	$ (65,310)
Capital expenditures	$ 130,195	$ 12,028	$ 7,645	$ 73,639	$ 17,505	$ 215	$ 241,227

[1] Comparatives for the 2020 reporting period have been restated. Refer to Note 2(iii).

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

20. RELATED PARTY TRANSACTIONS

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

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Wages and benefits	**$ 1,830**	$ 1,527	**$ 3,364**	$ 3,363
Pension benefits	**50**	41	**98**	82
Share-based compensation	**1,452**	954	**3,073**	2,114
	$ 3,332	$ 2,522	**$ 6,535**	$ 5,559

21. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
Changes in non-cash working capital items consist of:				
Trade and income taxes receivable, inventories, and other current assets	**$ (76,026)**	$ (136,890)	**$ (184,620)**	$ (72,337)
Trade and income taxes payable, and other current liabilities	**63,397**	(4,469)	**50,821**	(13,493)
	$ (12,629)	$ (141,359)	**$ (133,799)**	$ (85,830)
Operating activities included the following cash payments:				
Income taxes paid (refunded)	**$ 24,684**	$ (4,926)	**$ 79,427**	$ (35,195)

22. SUBSEQUENT EVENT

On July 27, 2021, the Company announced that its 24% owned subsidiary, Koboltti Chemicals Holdings Limited, had entered into an agreement to sell its specialty cobalt business based in Kokkola, Finland ("Freeport Cobalt") to Jervois Mining Limited ("Jervois"). Under the terms of the transaction, Jervois will acquire 100% of Freeport Cobalt for $85.0 million, in cash and up to 9.9% of Jervois shares, plus working capital to be determined at closing. In addition, the Company and its partners will have the right to receive up to $40.0 million in contingent cash consideration based on the future performance of the business. Assuming a full allotment of shares, the Company currently estimates its net share of the proceeds, excluding the contingent consideration, would approximate $42.0 million cash plus its pro-rata 24% share of 9.9% of Jervois shares. The transaction is subject to the completion of Jervois financing and other customary closing conditions and is expected to close in the third quarter of 2021.