lundin mining

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NEWS RELEASE

Lundin Mining Publishes 2018 Annual Filings

Toronto, February 14, 2019 (TSX: LUN; Nasdaq Stockholm: LUMI) Lundin Mining Corporation ("Lundin Mining" or the "Company") announces that the 2018 Annual Filings Document is available for download from the Company's website: https://www.lundinmining.com/investors/financial-reports/.

About Lundin Mining

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

This is information in that Lundin Mining is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below on February 14, 2019 at 6:15 p.m. Eastern Time.

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2018 Annual Filings

December 31, 2018

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Management's Discussion and Analysis
For the year ended December 31, 2018

This management's discussion and analysis ("MD&A") has been prepared as of February 14, 2019 and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's presentation currency is United States ("US") dollars. Reference herein of $ is to United States dollars, C$ is to Canadian dollars, CLP is to Chilean pesos, SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

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

Cautionary Statement on Forward-Looking Information

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

Table of Contents

Highlights

Operational Performance

All metal production and cash costs[1] across the operations achieved or exceeded the Company's most recent annual guidance. Capital spending for the year of $751.8 million was also in-line with most recent guidance. Work on projects at Candelaria and Eagle continued with excellent progress achieved to date. Project work on the Zinc Expansion Project ("ZEP") in Portugal fell behind schedule in 2018 and actions were taken during the fourth quarter to improve project execution.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 134,578 tonnes of copper, approximately 78,000 ounces of gold and 1.2 million ounces of silver in concentrate during the year. Copper production was lower than the prior year due to planned mining and processing of lower grade materials. Copper cash costs[1] of $1.68/lb were better than full year guidance, but higher than the prior year. Lower metal production combined with higher diesel and labour costs contributed to the higher per unit production costs in the current year.

The Candelaria Mill Optimization Project progressed according to plan with construction approximately 40% complete at year-end. Ramp-up of the Candelaria Underground North Sector continues to achieve excellent results and is currently mining approximately 10,200 tonnes per day on average. The development of the South Sector continues and has advanced further than planned. With the advance in development, the project timeline is being reviewed to consider possible advancement in the production start-up date of year end 2019.

Approximately 60% of the new open pit mine fleet has been received and placed in service, with the remaining equipment expected to be delivered in 2019 and 2020.

Eagle (100% owned): Eagle production for the year met or exceeded most recent guidance, producing 17,573 tonnes of nickel and 17,974 tonnes of copper. Quantities were lower than the prior year as a result of planned mine sequencing. Nickel cash costs of $1.01/lb for the year were better than guidance but marginally higher than the prior year as higher operating per unit costs were driven by lower sales volumes.

Development of the Eagle East access ramp continues ahead of the original schedule with first ore expected into the mill in the fourth quarter of 2019. Underground definition drilling from the access ramp to Eagle East is ongoing.

Neves-Corvo (100% owned): Neves-Corvo produced 45,692 tonnes of copper and 75,435 tonnes of zinc for the year, exceeding the most recent guidance. Copper and zinc production for the year were also higher than the prior year due to improved mine productivity and higher mill throughput driven by improvements in mine plan execution and, to a lesser extent, higher head grades. Copper cash costs of $1.28/lb for the year were better than guidance but higher than the prior year due to lower by-product credits. Current year cash costs benefited from lower per unit mine, mill and administration costs associated with higher copper sales volumes.

Construction on ZEP was approximately 43% complete at year-end. Underground development remains on track with ore from this newly developed area of the mine expected to contribute to mill feed in the first quarter of 2020. Surface facilities construction remains on track to be complete and commence commissioning in early 2020. Following a third party review, total project capital costs are now expected to be $385 million (€320 million).

Zinkgruvan (100% owned): Zinc production of 76,606 tonnes and lead production of 24,613 tonnes exceeded the most recent guidance but were lower than the prior year driven by lower head grades as a result of mine sequencing and higher than planned dilution and ore loss. The operation continues to focus on mine stope design optimization, mining execution and ore tracking in order to improve these factors. Zinc cash costs of $0.34/lb for the year were lower than guidance but higher than the prior year due primarily to higher per unit costs stemming from lower sales volumes.

[1] Cash cost per pound is a non-GAAP measure – see page 27 of this MD&A for discussion of non-GAAP measures.

Production Summary:

Total 2018 production, compared to the latest guidance and prior years, was as follows:

Years ended December 31, (Contained tonnes)		**2018 Actual**	*2018 Guidance[a]*	2017 Actual	2016 Actual
Copper	Candelaria (100%)[b]	**134,578**	*133,750 - 136,250*	183,858	166,593
	Eagle	**17,974**	*16,000 - 18,000*	21,302	23,417
	Neves-Corvo	**45,692**	*43,000 - 45,000*	33,624	46,557
	Zinkgruvan	**1,386**	*1,000 - 2,000*	977	1,906
	Total	**199,630**	*193,750 - 201,250*	239,761	238,473
Zinc	Neves-Corvo	**75,435**	*73,000 - 75,000*	71,356	69,527
	Zinkgruvan	**76,606**	*74,000 - 76,000*	77,963	78,523
	Total	**152,041**	*147,000 - 151,000*	149,319	148,050
Nickel	Eagle	**17,573**	*15,000 - 17,000*	22,081	24,114

a - Revised guidance as disclosed in the Company's MD&A for the three and nine months ended September 30, 2018.

b - Candelaria guidance and results were previously disclosed at 80% attributable.

Financial Performance

- Gross profit for the year ended December 31, 2018 was $436.6 million, a decrease of $383.7 million in comparison to the $820.3 million reported in 2017. The decrease was primarily due to the effect of lower sales volumes ($133.6 million), higher per unit operating cost ($185.9 million) and lower realized metal prices, net of price adjustments ($90.0 million).

- For the year ended December 31, 2018, the Company reported net earnings from continuing operations of $215.4 million, a decrease of $231.5 million in comparison to the year ended December 31, 2017 ($446.9 million). Comparative net earnings in the current year were lower due to lower gross profit ($383.7 million), partially offset by lower income tax expense ($115.0 million).

- Net cash[1] position at December 31, 2018 was $804.4 million compared to net cash of $1,110.5 million at December 31, 2017. The Company generated $476.4 million of cash flow from operations and used $675.4 million in investing activities, primarily for capital expenditures, as well as $92.0 million for the payment of dividends and interest.

[1] Net cash / debt is a non-GAAP measure – see page 27 of this MD&A for discussion of non-GAAP measures.

Corporate Highlights

- On April 26, 2018, the Company issued a tender to purchase any and all of its $450.0 million aggregate principal amount of the 2022 Notes. A principal amount of $10.8 million was tendered and accepted.
- On July 25, 2018, the Company announced that, following a successful seven-year tenure as the Company's President and Chief Executive Officer, Paul Conibear would retire. Following the Board's succession planning process, Marie Inkster, Senior Vice President and Chief Financial Officer, was selected and assumed the role of President and Chief Executive Officer on October 1, 2018.
- On July 26, 2018, the Company announced an offer to acquire all of the issued and outstanding common shares of Nevsun Resources Ltd. This bid expired on November 9, 2018 with no shares taken up.
- On September 6, 2018, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2018, on SEDAR (www.sedar.com). On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totaled 3,672,000 tonnes of copper, 3,374,000 tonnes of zinc and 108,000 tonnes of nickel.
- On October 1, 2018, the Company announced two new executive appointments: Jinhee Magie, previously Lundin Mining's Vice President of Finance, was appointed Senior Vice President and Chief Financial Officer and Peter Rockandel was appointed Senior Vice President, Corporate Development and Investor Relations.
- On October 22, 2018, the Company issued a notice for early redemption of the remaining 2022 Notes in accordance with the Notes Indenture. The redemption of all 2022 Notes was completed on November 21, 2018. It was also announced that the Company had executed an amending agreement to its revolving credit facility (the "Facility") that increases the Facility to $550 million with a $50 million accordion option, reducing the costs of borrowing and extending the term to October 2022, from June 2020.
- On November 28, 2018 the Company filed an updated Technical Report for the Candelaria Copper Mining Complex in Chile. Refer to the news release entitled "Lundin Mining Provides Operational Outlook & Update" on the Company's website. The report can be found under the Company's profile on SEDAR and on the Company's website.
- On December 4, 2018, the Company announced that the Toronto Stock Exchange had accepted notice of the Company's intention to commence a normal course issuer bid ("NCIB"). The approval allows the Company to purchase up to 63,718,842 common shares of the Company over a period of twelve months commencing on December 7, 2018, though no shares have been purchased to date. The NCIB will expire no later than December 6, 2019.

Financial Position

- Cash and cash equivalents decreased $751.6 million over the year, from $1,567.0 million at December 31, 2017 to $815.4 million at December 31, 2018.
- Cash flow from operations for the year ended December 31, 2018 was $476.4 million, a decrease of $427.1 million in comparison to the $903.5 million reported in 2017. The decrease was primarily attributable to lower gross profit before depreciation and a comparative change in non-cash working capital ($83.7 million), partially offset by lower current income tax expense of $96.0 million.
- Cash used in investing activities increased when compared to the prior year. During 2018, investments in mineral properties, plant and equipment increased to $751.8 million from $478.8 million. During 2017, $1.1 billion of net cash proceeds were received from the sale of the Tenke Fungurume mine.
- Cash used in financing activities for the year ended December 31, 2018 were $215.0 million less than the prior year due to lower principal repayment of outstanding debt ($105.0 million), lower interest payments ($40.6 million), and lower distributions to non-controlling interests ($56.0 million).
- As of February 14, 2019, the cash balance was approximately $780 million.

Outlook

2019 Production and Cost Guidance

Production, cash cost, capital expenditure and exploration guidance for 2019 remains unchanged from that provided on November 28, 2018 (see news release *"Lundin Mining Provides Operational Outlook & Update").*

(contained tonnes in concentrate)		Tonnes	Cash Costs[a]
Copper	Candelaria (100%)	*145,000 - 155,000*	*$1.60/lb[b]*
	Eagle	*12,000 - 15,000*	
	Neves-Corvo	*40,000 - 45,000*	*$1.70/lb*
	Zinkgruvan	*2,000 - 3,000*	
	Total	*199,000 - 218,000*	
Zinc	Neves-Corvo	*71,000 - 76,000*	
	Zinkgruvan	*76,000 - 81,000*	*$0.40/lb*
	Total	*147,000 - 157,000*	
Nickel	Eagle	*12,000 - 15,000*	*$2.20/lb*

a. Cash costs are based on various assumptions and estimates, including but not limited to: production volumes, as noted above, commodity prices (Cu: $2.80/lb, Zn: $1.10/lb, Ni: $6.00/lb, Pb: $0.95/lb), foreign exchange rates (€/USD:1.20, USD/SEK:8.00, USD/CLP:620) and operating costs.
b. 68% of Candelaria's total gold and silver production are subject to a streaming agreement and as such C1 cash costs are calculated based on receipt of $408/oz and $4.08/oz respectively, on gold and silver sales in the year.

2019 Capital Expenditure Guidance

Capital expenditures, excluding capitalized interest, are expected to be $745 million, as outlined below.

2019 Guidance[a]	$ millions
Candelaria (100% basis)	
Capitalized Stripping	*130*
Los Diques TSF	*10*
New Mine Fleet Investment	*75*
Candelaria Mill Optimization Project	*50*
Candelaria Underground Development	*40*
Other Sustaining	*70*
Candelaria Sustaining	*375*
Eagle Sustaining	*15*
Neves-Corvo Sustaining	*65*
Zinkgruvan Sustaining	*50*
Total Sustaining Capital	***505***
Eagle East	*30*
ZEP (Neves-Corvo)	*210*
Total Expansionary Capital	***240***
Total Capital Expenditures	***745***

a. Forecast capital expenditures have been reported on a cash basis.

2019 Exploration Investment Guidance

Exploration investments are expected to approximate $80 million in 2019, of which $67 million will be spent on in-mine and near-mine targets.

Selected Annual Financial Information[1]

($ millions, except share and per share amounts)	Year ended December 31, 2018	2017	2016
Revenue	**1,725.6**	2,077.5	1,545.6
Costs of goods sold:			
Production costs	**(969.6)**	(875.9)	(864.4)
Depreciation, depletion and amortization	**(319.4)**	(381.3)	(434.9)
Gross Profit	**436.6**	820.3	246.3
General and administrative expenses	**(49.4)**	(38.8)	(27.0)
General exploration and business development	**(85.3)**	(81.2)	(56.1)
Finance income and costs, net	**(60.2)**	(70.3)	(80.3)
Other income and expenses, net	**50.1**	8.3	(50.6)
Impairment reversals	**-**	-	95.9
Earnings before income taxes	**291.8**	638.3	128.2
Income tax expense	**(76.4)**	(191.4)	(4.3)
Net earnings from continuing operations	**215.4**	446.9	123.9
Gain (loss) from discontinued operations	**-**	55.1	(754.1)
Net earnings (loss)	**215.4**	502.0	(630.2)
Attributable to: Lundin Mining shareholders, continuing	**195.8**	371.4	92.4
Lundin Mining shareholders, discontinued	**-**	55.1	(754.1)
Non-controlling interests	**19.6**	75.5	31.5
Net earnings (loss)	**215.4**	502.0	(630.2)
Cash flow from operations	**476.4**	903.5	363.2
Capital expenditures[2]	**751.8**	478.8	187.6
Total assets	**5,934.8**	6,286.4	6,142.5
Long-term debt & finance leases	**7.2**	446.5	982.3
Net cash (debt)	**804.4**	1,110.5	(284.1)
Shareholders' equity	**4,193.6**	4,151.2	3,627.6
Key Financial Data:			
Basic and diluted earnings (loss) per share attributable to shareholders			
- continuing operations (EPS - Continuing)	**0.27**	0.51	0.13
- net earnings (loss) (EPS - Total)	**0.27**	0.59	(0.92)
Operating cash flow per share[3]	**0.66**	1.14	0.67
Dividends declared (C$/share)	**0.12**	0.12	-
Shares outstanding:			
Basic weighted average	**731,734,265**	726,994,036	720,328,576
Diluted weighted average	**733,552,476**	729,742,995	721,208,806
End of period	**733,534,879**	728,418,632	725,134,187

1. Except where otherwise noted, financial data has been prepared in accordance with IFRS as issued by the IASB. Upon the adoption of new standards, the Company has elected not to restate comparative periods presented.
2. Capital expenditures are reported on a cash basis, as presented in the consolidated statement of cash flows.
3. Operating cash flow per share is a non-GAAP measure – see page 27 of this MD&A for discussion of non-GAAP measures.

Summary of Quarterly Results[1]

($ millions, except per share data)	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17
Revenue	407.7	379.7	467.7	470.5	533.3	601.7	454.7	487.8
Cost goods of sold	(335.7)	(320.1)	(312.6)	(320.6)	(280.7)	(341.2)	(311.4)	(323.8)
Gross profit	72.0	59.6	155.1	149.9	252.6	260.5	143.3	164.0
Net earnings	31.8	9.1	87.5	87.1	154.0	156.6	85.0	106.4
- attributable to shareholders, continuing	28.8	7.0	78.8	81.3	133.0	131.8	49.0	57.6
- attributable to shareholders, discontinued	-	-	-	-	-	-	21.0	34.0
- attributable to shareholders, total	28.8	7.0	78.8	81.3	133.0	131.8	70.0	91.6
EPS Continuing - Basic and diluted	0.04	0.01	0.11	0.11	0.18	0.18	0.07	0.08
EPS Total - Basic and diluted	0.04	0.01	0.11	0.11	0.18	0.18	0.10	0.13
Cash flow from operations	44.2	140.9	118.3	172.9	230.1	249.5	179.2	244.7
Capital expenditures (cash basis)	234.1	173.7	193.2	150.7	197.9	117.3	84.5	79.1

1. 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)	**2018** Total	Q4	Q3	Q2	Q1	2017 Total	Q4	Q3	Q2	Q1
Copper (tonnes)										
Candelaria (100%)	**132,626**	**32,465**	32,832	34,542	32,787	179,259	38,292	53,062	45,222	42,683
Eagle	**16,480**	**3,987**	4,678	3,295	4,520	20,127	3,640	4,985	5,253	6,249
Neves-Corvo	**44,729**	**10,700**	13,525	11,371	9,133	30,399	6,063	7,511	8,058	8,767
Zinkgruvan	**1,385**	**18**	495	872	-	968	48	920	-	-
	195,220	**47,170**	51,530	50,080	46,440	230,753	48,043	66,478	58,533	57,699
Zinc (tonnes)										
Neves-Corvo	**61,150**	**15,492**	16,434	15,746	13,478	58,434	13,730	16,355	13,654	14,695
Zinkgruvan	**62,922**	**20,475**	12,288	13,565	16,594	66,621	17,832	16,594	15,306	16,889
	124,072	**35,967**	28,722	29,311	30,072	125,055	31,562	32,949	28,960	31,584
Nickel (tonnes)										
Eagle	**15,151**	**3,929**	3,400	2,755	5,067	18,960	3,282	4,787	5,554	5,337
Gold (000 oz)										
Candelaria (100%)	**76**	**20**	19	19	18	100	21	28	26	25
Lead (tonnes)										
Neves-Corvo	**5,577**	**1,243**	1,420	1,732	1,182	4,620	1,432	1,000	1,013	1,175
Zinkgruvan	**23,097**	**9,430**	5,544	3,036	5,087	26,887	8,707	4,989	7,319	5,872
	28,674	**10,673**	6,964	4,768	6,269	31,507	10,139	5,989	8,332	7,047
Silver (000 oz)										
Candelaria (100%)	**1,103**	**289**	284	264	266	1,645	330	523	427	365
Eagle	**72**	**16**	27	10	19	86	16	29	19	22
Neves-Corvo	**871**	**307**	190	215	159	521	129	116	130	146
Zinkgruvan	**1,401**	**529**	341	295	236	1,756	562	362	447	385
	3,447	**1,141**	842	784	680	4,008	1,037	1,030	1,023	918

Revenue Analysis

by Mine	Year ended December 31,				
	2018		2017		Change
($ thousands)	$	%	$	%	$
Candelaria (100%)	**838,772**	49	1,230,196	59	(391,424)
Eagle	**265,863**	15	276,531	13	(10,668)
Neves-Corvo	**404,263**	23	328,925	16	75,338
Zinkgruvan	**216,691**	13	241,845	12	(25,154)
	1,725,589		2,077,497		(351,908)

by Metal	Year ended December 31,				
	2018		2017		Change
($ thousands)	$	%	$	%	$
Copper	**1,095,931**	64	1,390,804	67	(294,873)
Zinc	**292,282**	17	312,800	15	(20,518)
Nickel	**146,977**	9	135,490	7	11,487
Gold	**77,533**	4	107,218	5	(29,685)
Lead	**59,547**	3	69,194	3	(9,647)
Silver	**31,110**	2	35,054	2	(3,944)
Other	**22,209**	1	26,937	1	(4,728)
	1,725,589		2,077,497		(351,908)

Revenue for the year ended December 31, 2018 was $1,725.6 million, a decrease of $351.9 million in comparison to the $2,077.5 million reported in 2017. The decrease was mainly due to lower realized metal prices resulting from price adjustments ($90.0 million) relating primarily to copper and zinc and lower sales volumes ($304.2 million).

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

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

The Company is subject to credit and customer concentration risk associated with trade receivables, with three customers representing a significant portion of sales. The Company manages this risk through evaluation and monitoring of industry and economic conditions and assessment of customers' financial reports. The Company transacts with credit-worthy customers to minimize credit risk and employs pre-payment arrangements and the use of letters of credit, as appropriate. There is no assurance that customers will remain solvent over time and in the event a significant customer is unable to accept contracted volumes, the volumes may then be sold on a spot basis to smelters or traders, sold under renegotiated contractual volumes with existing customers, or sold under contracts with new customers.

Provisionally valued revenue for the year ended December 31, 2018

Metal	Tonnes Payable	Valued at $ per lb	Valued at $ per tonne
Copper	56,015	2.71	5,965
Zinc	21,916	1.12	2,479
Nickel	4,760	4.83	10,646

Full Year Reconciliation of Realized Prices

	Year ended December 31, 2018				Year ended December 31, 2017			
($ thousands)	**Copper**	**Zinc**	**Nickel**	**Total**	**Copper**	**Zinc**	**Nickel**	**Total**
Current period sales[1]	1,215,566	340,882	184,900	1,741,348	1,500,356	368,273	201,484	2,070,113
Prior period price adjustments	(15,786)	1,800	3,440	(10,546)	14,247	9,126	862	24,235
	1,199,780	342,682	188,340	1,730,802	1,514,603	377,399	202,346	2,094,348
Other metal sales				194,309				246,494
Less: Treatment & refining charges				(199,522)				(263,345)
Total Revenue				**1,725,589**				**2,077,497**
Payable Metal (tonnes)	**195,220**	**124,072**	**15,151**		**230,753**	**125,055**	**18,960**	
Current period sales ($/lb)[1]	$2.82	$1.25	$5.54		$2.95	$1.34	$4.82	
Prior period adjustments ($/lb)	(0.03)	-	0.10		0.03	0.03	0.02	
Realized prices ($/lb)	**$2.79**	**$1.25**	**$5.64**		**$2.98**	**$1.37**	**$4.84**	

1. Includes provisional price adjustments on current period sales.

Annual Financial Results

Production Costs

Production costs for the year ended December 31, 2018 were $969.6 million, an increase of $93.8 million in comparison to the $875.8 million reported in 2017. The increase was due to higher production costs related to labour and energy costs and unfavourable foreign exchange rates ($9.2 million), offset by lower sales volumes.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense for the year ended December 31, 2018 was $319.4 million, a decrease of $61.9 million in comparison to the $381.3 million reported in 2017. The decrease was primarily attributable to changes in Candelaria's Mineral Reserve estimate, and lower production at both Candelaria and Eagle.

Candelaria's depreciation expense for 2018 includes $23.9 million (2017 - $49.7 million) for capitalized deferred stripping costs. The net book value of the deferred stripping asset at December 31, 2018 was $563.5 million (December 31, 2017 - $374.5 million), of which $555.3 million (December 31, 2017 - $342.5 million) was not depreciable as the cost related to mine phases not currently in production.

Depreciation by operation	**Year ended December 31,**		
($ thousands)	**2018**	2017	Change
Candelaria	**164,708**	192,470	(27,762)
Eagle	**65,808**	107,820	(42,012)
Neves-Corvo	**57,656**	54,975	2,681
Zinkgruvan	**29,662**	24,424	5,238
Other	**1,542**	1,628	(86)
	319,376	381,317	(61,941)

General and administrative expenses

General and administrative expenses were higher than the prior year by $10.6 million. This increase was due in part to post-employment benefits recognized for senior management during 2018 of $6.3 million.

Finance Income and Costs

Net finance costs of $60.2 million for the year ended December 31, 2018 decreased $10.1 million from the prior year costs of $70.3 million. The decrease was largely attributable to lower interest expense resulting from the early redemption of the Company's 2020 Notes in 2017, partially offset by higher interest expense from the adoption of IFRS 15 on January 1, 2018 of $34.6 million. The impact of IFRS 15 adjustments are disclosed in the Company's Consolidated Financial Statements in Note 12 "Deferred Revenue".

Other Income and Expense

Net other income of $20.2 million for the year ended December 31, 2018 was $25.4 million higher compared to the net other expense of $5.2 million for the year ended December 31, 2017. The increase in net other income was primarily the result of higher foreign exchange gains of $30.9 million and higher revaluation gains on marketable securities of $13.5 million offset by losses on sale of assets.

Foreign exchange gains and losses recorded in Other Income and Expense relate to working capital denominated in foreign currencies that was held by the Company. Period end exchange rates affecting foreign exchange recorded at December 31, 2018 were $1.00:CLP695 (December 31, 2017 - $1.00:CLP615), $1.15:€1.00 (December 31, 2017 - $1.20:€1.00) and $1.00:SEK8.97 (December 31, 2017 - $1.00:SEK8.23).

Income Taxes

Income taxes by mine

Income tax expense ($ thousands)	**Year ended December 31,** **2018**	 2017	 Change
Candelaria	**13,982**	121,381	(107,399)
Eagle	**5,939**	15,459	(9,520)
Neves-Corvo	**14,624**	9,837	4,787
Zinkgruvan	**17,586**	25,295	(7,709)
Other	**24,238**	19,432	4,806
	76,369	191,404	(115,035)

Income taxes by classification

Income tax expense ($ thousands)	**Year ended December 31,** **2018**	 2017	 Change
Current income tax	**76,761**	172,782	(96,021)
Deferred income tax	**(392)**	18,622	(19,014)
	76,369	191,404	(115,035)

Income tax expense for the year ended December 31, 2018 was $76.4 million compared to $191.4 million recorded in the prior year. The decrease in tax expense was mainly due to lower net taxable earnings primarily at Candelaria and Zinkgruvan, an increase in refundable tax on dividends in Chile (increase from 20.9% to 27%) and $13.6 million in investment tax credits recognized at Neves-Corvo related to ZEP.

The decrease in tax expense was partially offset by higher tax expense at Neves-Corvo resulting from higher taxable earnings and higher marginal tax rates.

During 2017, Eagle revalued deferred tax assets as a result of the US tax reform, offset by the recognition of previously written down deferred tax asset on tax losses.

During 2018, the Chilean Internal Revenue Service ("IRS") issued a tax assessment of $8.2 million ($4.2 million in tax refunds and $4.0 million in interest and penalties) denying a tax deduction related to interest expenses arising from an intercompany debt for the taxation years 2014 and 2015. While not yet assessed by the IRS, a similar position would deny tax refunds of approximately $50 million (excluding possible penalties and interest) related to 2016 and 2017. The Company believes the claims are inconsistent with Chilean tax law and without merit and accordingly has filed an appeal with the Department of Administrative Tax Procedures of the IRS. No tax expense was accrued for this assessment as the Company believes its original filing position is in compliance with tax regulations and intends to vigorously defend this position.

Other income tax expense includes withholding taxes on intercompany loan interest.

Discontinued Operations

Gain from discontinued operations for the year ended December 31, 2017 relates to the Company's indirect interest in the Tenke Fungurume mine disposed during 2017.

Fourth Quarter Financial Results

Revenue

Revenue for the quarter ended December 31, 2018 was $407.7 million, a decrease of $125.6 million in comparison to the fourth quarter of the prior year ($533.3 million). The decrease was due largely to lower realized metal prices and price adjustments ($146.6 million), partially offset by higher sales volumes ($7.1 million).

Fourth Quarter Reconciliation of Realized Prices

	Three months ended December 31, 2018				Three months ended December 31, 2017			
($ thousands)	**Copper**	**Zinc**	**Nickel**	**Total**	**Copper**	**Zinc**	**Nickel**	**Total**
Current period sales[1]	282,395	90,858	41,886	415,139	345,456	102,749	40,786	488,991
Prior period price adjustments	(9,541)	(155)	(6,943)	(16,639)	26,631	2,045	7,437	36,113
	272,854	90,703	34,943	398,500	372,087	104,794	48,223	525,104
Other metal sales				61,140				62,443
Less: Treatment & refining charges				(51,899)				(54,267)
Total Revenue				**407,741**				**533,280**
Payable Metal (tonnes)	**47,170**	**35,967**	**3,929**		**48,043**	**31,562**	**3,282**	
Current period sales ($/lb)[1]	$2.72	$1.15	$4.84		$3.26	$1.48	$5.64	
Prior period adjustments ($/lb)	(0.10)	(0.01)	(0.81)		0.25	0.03	1.02	
Realized prices ($/lb)	**$2.62**	**$1.14**	**$4.03**		**$3.51**	**$1.51**	**$6.66**	

1. Includes provisional price adjustments on current period sales.

Gross Profit

Gross profit for the quarter ended December 31, 2018 of $72.0 million was $180.5 million lower in comparison to the fourth quarter of the prior year ($252.5 million). The decrease was primarily due to lower realized metal prices and price adjustments ($146.6 million) and higher depreciation expense ($17.8 million).

Net Earnings

Net earnings for the quarter ended December 31, 2018 were $31.8 million compared to net earnings of $154.0 million in the fourth quarter of the prior year. Net earnings were negatively impacted by lower gross profit ($180.5 million) offset by lower income tax expense ($56.2 million).

Cash Flow from Operations

Cash flow from operations for the quarter ended December 31, 2018 was $44.2 million, compared to the $230.1 million reported in the prior year comparable quarter. The decrease was largely due to increased levels of comparative non-cash working capital ($45.7 million) and long-term inventory ($25.7 million), lower gross profit before depreciation ($160.8), partly offset by higher foreign exchange recognized of $17.6 million.

Mining Operations

Production Overview

(Contained metal in concentrate)	2018 YTD	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Total	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Copper (tonnes)										
Candelaria (100%)	**134,578**	**33,011**	35,323	34,397	31,847	183,858	42,676	49,203	52,846	39,133
Eagle	**17,974**	**3,908**	5,178	4,115	4,773	21,302	4,130	4,995	5,674	6,503
Neves-Corvo	**45,692**	**11,287**	11,746	11,899	10,760	33,624	7,385	7,946	8,098	10,195
Zinkgruvan	**1,386**	**-**	523	687	176	977	-	578	399	-
Tenke (24%)	**-**	**-**	-	-	-	12,932	-	-	-	12,932
	199,630	**48,206**	52,770	51,098	47,556	252,693	54,191	62,722	67,017	68,763
Zinc (tonnes)										
Neves-Corvo	**75,435**	**18,465**	18,905	20,230	17,835	71,356	15,835	19,562	18,011	17,948
Zinkgruvan	**76,606**	**23,559**	17,157	16,845	19,045	77,963	21,497	18,958	18,205	19,303
	152,041	**42,024**	36,062	37,075	36,880	149,319	37,332	38,520	36,216	37,251
Nickel (tonnes)										
Eagle	**17,573**	**3,501**	4,697	4,234	5,141	22,081	4,299	5,618	5,822	6,342
Gold (000 oz)										
Candelaria (100%)	**78**	**21**	20	20	17	104	24	27	30	23
Lead (tonnes)										
Neves-Corvo	**6,571**	**1,418**	1,524	1,872	1,757	5,164	1,267	1,308	1,183	1,406
Zinkgruvan	**24,613**	**8,161**	5,515	3,914	7,023	28,324	6,925	7,899	5,901	7,599
	31,184	**9,579**	7,039	5,786	8,780	33,488	8,192	9,207	7,084	9,005
Silver (000 oz)										
Candelaria (100%)	**1,207**	**307**	330	295	275	1,821	398	526	540	357
Eagle	**158**	**41**	46	28	43	200	38	55	49	58
Neves-Corvo	**1,791**	**508**	458	420	405	1,292	305	341	316	330
Zinkgruvan	**2,155**	**607**	531	452	565	2,361	619	710	494	538
	5,311	**1,463**	1,365	1,195	1,288	5,674	1,360	1,632	1,399	1,283

Cash Cost Overview

	Three months ended December 31, 2018	2017	Twelve months ended December 31, 2018	2017
Candelaria (cost/lb Cu)				
Gross cost	**1.90**	1.60	**1.90**	1.44
By-product[1]	**(0.25)**	(0.22)	**(0.22)**	(0.22)
Cash Cost	**1.65**	1.38	**1.68**	1.22
AISC[2]	**3.99**	2.76	**3.34**	2.04
Eagle (cost/lb Ni)				
Gross cost	**4.79**	5.32	**4.57**	4.30
By-product	**(3.03)**	(4.13)	**(3.56)**	(3.37)
Cash Cost	**1.76**	1.19	**1.01**	0.93
AISC	**2.55**	2.02	**1.84**	1.42
Neves-Corvo (cost/lb Cu)				
Gross cost	**3.02**	3.78	**2.87**	3.22
By-product	**(1.53)**	(3.21)	**(1.59)**	(2.34)
Cash Cost	**1.49**	0.57	**1.28**	0.88
AISC	**2.64**	1.42	**1.95**	1.49
Zinkgruvan (cost/lb Zn)				
Gross cost	**0.67**	0.81	**0.78**	0.80
By-product	**(0.44)**	(0.58)	**(0.44)**	(0.49)
Cash Cost	**0.23**	0.23	**0.34**	0.31
AISC	**0.50**	0.55	**0.62**	0.57

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

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 27 of this MD&A for discussion of non-GAAP measures.

Capital Expenditures [1,2]

	Year ended December 31, 2018				2017			
($ thousands)	Sustaining	Expansionary	Capitalized Interest	**Total**	Sustaining	Expansionary	Capitalized Interest	Total
by Mine								
Candelaria	490,993	-	7,617	**498,610**	322,566	-	12,413	334,979
Eagle	9,958	33,424	2,425	**45,807**	11,432	27,110	985	39,527
Neves-Corvo	54,545	104,261	5,021	**163,827**	35,125	24,056	569	59,750
Zinkgruvan	37,951	-	-	**37,951**	36,858	6,046	-	42,904
Other	5,558	-	-	**5,558**	1,650	-	-	1,650
	599,005	137,685	15,063	**751,753**	407,631	57,212	13,967	478,810

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 27 of this MD&A for discussion of non-GAAP measures.

Candelaria

Compañía Contractual Minera Candelaria ("CCMC") and Compañía Contractual Minera Ojos del Salado ("CCMO"), collectively "Candelaria", are located near Copiapó in the Atacama region of Chile. The Company holds an indirect 80 percent ownership interest in Candelaria with the remaining 20 percent interest indirectly held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation. CCMC consists of an open pit mine and an underground mine providing copper ore to an on-site processing plant. CCMO consists of two underground mines, Santos and Alcaparrosa, and the Pedro Aguirre Cerda ("PAC") processing plant. The Santos mine provides copper ore to the PAC plant, while ore from both the Santos mine and Alcaparrosa mine is treated at the CCMC plant. The CCMC plant has a processing capacity of 27.0 million tonnes per annum ("mtpa"), and the PAC plant has a capacity of 1.3 mtpa, both producing copper in concentrate. The primary metal is copper, with gold and silver as by-product metals.

Operating Statistics

	2018					2017				
(100% Basis)	**Total**	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**17,799**	**3,432**	3,771	6,225	4,372	28,005	8,139	7,313	6,183	6,370
Ore milled (000s tonnes)	**27,585**	**7,017**	7,241	7,137	6,190	29,435	7,279	7,316	7,745	7,095
Grade										
Copper (%)	**0.53**	**0.52**	0.54	0.52	0.56	0.67	0.62	0.73	0.74	0.60
Recovery										
Copper (%)	**91.2**	**89.8**	91.0	91.6	92.6	92.6	92.9	92.4	92.9	91.7
Production (contained metal)										
Copper (tonnes)	**134,578**	**33,011**	35,323	34,397	31,847	183,858	42,676	49,203	52,846	39,133
Gold (000 oz)	**78**	**21**	20	20	17	104	24	27	30	23
Silver (000 oz)	**1,207**	**307**	330	295	275	1,821	398	526	540	357
Revenue ($000s)	**838,772**	**200,434**	176,511	243,585	218,242	1,230,196	309,908	374,207	267,741	278,340
Gross profit ($000s)	**180,959**	**38,630**	13,568	73,259	55,502	563,677	153,268	188,973	113,244	108,192
Cash cost ($ per pound)	**1.68**	**1.65**	1.64	1.71	1.71	1.22	1.38	1.17	1.08	1.27
AISC ($ per pound)	**3.34**	**3.99**	3.58	2.92	2.91	2.04	2.76	2.04	1.73	1.73

Gross Profit

Gross profit for the year ended December 31, 2018 was $382.7 million lower than 2017. Revenues decreased as a result of expected lower sales of concentrates ($324.6 million) and lower realized metal prices, net of price adjustments ($73.1 million).

Production

Copper production for the year December 31, 2018 was lower than 2017 by 49,280 tonnes. The decrease was primarily a result of planned mining and processing of lower grade material from the open pit and stockpiles, as well as lower overall mill throughput resulting from mill maintenance deferred from 2017 and granularity of ore feed.

Cash Costs

Copper cash costs for the year ended December 31, 2018 were $1.68/lb, $0.46/lb higher than cash costs of $1.22/lb in 2017. The increase was a result of higher per unit operating costs, mainly due to lower volumes sold and, to a lesser extent, higher diesel, maintenance and labour costs.

AISC of $3.34/lb were higher than the $2.04/lb reported in 2017, primarily due to planned increased sustaining capital expenditure spending in 2018 on the mine fleet reinvestment, mill optimization and underground development and deferred stripping focused on improving the life-of-mine cost efficiency and production profile.

In 2018, approximately 50,000 oz of gold and 755,000 oz of silver were subject to terms of a streaming agreement from which approximately $404/oz of gold and $4.04/oz of silver were received. The Company has delivered approximately 267,000 oz of gold and 4.5 million oz of silver since the inception of the precious metal stream.

Projects

The Candelaria Mill Optimization Project to improve metal recoveries, increase throughput capacity and reduce maintenance costs for the mill is on track at approximately 40% complete; the finalization of early works has enabled the main construction activities at the mill and desalination plant to advance. All major equipment purchase orders for the mill and desalination components have been placed. Current construction work is primarily focused on the timing of component delivery, site preparation for major construction works that will begin in 2019 and construction of a new electrical room to support the primary crushing station.

Ramp-up of the Candelaria Underground mine continues with the North Sector achieving a current production rate of approximately 10,200 tonnes per day, representing an 11% increase in ore production over 2017. Internalization of loading and hauling was completed, with the full equipment fleet in operation at the end of the year. The development of the South Sector continues and has advanced further than planned. With the advance in development, the project timeline is being reviewed to reflect possible advancement in the production start-up date of end of year 2019. Studies for further optimization of the Candelaria Underground continue, including a potential production increase significantly beyond the currently permitted 14,000 tonnes per day.

Delivery of open pit mine fleet replacement equipment under the Mine Fleet Investment program is well underway. Approximately 60% of the equipment has been received and placed in service in the operations (dozers, haul trucks, drills, excavators and others). The replacement equipment is expected to increase ore loading and haulage capacity and efficiency, while improving equipment availability and reliability which will reduce operational and maintenance expense. Most of the remaining equipment is expected to be delivered in 2019 with some remaining equipment arriving in early 2020.

The first phase of Los Diques Tailings Storage Facility was completed and tailings placement commenced in April 2018. Future lifts have been initiated ahead of the original schedule to benefit from synergies with the original project and readily available mine waste.

Eagle Mine

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

Operating Statistics

	2018					2017				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**753**	**192**	192	183	186	760	192	187	185	196
Ore milled (000s tonnes)	**754**	**195**	192	185	182	754	187	191	189	187
Grade										
Nickel (%)	**2.8**	**2.2**	2.9	2.7	3.4	3.4	2.8	3.5	3.5	4.0
Copper (%)	**2.5**	**2.1**	2.8	2.3	2.7	2.9	2.3	2.7	3.0	3.5
Recovery										
Nickel (%)	**82.8**	**81.5**	82.6	83.6	83.6	85.0	83.6	84.1	86.6	85.5
Copper (%)	**97.0**	**96.4**	97.2	96.8	97.7	97.9	97.5	98.0	98.2	98.1
Production (contained metal)										
Nickel (tonnes)	**17,573**	**3,501**	4,697	4,234	5,141	22,081	4,299	5,618	5,822	6,342
Copper (tonnes)	**17,974**	**3,908**	5,178	4,115	4,773	21,302	4,130	4,995	5,674	6,503
Sales ($000s)	**265,863**	**50,914**	59,084	63,651	92,214	276,531	65,555	74,263	64,442	72,271
Gross profit ($000s)	**74,218**	**(128)**	13,341	24,220	36,785	46,155	19,908	19,081	2,439	4,727
Cash cost ($ per pound)	**1.01**	**1.76**	0.87	1.09	0.49	0.93	1.19	0.63	1.02	0.94
AISC ($ per pound)	**1.84**	**2.55**	1.76	2.14	1.17	1.42	2.02	1.11	1.46	1.28

Gross Profit

Gross profit for the year ended December 31, 2018 was $28.1 million higher than 2017. The increase was primarily due to higher realized metal prices, net of price adjustments, of $31.1 million and a positive impact of a lower depreciation rate ($29.4 million) offset by lower sales volumes of $17.8 million and higher per unit costs of $22.2 million.

Production

Nickel production for the year ended December 31, 2018 was 17,573 tonnes compared to 22,081 tonnes in the prior year, while copper production was 17,974 tonnes compared to 21,302 tonnes in the prior year. The decrease in both metals was due to planned mine sequencing and resulting lower grades.

Cash Costs

Nickel cash costs for the year ended December 31, 2018 of $1.01/lb were higher than the $0.93/lb reported in the prior year. The increase in cash costs was due primarily to higher operating costs per unit ($0.57/lb) due to planned lower sales volumes, partly offset by higher by-product credits ($0.17/lb) and lower nickel treatment and refining charges ($0.36/lb) associated with the customer mix.

All-in sustaining cost of $1.84/lb for the year ended December 31, 2018, were higher than that realized in 2017 ($1.42/lb), largely as a result of higher royalties ($0.21/lb) and sustaining capital expenditures ($0.13/lb).

Projects

During 2018, $33.4 million in expansionary capital expenditures was incurred in support of the Eagle East project, which is a high grade orebody that extends the mine life. Access ramp development to Eagle East from the Eagle Mine advanced approximately 3,400 metres with completion of the dual decline sections, and the overall project is trending ahead of the original schedule.

Approximately $30 million is expected to be spent over the remainder of the project, with total project spend estimated to be $10 million less than originally planned. Production of Eagle East ore is expected into the mill in the fourth quarter of 2019.

Neves-Corvo Mine

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

Operating Statistics

	2018					2017				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	**2,693**	**696**	688	618	691	2,110	491	503	530	586
Ore mined, zinc (000 tonnes)	**1,119**	**280**	273	283	283	996	202	268	260	266
Ore milled, copper (000 tonnes)	**2,692**	**704**	696	641	651	2,122	499	504	528	591
Ore milled, zinc (000 tonnes)	**1,125**	**287**	280	278	280	1,000	198	267	266	269
Grade										
Copper (%)	**2.2**	**2.1**	2.2	2.5	2.2	2.1	2.0	2.1	2.0	2.2
Zinc (%)	**7.8**	**7.6**	7.9	8.3	7.6	8.7	9.6	9.0	8.3	8.3
Recovery										
Copper (%)	**75.5**	**76.8**	76.3	74.2	74.6	75.8	73.9	73.8	77.7	77.6
Zinc (%)	**80.6**	**79.1**	81.0	82.0	80.4	79.9	81.7	79.6	80.4	78.6
Production (contained metal)										
Copper (tonnes)	**45,692**	**11,287**	11,746	11,899	10,760	33,624	7,385	7,946	8,098	10,195
Zinc (tonnes)	**75,435**	**18,465**	18,905	20,230	17,835	71,356	15,835	19,562	18,011	17,948
Lead (tonnes)	**6,571**	**1,418**	1,524	1,872	1,757	5,164	1,267	1,308	1,183	1,406
Silver (000 oz)	**1,791**	**508**	458	420	405	1,292	305	341	316	330
Sales ($000s)	**404,263**	**91,059**	104,730	110,816	97,658	328,925	83,277	89,561	73,051	83,036
Gross profit ($000s)	**85,311**	**3,408**	19,339	37,606	24,958	80,828	35,933	18,723	5,690	20,482
Cash cost (€ per pound)	**1.09**	**1.31**	1.28	0.81	0.93	0.78	0.48	0.64	1.23	0.70
Cash cost ($ per pound)	**1.28**	**1.49**	1.48	0.96	1.14	0.88	0.57	0.75	1.38	0.75
AISC ($ per pound)	**1.95**	**2.64**	1.90	1.46	1.84	1.49	1.42	1.46	1.72	1.42

Gross Profit

Gross profit for the year ended December 31, 2018 was $4.5 million higher than 2017. The gross profit impact of higher sales volume ($45.9 million) was partially offset by lower realized metal prices, net of price adjustments ($28.2 million) and higher operating costs ($14.6 million).

Production

Copper production for the year ended December 31, 2018 was higher than 2017 by 12,068 tonnes. The increase in copper production is a result of better mine productivity and higher mill throughput driven by improvements in mine plan execution and to a lesser extent, higher head grades.

Zinc production for the year ended December 31, 2018 was higher than the comparable period in 2017 by 4,079 tonnes due to improvements in mine productivity and mill throughput. Both the copper and the zinc plants set annual throughput records.

Cash Costs

Copper cash costs of $1.28/lb for the year ended December 31, 2018 were higher than 2017 cash costs of $0.88/lb. The increase was a result of lower by-product credits ($0.75/lb), partially offset by lower per unit production cost largely as a result of a significant increase in copper sales volumes in the current year ($0.48/lb).

AISC of $1.95/lb were higher compared to the prior year largely as a result of higher cash cost.

Projects

ZEP is expected to increase zinc mining and processing capacity from 1.2 mtpa to 2.5 mtpa upon its completion. During 2018, ZEP advanced with major construction activities underway and overall has achieved 43% completion as at December 31, 2018, with engineering and procurement for underground and surface works essentially completed.

Underground development and surface facilities are both scheduled for completion and commissioning in the first quarter of 2020.

Underground development included advancement of conveyor galleries and the crusher chamber. Concrete foundation work has been completed in the crusher chamber and installation work has commenced on the conveyor belts. Ventilation shafts are under construction including the installation of mine ventilation chillers. Future shaft upgrade activities will be aligned with annual production and maintenance plans.

Surface civil construction has progressed well including the SAG mill foundation, flotation cell foundations and flotation structural steel erection.

Following a third-party review, total project capital cost is expected to be $385 million (€320 million). The pre-production costs will be approximately $365 million (€305 million), with the remaining amounts deferred to the post-commissioning period. Project costs incurred during the year were approximately $104.3 million.

Zinkgruvan Mine

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

Operating Statistics

	2018					2017				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	**1,203**	**330**	276	288	309	1,189	346	276	252	315
Ore mined, copper (000 tonnes)	**97**	**-**	23	34	40	92	-	41	37	14
Ore milled, zinc (000 tonnes)	**1,202**	**325**	280	288	309	1,188	346	280	278	284
Ore milled, copper (000 tonnes)	**111**	**-**	35	62	14	76	-	42	34	-
Grade										
Zinc (%)	**7.0**	**7.9**	6.7	6.6	6.8	7.3	7.0	7.6	7.3	7.6
Lead (%)	**2.6**	**3.1**	2.5	1.8	2.8	2.9	2.5	3.4	2.7	3.2
Copper (%)	**1.4**	**-**	1.7	1.3	1.4	1.5	-	1.6	1.3	-
Recovery										
Zinc (%)	**90.6**	**91.7**	91.2	89.4	89.9	89.5	89.3	89.8	89.6	89.4
Lead (%)	**79.1**	**80.2**	78.8	73.5	81.3	81.1	79.2	82.5	79.6	82.2
Copper (%)	**88.4**	**-**	90.6	87.0	88.2	88.3	-	89.0	87.4	-
Production (contained metal)										
Zinc (tonnes)	**76,606**	**23,559**	17,157	16,845	19,045	77,963	21,497	18,958	18,205	19,303
Lead (tonnes)	**24,613**	**8,161**	5,515	3,914	7,023	28,324	6,925	7,899	5,901	7,599
Copper (tonnes)	**1,386**	**-**	523	687	176	977	-	578	399	-
Silver (000 oz)	**2,155**	**607**	531	452	565	2,361	619	710	494	538
Sales ($000s)	**216,691**	**65,334**	39,384	49,605	62,368	241,845	74,540	63,707	49,458	54,140
Gross profit ($000s)	**100,517**	**30,800**	14,514	21,007	34,196	132,664	43,322	35,003	22,367	31,972
Cash cost (SEK per pound)	**2.97**	**2.12**	3.13	3.51	3.47	2.65	1.95	2.44	2.97	3.30
Cash cost ($ per pound)	**0.34**	**0.23**	0.35	0.41	0.43	0.31	0.23	0.30	0.34	0.37
AISC ($ per pound)	**0.62**	**0.50**	0.62	0.71	0.71	0.57	0.55	0.55	0.61	0.57

Gross Profit

Gross profit for the year was $32.2 million lower than in 2017 largely because of lower metal prices, net of price adjustments ($19.7 million), lower sales volumes ($8.0 million) and higher operating unit costs.

Production

Zinc production of 76,606 tonnes was lower than 2017 production (77,963 tonnes) due to lower head grades as a result of mine sequencing, and higher than planned dilution and ore loss. The operation remains focused on mine stope design optimization, mining execution and ore tracking in order to improve these factors.

Lead production of 24,613 tonnes was lower than 2017 levels, largely as a result of lower head grades resulting from the above-mentioned mine sequencing.

Cash Costs

Zinc cash costs of $0.34/lb for the year were higher than 2017 cash costs of $0.31/lb due primarily to lower lead sales and resulting lower by-product credits.

AISC of $0.62/lb were higher than in 2017 largely as a result of the higher cash costs.

Exploration

Candelaria Mine, Chile (Copper, Gold)
During 2018, a total of 127,794 metres were drilled within the existing underground mines, around the Candelaria open pit mine and on surface in the south district which contributed to the increase in Mineral Resource and Mineral Reserve estimates reported during the year. A new surface deposit, Española, was identified in the south district and a maiden Mineral Resource and Mineral Reserve estimate on it was published in 2018. Drilling at Española will continue in 2019 to increase the Measured and Indicated Resource.

An airborne geophysical survey has been completed with encouraging preliminary results. Further geophysical surveys will occur in early 2019 along with an ongoing geochemistry program. These surveys will help develop regional targeting and long-term planning.

Eagle Mine, USA (Nickel, Copper)
Four rigs drilled a total of 39,158 metres in 2018. Results of a seismic survey were received, and regional targets have been identified for drill testing in 2019. Underground delineation drilling (8,800 metres) from the access ramp to Eagle East continued. Drilling continues to test for possible extensions of the Eagle East orebody.

Neves-Corvo, Portugal (Copper, Zinc)
Three rigs drilled a total of 18,267 metres in 2018. A surface geophysics program was advanced with surface access agreements in place to continue the program into 2019.

Zinkgruvan, Sweden (Zinc, Lead)
A total of 41,414 metres from surface and underground were drilled in 2018. Drilling continued in the Dalby and Flaxen areas with recent drilling in the new Dalby area increasing total estimated zinc Inferred Mineral Resources. Underground exploration development drifting has progressed by more than 587 metres in 2018.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper, zinc and nickel were all higher in 2018 compared to the average prices for 2017. During the last quarter of 2018 the metal prices for copper and zinc increased when compared to the previous quarter, while the price for nickel decreased.

		Three months ended December 31,			Twelve months ended December 31,		
(Average LME Price)		**2018**	2017	Change	**2018**	2017	Change
Copper	US$/pound	**2.80**	3.09	-9%	**2.96**	2.80	6%
	US$/tonne	**6,172**	6,808		**6,523**	6,166	
Zinc	US$/pound	**1.19**	1.47	-19%	**1.33**	1.31	1%
	US$/tonne	**2,631**	3,236		**2,922**	2,896	
Nickel	US$/pound	**5.22**	5.25	-1%	**5.95**	4.72	26%
	US$/tonne	**11,516**	11,584		**13,122**	10,411	

The LME inventory for copper, zinc and nickel all decreased during 2018 and ended the year 34% (copper), 29% (zinc) and 44% (nickel) lower than the closing levels of 2017.

During the first four months of 2018 the treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates between mining companies and trading companies decreased from an average spot TC during January of $68 per dmt of concentrate and a spot RC of $0.068 per lb of payable copper to an average spot TC of $52 per dmt of concentrate and a spot RC of $0.052 per lb of payable copper during April 2018. In April Sterlite's Tuticorin smelter in India was ordered to close for environmental reasons by the Indian government and with Glencore's Pasar smelter in the Philippines having technical issues this released additional copper concentrates to the market putting upward pressure on the spot TC. During the remainder of the year the spot TC increased from $65 per dmt with a spot RC of $0.065 per lb of payable copper in May to a spot TC of $95 per dmt of concentrates and a spot RC of $0.095 per lb payable copper in December 2018.

The terms for annual contracts for copper concentrates for 2019 were reached in December 2018 at a TC of $80.80 per dmt with a RC of $0.0808 per payable lb of copper. This represents an improvement for the mining companies compared to the 2017 annual terms at a TC of $82.25 per dmt of concentrates and a RC of $0.08225 per payable lb of copper.

The spot TC, delivered China basis, for zinc concentrates during the first six months of 2018 traded in a range of $20-$30 per dmt, flat, i.e. without escalators. During the second half of the year the spot TC increased from $25 per dmt, flat, in June to $187 per dmt, flat, at the end of the year. The anticipated startup of new mines and reactivation of closed mines led to increased supply, together with reduced demand for zinc concentrates from China due to temporary smelter shut downs because of increased environmental demands on zinc smelters, resulted in an increase of the historically low TC over the year. The TC for annual contracts for 2018 was settled at around $150 per dmt of concentrates, flat. The agreed terms represented an improvement in favour of the mines compared to the prior year. The annual negotiations for TC under long term contracts between mining companies and smelters for 2019 have commenced and remain on-going. The Company expects that there will be a settlement for the 2019 annual TC in March at the earliest and that the TC for 2019 will increase in favour of smelters compared to 2018.

Liquidity and Capital Resources

As at December 31, 2018, the Company had cash and cash equivalents of $815.4 million. The Company had contractual commitments and obligations of $639.8 million which are expected to be funded primarily through operating cash flow generated, cash on hand and available debt facilities.

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

Capital Resources

As at December 31, 2018, the Company had no long-term debt outstanding nor amounts drawn on its available credit facilities.

On November 21, 2018, the Company redeemed all of its outstanding 2022 Notes at a redemption price of 103.94% of the principal amount of the Notes plus accrued and unpaid interest.

During the year, the Company executed an amending agreement to its revolving credit facility increasing it to $550 million with a $50 million accordion option and extending the term from June 2020 to October 2022. The credit facility is undrawn, however, letters of credit have been issued totalling $24.8 million. The credit facility is subject to customary covenants.

In addition, a wholly-owned subsidiary company has $34 million (€30 million) available under a commercial paper program which matures in December 2020. In January 2019, a majority-owned subsidiary company secured a fixed term loan in the amount of $35 million. The loan accrues interest at a rate of 3.1% per annum, with interest payable upon maturity, on January 6, 2020.

The Company commenced a normal course issue bid to purchase up to 63,718,842 common shares of the Company over a twelve-month period commencing December 7, 2018 and expiring no later than December 6, 2019.

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available, when needed, by the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfill its obligations under any applicable agreements. Lundin Mining is a multinational company and relies on financial institutions worldwide to fund its corporate and project needs. Instability of large financial institutions may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Disruptions in the capital and credit markets as a result of uncertainty, geo-political events, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect the Company's access to the liquidity needed for the business in the longer term. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of the Company's properties.

The Company may incur substantial debt from time to time to finance working capital, capital expenditures, investments or acquisitions or for other purposes. If the Company does so, the risks related to the Company's indebtedness could intensify, including: (i) increased difficulty in satisfying existing debt obligations; (ii) limitations on the ability to obtain additional financing, or imposed requirements to make non-strategic divestitures; (iii) imposed hedging requirements, (iv) imposed restrictions on the Company's cash flows, for debt repayment or capital expenditures; (v) increased vulnerability to general adverse economic and industry conditions; (vi) interest rate risk exposure as borrowings may be at variable rates of interest; (vii) decreased flexibility in planning for and reacting to changes in the industry in which it competes; (viii) reduced competitiveness versus less leveraged competitors; and (ix) increased cost of borrowing.

In addition, credit facilities and other agreements may contain restrictive covenants that limit the Company's ability to engage in activities that may be in the Company's long-term best interest. The Company's failure to comply with those covenants could result in an event of default.

The Company's access to funds under its credit facilities or other debt arrangements is dependent on the ability of the financial institutions that are counterparties to the facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding requirements. Default by financial institutions the Company deals with could require the Company to take measures to conserve cash until the markets stabilize or until alternative credit or other funding arrangements for the Company's business needs can be obtained.

The Company maintains relationships with various banking partners for its operating activities in the jurisdictions in which the Company operates. One or more partners may experience a deteriorating financial condition ultimately resulting in their failure or default. The Company regularly monitors the financial position of its key bankers.

Contractual Obligations, Commitments and Contingencies

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

	Payments due by period[1]				
US$ thousands	<1 years	1-3 years	4-5 years	> 5 years	Total
Long-term debt and finance leases	3,824	5,880	1,225	63	10,992
Reclamation and closure provisions	6,604	7,082	9,463	312,684	335,833
Capital commitments	210,780	18,603	1,099	-	230,482
Defined pension obligations	1,034	1,978	2,082	5,512	10,606
Operating leases and other	14,944	25,033	9,163	2,782	51,922
	237,186	58,576	23,032	321,041	639,835

1. Reported on an undiscounted basis, before inflation.

From time to time, the Company is involved in legal proceedings that arise in the ordinary course of its business. Refer to Note 24 "Commitments and Contingencies" in the Company's Consolidated Financial Statements.

Financial Instruments

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

Provisional priced trade receivables of $244.6 million and a derivative asset of $25.1 million are the Company's only Level 2 fair valued financial instruments and no Level 3 instruments are held.

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

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

For a detailed discussion of the Company's financial instruments refer to Note 23 of the Company's Consolidated Financial Statements.

Market and Liquidity Risks and Sensitivities

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

Commodity prices, primarily copper, zinc, and nickel are key performance drivers and fluctuations in the prices of these commodities can have a dramatic effect on the results of operations. Prices can fluctuate widely and are affected by numerous factors beyond the Company’s control. The prices of metals are influenced by supply and demand, exchange rates, interest rates and interest rate expectations, inflation or deflation and expectations with respect to inflation or deflation, speculative activities, changes in global economies, and geo-political, social and other factors. The supply of metals consists of a combination of new mine production, recycling and existing stocks held by governments, producers and consumers.

If market prices for metals fall below the Company’s full production costs and remain at such levels for any sustained period of time, the Company may experience losses and may decide to discontinue mining operations or development of a project at one or more of its properties. If the prices drop significantly, the economic prospects of the mines and projects in which the Company has an interest could be significantly reduced or rendered uneconomic, in which case the Company may need to restate its Mineral Resource and Mineral Reserve estimates. Low metal prices will affect the Company’s liquidity, and if they persist for an extended period of time, the Company may have to look for other sources of cash flow to maintain liquidity until metal prices recover. A sustained and material impact on the Company’s liquidity may also impact the Company’s ability to comply with financial covenants under its credit facilities.

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

Metal	Tonnes Payable	Provisional price on December 31, 2018 ($US/tonne)	Change	Effect on Revenue ($millions)
Copper	56,015	5,965	+/- 10%	+/- $33.4
Zinc	21,916	2,479	+/- 10%	+/- $5.4
Nickel	4,760	10,646	+/- 10%	+/- $5.1

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

Currency	Change	For the twelve months ended December 31, 2018 ($millions)
Chilean peso	+/- 10%	+/- $42.5
Euro	+/- 10%	+/- $31.4
Swedish krona	+/- 10%	+/- $11.8

Related Party Transactions

The Company has related party transactions related to employee benefits paid to its Key Management personnel as well as transactions with its investment in Freeport Cobalt. Related party disclosures can be found in Note 26 of the Company’s 2018 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 2018 Consolidated Financial Statements. No significant changes in accounting policies have occurred other than the implementation of new IFRS as issued by the IASB.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. These estimates and judgments are based upon management's best knowledge of the relevant facts and circumstances, taking into account previous experience. Actual results may differ materially from the amounts included in the financial statements as these estimates require management to make subjective and/or complex judgments about matters that are inherently uncertain. Estimating future cash flows for the valuation of certain long-term assets is reliant on but not limited to the estimation of future metal prices, foreign exchange rates, production volumes and future operating costs.

Critical accounting estimates and judgments are disclosed in Note 2 "Basis of Presentation and Significant Accounting Policies" of the Company's Consolidated Financial Statements for the year ended December 31, 2018.

Non-GAAP Performance Measures

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

Net Cash

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

($thousands)	**December 31, 2018**	December 31, 2017
Current portion of long-term debt and finance leases	**(3,830)**	(3,431)
Long-term debt and finance leases	**(7,162)**	(446,515)
	(10,992)	(449,946)
Deferred financing fees (netted in above)	**-**	(6,627)
	(10,992)	(456,573)
Cash and cash equivalents	**815,429**	1,567,038
Net cash	**804,437**	1,110,465

Operating Cash Flow per Share

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

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

	Year ended December 31,	
($thousands, except share and per share amounts)	**2018**	2017
Cash provided by operating activities	**476,353**	903,484
Changes in non-cash working capital items	**10,217**	(73,518)
Operating cash flow before changes in non-cash working capital items	**486,570**	829,966
Weighted average common shares outstanding	**731,734,265**	726,994,036
Operating cash flow per share	**0.66**	1.14

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.

AISC per Pound

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

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

Three months ended December 31, 2018					
Operations	**Candelaria**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):					
Tonnes	32,465	3,929	10,700	20,475	
Pounds (000s)	71,573	8,662	23,589	45,140	
Production costs					246,116
Less: items included in the above					
Non-cash inventory					(34)
Royalties and other					(9,615)
					236,467
Deduct: By-product credits					(99,698)
Add: Treatment and refining charges					41,820
Cash cost	117,751	15,212	35,045	10,581	178,589
Cash cost per pound ($/lb)	**1.65**	**1.76**	**1.49**	**0.23**	
Add: Sustaining capital expenditure					
& exploration[1]	166,611	3,207	26,535	11,974	
Royalties	-	3,423	423	-	
Accretion	872	263	295	(190)	
Leases & other	-	-	-	189	
All-in sustaining cost	285,234	22,105	62,298	22,554	
AISC per pound ($/lb)	**3.99**	**2.55**	**2.64**	**0.50**	

Three months ended December 31, 2017					
Operations	**Candelaria**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):					
Tonnes	38,292	3,282	6,063	17,832	
Pounds (000s)	84,419	7,236	13,367	39,313	
Production costs					210,870
Less: items included in the above					
Non-cash inventory					(713)
Royalties and other					1,681
					211,838
Deduct: By-product credits					(113,903)
Add: Treatment and refining charges					43,424
Cash cost	116,095	8,640	7,567	9,057	141,359
Cash cost per pound ($/lb)	**1.38**	**1.19**	**0.57**	**0.23**	
Add: Sustaining capital expenditure					
& exploration	115,990	4,033	8,730	12,217	
Royalties	-	1,713	2,036	-	
Accretion	1,076	262	36	96	
Leases & other	-	-	572	245	
All-in sustaining cost	233,161	14,648	18,941	21,615	
AISC per pound ($/lb)	**2.76**	**2.02**	**1.42**	**0.55**	

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

Twelve months ended December 31, 2018					
Operations	**Candelaria**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):					
Tonnes	132,626	15,151	44,729	62,922	
Pounds (000s)	292,390	33,402	98,610	138,719	
Production costs					969,610
Less: items included in the above					
Non-cash inventory					(778)
Royalties and other					(29,284)
					939,548
Deduct: By-product credits					(400,573)
Add: Treatment and refining charges					159,966
Cash cost	491,053	33,823	126,292	47,773	698,941
Cash cost per pound ($/lb)	**1.68**	**1.01**	**1.28**	**0.34**	
Add: Sustaining capital expenditure					
& exploration[1]	482,007	11,977	57,892	37,404	
Royalties	-	14,492	7,073	-	
Accretion	3,862	1,052	682	182	
Leases & other	-	-	-	895	
All-in sustaining cost	976,922	61,344	191,939	86,254	
AISC per pound ($/lb)	**3.34**	**1.84**	**1.95**	**0.62**	

Twelve months ended December 31, 2017					
Operations	**Candelaria**	**Eagle**	**Neves-Corvo**	**Zinkgruvan**	
($000s, unless otherwise noted)	**(Cu)**	**(Ni)**	**(Cu)**	**(Zn)**	**Total**
Sales volumes (Contained metal in concentrate):					
Tonnes	179,259	18,960	30,399	66,621	
Pounds (000s)	395,198	41,800	67,018	146,874	
Production cost					875,831
Less: items included in the above					
Non-cash inventory					(372)
Royalties and other					(11,140)
					864,319
Deduct: By-product credits					(454,378)
Add: Treatment and refining charges					213,021
Cash cost	480,246	38,874	58,749	45,093	622,962
Cash cost per pound ($/lb)	**1.22**	**0.93**	**0.88**	**0.31**	
Add: Sustaining capital expenditure					
& exploration	323,208	9,659	33,289	36,740	
Royalties	-	9,497	5,801	-	
Accretion	3,737	1,234	482	357	
Leases & other	-	-	1,855	1,174	
All-in sustaining cost	807,191	59,264	100,176	83,364	
AISC per pound ($/lb)	**2.04**	**1.42**	**1.49**	**0.57**	

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

Managing Risks

Risks and Uncertainties

The operations of Lundin Mining are exposed to a number of inherent risks and uncertainties, including those related to health and safety, environment, fluctuations in commodity prices, foreign exchange rates and other risks as discussed in this document.

The ability to manage these risks is a key component of the Company's business strategy, we have developed a Risk Management Statement which defines our approach to enterprise risk management ("ERM") and establishes a framework for embedding effective risk management practices and tools into our culture, systems and processes.

An important component of our ERM approach is to ensure that key risks which are evolving or emerging are appropriately identified, managed, and incorporated into existing ERM assessment, measurement, monitoring and reporting processes. The framework and guidelines facilitate quarterly consolidation of risk information for reporting to executive management and the Board of Directors.

For a complete discussion of such risks and uncertainties, refer to the "Risks and Uncertainties" section of the Company's most recently filed Annual Information Form ("AIF"). Other than those noted within and here above, key risk factors to consider, among others, are:

- Inability to secure required licenses, permits and approvals
- External stakeholder relations (employees, communities, regulators, shareholders, and others)
- An increasingly complex regulatory landscape
- Failure to appropriately manage legacy sites
- Seismic event or catastrophic loss of stability of key structures such as tailings storage facilities

Outstanding Share Data

As at February 14, 2019, the Company has 734,931,779 common shares issued and outstanding, and 10,775,570 stock options and 1,709,520 share units outstanding under the Company's incentive plans.

Management's Report on Internal Controls

Disclosure controls and procedures ("DCP")

DCP have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of DCP. Management has evaluated the effectiveness of the Company's DCP and has concluded that they were effective as at December 31, 2018.

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.

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"). Management conducted an evaluation of the effectiveness of ICFR and concluded that it was effective as at December 31, 2018.

Changes in ICFR
There have been no changes in the Company's ICFR during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's over financial reporting.

Other Information

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

Consolidated Financial Statements of

Lundin Mining Corporation

December 31, 2018

Management's Report

The accompanying consolidated financial statements of Lundin Mining Corporation (the "Company") and other information contained in the management's discussion and analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as outlined in Part 1 of the Handbook of the Chartered Professional Accountants of Canada, and include some amounts that are based on management's estimates and judgment.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which is comprised solely of independent directors. The Audit Committee reviews the Company's annual consolidated financial statements and recommends its approval to the Board of Directors. The Company's auditors have full access to the Audit Committee, with and without management being present. These consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants.

(Signed) Marie Inkster	*(Signed) Jinhee Magie*
President and Chief Executive Officer	Senior Vice President and Chief Financial Officer

Toronto, Ontario, Canada
February 14, 2019

Independent auditor's report

To the Shareholders of Lundin Mining Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lundin Mining Corporation and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Serge Gattesco.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 14, 2019

LUNDIN MINING CORPORATION

CONSOLIDATED BALANCE SHEETS (in thousands of US dollars)		**December 31, 2018**		December 31, 2017
ASSETS				
Cash and cash equivalents (Note 3)	**$**	**815,429**	$	1,567,038
Trade and other receivables (Note 4)		**384,332**		425,671
Income taxes receivable		**75,602**		46,716
Inventories (Note 5)		**160,993**		192,358
Other current assets		**7,242**		16,313
Total current assets		**1,443,598**		2,248,096
Restricted cash		**44,424**		44,848
Long-term inventory (Note 5)		**241,545**		220,690
Other non-current assets (Note 6)		**34,644**		83,700
Mineral properties, plant and equipment (Note 7)		**3,829,345**		3,388,466
Investment in associate (Note 8)		**136,943**		101,424
Deferred tax assets (Note 22)		**94,472**		84,713
Goodwill (Note 9)		**109,794**		114,491
		4,491,167		4,038,332
Total assets	**$**	**5,934,765**	$	6,286,428
LIABILITIES				
Trade and other payables (Note 10)	**$**	**380,016**	$	334,660
Income taxes payable		**42,971**		140,761
Current portion of long-term debt and finance leases (Note 11)		**3,830**		3,431
Current portion of deferred revenue (Note 12)		**61,478**		42,258
Current portion of reclamation and other closure provisions (Note 13)		**6,604**		18,641
Total current liabilities		**494,899**		539,751
Long-term debt and finance leases (Note 11)		**7,162**		446,515
Deferred revenue (Note 12)		**527,376**		471,501
Reclamation and other closure provisions (Note 13)		**292,086**		244,958
Other long-term liabilities		**3,406**		11,482
Provision for pension obligations		**11,068**		13,479
Deferred tax liabilities (Note 22)		**405,202**		407,527
		1,246,300		1,595,462
Total liabilities		**1,741,199**		2,135,213
SHAREHOLDERS' EQUITY				
Share capital (Note 14)		**4,177,660**		4,152,469
Contributed surplus		**49,424**		48,926
Accumulated other comprehensive loss		**(260,179)**		(196,657)
Deficit		**(275,759)**		(336,353)
Equity attributable to Lundin Mining Corporation shareholders		**3,691,146**		3,668,385
Non-controlling interests (Note 15)		**502,420**		482,830
		4,193,566		4,151,215
	$	**5,934,765**	$	6,286,428

Commitments and contingencies (Note 24)

Subsequent Event (Note 32)

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

APPROVED BY THE BOARD OF DIRECTORS

(Signed) Lukas H. Lundin - **Director**

(Signed) Dale C. Peniuk - **Director**

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31, 2018 and 2017

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

		2018		2017
Revenue (Note 16)	**$**	**1,725,589**	$	2,077,497
Cost of goods sold				
Production costs (Note 17)		**(969,610)**		(875,831)
Depreciation, depletion and amortization		**(319,376)**		(381,317)
Gross profit		**436,603**		820,349
General and administrative expenses		**(49,438)**		(38,835)
General exploration and business development (Note 19)		**(85,296)**		(81,216)
Finance income (Note 20)		**25,490**		26,938
Finance costs (Note 20)		**(85,682)**		(97,233)
Income from equity investment in associate (Note 8)		**29,933**		13,489
Other income (expense) (Note 21)		**20,199**		(5,173)
Earnings before income taxes		**291,809**		638,319
Current tax expense (Note 22)		**(76,761)**		(172,782)
Deferred tax recovery (expense) (Note 22)		**392**		(18,622)
Net earnings from continuing operations		**215,440**		446,915
Earnings from discontinued operations (Note 30)		**-**		55,066
Net earnings	**$**	**215,440**	$	501,981
Net earnings from continuing operations attributable to:				
Lundin Mining Corporation shareholders	**$**	**195,850**	$	371,422
Non-controlling interests		**19,590**		75,493
Net earnings from continuing operations	**$**	**215,440**	$	446,915
Net earnings attributable to:				
Lundin Mining Corporation shareholders	**$**	**195,850**	$	426,488
Non-controlling interests		**19,590**		75,493
Net earnings	**$**	**215,440**	$	501,981
Basic and diluted earnings per share attributable to Lundin Mining Corporation shareholders:				
Net earnings from continuing operations	**$**	**0.27**	$	0.51
Net earnings	**$**	**0.27**	$	0.59
Weighted average number of shares outstanding (Note 14)				
Basic		**731,734,265**		726,994,036
Diluted		**733,552,476**		729,742,955

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

(in thousands of US dollars)

		2018		2017
Net earnings	**$**	**215,440**	$	501,981
Other comprehensive (loss) income, net of taxes				
Item that will not be reclassified to net earnings:				
Remeasurements for post-employment benefit plans		**(34)**		(48)
Items that may be reclassified subsequently to net earnings:				
Unrealized gain on marketable securities (Note 31)		**-**		10,055
Effects of foreign exchange		**(53,609)**		107,464
Item that was reclassified to net earnings:				
Reclassification adjustment (Note 21)		**-**		6,010
Other comprehensive (loss) income		**(53,643)**		123,481
Total comprehensive income	**$**	**161,797**	$	625,462
Comprehensive income attributable to:				
Lundin Mining Corporation shareholders	**$**	**142,207**	$	549,969
Non-controlling interests		**19,590**		75,493
Total comprehensive income	**$**	**161,797**	$	625,462

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non-controlling interests	Total
Balance, December 31, 2017	728,418,632	$ 4,152,469	$ 48,926	$ (196,657)	$ (336,353)	$ 482,830	$ 4,151,215
IFRS adjustments (Note 31)	-	-	-	(9,879)	(66,982)	-	(76,861)
Balance, January 1, 2018	728,418,632	4,152,469	48,926	(206,536)	(403,335)	482,830	4,074,354
Exercise of share-based awards	5,116,247	26,413	(11,642)	-	-	-	14,771
Share-based compensation	-	-	12,140	-	-	-	12,140
Dividends declared (Note 14)	-	-	-	-	(68,274)	-	(68,274)
Deferred tax adjustment	-	(1,222)	-	-	-	-	(1,222)
Net earnings	-	-	-	-	195,850	19,590	215,440
Other comprehensive loss	-	-	-	(53,643)	-	-	(53,643)
Total comprehensive (loss) income	-	-	-	(53,643)	195,850	19,590	161,797
Balance, December 31, 2018	**733,534,879**	**$ 4,177,660**	**$ 49,424**	**$ (260,179)**	**$ (275,759)**	**$ 502,420**	**$ 4,193,566**
Balance, December 31, 2016	725,134,187	$ 4,135,367	$ 44,779	$ (320,138)	$ (695,718)	$ 463,337	$ 3,627,627
Distributions	-	-	-	-	-	(56,000)	(56,000)
Exercise of share-based awards	3,284,445	18,247	(5,711)	-	-	-	12,536
Share-based compensation	-	-	9,858	-	-	-	9,858
Dividends declared	-	-	-	-	(67,123)	-	(67,123)
Deferred tax adjustment	-	(1,145)	-	-	-	-	(1,145)
Net earnings	-	-	-	-	426,488	75,493	501,981
Other comprehensive income	-	-	-	123,481	-	-	123,481
Total comprehensive income	-	-	-	123,481	426,488	75,493	625,462
Balance, December 31, 2017	728,418,632	$ 4,152,469	$ 48,926	$ (196,657)	$ (336,353)	$ 482,830	$ 4,151,215

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(in thousands of US dollars)

	2018	2017
Cash (used in) provided by		
Operating activities		
Net earnings	**$ 215,440**	$ 501,981
Items not involving cash and other adjustments		
Depreciation, depletion and amortization	**319,376**	381,317
Share-based compensation	**12,140**	9,858
Foreign exchange loss (gain)	**10,486**	(14,308)
Finance costs	**60,192**	77,161
Recognition of deferred revenue (Note 12)	**(37,819)**	(49,575)
Deferred tax (recovery) expense	**(392)**	18,622
Earnings from equity investment in associate	**(29,933)**	(13,489)
Earnings from discontinued operations	**-**	(55,066)
Revaluation of derivative asset and liability (Note 21)	**(617)**	(7,455)
Revaluation of marketable securities	**(13,520)**	-
Other	**9,542**	(7,461)
Reclamation payments	**(11,834)**	(2,230)
Other payments	**(7,874)**	(5,054)
Changes in long-term inventory	**(38,617)**	(4,335)
Changes in non-cash working capital items (Note 29)	**(10,217)**	73,518
	476,353	903,484
Investing activities		
Investment in mineral properties, plant and equipment	**(751,753)**	(478,810)
Interest received	**25,866**	12,187
Proceeds from sale (purchase) of marketable securities	**52,614**	(28,654)
Contributions to associates, net	**(5,586)**	(8,769)
Cash flow from discontinued operations (Note 30)	**-**	1,179,746
Other	**3,479**	4,735
	(675,380)	680,435
Financing activities		
Interest paid	**(25,123)**	(65,686)
Dividends paid to shareholders	**(66,912)**	(67,651)
Proceeds from common shares issued	**16,016**	12,536
Distributions to non-controlling interests	**-**	(56,000)
Secured notes redemption	**(445,000)**	(550,000)
Secured notes redemption fee	**(16,901)**	(20,625)
Other	**(1,782)**	(7,324)
	(539,702)	(754,750)
Effect of foreign exchange on cash balances	**(12,880)**	22,558
(Decrease) increase in cash and cash equivalents during the year	**(751,609)**	851,727
Cash and cash equivalents, beginning of year	**1,567,038**	715,311
Cash and cash equivalents, end of year	**$ 815,429**	$ 1,567,038

Supplemental cash flow information (Note 29)

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

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting.

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

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

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

These consolidated financial statements were approved by the Board of Directors of the Company for issue on February 14, 2019.

(ii) Significant accounting policies

The Company has consistently applied the accounting policies to all the years presented other than with regard to the policies that have been adopted for the first time in the year ended December 31, 2018. The significant accounting policies applied in these consolidated financial statements are set out below.

(a) Basis of consolidation

The financial statements consist of the consolidation of the financial statements of the Company and its subsidiaries.

Subsidiaries are entities over which the Company has control, including the power to govern the financial and operating policies in order to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Where necessary, adjustments are made to the results of the subsidiaries and associates to bring their accounting policies in line with those used by the Company. Intra-group transactions, balances, income and expenses are eliminated on consolidation.

For non wholly-owned controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as non-controlling interests in the equity section of the consolidated balance sheet. Net earnings for the period that are attributable to non-controlling interests are calculated based on the ownership of the minority shareholders in the subsidiary.

(b) Investments in associates

An associate is an entity over which the Company has significant influence, but not control, and is neither a subsidiary, nor an interest in a joint venture.

Investments in which the Company has the ability to exercise significant influence are accounted for by the equity method. Under this method, the investment is initially recorded at cost and adjusted thereafter to record the Company's share of post-acquisition earnings or loss of the investee as if the investee had been consolidated. The carrying value of the investment is also increased or decreased to reflect the Company's share of capital transactions, including amounts recognized in other comprehensive income ("OCI"), and for accounting changes that relate to periods subsequent to the date of acquisition.

(c) Translation of foreign currencies

The functional currency of each entity within the Company is the currency of the primary economic environment in which it operates. For many of the Company's entities, this is the currency of the country in which each operates. The Company's presentation currency is US dollars.

Transactions denominated in currencies other than the functional currency are recorded using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in the consolidated statement of earnings in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the consolidated statement of earnings. However, exchange differences arising on the translation of certain non-monetary items are recognized as a separate component of equity.

On disposal of a foreign operation, the historical, cumulative amount of exchange differences recognized as a separate component of equity is reclassified and recognized in the consolidated statement of earnings.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into US dollars, which is the presentation currency of the group, at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period where these approximate the rates on the dates of transactions.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on deposit with banks, and highly liquid short-term interest bearing investments with a term to maturity at the date of purchase of 90 days or less and which are subject to an insignificant risk of change in value.

(e) Restricted cash

Restricted cash includes cash that has been pledged for reclamation and closure activities which are not available for immediate disbursement.

(f) Inventories

Ore and concentrate stockpiles are valued at the lower of production cost and net realizable value ("NRV"). Production costs include direct costs of materials and labour related directly to mining and processing activities, including production phase stripping costs, depreciation and amortization of mineral property, plant and equipment directly involved in the related mining and production process, amortization of any stripping costs previously capitalized and directly attributable overhead costs.

Materials and supplies inventories are valued at the lower of average cost less allowances for obsolescence and NRV.

If carrying value exceeds NRV, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exist.

(g) Mineral properties

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges. Expenditures of mineral properties include:

i. Acquisition costs which consist of payments for property rights and leases, including the estimated fair value of exploration properties acquired as part of a business combination or the acquisition of a group of assets.

ii. Exploration, evaluation and project investigation costs incurred on an area of interest once a determination has been made that a property has economically recoverable Mineral Resources and Reserves ("R&R") and there is a reasonable expectation that costs can be recovered by future exploitation or sale of the property. Exploration, evaluation and project investigation expenditures made prior to a determination that a property has economically recoverable R&R are expensed as incurred.

iii. Deferred stripping costs which represent the cost incurred to remove overburden and other waste materials to access ore in an open pit mine. Stripping costs incurred prior to the production phase of the mine are capitalized and included as part of the carrying value of the mineral property. During the production phase, stripping costs which provide probable future economic benefits, identifiable improved access to the ore body and which can be measured reliably are capitalized to mineral properties. Capitalized stripping costs are amortized using a unit-of-production basis over the Proven and Probable Mineral Reserve to which they relate.

iv. Development costs incurred on an area of interest once management has determined that, based on a feasibility study, a property is capable of economical commercial production as a result of having established a Proven and Probable Mineral Reserve are capitalized. Development costs are directly attributable to the construction of a mine. When additional development expenditures are made on a property after commencement of production, the expenditure is capitalized as mineral property when it is probable that additional economic benefit will be derived from future operations.

v. Interest and financing costs on debt or other liabilities that are directly attributed to the acquisition, construction and development of a qualifying asset are capitalized to the asset. All other borrowing costs are expensed as incurred.

Incidental pre-production expenditures net of proceeds from sales generated, if any, are recognized in the consolidated statement of earnings. Once a mining operation has achieved commercial production, capitalized mineral property expenditures for each area of interest are depleted on a units of production basis using Proven and Probable Mineral Reserves.

(h) Plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment charges. For production plant and equipment, depreciation is recorded on a units of production basis. Depreciation on all other plant and equipment is recorded on a straight-line basis over the estimated useful life of the asset or over the estimated remaining life of the mine, if shorter. Residual values and useful lives are reviewed annually. Gains and losses on disposals are calculated as proceeds received less the carrying amount and are recognized in the consolidated statement of earnings.

Useful lives are as follows:

	Number of years
Buildings	8 - 20
Plant and machinery	3 - 20
Equipment	3 - 8

(i) Mining equipment under finance lease

Assets held under finance leases are initially recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance cost and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expense is recognized in the consolidated statement of earnings.

(j) Impairment and impairment reversals

At each reporting period, the Company assesses whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the asset and compares it against the asset’s carrying amount. The recoverable amount is the higher of the fair value less cost of disposal and the asset’s value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of earnings during the period.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The cash flows are based on best estimates of expected future cash flows from the continued use of the asset and its eventual disposal.

Fair value less costs to dispose ("FVLCD") is best evidenced if obtained from an active market or binding sale agreement. Where neither exists, the fair value is based on the best estimates available to reflect the amount that could be received from an arm's length transaction.

Reversals of impairment are assessed at each reporting period where there is an indication that an impairment loss recognized previously may no longer exist or has decreased. If an impairment reversal indicator exists, the recoverable amount is calculated. If the recoverable amount exceeds the carrying amount, the carrying value of the asset is increased to the recoverable amount net of depreciation. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as a gain in the consolidated statement of earnings in the period it is determined.

(k) Business combinations and goodwill

Acquisitions of businesses are accounted for using the purchase method of accounting whereby all identifiable assets and liabilities are recorded at their fair values as at the date of acquisition. Any excess purchase price over the aggregate fair value of net assets is recorded as goodwill. Goodwill is identified and allocated to cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. Goodwill is not amortized. Any excess of the aggregate fair value of net assets over the purchase price is recognized in the consolidated statement of earnings.

A CGU to which goodwill has been allocated is tested for impairment at least annually or when events or circumstances indicate that an assessment for impairment is required. For goodwill arising on an acquisition in a financial year, the CGU to which the goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the CGU is less than the carrying amount of that CGU, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to that CGU first, and then to the other assets of that CGU on the pro rata basis of the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognized directly in the consolidated statement of earnings. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(l) Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale when it is highly probable their value will be recovered principally through a sale rather than through continuing use. For the sale to be highly probable, management must be committed to and have initiated a plan to, sell the assets; the assets must be available for immediate sale in their present condition and the sale must be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Company that has been disposed of or is classified as held for sale. A component comprises operations and cash flows that can be clearly distinguished from the rest of the Company. To be classified as a discontinued operation, the component must either (i) represent a major line of business or geographical area of operation; (ii) be part of a plan to dispose of a major line of business; or (iii) be a subsidiary acquired with a view to resell.

(m) Provision for pension obligations

The Company's Zinkgruvan mine has an unfunded defined benefit pension plan based on employee pensionable remuneration and length of service. The cost of the defined benefit pension plan is determined annually by independent actuaries. The actuarial valuation is based on the projected benefit method pro-rated for service which incorporates management's best estimate of future salary levels, retirement ages of employees and other actuarial factors. Actuarial gains and losses are recorded in other comprehensive income.

Payments to defined contribution plans are expensed when employees render service entitling them to the contribution.

(n) Reclamation and other closure provisions

The Company has obligations for reclamation and other closure costs such as site restoration, decommissioning activities and end of mine life severance related to its mining properties. These costs are a normal consequence of mining, and the majority of these expenditures are incurred at the end of the life of the mine.

The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company records the fair value of its reclamation and other closure provisions as a liability as incurred and records a corresponding increase in the carrying value of the related asset. The provision is discounted using a current market pre-tax discount rate. Charges for accretion and reclamation expenditures are recorded as finance costs in the consolidated statement of earnings. Reclamation and other closure provisions are recorded as part of the mineral property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the consolidated statement of earnings to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligations resulting from any revisions to the timing or amount of the original estimate of costs are recognized as an increase or decrease in the reclamation and other closure provisions, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, a provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the consolidated statement of earnings.

(o) Revenue recognition

Revenue from contracts with customers for the year ended December 31, 2018

The Company adopted *IFRS 15, Revenue from Contracts with Customers* effective January 1, 2018. The Company has applied *IFRS 15* on a retrospective basis such that the cumulative effect of initially applying this standard is recognized at the date of initial application (Note 31). Comparative information has not been restated and is accounted for under *IAS 18 Revenue*.

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

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

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

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

The Company identified significant financing components related to its streaming arrangements resulting from a difference in the timing of the up-front consideration received and delivery of the promised goods. Interest expense on deferred revenue is recognized in finance costs. The interest rate is determined based on the rate implicit in each streaming agreement at the date of inception. On transition to IFRS 15, the impact of the recognition of the financing component is described in Note 31.

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

Revenue for the year ended December 31, 2017

Revenue arising from the sale of metals contained in concentrates is recognized when title and the significant risks and rewards of ownership of the concentrates have been transferred to the customer in accordance with the agreements entered into between the Company and its customers. The Company's concentrates are provisionally priced at the time of sale based on the applicable prevailing metal market price as specified in the sales contracts. Variations between the price recorded at the time of sale and the actual final price received from the customer are caused by changes in market prices for the metals sold and result in an embedded derivative in trade receivables. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of sales.

Deferred revenue from streaming arrangements are recognized when substantial risks and rewards have been transferred.

(p) Share-based compensation

The Company grants share-based awards in the form of share options and share units to certain employees in exchange for the provision of services. The share options and share units are equity-settled awards. The Company determines the fair value of the awards on the date of grant. This fair value is charged to the consolidated statement of earnings using a graded vesting attribution method over the vesting period of the awards, with a corresponding credit to contributed surplus. When the share options or share units are exercised, the applicable amounts of contributed surplus are transferred to share capital. At the end of the reporting period, the Company updates its estimate of the number of awards that are expected to vest and adjusts the total expense to be recognized over the vesting period.

(q) Current and deferred income taxes

Income tax expense represents the sum of current and deferred tax. Current taxes payable is based on taxable earnings for the year. Taxable earnings may differ from earnings before income tax as reported in the consolidated statement of earnings because it may exclude items of income or expense that are taxable or deductible in other years and it may further exclude items of income or expense that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable earnings nor the accounting earnings. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and investments in associates, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to earnings, except when it relates to items charged or credited directly to equity, in which case the deferred tax is reflected in equity.

Income tax assets and liabilities are offset when there is a legally enforceable right to offset the assets and liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

(r) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during each reporting period. Diluted earnings (loss) per share is calculated assuming the proceeds from the exercise of exercisable in-the-money stock options are used to purchase common shares at the average market price during the period and cancelled. If the calculated result is dilutive, it is included in the diluted earnings (loss) per share calculation.

(s) Financial instruments

Financial instruments for the year ended December 31, 2018

The Company adopted *IFRS 9, Financial Instruments* effective January 1, 2018. The Company has applied *IFRS 9* on a retrospective basis and was not required to restate prior periods. The Company recognized the difference between the previous carrying amount and the carrying amount at the date of initial application of *IFRS 9* in the opening retained earnings (deficit) (Note 31).

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

Financial Assets at Amortized Cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company's intent is to hold these receivables until cash flows are collected. Receivables are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income.

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

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

Financial Liabilities at Amortized Cost

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

Financial Liabilities at FVTPL

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

The Company may enter into derivative instruments to mitigate exposures to commodity price and currency exchange rate fluctuations, among other exposures. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as financial assets at FVTPL and recorded at their fair value with realized and unrealized gains or losses arising from changes in the fair value recorded in the consolidated statement of earnings in the period they occur. Fair values for derivative instruments are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

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

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

Financial instruments for the year ended December 31, 2017

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

Financial assets at FVTPL

A financial asset is classified as FVTPL if it has been acquired principally for the purpose of selling it in the near term or it is a derivative that is not designated and effective as a hedging instrument. A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if the financial asset forms part of a group of financial assets which is managed and its performance is evaluated on a fair value basis by management.

Subsequent remeasurements of FVTPL assets are revalued with any gains or losses recognized in the consolidated statement of earnings.

Transaction costs for FVTPL assets are expensed.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method. Long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Available for sale ("AFS") financial assets

A financial asset is classified as AFS if it is a non-derivative financial asset that is designated as AFS or is not classified as loans and receivables, a held-to-maturity investment or FVTPL.

AFS assets are measured at fair value with changes in fair values recognized in other comprehensive income. When an AFS asset has sustained a loss in value which is significant or prolonged, the loss is recognized in the consolidated statement of earnings. Subsequent losses related to impaired AFS investments will also be recognized in the consolidated statement of earnings and subsequent gains will be recognized in OCI.

The Company may enter into derivative instruments to mitigate exposures to commodity price and currency exchange rate fluctuations, among other exposures. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as held-for-trading and recorded at their fair value with realized and unrealized gains or losses arising from changes in the fair value recorded in the consolidated statement of earnings in the period they occur. Fair values for derivative instruments classified as held-for-trading are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

(iii) **New accounting pronouncements**

In 2016, the IASB issued *IFRS 16, Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. The Company adopted the standard on January 1, 2019. A review of leases was completed in 2018 with further analysis and quantification of impacts to be finalized. Implementation of *IFRS 16* is expected to increase plant and equipment, related debt amounts and corresponding depreciation and finance cost expenses. Additionally, the Company expects production costs to decrease.

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

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. These estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ materially from the amounts included in the financial statements.

Areas where critical accounting estimates have the most significant effect on the amounts recognized in the consolidated financial statements include:

Depreciation, depletion and amortization of mineral properties, plant and equipment - Mineral properties, plant and equipment comprise a large component of the Company's assets and as such, the depreciation, depletion and amortization of these assets have a significant effect on the Company's financial statements. Upon commencement of commercial production, the Company depletes mineral property over the life of the mine based on the depletion of the mine's Proven and Probable Mineral Reserves. In the case of mining equipment or other assets, if the useful life of the asset is shorter than the life of the mine, the asset is amortized over its expected useful life.

Proven and Probable Mineral Reserves are determined based on a professional evaluation using accepted international standards for the estimation of Mineral Reserves. The assessment involves geological and geophysical studies, economic data and the reliance on a number of assumptions. The estimates of the Mineral Reserves may change based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original Mineral Reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production.

A change in the original estimate of Mineral Reserves would result in a change in the rate of depreciation, depletion and amortization of the related mineral assets. The effect of a change in the estimates of Mineral Reserves would have a relatively greater effect on the amortization of the current mining operations at Eagle because of the relatively short mine life of this operation. A short mine life results in a high rate of amortization and depreciation, and mineral assets may exist at these sites that have a useful life in excess of the revised life of the related mine.

Revenue from Contracts with Customers – To determine the transaction price for streaming agreements, the Company made estimates with respect to interest rates implicit in the agreements, future production of the life of mine and R&R quantities to adjust the consideration for the effects of the time value of money. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized.

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

Valuation of long-term inventory - The Company carries its long-term inventory at the lower of production cost and NRV. If carrying value exceeds net realizable amount, a write-down is required. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

The Company reviews NRV periodically. In particular, for the NRV of long-term inventory the Company makes significant estimates related to future production and sales volumes, metal prices, foreign exchange rates, R&R quantities, future operating and capital costs. These estimates are subject to various risks and uncertainties and may have an effect on the NRV estimate and the carrying value of the long-term inventory.

Valuation of mineral properties - The Company carries its mineral properties at cost less accumulated depletion and any accumulated provision for impairment. The Company expenses exploration costs which are related to specific projects until commercial feasibility of the project is determinable. The costs of each property and related capitalized development expenditures are depleted over the economic life of the property on a units-of-production basis. Costs are charged to the consolidated statement of earnings when a property is abandoned or when there is a recognized impairment in value.

The Company undertakes a review of the carrying values of mineral properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. Where previous impairment has been recorded, the Company analyzes any impairment reversal indicators. An impairment loss is recognized when the carrying value of those assets is not recoverable. Impairment reversals are recognized in subsequent periods when there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sale volumes, metal prices, foreign exchange rates, R&R quantities, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures.

The Company, from time to time, acquires exploration and development properties. When a number of properties are acquired in a portfolio, the Company must make a determination of the fair value attributable to each of the properties within the total portfolio. When the Company conducts further exploration on acquired properties, it may determine that certain of the properties do not support the fair values applied at the time of acquisition. If such a determination is made, the property is written down, and could have a material effect on the consolidated balance sheet and consolidated statement of earnings.

Valuation of Investment in Freeport Cobalt - The Company carries its investment in associates at cost and adjusts for its share of earnings and capital transactions of the investee. The Company reviews the carrying value of the investment whenever events or changes in circumstances indicate that impairment may be present. In undertaking this review, the Company makes reference to future operating results and cash flows. For the investment in Freeport Cobalt, critical assumptions are made related to future sale volumes, operating and capital costs and metal prices. These estimates are subject to various risks and uncertainties which may ultimately have an effect on the expected recoverability of the carrying values of the investments.

Goodwill - The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired is recorded as goodwill. Goodwill is allocated to the CGUs acquired based on the assessment of which CGU would be expected to benefit from the synergies of the acquisition. Estimates of recoverable value may be impacted by changes in metal prices, foreign exchange rates, discount rates, level of capital expenditures, operating costs and other factors that may be different from those used in determining fair value. Changes in estimates could have a material impact on the carrying value of the goodwill.

For CGUs that have recorded goodwill, the estimated recoverable amount of the unit is compared to its carrying value at least once each year, or when circumstances indicate that the value may have become impaired.

Reclamation and other closure provisions - The Company has obligations for reclamation and other closure activities related to its mineral properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of closure provisions. The reclamation and other closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

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

The Company's policy for recording reclamation and other closure provisions is to establish provisions for future mine closure costs based on the present value of the future cash flows required to satisfy the obligations. This provision is updated as the estimate for future closure costs change. The amount of the present value of the provision is added to the cost of the related mineral assets and depreciated over the life of the mine. The provision is accreted to its future value over the life of mine through a charge to finance costs.

(v) **Critical accounting judgments in applying the entity's accounting policies**

Management exercises judgment in applying the Company's accounting policies. These judgments are based on management's best estimates. Areas where critical accounting judgments have the most significant effect on the consolidated financial statements include:

Income taxes - Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences") and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilization of the losses.

Assessment of impairment and reverse impairment indicators - Management applies significant judgement in assessing whether indicators of impairment or reverse impairment exist for an asset or group of assets which would necessitate impairment testing. Internal and external factors such as significant changes in the use of the asset, commodity prices, foreign exchange rate and interest rates are used by Management in determining whether there are any indicators.

Contingent liabilities - Contingent liabilities are possible obligations that arise from past events which will be confirmed by the occurrence or non-occurrence of future events. These contingencies are not recognized in the consolidated financial statements when the obligation is not probable or if the obligation cannot be measured reliably. The Company exercises significant judgment when determining the probability of the future outcome and with regard to any required disclosure of contingencies, and measuring the liability is a significant estimate.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

		December 31, 2018		December 31, 2017
Cash	**$**	**679,619**	$	975,870
Short-term deposits		**135,810**		591,168
	$	**815,429**	$	1,567,038

(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:

	December 31, 2018	December 31, 2017
Trade receivables	**$ 251,010**	$ 308,130
Prepaid expenses	**79,299**	61,526
Value added tax	**34,467**	28,659
Other receivables	**19,556**	27,356
	$ 384,332	$ 425,671

Included in prepaid expenses is $58.7 million (2017 - $28.9 million) related to advance payment of mine equipment purchases.

The Company does not have any significant balances that are past due nor any significant expected credit losses. The Company's credit risk is discussed in Note 27.

The fair value of trade and other receivables, including the embedded derivative arising from provisionally priced trade receivables, is disclosed in Note 23.

The carrying amounts of trade and other receivables are mainly denominated as follows: $266.7 million, CLP 52.8 billion, €27.9 million, C$2.8 million and SEK 50.0 million as at December 31, 2018 (2017 - $317.1 million, CLP 47.2 billion, €18.7 million, C$2.2 million and SEK 44.0 million).

5. INVENTORIES

Inventories are comprised of the following:

	December 31, 2018	December 31, 2017
Ore stockpiles	**$ 33,207**	$ 67,356
Concentrate stockpiles	**23,776**	37,538
Materials and supplies	**104,010**	87,464
	$ 160,993	$ 192,358

Long-term inventory is comprised of ore stockpiles.

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

6. OTHER NON-CURRENT ASSETS

Other non-current assets comprise the following:

		December 31, 2018		December 31, 2017
Derivative asset (a)	**$**	**25,098**	$	33,351
Marketable securities		**2,756**		43,142
Other		**6,790**		7,207
	$	**34,644**	$	83,700

a) The Company has recorded a derivative asset for the contingent consideration agreed upon under the terms of the TF Holdings Limited ("TF Holdings") disposal (Note 24 (g)).

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment comprise the following:

Cost		Mineral properties		Plant and equipment		Assets under construction		Total
As at December 31, 2016	$	3,089,372	$	2,036,681	$	154,057	$	5,280,110
Additions		162,116		2,363		325,994		490,473
Disposals and transfers		(59,888)		13,341		(83,966)		(130,513)
Effects of foreign exchange		167,461		81,206		6,732		255,399
As at December 31, 2017		3,359,061		2,133,591		402,817		5,895,469
Additions		341,387		3,146		463,547		808,080
Disposals and transfers		43,992		326,276		(509,471)		(139,203)
Effects of foreign exchange		(88,008)		(37,410)		(6,624)		(132,042)
As at December 31, 2018	**$**	**3,656,432**	**$**	**2,425,603**	**$**	**350,269**	**$**	**6,432,304**

Accumulated depreciation, depletion and amortization		Mineral properties		Plant and equipment		Assets under construction		Total
As at December 31, 2016	$	1,408,507	$	692,003	$	-	$	2,100,510
Depreciation		199,009		184,848		-		383,857
Disposals and transfers		(71,505)		(51,488)		-		(122,993)
Effects of foreign exchange		101,102		44,527		-		145,629
As at December 31, 2017		1,637,113		869,890		-		2,507,003
Depreciation		139,514		160,938		-		300,452
Disposals and transfers		(1,992)		(127,148)		-		(129,140)
Effects of foreign exchange		(54,874)		(20,482)		-		(75,356)
As at December 31, 2018	**$**	**1,719,761**	**$**	**883,198**	**$**	**-**	**$**	**2,602,959**

Net book value		Mineral properties		Plant and equipment		Assets under construction		Total
As at December 31, 2017	$	1,721,948	$	1,263,701	$	402,817	$	3,388,466
As at December 31, 2018	**$**	**1,936,671**	**$**	**1,542,405**	**$**	**350,269**	**$**	**3,829,345**

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

During 2018, the Company capitalized $212.8 million (2017 - $118.5 million) of deferred stripping costs to mineral properties. Included in the mineral properties balance at December 31, 2018 is $555.3 million (2017 - $342.5 million) which is currently non-depreciable.

In addition, the Company capitalized $15.1 million (2017 - $14.0 million) of borrowing costs, at a weighted average interest rate of 6.5%.

The net carrying amount of equipment under finance leases is $10.6 million (2017 - $11.6 million).

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

8. INVESTMENT IN ASSOCIATE

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

As at December 31, 2016	$	79,166
Contributions, net		8,769
Share of equity income		13,489
As at December 31, 2017		101,424
Contributions, net		5,586
Share of equity income		29,933
As at December 31, 2018	**$**	**136,943**

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

9. GOODWILL

a) Goodwill

The Company recognized goodwill resulting from the acquisition of the Neves-Corvo mine and Ojos del Salado mine ("Ojos mine").

Goodwill is allocated to the following CGUs:

		Neves-Corvo mine		Ojos mine[1]		Total
Balance at December 31, 2016	$	91,215	$	10,713	$	101,928
Effects of foreign exchange		12,563		-		12,563
Balance at December 31, 2017		103,778		10,713		114,491
Effects of foreign exchange		(4,697)		-		(4,697)
Balance at December 31, 2018	**$**	**99,081**	**$**	**10,713**	**$**	**109,794**

[1] Ojos mine is included in the Candelaria reporting segment.

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

The Company performs an impairment assessment annually, or more frequently if there are impairment indicators, for the carrying amount of its CGUs where goodwill is allocated.

The recoverable value of a CGU is determined using cash flow projections based on life-of-mine financial plans. The key assumptions used in cash flow projections consist of forecasted commodity prices, treatment and refining charges, R&R quantities, production costs, capital expenditures, reclamation and other closure costs, discount rates and foreign exchange rates.

Commodity prices used in the cash flow projections are within a range of current market consensus observed during the fourth quarter of 2018. The valuation of recoverable amount is most sensitive to changes in metal prices, exchange rates and discount rates.

Production costs and capital expenditures included in the cash flow projections are based on operating plans which consider past and estimated future performance.

In performing the CGU impairment test for the Neves-Corvo and Ojos mines, the Company used a FVLCD valuation model. Inputs utilized in this model were based on level 3 fair value measurements (see Note 23), which were not based on observable market data. The R&R were based on the Company's last published estimate dated June 30, 2018. Incorporated in the FVLCD were fair value estimates developed by the Company for R&R not captured in the cash flow projections. These estimates are benchmarked using third-party market information.

Neves-Corvo mine

For the Neves-Corvo mine CGU impairment review, the Company used a FVLCD model (level 3 measurement). For the years ended December 31, 2018 and 2017, the Company determined that the recoverable amount of the Neves-Corvo CGU was higher than its carrying value, and therefore no impairment was recognized.

Sensitivity analysis was performed on the cash flow model for Neves-Corvo. Reviewing changes in key inputs such as changes to metal prices (+/-5%), foreign exchange rate (+/-5%) and discount rate (+/-1%) did not have a material impact on the result of the Company's goodwill impairment assessment.

Key assumptions for Neves-Corvo mine

	2018	**2017**
Copper price $/lb	3.00 - 3.30	2.80 - 3.25
Zinc price $/lb	1.10 - 1.20	1.10 - 1.45
After-tax discount rate	9.0%	9.0%
€/$ exchange rate	1.20 - 1.25	1.20 - 1.25
Life of mine	12 years	16 years

Ojos mine

For the Ojos mine CGU impairment review, the Company used a FVLCD model (level 3 measurement). For the years ended December 31, 2018 and 2017, the Company determined that the recoverable amount of the Ojos mine CGU was higher than its carrying value, and therefore no impairment was recognized.

Sensitivity analysis was performed on the cash flow model for Ojos mine. Reviewing changes in key inputs such as changes to metal prices (+/-5%), foreign exchange rate (+/-5%) and discount rate (+/-1%) did not have a material impact on the result of the Company's goodwill impairment assessment.

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

Key assumptions for Ojos mine

	2018	2017
Copper price $/lb	3.00 - 3.30	2.80 - 3.25
After-tax discount rate	8.5%	8.5%
$/CLP exchange rate	585 - 670	585 - 635
Life of mine	10 years	7 years

10. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

		December 31, 2018		December 31, 2017
Trade payables	**$**	**228,608**	$	160,067
Unbilled goods and services		**81,813**		80,582
Employee benefits payable		**59,238**		60,643
Royalty payable		**10,195**		8,258
Prepayment from customer		**162**		19,204
Interest payable		**-**		5,906
	$	**380,016**	$	334,660

11. LONG-TERM DEBT AND FINANCE LEASES

Long-term debt and finance leases are comprised of the following:

		December 31, 2018		December 31, 2017
Senior secured notes (a)	**$**	**-**	$	438,373
Finance lease obligations (b)		**10,992**		11,573
As at December 31, 2018		**10,992**		449,946
Less: current portion		**3,830**		3,431
Long-term portion	**$**	**7,162**	$	446,515

The changes in long-term debt and finance leases are as follows:

As at December 31, 2016	$	983,377
Additions		9,072
Financing fee amortization/write-off		9,411
Effects of foreign exchange		1,115
Cashflow		
Payments		(553,029)
As at December 31, 2017		449,946
Additions		3,641
Financing fee amortization/write-off		6,627
Effects of foreign exchange		(606)
Cashflow		
Payments		(448,616)
As at December 31, 2018	**$**	**10,992**

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

a) In 2014, the Company issued $1.0 billion senior secured notes in two tranches, $550 million of 7.5% Senior Secured Notes due 2020 (the "2020 Notes") and $450 million of 7.875% Senior Secured Notes due 2022 (the "2022 Notes" and, together with the 2020 Notes, the "Notes"). The 2020 Notes accrued interest at a rate of 7.5% per annum and had a maturity date of November 1, 2020. The 2022 Notes accrued interest at a rate of 7.875% per annum, and had a maturity date of November 1, 2022.

   On November 21, 2018, the Company redeemed all of its outstanding 2022 Notes at a redemption price of 103.94% of the principal amount of the Notes plus accrued and unpaid interest.

   On November 20, 2017, the Company redeemed all of its outstanding 2020 Notes at a redemption price of 103.75% of the principal amount of the Notes plus accrued and unpaid interest.

   The premium over the face value of the Notes has been recorded in finance costs (Note 20).

b) Finance lease obligations relate to leases on mining equipment which have remaining lease terms of one to six years and interest rates of 1% - 3% over the term of the leases.

c) During 2018, the Company executed an amending agreement to its revolving credit facility which increased the facility to $550 million from $350 million, with a $50 million accordion option and extended the term to October 2022. The terms provide for interest rates on drawn funds from LIBOR + 1.875% to LIBOR + 3.0%, depending on the Company's leverage ratio. The revolving credit facility is subject to customary covenants. Certain assets and shares of the Company's material subsidiaries are pledged as security for the credit facility. As at December 31, 2018, the Company had no amount drawn on the credit facility, but had letters of credit issued totaling $24.8 million (SEK 162.0 million and €5.9 million) (2017 - $26.8 million (SEK 162.0 million and €5.9 million)).

d) Sociedade Mineira de Neves-Corvo, S.A. ("Somincor"), a subsidiary of the Company which owns the Neves-Corvo mine, has a commercial paper program. The $34.4 million (€30 million) program bears interest at EURIBOR + 0.84%. The program matures in December 2020. As at December 31, 2018, no amounts were drawn (2017 - nil).

The schedule of principal repayment obligations is as follows:

		Finance leases
2019	$	3,824
2020		3,639
2021		2,241
2022		1,132
2023		93
2024 and thereafter		63
Total	**$**	**10,992**

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

12. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2016	$	559,943
Recognition of revenue		(49,575)
Effects of foreign exchange		3,391
As at December 31, 2017		513,759
IFRS 15 transition adjustment (Note 31)		85,978
As at January 1, 2018		599,737
Recognition of revenue		(53,126)
Variable consideration adjustment		15,307
Finance costs		31,914
Effects of foreign exchange		(4,978)
As at December 31, 2018		588,854
Less: current portion		61,478
Long-term portion	**$**	**527,376**

Consideration from the Company's stream agreements is considered variable. Gold and silver revenue can be subject to cumulative adjustments when the number of ounces to be delivered under the contract changes. During 2018, the Company recognized an adjustment to gold and silver revenue and finance costs due to an increase in the Company's R&R estimates related primarily to the Candelaria mine.

For the year ended December 31, 2018, the Company recognized finance costs at a weighted average rate of 5.2% on the deferred revenue balances.

a) Candelaria

The Company entered into a stream agreement with Franco-Nevada Corporation ("FN"), whereby the Company has agreed to sell 68% of all the gold and silver contained in production from Candelaria until 720,000 oz of gold and 12 million oz of silver have been delivered. Thereafter, FN will be entitled to purchase 40% of gold and silver production from Candelaria. The Company received an up-front payment of $648 million which is being recognized as gold and silver are delivered to FN under the contract.

For each ounce of gold and silver delivered, FN makes payments equal to the lesser of the prevailing market prices and approximately $404/oz of gold and $4.04/oz of silver, subject to a 1% annual inflationary adjustment. In 2018, approximately 50,000 oz of gold and 755,000 oz of silver were subject to the terms of the streaming agreement.

b) Neves-Corvo mine

The Company has an agreement to deliver all of the silver contained in concentrate produced from its Neves-Corvo mine to Wheaton Precious Metals Corporation, formerly Silver Wheaton Corp. ("Wheaton"). The Company received an up-front payment which was deferred and is being recognized in sales as silver is delivered under the contract. The Company receives the lesser of a fixed payment (subject to annual inflationary adjustments) and the market price per ounce of silver. During 2018, the Company received approximately $4.24 per ounce of silver. The agreement extends to the earlier of September 2057 and the end of mine life of the Neves-Corvo mine.

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

c) Zinkgruvan mine

The Company has an agreement with Wheaton to deliver silver contained in concentrate from the Zinkgruvan mine. The Company received an up-front payment which was deferred and is being recognized in sales as silver is delivered under the contract and receives the lesser of a fixed payment (subject to annual inflationary adjustments) and the market price per ounce of silver. During 2018, the Company received approximately $4.34 per ounce of silver (Note 24(e)).

13. 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, 2016	$ 213,187	$ 43,618	$ 256,805
Accretion	5,810	-	5,810
Accruals for services	-	(5,505)	(5,505)
Changes in estimates	(10,395)	-	(10,395)
Payments	(2,230)	-	(2,230)
Disposals	(1,827)	-	(1,827)
Effects of foreign exchange	13,643	7,298	20,941
Balance, December 31, 2017	218,188	45,411	263,599
Accretion	5,778	-	5,778
Accruals for services	-	4,859	4,859
Changes in estimates	39,006	-	39,006
Changes in discount rate	6,866	-	6,866
Payments	(11,834)	-	(11,834)
Effects of foreign exchange	(4,520)	(5,064)	(9,584)
Balance, December 31, 2018	253,484	45,206	298,690
Less: current portion	6,604	-	6,604
Long-term portion	**$ 246,880**	**$ 45,206**	**$ 292,086**

The Company expects the liability to be settled between 2019 and 2051. The provisions are discounted using current market pre-tax discount rates which range from 0.2% to 5.2%.

14. SHARE CAPITAL

(a) Authorized and issued shares

Authorized share capital consists of an unlimited number of voting common shares with no par value and one special non-voting share with no par value. As at December 31, 2018, there were 733,534,879 fully paid voting common shares issued (2017 - 728,418,632).

The Company has approval of the TSX under its normal course issuer bid (“NCIB”) to purchase up to 63,718,842 common shares. The program expires on December 6, 2019. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to a maximum of 573,371 common shares. The price that Lundin Mining will pay for common shares in open market transactions will be the market price at the time of purchase. During the year ended December 31, 2018, no common shares were purchased under the NCIB.

(b) Restricted share units

The Company has a Share Unit Plan ("SU Plan") which provides for share unit awards ("SUs") to be granted by the Board of Directors to certain employees of the Company. The maximum number of SUs that are issuable under the SU Plan is 6,000,000. An SU is a unit representing the right to receive one common share (subject to adjustments) issued from treasury.

The number of SUs awarded will be approved by the Board of Directors. The market price shall be calculated at the closing market price on the TSX of the Company's common shares on the date of the grant. The performance requirements are established by the Board of Directors.

The Company uses the fair value method of accounting for the recording of SU grants to employees and officers. Under this method, the Company recorded share-based compensation expense of $4.7 million for 2018 (2017 - $4.6 million) with a corresponding credit to contributed surplus.

During 2018, the Company granted approximately 1.0 million SUs to employees and officers that expire in 2021. The SUs vest three years from the grant date. The fair value of the SUs are based on the market value of the shares on the date of the grant and an estimated forfeiture rate of 10% (2017 - 10%). The weighted average fair value per SU granted during 2018 was C$7.87 (2017 - C$8.13). As at December 31, 2018, there was $5.4 million (2017 - $6.1 million) of unamortized stock-based compensation expense related to SUs.

During 2018, 1,203,687 common shares (2017 - 154,500) were issued as a result of SUs being vested.

(c) Stock options

The Company's option plan ("2014 Option Plan") provides for stock option awards ("options") to be granted by the Board of Directors to certain employees of the Company. The term of any options granted under the 2014 Option Plan may not exceed five years from the date of grant. The maximum number of options that are issuable under the 2014 Option Plan is 30,000,000. The vesting requirements are established by the Board of Directors.

The Company uses the fair value method of accounting for the recording of stock options. Under this method, the Company recorded a share-based compensation expense of $7.4 million for 2018 (2017 - $5.3 million) with a corresponding credit to contributed surplus.

During 2018, the Company granted approximately 3.2 million stock options to employees and officers that expire in 2023. The options vest over three years from the grant date. The fair value of the stock options at the date of the grant using the Black-Scholes option pricing model assumes a dividend yield, a risk-free interest rate of 1.9% to 2.29% (2017 - 0.8% to 1.6%), expected life of 3.2 years (2017 - 3.5 years) with an expected price volatility of 45% to 50% (2017 - 45% to 49%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of approximately 10% was applied (2017 - 10%). The weighted average fair value per option granted during 2018 was C$2.67 (2017 - C$2.67). As at December 31, 2018, there was $4.7 million of unamortized stock compensation expense (2017 - $6.2 million) related to options.

During 2018, 3,912,560 common shares (2017 - 3,129,945) were issued as a result of options being exercised.

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

The continuity of share-based payments outstanding is as follows:

	Number of SUs	Number of options	Weighted average exercise price (C$)
Outstanding, December 31, 2016	2,000,700	11,946,405	$ 4.95
Granted	1,225,590	4,444,490	8.12
Forfeited	(74,600)	(299,600)	5.97
Exercised	(154,500)	(3,129,945)	5.16
Outstanding, December 31, 2017	2,997,190	12,961,350	5.96
Granted	999,800	3,209,800	8.21
Forfeited	(257,283)	(820,320)	7.93
Exercised	(1,203,687)	(3,912,560)	5.29
Outstanding, December 31, 2018	**2,536,020**	**11,438,270**	**$ 5.96**

The following table summarizes options outstanding as at December 31, 2018:

	Outstanding Options			Exercisable Options		
Range of exercise prices (C$)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)
3 to 3.99	90,600	1.8	3.84	77,800	1.7	3.85
4 to 4.99	1,967,385	2.2	4.32	1,197,260	2.1	4.32
5 to 5.99	2,988,125	0.8	5.30	2,942,125	0.7	5.30
6 to 6.99	272,200	3.0	6.35	164,800	2.8	6.35
7 to 7.99	515,600	3.7	7.27	125,200	3.4	7.33
8 to 8.99	5,604,360	3.7	8.26	1,104,387	3.1	8.18
	11,438,270	**2.6**	**$6.68**	**5,611,572**	**1.6**	**$5.71**

(d) Basic and diluted weighted average number of shares

	December 31, 2018	December 31, 2017
Basic weighted average number of shares outstanding	**731,734,265**	726,994,036
Effect of dilutive securities	**1,818,211**	2,748,919
Diluted weighted average number of shares outstanding	**733,552,476**	729,742,955

The effect of dilutive securities relates to in-the-money outstanding stock options and SUs.

(e) Dividends

The Company declared dividends in the amount of $68.3 million (2017 - $67.1 million), or C$0.12 per share (2017 - C$0.12 per share), for the year ended December 31, 2018.

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

15. NON-CONTROLLING INTERESTS

The Company owns 80% of Compañia Contractual Minera Candelaria S.A. and Compañia Contractual Minera Ojos del Salado S.A.'s copper mining operations and supporting infrastructure in Chile. The remaining 20% ownership stake is held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation. The continuity of non-controlling interests balance is disclosed in the consolidated statements of changes in equity.

Summarized financial information for Candelaria mine and Ojos mine on a 100% basis is as follows:

Summarized Balance Sheets

	Candelaria mine		Ojos mine	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
Total current assets	**$ 461,584**	$ 735,886	**$ 127,619**	$ 100,956
Total non-current assets	**$ 2,452,636**	$ 2,076,178	**$ 167,633**	$ 166,246
Total current liabilities	**$ 314,733**	$ 278,092	**$ 25,270**	$ 29,008
Total non-current liabilities	**$ 407,732**	$ 388,178	**$ 47,750**	$ 51,706

Summarized Statements of Earnings and Comprehensive Income

	Candelaria mine		Ojos mine	
For the years ended December 31	**2018**	2017	**2018**	2017
Total sales	**$ 811,034**	$ 1,186,313	**$ 188,453**	$ 206,228
Net earnings/Comprehensive income	**$ 86,721**	$ 353,232	**$ 27,133**	$ 32,846
Dividends paid to non-controlling interests	**$ -**	$ 50,000	**$ -**	$ 6,000

The above information is presented before inter-company eliminations.

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

16. REVENUE

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

		2018		2017
Revenue from contracts with customers:				
Copper	**$**	**1,156,426**	$	1,390,804
Zinc		**304,479**		312,800
Nickel		**157,127**		135,490
Gold		**79,728**		107,218
Lead		**60,882**		69,194
Silver		**25,875**		35,054
Other		**23,055**		26,937
		1,807,572		2,077,497
Provisional pricing adjustments on concentrate sales		**(81,983)**		
Revenue (Note 31)	**$**	**1,725,589**	$	2,077,497

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

		2018		2017
Revenue from contracts with customers:				
Europe	**$**	**956,399**	$	896,983
Asia		**585,852**		859,677
North America		**188,594**		184,175
South America		**76,727**		136,662
		1,807,572		2,077,497
Provisional pricing adjustments on concentrate sales		**(81,983)**		
Revenue (Note 31)	**$**	**1,725,589**	$	2,077,497

Provisional pricing adjustments are embedded in segment revenue for prior year comparatives. Revenue from contracts with customers for the year-ended December 31, 2018 includes a reversal of $15.3 million due to variable consideration adjustment (Note 12).

17. PRODUCTION COSTS

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

		2018		2017
Direct mine and mill costs	**$**	**882,571**	$	791,438
Transportation		**65,474**		69,095
Royalties		**21,565**		15,298
Total production costs	**$**	**969,610**	$	875,831

During the year ended December 31, 2018, the Company expensed $12.4 million (2017 - $14.2 million) related to union negotiation settlements.

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

18. EMPLOYEE BENEFITS

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

		2018		2017
Production costs				
Wages and benefits	**$**	**268,573**	$	244,372
Pension benefits		**966**		1,192
Share-based compensation		**3,185**		2,818
		272,724		248,382
General and administrative expenses				
Wages and benefits		**23,543**		18,292
Pension benefits		**868**		785
Share-based compensation		**8,701**		6,689
		33,112		25,766
General exploration and business development				
Wages and benefits		**7,762**		8,548
Pension benefits		**53**		391
Share-based compensation		**254**		351
		8,069		9,290
Total employee benefits	**$**	**313,905**	$	283,438

19. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

		2018		2017
General exploration	**$**	**75,214**	$	72,989
Project development		**6,475**		6,974
Corporate development		**3,607**		1,253
	$	**85,296**	$	81,216

Project development expenses include study costs related to potential expansion projects.

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

20. FINANCE INCOME AND COSTS

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

		2018		2017
Interest income	**$**	**25,490**	$	21,607
Interest expense and bank fees		**(27,078)**		(70,798)
Deferred revenue finance costs (Note 12)		**(31,914)**		-
Secured notes redemption fee (Note 11 (a))		**(16,901)**		(20,625)
Accretion expense on reclamation provisions		**(5,778)**		(5,810)
(Loss) gain on currency options		**(2,210)**		4,604
Other		**(1,801)**		727
Total finance costs, net	**$**	**(60,192)**	$	(70,295)

Finance income	**$**	**25,490**	$	26,938
Finance costs		**(85,682)**		(97,233)
Total finance costs, net	**$**	**(60,192)**	$	(70,295)

21. OTHER INCOME AND EXPENSE

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

		2018		2017
Revaluation of marketable securities	**$**	**13,520**	$	-
Foreign exchange gain (loss)		**13,328**		(17,589)
(Loss) gain on sale of assets		**(5,283)**		6,816
Revaluation of derivative asset and liability		**617**		7,455
Other expense		**(1,983)**		(1,855)
Total other income (expense), net	**$**	**20,199**	$	(5,173)

Other expense includes ancillary activities of the Company, including closure costs for closed operations.

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

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

22. CURRENT AND DEFERRED INCOME TAXES

		2018		2017
Current tax expense:				
Current tax on net taxable earnings (a)	$	79,058	$	173,940
Adjustments in respect of prior years		(2,297)		(1,158)
		76,761		172,782
Deferred tax expense (recovery):				
Origination and reversal of temporary differences		377		3,308
Change in tax rates		(2,866)		30,262
Utilization and recognition of previously unrecognized tax losses and temporary differences		(1,589)		(23,984)
Temporary differences for which no deferred asset was recognized		3,686		56
Write-down of deferred tax asset previously recorded		-		8,980
		(392)		18,622
Total tax expense	$	76,369	$	191,404

a) Current tax expense of $79.1 million reflects tax on net taxable earnings of $307.2 million, reduced by investment tax credit receivable of $13.6 million at Neves-Corvo.

The tax on the Company's earnings before income tax differs from the amount that would arise using the weighted average rate applicable to earnings of the consolidated entities as follows:

		2018		2017
Earnings excluding income taxes	$	291,809	$	693,385
Combined basic federal and provincial rates		26.5%		26.5%
Income taxes based on Canadian statutory income tax rates	$	77,329	$	183,747
Effect of different tax rates in foreign jurisdictions		(135)		(71,861)
Tax calculated at domestic tax rates applicable to earnings in the respective countries		77,194		111,886
Tax effects of:				
Non-deductible and non-taxable items (a)		7,929		69,524
Change in tax rates (b)		(2,866)		30,262
Adjustments in respect of prior years		3,607		(17,012)
Tax losses and temporary differences for which no deferred income tax asset was recognized		3,686		56
Write-down of deferred tax asset previously recorded		-		8,980
Utilization and recognition of previously unrecognized tax losses and temporary differences (c)		(1,589)		(23,984)
Tax recovery associated with government grants and other tax credits (d)		(29,931)		(6,967)
Net withholding tax on accrued interest receivable		16,363		16,918
Other		1,976		1,741
Total tax expense	$	76,369	$	191,404

The weighted average applicable tax rate for 2018 was 26.2% (2017 - 16.1%). The increase in the tax rate reflects the decrease in the proportion of income taxed at 0% due to the sale of TF Holdings in 2017. The Company's subsidiaries are in tax jurisdictions that have tax rates ranging from 21% to 32%.

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

The following corporate income tax rate changes in the tax jurisdictions in which we operate were effective January 1, 2018:

- Chile – Total corporate tax rate increased to 32% from 29.5%; dividend refund rate increased to 27% from 20.88%
- US – Federal tax rate decreased to 21% from 35%
- Portugal – Top marginal tax rate increased to 31.5% from 29.5% for taxable income greater than €35 million ($40.1 million)

Sweden will lower its corporate tax rate to 21.4% from 22% effective January 1, 2019 and will further reduce to 20.6% by 2021.

a) Included in the non-deductible tax expense of $7.9 million in the current year is the impact of the foreign exchange on intercompany transactions ($8.4 million). The prior year amount of $69.5 million includes a loss on the sale of TF Holdings ($69.0 million).

b) In 2018, the increase in dividend refund rate in Chile resulted in deferred tax recovery of $6.5 million while the increase in the marginal tax rate in Portugal increased deferred tax expense by $4.1 million from revaluing the deferred tax liabilities at the new rate.

In 2017, the deferred tax asset at Eagle was revalued at the new rate of 21% from 35% due to the US tax reform passed in December 2017 ($30.3 million).

c) The Company recognized an additional deferred tax asset of $20.5 million in 2017 at Eagle on tax losses that were not recognized in 2016 as it was determined that it was probable that Eagle would have sufficient taxable profits to utilize the deferred tax assets.

d) In 2018, Neves-Corvo recorded an investment tax credit receivable of $13.6 million mainly related to the Zinc Expansion Project capital spending. In Canada, $16.4 million of accrued withholding taxes payable in Chile will be available as future foreign tax credits to offset taxable income.

Deferred tax liabilities, net

	December 31, 2018	December 31, 2017
Deferred tax assets	**$ 94,472**	$ 84,713
Deferred tax liabilities	**(405,202)**	(407,527)
Deferred tax liabilities, net	**$ (310,730)**	$ (322,814)

Net deferred tax liabilities of $329.5 million (2017 - $279.7 million) are expected to be settled after 12 months and net deferred tax assets of $18.8 million (2017 - net deferred tax liabilities of $43.1 million) are expected to be settled within 12 months.

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

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

	As at December 31, 2017	(Expensed) / recovered	Equity adjustment	Reclass to current	Effects of foreign exchange	**As at December 31, 2018**
Deferred tax assets:						
Loss carryforwards	$ 107,285	$ 27,439	$ -	$ -	$ 17	**$ 134,741**
Reclamation and other closure provisions	34,217	1,165	-	-	(807)	**34,575**
Deferred revenue	-		9,131		(287)	**8,844**
Bond redemption fee	4,195	(528)		-		**3,667**
Other	13,061	(1,772)	(1,222)	-	818	**10,885**
Deferred tax liabilities:						
Mineral properties, plant & equipment	(436,542)	(18,340)	-	-	4,266	**(450,616)**
Provisions	(17,364)	(4,650)	(1,799)	-	1,575	**(22,238)**
Mining royalty taxes	(11,641)	1,618	-	-	-	**(10,023)**
Long-term inventory	(16,025)	(4,540)	-	-	-	**(20,565)**
	$ (322,814)	**$ 392**	**$ 6,110**	**$ -**	**$ 5,582**	**$ (310,730)**

	As at December 31, 2016	(Expensed) / recovered	Equity adjustment	Reclass to current	Effects of foreign exchange	As at December 31, 2017
Deferred tax assets:						
Loss carryforwards	$ 153,111	$ (45,817)	$ -	$ -	$ (9)	$ 107,285
Reclamation and other closure provisions	48,985	(16,509)	-	-	1,741	34,217
Employee benefits payable	1,765	(199)	-	-	203	1,769
Future tax credits	5,815	(6,230)	-	-	415	-
Share issuance and financing costs	1,396	(657)	544	-	-	1,283
Bond redemption fee	-	4,195		-		4,195
Other	7,042	(2,440)	-	16,419	(1,215)	19,806
Deferred tax liabilities:						
Mineral properties, plant & equipment	(489,908)	63,801	-	-	(10,435)	(436,542)
Provisions	(10,835)	(6,905)	-	-	(1,393)	(19,133)
Mining royalty taxes	(14,282)	2,641	-	-		(11,641)
Long-term inventory	(9,618)	(6,407)	-	-		(16,025)
Revaluation loss	(3,108)	(3,905)	-	-		(7,013)
Other	(826)	(189)	-	-		(1,015)
	$ (310,463)	$ (18,621)	$ 544	$ 16,419	(10,693)	(322,814)

Deferred tax assets are recognized for tax loss carry-forwards and other temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable.

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

The Company did not recognize deferred tax assets of $13.1 million (2017 - $15.3 million) in respect of losses amounting to $50.8 million (2017 - $59.5 million) that can be carried forward against future taxable income.

Year of expiry	Canada	Ireland	Total
2023 and thereafter	$ 24,430	$ 26,342	$ 50,772

The non-capital losses in Ireland can be carried forward indefinitely.

23. 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 December 31, 2018 and December 31, 2017:

		December 31, 2018		December 31, 2017	
	Level	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Restricted cash	1	**$ 44,424**	**$ 44,424**	$ 44,848	$ 44,848
Trade receivables (provisional)	2	**244,577**	**244,577**	285,385	285,385
Marketable securities	1	**2,756**	**2,756**	3,425	3,425
Derivative asset	2	**25,098**	**25,098**	33,351	33,351
Currency options	2	**-**	**-**	5,318	5,318
		$ 316,855	**$ 316,855**	$ 372,327	$ 372,327
Available for sale					
Marketable securities	1	**$ -**	**$ -**	$ 39,717	$ 39,717
Financial liabilities					
Amortized cost					
Long-term debt and finance leases	1,2	**$ 10,992**	**$ 10,992**	$ 449,946	$ 489,605
Fair value through profit or loss					
Derivative liability	2	**$ 30**	**$ 30**	$ 8,900	$ 8,900

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

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

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

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

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

Trade receivables – The fair value of the embedded derivative on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized negative pricing adjustments of $82.0 million in revenue during the year ended December 31, 2018 (2017 - $118.2 million positive pricing adjustments).

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

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

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

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

24. COMMITMENTS AND CONTINGENCIES

a) Somincor has a fifty-year concession royalty agreement with the Portuguese government to pay the greater of 10% of prescribed net earnings or 1% of mine-gate production revenue. Royalty costs for 2018 in the amount of $7.1 million (2017 - $5.8 million) were included in production costs.

b) Eagle mine has obligations under state and private royalty agreements ranging from 1.0% to 7.0% of net sales. In addition, the operation is subject to a severance tax of 2.75% of net sales owed to the state of Michigan. Combined, for 2018, $21.4 million (2017 - $15.5 million) was recorded in production costs under these agreements.

c) A sliding scale royalty payment of between 5% to 14% of adjusted taxable income is payable to the Chilean government relating to Candelaria. Royalty costs for 2018 of $6.9 million (2017 - $22.2 million) have been reported as a tax expense in Candelaria.

d) As part of the disposal of the Aguablanca mine, the Company issued guarantees to the purchaser for $6.8 million (€5.9 million).

e) Under an agreement with Wheaton, the Company has agreed to deliver all future production of silver contained in concentrate produced from the Zinkgruvan mine. The Wheaton agreement with the Zinkgruvan mine includes a guaranteed minimum delivery of 40 million ounces of silver over an initial 25 year term. If at the end of the initial term the Company has not met its minimum obligation, it must pay Wheaton $1.00 for each ounce of silver not delivered. An aggregate total of approximately 24.8 million ounces has been delivered since the inception of the contract in 2004.

f) Related to the Candelaria acquisition, contingent consideration of up to $200 million is payable and calculated as 5% of net copper revenue in any annual period until the end of 2019 if the realized average copper price exceeds $4.00 per pound.

g) Under the terms of the TF Holdings disposal, the Company could receive contingent consideration of up to $51.4 million, consisting of $25.7 million if the average copper price exceeds $3.50 per pound and $25.7 million if the average cobalt price exceeds $20.00 per pound, both during a 24-month period beginning on January 1, 2018 (Note 30).

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

h) Pursuant to the terms of a signed Settlement and Community Development Agreement with the municipality of Tierra Amarilla, Chile, Candelaria mine has committed to a multi-year community investment program to support flood reconstruction, regional environmental reclamation activities, community infrastructure and social programs. Remaining committed funding is approximately $4.6 million.

i) The Company is a party to certain contracts relating to operating leases. Future minimum payments under these agreements as at December 31, 2018 are as follows:

2019	$ 14,944
2020	13,461
2021	11,572
2022	5,879
2023	3,284
2024 and thereafter	2,782
Total commitments	**$ 51,922**

k) The Company has capital commitments of $230.5 million on various initiatives, of which $210.8 million is expected to be paid during 2019.

l) During 2018, the Chilean Internal Revenue Service ("IRS") issued a tax assessment of $8.2 million ($4.2 million in tax refunds and $4.0 million in interest and penalties) denying a tax deduction related to interest expenses arising from an intercompany debt for the taxation years 2014 and 2015. While not yet assessed by the IRS, a similar position would deny tax refunds of approximately $50 million, excluding possible penalties and interest, related to 2016 and 2017 in addition to a current tax receivable of $10.5 million and deferred tax asset of $47.8 million recorded at December 31, 2018. The Company believes the claims are inconsistent with Chilean tax law and without merit and accordingly has filed an appeal with the Department of Administrative Tax Procedures of the IRS. While it is uncertain, no tax expense was accrued for this assessment as the Company believes it is probable its original filing position is in compliance with tax regulations and intends to vigorously defend this position.

m) The Company may be involved in legal proceedings arising in the ordinary course of business, including the actions 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. The Company believes the claims to be without merit and accordingly has not accrued any amounts related to the below litigations unless otherwise noted. The Company intends to vigorously defend these claims.

   i) Two proposed class actions were filed against Lundin Mining and certain officers and directors. The first, in the province of Ontario, on December 7, 2017 (Markowich v. Lundin Mining Corporation et al) and a second overlapping action in the Province of Québec on January 18, 2018 (Prévreau v. Lundin Mining Corporation et al). Both proposed class actions seek damages of $130 million (C$175 million) and punitive damages of $7.0 million (C$10 million) and assert various statutory and other claims related to, among other things, alleged misrepresentations and/or failure to make timely disclosure of material information about the Company's business and operations and, in particular, the operations of the Candelaria Mine and a rock slide at the Candelaria Mine on October 31, 2017. The proposed Ontario class action asserts claims on behalf of a putative class comprising persons who acquired securities of the Company between October 25, 2017, and November 29, 2017, whereas the proposed Québec class action asserts claims on behalf of only such persons who are resident or domiciled in Québec. In June 2018, counsel to the plaintiffs in the Québec action agreed to a stay (i.e., indefinite cessation) of that proceeding in light of the Ontario action. On August 30, 2018, the Québec Superior Court, on consent of the parties, stayed the Québec action indefinitely. It is not possible at this time for the Company to predict an outcome of the class action proceedings.

ii) In late May 2018, the Company became aware that the Portuguese Authority for Working Conditions ("ACT") had issued a number of criminal and administrative complaints against the Company's wholly-owned subsidiary Somincor and certain of Somincor's current and former management and directors in respect of certain labour actions involving mill personnel at the Neves-Corvo mine in December 2017 and March 2018. Somincor has paid nominal fines associated with the administrative complaints but continues to defend its position against criminal complaints which includes associated fines with a maximum value of $4.1 million (€3.6 million).

iii) In early 2018, the Company was notified of claims alleging contamination to marine habitat as a result of vessel loading activities at the Punta Padrones port owned by Candelaria. The claims seek damages totaling approximately $42 million. These proceedings are at a very early stage and it is not possible at this time for the Company to predict an outcome.

25. SEGMENTED INFORMATION

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

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

For the year ended December 31, 2018

	Candelaria Chile	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Other	Total
Revenue	$ 838,772	$ 265,863	$ 404,263	$ 216,691	$ -	$ 1,725,589
Cost of goods sold						
Production costs	(493,105)	(125,837)	(261,296)	(86,512)	(2,860)	(969,610)
Depreciation, depletion and amortization	(164,708)	(65,808)	(57,656)	(29,662)	(1,542)	(319,376)
Gross profit	180,959	74,218	85,311	100,517	(4,402)	436,603
General and administrative expenses	-	-	-	-	(49,438)	(49,438)
General exploration and business development	(40,430)	(22,166)	(5,232)	(8,857)	(8,611)	(85,296)
Finance costs	(27,053)	(117)	(4,370)	(3,687)	(24,965)	(60,192)
Income from equity investment in associate	-	-	-	-	29,933	29,933
Other income (expense)	10,187	(1,622)	6,384	6,261	(1,011)	20,199
Income tax expense	(13,982)	(5,939)	(14,624)	(17,586)	(24,238)	(76,369)
Net earnings (loss)	**$ 109,681**	**$ 44,374**	**$ 67,469**	**$ 76,648**	**$ (82,732)**	**$ 215,440**
Capital expenditures	**$ 498,610**	**$ 45,807**	**$ 163,827**	**$ 37,951**	**$ 5,558**	**$ 751,753**
Total non-current assets[1]	**$ 2,617,749**	**$ 384,682**	**$ 930,811**	**$ 236,566**	**$ 147,819**	**$ 4,317,627**

1. Non-current assets include long-term inventory, mineral properties, plant and equipment, investment in associates and goodwill.

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

For the year ended December 31, 2017

	Candelaria Chile	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Tenke Fungurume DRC	Other	Total
Revenue	$ 1,230,196	$ 276,531	$ 328,925	$ 241,845	$ -	$ -	$ 2,077,497
Cost of goods sold							
Production costs	(474,049)	(122,556)	(193,122)	(84,757)	-	(1,347)	(875,831)
Depreciation, depletion and amortization	(192,470)	(107,820)	(54,975)	(24,424)	-	(1,628)	(381,317)
Gross profit	563,677	46,155	80,828	132,664	-	(2,975)	820,349
General and administrative expenses	-	-	-	-	-	(38,835)	(38,835)
General exploration and business development	(39,019)	(19,814)	(5,727)	(7,513)	-	(9,143)	(81,216)
Finance costs	(1,942)	(249)	7,511	(534)	-	(75,081)	(70,295)
Income from equity investment in associate	-	-	-	-	-	13,489	13,489
Other (expenses) income	(8,623)	221	(14,554)	(8,010)	-	25,793	(5,173)
Income tax expense	(121,381)	(15,459)	(9,837)	(25,295)	-	(19,432)	(191,404)
Net earnings (loss) from continuing operations	$ 392,712	$ 10,854	$ 58,221	$ 91,312	$ -	$ (106,184)	$ 446,915
Earnings from discontinued operations	$ -	$ -	$ -	$ -	$ 55,066	$ -	$ 55,066
Net earnings (loss)	$ 392,712	$ 10,854	$ 58,221	$ 91,312	$ 55,066	$ (106,184)	$ 501,981
Capital expenditures	$ 334,979	$ 39,527	$ 59,750	$ 42,904	$ -	$ 1,650	$ 478,810
Total non-current assets[1]	$ 2,238,201	$ 388,901	$ 844,141	$ 245,379	$ -	$ 108,449	$ 3,825,071

1. Non-current assets include long-term inventory, mineral properties, plant and equipment, investment in associates and goodwill.

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

26. RELATED PARTY TRANSACTIONS

a) **Transactions with associates** - The Company enters into transactions related to its investments in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Note 8 & Note 30).

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

		2018		2017
Wages and salaries	**$**	**5,902**	$	6,701
Pension benefits		**148**		172
Share-based compensation		**5,056**		3,928
Post-employment benefits		**6,313**		-
	$	**17,419**	$	10,801

c) **Other related parties** –The Company paid $2.2 million (2017 - $1.9 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

27. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, foreign exchange risk, commodity price risk and interest rate risk.

a) Credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes that its maximum exposure to credit risk as at December 31, 2018 is the carrying value of its trade receivables.

Concentrate produced at the Company's Candelaria, Ojos, Eagle, Neves-Corvo and Zinkgruvan mines are sold to a number of strategic customers with whom the Company has established long-term relationships. Limited amounts are occasionally sold to commodity traders on an ad hoc basis. Payment terms vary and provisional payments are normally received within one to four weeks of shipment, in accordance with industry practice, with final settlement up to six months following the date of shipment. Sales to commodity traders are made on a cash up-front basis. Credit worthiness of customers are reviewed by the Company on an annual basis or more frequently, if warranted, and those not meeting certain credit criteria are required to make 100% provisional payment up-front or provide an acceptable payment instrument such as a letter of credit. The failure of any of the Company's strategic customers could have a material adverse effect on the Company's financial position. For the year ended December 31, 2018, the Company has three customers that individually account for more than 10% of the Company's total sales. These customers represent approximately 18%, 18% and 15% of total sales.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with long-term credit ratings with Standard & Poor's of at least A, or the equivalent thereof with Moody's, or those which have been otherwise approved.

b) Liquidity risk

The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient available capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company has a revolving credit facility in place to assist with meeting its cash flow needs as required (Note 11).

The maturities of the Company's non-current liabilities are disclosed in Note 11. All current liabilities are settled within one year.

c) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily with respect to €, SEK and CLP.

The Company's risk management objective is to manage cash flow risk related to foreign denominated cash flows. The Company is exposed to currency risk related to changes in rates of exchange between foreign denominated balances and the functional currencies of the Company's principal operating subsidiaries. The Company's revenues are denominated in US dollars, while most of the Company's operating and capital expenditures are denominated in the local currencies. A significant change in the currency exchange rates between the US dollar and foreign currencies could have a material effect on the Company's net earnings and on other comprehensive income.

The Company had CLP call options against the USD to mitigate foreign exchange risk related to CLP strengthening, which expired on December 31, 2018.

The impact of a US dollar change against the SEK by 10% at December 31, 2018 would have a $3.8 million (2017 - $7.3 million) impact on post-tax earnings. The impact of a US dollar change against the € by 10% at December 31, 2018 would have a $5.7 million (2017 - $10.1 million) impact on post-tax earnings. The impact of a US dollar change against CLP by 10% would have a $11.6 million (2017 - $8.7 million) impact on post-tax earnings, with all other variables held constant.

The impact of a US dollar change against the € and SEK by 10% at December 31, 2018 would have a $104.1 million (2017 - $105.3 million) impact on OCI.

d) Commodity price risk

The Company is subject to price risk associated with fluctuations in the market prices for metals.

The Company may, at its election, use forward or derivative contracts to manage its exposure to changes in commodity prices, the use of which is subject to appropriate approval procedures. The Company is also subject to price risk on the final settlement of its provisionally priced trade receivables.

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

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

Metal	Tonnes Payable	Provisional price on December 31, 2018 ($US/tonne)	Change	Effect on Revenue ($millions)
Copper	56,015	5,965	+/-10%	+/-$33.4
Zinc	21,916	2,479	+/-10%	+/-$5.4
Nickel	4,760	10,646	+/-10%	+/-$5.1

e) Interest rate risk

The Company’s exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents.

28. MANAGEMENT OF CAPITAL RISK

The Company’s objectives when managing its capital include ensuring a sufficient combination of positive operating cash flows and debt and equity financing in order to meet its ongoing capital development and exploration programs in a way that maximizes the shareholder return given the assumed risks of its operations while, at the same time, safeguarding the Company’s ability to continue as a going concern. The Company considers the following items as capital: excess cash balances, share capital reserve and long-term debt.

Through the ongoing management of its capital, the Company will modify the structure of its capital based on changing economic conditions in the jurisdictions in which it operates. In doing so, the Company may issue new shares or debt, buy back issued shares, or pay off any outstanding debt. The Company continuously monitors its capital structure to determine the appropriateness of paying dividends.

Planning, including life-of-mine plans, annual budgeting and controls over major investment decisions are the primary tools used to manage the Company’s capital. Updates are made as necessary to both capital expenditure and operational budgets in order to adapt to changes in risk factors of proposed expenditure programs and market conditions within the mining industry.

29. SUPPLEMENTARY CASH FLOW INFORMATION

		2018		2017
Changes in non-cash working capital items consist of:				
Trade and income taxes receivable, inventories, and other current assets	**$**	**68,366**	$	(71,419)
Trade and income taxes payable, and other current liabilities		**(78,583)**		144,937
	$	**(10,217)**	$	73,518
Operating activities included the following cash payments:				
Income taxes paid	**$**	**202,352**	$	95,597

During the year ended December 31, 2018, total interest paid, including capitalized interest, was $40.2 million (2017 - $78.9 million). Total interest received for the year ended December 31, 2018 was $25.9 million (2017 - $19.5 million).

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

30. DISCONTINUED OPERATIONS

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

The gain on disposal of Tenke Fungurume is calculated as follows:

		2017
Consideration received at fair value:		
Cash proceeds (a)	$	1,135,993
Contingent consideration (b)		22,096
Settlement agreement costs (c)		(14,196)
Transaction costs		(371)
Total consideration received at fair value	**$**	**1,143,522**
Assets disposed of at carrying value:		
Asset held for sale	$	1,140,725
Total assets disposed of at carrying value		1,140,725
Gain on disposal of Tenke Fungurume	**$**	**2,797**

a) Cash proceeds of $1.121 billion were received net of the settlement agreement costs discussed in (c).

b) The fair value of the contingent consideration was determined using the Black-Scholes option pricing model with the following assumptions at the time of sale: risk-free rate of 1.2% and an expected price volatility of 17% and 26% for copper and cobalt, respectively. The contingent consideration was recorded as an asset under other non-current assets (Note 6 & Note 21). The Company has determined that the contingent consideration is a derivative financial instrument that is classified as FVTPL.

c) On completion of the sale, the Company paid $14.2 million to China Molybdenum Co., Ltd (together with its affiliates, "CMOC") as reimbursement for payments made by CMOC for a settlement agreement among Gécamines, Tenke Fungurume Mining S.A., TF Holdings, Freeport, CMOC, the Company and BHR to resolve all claims brought by Gécamines against TF Holdings and several other parties (other than the Company) related to the sale of TF Holdings.

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

		2017
Impairment reversal	$	21,922
Share of equity income		30,347
Gain on disposal		2,797
Earnings from discontinued operations	**$**	**55,066**

Basic and diluted earnings per share from discontinued operations in 2017 was $0.08. Net investing cash flows from discontinued operations for the year ended December 31, 2017 were $1,179.7 million.

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

31. IFRS 9 AND IFRS 15 TRANSITION ADJUSTMENTS

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

IFRS 15 – Revenue from Contracts with Customers

On the adoption of *IFRS 15*, the Company recorded a change to opening January 1, 2018 deficit and deferred revenue balances. Adjustments are due to a change in the transaction price for the Company's streaming agreements as a result of the existence of significant financing components at a weighted average rate of 5.2%

For the year ended December 31, 2018, the Company recognized finance costs on the deferred revenue balances, and made an adjustment to deferred revenue recognition for the inclusion of a significant financing component in the transaction price.

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

IFRS 9 – Financial Instruments

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

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

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

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

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

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

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

		December 31, 2018				
Condensed Consolidated Balance Sheet		**Reported**	**Impact of adoption of *IFRS 9***	**Impact of adoption of *IFRS 15***		**Balance without adoption of *IFRS 9* and *15***
ASSETS						
Mineral properties, plant and equipment	**$**	**3,829,345**	-	(2,682)	$	3,832,027
LIABILITIES						
Current portion of deferred revenue	**$**	**61,478**	-	25,496	$	35,982
Deferred revenue	**$**	**527,376**	-	83,327	$	444,049
Deferred tax liabilities	**$**	**405,202**	-	(8,598)	$	413,800
EQUITY						
Accumulated other comprehensive loss	**$**	**(260,179)**	-	2,072	$	(262,251)
Deficit	**$**	**(275,759)**	-	(104,979)	$	(170,780)

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

	Year ended December 31, 2018			
Consolidated Statement of Earnings	**Reported**	**Impact of adoption of *IFRS 9***	**Impact of adoption of *IFRS 15***	**Balance without adoption of *IFRS 9* and *15***
Revenue	**$ 1,725,589**	-	6,522	$ 1,719,067
Cost of goods sold				
Production costs	**(969,610)**	-	-	(969,610)
Depreciation, depletion and amortization	**(319,376)**	-	-	(319,376)
Gross profit	**436,603**	-	6,522	430,081
General and administrative expenses	**(49,438)**	-	-	(49,438)
General exploration and business development	**(85,296)**	-	-	(85,296)
Finance income	**25,490**	-	-	25,490
Finance costs	**(85,682)**	-	(34,594)	(51,088)
Income from equity investment in associate	**29,933**	-	-	29,933
Other income	**20,199**	(10,055)	-	30,254
Earnings before income taxes	**291,809**	(10,055)	(28,072)	329,936
Current tax expense	**(76,761)**	-	-	(76,761)
Deferred tax expense	**392**	-	130	262
Net earnings	**$ 215,440**	(10,055)	(27,942)	$ 253,437

	Year ended December 31, 2018			
Consolidated Statement of Comprehensive Income	**Reported**	**Impact of adoption of *IFRS 9***	**Impact of adoption of *IFRS 15***	**Balance without adoption of *IFRS 9* and *15***
Net earnings	**$ 215,440**	(10,055)	(27,942)	$ 253,437
Other comprehensive (loss) income, net of taxes				
Item that will not be reclassified to net earnings:				
Remeasurements of post-employment benefit plans	**(34)**	-	-	(34)
Item that may be reclassified subsequently to net earnings:				
Effects of foreign exchange	**(53,609)**	-	2,072	(55,681)
Item reclassified to net earnings:				
Realized gain on marketable securities	-	10,055	-	(10,055)
Other comprehensive (loss) income	**(53,643)**	10,055	2,072	(65,770)
Total comprehensive income (loss)	**$ 161,797**	-	(25,870)	$ 187,667
Comprehensive income (loss) attributable to:				
Lundin Mining Corporation shareholders	**$ 142,207**	-	(25,870)	$ 168,077
Non-controlling interests	**19,590**	-	-	19,590
Total comprehensive income (loss)	**$ 161,797**	-	(25,870)	$ 187,667

32. SUBSEQUENT EVENT

On January 9, 2019, Candelaria secured a fixed term loan (the “loan”) in the amount of $35 million. The loan accrues interest at a rate of 3.1% per annum, with interest payable upon maturity, on January 6, 2020.

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