

lundin mining

Management's Discussion and Analysis For the three and nine months ended September 30, 2016

This management's discussion and analysis ("MD&A") has been prepared as of October 26, 2016 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2016. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of \$ or USD is to United States dollars, C\$ is to Canadian dollars, CLP is to Chilean pesos, SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

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

Cautionary Statement on Forward-Looking Information

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

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Highlights

Operational Performance

Cash costs¹ for the third quarter of 2016 were favourable compared to the prior year as the Company continues with its spending restraint measures and benefited from higher by-product metal prices. Overall production for the third quarter of 2016 was less than that reported in the prior year, primarily as a result of lower throughput levels at all the operations. However, the Company remains on track to meet or do better than full year guidance across all operations.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 39,106 tonnes of copper, approximately 24,000 ounces of gold and 381,000 ounces of silver in concentrate during the quarter. Copper production was 13% lower than the prior year comparable period due primarily to lower head grades, but was in-line with the mine plan. Copper cash costs of \$1.34/lb for the quarter were lower than the prior year and consistent with full year guidance. Operational efficiencies resulted in lower costs in the current year compared with the third quarter of 2015.

Early works, including major power line relocations related to the Los Diques tailings project, are substantially complete. To date, approximately \$40 million has been spent on the project in 2016 with a further \$20 million expected over the remainder of the year. At the end of the quarter, all critical tailings dam construction permits had been obtained from relevant authorities.

Eagle (100% owned): Eagle produced 6,085 tonnes of nickel and 5,796 tonnes of copper in the current quarter, lower than the prior year comparable period for both metals due to lower throughput, head grades and recoveries. Nickel cash costs of \$2.15/lb for the quarter benefited from cost control measures and were lower than the comparable period in the prior year. Full year cash cost guidance has been reduced to \$1.90/lb, from \$2.00/lb, given positive results to date.

The Feasibility Study on Eagle East remains on track and is scheduled for completion before the end of the year. Development of the Eagle East exploration access ramp commenced in the quarter and is progressing as scheduled.

Neves-Corvo (100% owned): Neves-Corvo produced 9,691 tonnes of copper and 17,642 tonnes of zinc in the third quarter. Copper production was lower than the prior year comparable period due to lower mill throughput, lower head grades and recoveries, while zinc production in the quarter exceeded the prior year comparable period primarily as a result of higher recoveries. Copper cash costs of \$1.76/lb for the quarter were marginally lower than the prior year comparable period. Full year cash cost guidance is maintained at \$1.55/lb.

Zinkgruvan (100% owned): Zinc production in the third quarter of 2016 was marginally higher than the comparable period in 2015, while lead production of 6,406 tonnes was impacted by lower head grades. Cash costs for zinc of \$0.41/lb for the quarter were consistent with the prior year comparable period and full year guidance.

Tenke (24% owned): Tenke operations continue to perform well, generally meeting expectations for the quarter. Lundin's attributable share of third quarter production included 13,522 tonnes of copper cathode and 980 tonnes of cobalt in hydroxide. The Company's attributable share of sales included 12,882 tonnes of copper at an average realized price of \$2.07/lb and 997 tonnes of cobalt at an average realized price of \$7.83/lb.

¹ Cash cost per pound is a non-GAAP measure – see page 31 of this MD&A for discussion of non-GAAP measures.

Tenke's operating cash costs for the third quarter of 2016 were \$1.16/lb of copper sold. Cash distributions received by Lundin Mining in the quarter were \$15.6 million from Tenke and \$1.2 million from the Freeport Cobalt operations, for total Tenke related distributions to the Company of \$16.8 million for the third quarter of 2016, and \$38.5 million year-to-date.

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

<i>(Contained metal in concentrate - tonnes)</i>	YTD	2016			Total	2015			
		Q3	Q2	Q1		Q4	Q3	Q2	Q1
Copper	187,990	61,149	61,662	65,179	282,210	61,418	70,481	73,565	76,746
Zinc	112,391	36,450	35,558	40,383	145,372	39,535	32,821	37,259	35,757
Nickel	18,865	6,085	6,812	5,968	34,380	7,588	8,146	8,594	10,052

Financial Performance

- Sales for the quarter ended September 30, 2016 were \$374.5 million, an increase of \$21.3 million in comparison to the third quarter of the prior year (\$353.2 million). The increase was mainly due to higher metal prices, net of price adjustments (\$49.9 million), partially offset by lower sales volumes (\$18.7 million), and the shutdown of the Aguablanca operations (\$9.1 million).

On a year-to-date basis, sales were \$1,086.4 million, a decrease of \$299.6 million in comparison to the first nine months of 2015 (\$1,386.0 million). The decrease was mainly due to lower metal prices, net of price adjustments (\$107.7 million), lower sales volumes (\$137.7 million), and the shutdown of the Aguablanca operations (\$62.3 million).

- Operating costs (excluding depreciation) for the quarter ended September 30, 2016 were \$225.6 million, a decrease of \$26.7 million in comparison to the third quarter of the prior year (\$252.3 million). The decrease was largely due to lower sales volumes (\$16.3 million) and the shutdown of the Aguablanca operations (\$13.5 million).

On a year-to-date basis, operating costs (excluding depreciation) were \$638.1 million, a decrease of \$116.4 million in comparison to the nine months ended September 30, 2015 (\$754.5 million). The decrease was largely due to lower sales volumes (\$75.2 million), the shutdown of the Aguablanca operations (\$38.3 million) and cost reduction measures.

- Operating earnings¹ for the quarter ended September 30, 2016 were \$142.6 million, an increase of \$48.5 million in comparison to the third quarter of the prior year (\$94.1 million). The increase was primarily due to higher metal prices (net of price adjustments) in the current quarter.

On a year-to-date basis, operating earnings were \$428.9 million, a decrease of \$182.2 million in comparison to the first nine months of 2015 (\$611.1 million). The decrease was primarily due to lower metal prices in the current year, net of price adjustments (\$107.7 million), lower sales volumes (\$62.5 million), and the shutdown of the Aguablanca operations (\$24.0 million).

- Depreciation, depletion and amortization expense decreased for the three and nine months ended September 30, 2016 when measured against the comparable period in 2015. The decrease was primarily attributable to lower production in the current year at Candelaria and an increase in the Candelaria Mineral Resources & Reserves Estimate (Q3: \$5.9 million, YTD: \$61.1 million), as well as the shutdown of the Aguablanca operations (Q3: \$2.8 million, YTD: \$14.1 million).

¹ Operating earnings is a non-GAAP measure – see page 31 of this MD&A for discussion of non-GAAP measures.

- Cash flow from operations for the quarter ended September 30, 2016 was \$59.3 million, a decrease of \$60.9 million in comparison to the third quarter of the prior year (\$120.2 million). The decrease was primarily due to changes in non-cash working capital (\$104.0 million), partially offset by higher operating earnings (\$48.5 million) in the current quarter.

On a year-to-date basis, cash flow from operations was \$255.3 million, a decrease of \$351.6 million in comparison to the nine months ended September 30, 2015 (\$606.9 million). The decrease was attributable to lower operating earnings in the current year (\$182.2 million) as well as changes in non-cash working capital (\$156.6 million).

- Net loss for the quarter ended September 30, 2016 was \$7.1 million compared to net loss of \$35.3 million in the third quarter of the prior year. Comparative net loss was lower due to:
 - higher operating earnings (\$48.5 million);
 - lower depreciation, depletion and amortization expense (\$11.0 million); and
 - lower general exploration and business development (\$6.9 million); partially offset by
 - higher net tax expense (\$39.5 million).

On a year-to-date basis, the Company reported a net loss of \$810.5 million compared to net earnings of \$101.8 million for the nine months ended September 30, 2015. Net loss in the current year was impacted by:

- impairment of investment in Tenke (\$772.1 million);
- lower operating earnings (\$182.2 million);
- lower income from investment in Tenke (\$23.0 million);
- higher net tax expense (\$16.7 million); and
- comparative foreign exchange losses (\$19.8 million); partially offset by
- lower depreciation, depletion and amortization expense (\$90.9 million).

Corporate Highlights

- On May 9, 2016, Freeport-McMoRan Inc. ("Freeport") announced that it had entered into an agreement to sell its indirect interest in TF Holdings Limited ("TF Holdings") to China Molybdenum Co., Ltd ("CMOC"), which is subject to, among other things, Lundin's right of first offer.

TF Holdings is the holding company that indirectly owns an 80 percent interest in Tenke Fungurume Mining S.A. Lundin has an indirect 30 percent interest in TF Holdings and an effective 24 percent interest in Tenke.

The Company has announced that the period in which the Company has the right to acquire Freeport's indirect interest in TF Holdings had been extended again, to November 15, 2016.

The Company, in consultation with its legal and financial advisors, continues to evaluate all its options in connection with its ownership interest in TF Holdings.

- On the August 11, 2016, the Company released a NI 43-101 Technical Report entitled "Technical Report on the Eagle Mine, Michigan, USA" authored by Roscoe Postle Associates.
- On September 1, 2016, the Company reported its Mineral Reserve and Resource estimates as at June 30, 2016 on SEDAR (www.sedar.com). On a consolidated and attributable basis, contained metal in the Proven and Probable Mineral Reserve category totaled 3,931,000 tonnes of copper, 2,737,000 tonnes of zinc and 95,000 tonnes of nickel.

- On October 20, 2016, the Company announced that it has executed an amending agreement to its \$350 million revolving credit facility that reduces the costs of borrowing and extends the term to June 2020, from October 2017.

Financial Position and Financing

- Net debt¹ position at September 30, 2016 was \$308.8 million compared to \$441.3 million at December 31, 2015 and \$341.9 million at June 30, 2016.
- The \$33.1 million decrease in net debt during the quarter was largely attributable to operating cash flows of \$59.3 million and receipt of distributions from Tenke of \$15.6 million, partially offset by investments in mineral properties, plant and equipment of \$41.4 million.

For the nine months ended September 30, 2016, net debt decreased by \$132.5 million due primarily to operating cash flows of \$255.3 million and receipt of distributions from Tenke and Freeport Cobalt of \$31.0 million and \$7.5 million, respectively, partially offset by investments in mineral properties, plant and equipment of \$127.7 million and net interest payments of \$40.2 million.

- The Company has a revolving credit facility available for borrowing up to \$350 million. As at September 30, 2016, the Company had no amount drawn on the credit facility, only a letter of credit in the amount of \$18.8 million (SEK 162 million).

Outlook

Market Conditions

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

2016 Production and Cost Guidance

- Production and cash cost guidance for 2016 has been updated from that disclosed in our Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2016, as noted below.
- Production guidance ranges have been updated and narrowed, taking into account production results to date.
- Cash cost guidance for Eagle has been lowered to reflect successful costs initiatives and positive results to date.
- Guidance on Tenke's cash costs reflect the most recent guidance from Freeport.

2016 Guidance (contained tonnes)		Previous Guidance ^a Tonnes C1 Cost		Revised Guidance Tonnes C1 Cost ^b	
Copper	Candelaria (80%)	128,000 - 132,000	1.35/lb	130,000 - 132,000	1.35/lb
	Eagle	20,000 - 23,000		22,000 - 24,000	
	Neves-Corvo	50,000 - 55,000	1.55/lb	48,000 - 51,000	\$1.55/lb
	Zinkgruvan	2,500 - 3,000		1,900 - 2,000	
	Tenke (24%)	52,800	1.28/lb	52,800	\$1.26/lb
	Total attributable	253,300 - 265,800		254,700 - 261,800	
Nickel	Eagle	21,000 - 24,000	\$2.00/lb	23,000 - 25,000	1.90/lb
Zinc	Neves-Corvo	65,000 - 70,000		70,000 - 73,000	
	Zinkgruvan	80,000 - 85,000	0.40/lb	80,000 - 85,000	\$0.40/lb
	Total	145,000 - 155,000		150,000 - 158,000	

a. Guidance as outlined in our MD&A for the three and six months ended June 30, 2016.

b. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.15, USD/SEK:8.30, USD/CLP:675) and metal prices (forecast at Cu: \$2.10/lb, Ni: \$4.25/lb, Zn: \$1.00/lb, Pb: \$0.80/lb, Au: \$1,250/oz, Ag: \$16.50/oz, Co: \$11.00/lb). Prior guidance assumed exchange rate of USD/CLP:690 and metal prices of Ni: \$4.00/lb, Zn: \$0.80/lb, Pb: \$0.75/lb, Au: \$1,150/oz and Ag: \$15.00/oz.

2016 Capital Expenditure

Capital expenditures (excluding Tenke) for 2016 are expected to be \$195 million, a \$10 million increase over previous guidance.

Revised Capital Expenditure Guidance

(\$ millions)	Prior Guidance ^a	Revisions	Revised Guidance
Candelaria			
Los Diques Tailings	60	-	60
Capitalized Stripping	30	5	35
Other Sustaining	10	5	15
	100	10	110
Eagle			
Eagle	10	-	10
Neves-Corvo			
Neves-Corvo	40	-	40
Zinkgruvan			
Zinkgruvan	35	-	35
	185	10	195

a - Guidance as outlined in our MD&A for the three and six months ended June 30, 2016.

The Company estimates its share of sustaining capital funding for 2016 at Tenke to be approximately \$25 million, unchanged from previous guidance. All of Tenke's capital expenditures and exploration programs are expected to be self-funded by cash flow from operations. The Company has received \$38.5 million from Tenke related investments year-to-date. After capital expenditures, the Company expects to receive cash distributions from Tenke and Freeport Cobalt in 2016 aggregating approximately \$50 million to \$60 million, in-line with previous guidance.

Exploration Investment

The Company's exploration expenditures (not including Tenke) are expected to approximate \$50 million in 2016.

Selected Quarterly Financial Information¹

(\$ millions, except share and per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Sales	374.5	353.2	1,086.4	1,386.0
Operating costs	(225.6)	(252.3)	(638.1)	(754.5)
General and administrative expenses	(6.3)	(6.8)	(19.4)	(20.4)
Operating earnings	142.6	94.1	428.9	611.1
Depreciation, depletion and amortization	(112.3)	(123.3)	(342.4)	(433.3)
General exploration and business development	(9.8)	(16.6)	(39.0)	(43.1)
Income from equity investment in associates	6.7	6.7	2.6	27.4
Finance income and costs, net	(19.3)	(21.3)	(59.4)	(67.0)
Other income and expenses, net	(6.3)	(5.7)	(13.6)	5.4
Impairment of investment in associates	-	-	(772.1)	-
Earnings (loss) before income taxes	1.6	(66.1)	(795.0)	100.5
Income tax (expense) recovery	(8.7)	30.8	(15.5)	1.3
Net (loss) earnings	(7.1)	(35.3)	(810.5)	101.8
Attributable to: Lundin Mining shareholders	(11.4)	(34.6)	(824.6)	83.7
Non-controlling interests	4.3	(0.7)	14.1	18.1
Net (loss) earnings	(7.1)	(35.3)	(810.5)	101.8
Cash flow from operations	59.3	120.2	255.3	606.9
Capital expenditures (including capitalized interest)	41.4	73.0	127.7	215.7
Total assets	5,960.5	7,250.8	5,960.5	7,250.8
Total long-term debt & finance leases	983.4	984.1	983.4	984.1
Net debt	308.8	453.8	308.8	453.8
Shareholders' equity	3,456.5	4,652.6	3,456.5	4,652.6
Key Financial Data:				
Basic and diluted (loss) earnings per share				
attributable to shareholders (EPS)	(0.02)	(0.05)	(1.15)	0.12
Operating cash flow per share ²	0.14	0.08	0.38	0.65
Dividends	-	-	-	-
Shares outstanding:				
Basic weighted average	719,932,559	719,508,835	719,732,581	718,916,468
Diluted weighted average	719,932,559	719,508,835	719,732,581	720,555,361
End of period	720,099,957	719,532,357	720,099,957	719,532,357

(\$ millions, except per share data)	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
Sales	374.5	342.3	369.6	316.0	353.2	501.3	531.5	443.0
Operating earnings	142.6	134.5	151.7	101.0	94.1	243.0	274.0	144.1
Asset impairment	-	(772.1)	-	(293.3)	-	-	-	(47.1)
Net (loss) earnings	(7.1)	(787.9)	(15.5)	(383.5)	(35.3)	53.7	83.3	36.6
Attributable to shareholders	(11.4)	(791.2)	(22.1)	(377.7)	(34.6)	46.4	71.8	25.8
EPS - Basic and Diluted	(0.02)	(1.10)	(0.03)	(0.52)	(0.05)	0.06	0.10	0.04
Cash flow from operations	59.3	153.2	42.9	107.1	120.2	262.7	224.0	68.4
Capital expenditures (incl. capitalized interest)	41.4	38.8	47.5	62.0	73.0	78.8	63.9	101.2
Net debt	308.8	341.9	438.1	441.3	453.8	497.2	649.2	829.2

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

2. Operating cash flow per share is a non-GAAP measure – see page 31 of this MD&A for discussion of non-GAAP measures.

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

Sales Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)	2016				2015				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)									
Candelaria (100%)	116,009	39,082	35,611	41,316	176,133	38,619	42,345	44,588	50,581
Eagle	16,811	5,493	5,366	5,952	22,661	6,075	5,689	5,797	5,100
Neves-Corvo	34,443	9,368	11,804	13,271	54,104	12,675	11,662	14,631	15,136
Zinkgruvan	1,766	886	902	(22)	2,065	12	461	906	686
Aguablanca	nil	nil	nil	nil	2,319	186	559	790	784
	169,029	54,829	53,683	60,517	257,282	57,567	60,716	66,712	72,287
Nickel (tonnes)									
Eagle	16,496	6,026	5,314	5,156	23,069	5,756	6,063	5,815	5,435
Aguablanca	nil	nil	nil	nil	4,399	324	978	1,415	1,682
	16,496	6,026	5,314	5,156	27,468	6,080	7,041	7,230	7,117
Zinc (tonnes)									
Neves-Corvo	43,699	15,042	15,044	13,613	51,279	10,737	12,638	13,744	14,160
Zinkgruvan	48,763	14,842	14,673	19,248	70,550	20,931	17,243	17,711	14,665
	92,462	29,884	29,717	32,861	121,829	31,668	29,881	31,455	28,825
Gold (000 oz)									
Candelaria (100%)	66	22	21	23	95	20	23	25	27
	66	22	21	23	95	20	23	25	27
Lead (tonnes)									
Neves-Corvo	2,675	748	1,174	753	2,767	387	174	1,134	1,072
Zinkgruvan	22,213	5,830	6,178	10,205	32,093	10,475	8,991	4,999	7,628
	24,888	6,578	7,352	10,958	34,860	10,862	9,165	6,133	8,700
Silver (000 oz)									
Candelaria (100%)	1,032	322	300	410	1,574	316	349	390	519
Eagle	64	22	16	26	93	56	18	8	11
Neves-Corvo	423	114	159	150	663	143	118	197	205
Zinkgruvan	1,268	340	368	560	1,936	597	553	378	408
	2,787	798	843	1,146	4,266	1,112	1,038	973	1,143

Sales Analysis

(\$ thousands)	Three months ended September 30,					Nine months ended September 30,				
	2016		2015		Change	2016		2015		Change
	\$	%	\$	%		\$	%	\$	%	
by Mine										
Candelaria	196,766	53	191,964	54	4,802	579,205	53	740,678	53	(161,473)
Eagle	71,101	19	59,981	17	11,120	182,323	17	233,404	17	(51,081)
Neves-Corvo	64,523	17	56,268	16	8,255	205,510	19	236,564	17	(31,054)
Zinkgruvan	42,099	11	35,883	10	6,216	121,366	11	115,048	8	6,318
Other	-	-	9,055	3	(9,055)	(2,030)	-	60,264	5	(62,294)
	374,489		353,151		21,338	1,086,374		1,385,958		(299,584)

(\$ thousands)	Three months ended September 30,					Nine months ended September 30,				
	2016		2015		Change	2016		2015		Change
	\$	%	\$	%	\$	\$	%	\$	%	\$
by Metal										
Copper	230,848	62	231,974	66	(1,126)	707,916	65	917,854	66	(209,938)
Nickel	41,640	11	38,921	11	2,719	94,854	9	180,336	13	(85,482)
Zinc	52,712	14	32,460	9	20,252	138,113	13	119,372	9	18,741
Gold	24,476	7	24,860	7	(384)	70,827	7	84,537	6	(13,710)
Lead	11,064	3	11,812	3	(748)	36,451	3	33,313	2	3,138
Silver	7,890	2	8,723	2	(833)	25,341	2	29,266	2	(3,925)
Other	5,859	1	4,401	2	1,458	12,872	1	21,280	2	(8,408)
	374,489		353,151		21,338	1,086,374		1,385,958		(299,584)

Sales for the quarter ended September 30, 2016 were \$374.5 million, an increase of \$21.3 million in comparison to the third quarter of the prior year (\$353.2 million). The increase was mainly due to higher metal prices, net of price adjustments (\$49.9 million), partially offset by lower sales volumes (\$18.7 million), and the shutdown of the Aguablanca operations (\$9.1 million).

On a year-to-date basis, sales were \$1,086.4 million, a decrease of \$299.6 million in comparison to the first nine months ended September 30, 2015 (\$1,386.0 million). The decrease was mainly due to lower metal prices, net of price adjustments (\$107.7 million), lower sales volumes (\$137.7 million), and the shutdown of the Aguablanca operations (\$62.3 million).

Sales of gold and silver for the quarter and nine months ended September 30, 2016 include the partial recognition of an upfront purchase price on the sale of precious metals streams for Candelaria, Neves-Corvo, and Zinkgruvan as well as the cash proceeds which amount to \$400/oz for gold and between \$4.00/oz and \$4.27/oz for silver.

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

Provisionally valued sales as of September 30, 2016

Metal	Tonnes Payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	64,267	2.21	4,863
Nickel	5,273	4.79	10,562
Zinc	14,869	1.08	2,373

Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended September 30, 2016				Three months ended September 30, 2015			
	Copper	Nickel	Zinc	Total	Copper	Nickel	Zinc	Total
Current period sales ¹	265,970	63,387	69,162	398,519	312,768	73,255	51,431	437,454
Prior period price adjustments	(3,107)	4,426	1,224	2,543	(43,979)	(11,478)	(970)	(56,427)
	262,863	67,813	70,386	401,062	268,789	61,777	50,461	381,027
Other metal sales				51,856				53,018
Less: TC/RC				(78,429)				(80,894)
Total Sales				374,489				353,151
Payable Metal (tonnes)	54,829	6,026	29,884		60,716	7,041	29,881	
Current period sales (\$/lb) ¹	\$2.20	\$4.77	\$1.05		\$2.34	\$4.72	\$0.78	
Prior period adjustments (\$/lb)	(0.03)	0.33	0.02		(0.33)	(0.74)	(0.01)	
Realized prices (\$/lb)	\$2.17	\$5.10	\$1.07		\$2.01	\$3.98	\$0.77	

1. Includes provisional price adjustments on current period sales.

Year to Date Reconciliation of Realized Prices

(\$ thousands)	Nine months ended September 30, 2016				Nine months ended September 30, 2015			
	Copper	Nickel	Zinc	Total	Copper	Nickel	Zinc	Total
Current period sales ¹	807,730	161,414	191,072	1,160,216	1,078,461	250,242	177,685	1,506,388
Prior period price adjustments	(858)	(2,135)	(721)	(3,714)	(38,485)	(6,689)	(2,099)	(47,273)
	806,872	159,279	190,351	1,156,502	1,039,976	243,553	175,586	1,459,115
Other metal sales				155,199				177,282
Less: TC/RC				(225,327)				(250,439)
Total Sales				1,086,374				1,385,958
Payable Metal (tonnes)	169,029	16,496	92,462		199,715	21,388	90,161	
Current period sales (\$/lb) ¹	\$2.17	\$4.44	\$0.94		\$2.45	\$5.31	\$0.89	
Prior period adjustments (\$/lb)	-	(0.06)	(0.01)		(0.09)	(0.14)	(0.01)	
Realized prices (\$/lb)	\$2.17	\$4.38	\$0.93		\$2.36	\$5.17	\$0.88	

1. Includes provisional price adjustments on current period sales.

Financial Results

Operating Costs

Operating costs (excluding depreciation) for the quarter ended September 30, 2016 were \$225.6 million, a decrease of \$26.7 million in comparison to the third quarter of the prior year (\$252.3 million). The decrease was largely due to lower sales volumes (\$16.3 million) and the shutdown of the Aguablanca operations (\$13.5 million).

On a year-to-date basis, operating costs (excluding depreciation) were \$638.1 million, a decrease of \$116.4 million in comparison to the first nine months of 2015 (\$754.5 million). The decrease was largely due to lower sales volumes (\$75.2 million) and the shutdown of the Aguablanca operations (\$38.3 million) and cost reduction measures.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense decreased for the three and nine months ended September 30, 2016 when measured against the comparable periods in 2015. The decrease was primarily attributable to Candelaria, with the combination of lower production in the current year periods and an increase in the mineral resources and reserves during 2016, as well as the shutdown of the Aguablanca operations.

For the three and nine months ended September 30, 2016, Candelaria's depreciation expense included the amortization of previously capitalized deferred stripping costs of \$18.8 million and \$65.2 million, respectively. The deferred stripping asset balance at September 30, 2016 was \$316.7 million.

Depreciation by operation (\$ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Candelaria	52,721	58,621	(5,900)	163,347	224,422	(61,075)
Eagle	33,228	33,102	126	97,064	105,823	(8,759)
Neves-Corvo	20,970	21,763	(793)	64,258	68,874	(4,616)
Zinkgruvan	4,731	6,419	(1,688)	16,011	18,143	(2,132)
Other	613	3,433	(2,820)	1,724	16,002	(14,278)
	112,263	123,338	(11,075)	342,404	433,264	(90,860)

Income from Equity Investment in Associates

Income from equity investments in associates includes earnings from a 24% interest in each of Tenke Fungurume and Freeport Cobalt. For Tenke, equity earnings of \$7.5 million were recognized for the three months ended September 30, 2016 (Q3 2015 - \$6.6 million) and \$3.8 million on a year-to-date basis (2015 - \$26.8 million). Refer to the section titled "Tenke Fungurume" contained in this MD&A for further discussion.

Finance Costs

Net finance costs of \$19.3 million for the three months ended September 30, 2016 were in-line with the \$21.3 million reported in the prior year comparable period.

On a year-to-date basis, net finance costs of \$59.3 million represents a decrease of \$7.7 million when compared to the prior year comparable period. The change was primarily attributable to net unrealized gains on revaluation of currency options and marketable securities (\$6.4 million).

Other Income and Expense

Net other expense of \$6.3 million for the three months ended September 30, 2016 was in-line with the \$5.7 million reported for the three months ended September 30, 2015.

Net other expense for the nine months ended September 30, 2016 was \$13.6 million compared to net other income of \$5.4 million for the nine months ended September 30, 2015. A foreign exchange loss was recognized in the current year of \$3.4 million, while a foreign exchange gain of \$16.5 million was recognized in the prior year.

Foreign exchange gains and losses recorded in Other Income and Expenses relate to working capital denominated in foreign currencies that was held by the Company's subsidiaries. Period end exchange rates having a meaningful impact on such subsidiaries at September 30, 2016 were \$1.00:CLP659 (June 30, 2016 - \$1.00:CLP661; December 31, 2015 - \$1.00:CLP710), \$1.12:€1.00 (June 30, 2016 - \$1.11:€1.00; December 31, 2015 - \$1.09:€1.00) and \$1.00:SEK8.62 (June 30, 2016 - \$1.00:SEK8.48; December 31, 2015 - \$1.00:SEK8.35).

Income Taxes

Income taxes by mine

Income tax expense (recovery) (\$ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Candelaria	2,193	(5,400)	7,593	4,903	16,487	(11,584)
Eagle	-	(13,960)	13,960	-	(12,449)	12,449
Neves-Corvo	(1,416)	(7,830)	6,414	(9,250)	(13,153)	3,903
Zinkgruvan	3,760	1,807	1,953	9,652	7,620	2,032
Other	4,124	(5,420)	9,544	10,140	242	9,898
	8,661	(30,803)	39,464	15,445	(1,253)	16,698

Income taxes by classification

Income tax expense (recovery) (\$ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Current income tax	19,379	14,971	4,408	40,461	66,206	(25,745)
Deferred income tax	(10,718)	(45,774)	35,056	(25,016)	(67,459)	42,443
	8,661	(30,803)	39,464	15,445	(1,253)	16,698

Income tax expense for the three months ended September 30, 2016 was \$8.7 million, compared to an income tax recovery of \$30.8 million recorded in the prior year. The increase in tax expense was mainly due to higher taxable earnings at Candelaria and in Canada and lower deferred tax assets recorded in the current period when compared to the prior period. Deferred tax assets were recorded in the prior year period for the tax losses reported by Eagle, investment tax credits received by Neves-Corvo and the recognition of deferred tax assets on tax losses in Canada.

On a year-to-date basis, income tax expense of \$15.4 million was \$16.7 million higher than the \$1.3 million income tax recovery recorded in the prior year, mainly due to higher taxable earnings in Canada in the current year and lower deferred tax assets recorded when compared to the prior year. In the prior year, deferred tax assets were recorded for tax losses at Eagle, investment tax credits at Neves-Corvo and tax losses in Canada, which were partially offset by higher taxable income at Candelaria.

Mining Operations

Production Overview

(Contained metal in concentrate)	2016				2015				
	YTD	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)									
Candelaria (80%)	94,016	31,285	29,525	33,206	144,832	31,875	36,156	37,321	39,480
Eagle	17,675	5,796	5,639	6,240	24,331	5,996	6,514	5,403	6,418
Neves-Corvo	35,582	9,691	12,146	13,745	55,831	11,078	13,917	15,348	15,488
Zinkgruvan	1,906	855	1,051	nil	2,044	5	475	974	590
Aguablanca	nil	nil	nil	nil	6,221	466	1,658	1,975	2,122
Tenke (24%)	25,288	-	13,300	11,988	48,951	11,998	11,761	12,544	12,648
	174,467	47,627	61,661	65,179	282,210	61,418	70,481	73,565	76,746
Nickel (tonnes)									
Eagle	18,865	6,085	6,812	5,968	27,167	7,074	6,438	6,349	7,306
Aguablanca	nil	nil	nil	nil	7,213	514	1,708	2,245	2,746
	18,865	6,085	6,812	5,968	34,380	7,588	8,146	8,594	10,052
Zinc (tonnes)									
Neves-Corvo	53,641	17,642	18,272	17,727	61,921	14,196	14,363	16,022	17,340
Zinkgruvan	58,750	18,808	17,286	22,656	83,451	25,339	18,458	21,237	18,417
	112,391	36,450	35,558	40,383	145,372	39,535	32,821	37,259	35,757
Gold (000 oz)									
Candelaria (80%)	56	19	18	19	82	18	20	22	22
	56	19	18	19	82	18	20	22	22
Lead (tonnes)									
Neves-Corvo	2,984	833	1,245	906	3,077	311	366	1,080	1,320
Zinkgruvan	24,298	6,406	7,063	10,829	34,120	10,733	8,609	7,379	7,399
	27,282	7,239	8,308	11,735	37,197	11,044	8,975	8,459	8,719
Silver (000 oz)									
Candelaria (80%)	959	304	276	379	1,499	315	347	371	466
Eagle	167	55	50	62	210	63	60	46	41
Neves-Corvo	929	279	331	319	1,329	269	310	359	391
Zinkgruvan	1,603	449	495	659	2,542	729	627	622	564
	3,658	1,087	1,152	1,419	5,580	1,376	1,344	1,398	1,462

Cash Cost Overview

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Candelaria (cost/lb Cu)				
Gross cost	1.56	1.63	1.50	1.46
By-product ¹	(0.22)	(0.19)	(0.22)	(0.19)
Net Cash Cost	1.34	1.44	1.28	1.27
All-In Sustaining Cost²	1.65	1.96	1.59	1.69
Eagle (cost/lb Ni)				
Gross cost	4.37	4.49	4.23	4.53
By-product	(2.22)	(2.11)	(2.38)	(2.52)
Net Cash Cost	2.15	2.38	1.85	2.01
All-In Sustaining Cost	2.48	2.77	2.21	2.50
Neves-Corvo (cost/lb Cu)				
Gross cost	3.09	2.34	2.46	2.13
By-product	(1.33)	(0.51)	(0.90)	(0.60)
Net Cash Cost	1.76	1.83	1.56	1.53
All-In Sustaining Cost	2.25	2.24	1.91	1.90
Zinkgruvan (cost/lb Zn)				
Gross cost	0.86	0.81	0.78	0.82
By-product	(0.45)	(0.40)	(0.41)	(0.40)
Net Cash Cost	0.41	0.41	0.37	0.42
All-In Sustaining Cost	0.58	0.56	0.56	0.60

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

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 31 of this MD&A for discussion of non-GAAP measures.

Capital Expenditures (including capitalized interest)¹

by Mine	Three months ended September 30,							
	2016				2015			
	Sustaining	Expansory	Capitalized Interest	Total	Sustaining	Expansory	Capitalized Interest	Total
Candelaria	23,418	-	1,500	24,918	46,447	-	2,413	48,860
Eagle	1,901	1,113	-	3,014	4,670	-	-	4,670
Neves-Corvo	7,508	-	-	7,508	10,833	-	-	10,833
Zinkgruvan	2,268	3,410	-	5,678	5,332	-	-	5,332
Other	271	-	-	271	3,324	-	-	3,324
	35,366	4,523	1,500	41,389	70,606	-	2,413	73,019
by Mine	Nine months ended September 30,							
	2016				2015			
	Sustaining	Expansory	Capitalized Interest	Total	Sustaining	Expansory	Capitalized Interest	Total
Candelaria	71,815	-	2,805	74,620	127,554	-	2,413	129,967
Eagle	4,947	1,113	-	6,060	12,211	7,258	-	19,469
Neves-Corvo	23,685	-	-	23,685	33,042	-	-	33,042
Zinkgruvan	17,727	5,074	-	22,801	18,602	-	-	18,602
Other	567	-	-	567	14,617	-	-	14,617
	118,741	6,187	2,805	127,733	206,026	7,258	2,413	215,697

1. Sustaining capital expenditures and expansory capital expenditures are non-GAAP measures – see page 31 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 Province, Region III of Chile. The Company holds an indirect 80 percent ownership interest in Candelaria with the remaining 20 percent interest indirectly held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation. CCMC consists of an open pit mine and an underground mine, Candelaria Norte, providing copper ore to an on-site processing plant. CCMO consists of two underground mines, Santos and Alcaparrosa, and the Pedro Aguirre Cerda (PAC) processing plant. The Santos mine provides copper ore to the PAC plant, while ore from the Alcaparrosa mine is treated at the CCMC plant. The CCMC plant has a processing capacity of 24.5 mtpa, and the PAC plant has a capacity of 1.3 mtpa, both producing copper in concentrate. The primary metal is copper, with gold and silver as by-product metals.

Operating Statistics

(100% Basis)	2016				2015				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	22,038	6,817	5,910	9,311	33,922	8,012	8,240	9,022	8,648
Ore milled (000s tonnes)	23,841	7,794	7,890	8,157	30,133	7,943	7,933	7,327	6,930
Grade									
Copper (%)	0.54	0.55	0.52	0.55	0.64	0.53	0.61	0.68	0.78
Recovery									
Copper (%)	91.3	90.5	90.7	92.7	92.7	92.2	92.4	94.0	92.6
Production (contained metal)									
Copper (tonnes)	117,520	39,106	36,907	41,507	181,040	39,844	45,195	46,651	49,350
Gold (000 oz)	70	24	22	24	102	22	25	27	28
Silver (000 oz)	1,199	381	345	473	1,874	394	433	464	583
Sales (\$000s)	579,205	196,766	175,737	206,702	908,129	167,451	191,964	256,524	292,190
Operating earnings (\$000s)	258,606	83,883	75,407	99,316	451,240	79,475	66,737	141,338	163,690
Cash cost (\$ per pound copper)	1.28	1.34	1.28	1.22	1.25	1.14	1.44	1.21	1.20
AISC (\$ per pound copper)	1.59	1.65	1.52	1.59	1.66	1.58	1.96	1.66	1.49

Operating Earnings

Operating earnings of \$83.9 million for the three months ended September 30, 2016 were \$17.1 million higher than the prior year comparable period. The increase was largely due to higher metal prices, net of price adjustments (\$11.2 million).

On a year-to-date basis, operating earnings of \$258.6 million were \$113.2 million lower than the prior year comparable period. The decrease was due to lower metal prices, net of price adjustments (\$62.8 million) and lower sales volumes (\$44.4 million).

Production

Copper production for the three and nine months ended September 30, 2016 of 39,106 tonnes and 117,520 tonnes, respectively, was lower than the comparable periods in 2015 by 13% and 17%, respectively. The decrease in copper production is largely a result of planned lower copper head grades in 2016 and plant maintenance performed in the quarter.

Although copper production for the quarter and year-to-date was lower than the prior year comparable periods, the operations remain on track to meet full year guidance for copper production.

Costs

Copper cash costs for the three months ended September 30, 2016 were \$1.34/lb, lower than cash costs of \$1.44/lb in the prior year comparable period, largely as a result of lower mine and milling costs (\$0.05/lb) and higher by-product credits (\$0.03/lb).

On a year-to-date basis, copper cash costs were \$1.28/lb, consistent with cash costs of \$1.27/lb in the prior year comparable period. Higher per unit mine and mill costs (\$0.12/lb) were partially offset by favourable foreign exchange rates (\$0.05/lb) and higher by-product credits (\$0.03/lb).

Copper cash costs to date are in-line with full year cash cost guidance of \$1.35/lb.

All-in sustaining costs of \$1.65/lb for the three months ended September 30, 2016, were lower than that of the corresponding period in 2015 (\$1.96/lb). The decrease is a result of lower cash costs, reduced capitalized stripping in phase 10 and lower sustaining capital expenditures as part of the Company's cost deferral programs.

For the nine months ended September 30, 2016, all-in sustaining costs of \$1.59/lb were lower than the prior year comparable period of \$1.69/lb, largely as a result of lower sustaining capital expenditures in the current period.

Approximately 15,000 oz of gold and 240,000 oz of silver produced in the quarter were subject to terms of a streaming agreement, in which \$400/oz and \$4.00/oz were recognized for gold and silver, respectively.

Projects

The Los Diques tailings dam facility is progressing on schedule, with early construction activities substantially complete. The crushing/screening plant to produce aggregates for the main dam construction was placed into operation on October 1, 2016. The relocation of power lines is complete and a provincial road relocation is nearing completion.

The last key approval from regulators needed to start the construction of the main Los Diques tailings facility was received on August 8, 2016 and all critical construction permits have now been received. Accordingly, foundation preparations, underdrains and seepage collection system construction have started.

Total project spend to complete the Los Diques tailings facility is currently estimated to be \$320 million. In addition to the \$70 million spent in 2015, approximately \$60 million is expected to be spent this year, including the \$40 million spent year-to-date in 2016. Expenditures in 2017 and 2018 are expected to be approximately \$150 million and \$40 million, respectively.

Eagle Mine

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

Operating Statistics

	2016				2015				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	562	189	188	185	740	190	191	175	184
Ore milled (000s tonnes)	558	188	184	186	746	183	193	184	186
Grade									
Nickel (%)	4.0	3.9	4.3	3.8	4.3	4.3	3.9	4.2	4.7
Copper (%)	3.3	3.2	3.1	3.4	3.4	3.4	3.5	3.1	3.6
Recovery									
Nickel (%)	84.4	84.1	85.4	83.6	84.2	83.8	85.0	84.4	83.5
Copper (%)	97.4	97.1	97.5	97.7	97.0	97.9	97.3	96.4	96.4
Production (contained metal)									
Nickel (tonnes)	18,865	6,085	6,812	5,968	27,167	7,074	6,438	6,349	7,306
Copper (tonnes)	17,675	5,796	5,639	6,240	24,331	5,996	6,514	5,403	6,418
Sales (\$000s)	182,323	71,101	57,999	53,223	284,015	50,611	59,981	85,032	88,391
Operating earnings (\$000s)	89,056	37,620	29,204	22,232	128,595	13,676	18,489	40,297	56,133
Cash cost (\$ per pound nickel)	1.85	2.15	1.75	1.61	2.02	2.06	2.38	2.15	1.45
AISC (\$ per pound nickel)	2.21	2.48	2.19	1.91	2.55	2.68	2.77	2.68	2.02

Operating Earnings

Operating earnings for the three months ended September 30, 2016 of \$37.6 million were \$19.1 million higher than 2015. The increase was primarily due to higher metal prices in the current quarter, net of price adjustments (\$13.9 million) and lower operating costs.

On a year-to-date basis, operating earnings of \$89.1 million were \$25.8 million lower than 2015. The decrease was primarily due to lower metal prices, net of price adjustments (\$41.5 million), partially offset by lower per unit operating costs (\$18.1 million).

Production

Nickel production for the three months ended September 30, 2016 was 6,085 tonnes compared to 6,438 tonnes in the prior year comparable period, while copper production was 5,796 tonnes compared to 6,514 tonnes in the prior year comparable period. The decrease in both metals was due to lower head grades and throughput.

On a year-to-date basis, nickel production was 18,865 tonnes compared to 20,093 tonnes in the prior year comparable period, with copper production of 17,675 tonnes in the current year, compared with 18,335 tonnes in 2015. Planned lower head grades from mine sequencing resulted in the decreases.

Costs

Nickel cash costs for the three months ended September 30, 2016 of \$2.15/lb were lower than the \$2.38/lb reported in the prior year. The decrease in cash costs is due to targeted mining and milling cost reductions (\$0.24/lb) in response to nickel market conditions, higher by-product credits (\$0.11/lb) and lower transportation costs (\$0.12/lb), partially offset by higher treatment costs (\$0.25/lb) associated with the customer mix.

On a year-to-date basis, nickel cash costs of \$1.85/lb were lower than the \$2.01/lb reported in the prior year. The reduction in cash costs is due to targeted cost savings (\$0.35/lb) in response to nickel market conditions, partly offset by lower by-product credits (\$0.14/lb).

Full year cash cost guidance has been lowered to \$1.90/lb, in recognition of positive results to date.

All-in sustaining costs of \$2.48/lb and \$2.21/lb for the three and nine months ended September 30, 2016, respectively, were lower than that of the corresponding period in 2015. The decrease for the quarter and year-to-date is a result of lower cash costs and lower sustaining capital expenditures as part of the Company's cost saving and cost deferral programs.

Projects

Drilling continued throughout the third quarter to further define the limits of the Eagle East mineralization and to test for new targets.

The Feasibility Study on Eagle East, which is due for completion by the end of the year, has progressed with the completion of geotechnical, hydrogeological and metallurgical investigation programs. Mine design and ongoing engineering studies are being conducted, looking at extending the Eagle mine infrastructure and its accompanying ventilation, dewatering and electrical systems to Eagle East. In parallel, ramp development to Eagle East commenced in July and is progressing as planned.

Total capital and project development expenditures for Eagle East are expected to be approximately \$8 million in 2016.

Neves-Corvo Mine

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

Operating Statistics

	2016				2015				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	1,753	557	594	602	2,501	583	614	673	631
Ore mined, zinc (000 tonnes)	794	254	272	268	1,000	241	255	254	250
Ore milled, copper (000 tonnes)	1,788	560	602	626	2,542	584	619	699	640
Ore milled, zinc (000 tonnes)	802	257	270	275	1,014	240	257	258	259
Grade									
Copper (%)	2.6	2.3	2.6	2.8	2.7	2.4	2.8	2.7	2.9
Zinc (%)	8.3	8.3	8.3	8.2	8.0	7.5	8.1	7.9	8.5
Recovery									
Copper (%)	76.9	76.3	77.1	77.2	80.6	79.6	79.1	81.1	82.4
Zinc (%)	78.0	81.0	77.4	75.9	71.8	75.6	63.3	73.6	74.9
Production (contained metal)									
Copper (tonnes)	35,582	9,691	12,146	13,745	55,831	11,078	13,917	15,348	15,488
Zinc (tonnes)	53,641	17,642	18,272	17,727	61,921	14,196	14,363	16,022	17,340
Lead (tonnes)	2,984	833	1,245	906	3,077	311	366	1,080	1,320
Silver (000 oz)	929	279	331	319	1,329	270	310	359	390
Sales (\$000s)	205,510	64,523	69,674	71,313	292,107	55,543	56,268	93,673	86,623
Operating earnings (\$000s)	43,195	6,763	15,466	20,966	71,316	(439)	6,991	34,051	30,713
Cash cost (€ per pound copper)	1.40	1.57	1.32	1.34	1.47	1.80	1.64	1.29	1.24
Cash cost (\$ per pound copper)	1.56	1.76	1.49	1.48	1.63	1.96	1.83	1.43	1.39
AISC (\$ per pound copper)	1.91	2.25	1.84	1.73	2.01	2.26	2.24	2.00	1.63

Operating Earnings

Operating earnings of \$6.8 million for the three months ended September 30, 2016 were in-line with the \$7.0 million realized the comparable period in 2015. The impact of higher metal prices, net of price adjustments (\$12.6 million) were more than offset by lower sales volumes, changes in sales mix and other costs.

Operating earnings of \$43.2 million for the nine months ended September 30, 2016 were \$28.6 million lower than 2015. The decrease was attributable to lower metal prices, net of price adjustments (\$6.8 million) and lower sales volumes (\$16.7 million).

Production

Copper production for the three and nine months ended September 30, 2016 was lower than the comparable periods in 2015 by 4,226 tonnes and 9,171 tonnes, respectively. The decrease was largely due to lower mill throughput, grades and recoveries.

Zinc production for the three and nine months ended September 30, 2016 was higher than the comparable period in 2015 by 3,279 tonnes and 5,916 tonnes, respectively. The increase is a result of higher plant recoveries in the current year periods. The sustained improvements in zinc production year-to-date are a result of concerted efforts directed to zinc plant stabilization over the past nine months.

Production of lead in concentrate for the three and nine months ended September 30, 2016 of 833 tonnes and 2,984 tonnes, respectively, was derived as a by-product from the zinc circuit.

Costs

Copper cash costs of \$1.76/lb for the quarter ended September 30, 2016 were lower than that of the corresponding period in 2015 of \$1.83/lb. The decrease is primarily as a result of higher by-product credits (\$0.82/lb), partially offset by higher mine and mill costs (\$0.44/lb) and higher administration costs (\$0.29/lb).

On a year-to-date basis, copper cash costs of \$1.56/lb were in-line with the comparable period in the prior year of \$1.53/lb. Higher mine and mill (\$0.23/lb) and administration (\$0.10/lb) costs were largely offset by higher by-product credits (\$0.30/lb).

Copper cash costs to date are in-line with full year cash costs guidance of \$1.55/lb.

All-in sustaining costs of \$2.25/lb and \$1.91/lb for the three and nine months ended September 30, 2016, respectively, are in-line with those of the corresponding period in 2015.

Zinkgruvan Mine

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

Operating Statistics

	2016				2015				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	763	211	264	288	1,126	313	257	289	267
Ore mined, copper (000 tonnes)	107	46	48	13	137	nil	40	52	45
Ore milled, zinc (000 tonnes)	797	256	237	304	1,096	307	260	267	262
Ore milled, copper (000 tonnes)	107	56	51	nil	139	nil	52	43	44
Grade									
Zinc (%)	8.2	8.1	8.2	8.3	8.3	9.0	7.7	8.6	7.6
Lead (%)	3.7	3.1	3.6	4.3	3.8	4.2	4.0	3.4	3.4
Copper (%)	2.0	1.7	2.3	nil	1.7	nil	1.1	2.4	1.5
Recovery									
Zinc (%)	90.0	90.7	89.3	90.0	92.1	91.5	91.5	92.8	92.6
Lead (%)	82.4	80.9	81.6	83.8	82.9	83.0	83.7	82.4	82.6
Copper (%)	91.6	90.5	92.4	nil	88.1	nil	80.1	91.9	89.0
Production (contained metal)									
Zinc (tonnes)	58,750	18,808	17,286	22,656	83,451	25,339	18,458	21,237	18,417
Lead (tonnes)	24,298	6,406	7,063	10,829	34,120	10,733	8,609	7,379	7,399
Copper (tonnes)	1,906	855	1,051	nil	2,044	5	475	974	590
Silver (000 oz)	1,603	449	495	659	2,542	729	627	622	564
Sales (\$000s)	121,366	42,099	38,906	40,361	155,130	40,082	35,883	41,301	37,864
Operating earnings (\$000s)	61,204	21,275	20,600	19,329	74,870	21,697	13,425	23,144	16,604
Cash cost (SEK per pound zinc)	3.09	3.49	2.78	3.02	3.16	2.29	3.44	3.65	3.49
Cash cost (\$ per pound zinc)	0.37	0.41	0.34	0.36	0.37	0.27	0.41	0.43	0.42
AISC (\$ per pound zinc)	0.56	0.58	0.56	0.55	0.55	0.44	0.56	0.63	0.60

Operating Earnings

Operating earnings of \$21.3 million were \$7.9 million higher than the \$13.4 million reported in the third quarter of 2015. The increase in earnings is largely attributable to higher metal prices, net of price adjustments (\$12.2 million), partially offset by lower net sales volumes (\$2.7 million).

For the nine months ended September 30, 2016, operating earnings of \$61.2 million were \$8.0 million higher than reported for the comparable period in 2015. Higher metal prices, net of price adjustments (\$3.4 million) and lower treatment charges (\$5.0 million), due to falling zinc concentrate supply, were the primary contributors to the increase in operating earnings over the prior year.

Production

Zinc production in the third quarter of 2016 was modestly higher (+2%) than the comparable period in 2015, while lead production was 2,203 tonnes lower, primarily as a result of mining taking place in areas with lower lead grades.

Copper production in the current quarter was higher than the same period last year, largely as a result of higher grades.

On a year-to-date basis, zinc production was in-line with 2015 levels, while higher lead grades resulted in 4% higher lead production.

Year-to-date copper production was in-line with the comparable period in 2015.

Costs

Zinc cash costs of \$0.41/lb for the quarter ended September 30, 2016 were consistent with those reported in the corresponding period in 2015.

On a year-to-date basis, cash costs for zinc were \$0.37/lb, compared to \$0.42/lb for the same period in 2015. The decrease is primarily due to lower mine costs (\$0.02/lb) and lower treatment charges (\$0.03/lb).

Year-to-date cash cost for zinc are in-line with full year cash guidance of \$0.40/lb.

All-in sustaining costs of \$0.58/lb and \$0.56/lb for the three and nine months ended September 30, 2016, respectively, were largely consistent with those reported in the corresponding period in 2015.

Projects

The \$16 million zinc plant project, to increase plant capacity by 10%, continued on pace for a mid-2017 commissioning. To date, approximately \$5 million has been spent on the project, with a further \$4 million expected to be spent over the remainder of 2016. The balance will be incurred in the first half of 2017.

Expansion of the existing Enemossen tailings facility is advancing on schedule, with the first phase of the new dam expected to be completed in the third quarter of 2017. Expenditures for the dam are expected to be approximately \$5 million in 2016 and \$2 million in 2017.

Tenke Fungurume

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

Operating Statistics

100% Basis	2016				2015				
	Total	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000 tonnes)	7,429	2,433	2,408	2,588	12,657	2,926	3,426	3,163	3,142
Ore milled (000 tonnes)	4,226	1,408	1,444	1,375	5,440	1,458	1,285	1,392	1,305
Grade									
Copper (%)	4.1	4.3	4.0	4.0	4.0	3.6	4.0	4.0	4.4
Recovery									
Copper (%)	93.6	93.5	94.5	92.8	94.0	94.0	94.0	93.9	94.0
Production (contained metal)									
Copper (tonnes)	161,706	56,340	55,418	49,948	203,964	49,990	49,005	52,268	52,701
Cobalt (tonnes)	12,688	4,083	4,304	4,301	16,014	4,571	3,973	4,148	3,322
Income (loss) from equity investment (\$000s) ¹	3,818	7,482	727	(4,391)	24,617	(2,212)	6,550	10,538	9,741
Attributable share of operating cash flows (\$000s)	62,893	16,512	20,285	26,096	63,486	8,780	9,296	4,279	41,131
Cash cost (\$ per pound copper) ²	1.27	1.16	1.34	1.31	1.21	1.35	1.15	1.07	1.26

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

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

Income from Equity Investment

Income of \$7.5 million in the current quarter was \$0.9 million higher than the third quarter of last year. Volume of copper cathode sold during the quarter, on a 100% basis, was 53,675 tonnes, higher than the 51,157 tonnes sold in the comparable period of last year.

The average price realized for copper sales during the quarter was \$2.07/lb, compared to \$2.32/lb in the third quarter of 2015. The average realized price for cobalt sold during the third quarter of 2016 was \$7.83/lb, compared to \$8.96/lb in the third quarter of 2015.

Production

Tenke produced 56,340 tonnes of copper for the three months ended September 30, 2016, higher than the prior year comparable quarter production of 49,005 tonnes due to higher mill throughput and copper ore grades. Cobalt production for the quarter was 4,083 tonnes, higher than the prior year comparable quarter of 3,973 tonnes due primarily to higher mill throughput.

The expanded milling facilities at Tenke continue to exceed original design capacity with throughput averaging 15,300 metric tonnes of ore per day ("mtpd") for the three months ended September 30, 2016. Mining rate during the quarter was approximately 136,000 mtpd, slightly lower than expectations due to ore rehandling.

Cash Costs

Cash costs for copper, net of cobalt by-product credits, were \$1.16/lb for the quarter and \$1.27/lb year-to date. These are marginally higher than the prior year comparable periods primarily reflecting lower cobalt by-product credits.

Freeport projects 2016 cash costs to approximate \$1.26/lb of copper, based on current sales volume and cost estimates and assuming an average cobalt price of \$11.00/lb for the second half of the year.

Tenke Cash Flow

Lundin's attributable share of operating cash flow at Tenke for the third quarter of 2016 was \$16.5 million. This is higher than the \$9.3 million recognized in the third quarter of 2015, due primarily to changes in non-cash working capital and long-term stockpiles.

Year-to-date, Lundin's attributable share of operating cash flow was \$62.9 million, higher than the \$54.7 million generated in the same period in 2015.

For the three and nine months ended September 30, 2016, \$4.4 million and \$20.0 million, respectively, was spent on the Company's attributable share of capital investments, which was fully funded by cash flow from Tenke operations. Lundin Mining's share of 2016 capital investment for Tenke, which is also expected to be self-funded by cash flow from Tenke operations, is expected to be approximately \$25 million. Key capital spending areas in 2016 include costs for site and transport related infrastructure.

The Company received cash distributions of \$15.6 million for the quarter ended September 30, 2016 from Tenke and \$1.2 million from Freeport Cobalt.

On a year-to-date basis, the Company received cash distributions of \$31.0 million from Tenke and \$7.5 million from Freeport Cobalt, for total distributions of \$38.5 million from Tenke related investments. The Company expects to receive cash distributions from Tenke and Freeport Cobalt in 2016 aggregating approximately \$50 million to \$60 million.

Exploration

Candelaria Mine, Chile (Copper, Gold)

There were nine exploration drill rigs active in the Candelaria District in the third quarter. Two drill rigs were working in Candelaria Norte, four rigs in the Santos Mine, one in the Alcaparrosa Mine and two operated in the open pit. A total of 25,733 metres were drilled during the third quarter of 2016.

The drilling program in Lila 3 and 4 in Candelaria Norte was completed, as planned, in the quarter.

Eagle Resource Exploration, USA (Nickel, Copper)

Four surface exploration drill rigs were active at Eagle during the third quarter of 2016. A total of 8,240 metres were drilled. Drilling targets focused on testing for extensions of the Eagle East conduit, sources of the conduit, and seismic geophysical targets, with borehole geophysics conducted on selected holes. Drilling with four rigs is planned for the remainder of 2016.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper, nickel and zinc for the third quarter of 2016 were higher than the average prices for the second quarter of 2016 by 1%, 16% and 18%, respectively. The prices of zinc and nickel increased substantially during the third quarter, largely as a result of mine closures in the period.

(Average LME Price)		Three months ended September 30,			Nine months ended September 30,		
		2016	2015	Change	2016	2015	Change
Copper	US\$/pound	2.16	2.39	-9%	2.14	2.59	-17%
	US\$/tonne	4,772	5,259		4,725	5,699	
Nickel	US\$/pound	4.66	4.79	-3%	4.18	5.72	-27%
	US\$/tonne	10,265	10,561		9,211	12,610	
Zinc	US\$/pound	1.02	0.84	22%	0.89	0.92	-4%
	US\$/tonne	2,255	1,847		1,955	2,035	

LME inventory for copper increased during the third quarter of 2016 by 94%, while LME inventory for nickel and zinc decreased by 5% and 1%, respectively, during the same period.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates between mining companies and commodity trading companies increased marginally during the third quarter of 2016. In July, the spot TC was \$97 per dmt of concentrate and the spot RC was \$0.097 per payable lb of copper and in September the TC had increased to \$98 per dmt of concentrate with a RC of \$0.098 per payable lb of copper contained. However, during the same period the spot terms at which the Chinese copper smelters were buying at decreased from a TC of \$105 per dmt of concentrate and a RC of \$0.105 per payable lb of copper in July to a TC of \$103 per dmt of concentrate and a RC of \$0.103 per payable lb of copper at the end of September. Supply of copper concentrates increased as several new copper mines reached production capacity during the quarter, in parallel with unusually few production disruptions on the mining side.

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

The spot TC for zinc concentrates in China continued to drop during the third quarter of 2016 from \$105 per dmt, flat, in July to \$90 per dmt, flat, at the end of the third quarter of 2016. Continued reduced supply due to mine closures, both scheduled due to depletion and price induced, caused the decrease.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents were \$691.3 million as at September 30, 2016, an increase of \$134.8 million from \$556.5 million at December 31, 2015 and an increase of \$33.7 million from \$657.6 million at June 30, 2016.

Cash inflows for the three months ended September 30, 2016 included operating cash flows of \$59.3 million and receipt of distributions from Tenke of \$15.6 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$41.4 million.

For the nine months ended September 30, 2016, cash inflows included operating cash flows of \$255.3 million and receipt of distributions from Tenke and Freeport Cobalt of \$31.0 million and \$7.5 million, respectively. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$127.7 million and net interest payments of \$40.2 million.

Working Capital

Working capital was \$834.5 million as at September 30, 2016, compared to \$707.2 million at December 31, 2015 and \$779.9 million as at June 30, 2016. The increase in working capital for the three and nine months is largely a reflection of a higher cash balance at September 30, 2016.

Long-Term Debt

As at September 30, 2016, the Company had \$550 million of 7.5% senior secured notes (due 2020) and \$445 million of 7.875% senior secured notes (due 2022) outstanding.

In addition, the Company has an undrawn \$350 million revolving credit facility, expiring in June 2020. A letter of credit has been issued in the amount of SEK 162 million (\$18.8 million).

Subject to various risks and uncertainties (*see Managing Risks section, page 30*), the Company believes it will generate sufficient cash flow and has adequate cash and debt facilities to finance on-going operations and planned capital and exploration investment programs.

Commitments

The Company has the following capital commitments as at September 30, 2016:

(\$ thousands)

2016	35,161
2017	21,481
2018	10,933
2019	611
Total	68,186

Shareholders' Equity

Shareholders' equity was \$3,456.5 million at September 30, 2016, compared to \$4,247.6 million at December 31, 2015. The decrease in shareholders' equity is primarily due to current year's net loss of \$810.5 million, partially offset by foreign currency translation adjustments of \$14.9 million in other comprehensive income.

Sensitivities

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

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

Metal	Tonnes Payable	Provisional price on September 30, 2016 (\$US/tonne)	Change	Effect on operating earnings (\$millions)
Copper	64,267	4,863	+/-10%	+/- \$31.3
Nickel	5,273	10,562	+/-10%	+/- \$5.6
Zinc	14,869	2,373	+/-10%	+/- \$3.5

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

Currency	Change	Three months ended September 30, 2016 (\$millions)	Nine months ended September 30, 2016 (\$millions)
Chilean peso	+/-10%	+/- \$9.0	+/- \$26.1
Euro	+/-10%	+/- \$5.2	+/- \$14.7
Swedish krona	+/-10%	+/- \$2.1	+/- \$6.2

Financial Instruments

Summary of financial instruments:

	Fair value at September 30, 2016 (\$ thousands)	Basis of measurement	Associated risks
Cash and cash equivalents	691,281	Carrying value	Credit/Exchange
Trade and other receivables	58,742	Carrying value	Credit/Market/Exchange
Trade receivables	185,153	FVTPL	Credit/Market/Exchange
Marketable securities and restricted funds	56,119	FVTPL	Market/Liquidity
Currency options	6,534	FVTPL	Market/Liquidity
Marketable securities	32	AFS	Market/Liquidity
Trade and other payables	190,012	Carrying value	Exchange
Long-term debt and finance leases	1,053,458	Amortized cost	Interest
Other long-term liabilities	11,958	Amortized cost	Interest

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

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

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

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

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

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

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

For the quarter ended September 30, 2016, the Company recognized positive prior period pricing adjustments of \$2.5 million in sales (2015: negative pricing adjustments of \$56.4 million), a revaluation gain of \$0.9 million on FVTPL securities (2015: loss of \$0.7 million). In addition, a foreign exchange loss of \$1.5 million (2015: gain of \$5.7 million) was realized in the quarter on working capital denominated in foreign currencies that was held in the Company's various entities.

For the nine months ended September 30, 2016, the Company recognized negative prior period pricing adjustments of \$3.7 million in sales (2015: \$47.3 million), a revaluation gain of \$0.3 million on FVTPL securities (2015: loss of \$2.1 million), and a revaluation gain of \$3.6 million on FVTPL currency options (2015: loss of \$0.4 million). In addition, a foreign exchange loss of \$3.4 million (2015: gain of \$16.5 million) was realized in the year on working capital denominated in foreign currencies that was held in the Company's various entities.

Related Party Transactions

Tenke Fungurume

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

The Company received \$15.6 million and \$31.0 million of cash distributions from Tenke during the three and nine months ended September 30, 2016, respectively.

Freeport Cobalt

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

The Company received \$1.2 million and \$7.5 million of cash distributions from Freeport Cobalt during the three and nine months ended September 30, 2016, respectively.

Key Management Personnel

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

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Wages and salaries	1,532	1,390	4,647	4,428
Pension and benefits	27	30	108	92
Share-based compensation	632	511	1,912	1,686
	2,191	1,931	6,667	6,206

For the three and nine months ended September 30, 2016, the Company paid \$0.1 million and \$0.5 million, respectively (Q3 2015 - \$0.1 million; YTD 2015 - \$0.4 million), to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

Changes in Accounting Policies

New Accounting Pronouncements

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

Critical Accounting Estimates and Assumptions

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

Managing Risks

Risks and Uncertainties

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

Outstanding Share Data

As at October 26, 2016, the Company has 720,166,857 common shares issued and outstanding, and 16,946,035 stock options and 2,011,600 share units outstanding under the Company's incentive plans.

Non-GAAP Performance Measures

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

Net Cash/Debt

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

(\$thousands)	September 30, 2016	June 30, 2016	December 31, 2015
Current portion of long-term debt and finance leases	(1,407)	(1,361)	(1,102)
Long-term debt and finance leases	(981,983)	(980,781)	(978,014)
	(983,390)	(982,142)	(979,116)
Deferred financing fees (netted in above)	(16,734)	(17,418)	(18,743)
	(1,000,124)	(999,560)	(997,859)
Cash and cash equivalents	691,281	657,618	556,511
Net debt	(308,843)	(341,942)	(441,348)

Operating Earnings

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

Operating Cash Flow per Share

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

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

(\$000s, except share and per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Cash provided by operating activities	59,276	120,211	255,337	606,859
Add: Changes in non-cash working capital items	42,517	(61,520)	16,254	(140,323)
Operating cash flow before changes in non-cash working capital items	101,793	58,691	271,591	466,536
Weighted average common shares outstanding (basic)	719,932,559	719,508,835	719,732,581	718,916,468
Operating cash flow per share (basic)	0.14	0.08	0.38	0.65

Capital Expenditures

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

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

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

Cash Cost per Pound

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

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

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

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

All-in sustaining cost per pound is not reported by Tenke's operator, Freeport, and accordingly has not been disclosed.

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

Three months ended September 30, 2016						
Operations	Candelaria	Eagle	Neves-Corvo	Zinkgruvan		
(\$000s, unless otherwise noted)	(Cu)	(Ni)	(Cu)	(Zn)		Total
Sales Volumes (Contained metal in concentrate):						
Tonnes	39,082	6,026	9,368	14,842		
Pounds (000s)	86,161	13,285	20,653	32,721		
Total Operating Cost						225,600
Less: By-Product Credits						(91,219)
Treatment Costs						63,213
Non-Cash Inventory						(197)
Royalties and Other						(3,849)
Cash Operating Cost	115,247	28,571	36,357	13,373		193,548
Cash Cost per pound (\$/lb)	1.34	2.15	1.76	0.41		
Add: Sustaining Capital Expenditure						
& Exploration ⁽¹⁾	26,092	1,493	8,974	5,393		
Royalties	-	2,705	608	-		
Accretion	730	208	395	112		
Leases & Other	-	-	66	225		
All-in Sustaining Cost	142,069	32,977	46,400	19,103		
AISC per pound (\$/lb)	1.65	2.48	2.25	0.58		
Three months ended September 30, 2015						
Operations	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Other	Total
(\$000s, unless otherwise noted)	(Cu)	(Ni)	(Cu)	(Zn)		
Sales Volumes (Contained metal in concentrate):						
Tonnes	42,345	6,063	11,662	17,243		
Pounds (000s)	93,355	13,367	25,710	38,014		
Total Operating Cost						252,269
Less: By-Product Credits						(76,090)
Treatment Costs						65,742
Non-Cash Inventory						546
Royalties and Other						(2,313)
Cash Operating Cost	134,133	31,814	47,013	15,459	11,734	240,154
Cash Cost per pound (\$/lb)	1.44	2.38	1.83	0.41	n/a	
Add: Sustaining Capital Expenditure						
& Exploration	48,018	2,548	10,678	5,197		
Royalties	-	2,419	(569)	-		
Accretion	508	200	393	98		
Leases & Other	-	-	-	498		
All-in Sustaining Cost	182,659	36,981	57,515	21,252		
AISC per pound (\$/lb)	1.96	2.77	2.24	0.56		

1. Sustaining Exploration is exploration expenditures incurred to further define existing producing ore bodies in order to sustain current operations. Sustaining Capital Expenditure, for the purposes of reporting AISC, is presented on an accrual basis and excludes capitalized interest.

Nine months ended September 30, 2016

Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Total
Sales Volumes (Contained metal in concentrate):					
Tonnes	116,009	16,496	34,443	48,763	
Pounds (000s)	255,756	36,367	75,934	107,504	
Total Operating Cost					638,098
Less: By-Product Credits					(254,424)
Treatment Costs					178,931
Non-Cash Inventory					1,131
Royalties and Other					(11,826)
Cash Operating Cost	326,793	67,339	118,309	39,469	551,910
Cash Cost per pound (\$/lb)	1.28	1.85	1.56	0.37	
Add: Sustaining Capital Expenditure					
& Exploration	77,541	6,158	23,664	20,041	
Royalties	-	6,189	1,946	-	
Accretion	2,166	623	1,185	341	
Leases & Other	-	-	197	576	
All-in Sustaining Cost	406,500	80,309	145,301	60,427	
AISC per pound (\$/lb)	1.59	2.21	1.91	0.56	

Nine months ended September 30, 2015

Operations (\$000s, unless otherwise noted)	Candelaria (Cu)	Eagle (Ni)	Neves-Corvo (Cu)	Zinkgruvan (Zn)	Other	Total
Sales Volumes (Contained metal in concentrate):						
Tonnes	137,514	17,313	41,429	49,619		
Pounds (000s)	303,166	38,169	91,335	109,391		
Total Operating Cost						754,484
Less: By-Product Credits						(271,380)
Treatment Costs						204,003
Non-Cash Inventory						(2,805)
Royalties and Other						(16,840)
Cash Operating Cost	386,316	76,761	139,389	45,960	19,036	667,462
Cash Cost per pound (\$/lb)	1.27	2.01	1.53	0.42	n/a	
Add: Sustaining Capital Expenditure						
& Exploration	123,645	9,928	29,785	18,036		
Royalties	-	8,209	3,010	-		
Accretion	1,544	599	1,183	260		
Leases & Other	-	-	-	1,156		
All-in Sustaining Cost	511,505	95,497	173,367	65,412		
AISC per pound (\$/lb)	1.69	2.50	1.90	0.60		

Management's Report on Internal Controls

Disclosure controls and procedures

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

Internal control over financial reporting

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

Control Framework

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

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the three month period ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

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

Other Supplementary Information

1. *List of directors and officers at October 26, 2016:*

(a) **Directors:**

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

(b) **Officers:**

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

2. **Financial Information**

The report for the year ending 2016 is expected to be published by February 23, 2017.

3. **Other information**

Address (Corporate head office):

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

Address (UK office):

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

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

For further information, please contact:

Mark Turner, *Director, Business Valuations and Investor Relations*: +1-416-342-5565,
mark.turner@lundinmining.com

Sonia Tercas, *Senior Associate, Investor Relations - North America*: +1-416-342-5583,
sonia.tercas@lundinmining.com

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

Condensed Interim Consolidated Financial Statements of

Lundin Mining Corporation

September 30, 2016
(Unaudited)

LUNDIN MINING CORPORATIONCONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited - in thousands of US dollars)September 30,
2016
December 31,
2015**ASSETS**

Current

Cash and cash equivalents (Note 3)	\$ 691,281	\$ 556,511
Trade and other receivables (Note 4)	243,895	192,194
Income taxes receivable	15,419	54,795
Inventories (Note 5)	134,506	144,746
Other current assets	11,011	5,101
	1,096,112	953,347

Non-Current

Restricted funds	53,075	53,818
Long-term inventory	245,917	194,065
Other non-current assets	12,164	13,341
Mineral properties, plant and equipment (Note 6)	3,144,392	3,354,711
Investment in associates (Note 7)	1,242,815	2,050,823
Deferred tax assets	58,726	55,022
Goodwill	107,292	104,921
	4,864,381	5,826,701

\$ 5,960,493 **\$ 6,780,048****LIABILITIES**

Current

Trade and other payables (Note 9)	\$ 231,350	\$ 231,960
Income taxes payable	30,312	14,201
Current portion of long-term debt and finance leases	1,407	1,102
Current portion of deferred revenue (Note 10)	53,271	58,666
Current portion of reclamation and other closure provisions	4,627	14,425
	320,967	320,354

Non-Current

Long-term debt and finance leases	981,983	978,014
Deferred revenue (Note 10)	523,393	549,830
Reclamation and other closure provisions	259,025	242,556
Other long-term liabilities	11,958	13,815
Provision for pension obligations	14,217	15,332
Deferred tax liabilities	392,458	412,536
	2,183,034	2,212,083

2,504,001 **2,532,437****SHAREHOLDERS' EQUITY**

Share capital	4,109,892	4,107,469
Contributed surplus	53,161	49,112
Accumulated other comprehensive loss	(293,934)	(308,819)
Deficit	(858,602)	(33,975)
Equity attributable to Lundin Mining Corporation shareholders	3,010,517	3,813,787
Non-controlling interests	445,975	433,824
	3,456,492	4,247,611
	\$ 5,960,493	\$ 6,780,048

Commitments (Note 18)

Subsequent event (Note 23)

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

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Sales	\$ 374,489	\$ 353,151	\$ 1,086,374	\$ 1,385,958
Operating costs (Note 12)	(225,600)	(252,269)	(638,098)	(754,484)
Depreciation, depletion and amortization (Note 6)	(112,263)	(123,338)	(342,404)	(433,264)
General and administrative expenses	(6,247)	(6,735)	(19,381)	(20,356)
General exploration and business development (Note 14)	(9,762)	(16,635)	(38,977)	(43,141)
Income from equity investment in associates (Note 7)	6,697	6,689	2,611	27,389
Finance costs (Note 15)	(19,336)	(21,327)	(59,267)	(67,023)
Other income (Note 16)	995	6,307	2,518	20,925
Other expenses (Note 16)	(7,422)	(11,929)	(16,293)	(15,497)
Impairment of investment in associates (Note 8)	-	-	(772,114)	-
Earnings (loss) before income taxes	1,551	(66,086)	(795,031)	100,507
Current tax expense (Note 17)	(19,379)	(14,971)	(40,461)	(66,206)
Deferred tax recovery (Note 17)	10,718	45,774	25,016	67,459
Net (loss) earnings	\$ (7,110)	\$ (35,283)	\$ (810,476)	\$ 101,760
Net (loss) earnings attributable to:				
Lundin Mining Corporation shareholders	\$ (11,374)	\$ (34,545)	\$ (824,627)	\$ 83,642
Non-controlling interests	4,264	(738)	14,151	18,118
Net (loss) earnings	\$ (7,110)	\$ (35,283)	\$ (810,476)	\$ 101,760
Basic and diluted (loss) earnings per share attributable to				
Lundin Mining Corporation shareholders	\$ (0.02)	\$ (0.05)	\$ (1.15)	\$ 0.12
Weighted average number of shares outstanding (Note 11)				
Basic	719,932,559	719,508,835	719,732,581	718,916,468
Diluted	719,932,559	719,508,835	719,732,581	720,555,361

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

LUNDIN MINING CORPORATION**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

(Unaudited - in thousands of US dollars)

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Net (loss) earnings	\$ (7,110)	\$ (35,283)	\$ (810,476)	\$ 101,760
Other comprehensive (loss) income, net of taxes				
Items that may be reclassified subsequently to net earnings:				
Effects of foreign exchange	2,392	(1,780)	14,885	(86,271)
Other comprehensive income (loss)	2,392	(1,780)	14,885	(86,271)
Comprehensive (loss) income	\$ (4,718)	\$ (37,063)	\$ (795,591)	\$ 15,489
Comprehensive (loss) income attributable to:				
Lundin Mining Corporation shareholders	\$ (8,982)	\$ (36,325)	\$ (809,742)	\$ (2,629)
Non-controlling interests	4,264	(738)	14,151	18,118
Comprehensive (loss) income	\$ (4,718)	\$ (37,063)	\$ (795,591)	\$ 15,489

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	(Deficit) Retained earnings	Non- controlling interests	Total
Balance, December 31, 2015	719,628,357	\$ 4,107,469	\$ 49,112	\$ (308,819)	\$ (33,975)	\$ 433,824	\$ 4,247,611
Distributions	-	-	-	-	-	(2,000)	(2,000)
Exercise of share-based awards	471,600	2,423	(1,012)	-	-	-	1,411
Share-based compensation	-	-	5,061	-	-	-	5,061
Net (loss) earnings	-	-	-	-	(824,627)	14,151	(810,476)
Other comprehensive income	-	-	-	14,885	-	-	14,885
Total comprehensive income (loss)	-	-	-	14,885	(824,627)	14,151	(795,591)
Balance, September 30, 2016	720,099,957	\$ 4,109,892	\$ 53,161	\$ (293,934)	\$ (858,602)	\$ 445,975	\$ 3,456,492
Balance, December 31, 2014	718,168,173	\$ 4,099,038	\$ 45,021	\$ (199,023)	\$ 260,109	\$ 433,529	\$ 4,638,674
Distributions	-	-	-	-	-	(12,000)	(12,000)
Exercise of share-based awards	1,364,184	7,331	(2,799)	-	-	-	4,532
Share-based compensation	-	-	5,283	-	-	-	5,283
Deferred tax adjustment	-	632	-	-	-	-	632
Net earnings	-	-	-	-	83,642	18,118	101,760
Other comprehensive loss	-	-	-	(86,271)	-	-	(86,271)
Total comprehensive (loss) income	-	-	-	(86,271)	83,642	18,118	15,489
Balance, September 30, 2015	719,532,357	\$ 4,107,001	\$ 47,505	\$ (285,294)	\$ 343,751	\$ 439,647	\$ 4,652,610

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - in thousands of US dollars)

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Cash provided by (used in)				
Operating activities				
Net (loss) earnings	\$ (7,110)	\$ (35,283)	\$ (810,476)	\$ 101,760
Items not involving cash and other adjustments				
Depreciation, depletion and amortization	112,263	123,338	342,404	433,264
Share-based compensation	1,718	1,236	5,061	5,214
Income from equity investment in associates	(6,697)	(6,689)	(2,611)	(27,389)
Unrealized foreign exchange (gain) loss	(1,259)	(8,694)	256	(5,223)
Deferred tax recovery	(10,718)	(45,774)	(25,016)	(67,459)
Recognition of deferred revenue	(11,632)	(11,041)	(33,832)	(46,475)
Reclamation and closure provisions	4,789	23,372	5,906	24,335
Finance costs	19,336	21,327	59,267	67,023
Impairment of investment in associates	-	-	772,114	-
Other	2,591	(1,593)	3,688	435
Reclamation payments	(145)	(1,330)	(7,218)	(3,455)
Pension payments	(298)	(340)	(971)	(1,053)
Changes in long-term inventory	(1,045)	162	(36,981)	(14,441)
Changes in non-cash working capital items (Note 22)	(42,517)	61,520	(16,254)	140,323
	59,276	120,211	255,337	606,859
Investing activities				
Investment in mineral properties, plant and equipment	(41,389)	(73,019)	(127,733)	(215,697)
Distributions from associates (Note 7)	16,800	3,624	38,505	20,628
Restricted funds movement	(553)	(3,044)	2,560	9,804
Proceeds from sale of marketable securities, net	287	-	1,908	-
Proceeds from sale of mineral properties, plant and equipment	717	519	1,639	7,277
Other	228	1,728	(100)	700
	(23,910)	(70,192)	(83,221)	(177,288)
Financing activities				
Interest paid	(1,311)	-	(40,220)	(40,276)
Distributions to non-controlling interests	-	-	(2,000)	(12,000)
Proceeds from common shares issued	1,411	60	1,411	4,532
Long-term debt repayments	(291)	(265)	(773)	(1,110)
Proceeds received from stream agreement, net	-	7,500	-	7,500
Currency options purchase	-	(6,970)	-	(6,970)
Other	(519)	(222)	(1,193)	(356)
	(710)	103	(42,775)	(48,680)
Effect of foreign exchange on cash balances	(993)	(7,108)	5,429	(6,010)
Increase in cash and cash equivalents during the period	33,663	43,014	134,770	374,881
Cash and cash equivalents, beginning of period	657,618	506,659	556,511	174,792
Cash and cash equivalents, end of period	\$ 691,281	\$ 549,673	\$ 691,281	\$ 549,673

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2016 and 2015

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

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

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

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

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on October 26, 2016.

(ii) Critical accounting estimates and judgments

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

(iii) Accounting principles

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

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2016 and 2015

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	September 30, 2016	December 31, 2015
Cash	\$ 494,966	\$ 438,142
Short-term deposits	196,315	118,369
	<u>\$ 691,281</u>	<u>\$ 556,511</u>

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	September 30, 2016	December 31, 2015
Trade receivables	\$ 200,179	\$ 141,094
Value added tax	18,920	21,321
Other receivables	9,410	12,593
Prepaid expenses	15,386	17,186
	<u>\$ 243,895</u>	<u>\$ 192,194</u>

5. INVENTORIES

Inventories are comprised of the following:

	September 30, 2016	December 31, 2015
Ore stockpiles	\$ 29,904	\$ 26,446
Concentrate stockpiles	17,722	29,197
Materials and supplies	86,880	89,103
	<u>\$ 134,506</u>	<u>\$ 144,746</u>

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2016 and 2015

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

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

Cost	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2014	\$ 3,087,148	\$ 2,031,502	\$ 8,687	\$ 99,093	\$ 5,226,430
Additions	103,948	263	-	107,153	211,364
Disposals and transfers	24,861	23,568	-	(63,749)	(15,320)
Effects of foreign exchange	(119,256)	(54,033)	(679)	(2,287)	(176,255)
As at September 30, 2015	3,096,701	2,001,300	8,008	140,210	5,246,219
Additions	25,697	3,546	-	29,158	58,401
Impairment	(145,959)	(662)	(3,861)	(2,047)	(152,529)
Disposals and transfers	14,019	57,695	-	(83,474)	(11,760)
Effects of foreign exchange	(29,738)	(14,741)	-	(901)	(45,380)
As at December 31, 2015	2,960,720	2,047,138	4,147	82,946	5,094,951
Additions	38,066	2,005	-	100,172	140,243
Disposals and transfers	5,047	13,666	(3,963)	(28,853)	(14,103)
Effects of foreign exchange	11,715	9,470	(184)	(347)	20,654
As at September 30, 2016	\$ 3,015,548	\$ 2,072,279	\$ -	\$ 153,918	\$ 5,241,745

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2014	\$ 945,313	\$ 353,826	\$ -	\$ -	\$ 1,299,139
Depreciation	257,136	195,557	-	-	452,693
Disposals and transfers	(2,099)	(7,932)	-	-	(10,031)
Effects of foreign exchange	(69,290)	(25,594)	-	-	(94,884)
As at September 30, 2015	1,131,060	515,857	-	-	1,646,917
Depreciation	88,944	39,810	-	-	128,754
Disposals and transfers	2,099	(12,624)	-	-	(10,525)
Effects of foreign exchange	(16,964)	(7,942)	-	-	(24,906)
As at December 31, 2015	1,205,139	535,101	-	-	1,740,240
Depreciation	195,731	159,841	-	-	355,572
Disposals and transfers	(91)	(7,884)	-	-	(7,975)
Effects of foreign exchange	5,017	4,499	-	-	9,516
As at September 30, 2016	\$ 1,405,796	\$ 691,557	\$ -	\$ -	\$ 2,097,353

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2015	\$ 1,755,581	\$ 1,512,037	\$ 4,147	\$ 82,946	\$ 3,354,711
As at September 30, 2016	\$ 1,609,752	\$ 1,380,722	\$ -	\$ 153,918	\$ 3,144,392

During the three and nine months ended September 30, 2016, the Company capitalized \$8.9 million (2015 - \$24.2 million) and \$17.0 million (2015 - \$69.9 million), respectively, of deferred stripping costs to mineral properties.

Included in the mineral properties balance as at September 30, 2016 and December 31, 2015 are non-depreciable assets of \$213.8 million and \$196.7 million, respectively.

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During the three and nine months ended September 30, 2016, the Company capitalized borrowing costs of \$1.5 million (2015 - \$2.4 million) and \$2.8 million (2015 - \$2.4 million), respectively, related to the construction of a tailings management facility at Candelaria.

Depreciation, depletion and amortization is comprised of:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Operating costs	\$ 112,201	\$ 123,253	\$ 342,198	\$ 432,997
General and administrative expenses	62	85	206	267
Depreciation, depletion and amortization	\$ 112,263	\$ 123,338	\$ 342,404	\$ 433,264

7. INVESTMENT IN ASSOCIATES

	Tenke Fungurume		Freeport Cobalt		Total
As at December 31, 2014	\$ 1,961,200	\$ 97,999	\$ 2,059,199		
Distributions	(16,560)	(4,068)	(20,628)		
Share of equity income	26,829	560	27,389		
As at September 30, 2015	1,971,469	94,491	2,065,960		
Distributions	(8,010)	(4,301)	(12,311)		
Share of equity income (loss)	(2,212)	(614)	(2,826)		
As at December 31, 2015	1,961,247	89,576	2,050,823		
Distributions	(31,005)	(7,500)	(38,505)		
Share of equity income (loss)	3,818	(1,207)	2,611		
Impairment (Note 8)	(772,114)	-	(772,114)		
As at September 30, 2016	\$ 1,161,946	\$ 80,869	\$ 1,242,815		

8. ASSET IMPAIRMENT

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. During the third quarter of 2016, no additional impairment indicators were identified.

Investment in Tenke Fungurume

During the second quarter of 2016, the Company identified an impairment indicator, specifically, the Freeport McMoRan Ltd. ("FCX") May 9, 2016 announcement which stated it had entered into a definitive agreement to sell its interests in TF Holdings Limited ("TFHL") to China Molybdenum Co. Ltd ("CMOC") for \$2.65 billion in cash and contingent consideration up to \$120 million based upon future copper and cobalt prices to 2019 ("FCX Sale").

In previous periods, the Company used a fair value less cost to dispose model ("FVLTD" – a level 3 measurement) which assumed an expansion scenario. The expansion scenario contemplated debottlenecking of current oxide processing facilities and the mining and processing of the Tenke Fungurume mine's mixed-sulphide ores ("expansion scenario"). The prospective change in operator presents a level of uncertainty in respect of the nature and timing of this expansion scenario. For the quarter ended June 30, 2016, the Company calculated the recoverable amount for TFHL using an operating scenario where no future investments are made for the debottlenecking or the

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processing of the mixed-sulphide resource (“base case scenario”) for its cash flow projections. A separate valuation was performed for the in-situ value of the mixed-sulphide resource which was benchmarked using third-party market information.

The recoverable amount is determined using cash flow projections based on life-of-mine financial plans. The assumptions used in cash flow projections consist of forecasted commodity prices, reserve and resource quantities, operating costs, capital expenditures, reclamation and other closure costs and discount rates. Commodity prices used in the cash flow projections are within the range of current market consensus observed during the second quarter of 2016. The valuation of recoverable amount is most sensitive to changes in metal prices and discount rates. Operating costs and capital expenditure included in the cash flow projections are based on approved operating plans.

The Company has assessed the recoverable amount to be lower than the carrying value; as such, an impairment loss of \$772.1 million was recognized. The recoverable amount after the impairment, based on FVLTD, is \$1,170.1 million.

The Company prepared a sensitivity analysis on the assumptions used for the cash flow model. A 5% change in the metal price and 1% change in discount rate would impact the recoverable amount by approximately \$82.0 million and \$38.0 million, respectively.

Key assumptions for Tenke Fungurume

	2016	2015
Copper price \$/lb	\$2.20 – \$3.00	\$2.30 – \$3.00
Cobalt price \$/lb	\$11.00 – \$12.40	\$12.50
After-tax discount rate	10%	10%
Life of mine	25 years	45 years

Investment in Freeport Cobalt

In relation to the FCX Sale, FCX has agreed to negotiate exclusively with CMOC to enter into definitive agreements to sell its ownership interests in Freeport Cobalt for \$100 million.

During the second quarter of 2016, the Company identified this potential sale as an impairment indicator. The Company has calculated the recoverable amount by preparing cash flow projections for the cobalt refinery using a 9% after-tax discount rate. In preparing the impairment test, the Company has concluded that the recoverable amount exceeds the carrying value and that no impairment exists. The most significant assumption in the cash flow model is the discount rate. A 1% change in the discount rate would not have an impact on the result of the impairment assessment.

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9. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	September 30, 2016	December 31, 2015
Trade payables	\$ 97,933	\$ 122,195
Unbilled goods and services	85,351	62,100
Payroll obligations	41,343	41,427
Royalty payable	6,723	6,238
	\$ 231,350	\$ 231,960

10. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2014	\$ 667,342
Stream agreement proceeds	7,500
Recognition of revenue	(46,475)
Effects of foreign exchange	(6,602)
As at September 30, 2015	621,765
Recognition of revenue	(16,559)
Effects of foreign exchange	3,290
As at December 31, 2015	608,496
Prepayments received	2,601
Recognition of revenue	(33,832)
Effects of foreign exchange	(601)
As at September 30, 2016	576,664
Less: current portion	53,271
Long-term portion	\$ 523,393

During the three and nine months ended September 30, 2016, prepayments were received for metal sales.

11. DILUTED WEIGHTED AVERAGE NUMBER OF SHARES

The total incremental shares added to the basic weighted average number of common shares outstanding to arrive at the fully diluted number of shares is comprised of nil shares for the three and nine months ended September 30, 2016 (Q3 2015 - nil shares; year-to-date 2015 - 1,638,893 shares). The incremental shares relate to in-the-money outstanding stock options and outstanding restricted share units ("SU"). Stock options and SUs were not included in the computation of diluted loss per common share for the three and nine months ended September 30, 2016 and the three months ended September 30, 2015 as their inclusion would be anti-dilutive.

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12. OPERATING COSTS

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Direct mine and mill costs	\$ 204,548	\$ 229,264	\$ 576,449	\$ 674,075
Transportation	17,739	20,974	53,514	67,985
Royalties	3,313	2,031	8,135	12,424
	225,600	252,269	638,098	754,484
Depreciation, depletion and amortization (Note 6)	112,201	123,253	342,198	432,997
Total operating costs	\$ 337,801	\$ 375,522	\$ 980,296	\$ 1,187,481

13. EMPLOYEE BENEFITS

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Operating costs				
Wages and benefits	\$ 50,259	\$ 45,538	\$ 154,250	\$ 153,328
Pension benefits	298	340	971	1,053
Share-based compensation	596	96	896	1,985
	51,153	45,974	156,117	156,366
General and administrative expenses				
Wages and benefits	3,414	3,351	9,907	9,327
Pension benefits	123	123	388	478
Share-based compensation	771	1,098	3,720	3,087
	4,308	4,572	14,015	12,892
General exploration and business development				
Wages and benefits	1,824	1,997	5,974	7,202
Pension benefits	10	11	32	33
Share-based compensation	49	42	143	142
	1,883	2,050	6,149	7,377
Other				
Wages and benefits	914	-	3,648	-
Share-based compensation	302	-	302	-
	1,216	-	3,950	-
Total employee benefits	\$ 58,560	\$ 52,596	\$ 180,231	\$ 176,635

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14. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
General exploration	\$ 9,501	\$ 13,445	\$ 33,938	\$ 36,302
Project and corporate development	261	3,190	5,039	6,839
	\$ 9,762	\$ 16,635	\$ 38,977	\$ 43,141

15. FINANCE COSTS

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Interest income	\$ 329	\$ 73	\$ 819	\$ 395
Interest expense and bank fees	(19,400)	(18,628)	(60,346)	(61,820)
Accretion expense on reclamation provisions	(1,467)	(1,211)	(4,382)	(3,626)
Unrealized gain (loss) on revaluation of marketable	850	(682)	327	(2,123)
Unrealized gain (loss) on revaluation of currency options	36	(372)	3,590	(372)
Other	316	(507)	725	523
Total finance costs	\$ (19,336)	\$ (21,327)	\$ (59,267)	\$ (67,023)

16. OTHER INCOME AND EXPENSES

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Foreign exchange (loss) gain	\$ (1,462)	\$ 5,680	\$ (3,369)	\$ 16,450
Loss on sale of assets	(2,837)	-	(2,837)	-
Other income	995	627	2,518	4,475
Other expenses	(3,123)	(11,929)	(10,087)	(15,497)
Total other (expenses) income	\$ (6,427)	\$ (5,622)	\$ (13,775)	\$ 5,428

Other income	\$ 995	\$ 6,307	\$ 2,518	\$ 20,925
Other expenses	(7,422)	(11,929)	(16,293)	(15,497)
Total other (expenses) income	\$ (6,427)	\$ (5,622)	\$ (13,775)	\$ 5,428

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

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17. INCOME TAXES

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

18. COMMITMENTS

The Company has the following capital commitments as at September 30, 2016:

2016	\$ 35,161
2017	21,481
2018	10,933
2019	611
Total	\$ 68,186

19. SEGMENTED INFORMATION

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

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For the three months ended September 30, 2016

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Sales	\$ 196,766	\$ 71,101	\$ 64,523	\$ 42,099	\$ -	\$ -	\$ 374,489
Operating costs	(112,883)	(33,481)	(57,760)	(20,824)	-	(652)	(225,600)
General and administrative expenses	-	-	-	-	-	(6,247)	(6,247)
Operating earnings (loss) ¹	83,883	37,620	6,763	21,275	-	(6,899)	142,642
Depreciation, depletion and amortization	(52,721)	(33,228)	(20,970)	(4,731)	-	(613)	(112,263)
General exploration and business development	(5,206)	(4,238)	1,924	29	-	(2,271)	(9,762)
Income from equity investment in associates	-	-	-	-	7,482	(785)	6,697
Finance costs	(576)	(208)	(33)	(150)	-	(18,369)	(19,336)
Other income (expenses)	513	605	(269)	1,059	-	(8,335)	(6,427)
Income tax (expense) recovery	(2,193)	-	1,416	(3,760)	-	(4,124)	(8,661)
Net earnings (loss)	\$ 23,700	\$ 551	\$ (11,169)	\$ 13,722	\$ 7,482	\$ (41,396)	\$ (7,110)
Capital expenditures	\$ 24,918	\$ 3,014	\$ 7,508	\$ 5,678	\$ -	\$ 271	\$ 41,389

For the nine months ended September 30, 2016

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Sales	\$ 579,205	\$ 182,323	\$ 205,510	\$ 121,366	\$ -	\$ (2,030)	\$ 1,086,374
Operating costs	(320,599)	(93,267)	(162,315)	(60,162)	-	(1,755)	(638,098)
General and administrative expenses	-	-	-	-	-	(19,381)	(19,381)
Operating earnings (loss) ¹	258,606	89,056	43,195	61,204	-	(23,166)	428,895
Depreciation, depletion and amortization	(163,347)	(97,064)	(64,258)	(16,011)	-	(1,724)	(342,404)
General exploration and business development	(11,309)	(19,667)	(1,762)	(537)	-	(5,702)	(38,977)
Loss from equity investment in associates	-	-	-	-	3,818	(1,207)	2,611
Finance costs	(1,768)	(623)	(405)	(449)	-	(56,022)	(59,267)
Impairment of investment in associates	-	-	-	-	(772,114)	-	(772,114)
Other income (expenses)	1,541	574	(1,829)	915	-	(14,976)	(13,775)
Income tax (expense) recovery	(4,903)	-	9,250	(9,652)	-	(10,140)	(15,445)
Net earnings (loss)	\$ 78,820	\$ (27,724)	\$ (15,809)	\$ 35,470	\$ (768,296)	\$ (112,937)	\$ (810,476)
Capital expenditures	\$ 74,620	\$ 6,060	\$ 23,685	\$ 22,801	\$ -	\$ 567	\$ 127,733

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

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For the three months ended September 30, 2015

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Sales	\$ 191,964	59,981	56,268	\$ 35,883	\$ -	\$ 9,055	\$ 353,151
Operating costs	(125,227)	(41,492)	(49,277)	(22,458)	-	(13,815)	(252,269)
General and administrative expenses	-	-	-	-	-	(6,735)	(6,735)
Operating earnings (loss) ¹	66,737	18,489	6,991	13,425	-	(11,495)	94,147
Depreciation, depletion and amortization	(58,621)	(33,102)	(21,763)	(6,419)	-	(3,433)	(123,338)
General exploration and business development	(8,055)	(3,093)	(2,454)	(508)	-	(2,525)	(16,635)
Income (loss) from equity investment in associates	-	-	-	-	6,550	139	6,689
Finance income (costs)	(487)	(237)	(898)	812	-	(20,517)	(21,327)
Other (expenses) income	(228)	36	586	1,215	-	(7,231)	(5,622)
Income tax (expense) recovery	5,400	13,960	7,830	(1,807)	-	5,420	30,803
Net earnings (loss)	\$ 4,746	(3,947)	(9,708)	\$ 6,718	\$ 6,550	\$ (39,642)	\$ (35,283)
Capital expenditures	\$ 48,860	4,670	10,833	\$ 5,332	\$ -	\$ 3,324	\$ 73,019

For the nine months ended September 30, 2015

	Candelaria	Eagle	Neves- Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Sales	\$ 740,678	233,404	236,564	\$ 115,048	\$ -	\$ 60,264	\$ 1,385,958
Operating costs	(368,913)	(118,485)	(164,809)	(61,875)	-	(40,402)	(754,484)
General and administrative expenses	-	-	-	-	-	(20,356)	(20,356)
Operating earnings (loss) ¹	371,765	114,919	71,755	53,173	-	(494)	611,118
Depreciation, depletion and amortization	(224,422)	(105,823)	(68,874)	(18,143)	-	(16,002)	(433,264)
General exploration and business development	(19,262)	(7,504)	(5,335)	(1,080)	-	(9,960)	(43,141)
Income from equity investment in associates	-	-	-	-	26,829	560	27,389
Finance (costs) income	(1,510)	(636)	(728)	(292)	-	(63,857)	(67,023)
Other income	2,806	53	6,619	2,440	-	(6,490)	5,428
Income tax (expense) recovery	(16,487)	12,449	13,153	(7,620)	-	(242)	1,253
Net earnings (loss)	\$ 112,890	13,458	16,590	\$ 28,478	\$ 26,829	\$ (96,485)	\$ 101,760
Capital expenditures	\$ 129,967	19,469	33,042	\$ 18,602	\$ -	\$ 14,617	\$ 215,697

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

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Copper	\$ 230,848	\$ 231,974	\$ 707,916	\$ 917,854
Nickel	41,640	38,921	94,854	180,336
Zinc	52,712	32,460	138,113	119,372
Gold	24,476	24,860	70,827	84,537
Lead	11,064	11,812	36,451	33,313
Silver	7,890	8,723	25,341	29,266
Other	5,859	4,401	12,872	21,280
	\$ 374,489	\$ 353,151	\$ 1,086,374	\$ 1,385,958

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Europe	\$ 213,900	189,890	\$ 604,428	\$ 635,659
Asia	102,642	122,554	307,426	541,210
North America	41,963	27,626	118,281	141,594
South America	15,984	13,081	56,239	67,495
	\$ 374,489	\$ 353,151	\$ 1,086,374	\$ 1,385,958

20. RELATED PARTY TRANSACTIONS

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Wages and salaries	\$ 1,532	\$ 1,390	\$ 4,647	\$ 4,428
Pension benefits	27	30	108	92
Share-based compensation	632	511	1,912	1,686
	\$ 2,191	\$ 1,931	\$ 6,667	\$ 6,206

- c) **Other related parties** - For the three and nine months ended September 30, 2016, the Company paid \$0.1 million and \$0.5 million (Q3 2015 - \$0.1 million; year-to-date 2015 - \$0.4 million), respectively, to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

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21. 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 September 30, 2016 and December 31, 2015:

	Level	September 30, 2016		December 31, 2015	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Cash and cash equivalents	1	\$ 691,281	\$ 691,281	\$ 556,511	\$ 556,511
Restricted funds	1	53,075	53,075	53,818	53,818
Trade receivables	2	185,153	185,153	141,207	141,207
Marketable securities - shares	1	3,044	3,044	3,337	3,337
Currency options	2	6,534	6,534	2,944	2,944
		\$ 939,087	\$ 939,087	\$ 757,817	\$ 757,817
Available for sale					
Marketable securities - shares	1	\$ 32	\$ 32	\$ 867	\$ 867
		32	32	867	867
Financial liabilities					
Amortized cost					
Long-term debt and finance leases	1,2	\$ 983,390	\$ 1,053,458	\$ 979,116	\$ 937,865
Other long-term liabilities	2	11,958	11,958	13,815	13,815
		\$ 995,348	\$ 1,065,416	\$ 992,931	\$ 951,680

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

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

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

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

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

Trade receivables – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized positive pricing adjustments of \$14.8 million in sales during the three months ended September 30, 2016 (2015 - \$66.7 million negative price adjustment) and positive pricing adjustments of \$27.0 million in sales during the nine months ended September 30, 2016 (2015 - \$134.6 million negative pricing adjustment).

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

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

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For the three and nine months ended September 30, 2016 and 2015

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

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

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

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

22. SUPPLEMENTARY CASH FLOW INFORMATION

	<u>Three months ended</u> <u>September 30</u>		<u>Nine months ended</u> <u>September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Changes in non-cash working capital items consist of:				
Trade receivable, inventories and other current assets	\$ (44,835)	\$ 72,719	\$ (7,807)	\$ 156,855
Trade payable and other current liabilities	2,318	(11,199)	(8,447)	(16,532)
	<u>\$ (42,517)</u>	<u>\$ 61,520</u>	<u>\$ (16,254)</u>	<u>\$ 140,323</u>
Operating activities included the following cash payments:				
Income taxes paid (refunded)	\$ 2,607	\$ 26,845	\$ (15,546)	\$ 66,921

23. SUBSEQUENT EVENT

On October 20, 2016, the Company executed an amending agreement to its US\$350 million revolving credit facility that reduces the costs of borrowing and extends the term to June 2020, from October 2017.

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