

lundin mining

Management's Discussion and Analysis For the three months ended March 31, 2017

This management's discussion and analysis ("MD&A") has been prepared as of April 26, 2017 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended March 31, 2017. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of \$ is to United States dollars, C\$ is to Canadian dollars, CLP is to Chilean pesos, SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

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

Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained or incorporated by reference herein is "forward-looking information" within the meaning of applicable Canadian securities legislation. All statements other than statements of historical facts in this document constitute forward-looking information which is based on current expectations, estimates, forecasts and projections as well as beliefs and assumptions made by the Company's management. Such forward looking statements include, but are not limited to, those regarding the Company's guidance on estimated annual metal production, cash costs, exploration and capital expenditures; feasibility studies and their results; and projects, within the "Outlook", "Projects" and/or "Exploration" sections hereof and elsewhere herein. Words such as "aim", "assume", "believe", "budget", "estimate", "expect", "feasibility", "forecast", "guidance", "intent", "model", "objectives", "on track", "opportunity", "optimize", "plan", "potential", "project", "provisional", "schedule", "sensitivities", "study", or "target", or variations of or similar such terms, or statements that certain actions, events or results could, may, might or will be taken or occur or be achieved, identify forward-looking information. Although the Company believes that the expectations reflected in the forward-looking information herein are reasonable, these statements by their nature involve risks and uncertainties and are not guarantees of future performance. These estimates, expectations and other forward-looking statements are based on a number of assumptions and are subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties inherent in and/or relating to: estimates of future production and operating, cash and all-in sustaining costs; metal and commodity price fluctuations; foreign currency fluctuations; mining operations including but not limited to environmental hazards, industrial accidents, ground control problems and flooding; geology including, but not limited to, unusual or unexpected geological formations, estimation and modelling of grade, tonnes, metallurgy continuity of mineral deposits, dilution, and mineral resources and mineral reserves, and actual ore mined and/or metal recoveries varying from such estimates; mine plans, and life of mine estimates; the possibility that future exploration, development or mining results will not be consistent with expectations; the potential for and effects of labour disputes, shortages or other unanticipated difficulties with or interruptions in production; potential for unexpected costs and expenses including, without limitation, for mine closure and reclamation at current and historical operations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental approvals and/or permits; regulatory investigations, enforcement, sanctions and/or related or other litigation; and other risks and uncertainties, including but not limited to those described in the Managing Risks section in this document. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management; assumed prices of copper, nickel, zinc and other metals; that the Company can access financing, appropriate equipment and sufficient labour; and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, there can be no assurance that forward-looking information will prove to be accurate, and readers are advised not to place undue reliance on forward-looking statements. The Company does not undertake to update such forward-looking information unless required under applicable laws.

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Highlights

Operational Performance

Assisted by higher by-product metal prices, cash costs¹ for the first quarter of 2017 were largely favourable compared to the prior year and guidance. Production for the first quarter of 2017 was consistent with expectations although, with the exception of nickel, was less than that reported in the prior year. The Company remains on track to meet overall full year guidance.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 39,133 tonnes of copper, approximately 23,000 ounces of gold and 357,000 ounces of silver in concentrate during the quarter. Copper production for the quarter was in-line with the mine plan, but was lower than the prior year comparable period due primarily to lower throughput. Copper cash costs of \$1.27/lb for the quarter were marginally higher than the prior year and are expected to meet guidance over the full year.

Construction of the Los Diques tailings dam facility continues on schedule and on budget. Approximately \$20 million was spent during the quarter. Total forecast spend on the project remains unchanged at \$295 million of which approximately \$145 million remains to be spent.

Eagle (100% owned): Eagle had an excellent quarter of production generating 6,342 tonnes of nickel and 6,503 tonnes of copper, with both assisted by higher than expected head grades and recoveries. Nickel cash costs of \$0.94/lb for the quarter benefited from higher by-product sales than the comparable period in the prior year.

With completion of the Feasibility Study and full Board approval, the Eagle East ramp is advancing on schedule. The exploitation of the Eagle East deposit remains subject to permit approval, which is expected by late 2017.

Neves-Corvo (100% owned): Neves-Corvo produced 10,195 tonnes of copper and 17,948 tonnes of zinc in the first quarter. Zinc production in the quarter modestly exceeded the prior year comparable period, while copper production, as expected, was lower due primarily to lower grades. Copper cash costs of \$0.75/lb for the quarter were significantly lower than the prior year comparable period and full year guidance, aided by higher by-product zinc prices.

Zinkgruvan (100% owned): Zinc and lead production in the first quarter of 2017 was consistent with the mine plan and overall guidance expectations but fell short of that produced in the comparable period in 2016, primarily as a result of lower grades. Cash costs for zinc of \$0.37/lb for the quarter were consistent with the prior year comparable period and full year guidance.

Tenke (24% owned): Tenke operations continued to perform well, generally meeting expectations for the quarter. Lundin's attributable share of first quarter production included 12,932 tonnes of copper cathode and 861 tonnes of cobalt in hydroxide. The Company's attributable share of sales included 13,946 tonnes of copper at an average realized price of \$2.63/lb and 867 tonnes of cobalt at an average realized price of \$20.86/lb. Tenke's operating cash costs for the first quarter of 2017 were \$0.49/lb of copper sold.

Cash distributions received by Lundin Mining in the quarter were \$55.6 million from Tenke.

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

(Contained metal in concentrate - tonnes)	2017 Q1	Total	2016			
			Q4	Q3	Q2	Q1
Copper	60,936	256,980	68,992	61,148	61,661	65,179
Zinc	37,251	148,050	35,659	36,450	35,558	40,383
Nickel	6,342	24,114	5,249	6,085	6,812	5,968

¹ Cash cost per pound is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

Financial Performance

- Sales for the quarter ended March 31, 2017 were \$487.8 million, an increase of \$118.2 million in comparison to the first quarter of the prior year. The increase was due to higher metal prices and positive price adjustments (\$129.3 million), partially offset by lower sales volumes (\$8.7 million).
- Operating costs (excluding depreciation) for the quarter ended March 31, 2017 were \$214.1 million, an increase of \$3.8 million, or 2% in comparison to the first quarter of the prior year. The impact of lower overall sales volumes (\$8.2 million) were more than offset by higher per unit operating costs (\$7.9 million), higher royalties (\$2.1 million) and an overall unfavourable foreign exchange impact (\$2.0 million).
- Operating earnings¹ for the quarter ended March 31, 2017 were \$264.4 million, an increase of \$112.7 million in comparison to the first quarter of the prior year (\$151.7 million). The increase was primarily due to higher metal prices and positive price adjustments (\$129.3 million), partially offset by higher per unit costs (\$7.9 million).
- Net earnings for the quarter ended March 31, 2017 were \$106.4 million, an increase of \$121.9 million over the net loss of \$15.5 million reported in 2016. Net earnings, in comparison with the prior year quarter, were impacted by:
 - higher operating earnings (\$112.7 million);
 - higher earnings from discontinued operations (\$38.5 million); and
 - lower depreciation, depletion and amortization (\$9.9 million); partially offset by
 - higher income tax expense (\$40.8 million).
- Cash flow from operations for the quarter ended March 31, 2017 was \$244.7 million, an increase of \$201.8 million in comparison to the cash flow of \$42.9 million reported in 2016. The increase was primarily attributable to higher operating earnings and a comparative change in non-cash working capital.

¹ Operating earnings is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

Corporate Highlights

- On February 22, 2017, the Company announced the declaration of a C\$0.03 per share dividend, payable on April 18, 2017 to the shareholders of record at the close of business on March 31, 2017. The declaration, timing and amount of future dividends will remain at the discretion of the Board of Directors.
- On April 10, 2017, the Company announced the results of its Eagle East Feasibility Study, which demonstrates the viability of mining Eagle East as an extension of the Eagle Mine with an incremental estimated post-tax net present value of \$205 million, assuming pre-production capital costs of \$102 million.

The Feasibility Study indicates that the Eagle East Mineral Resource estimate can be mined with no significant changes to the current mine, ore transport, mill or tailings infrastructure. Full details can be found in the NI 43-101 Technical Report entitled, "Technical Report on the Eagle Mine, Michigan, U.S.A.", which can be found on the Company's website at www.lundinmining.com or on SEDAR (www.sedar.com).

- On April 19, 2017, the Company announced the completion of the sale of its indirect interest in TF Holdings Limited ("TF Holdings") to an affiliate of BHR Partners for \$1.136 billion in cash. Lundin Mining's effective 24% interest in Tenke was held through its 30% indirect interest in TF Holdings.

Financial Position and Financing

- Cash and cash equivalents increased \$213.5 million, over the quarter ended March 31, 2017, from \$715.3 million to \$928.8 million. The increase is primarily a result of cash generated from operating activities of \$244.7 million and distributions from Tenke of \$55.6 million, partially offset by investments in mineral properties, plant and equipment of \$79.1 million.
- Net debt¹ position at March 31, 2017 was \$71.3 million compared to \$284.1 million at December 31, 2016.
- The Company has a revolving credit facility available for borrowing up to \$350 million. As at March 31, 2017, the Company had no amount drawn on the credit facility. Letters of credit totaling approximately \$24.4 million are outstanding.
- As at April 26, 2017, cash and net cash were approximately \$2.1 billion and \$1.1 billion, respectively. Cash and net cash reflect net proceeds of \$1.136 billion received on the sale of Tenke.

¹ Net debt is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

Outlook

Production and exploration guidance for 2017 remains unchanged from that provided on November 30, 2016 (see news release entitled “Lundin Mining Provides Operating Outlook”). Forecast improvements in C1 cash cost guidance at Eagle and Neves-Corvo and changes in capital expenditures are noted below.

2017 Production and Cost Guidance

(contained tonnes)		Tonnes	Cash Costs ^a
Copper	Candelaria (80%)	145,000 - 150,000	\$1.20/lb
	Eagle	15,000 - 18,000	
	Neves-Corvo	41,000 - 46,000	\$1.00/lb^b
	Zinkgruvan	1,000 - 2,000	
	Total attributable	202,000 - 216,000	
Nickel	Eagle	17,000 - 20,000	\$2.00/lb^b
Zinc	Neves-Corvo	72,000 - 77,000	
	Zinkgruvan	80,000 - 85,000	\$0.40/lb
	Total	152,000 - 162,000	

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.10, USD/SEK:8.40, USD/CLP:650) and metal prices (forecast at Cu: \$2.50/lb, Ni: \$5.00/lb, Zn: \$1.15/lb, Pb: \$0.90/lb, Au: \$1,250/oz, Ag: \$16.50/oz). Exchange rate of €/USD:1.15 and metal prices of Cu: \$2.25/lb and Zn: \$1.00/lb were previously assumed.

b. C1 cash cost guidance at Neves-Corvo and Eagle were previously forecast at \$1.35/lb and \$2.45/lb, respectively.

2017 Capital Expenditure Guidance

Capital expenditures, excluding capitalized interest, are expected to be \$390 million, (prior guidance \$405 million) as outlined below.

The Los Diques tailings project remains on schedule and the project’s capital cost forecast remains unchanged although the expected timing of certain payments have resulted in \$15 million of expenditures expected in 2017 that will now be paid in 2018. In particular, due to extended mine life and ongoing exploration success, other sustaining capital expenditures at Candelaria are currently under review. It is expected that capital spending related to large mine mobile equipment and other sustaining capital investment will be increased as part of a rejuvenation program to reinstate capital investments that were deferred under cost constraint programs in 2015 and 2016. A further update will be provided with the second quarter results. Exploration spend remains unchanged at \$65 million.

2017 Guidance	\$millions
Capitalized Stripping	105
Los Diques Tailings Dam	120
Other Sustaining	25
Candelaria (100% basis)	250
Eagle	10
Neves-Corvo	50
Zinkgruvan	40
Total Sustaining Capital	350
Eagle East	35
Zinkgruvan Expansion (1350)	5
Total Expansionary Capital	40
Total Capital Expenditures	390

Selected Quarterly Financial Information¹

	Three months ended	
	March 31,	
	2017	2016
(\$ millions, except share and per share amounts)		
Sales	487.8	369.6
Operating costs	(214.1)	(210.3)
General and administrative expenses	(9.3)	(7.6)
Operating earnings	264.4	151.7
Depreciation, depletion and amortization	(109.7)	(119.6)
General exploration and business development	(15.2)	(12.8)
Finance income and costs, net	(11.7)	(18.3)
Other income and expenses, net	(11.3)	(8.8)
Earnings / (loss) before income taxes	116.5	(7.8)
Income tax expense	(44.1)	(3.3)
Net earnings / (loss) from continuing operations	72.4	(11.1)
Earnings / (loss) from discontinued operations	34.0	(4.4)
Net earnings / (loss)	106.4	(15.5)
Attributable to: Lundin Mining shareholders, continuing	57.6	(17.7)
Lundin Mining shareholders, discontinued	34.0	(4.4)
Non-controlling interests	14.8	6.6
Net earnings / (loss)	106.4	(15.5)
Cash flow from operations	244.7	42.9
Capital expenditures (including capitalized interest)	79.1	47.5
Total assets	6,280.2	6,789.6
Long-term debt & finance leases	984.8	980.8
Net debt	71.3	438.1
Shareholders' equity	3,731.5	4,268.2
Key Financial Data:		
Basic and diluted earnings / (loss) per share attributable to shareholders		
- continuing operations (EPS - Continuing)	0.08	(0.02)
- net earnings / (loss) (EPS - Total)	0.13	(0.03)
Operating cash flow per share ²	0.24	0.12
Dividends declared (C\$/share)	0.03	-
Shares outstanding:		
Basic weighted average	726,184,033	719,628,357
Diluted weighted average	728,794,024	719,628,357
End of period	726,702,997	719,632,457

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

Summary of Quarterly Results¹

(\$ millions, except per share data)	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15
Sales	487.8	459.2	374.5	342.3	369.6	316.0	353.2	501.3
Operating costs	(214.1)	(226.4)	(225.6)	(202.2)	(210.3)	(208.2)	(252.3)	(251.6)
Operating earnings	264.4	225.3	142.6	134.5	151.7	101.0	94.1	243.0
Impairment reversals / (impairment)	-	95.9	-	-	-	(293.3)	-	-
Net earnings / (loss)	106.4	180.2	(7.1)	(787.9)	(15.5)	(383.5)	(35.3)	53.7
- attributable to shareholders, continuing	57.6	148.7	(18.9)	(19.8)	(17.7)	(375.5)	(41.1)	35.9
- attributable to shareholders, discontinued	34.0	14.2	7.5	(771.4) ²	(4.4)	(2.2)	6.6	10.5
- attributable to shareholders, total	91.6	162.9	(11.4)	(791.2)	(22.1)	(377.7)	(34.5)	46.4
EPS Continuing - Basic and diluted	0.08	0.21	(0.03)	(0.03)	(0.02)	(0.52)	(0.06)	0.05
EPS Total - Basic and diluted	0.13	0.23	(0.02)	(1.10)	(0.03)	(0.52)	(0.05)	0.06
Cash flow from operations	244.7	107.9	59.3	153.2	42.9	107.1	120.2	262.7
Capital expenditures (incl. capitalized interest)	79.1	59.8	41.4	38.8	47.5	62.0	73.0	78.8

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

2. Includes impairment loss of \$772.1 million on investment in Tenke.

Sales Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)	2017	2016				
	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)						
Candelaria (100%)	42,683	158,983	42,974	39,082	35,611	41,316
Eagle	6,249	21,675	4,864	5,493	5,366	5,952
Neves-Corvo	8,767	44,553	10,110	9,368	11,804	13,271
Zinkgruvan	-	1,757	(9)	886	902	(22)
	57,699	226,968	57,939	54,829	53,683	60,517
Nickel (tonnes)						
Eagle	5,337	21,193	4,697	6,026	5,314	5,156
	5,337	21,193	4,697	6,026	5,314	5,156
Zinc (tonnes)						
Neves-Corvo	14,695	56,357	12,658	15,042	15,044	13,613
Zinkgruvan	16,889	65,863	17,100	14,842	14,673	19,248
	31,584	122,220	29,758	29,884	29,717	32,861
Gold (000 oz)						
Candelaria (100%)	25	89	23	22	21	23
	25	89	23	22	21	23
Lead (tonnes)						
Neves-Corvo	1,175	3,819	1,144	748	1,174	753
Zinkgruvan	5,872	30,450	8,237	5,830	6,178	10,205
	7,047	34,269	9,381	6,578	7,352	10,958
Silver (000 oz)						
Candelaria (100%)	365	1,372	340	322	300	410
Eagle	22	86	22	22	16	26
Neves-Corvo	146	552	129	114	159	150
Zinkgruvan	385	1,861	593	340	368	560
	918	3,871	1,084	798	843	1,146

Sales Analysis

by Mine (\$ thousands)	Three months ended March 31,				
	2017		2016		Change
	\$	%	\$	%	\$
Candelaria	278,340	57	206,702	56	71,638
Eagle	72,271	15	53,223	14	19,048
Neves-Corvo	83,036	17	71,313	19	11,723
Zinkgruvan	54,140	11	40,361	11	13,779
Other	-	-	(2,030)	-	2,030
	487,787		369,569		118,218

by Metal (\$ thousands)	Three months ended March 31,				
	2017		2016		Change
	\$	%	\$	%	\$
Copper	325,122	67	258,167	70	66,955
Zinc	72,356	15	39,225	11	33,131
Nickel	31,850	6	22,740	6	9,110
Gold	27,648	6	23,170	6	4,478
Lead	16,009	3	14,586	4	1,423
Silver	7,676	2	8,702	2	(1,026)
Other	7,126	1	2,979	1	4,147
	487,787		369,569		118,218

Sales for the quarter ended March 31, 2017 were \$487.8 million, an increase of \$118.2 million in comparison to the first quarter of the prior year (\$369.6 million). The increase was due to higher metal prices and positive price adjustments (\$129.3 million), partially offset by lower sales volumes (\$8.7 million).

Sales of gold and silver for the quarter ended March 31, 2017 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 \$4.29/oz for silver.

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

Provisionally valued sales as of March 31, 2017

Metal	Tonnes Payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	58,980	2.70	5,942
Nickel	4,647	4.60	10,143
Zinc	8,275	1.25	2,758

Quarterly Reconciliation of Realized Prices

(\$ thousands)	Three months ended March 31, 2017				Three months ended March 31, 2016			
	Copper	Nickel	Zinc	Total	Copper	Nickel	Zinc	Total
Current period sales ¹	341,306	54,514	89,853	485,673	293,740	44,102	59,373	397,215
Prior period price adjustments	14,914	(55)	2,336	17,195	322	(3,728)	(1,017)	(4,423)
	356,220	54,459	92,189	502,868	294,062	40,374	58,356	392,792
Other metal sales				60,522				53,702
Less: TC/RC				(75,603)				(76,925)
Total Sales				487,787				369,569
Payable Metal (tonnes)	57,699	5,337	31,584		60,517	5,156	32,861	
Current period sales (\$/lb) ¹	\$2.68	\$4.63	\$1.29		\$2.20	\$3.88	\$0.82	
Prior period adjustments (\$/lb)	0.12	-	0.03		-	(0.33)	(0.01)	
Realized prices (\$/lb)	\$2.80	\$4.63	\$1.32		\$2.20	\$3.55	\$0.81	

1. Includes provisional price adjustments on current period sales.

Financial Results

Operating Costs

Operating costs (excluding depreciation) for the quarter ended March 31, 2017 were \$214.1 million, an increase of \$3.8 million, or 2% in comparison to the first quarter of the prior year. The impact of lower overall sales volumes (\$8.2 million) was more than offset by higher per unit operating costs (\$7.9 million), higher royalties (\$2.1 million) and an overall unfavourable foreign exchange impact (\$2.0 million).

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense for the quarter ended March 31, 2017 was \$109.7 million, a decrease of \$9.9 million in comparison to the \$119.6 million reported in 2016. The decrease was largely attributable to lower amortization of deferred stripping costs at Candelaria and lower production at Neves-Corvo, in the current quarter, partially offset by the impact of Eagle's 2015 impairment reversal at the end of 2016.

For the current quarter, \$13.6 million of Candelaria's depreciation relates to the amortization of deferred stripping costs that were previously capitalized (Q1 2016: \$28.2 million). The deferred stripping asset balance at March 31, 2017 was \$310.2 million.

Depreciation by operation (\$ thousands)	Three months ended March 31,		
	2017	2016	Change
Candelaria	50,284	61,387	(11,103)
Eagle	36,519	30,512	6,007
Neves-Corvo	17,531	21,412	(3,881)
Zinkgruvan	4,806	5,732	(926)
Other	520	531	(11)
	109,660	119,574	(9,914)

Finance Costs

For the quarter ended March 31, 2017, finance costs were \$11.7 million, compared to \$18.3 million for the comparable period in the prior year. The decrease was primarily attributable to interest income received on a Portuguese tax refund.

Other Income and Expense

Net other expenses for the three months ended March 31, 2017 were \$ 11.3 million compared to \$ 8.8 million for the three months ended March 31, 2016. A foreign exchange loss was recognized in the current year of \$7.7 million, while a foreign exchange loss of \$4.8 million was recognized in the prior year quarter.

Foreign exchange gains and losses recorded in Other Income and Expense relate to working capital denominated in foreign currencies that was held by the Company's subsidiaries and currency translation adjustments on sale of assets. Period end exchange rates having a meaningful impact on such subsidiaries at March 31, 2017 were \$1.00:CLP663 (December 31, 2016 - \$1.00:CLP669), \$1.07:€1.00 (December 31, 2016 - \$1.05:€1.00) and \$1.00:SEK8.93 (December 31, 2016 - \$1.00:SEK9.10).

Income Taxes

Income taxes by mine

Income tax expense (recovery) (\$ thousands)	Three months ended March 31,		
	2017	2016	Change
Candelaria	24,051	(501)	24,552
Neves-Corvo	5,894	(3,766)	9,660
Zinkgruvan	6,390	2,265	4,125
Other	7,787	5,259	2,528
	44,122	3,257	40,865

Income taxes by classification

Income tax expense (recovery) (\$ thousands)	Three months ended March 31,		
	2017	2016	Change
Current income tax	58,245	19,665	38,580
Deferred income tax	(14,123)	(16,408)	2,285
	44,122	3,257	40,865

Income tax expense of \$44.1 million for the three months ended March 31, 2017 was \$40.8 million higher than the \$3.3 million expense recorded in the prior year. The increase in income tax expense is associated with higher taxable earnings at all operating sites. Furthermore, included in the prior year tax expense is a recovery adjustment of \$6.7 million at Candelaria.

Mining Operations

Production Overview

(Contained metal in concentrate)	2017	2016				
	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)						
Candelaria (80%)	31,306	133,274	39,258	31,285	29,525	33,206
Eagle	6,503	23,417	5,742	5,796	5,639	6,240
Neves-Corvo	10,195	46,557	10,975	9,691	12,146	13,745
Zinkgruvan	-	1,906	-	855	1,051	-
Tenke (24%)	12,932	51,826	13,017	13,521	13,300	11,988
	60,936	256,980	68,992	61,148	61,661	65,179
Nickel (tonnes)						
Eagle	6,342	24,114	5,249	6,085	6,812	5,968
	6,342	24,114	5,249	6,085	6,812	5,968
Zinc (tonnes)						
Neves-Corvo	17,948	69,527	15,886	17,642	18,272	17,727
Zinkgruvan	19,303	78,523	19,773	18,808	17,286	22,656
	37,251	148,050	35,659	36,450	35,558	40,383
Gold (000 oz)						
Candelaria (80%)	19	78	22	19	18	19
	19	78	22	19	18	19
Lead (tonnes)						
Neves-Corvo	1,406	4,126	1,142	833	1,245	906
Zinkgruvan	7,599	31,661	7,363	6,406	7,063	10,829
	9,005	35,787	8,505	7,239	8,308	11,735
Silver (000 oz)						
Candelaria (80%)	286	1,332	373	304	276	379
Eagle	58	223	56	55	50	62
Neves-Corvo	330	1,242	313	279	331	319
Zinkgruvan	538	2,159	556	449	495	659
	1,212	4,956	1,298	1,087	1,152	1,419

Cash Cost Overview

	Cash cost/lb (US dollars)	
	Three months ended March 31,	
	2017	2016
Candelaria		
Gross cost	1.49	1.42
By-product ¹	(0.22)	(0.20)
Net Cost - cost/lb Cu	1.27	1.22
All-in Sustaining Cost²	1.73	1.59
Eagle		
Gross cost	4.38	4.20
By-product ¹	(3.44)	(2.59)
Net Cost - cost/lb Ni	0.94	1.61
All-in Sustaining Cost	1.28	1.91
Neves-Corvo		
Gross cost	2.64	2.05
By-product ¹	(1.89)	(0.57)
Net Cost - cost/lb Cu	0.75	1.48
All-in Sustaining Cost	1.42	1.73
Zinkgruvan		
Gross cost	0.76	0.72
By-product ¹	(0.39)	(0.36)
Net Cost - cost/lb Zn	0.37	0.36
All-in Sustaining Cost	0.57	0.55

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

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

Capital Expenditures (including capitalized interest)¹

(\$ thousands)	Three months ended March 31,							
	2017				2016			
	Sustaining	Expansionary	Capitalized Interest	Total	Sustaining	Expansionary	Capitalized Interest	Total
by Mine								
Candelaria	45,683	-	2,431	48,114	27,378	-	1,305	28,683
Eagle	2,303	7,504	-	9,807	1,570	-	-	1,570
Neves-Corvo	9,757	-	-	9,757	8,033	-	-	8,033
Zinkgruvan	7,666	3,689	-	11,355	8,266	736	-	9,002
Other	103	-	-	103	232	-	-	232
	65,512	11,193	2,431	79,136	45,479	736	1,305	47,520

1. Sustaining and expansionary capital expenditures are non-GAAP measures – see page 28 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)	2017	2016				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	6,370	30,915	8,877	6,817	5,910	9,311
Ore milled (000s tonnes)	7,095	31,938	8,097	7,794	7,890	8,157
Grade						
Copper (%)	0.60	0.57	0.67	0.55	0.52	0.55
Recovery						
Copper (%)	91.7	91.8	93.1	90.5	90.7	92.7
Production (contained metal)						
Copper (tonnes)	39,133	166,592	49,072	39,106	36,907	41,507
Gold (000 oz)	23	97	27	24	22	24
Silver (000 oz)	357	1,665	466	381	345	473
Sales (\$000s)	278,340	847,684	268,479	196,766	175,737	206,702
Operating costs (\$000s)	(119,864)	(445,469)	(124,870)	(112,883)	(100,330)	(107,386)
Operating earnings (\$000s)	158,476	402,215	143,609	83,883	75,407	99,316
Cash cost (\$ per pound)	1.27	1.31	1.40	1.34	1.28	1.22
AISC (\$ per pound)	1.73	1.63	1.76	1.65	1.53	1.59

Sales

Sales for three months ended March 31, 2017 were \$278.3 million with \$245.7 million from copper and \$32.6 million from gold, silver and other metals. Higher realized metal prices and price adjustments (\$58.8 million) and higher sales volumes (\$10.6 million) in the current year were the primary cause for increased sales over 2016.

Operating Costs

Operating costs for the quarter ended March 31, 2017 were \$12.5 million higher than 2016. Higher sales volumes (\$4.9 million) and changes in foreign exchange (\$4.9 million) contributed to the increase.

Operating Earnings

Operating earnings of \$158.5 million for the three months ended March 31, 2017 were \$59.2 million higher than the prior year comparable period. The increase was due to higher metal prices, including price adjustments (\$58.8 million) and higher sales volumes (\$5.7 million).

Production

Copper production of 39,133 tonnes for the three months ended March 31, 2017 was lower than the comparable period in 2016 by 2,374 tonnes (or 6%). The decrease in copper production was largely the result of lower mill throughput due to higher maintenance activities in the SAG mill and primary crusher, partially offset by higher realized head grades in the current quarter.

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

Cash Costs

Copper cash costs for the three months ended March 31, 2017 were \$1.27/lb, marginally higher than cash costs of \$1.22/lb in the prior year comparable period, largely as a result of an unfavourable foreign exchange rate impact on operating costs.

Approximately 17,000 oz of gold and 253,000 oz of silver were subject to terms of a streaming agreement in which \$400/oz and \$4.00/oz were recognized for gold and silver, respectively.

All-in sustaining costs of \$1.73/lb were slightly higher than the prior year comparable quarter of \$1.59/lb, due to higher cash costs and additional Phase 10 deferred stripping costs.

As expected, cash costs for the quarter were higher than full year guidance of \$1.20/lb, but remain on target for the full year.

Projects

The Los Diques tailings dam facility remains on schedule to be in operation in the first half of 2018.

Early works are complete while all major contracts for capital construction have been awarded and contractors mobilized. Main dam construction is well advanced and mechanical installations have begun. Construction of underdrains and seepage collection systems are well underway.

The project's capital cost forecast remains at \$295 million though delays in some non-critical activities have deferred certain expenditures to 2018. Accordingly, expenditures in 2017 and 2018 are now expected to be approximately \$120 million and \$45 million, respectively.

Study work also advanced on the Candelaria Consolidation Project ("CCP") which targets the operational consolidation and expanded production of the five underground deposits along strike of the open pit mineralization. Objectives of the study work are to significantly increase the volumes of higher grade feed from the underground deposits to supplement open pit material and displace lower grade stockpile mill feed, along with an investment in a potential mill throughput expansion of between 15-25%.

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

	2017	2016				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	196	745	183	189	188	185
Ore milled (000s tonnes)	187	748	190	188	184	186
Grade						
Nickel (%)	4.0	3.9	3.4	3.9	4.3	3.8
Copper (%)	3.5	3.2	3.0	3.2	3.1	3.4
Recovery						
Nickel (%)	85.5	84.8	86.0	84.1	85.4	83.6
Copper (%)	98.1	97.7	98.3	97.1	97.5	97.7
Production (contained metal)						
Nickel (tonnes)	6,342	24,114	5,249	6,085	6,812	5,968
Copper (tonnes)	6,503	23,417	5,742	5,796	5,639	6,240
Sales (\$000s)	72,271	244,467	62,144	71,101	57,999	53,223
Operating costs (\$000s)	(31,025)	(124,112)	(30,845)	(33,481)	(28,795)	(30,991)
Operating earnings (\$000s)	41,246	120,355	31,299	37,620	29,204	22,232
Cash cost (\$ per pound)	0.94	1.75	1.38	2.15	1.75	1.61
AISC (\$ per pound)	1.28	2.10	1.74	2.48	2.19	1.91

Sales

Sales for the quarter ended March 31, 2017 were \$72.3 million, of which \$31.9 million was realized from nickel, \$33.1 million from copper, and the balance from other metals. Higher metal prices, net of price adjustments (\$17.8 million) and higher sales volumes (\$5.1 million) were the primary reasons for the increase in sales from the \$53.2 million reported in 2016.

Operating Costs

Operating costs for the quarter ended March 31, 2017 were consistent with those reported in 2016.

Operating Earnings

Operating earnings for the three months ended March 31, 2017 of \$41.2 million were \$19.0 million higher than 2016. The increase was primarily due to higher sales volumes and prices, as discussed above.

Production

Nickel production for the three months ended March 31, 2017 was 6,342 tonnes compared to 5,968 tonnes in the prior year comparable period, while copper production was 6,503 tonnes compared to 6,240 tonnes in the prior year comparable period. The increase in both metals was due primarily to higher head grades and recoveries realized for both metals.

Cash Costs

Nickel cash costs for the three months ended March 31, 2017 of \$0.94/lb were lower than the \$1.61/lb reported in the prior year. The decrease in cash costs is primarily due to significantly higher by-product credits (\$0.85/lb) realized as a result of higher copper sales than that realized in the prior year, partially offset by higher treatment costs of nickel (\$0.37/lb) associated with customer mix.

Cash costs for the quarter were significantly lower than the original full year guidance of \$2.45/lb. As discussed above, copper by-product credits were significantly higher than expected in the quarter and accordingly, full year nickel cash costs guidance has been lowered to \$2.00/lb.

All-in sustaining costs of \$1.28/lb, for the quarter ended March 31, 2017 were lower than that reported in the comparable prior year period due to lower cash costs.

Projects

The Eagle East Feasibility Study is complete, including an updated Mineral Resource estimate and a maiden Mineral Reserve estimate. Full approval from the Board for the development of Eagle East has been obtained, but remains subject to permit approval.

Engineering and development of the exploration ramp continued during the quarter, advancing over 480 metres on centerline and 566 metres in total. The permitting process for mining of Eagle East progressed with submittal of two permit amendments to Michigan authorities. The first permit to continue ramp development to the original Eagle project boundary was approved March 23, 2017. Exploration drilling is continuing on the property, testing for possible extensions of the Eagle East mineralization.

In the first quarter of 2017, approximately \$8 million in expansionary capital expenditures has been incurred in support of the project. An additional \$27 million is expected to be spent over the remainder of this year as part of an overall budget of \$102 million for Eagle East.

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

	2017	2016				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	586	2,351	598	557	594	602
Ore mined, zinc (000 tonnes)	266	1,041	247	254	272	268
Ore milled, copper (000 tonnes)	591	2,386	598	560	602	626
Ore milled, zinc (000 tonnes)	269	1,039	237	257	270	275
Grade						
Copper (%)	2.2	2.5	2.4	2.3	2.6	2.8
Zinc (%)	8.3	8.2	8.0	8.3	8.3	8.2
Recovery						
Copper (%)	77.6	76.5	75.5	76.3	77.1	77.2
Zinc (%)	78.6	78.5	80.3	81.0	77.4	75.9
Production (contained metal)						
Copper (tonnes)	10,195	46,557	10,975	9,691	12,146	13,745
Zinc (tonnes)	17,948	69,527	15,886	17,642	18,272	17,727
Lead (tonnes)	1,406	4,126	1,142	833	1,245	906
Silver (000 oz)	330	1,242	313	279	331	319
Sales (\$000s)	83,036	281,134	75,624	64,523	69,674	71,313
Operating costs (\$000s)	(45,023)	(210,603)	(48,288)	(57,760)	(54,208)	(50,347)
Operating earnings (\$000s)	38,013	70,531	27,336	6,763	15,466	20,966
Cash cost (€ per pound)	0.70	1.39	1.37	1.57	1.32	1.34
Cash cost (\$ per pound)	0.75	1.54	1.47	1.76	1.49	1.48
AISC (\$ per pound)	1.42	1.96	2.13	2.25	1.84	1.73

Sales

Sales for the quarter ended March 31, 2017 were \$83.0 million, of which \$46.3 million was realized from copper, \$33.4 million from zinc, and the balance from lead, silver and other metals. The impact of lower sales volumes (\$16.9 million) was more than offset by the impact of higher metal prices, net of price adjustments (\$27.5 million) resulting in a net increase in sales over the comparable period in 2016.

Operating Costs

Operating costs for the quarter ended March 31, 2017 were \$5.3 million lower than 2016. The decrease was primarily due to lower sales volumes.

Operating Earnings

Operating earnings of \$38.0 million for the three months ended March 31, 2017 were \$17.0 million higher than 2016. The increase was mainly attributable to higher metal prices and positive price adjustments (\$27.5 million), partially offset by lower sales volumes (\$7.9 million).

Production

Copper production of 10,195 tonnes for the three months ended March 31, 2017 was lower than the comparable period in 2016 by 3,550 tonnes (or 26%). The decrease in copper production is primarily a result of lower head grades and mill throughput as a result of mine sequence, but remains on target to meet full year production guidance.

Zinc production of 17,948 tonnes for the three months ended March 31, 2017 was comparable to 2016.

Cash Costs

Copper cash costs of \$0.75/lb for the quarter ended March 31, 2017 were significantly lower than that of the corresponding period in 2016 of \$1.48/lb. The decrease over the prior period and initial guidance was largely as a result of higher by-product credits due to higher realized zinc prices and sales volumes and accordingly full year guidance has been reduced to \$1.00/lb.

All-in sustaining costs of \$1.42/lb were lower than the prior year (\$1.73/lb) comparable period due to lower cash costs, partially offset by higher sustaining capital expenditures.

Projects

The Zinc Expansion Project (ZEP), which has been advanced to final feasibility stage, is expected to more than double zinc production by expanding underground and surface facilities with minimal changes to the hoisting shaft. Optimizations and updates to the October 2015 ZEP Feasibility Study are now substantially complete and under internal review. The Environmental Impact Assessment submitted to Portuguese authorities at the end of November 2016 remains under evaluation and the project has recently been given a PIN (Project of National Interest) designation by the Portuguese government. Subject to timing of government permit and ultimate Board approvals, the intent is to have zinc ore throughput increased from 1.1 to 2.5 million tonnes per annum prior to the end of 2019.

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

	2017	2016				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	315	1,057	294	211	264	288
Ore mined, copper (000 tonnes)	14	107	-	46	48	13
Ore milled, zinc (000 tonnes)	284	1,093	296	256	237	304
Ore milled, copper (000 tonnes)	-	107	-	56	51	-
Grade						
Zinc (%)	7.6	8.0	7.4	8.1	8.2	8.3
Lead (%)	3.2	3.5	3.0	3.1	3.6	4.3
Copper (%)	-	2.0	-	1.7	2.3	-
Recovery						
Zinc (%)	89.4	89.8	89.8	90.7	89.3	90.0
Lead (%)	82.2	82.3	83.0	80.9	81.6	83.8
Copper (%)	-	91.6	-	90.5	92.4	-
Production (contained metal)						
Zinc (tonnes)	19,303	78,523	19,773	18,808	17,286	22,656
Lead (tonnes)	7,599	31,661	7,363	6,406	7,063	10,829
Copper (tonnes)	-	1,906	-	855	1,051	-
Silver (000 oz)	538	2,159	556	449	495	659
Sales (\$000s)	54,140	174,336	52,970	42,099	38,906	40,361
Operating costs (\$000s)	(17,362)	(82,097)	(21,935)	(20,824)	(18,306)	(21,032)
Operating earnings (\$000s)	36,778	92,239	31,035	21,275	20,600	19,329
Cash cost (SEK per pound)	3.30	3.18	3.43	3.49	2.78	3.02
Cash cost (\$ per pound)	0.37	0.37	0.38	0.41	0.34	0.36
AISC (\$ per pound)	0.57	0.57	0.60	0.58	0.56	0.55

Sales

Sales for the quarter ended March 31, 2017 were \$13.8 million higher than the prior year comparable period largely as a result of higher metal prices and positive price adjustments (\$25.2 million), partially offset by lower sales volumes (\$9.5 million). Current period sales, by metal, include; zinc (\$38.9 million), lead (\$13.5 million) and other metals (\$1.7 million).

Operating Costs

Operating costs of \$17.4 million for the quarter ended March 31, 2017 were lower than the first quarter of the prior year, largely as a result of lower sales volumes.

Operating Earnings

Operating earnings of \$36.8 million were higher than the \$19.3 million reported in the first quarter of 2016. The increase was attributable to higher realized metals and price adjustments (\$25.2 million), partially offset by lower sales volumes (\$5.7 million).

Production

Zinc production of 19,303 tonnes and lead production of 7,599 tonnes were 15% and 30% lower for the quarter, respectively, than for the comparable period in the prior year. Lower grades, as was expected, were the primary cause for the decrease. There was no copper production for the first quarter of 2017.

Cash Costs

Zinc cash costs of \$0.37/lb and all-in sustaining costs of \$0.57/lb, for the quarter ended March 31, 2017, were consistent with the comparable period in the prior year.

Projects

The expansion project, to increase zinc and lead production by 10%, remains on schedule and on budget with commissioning expected in May 2017. Costs of \$12 million have been incurred to date with approximately \$3 million expected over the remainder of the project.

Tenke Fungurume

Lundin Mining held an effective 24% equity interest in the mine. As of November 2016, China Molybdenum Co., Ltd. ("CMOC") became the majority partner and holds an effective 56% interest in the mine, with Gécamines, the Congolese state mining company, holding a 20% carried interest in the mine. In April 2017, the Company sold its indirect interest in the mine to an affiliate of BHR Partners. Tenke Fungurume consists of an open-pit mine and on-site processing facilities located in the southeast region of the Democratic Republic of Congo. Tenke has an annual nominal production capacity of 195 ktpa of copper cathode and 15 ktpa of cobalt in hydroxide. The primary metal is copper, with cobalt as a by-product metal.

Operating Statistics

100% Basis	2017	2016				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000 tonnes)	1,938	9,415	1,986	2,433	2,408	2,588
Ore milled (000 tonnes)	1,363	5,516	1,289	1,408	1,444	1,375
Grade						
Copper (%)	4.3	4.2	4.5	4.3	4.0	4.0
Recovery						
Copper (%)	92.9	93.2	91.9	93.5	94.5	92.8
Production (contained metal)						
Copper (tonnes)	53,883	215,940	54,234	56,340	55,418	49,948
Cobalt (tonnes)	3,587	16,053	3,365	4,083	4,304	4,301
Income (loss) from discontinued operations (\$000s) ¹	34,060	18,018	14,200	7,482	727	(4,391)
Attributable share of operating cash flows (\$000s)	37,104	87,716	24,823	16,512	20,285	26,096
Cash cost (\$ per pound) ²	0.49	1.23	1.13	1.16	1.34	1.31

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 the mine's operator. 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 Discontinued Operations

Given the sale of Tenke, equity income has been reported as income from discontinued operations. Income of \$34.1 million in the current quarter was \$38.5 million higher than the results of the first quarter of last year due to higher realized copper and cobalt metal prices. The average price realized for copper sales during the quarter was \$2.63/lb, compared to \$2.10/lb in the first quarter of 2016. The average realized price for cobalt sold during the first quarter of 2017 was \$20.86/lb (2016: \$6.32/lb).

Production

Tenke produced 53,883 tonnes of copper for the three months ended March 31, 2017, higher than the prior year comparable period of 49,948 tonnes due primarily to higher head grades. Cobalt production for the quarter was 3,587 tonnes, lower than the prior year comparable period of 4,301 tonnes due to lower head grades.

Cash Costs

Cash costs for copper, net of cobalt by-product credits, were \$0.49/lb for the quarter. This is lower than cash costs in the first quarter of 2016 of \$1.31/lb, largely as a result of higher realized cobalt prices.

Tenke Cash Flow

The Company received cash distributions of \$55.6 million for the quarter ended March 31, 2017 from Tenke.

Sale

The sale of the Company's indirect interest in Tenke Fungurume, to an affiliate of BHR Partners, closed in April 2017.

Exploration

Candelaria Mine, Chile (Copper, Gold)

Nine rigs drilled 26,956 metres within the three existing underground mines and around the Candelaria open pit mine in an effort to rapidly expand Mineral Reserve and Mineral Resource estimates and to determine the potential extension of known ore bodies. Geophysics commenced in the south district in the first quarter to assist in the development of drilling targets for the remainder of the year.

Eagle Resource Exploration, USA (Nickel, Copper)

Eagle exploration continued into 2017 with four surface rigs. Drilling is focused on tracing the Eagle East conduit. A total of 4,079 surface metres were drilled in the first quarter of 2017, with drilling expected to continue throughout the year. In addition, a geophysical program is also being planned for the 2017 field season.

European Operations

Exploration planning sessions were held at both Zinkgruvan and Neves-Corvo aimed at strategically expanding exploration efforts for both zinc and copper mineralization extensions. A significant ramp up in exploration activity is expected starting in the second quarter and continuing for the balance of the year and throughout 2018.

Peru (Copper)

Field work commenced on a copper/gold exploration project acquired in late 2016. Initial work includes geophysical surveys, geological mapping and surface rock and soil sampling, which is aimed at outlining potential drill targets.

Eastern Europe (Copper, Gold)

Project evaluation work is continuing on new copper and zinc-lead opportunities in Eastern Europe. Prospecting permits for polymetallic mineralization were obtained in Romania in an area with a long history of mining activities. It is expected that field work will commence on several projects during the year.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper and zinc for the first quarter of 2017 were higher than the average prices for the last quarter of 2016 by 11% and 10%, respectively. The average price for nickel in the first quarter of 2017 was down by 5% compared to the previous quarter.

(Average LME Price)		Three months ended March 31,		
		2017	2016	Change
Copper	US\$/pound	2.64	2.12	25%
	US\$/tonne	5,831	4,672	
Nickel	US\$/pound	4.66	3.86	21%
	US\$/tonne	10,271	8,499	
Zinc	US\$/pound	1.26	0.76	66%
	US\$/tonne	2,780	1,679	

LME inventory for copper and zinc decreased during the first quarter of 2017 by 10% and 13%, respectively, while the LME inventory for nickel increased by 2%.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates between mining companies and commodity trading companies decreased during the first quarter of 2017. In January the spot TC was \$75 per dmt of concentrate and the spot RC was \$0.075 per lb of payable copper and in March the TC had decreased to \$58 per dmt of concentrate with a RC of \$0.058 per payable lb of copper contained. Also, the spot terms at which the Chinese copper smelters are buying have fallen from a TC of \$88 per dmt of concentrate and a RC of \$0.088 per payable lb of copper in January to a TC of \$77 per dmt of concentrate and a RC of \$0.077 per payable lb of copper at the end of March. Supply disruptions at several major mines such as Freeport's Grasberg and BHP's Escondida contributed to a tighter market for copper concentrates. The terms for annual contracts for copper concentrates for 2017 were reached in November 2016 at a TC of \$92.50 per dmt with a RC of \$0.0925 per payable lb of copper. This represents an improvement for the mines compared to the 2016 annual terms at a TC of \$97.35 per dmt of concentrates and a RC of \$0.09735 per payable lb of copper.

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

The spot TC for zinc concentrates in China has traded at a historically low range of \$30-\$40 per dmt, flat, during the first quarter of 2017. Reduced mine production due to closures which took place in 2015 and 2016 fully impacted the zinc concentrate market during the first quarter of 2017. Late in the quarter the TC for annual contracts for zinc concentrates was agreed at \$172 per dmt of concentrates, based on a zinc price of \$2,800/tonne, with escalators of +/-0% (i.e. flat). The agreed terms represent an improvement in favour of the mines, compared to 2016, of approximately \$100 per dmt of concentrates at a zinc price of \$2,800 per mt.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents were \$928.8 million as at March 31, 2017, an increase of \$213.5 million from \$715.3 million at December 31, 2016. Cash inflows for the three months ended March 31, 2017 included operating cash flows of \$244.7 million and distributions from Tenke of \$55.6 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$79.1 million.

Working Capital

Working capital was \$1,073.1 million as at March 31, 2017, compared to \$982.8 million at December 31, 2016. The increase in working capital is largely a reflection of a higher balance of cash and cash equivalents, as discussed above, partially offset by higher income taxes payable as at March 31, 2017. Higher taxable earnings in the quarter have contributed to a higher income tax payable balance.

Long-Term Debt

As at March 31, 2017, 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. Letters of credit totalling \$24.4 million have been issued.

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

Sensitivities

Sales and operating costs are affected by certain external factors including fluctuations in metal prices and changes in exchange rates between the Euro, the SEK, the Chilean peso and the US dollar.

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

Metal	Tonnes Payable	Provisional price on March 31, 2017 (\$US/tonne)	Change	Effect on Sales (\$millions)
Copper	58,980	5,942	+/-10%	+/- \$35.1
Nickel	4,647	10,143	+/-10%	+/- \$4.7
Zinc	8,275	2,758	+/-10%	+/- \$2.3

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

Currency	Change	For the three months ended March 31, 2017 (\$millions)
Chilean peso	+/-10%	+/- \$9.6
Euro	+/-10%	+/- \$4.4
Swedish krona	+/-10%	+/- \$1.9

Commitments

The Company has the following capital commitments as at March 31, 2017:

(\$ thousands)

2017	49,080
2018	6,819
2019	170
Total	56,069

Financial Instruments

Summary of financial instruments:

	Fair value at March 31, 2017 (\$ thousands)	Basis of measurement	Associated risks
Cash and cash equivalents	928,820	Carrying value	Credit/Exchange
Trade and other receivables	76,223	Carrying value	Credit/Market/Exchange
Trade receivables	249,201	FVTPL	Credit/Market/Exchange
Marketable securities and restricted funds	42,280	FVTPL	Market/Liquidity
Currency options	4,604	FVTPL	Market/Liquidity
Trade and other payables	223,847	Carrying value	Exchange
Long-term debt and finance leases	1,074,929	Amortized cost	Interest
Other long-term liabilities	10,089	FVTPL	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.

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 Company has currency options to hedge its CLP exposure. The remaining call options expire between April 2017 and December 2018 having a strike price between 675 to 700 CLP:USD.

For the quarter ended March 31, 2017, the Company recognized positive prior period pricing adjustments of \$17.2 million in sales (2016: loss of \$4.4 million) and a revaluation gain of \$0.7 million on FVTPL currency options (2016: \$3.1 million). In addition, a foreign exchange loss of \$7.7 million (2016: \$4.8 million) was realized in the quarter on working capital denominated in foreign currencies held by the Company's various entities and currency translation adjustments on sale of assets. Revaluation of FVTPL securities was not material in the quarter nor in the comparative quarter.

Shareholders' Equity

Shareholders' equity was \$3,731.5 million at March 31, 2017, compared to \$3,627.6 million at December 31, 2016. The increase in shareholders' equity is primarily due to net earnings in the quarter of \$106.4 million.

Related Party Transactions

Tenke Fungurume

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

During the three months ended March 31, 2017, the Company received \$55.6 million in cash distributions from Tenke.

Freeport Cobalt

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

During the three months ended March 31, 2017, the Company paid \$3.0 million to Freeport Cobalt for expanded cobalt battery product line investments.

Key Management Personnel

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

	Three months ended March 31,	
	2017	2016
Wages and salaries	\$ 1,671	\$ 1,434
Pension benefits	56	52
Share-based compensation	1,152	640
	<u>\$ 2,879</u>	<u>\$ 2,126</u>

For the three months ended March 31, 2017, the Company paid \$0.3 million (2016 - \$0.2 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

Changes in Accounting Policies

New Accounting Pronouncements

In 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which provides guidance on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effective date of the standard is January 1, 2018, with earlier adoption permitted. The Company is in the process of analyzing all its contracts with customers with respect to the application of IFRS 15. The Company expects to complete the identification of the scope of the contracts affected by IFRS 15 and the remaining analysis in order to provide disclosure of proposed transitional adjustments and transitional methods prior to the implementation date.

In 2016, the IASB issued IFRS 16, *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently developing a transition plan for this new standard by the end of fiscal 2017. Preliminary review of leases will begin this year. Implementation of IFRS 16 is expected to increase plant and equipment and related debt amounts.

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 2016 Management's Discussion and Analysis.

Non-GAAP Performance Measures

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

Net Cash/Debt

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

(\$thousands)	March 31, 2017	December 31, 2016
Current portion of long-term debt and finance leases	(1,321)	(1,082)
Long-term debt and finance leases	(983,444)	(982,295)
	(984,765)	(983,377)
Deferred financing fees (netted in above)	(15,314)	(16,038)
	(1,000,079)	(999,415)
Cash and cash equivalents	928,820	715,311
Net debt	(71,259)	(284,104)

Operating Earnings

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

Operating Cash Flow per Share

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

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

(\$000s, except share and per share amounts)	Three months ended March 31,	
	2017	2016
Cash provided by operating activities	244,677	42,878
Changes in non-cash working capital items	(72,311)	41,322
Operating cash flow before changes in non-cash working capital items	172,366	84,200
Weighted average common shares outstanding	726,184,033	719,628,357
Operating cash flow per share	0.24	0.12

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 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 March 31, 2017					
Operations	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Total
(\$000s, unless otherwise noted)	(Cu)	(Ni)	(Cu)	(Zn)	
Sales volumes (Contained metal in concentrate):					
Tonnes	42,683	5,337	8,767	16,889	
Pounds (000s)	94,100	11,766	19,328	37,234	
Operating cost					214,124
Less: By-product credits					(112,184)
Treatment costs					62,110
Non-cash inventory					820
Royalties and other					(6,265)
Cash operating cost	119,388	11,071	14,400	13,776	158,605
Cash cost per pound (\$/lb)	1.27	0.94	0.75	0.37	
Add: Sustaining capital expenditure					
& exploration ⁽¹⁾	42,730	1,448	10,852	7,043	
Royalties	-	2,142	2,102	-	
Accretion	737	448	143	84	
Leases & other	-	-	-	180	
All-in sustaining cost	162,855	15,109	27,497	21,083	
AISC per pound (\$/lb)	1.73	1.28	1.42	0.57	

Three months ended March 31, 2016					
Operations	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Total
(\$000s, unless otherwise noted)	(Cu)	(Ni)	(Cu)	(Zn)	
Sales volumes (Contained metal in concentrate):					
Tonnes	41,316	5,156	13,271	19,248	
Pounds (000s)	91,086	11,367	29,258	42,435	
Operating cost					210,290
Less: By-product credits					(79,376)
Treatment costs					60,305
Non-cash inventory					275
Royalties and other					(\$3,472)
Cash operating cost	111,244	18,318	43,244	15,216	188,022
Cash cost per pound (\$/lb)	1.22	1.61	1.48	0.36	n/a
Add: Sustaining capital expenditure					
& exploration	32,976	1,570	6,581	7,866	
Royalties	-	1,659	504	-	
Accretion	710	208	390	113	
Leases & other	-	-	-	154	
All-in sustaining cost	144,930	21,755	50,719	23,349	
AISC per pound (\$/lb)	1.59	1.91	1.73	0.55	

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

Managing Risks

Risks and Uncertainties

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

Outstanding Share Data

As at April 26, 2017, the Company has 726,702,997 common shares issued and outstanding, and 14,327,085 stock options and 3,037,590 share units outstanding under the Company's incentive plans.

Management’s Report on Internal Controls

Disclosure controls and procedures

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

Internal control over financial reporting

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

Control Framework

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

Changes in internal control over financial reporting

There have been no changes in the Company’s internal control over financial reporting during the three month period ended March 31, 2017 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 April 26, 2017:*

(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*
Nicholas J. Hayduk, *Senior Vice President, Chief Legal Officer and Corporate Secretary*
Julie A. Lee Hars, *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*

2. **Financial Information**

The report for the quarter ending June 30, 2017 is expected to be published by July 26, 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

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

March 31, 2017
(Unaudited)

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands of US dollars)

**March 31,
2017**December 31,
2016**ASSETS**

Cash and cash equivalents (Note 3)	\$	928,820	\$	715,311
Trade and other receivables (Note 4)		325,424		338,931
Income taxes receivable		5,573		34,853
Inventories (Note 5)		149,659		163,138
Other current assets		9,884		8,877
		1,419,360		1,261,110
Asset classified as held for sale (Note 8)		1,125,218		1,146,776
Total current assets		2,544,578		2,407,886
Restricted funds		39,270		41,272
Long-term inventory		232,966		217,914
Other non-current assets		11,087		11,977
Mineral properties, plant and equipment (Note 6)		3,146,676		3,179,600
Investment in associates (Note 7)		81,427		79,166
Deferred tax assets		120,960		102,786
Goodwill		103,225		101,928
		3,735,611		3,734,643
Total assets	\$	6,280,189	\$	6,142,529

LIABILITIES

Trade and other payables (Note 9)	\$	260,211	\$	243,675
Income taxes payable		86,026		34,592
Current portion of long-term debt and finance leases		1,321		1,082
Current portion of deferred revenue		55,398		55,934
Current portion of reclamation and other closure provisions		14,212		20,279
Total current liabilities		417,168		355,562
Long-term debt and finance leases		983,444		982,295
Deferred revenue		491,705		504,009
Reclamation and other closure provisions		235,274		236,526
Other long-term liabilities		10,089		9,992
Provision for pension obligations		12,863		13,269
Deferred tax liabilities		398,109		413,249
		2,131,484		2,159,340
Total liabilities		2,548,652		2,514,902

SHAREHOLDERS' EQUITY

Share capital		4,143,557		4,135,367
Contributed surplus		44,947		44,779
Accumulated other comprehensive loss		(302,498)		(320,138)
Deficit		(620,608)		(695,718)
Equity attributable to Lundin Mining Corporation shareholders		3,265,398		3,164,290
Non-controlling interests		466,139		463,337
		3,731,537		3,627,627
	\$	6,280,189	\$	6,142,529

Commitments (Note 17)

Subsequent event (Note 21)

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 EARNINGS (LOSS)

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

	Three months ended March 31,	
	2017	2016
Sales	\$ 487,787	\$ 369,569
Operating costs (Note 11)	(214,124)	(210,290)
Depreciation, depletion and amortization (Note 6)	(109,660)	(119,574)
General and administrative expenses	(9,240)	(7,542)
General exploration and business development	(15,181)	(12,821)
Finance costs (Note 13)	(11,749)	(18,278)
Other expenses (Note 14)	(11,329)	(8,881)
Earnings (loss) before income taxes	116,504	(7,817)
Current tax expense (Note 15)	(58,245)	(19,665)
Deferred tax recovery (Note 15)	14,123	16,408
Net earnings (loss) from continuing operations	72,382	(11,074)
Earnings (loss) from discontinued operations (Note 8)	34,062	(4,391)
Net earnings (loss)	\$ 106,444	\$ (15,465)
Net earnings (loss) from continuing operations attributable to:		
Lundin Mining Corporation shareholders	\$ 57,580	\$ (17,694)
Non-controlling interests	14,802	6,620
Net earnings (loss) from continuing operations	\$ 72,382	\$ (11,074)
Net earnings (loss) attributable to:		
Lundin Mining Corporation shareholders	\$ 91,642	\$ (22,085)
Non-controlling interests	14,802	6,620
Net earnings (loss)	\$ 106,444	\$ (15,465)
Basic and diluted earnings (loss) per share attributable to Lundin Mining Corporation shareholders		
Earnings (loss) from continuing operations	\$ 0.08	\$ (0.02)
Net earnings (loss)	\$ 0.13	\$ (0.03)
Weighted average number of shares outstanding (Note 10)		
Basic	726,184,033	719,628,357
Diluted	728,794,024	719,628,357

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(Unaudited - in thousands of US dollars)

	Three months ended March 31,	
	2017	2016
Net earnings (loss)	\$ 106,444	\$ (15,465)
Other comprehensive earnings, net of taxes		
Items that may be reclassified to net earnings (loss):		
Effects of foreign currency translation	11,630	36,370
Item that was reclassified to net earnings (loss):		
Reclassification adjustment (Note 14)	6,010	-
Other comprehensive earnings, net of taxes	17,640	36,370
Comprehensive earnings	\$ 124,084	\$ 20,905
Comprehensive earnings attributable to:		
Lundin Mining Corporation shareholders	\$ 109,282	\$ 14,285
Non-controlling interests	14,802	6,620
Comprehensive earnings	\$ 124,084	\$ 20,905

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings (deficit)	Non- controlling interests	Total
Balance, December 31, 2016	725,134,187	\$ 4,135,367	\$ 44,779	\$ (320,138)	\$ (695,718)	\$ 463,337	\$ 3,627,627
Distributions	-	-	-	-	-	(12,000)	(12,000)
Exercise of share-based awards	1,568,810	8,453	(2,613)	-	-	-	5,840
Share-based compensation	-	-	2,781	-	-	-	2,781
Dividends declared	-	-	-	-	(16,532)	-	(16,532)
Deferred tax adjustment	-	(263)	-	-	-	-	(263)
Net earnings	-	-	-	-	91,642	14,802	106,444
Other comprehensive earnings	-	-	-	17,640	-	-	17,640
Total comprehensive earnings	-	-	-	17,640	91,642	14,802	124,084
Balance, March 31, 2017	726,702,997	\$ 4,143,557	\$ 44,947	\$ (302,498)	\$ (620,608)	\$ 466,139	\$ 3,731,537
Balance, December 31, 2015	719,628,357	\$ 4,107,469	\$ 49,112	\$ (308,819)	\$ (33,975)	\$ 433,824	\$ 4,247,611
Distributions	-	-	-	-	-	(2,000)	(2,000)
Exercise of share-based awards	4,100	17	(17)	-	-	-	-
Share-based compensation	-	-	1,689	-	-	-	1,689
Net (loss) earnings	-	-	-	-	(22,085)	6,620	(15,465)
Other comprehensive earnings	-	-	-	36,370	-	-	36,370
Total comprehensive earnings (loss)	-	-	-	36,370	(22,085)	6,620	20,905
Balance, March 31, 2016	719,632,457	\$ 4,107,486	\$ 50,784	\$ (272,449)	\$ (56,060)	\$ 438,444	\$ 4,268,205

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - in thousands of US dollars)

	Three months ended March 31,	
	2017	2016
Cash provided by (used in)		
Operating activities		
Net earnings (loss)	\$ 106,444	\$ (15,465)
Items not involving cash and other adjustments		
Depreciation, depletion and amortization	109,660	119,574
Share-based compensation	2,781	1,689
(Earnings) loss from discontinued operations	(34,062)	4,391
Foreign exchange loss	8,576	2,077
Deferred tax recovery	(14,123)	(16,408)
Recognition of deferred revenue	(12,772)	(10,854)
Finance costs	19,631	18,278
Loss (gain) on disposal of assets	2,813	(48)
Other	594	2,799
Other payments	(348)	(658)
Changes in long-term inventory	(16,828)	(21,175)
Changes in non-cash working capital items (Note 20)	72,311	(41,322)
	244,677	42,878
Investing activities		
Investment in mineral properties, plant and equipment	(79,136)	(47,520)
Distributions from discontinued operations (Note 7 and 8)	55,620	780
(Contributions to) distributions from associates (Note 7)	(3,000)	2,400
Other	2,979	3,855
	(23,537)	(40,485)
Financing activities		
Distributions to non-controlling interests	(12,000)	(2,000)
Proceeds from common shares issued	5,840	-
Other	(452)	(853)
	(6,612)	(2,853)
Effect of foreign exchange on cash balances	(1,019)	4,697
Increase in cash and cash equivalents during the period	213,509	4,237
Cash and cash equivalents, beginning of period	715,311	556,511
Cash and cash equivalents, end of period	\$ 928,820	\$ 560,748
Supplemental cash flow information (Note 20)		

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

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three months ended March 31, 2017 and 2016

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

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company primarily producing copper, nickel and zinc. The Company's wholly-owned operating assets include the Eagle mine located in the United States ("US"), the Neves-Corvo mine located in Portugal and the Zinkgruvan mine located in Sweden. The Company also owns 80% of the Candelaria and Ojos del Salado mining complex ("Candelaria") located in Chile. The Company holds an indirect 24% equity interest in the Tenke Fungurume 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 has entered into an agreement to sell its indirect equity stake in Tenke Fungurume (Note 21).

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, 2016.

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

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on April 26, 2017.

(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, 2016.

(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, 2016.

(iv) New accounting pronouncements

In 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which provides guidance on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effective date of the standard is January 1, 2018, with earlier adoption permitted. The Company is in the

LUNDIN MINING CORPORATION

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process of analyzing all its contracts with customers with respect to the application of IFRS 15. The Company expects to complete the identification of the scope of the contracts affected by IFRS 15 during the next quarter. Furthermore, the Company expects to complete the majority of the remaining analysis by third quarter of 2017 and targets disclosure of proposed transitional adjustments and transitional methods.

In 2016, the IASB issued IFRS 16, Leases, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently developing a transition plan for this new standard by the end of fiscal 2017. Preliminary review of leases will begin this year. The effect of the implementation of IFRS 16 is expected to increase plant and equipment and related debt amounts.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	March 31, 2017	December 31, 2016
Cash	\$ 689,384	\$ 516,212
Short-term deposits	239,436	199,099
	\$ 928,820	\$ 715,311

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	March 31, 2017	December 31, 2016
Trade receivables	\$ 273,152	\$ 289,803
Value added tax	18,472	15,710
Prepaid expenses	18,440	16,307
Other receivables	15,360	17,111
	\$ 325,424	\$ 338,931

5. INVENTORIES

Inventories are comprised of the following:

	March 31, 2017	December 31, 2016
Ore stockpiles	\$ 47,699	\$ 48,436
Concentrate stockpiles	23,736	33,786
Materials and supplies	78,224	80,916
	\$ 149,659	\$ 163,138

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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, 2015	\$ 2,960,720	\$ 2,047,138	\$ 4,147	\$ 82,946	\$ 5,094,951
Additions	14,698	344	-	37,009	52,051
Disposals and transfers	(201)	3,194	-	(3,744)	(751)
Effects of foreign exchange	59,684	27,846	(41)	980	88,469
As at March 31, 2016	3,034,901	2,078,522	4,106	117,191	5,234,720
Additions	84,418	2,480	-	100,893	187,791
Impairment reversal	95,922	-	-	-	95,922
Disposals and transfers	553	11,504	(3,963)	(60,647)	(52,553)
Effects of foreign exchange	(126,422)	(55,825)	(143)	(3,380)	(185,770)
As at December 31, 2016	3,089,372	2,036,681	-	154,057	5,280,110
Additions	18,291	103	-	49,267	67,661
Disposals and transfers	1,126	(3,830)	-	(1,872)	(4,576)
Effects of foreign exchange	21,036	9,631	-	651	31,318
As at March 31, 2017	\$ 3,129,825	\$ 2,042,585	\$ -	\$ 202,103	\$ 5,374,513

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2015	\$ 1,205,139	\$ 535,101	\$ -	\$ -	\$ 1,740,240
Depreciation	71,818	53,427	-	-	125,245
Disposals and transfers	-	(295)	-	-	(295)
Effects of foreign exchange	37,014	14,386	-	-	51,400
As at March 31, 2016	1,313,971	602,619	-	-	1,916,590
Depreciation	177,192	152,849	-	-	330,041
Disposals and transfers	(1,545)	(32,914)	-	-	(34,459)
Effects of foreign exchange	(81,111)	(30,551)	-	-	(111,662)
As at December 31, 2016	1,408,507	692,003	-	-	2,100,510
Depreciation	58,733	50,626	-	-	109,359
Disposals and transfers	-	(554)	-	-	(554)
Effects of foreign exchange	13,230	5,292	-	-	18,522
As at March 31, 2017	\$ 1,480,470	\$ 747,367	\$ -	\$ -	\$ 2,227,837

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2016	\$ 1,680,865	\$ 1,344,678	\$ -	\$ 154,057	\$ 3,179,600
As at March 31, 2017	\$ 1,649,355	\$ 1,295,218	\$ -	\$ 202,103	\$ 3,146,676

During the quarter ended March 31, 2017, the Company capitalized \$18.1 million (2016 - \$4.9 million) of deferred stripping costs to mineral properties. Included in the mineral properties balance as at March 31, 2017 is \$242.1 million (December 31, 2016 - \$224.0 million) which is non-depreciable.

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In addition, the Company capitalized \$2.4 million (2016 - \$1.3 million) of borrowing costs, at a rate of 8.1%, related to construction of the Candelaria Los Diques tailings facility project.

During the quarter ended March 31, 2017, the Company disposed of the Galmoy assets and liabilities. The net carrying amount of the plant and equipment was \$3.8 million.

7. INVESTMENT IN ASSOCIATES

	Freeport Cobalt	Tenke Fungurume	Total
As at December 31, 2015	89,576	1,961,247	2,050,823
Distributions	(2,400)	(780)	(3,180)
Share of equity loss	(895)	(4,391)	(5,286)
As at March 31, 2016	86,281	1,956,076	2,042,357
Distributions	(6,900)	-	(6,900)
Share of equity loss	(215)	-	(215)
Reclassification to asset held for sale (Note 8)	-	(1,956,076)	(1,956,076)
As at December 31, 2016	79,166	-	79,166
Contributions	3,000	-	3,000
Share of equity loss	(739)	-	(739)
As at March 31, 2017	\$ 81,427	\$ -	\$ 81,427

8. ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

Asset held for sale related to Tenke Fungurume is comprised of the following:

	Tenke Fungurume
As at December 31, 2015 and March 31, 2016	\$ -
Reclassification from investment in associates	1,956,076
Distributions	(59,595)
Loss from discontinued operations	(749,705)
As at December 31, 2016	\$ 1,146,776
Distributions	(55,620)
Earnings from discontinued operations	34,062
As at March 31, 2017	\$ 1,125,218

Net investing cash flows from discontinued operations for the three months ended March 31, 2017 are \$55.6 million (March 31, 2016 - \$0.8 million). Basic and diluted earnings per share from discontinued operations is \$0.05 (2016 - loss per share \$0.01).

Prior period loss from discontinued operations includes an impairment loss of \$772.1 million.

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9. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	March 31, 2017	December 31, 2016
Trade payables	\$ 99,607	\$ 119,718
Unbilled goods and services	66,503	60,141
Payroll obligations	36,362	43,130
Interest payable	31,953	12,781
Dividends payable	16,532	-
Royalty payable	9,254	7,905
	\$ 260,211	\$ 243,675

On February 22, 2017, the Company declared a dividend to its shareholders in the amount of \$16.5 million which was paid in April 2017.

10. SHARE CAPITAL

The total incremental shares added to the basic weighted average number of common shares outstanding to arrive at the fully diluted number of shares is comprised of 2,609,991 shares for the three months ended March 31, 2017 (March 31, 2016 – nil shares). The incremental shares relate to in-the-money outstanding stock options and outstanding restricted share units (“SU”). Stock options and SUs were not included in the computation of diluted loss per common share for the three months ended March 31, 2016. During the three months ended March 31, 2017, the Company granted 3,992,090 stock options (March 31, 2016 – 3,900,165) to employees. The Company also granted 1,078,090 SUs (March 31, 2016 – 1,054,400) which vest after three years.

11. OPERATING COSTS

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

	Three months ended March 31,	
	2017	2016
Direct mine and mill costs	\$ 192,381	\$ 189,895
Transportation	17,499	18,232
Royalties	4,244	2,163
	214,124	210,290
Depreciation, depletion and amortization	109,660	119,499
Total operating costs	\$ 323,784	\$ 329,789

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12. EMPLOYEE BENEFITS

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

	Three months ended March 31,	
	2017	2016
Operating costs		
Wages and benefits	\$ 53,257	\$ 50,333
Pension benefits	302	343
Share-based compensation	904	568
	54,463	51,244
General and administrative expenses		
Wages and benefits	4,457	3,732
Pension benefits	129	132
Share-based compensation	1,798	966
	6,384	4,830
General exploration and business development		
Wages and benefits	2,295	2,375
Pension benefits	11	11
Share-based compensation	79	158
	2,385	2,544
Other		
Wages and benefits	-	482
	-	482
Total employee benefits	\$ 63,232	\$ 59,100

13. FINANCE COSTS

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

	Three months ended March 31,	
	2017	2016
Interest income	\$ 7,246	\$ 146
Interest expense and bank fees	(18,444)	(19,718)
Accretion expense on reclamation provisions	(1,412)	(1,443)
Unrealized gain on revaluation of currency options	728	3,099
Other	133	(362)
Total finance costs	\$ (11,749)	\$ (18,278)

During the three months ended March 31, 2017, the Company accrued \$16.8 million (2016 - \$19.2 million) in interest expense on its \$1 billion senior secured notes. The Company received \$6.5 million of interest related to a prior period tax assessment which was successfully appealed.

LUNDIN MINING CORPORATION

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14. OTHER INCOME AND EXPENSES

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

	Three months ended March 31,	
	2017	2016
Loss on sale of assets	\$ (2,813)	\$ -
Foreign exchange loss	(7,689)	(4,848)
Loss from equity investment in associate (Note 7)	(739)	(895)
Other expenses	(970)	(4,158)
Other income	882	1,020
Total other (expenses) income	\$ (11,329)	\$ (8,881)

Other income	\$ 882	\$ 1,020
Other expenses	(12,211)	(9,901)
Total other (expenses) income	\$ (11,329)	\$ (8,881)

Other income and other expenses include ancillary activities of the Company, including closure costs for closed operations.

On disposal of the Galmoy assets, the Company reclassified \$6.0 million previously recorded in other comprehensive income to foreign exchange loss.

15. 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.

LUNDIN MINING CORPORATION

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16. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at March 31, 2017 and December 31, 2016:

	Level	March 31, 2017		December 31, 2016	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Cash and cash equivalents	1	\$ 928,820	\$ 928,820	\$ 715,311	\$ 715,311
Restricted funds	1	39,270	39,270	41,272	41,272
Trade receivables	2	249,201	249,201	241,672	241,672
Marketable securities - shares	1	3,010	3,010	2,986	2,986
Currency options	2	4,604	4,604	4,512	4,512
		\$ 1,224,905	\$ 1,224,905	\$ 1,005,753	\$ 1,005,753
Financial liabilities					
Long-term debt and finance leases	1,2	\$ 984,765	\$ 1,074,929	\$ 983,377	\$ 1,075,154
Other long-term liabilities	2	10,089	10,089	9,992	9,992
		\$ 994,854	\$ 1,085,018	\$ 993,369	\$ 1,085,146

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 \$25.6 million in sales during the three months ended March 31, 2017 (2016 - \$8.5 million positive pricing adjustments).

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

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

Long-term debt – The fair value of long-term debt is determined using quoted market prices. The Company classifies these instruments as amortized cost.

Finance leases – The fair value of the finance leases approximates its carrying value as the interest rates are

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comparable to current market rates.

Other long-term liabilities— The fair value of other long-term liabilities are determined using a valuation model that incorporates such factors as the strike price, volatility of copper prices and the termination date of the liability. These liabilities relate to contingent consideration.

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.

17. COMMITMENTS

The Company has the following capital commitments as at March 31, 2017:

2017	\$	49,080
2018		6,819
2019		170
Total	\$	56,069

18. SEGMENTED INFORMATION

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

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For the three months ended March 31, 2017

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Sales	\$ 278,340	\$ 72,271	\$ 83,036	\$ 54,140	\$ -	\$ -	\$ 487,787
Operating costs	(119,864)	(31,025)	(45,023)	(17,362)	-	(850)	(214,124)
General and administrative expenses	-	-	-	-	-	(9,240)	(9,240)
Operating earnings (loss)	158,476	41,246	38,013	36,778	-	(10,090)	264,423
Depreciation, depletion and amortization	(50,284)	(36,519)	(17,531)	(4,806)	-	(520)	(109,660)
General exploration and business development	(6,278)	(5,068)	(1,484)	(991)	-	(1,360)	(15,181)
Finance (costs) income	(403)	(448)	6,678	(118)	-	(17,458)	(11,749)
Other (expense) income	(2,049)	42	(1,838)	(623)	-	(6,861)	(11,329)
Income tax expense	(24,051)	-	(5,894)	(6,390)	-	(7,787)	(44,122)
Net earnings (loss) from continuing operations	75,411	(747)	17,944	23,850	-	(44,076)	72,382
Earnings from discontinued operations	-	-	-	-	34,062	-	34,062
Net earnings (loss)	\$ 75,411	\$ (747)	\$ 17,944	\$ 23,850	\$ 34,062	\$ (44,076)	\$ 106,444
Capital expenditures	\$ 48,114	\$ 9,807	\$ 9,757	\$ 11,355	\$ -	\$ 103	\$ 79,136

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For the three months ended March 31, 2016

	Candelaria	Eagle	Neves-Corvo	Zinkgruvan	Tenke Fungurume	Other	Total
	Chile	USA	Portugal	Sweden	DRC		
Sales	\$ 206,702	\$ 53,223	\$ 71,313	\$ 40,361	\$ -	\$ (2,030)	\$ 369,569
Operating costs	(107,386)	(30,991)	(50,347)	(21,032)	-	(534)	(210,290)
General and administrative expenses	-	-	-	-	-	(7,542)	(7,542)
Operating earnings (loss)	99,316	22,232	20,966	19,329	-	(10,106)	151,737
Depreciation, depletion and amortization	(61,387)	(30,512)	(21,412)	(5,732)	-	(531)	(119,574)
General exploration and business development	(2,166)	(6,708)	(1,707)	(303)	-	(1,937)	(12,821)
Finance (costs) income	(676)	(208)	(369)	(151)	-	(16,874)	(18,278)
Other (expenses) income	(1,393)	36	(3,876)	(2,549)	-	(1,099)	(8,881)
Income tax recovery (expense)	501	-	3,766	(2,265)	-	(5,259)	(3,257)
Net earnings (loss) from continuing operations	34,195	(15,160)	(2,632)	8,329	-	(35,806)	(11,074)
Loss from discontinued operations	-	-	-	-	(4,391)	-	(4,391)
Net earnings (loss)	\$ 34,195	\$ (15,160)	\$ (2,632)	\$ 8,329	\$ (4,391)	\$ (35,806)	\$ (15,465)
Capital expenditures	\$ 28,683	\$ 1,570	\$ 8,033	\$ 9,002	\$ -	\$ 232	\$ 47,520

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

	Three months ended March 31,	
	2017	2016
Copper	\$ 325,122	\$ 258,167
Zinc	72,356	39,225
Nickel	31,850	22,740
Gold	27,648	23,170
Lead	16,009	14,586
Silver	7,676	8,702
Other	7,126	2,979
	\$ 487,787	\$ 369,569

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

	Three months ended March 31,	
	2017	2016
Europe	\$ 226,529	\$ 215,884
Asia	182,822	96,119
North America	51,916	38,831
South America	26,520	18,735
	\$ 487,787	\$ 369,569

19. RELATED PARTY TRANSACTIONS

- a) **Transactions with associates** - The Company enters into transactions related to its investment in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Note 7 and 8).
- b) **Key management personnel** - The Company has identified its directors and certain senior officers as its key management personnel. The employee benefits for key management personnel are as follows:

	Three months ended March 31,	
	2017	2016
Wages and salaries	\$ 1,671	\$ 1,434
Pension benefits	56	52
Share-based compensation	1,152	640
	\$ 2,879	\$ 2,126

- c) **Other related parties** - For the three months ended March 31, 2017, the Company paid \$0.3 million (2016 - \$0.3 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

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20. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended March 31,	
	2017	2016
Changes in non-cash working capital items consist of:		
Trade receivable, inventories and other current assets	\$ 52,171	\$ (19,215)
Trade payables and other current liabilities	20,140	(22,107)
	<u>\$ 72,311</u>	<u>\$ (41,322)</u>
Operating activities included the following cash payments:		
Income taxes (refunded) paid	\$ (1,927)	\$ 16,044

21. SUBSEQUENT EVENT

On April 19, 2017, the Company completed the sale of its indirect interest in TF Holdings Limited ("TF Holdings") to an affiliate of BHR Partners for \$1.136 billion in cash. TF Holdings is a Bermuda holding company that owns an 80% interest in Tenke Fungurume, located in the Democratic Republic of Congo. Lundin Mining's effective 24% interest in Tenke Fungurume is held through its 30% indirect interest in TF Holdings.

With the completion of the sale, the Company paid \$14.2 million to China Molybdenum Co., Ltd (together with its affiliates, "CMOC") as reimbursements for payments made by CMOC for a settlement agreement related to the sale of TF Holdings.

lundin mining