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lundin mining

NEWS RELEASE

Lundin Mining Fourth Quarter and Full Year Results

Toronto, February 15, 2018 (TSX: LUN; OMX: LUMI) Lundin Mining Corporation ("Lundin Mining" or the "Company") today reported cash flows of $230.1 million generated from operations in its fourth quarter of the year and $903.5 million for the year. Net earnings from continuing operations attributable to Lundin Mining shareholders were $133.0 million ($0.18 per share) for the quarter and $371.4 million ($0.51 per share) for the year ended December 31, 2017.

Mr. Paul Conibear, President and CEO commented, *"Our operations performed well last year meeting production guidance and beating cash cost expectations. Importantly, this result was underpinned by the Company's best ever safety performance, and excellent project execution on the various projects we have in progress to enhance value at each of our mines. It was a very constructive year for Lundin Mining as we commissioned the zinc mill expansion at Zinkgruvan, advanced Eagle East ahead of schedule, commenced work on a major zinc expansion at Neves-Corvo and we achieved completion of the initial phase of the Candelaria Los Diques tailings facility well ahead of schedule and significantly under its original budget.*

We enter 2018 in excellent position. We are investing in several low-risk, positive return initiatives to further improve the value of our operations, taking a long-term view. Our financial strength, disciplined capital allocation, and focus will enable us to continue to deliver strong shareholder returns through opportunities both in our own assets and externally."

Summary financial results for the quarter and year-to-date:

	Three months ended December 31,		Twelve months ended December 31,	
US$ Millions (except per share amounts)	**2017**	2016	**2017**	2016
Sales	**533.3**	459.2	**2,077.5**	1,545.6
Operating costs	**(210.8)**	(226.4)	**(875.8)**	(864.4)
Operating earnings[1]	**311.5**	225.3	**1,162.8**	654.2
Impairment reversals	**-**	95.9	**-**	95.9
Continuing, attributable net earnings[2]	**133.0**	148.7	**371.4**	92.4
Attributable net earnings / (loss) [2]	**133.0**	162.9	**426.5**	(661.7)
Net earnings / (loss)	**154.0**	180.2	**502.0**	(630.2)
Basic and diluted earnings / (loss) per share[3]	**0.18**	0.23	**0.59**	(0.92)
Cash flow from operations	**230.1**	107.9	**903.5**	363.2
Cash and cash equivalents	**1,567.0**	715.3	**1,567.0**	715.3
Net cash / (debt)[4]	**1,110.5**	(284.1)	**1,110.5**	(284.1)

[1] Operating earnings is a non-GAAP measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs.
[2] Attributable to shareholders of Lundin Mining Corporation.
[3] Basic and diluted earnings / (loss) per share attributable to shareholders of Lundin Mining Corporation.
[4] Net cash / (debt) is a non-GAAP measure defined as cash and cash equivalents, less long-term debt and finance leases, before deferred financing fees.

Highlights

Operational Performance

Full year production for all metals met the Company's most recent guidance provided in the Company's MD&A for the three and nine months ended September 30, 2017. Cash costs[1] across all operations benefitted from higher by-product metal prices and bettered the Company's most recent guidance, with the exception of Candelaria's which was higher by $0.02/lb of payable copper. Capital spending for the year of $478.8 million was modestly lower than the most recent guidance due primarily to the timing of payments.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 183,858 tonnes of copper, and approximately 104,000 ounces of gold and 1,821,000 ounces of silver in concentrate during the year. Copper production was in line with expectations and exceeded the prior year comparable period due primarily to higher copper head grades. Copper cash costs of $1.22/lb for the year were marginally higher than expectations ($1.20/lb), and were better than the prior year due primarily to higher production volumes in the current year.

Average head grades were lower in the fourth quarter as a higher proportion of low-grade ore was processed as a result of a localized slide on the east wall of the open pit which temporarily restricted activities in that area. In line with the improved life-of-mine plan announced November 29, 2017, increased waste stripping was initiated and advances in an effort to accelerate Phase 10.

Commissioning of the Los Diques Tailings Storage Facility ("TSF") is underway with the first placement of tails deposited several months ahead of schedule in January 2018. Full operation of the Los Diques TSF for tailings deposition is expected in the second quarter of 2018. Total forecast spend on the project remains unchanged at $295 million. Construction of subsequent phases has been initiated early, beginning in the third quarter of 2017 with excellent progress to date.

Eagle (100% owned): Eagle production for the year was in line with most recent guidance producing 22,081 tonnes of nickel and 21,302 tonnes of copper. Quantities were lower than the prior year as a result of planned mine sequencing. Nickel cash costs of $0.93/lb for the year benefited significantly from excellent operating performance and higher by-product prices, and bettered both guidance and the prior year. Record metal recovery was achieved in 2017 with excellent concentrate qualities.

Permit approval for mining of the Eagle East orebody was received during the fourth quarter, and development of the access ramp continues ahead of schedule.

Neves-Corvo (100% owned): Neves-Corvo produced 33,624 tonnes of copper and 71,356 tonnes of zinc for the year, in line with most recent guidance. Zinc production was a new record for Neves-Corvo, while copper production was impacted by lower throughput, grades and recoveries. Copper cash costs of $0.88/lb for the year were significantly better than the prior year comparable period, aided by higher zinc by-product volumes and prices, and were also better than most recent guidance ($1.00/lb).

The Zinc Expansion Project ("ZEP") investment, to double zinc production at Neves-Corvo, progressed over the year and remains on target to commence production ramp-up prior to the end of 2019, with approximately 50% of the underground materials handling development achieved as of year-end.

Production was affected by rotating strikes during the fourth quarter and the labour dispute has not yet been resolved. Accordingly, there remains a risk to 2018 production targets and the ZEP project schedule due to the possibility of future labour action.

Zinkgruvan (100% owned): Zinc production of 77,963 tonnes for the year was in line with both recent guidance and prior year production. Lead production of 28,324 tonnes was lower than the prior year driven by lower head grades as a result of mine sequencing. Zinc cash costs of $0.31/lb for the year were better than the prior year and most recent guidance, benefitting from higher by-product credits. Following mid-year completion of the 1350 mill expansion project, Zinkgruvan achieved a record total mill throughput of 1,264,000 tonnes in the year.

[1] Cash cost/lb of copper, zinc and nickel are non-GAAP measures defined as all cash costs directly attributable to mining operations, less royalties and by-product credits.

Senior Operational Changes

The Company is pleased to announce that Kenneth Norris has taken up the role of Managing Director at the Neves-Corvo mine. Mr. Norris was most recently Managing Director, Operational Development and Continuous Improvement for Lundin Mining and has over 30 years of international experience in the industry primarily in senior operational roles.

Corporate Highlights

- On February 22, 2017, the Company declared a C$0.03 per share dividend, and has declared a C$0.03 per share dividend on a quarterly basis since then. The declaration, timing, amount, and payment of future dividends will remain at the discretion of the Board of Directors.
- The Company announced it completed the sale of its indirect interest in TF Holdings Limited ("TF Holdings") to an affiliate of BHR Partners for $1.136 billion on April 19, 2017. Lundin Mining's effective 24% interest in Tenke Fungurume Mining S.A. ("Tenke") was held through its 30% indirect interest in TF Holdings.
- On April 27, 2017, the Company filed an updated Technical Report for the Eagle mine. The Technical Report incorporates updates to Eagle mine's operations and the results of a Feasibility Study on the high-grade Eagle East nickel/copper mineralization. Refer to the news release entitled "Lundin Mining Files Updated Technical Report for the Eagle Mine" on the Company's website (www.lundinmining.com). A copy of the Technical Report can be found under the Company's profile on SEDAR (www.sedar.com) and on the Company's website.
- On May 11, 2017, the Company announced the results of a Feasibility Study on the ZEP at its Neves-Corvo mine. Refer to the news release entitled "Lundin Mining Announces Neves-Corvo Zinc Expansion Project Feasibility Study Results" on the Company's website. An updated Technical Report for the Neves-Corvo Mine, incorporating the ZEP, was filed on June 23, 2017 and can be found under the Company's profile on SEDAR and on the Company's website.
- On September 5, 2017, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2017. Refer to the news release entitled "Lundin Mining Announces 2017 Mineral Resource and Mineral Reserve Estimates" on the Company's website or under the Company's profile on SEDAR. On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totaled 3,232,000 tonnes of copper, 3,415,000 tonnes of zinc and 130,000 tonnes of nickel.
- On November 20, 2017, the Company redeemed all of its 7.50% Senior Secured Notes due 2020 (the "2020 Notes") at the redemption price of 103.75% of the principal amount of the 2020 Notes for a total redemption price of $570.6 million plus accrued and unpaid interest. The early redemption of the 2020 Notes will save the Company $41.25 million per annum in interest payments.
- On November 30, 2017, the Company filed an updated Technical Report for the Candelaria Copper Mining Complex in Chile, and an updated Technical Report for the Zinkgruvan Mine in Sweden. Refer to the news release entitled "Lundin Mining Files Updated Technical Reports for Candelaria and Zinkgruvan" on the Company's website. The reports can be found under the Company's profile on SEDAR and on the Company's website.

Financial Position and Financing

- Cash and cash equivalents increased $851.7 million over the year, from $715.3 million at December 31, 2016, to $1,567.0 million at December 31, 2017. The increase is primarily as a result of Tenke sale net cash proceeds ($1.1 billion), operating cash flows ($903.5 million), and distributions from Tenke prior to sale ($58.3 million). Use of cash was primarily directed towards principal repayment of the 2020 Notes ($570.6 million), investments in mineral properties, plant and equipment ($478.8 million), dividends paid to shareholders ($67.7 million), interest paid ($65.7 million), and distributions to non-controlling interests ($56.0 million).
- Net cash position at December 31, 2017 was $1.1 billion compared to net debt of $284.1 million at December 31, 2016.
- The Company has a revolving credit facility available for borrowing up to $350 million. As at December 31, 2017, the Company had no amount drawn on the credit facility, only letters of credit in the amount of $26.8 million.
- As of February 15, 2018, cash and net cash balances were approximately $1.6 billion and $1.2 billion, respectively.

Outlook

Production, cash cost, capital expenditure and exploration guidance for 2018 remains unchanged from that provided on November 29, 2017 (see news release entitled "Lundin Mining Provides Operational Outlook & Update").

2018 Production and Cost Guidance

(contained tonnes in concentrate)		Tonnes	Cash Costs[a]
Copper	Candelaria (80%)	*104,000 - 109,000*	*$1.70/lb*
	Eagle	*15,000 - 18,000*	
	Neves-Corvo	*39,000 - 44,000*	*$1.30/lb*
	Zinkgruvan	*1,000 - 2,000*	
	Total attributable	*159,000 - 173,000*	
Zinc	Neves-Corvo	*68,000 - 73,000*	
	Zinkgruvan	*76,000 - 81,000*	*$0.45/lb*
	Total	*144,000 - 154,000*	
Nickel	Eagle	*14,000 - 17,000*	*$1.35/lb*

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.20, USD/SEK:8.00, USD/CLP:625) and metal prices (forecast at Cu: $2.75/lb, Zn: $1.30/lb, Ni: $5.00/lb, Au: $1,250/oz, Pb: $1.00/lb, Ag: $18.00/oz).

2018 Capital Expenditure Guidance

Capital expenditures, excluding capitalized interest, are expected to be $850 million, as outlined below.

2018 Guidance	$ millions
Candelaria (100% basis)	
Capitalized Stripping	*200*
Los Diques TSF	*60*
New Mine Fleet Investment	*75*
Candelaria Mill Optimization Project	*50*
Candelaria Underground Development	*20*
Other Sustaining	*105*
Candelaria Sustaining	*510*
Eagle Sustaining	*25*
Neves-Corvo Sustaining	*55*
Zinkgruvan Sustaining	*40*
Total Sustaining Capital	***630***
Eagle East	*30*
ZEP (Neves-Corvo)	*190*
Total Expansionary Capital	***220***
Total Capital Expenditures	***850***

Exploration Investment Guidance

Exploration expenditures are expected to approximate $83 million in 2018.

The information in this release is subject to the disclosure requirements of Lundin Mining under the EU Market Abuse Regulation. This information was publically communicated on February 15, 2018 at 6:15 p.m. Eastern Time.

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Cautionary Statement in Forward-Looking Information and Non-GAAP performance measures

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

Certain financial measures contained herein, such as operating earnings, net debt and cash costs, 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 or performance prepared in accordance with IFRS.

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Management's Discussion and Analysis
For the year ended December 31, 2017

This management's discussion and analysis ("MD&A") has been prepared as of February 15, 2018 and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2017. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's presentation currency is United States ("US") dollars. Reference herein of $ is to United States dollars, C$ is to Canadian dollars, CLP is to Chilean pesos, SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

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

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Highlights

Operational Performance

Full year production for all metals met the Company's most recent guidance provided in the Company's MD&A for the three and nine months ended September 30, 2017. Cash costs[1] across all operations benefitted from higher by-product metal prices and bettered the Company's most recent guidance, with the exception of Candelaria's which was higher by $0.02/lb of payable copper. Capital spending for the year of $478.8 million was modestly lower than the most recent guidance due primarily to the timing of payments.

Candelaria (80% owned): The Candelaria operations produced, on a 100% basis, 183,858 tonnes of copper, and approximately 104,000 ounces of gold and 1,821,000 ounces of silver in concentrate during the year. Copper production was in line with expectations and exceeded the prior year comparable period due primarily to higher copper head grades. Copper cash costs of $1.22/lb for the year were marginally higher than expectations ($1.20/lb), and were better than the prior year due primarily to higher production volumes in the current year.

Average head grades were lower in the fourth quarter as a higher proportion of low-grade ore was processed as a result of a localized slide on the east wall of the open pit which temporarily restricted activities in that area. In line with the proposed life-of-mine plan announced on November 29, 2017, increased waste stripping was initiated and advances in an effort to accelerate Phase 10.

Commissioning of the Los Diques Tailings Storage Facility ("TSF") is underway with the first placement of tails deposited several months ahead of schedule in January 2018. Full operation of the Los Diques TSF for tailings deposition is expected in the second quarter of 2018. Total forecast spend on the project remains unchanged at $295 million. Construction of subsequent phases has been initiated early, beginning in the third quarter of 2017 with excellent progress to date.

Eagle (100% owned): Eagle production for the year was in line with most recent guidance producing 22,081 tonnes of nickel and 21,302 tonnes of copper. Quantities were lower than the prior year as a result of planned mine sequencing. Nickel cash costs of $0.93/lb for the year benefited significantly from excellent operating performance and higher by-product prices, and bettered both guidance and the prior year. Record metal recovery was achieved in 2017 with excellent concentrate qualities.

Permit approval for mining of the Eagle East orebody was received during the fourth quarter, and development of the access ramp continues ahead of schedule.

Neves-Corvo (100% owned): Neves-Corvo produced 33,624 tonnes of copper and 71,356 tonnes of zinc for the year, in line with most recent guidance. Zinc production was a new record for Neves-Corvo, while copper production was impacted by lower throughput, grades and recoveries. Copper cash costs of $0.88/lb for the year were significantly better than the prior year comparable period, aided by higher zinc by-product volumes and prices, and were also better than most recent guidance ($1.00/lb).

The Zinc Expansion Project ("ZEP") investment, to double zinc production at Neves-Corvo, progressed over the year and remains on target to commence production ramp-up prior to the end of 2019, with approximately 50% of the underground materials handling development achieved as of year-end.

Production was affected by rotating strikes during the fourth quarter and the labour dispute has not yet been resolved. Accordingly, there remains a risk to 2018 production targets and the ZEP project schedule due to the possibility of future labour action.

Zinkgruvan (100% owned): Zinc production of 77,963 tonnes for the year was in line with both recent guidance and prior year production. Lead production of 28,324 tonnes was lower than the prior year driven by lower head grades as a result of mine sequencing. Zinc cash costs of $0.31/lb for the year were better than the prior year and most recent guidance, benefitting from higher by-product credits. Following mid-year completion of the 1350 mill expansion project, Zinkgruvan achieved a record total mill throughput of 1,264,000 tonnes in the year.

[1] Cash cost per pound is a non-GAAP measure – see page 35 of this MD&A for discussion of non-GAAP measures.

Production Summary:

Total 2017 production, compared to the latest guidance and prior years, was as follows:

Years ended December 31, (Contained tonnes)		**2017 Actual**	*2017 Guidance*[a]	2016 Actual	2015 Actual	2014 Actual
Copper[b]	Candelaria (80%)	**147,086**	*147,000 - 151,000*	133,274	144,832	22,872
	Eagle	**21,302**	*19,000 - 22,000*	23,417	24,331	3,905
	Neves-Corvo	**33,624**	*32,000 - 35,000*	46,557	55,831	51,369
	Zinkgruvan	**977**	*1,000*	1,906	2,044	3,464
	Aguablanca	**nil**	*nil*	nil	6,221	7,390
	Total attributable	**202,989**	*199,000 - 209,000*	205,154	233,259	89,000
Zinc	Neves-Corvo	**71,356**	*70,000 - 73,000*	69,527	61,921	67,378
	Zinkgruvan	**77,963**	*77,000 - 80,000*	78,523	83,451	77,713
	Total	**149,319**	*147,000 - 153,000*	148,050	145,372	145,091
Nickel	Eagle	**22,081**	*20,000 - 23,000*	24,114	27,167	4,300
	Aguablanca	**nil**	*nil*	nil	7,213	8,631
	Total	**22,081**	*20,000 - 23,000*	24,114	34,380	12,931

a - Revised guidance as disclosed in the Company's MD&A for the three and nine months ended September 30, 2017.

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

- Sales for the year ended December 31, 2017 were $2,077.5 million, an increase of $531.9 million in comparison to the $1,545.6 million reported in 2016. The increase was mainly due to higher realized metal prices and price adjustments ($463.4 million) and higher sales volumes ($42.4 million).

- Operating costs (excluding depreciation) for the year ended December 31, 2017 were $875.8 million, a marginal increase of $11.4 million in comparison to the $864.4 million reported in 2016. The increase was largely due to higher sales volumes ($18.2 million) and unfavourable foreign exchange rates ($18.1 million), partially offset by lower per unit operating costs ($29.4 million), largely at Candelaria.

- Operating earnings[1] for the year ended December 31, 2017 were $1,162.8 million, an increase of $508.6 million in comparison to the $654.2 million reported in 2016. The increase was primarily due to higher realized metal prices and price adjustments.

- For the year ended December 31, 2017, the Company reported net earnings from continuing operations of $446.9 million, an increase of $323.0 million in comparison to the year ended December 31, 2016 ($123.9 million). Comparative earnings in the current year were higher due to higher operating earnings ($508.6 million), partially offset by higher net tax expense ($187.1 million).

- Cash flow from operations for the year ended December 31, 2017 was $903.5 million, an increase of $540.3 million in comparison to the $363.2 million reported in 2016. The increase was primarily attributable to higher operating earnings ($508.6 million) and a comparative change in non-cash working capital ($194.2 million), partially offset by higher current income tax expense of $124.3 million and realized foreign exchange losses ($27.3 million).

[1] Operating earnings is a non-GAAP measure – see page 35 of this MD&A for discussion of non-GAAP measures.

Corporate Highlights

- On February 22, 2017, the Company declared a C$0.03 per share dividend, and has declared a C$0.03 per share dividend on a quarterly basis since then. The declaration, timing, amount, and payment of future dividends will remain at the discretion of the Board of Directors.
- The Company announced it completed the sale of its indirect interest in TF Holdings Limited ("TF Holdings") to an affiliate of BHR Partners for $1.136 billion on April 19, 2017. Lundin Mining's effective 24% interest in Tenke Fungurume Mining S.A. ("Tenke") was held through its 30% indirect interest in TF Holdings.
- On April 27, 2017, the Company filed an updated Technical Report for the Eagle mine. The Technical Report incorporates updates to Eagle mine's operations and the results of a Feasibility Study on the high-grade Eagle East nickel/copper mineralization. Refer to the news release entitled "Lundin Mining Files Updated Technical Report for the Eagle Mine" on the Company's website (www.lundinmining.com). A copy of the Technical Report can be found under the Company's profile on SEDAR (www.sedar.com) and on the Company's website.
- On May 11, 2017, the Company announced the results of a Feasibility Study on the ZEP at its Neves-Corvo mine. Refer to the news release entitled "Lundin Mining Announces Neves-Corvo Zinc Expansion Project Feasibility Study Results" on the Company's website. An updated Technical Report for the Neves-Corvo Mine, incorporating the ZEP, was filed on June 23, 2017 and can be found under the Company's profile on SEDAR and on the Company's website.
- On September 5, 2017, the Company reported its Mineral Resource and Mineral Reserve estimates as at June 30, 2017. Refer to the news release entitled "Lundin Mining Announces 2017 Mineral Resource and Mineral Reserve Estimates" on the Company's website or under the Company's profile on SEDAR. On a consolidated and attributable basis, estimated contained metal in the Proven and Probable Mineral Reserve categories totaled 3,232,000 tonnes of copper, 3,415,000 tonnes of zinc and 130,000 tonnes of nickel.
- On November 20, 2017, the Company redeemed all of its 7.50% Senior Secured Notes due 2020 (the "2020 Notes") at the redemption price of 103.75% of the principal amount of the 2020 Notes for a total redemption price of $570.6 million plus accrued and unpaid interest. The early redemption of the 2020 Notes will save the Company $41.25 million per annum in interest payments.
- On November 30, 2017, the Company filed an updated Technical Report for the Candelaria Copper Mining Complex in Chile, and an updated Technical Report for the Zinkgruvan Mine in Sweden. Refer to the news release entitled "Lundin Mining Files Updated Technical Reports for Candelaria and Zinkgruvan" on the Company's website. The reports can be found under the Company's profile on SEDAR and on the Company's website.

Financial Position and Financing

- Cash and cash equivalents increased $851.7 million over the year, from $715.3 million at December 31, 2016, to $1,567.0 million at December 31, 2017. The increase is primarily as a result of Tenke sale net cash proceeds ($1.1 billion), operating cash flows ($903.5 million), and distributions from Tenke prior to sale ($58.3 million). Use of cash was primarily directed towards principal repayment of the 2020 Notes ($570.6 million), investments in mineral properties, plant and equipment ($478.8 million), dividends paid to shareholders ($67.7 million), interest paid ($65.7 million), and distributions to non-controlling interests ($56.0 million).
- Net cash[1] position at December 31, 2017 was $1.1 billion compared to net debt of $284.1 million at December 31, 2016.
- The Company has a revolving credit facility available for borrowing up to $350 million. As at December 31, 2017, the Company had no amount drawn on the credit facility, only letters of credit in the amount of $26.8 million.
- As of February 15, 2018, cash and net cash balances were approximately $1.6 billion and $1.2 billion, respectively.

[1] Net cash / debt is a non-GAAP measure – see page 35 of this MD&A for discussion of non-GAAP measures.

Outlook

Production, cash cost, capital expenditure and exploration guidance for 2018 remains unchanged from that provided on November 29, 2017 (see news release entitled "Lundin Mining Provides Operational Outlook & Update").

2018 Production and Cost Guidance

(contained tonnes in concentrate)		Tonnes	Cash Costs[a]
Copper	Candelaria (80%)	*104,000 - 109,000*	*$1.70/lb*
	Eagle	*15,000 - 18,000*	
	Neves-Corvo	*39,000 - 44,000*	*$1.30/lb*
	Zinkgruvan	*1,000 - 2,000*	
	Total attributable	*159,000 - 173,000*	
Zinc	Neves-Corvo	*68,000 - 73,000*	
	Zinkgruvan	*76,000 - 81,000*	*$0.45/lb*
	Total	*144,000 - 154,000*	
Nickel	Eagle	*14,000 - 17,000*	*$1.35/lb*

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.20, USD/SEK:8.00, USD/CLP:625) and metal prices (forecast at Cu: $2.75/lb, Zn: $1.30/lb, Ni: $5.00/lb, Au: $1,250/oz, Pb: $1.00/lb, Ag: $18.00/oz).

2018 Capital Expenditure Guidance

Capital expenditures, excluding capitalized interest, are expected to be $850 million, as outlined below.

2018 Guidance	$ millions
Candelaria (100% basis)	
Capitalized Stripping	*200*
Los Diques TSF	*60*
New Mine Fleet Investment	*75*
Candelaria Mill Optimization Project	*50*
Candelaria Underground Development	*20*
Other Sustaining	*105*
Candelaria Sustaining	*510*
Eagle Sustaining	*25*
Neves-Corvo Sustaining	*55*
Zinkgruvan Sustaining	*40*
Total Sustaining Capital	***630***
Eagle East	*30*
ZEP (Neves-Corvo)	*190*
Total Expansionary Capital	***220***
Total Capital Expenditures	***850***

Exploration Investment Guidance

Exploration expenditures are expected to approximate $83 million in 2018.

Selected Annual Financial Information[1]

($ millions, except share and per share amounts)	Year ended December 31, 2017	2016	2015
Sales	**2,077.5**	1,545.6	1,701.9
Operating costs	**(875.8)**	(864.4)	(962.7)
General and administrative expenses	**(38.9)**	(27.0)	(27.1)
Operating earnings	**1,162.8**	654.2	712.1
Depreciation, depletion and amortization	**(381.3)**	(434.9)	(555.0)
General exploration and business development	**(81.2)**	(56.1)	(59.5)
Finance income and costs, net	**(70.3)**	(80.3)	(89.2)
Other income and expenses, net	**8.3**	(50.6)	4.7
Impairment and impairment reversals	**-**	95.9	(293.3)
Earnings (loss) before income taxes	**638.3**	128.2	(280.2)
Income tax expense	**(191.4)**	(4.3)	(26.2)
Net earnings (loss) from continuing operations	**446.9**	123.9	(306.4)
Gain (loss) from discontinued operations	**55.1**	(754.1)	24.6
Net earnings (loss)	**502.0**	(630.2)	(281.8)
Attributable to: Lundin Mining shareholders, continuing	**371.4**	92.4	(318.7)
Lundin Mining shareholders, discontinued	**55.1**	(754.1)	24.6
Non-controlling interests	**75.5**	31.5	12.3
Net earnings (loss)	**502.0**	(630.2)	(281.8)
Cash flow from operations	**903.5**	363.2	713.9
Capital expenditures (including capitalized interest)	**478.8**	187.6	277.7
Total assets	**6,286.4**	6,142.5	6,780.0
Long-term debt & finance leases	**446.5**	982.3	978.0
Net cash (debt)	**1,110.5**	(284.1)	(441.3)
Shareholders' equity	**4,151.2**	3,627.6	4,247.6
Key Financial Data:			
Basic and diluted earnings (loss) per share attributable to shareholders			
- continuing operations (EPS - Continuing)	**0.51**	0.13	(0.44)
- net earnings (loss) (EPS - Total)	**0.59**	(0.92)	(0.41)
Operating cash flow per share[2]	**1.14**	0.67	0.72
Dividends declared (C$/share)	**0.12**	-	-
Shares outstanding:			
Basic weighted average	**726,994,036**	720,328,576	719,089,063
Diluted weighted average	**729,742,955**	721,208,806	719,089,063
End of period	**728,418,632**	725,134,187	719,628,357

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

Summary of Quarterly Results[1]

($ millions, except per share data)	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16
Sales	533.3	601.7	454.7	487.8	459.2	374.5	342.3	369.6
Operating costs	(210.8)	(241.4)	(209.5)	(214.1)	(226.4)	(225.6)	(202.2)	(210.3)
Operating earnings (excluding depreciation)	311.5	350.7	236.2	264.4	225.3	142.6	134.5	151.7
Impairment reversals	-	-	-	-	95.9	-	-	-
Net earnings (loss)	154.0	156.6	85.0	106.4	180.2	(7.1)	(787.9)	(15.5)
- attributable to shareholders, continuing	133.0	131.8	49.0	57.6	148.7	(18.9)	(19.8)	(17.7)
- attributable to shareholders, discontinued	-	-	21.0	34.0	14.2	7.5	(771.4)[2]	(4.4)
- attributable to shareholders, total	133.0	131.8	70.0	91.6	162.9	(11.4)	(791.2)	(22.1)
EPS Continuing - Basic and diluted	0.18	0.18	0.07	0.08	0.21	(0.03)	(0.03)	(0.02)
EPS Total - Basic and diluted	0.18	0.18	0.10	0.13	0.23	(0.02)	(1.10)	(0.03)
Cash flow from operations	230.1	249.5	179.2	244.7	107.9	59.3	153.2	42.9
Capital expenditures (including capitalized interest)	197.9	117.3	84.5	79.1	59.8	41.4	38.8	47.5

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 which has been reclassified from Impairment to Discontinued operations for prior periods.

Sales Overview

Sales Volumes by Payable Metal

(Contained metal in concentrate)	**2017**					2016				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)										
Candelaria (100%)	**179,259**	**38,292**	53,062	45,222	42,683	158,983	42,974	39,082	35,611	41,316
Eagle	**20,127**	**3,640**	4,985	5,253	6,249	21,675	4,864	5,493	5,366	5,952
Neves-Corvo	**30,399**	**6,063**	7,511	8,058	8,767	44,553	10,110	9,368	11,804	13,271
Zinkgruvan	**968**	**48**	920	-	-	1,757	(9)	886	902	(22)
	230,753	**48,043**	66,478	58,533	57,699	226,968	57,939	54,829	53,683	60,517
Zinc (tonnes)										
Neves-Corvo	**58,434**	**13,730**	16,355	13,654	14,695	56,357	12,658	15,042	15,044	13,613
Zinkgruvan	**66,621**	**17,832**	16,594	15,306	16,889	65,863	17,100	14,842	14,673	19,248
	125,055	**31,562**	32,949	28,960	31,584	122,220	29,758	29,884	29,717	32,861
Nickel (tonnes)										
Eagle	**18,960**	**3,282**	4,787	5,554	5,337	21,193	4,697	6,026	5,314	5,156
	18,960	**3,282**	4,787	5,554	5,337	21,193	4,697	6,026	5,314	5,156
Gold (000 oz)										
Candelaria (100%)	**100**	**21**	28	26	25	89	23	22	21	23
	100	**21**	28	26	25	89	23	22	21	23
Lead (tonnes)										
Neves-Corvo	**4,620**	**1,432**	1,000	1,013	1,175	3,819	1,144	748	1,174	753
Zinkgruvan	**26,887**	**8,707**	4,989	7,319	5,872	30,450	8,237	5,830	6,178	10,205
	31,507	**10,139**	5,989	8,332	7,047	34,269	9,381	6,578	7,352	10,958
Silver (000 oz)										
Candelaria (100%)	**1,645**	**330**	523	427	365	1,372	340	322	300	410
Eagle	**86**	**16**	29	19	22	86	22	22	16	26
Neves-Corvo	**521**	**129**	116	130	146	552	129	114	159	150
Zinkgruvan	**1,756**	**562**	362	447	385	1,861	593	340	368	560
	4,008	**1,037**	1,030	1,023	918	3,871	1,084	798	843	1,146

Sales Analysis

by Mine	Year ended December 31, 2017		2016		Change
($ thousands)	$	%	$	%	$
Candelaria (100%)	**1,230,196**	59	847,684	55	382,512
Eagle	**276,531**	13	244,467	16	32,064
Neves-Corvo	**328,925**	16	281,134	18	47,791
Zinkgruvan	**241,845**	12	174,336	11	67,509
Other	**-**	-	(2,030)	-	2,030
	2,077,497		1,545,591		531,906

by Metal	Year ended December 31, 2017		2016		Change
($ thousands)	$	%	$	%	$
Copper	**1,390,804**	67	1,023,250	66	367,554
Zinc	**312,800**	15	195,644	13	117,156
Nickel	**135,490**	7	128,049	8	7,441
Gold	**107,218**	5	94,200	6	13,018
Lead	**69,194**	3	53,914	3	15,280
Silver	**35,054**	2	33,580	2	1,474
Other	**26,937**	1	16,954	2	9,983
	2,077,497		1,545,591		531,906

Sales for the year ended December 31, 2017 were $2,077.5 million, an increase of $531.9 million in comparison to the $1,545.6 million reported in 2016. The increase was mainly due to higher realized metal prices and price adjustments ($463.4 million) and higher sales volumes ($42.4 million).

Sales of gold and silver for the year ended December 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 between $400/oz and $404/oz for gold and between $4.00/oz and $4.34/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 is settled. Settlement dates can range from one to six months after shipment.

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

Provisionally valued sales for the year ended December 31, 2017

Metal	Tonnes Payable	Valued at $ per lb	Valued at $ per tonne
Copper	54,954	3.28	7,226
Zinc	17,891	1.51	3,333
Nickel	3,581	5.78	12,733

Full Year Reconciliation of Realized Prices

	Year ended December 31, 2017				Year ended December 31, 2016			
($ thousands)	Copper	Zinc	Nickel	Total	Copper	Zinc	Nickel	Total
Current period sales[1]	1,500,356	368,273	201,484	2,070,113	1,158,759	268,108	209,733	1,636,600
Prior period price adjustments	14,247	9,126	862	24,235	(1,194)	(706)	(2,134)	(4,034)
	1,514,603	377,399	202,346	2,094,348	1,157,565	267,402	207,599	1,632,566
Other metal sales				246,494				211,435
Less: Treatment & refining charges				(263,345)				(298,410)
Total Sales				**2,077,497**				**1,545,591**
Payable Metal (tonnes)	**230,753**	**125,055**	**18,960**		**226,968**	**122,220**	**21,193**	
Current period sales ($/lb)[1]	$2.95	$1.34	$4.82		$2.32	$1.00	$4.49	
Prior period adjustments ($/lb)	0.03	0.03	0.02		(0.01)	(0.01)	(0.05)	
Realized prices ($/lb)	**$2.98**	**$1.37**	**$4.84**		**$2.31**	**$0.99**	**$4.44**	

1. Includes provisional price adjustments on current period sales.

Annual Financial Results

Operating Costs

Operating costs (excluding depreciation) for the year ended December 31, 2017 were $875.8 million, a marginal increase of $11.4 million in comparison to the $864.4 million reported in 2016. The increase was largely due to higher sales volumes ($18.2 million) and unfavourable foreign exchange rates ($18.1 million), partially offset by lower per unit operating costs ($29.4 million), largely at Candelaria.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense for the year ended December 31, 2017 was $381.3 million, a decrease of $53.6 million in comparison to the $434.9 million reported in 2016. The decrease was primarily attributable to an increased Mineral Reserve estimate and lower ore tonnes mined from Phase 9 of the open pit at Candelaria, an increased Mineral Reserve estimate at Eagle (including a maiden Mineral Reserve estimate on Eagle East), and an increased Mineral Reserve estimate and lower copper sales at Neves-Corvo.

Candelaria's depreciation expense for 2017 includes $49.7 million (2016 - $86.3 million) for amortization of previously capitalized deferred stripping costs. The deferred stripping asset at December 31, 2017 was $374.5 million (December 31, 2016 - $305.8 million), of which $342.5 million (December 31, 2016 - $224.0 million) is not currently subject to depreciation because these phases of the open pit mine are not currently in the production stage.

Depreciation by operation	**Year ended December 31,**		
($ thousands)	**2017**	2016	Change
Candelaria	**192,470**	219,034	(26,564)
Eagle	**107,820**	123,975	(16,155)
Neves-Corvo	**54,975**	67,882	(12,907)
Zinkgruvan	**24,424**	21,690	2,734
Other	**1,628**	2,286	(658)
	381,317	434,867	(53,550)

General Exploration and Business Development

General exploration and business development expenses of $81.2 million for the year ended December 31, 2017 were $25.1 million higher than the prior year of $56.1 million, a result of expanded exploration activities based on discovery success primarily at our Candelaria operations, and to a lesser extent, at Neves-Corvo and Zinkgruvan.

Finance Income and Costs

Net finance costs of $70.3 million for the year ended December 31, 2017 decreased $10.0 million from the prior year costs of $80.3 million. The decrease was largely attributable to higher interest income earned on cash balances ($20.1 million) and lower interest expense ($9.1 million), partially offset by a redemption premium of $20.6 million for the 2020 Notes.

Other Income and Expense

Net other income of $8.3 million for the year ended December 31, 2017 was $58.9 million higher compared to the net other expense of $50.6 million for the year ended December 31, 2016. The increase in net other income was a result of a gain on the disposal of assets of $6.8 million in the current year (2016 – loss of $22.3 million), higher earnings from the Company's equity investment in Freeport Cobalt ($14.6 million), and a positive fair value adjustment in 2017 on the derivative asset arising from the Tenke sale ($11.3 million).

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 and as a result of the disposal of Galmoy assets (2017 – foreign exchange loss of $6.0 million; 2016 - nil) and Aguablanca assets (2017 – nil; 2016 – foreign exchange loss of $19.5 million). Period end exchange rates having a meaningful impact on foreign exchange recorded at December 31, 2017 were $1.00:CLP615 (December 31, 2016 - $1.00:CLP669), $1.20:€1.00 (December 31, 2016 - $1.05:€1.00) and $1.00:SEK8.23 (December 31, 2016 - $1.00:SEK9.10).

Impairment and Impairment Reversals

From the asset impairments reported in 2015, certain impairment reversal indicators were identified for the year ended December 31, 2016. Specifically, these indicators were expanded Mineral Reserve and Mineral Resource estimates at Eagle and Candelaria, as well as reduced capital spending at Candelaria. Upon re-measurement of the recoverable amounts for Candelaria and Eagle, the recoverable amounts exceeded the previously impaired carrying values. Accordingly, an impairment reversal of $95.9 million was recorded in mineral properties in 2016, including $45.0 million at Candelaria and $50.9 million at Eagle.

No impairment or impairment reversals were recorded in 2017.

Income Taxes

Income taxes by mine

Income tax expense (recovery)	**Year ended December 31,**		
($ thousands)	**2017**	2016	Change
Candelaria	**121,381**	37,769	83,612
Eagle	**15,459**	(51,610)	67,069
Neves-Corvo	**9,837**	(29,597)	39,434
Zinkgruvan	**25,295**	12,038	13,257
Other	**19,432**	35,713	(16,281)
	191,404	4,313	187,091

Income taxes by classification

Income tax expense (recovery)	**Year ended December 31,**		
($ thousands)	**2017**	2016	Change
Current income tax	**172,782**	48,451	124,331
Deferred income tax	**18,622**	(44,138)	62,760
	191,404	4,313	187,091

Income tax expense for the year ended December 31, 2017 was $191.4 million compared to $4.3 million recorded in the prior year.

The $83.6 million increase in income tax expense at Candelaria was mainly due to higher taxable earnings in the current year, partially offset by an increase of $8.7 million in refundable taxes expected on prior year losses.

The $67.1 million increase in income tax expense at Eagle was largely due to recent tax reform in the US. Deferred tax assets were revalued using a tax rate of 21% in comparison to a tax rate of 35% in the prior year, and the Company recorded a write-down in the current year of previously recognized deferred tax assets on the operation's reclamation provisions. In addition, $49.7 million of previously written down deferred tax assets were recognized in 2016, with the remaining $20.5 million recognized in 2017 as it has been determined that it is more likely than not that Eagle will have sufficient taxable profits to utilize the deferred tax asset resulting from recognized tax losses.

The $39.4 million increase in income tax expense at Neves-Corvo was mainly due to higher taxable earnings in the current year, partially offset by higher investment tax credits. In addition, there was a one-time tax refund of $27.7 million in 2016 resulting from the successful resolution of a 2008 tax dispute.

The $13.3 million increase in income tax expense at Zinkgruvan was mainly due to higher taxable earnings in the current year.

Other income tax expense includes withholding taxes on intercompany loan interest. In 2016, there was a prior period adjustment resulting from a change in withholding tax rates, increasing withholding taxes payable.

Discontinued Operations

Gain from discontinued operations for the year ended December 31, 2017 consists of a gain on the sale of the Company's indirect interest in Tenke, reversal of impairment on Tenke and equity earnings generated prior to its sale.

In 2016, equity earnings from the Company's interest in Tenke were more than offset by the impairment loss ($772.1 million) reported against the asset.

Fourth Quarter Financial Results

Sales

Sales for the quarter ended December 31, 2017 were $533.3 million, an increase of $74.1 million in comparison to the fourth quarter of the prior year ($459.2 million). The increase was due largely to higher realized metal prices and price adjustments ($120.7 million), partially offset by lower sales volumes ($55.1 million).

Fourth Quarter Reconciliation of Realized Prices

	Three months ended December 31, 2017				Three months ended December 31, 2016			
($ thousands)	Copper	Zinc	Nickel	Total	Copper	Zinc	Nickel	Total
Current period sales[1]	345,456	102,749	40,786	488,991	321,255	77,105	48,165	446,525
Prior period price adjustments	26,631	2,045	7,437	36,113	29,438	(54)	155	29,539
	372,087	104,794	48,223	525,104	350,693	77,051	48,320	476,064
Other metal sales				62,443				56,236
Less: Treatment & refining charges				(54,267)				(73,083)
Total Sales				**533,280**				**459,217**
Payable Metal (tonnes)	**48,043**	**31,562**	**3,282**		**57,939**	**29,758**	**4,697**	
Current period sales ($/lb)[1]	$3.26	$1.48	$5.64		$2.52	$1.18	$4.65	
Prior period adjustments ($/lb)	0.25	0.03	1.02		0.23	(0.01)	0.02	
Realized prices ($/lb)	**$3.51**	**$1.51**	**$6.66**		**$2.75**	**$1.17**	**$4.67**	

1. Includes provisional price adjustments on current period sales.

Operating Costs

Operating costs (excluding depreciation) for the quarter ended December 31, 2017 were $210.8 million, a decrease of $15.6 million in comparison to the $226.4 million reported in 2016. The decrease was largely due to lower sales volumes ($34.0 million), partially offset by the unfavourable effects of foreign exchange ($11.5 million).

Operating Earnings

Operating earnings for the quarter ended December 31, 2017 of $311.5 million were $86.2 million higher in comparison to the fourth quarter of the prior year ($225.3 million). The increase was primarily due to higher realized metal prices and price adjustments ($120.7 million), partially offset by lower sales volumes ($21.1 million) and the unfavourable effects of foreign exchange ($11.5 million).

Net Earnings

Net earnings for the quarter ended December 31, 2017 were $154.0 million compared to net earnings of $180.2 million in the fourth quarter of the prior year. Net earnings were negatively impacted by higher income tax expense ($61.6 million), offset by higher operating earnings in the current quarter ($86.2 million). Included in fourth quarter net earnings of 2016 was an impairment reversal of $95.9 million and a loss on disposal of Aguablanca assets of $41.8 million.

Cash Flow from Operations

Cash flow from operations for the quarter ended December 31, 2017 was $230.1 million, compared to the $107.9 million reported in the prior year. The increase was largely due to an increase in non-cash working capital ($79.5 million) and higher operating earnings ($86.2 million).

Mining Operations

Production Overview

(Contained metal in concentrate)	2017					2016				
	YTD	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)										
Candelaria (80%)	**147,086**	**34,140**	39,363	42,277	31,306	133,274	39,258	31,285	29,525	33,206
Eagle	**21,302**	**4,130**	4,995	5,674	6,503	23,417	5,742	5,796	5,639	6,240
Neves-Corvo	**33,624**	**7,385**	7,946	8,098	10,195	46,557	10,975	9,691	12,146	13,745
Zinkgruvan	**977**	**-**	578	399	-	1,906	-	855	1,051	-
Tenke (24%)	**12,932**	**-**	-	-	12,932	51,826	13,017	13,521	13,300	11,988
	215,921	**45,655**	52,882	56,448	60,936	256,980	68,992	61,148	61,661	65,179
Zinc (tonnes)										
Neves-Corvo	**71,356**	**15,835**	19,562	18,011	17,948	69,527	15,886	17,642	18,272	17,727
Zinkgruvan	**77,963**	**21,497**	18,958	18,205	19,303	78,523	19,773	18,808	17,286	22,656
	149,319	**37,332**	38,520	36,216	37,251	148,050	35,659	36,450	35,558	40,383
Nickel (tonnes)										
Eagle	**22,081**	**4,299**	5,618	5,822	6,342	24,114	5,249	6,085	6,812	5,968
	22,081	**4,299**	5,618	5,822	6,342	24,114	5,249	6,085	6,812	5,968
Gold (000 oz)										
Candelaria (80%)	**83**	**19**	21	24	19	78	22	19	18	19
	83	**19**	21	24	19	78	22	19	18	19
Lead (tonnes)										
Neves-Corvo	**5,164**	**1,267**	1,308	1,183	1,406	4,126	1,142	833	1,245	906
Zinkgruvan	**28,324**	**6,925**	7,899	5,901	7,599	31,661	7,363	6,406	7,063	10,829
	33,488	**8,192**	9,207	7,084	9,005	35,787	8,505	7,239	8,308	11,735
Silver (000 oz)										
Candelaria (80%)	**1,457**	**319**	421	431	286	1,332	373	304	276	379
Eagle	**200**	**38**	55	49	58	223	56	55	50	62
Neves-Corvo	**1,292**	**305**	341	316	330	1,242	313	279	331	319
Zinkgruvan	**2,361**	**619**	710	494	538	2,159	556	449	495	659
	5,310	**1,281**	1,527	1,290	1,212	4,956	1,298	1,087	1,152	1,419

Cash Cost Overview

	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Candelaria (cost/lb Cu)				
Gross cost	**1.60**	1.58	**1.44**	1.52
By-product[1]	**(0.22)**	(0.18)	**(0.22)**	(0.21)
Net Cash Cost	**1.38**	1.40	**1.22**	1.31
All-in Sustaining Cost[2]	**2.76**	1.76	**2.04**	1.63
Eagle (cost/lb Ni)				
Gross cost	**5.32**	4.18	**4.30**	4.22
By-product	**(4.13)**	(2.80)	**(3.37)**	(2.47)
Net Cash Cost	**1.19**	1.38	**0.93**	1.75
All-in Sustaining Cost	**2.02**	1.74	**1.42**	2.10
Neves-Corvo (cost/lb Cu)				
Gross cost	**3.78**	2.61	**3.22**	2.50
By-product	**(3.21)**	(1.14)	**(2.34)**	(0.96)
Net Cash Cost	**0.57**	1.47	**0.88**	1.54
All-in Sustaining Cost	**1.42**	2.13	**1.49**	1.96
Zinkgruvan (cost/lb Zn)				
Gross cost	**0.81**	0.85	**0.80**	0.80
By-product	**(0.58)**	(0.47)	**(0.49)**	(0.43)
Net Cash Cost	**0.23**	0.38	**0.31**	0.37
All-in Sustaining Cost	**0.55**	0.60	**0.57**	0.57

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

2. All-in Sustaining Cost ("AISC") is a non-GAAP measure – see page 35 of this MD&A for discussion of non-GAAP measures.

Capital Expenditures (including capitalized interest)[1]

	Year ended December 31,							
	2017				2016			
($ thousands)	Sustaining	Expansionary	Capitalized Interest	**Total**	Sustaining	Expansionary	Capitalized Interest	Total
by Mine								
Candelaria	322,566	-	12,413	**334,979**	104,986	-	4,785	109,771
Eagle	11,432	27,110	985	**39,527**	4,869	3,710	-	8,579
Neves-Corvo	35,125	24,056	569	**59,750**	35,146	-	-	35,146
Zinkgruvan	36,858	6,046	-	**42,904**	25,623	7,607	-	33,230
Other	1,650	-	-	**1,650**	825	-	-	825
	407,631	57,212	13,967	**478,810**	171,449	11,317	4,785	187,551

1. Sustaining and expansionary capital expenditures are non-GAAP measures – see page 35 of this MD&A for discussion of non-GAAP measures.

Candelaria

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

Operating Statistics

			2017					2016		
(100% Basis)	**Total**	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**28,005**	**8,139**	7,313	6,183	6,370	30,915	8,877	6,817	5,910	9,311
Ore milled (000s tonnes)	**29,435**	**7,279**	7,316	7,745	7,095	31,938	8,097	7,794	7,890	8,157
Grade										
Copper (%)	**0.67**	**0.62**	0.73	0.74	0.60	0.57	0.67	0.55	0.52	0.55
Recovery										
Copper (%)	**92.6**	**92.9**	92.4	92.9	91.7	91.8	93.1	90.5	90.7	92.7
Production (contained metal)										
Copper (tonnes)	**183,858**	**42,676**	49,203	52,846	39,133	166,592	49,072	39,106	36,907	41,507
Gold (000 oz)	**104**	**24**	27	30	23	97	27	24	22	24
Silver (000 oz)	**1,821**	**398**	526	540	357	1,665	466	381	345	473
Sales ($000s)	**1,230,196**	**309,908**	374,207	267,741	278,340	847,684	268,479	196,766	175,737	206,702
Operating costs ($000s)	**(474,049)**	**(114,637)**	(135,019)	(104,529)	(119,864)	(445,469)	(124,870)	(112,883)	(100,330)	(107,386)
Operating earnings ($000s)	**756,147**	**195,271**	239,188	163,212	158,476	402,215	143,609	83,883	75,407	99,316
Cash cost ($ per pound)	**1.22**	**1.38**	1.17	1.08	1.27	1.31	1.40	1.34	1.28	1.22
AISC ($ per pound)	**2.04**	**2.76**	2.04	1.73	1.73	1.63	1.76	1.65	1.53	1.59

Sales

Sales for the year ended December 31, 2017 were $1,230.2 million with $1,098.8 million from copper, and $105.4 million, $22.2 million and $3.8 million coming from gold, silver and other metals, respectively. Higher realized metal prices and price adjustments ($258.9 million) and higher sales volumes ($115.0 million) in the current year were the primary factors for increased sales over 2016.

Operating Costs

Operating costs for the year ended December 31, 2017 were $28.6 million higher than 2016. Higher sales volumes ($63.0 million) and the negative impact of foreign exchange ($11.8 million) were partially offset by lower per unit operating costs ($50.9 million) which benefitted from higher production volumes.

Operating Earnings

Operating earnings for the year ended December 31, 2017 were $353.9 million higher than 2016. The increase was primarily due to higher realized metal prices and price adjustments ($258.9 million), higher sales volumes ($52.0 million), and lower per unit operating costs ($50.9 million).

Production

Copper production for the year ended December 31, 2017 was 183,858 tonnes, exceeding the 166,592 tonnes produced in 2016. The increase is largely as a result of higher copper head grades in 2017.

Average head grades in the fourth quarter of 2017 were affected by a localized slide on the east wall of the open pit which necessitated the processing of a higher proportion of low-grade ore in the quarter. In line with the proposed life-of-mine plan announced on November 29, 2017, increased waste stripping was initiated and advances in an effort to accelerate Phase 10.

Cash Costs

Copper cash costs for the year ended December 31, 2017 were $1.22/lb, $0.09/lb better than cash costs of $1.31/lb in 2016, due primarily to lower per unit mine costs ($0.11/lb) which were largely attributed to higher production volumes.

All-in sustaining costs of $2.04/lb were higher than the $1.63/lb reported in 2016, largely as a result of higher sustaining capital expenditures in the current period, with spending on the Los Diques TSF and deferred stripping charges in 2017.

In 2017, approximately 66,000 oz of gold and 1,127,000 oz of silver were subject to terms of a streaming agreement in which between $400/oz-$404/oz and $4.00/oz-$4.04/oz were received for gold and silver, respectively. Since inception of the precious metal stream, the Company has delivered approximately 212,000 oz of gold and 3.7 million oz of silver.

Projects

The initial phase of the Los Diques TSF is complete with the main civil embankment construction finished and facilities in the process of being commissioned. First tailings were placed well ahead of schedule early in January 2018. Construction is expected to be completed, and all facilities fully operational, during the second quarter of 2018. The project's capital cost forecast remains at $295 million, with $45 million forecast to be spent in 2018 to complete the construction of the first phase of the main embankment. Future lifts of the main embankment have been initiated ahead of schedule in the third quarter of 2017 to benefit from synergies with the current project and the ready availability of mine waste. An additional $15 million of capital is forecast in 2018 to construct two additional lifts, bringing the forecast total capital expenditures on the facility to $60 million for the year.

The implementation phase of the Candelaria Mill Optimization Project was approved, and design and procurement began during the fourth quarter of 2017. The project is expected to be completed by the end of 2019. The objectives are to increase throughput and metal recovery while reducing operating costs. All work can be completed under existing permits.

Ramp-up of Candelaria Underground, from 6,000 to 14,000 tonnes per day of ore, continues with the implementation of larger underground trucks and loaders in the north sector and initial development in the south sector. Studies for further optimization of Candelaria Underground continue, including a potential production increase beyond the currently permitted 14,000 tonnes per day.

Throughout the year, considerable success was achieved for multiple permit approvals at Candelaria. During the fourth quarter of 2017, permits were received for the Alcaparrosa underground mine operating license to extend the life of the Alcaparrosa mine, the Punta Padrones process operating license, and the PAC processing plant tailings line until 2022.

Eagle Mine

The Eagle mine consists of the Eagle underground mine, located approximately 55 km northwest of Marquette, Michigan, U.S.A. and the Humboldt mill, located 45 km west of Marquette in Champion. The mill has a processing capacity of 0.7 mtpa, producing nickel and copper in concentrates. Access ramp development is underway from the Eagle mine to the Eagle East deposit, from which feed to the Humboldt mill is forecast to start in 2020. The primary metal is nickel with copper, cobalt, gold, and platinum-group metals as by-product metals.

Operating Statistics

	2017					2016				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**760**	**192**	187	185	196	745	183	189	188	185
Ore milled (000s tonnes)	**754**	**187**	191	189	187	748	190	188	184	186
Grade										
Nickel (%)	**3.4**	**2.8**	3.5	3.5	4.0	3.9	3.4	3.9	4.3	3.8
Copper (%)	**2.9**	**2.3**	2.7	3.0	3.5	3.2	3.0	3.2	3.1	3.4
Recovery										
Nickel (%)	**85.0**	**83.6**	84.1	86.6	85.5	84.8	86.0	84.1	85.4	83.6
Copper (%)	**97.9**	**97.5**	98.0	98.2	98.1	97.7	98.3	97.1	97.5	97.7
Production (contained metal)										
Nickel (tonnes)	**22,081**	**4,299**	5,618	5,822	6,342	24,114	5,249	6,085	6,812	5,968
Copper (tonnes)	**21,302**	**4,130**	4,995	5,674	6,503	23,417	5,742	5,796	5,639	6,240
Sales ($000s)	**276,531**	**65,555**	74,263	64,442	72,271	244,467	62,144	71,101	57,999	53,223
Operating costs ($000s)	**(122,556)**	**(27,685)**	(29,764)	(34,082)	(31,025)	(124,112)	(30,845)	(33,481)	(28,795)	(30,991)
Operating earnings ($000s)	**153,975**	**37,870**	44,499	30,360	41,246	120,355	31,299	37,620	29,204	22,232
Cash cost ($ per pound)	**0.93**	**1.19**	0.63	1.02	0.94	1.75	1.38	2.15	1.75	1.61
AISC ($ per pound)	**1.42**	**2.02**	1.11	1.46	1.28	2.10	1.74	2.48	2.19	1.91

Sales

Sales for the year ended December 31, 2017 were $276.5 million, of which $135.5 million was realized from nickel, $114.6 million from copper, and the balance from cobalt and other metals. Higher metal prices, net of price adjustments ($39.0 million), partially offset by lower sales volumes ($11.5 million), were the primary reasons for the increase in sales from the $244.5 million reported in 2016.

Operating Costs

Operating costs of $122.6 million for the year ended December 31, 2017 were marginally lower than the prior year.

Operating Earnings

Operating earnings for the year ended December 31, 2017 were $33.6 million higher than 2016. The increase was primarily due to higher metal prices, net of price adjustments ($39.0 million).

Production

Nickel production for the year ended December 31, 2017 was 22,081 tonnes compared to 24,114 tonnes in the prior year, while copper production was 21,302 tonnes compared to 23,417 tonnes in the prior year. The decrease in both metals was due primarily to planned mine sequencing. Record metal recovery was achieved in 2017 with excellent concentrate qualities.

Cash Costs

Nickel cash costs for the year ended December 31, 2017 of $0.93/lb were lower than the $1.75/lb reported in the prior year. The decrease in cash costs was due largely to higher by-product credits ($0.90/lb).

All-in sustaining costs of $1.42/lb for the year ended December 31, 2017, were lower than that realized in 2016 ($2.10/lb), largely as a result of lower cash costs.

Projects

Permit approval for mining of the Eagle East orebody was received in November 2017.

In 2017, $27 million in expansionary capital expenditures was incurred in support of the Eagle East project. Engineering and development of the Eagle East access ramp continued during the year and the main exhaust ventilation circuit for Eagle East was established. The access ramp, which is the critical path of the project, is trending approximately one month ahead of schedule.

Approximately $75 million is expected to be spent over the remainder of the project, of which $30 million is forecast to be incurred in 2018. Production of Eagle East ore is scheduled into the mill by 2020.

A second permitting process was initiated for the additional disposal of tailings at the Humboldt Mill site and approval is anticipated by mid-2018.

Exploration drilling is continuing on the property, testing for possible extensions of the Eagle East mineralization.

Neves-Corvo Mine

Neves-Corvo consists of an underground mine and an on-site processing facility, located 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The copper plant has a processing capacity of 2.5 mtpa, producing copper in concentrate, and the zinc plant has a capacity of 1.2 mtpa with the ability to process zinc or copper ore, producing zinc or copper in concentrate. The primary metal is copper, with zinc, lead and silver as by-product metals. The Zinc Expansion Project received regulatory approval in 2017 and is currently in development. The ZEP will see zinc mining and processing capacity increased to 2.5 mtpa by mid-2019.

Operating Statistics

	2017					2016				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	**2,110**	**491**	503	530	586	2,351	598	557	594	602
Ore mined, zinc (000 tonnes)	**996**	**202**	268	260	266	1,041	247	254	272	268
Ore milled, copper (000 tonnes)	**2,122**	**499**	504	528	591	2,386	598	560	602	626
Ore milled, zinc (000 tonnes)	**1,000**	**198**	267	266	269	1,039	237	257	270	275
Grade										
Copper (%)	**2.1**	**2.0**	2.1	2.0	2.2	2.5	2.4	2.3	2.6	2.8
Zinc (%)	**8.7**	**9.6**	9.0	8.3	8.3	8.2	8.0	8.3	8.3	8.2
Recovery										
Copper (%)	**75.8**	**73.9**	73.8	77.7	77.6	76.5	75.5	76.3	77.1	77.2
Zinc (%)	**79.9**	**81.7**	79.6	80.4	78.6	78.5	80.3	81.0	77.4	75.9
Production (contained metal)										
Copper (tonnes)	**33,624**	**7,385**	7,946	8,098	10,195	46,557	10,975	9,691	12,146	13,745
Zinc (tonnes)	**71,356**	**15,835**	19,562	18,011	17,948	69,527	15,886	17,642	18,272	17,727
Lead (tonnes)	**5,164**	**1,267**	1,308	1,183	1,406	4,126	1,142	833	1,245	906
Silver (000 oz)	**1,292**	**305**	341	316	330	1,242	313	279	331	319
Sales ($000s)	**328,925**	**83,277**	89,561	73,051	83,036	281,134	75,624	64,523	69,674	71,313
Operating costs ($000s)	**(193,122)**	**(44,793)**	(53,692)	(49,614)	(45,023)	(210,603)	(48,288)	(57,760)	(54,208)	(50,347)
Operating earnings ($000s)	**135,803**	**38,484**	35,869	23,437	38,013	70,531	27,336	6,763	15,466	20,966
Cash cost (€ per pound)	**0.78**	**0.48**	0.64	1.23	0.70	1.39	1.37	1.57	1.32	1.34
Cash cost ($ per pound)	**0.88**	**0.57**	0.75	1.38	0.75	1.54	1.47	1.76	1.49	1.48
AISC ($ per pound)	**1.49**	**1.42**	1.46	1.72	1.42	1.96	2.13	2.25	1.84	1.73

Sales

Sales for the year ended December 31, 2017 were $328.9 million, of which $171.5 million was realized from copper, $144.8 million from zinc, and the balance from lead, silver and other metals. Higher metal prices and price adjustments ($96.2 million), partially offset by lower sales volumes ($55.1 million), resulted in a net increase in sales from 2016.

Operating Costs

Operating costs for the year ended December 31, 2017 were $17.5 million lower than 2016. The decrease was primarily due to lower sales volumes ($33.0 million), partially offset by higher per unit operating costs ($10.2 million) and unfavourable foreign exchange ($5.6 million).

Operating Earnings

Operating earnings for the year ended December 31, 2017 were $65.3 million higher than 2016. The impact of higher metal prices and price adjustments ($96.2 million) was partially offset by lower sales volumes ($22.1 million) and higher per unit operating costs ($10.2 million).

Production

Copper production for the year ended December 31, 2017 was lower than 2016 by 12,933 tonnes. The decrease is a result of lower throughput, grades and recoveries realized in 2017. Reduced production stemmed from the effects of monthly labour action and strikes in the fourth quarter of 2017, as well as from mine sequencing and complex ore metallurgy.

Zinc production for the year ended December 31, 2017 was higher than the comparable period in 2016 by 1,829 tonnes largely resulting from higher head grades, and despite the labour action in the fourth quarter.

The labour situation at Neves-Corvo has not yet been resolved and accordingly there remains a risk to 2018 production targets and the ZEP schedule due to the possibility of future labour action. The Company is in regular, constructive dialogue with the labour union, our employees and the government, and the Company has advised stakeholders that ongoing labour action may result in postponement of the ZEP and exploration program investment in progress. The Company is focused on ensuring the long-term competitiveness of the operation and protecting its investments.

Cash Costs

Copper cash costs of $0.88/lb for the year ended December 31, 2017 were lower than 2016 cash costs of $1.54/lb. The decrease was a result of significantly higher by-product credits ($1.38/lb), partially offset by higher per unit operating costs ($0.62/lb).

All-in sustaining costs of $1.49/lb were lower than the prior year ($1.96/lb) due to lower cash costs, partially offset by higher per unit sustaining capital expenditures ($0.13/lb).

Projects

The ZEP remains on target to commence production ramp-up prior to the end of 2019. Engineering of surface facilities is approximately 55% complete and major process equipment has been ordered. Approximately 50% of underground materials handling development has been achieved and shaft upgrade engineering is underway. Construction of the new underground crusher is expected to start during the first quarter of 2018. The construction contract for earthwork and concrete works has been awarded and the contractor is ready to mobilize once the labour situation is stabilized. The underground work is the current critical path for the project.

The results of a review of project engineering by authorities governing surface construction approvals ("RECAPE") has been received with conditions. Final documents requested by Portuguese authorities have been submitted.

Zinkgruvan Mine

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

Operating Statistics

	2017					2016				
	Total	**Q4**	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	**1,189**	**346**	276	252	315	1,057	294	211	264	288
Ore mined, copper (000 tonnes)	**92**	**-**	41	37	14	107	-	46	48	13
Ore milled, zinc (000 tonnes)	**1,188**	**346**	280	278	284	1,093	296	256	237	304
Ore milled, copper (000 tonnes)	**76**	**-**	42	34	-	107	-	56	51	-
Grade										
Zinc (%)	**7.3**	**7.0**	7.6	7.3	7.6	8.0	7.4	8.1	8.2	8.3
Lead (%)	**2.9**	**2.5**	3.4	2.7	3.2	3.5	3.0	3.1	3.6	4.3
Copper (%)	**1.5**	**-**	1.6	1.3	-	2.0	-	1.7	2.3	-
Recovery										
Zinc (%)	**89.5**	**89.3**	89.8	89.6	89.4	89.8	89.8	90.7	89.3	90.0
Lead (%)	**81.1**	**79.2**	82.5	79.6	82.2	82.3	83.0	80.9	81.6	83.8
Copper (%)	**88.3**	**-**	89.0	87.4	-	91.6	-	90.5	92.4	-
Production (contained metal)										
Zinc (tonnes)	**77,963**	**21,497**	18,958	18,205	19,303	78,523	19,773	18,808	17,286	22,656
Lead (tonnes)	**28,324**	**6,925**	7,899	5,901	7,599	31,661	7,363	6,406	7,063	10,829
Copper (tonnes)	**977**	**-**	578	399	-	1,906	-	855	1,051	-
Silver (000 oz)	**2,361**	**619**	710	494	538	2,159	556	449	495	659
Sales ($000s)	**241,845**	**74,540**	63,707	49,458	54,140	174,336	52,970	42,099	38,906	40,361
Operating costs ($000s)	**(84,757)**	**(24,037)**	(22,079)	(21,279)	(17,362)	(82,097)	(21,935)	(20,824)	(18,306)	(21,032)
Operating earnings ($000s)	**157,088**	**50,503**	41,628	28,179	36,778	92,239	31,035	21,275	20,600	19,329
Cash cost (SEK per pound)	**2.65**	**1.95**	2.44	2.97	3.30	3.18	3.43	3.49	2.78	3.02
Cash cost ($ per pound)	**0.31**	**0.23**	0.30	0.34	0.37	0.37	0.38	0.41	0.34	0.36
AISC ($ per pound)	**0.57**	**0.55**	0.55	0.61	0.57	0.57	0.60	0.58	0.56	0.55

Sales

Sales for the year ended December 31, 2017 were $67.5 million higher than the prior year largely as a result of higher metal prices and price adjustments ($69.4 million). Current period sales were composed of zinc ($168.0 million), lead ($59.4 million), copper ($6.0 million) and other metals ($8.4 million).

Operating Costs

Operating costs of $84.8 million for the year ended December 31, 2017 were marginally higher than the prior year.

Operating Earnings

Operating earnings for the year were $64.9 million higher than in 2016 largely as a result of higher metal prices and price adjustments ($69.4 million).

Production

Full year zinc production of 77,963 tonnes was largely in-line with 2016 production (78,523 tonnes). Mine sequencing had a negative impact on zinc grades, which was offset by record throughput of 1,264,000 tonnes following mid-year completion of the 1350 mill expansion project.

Full year lead production of 28,324 tonnes was lower than 2016 levels, largely as a result of lower head grades resulting from the above-mentioned mine sequencing.

Copper production in the current year was lower than 2016 as the copper plant focused on processing higher value zinc/lead ore at various times throughout the year.

Cash Costs

Zinc cash costs of $0.31/lb for the year were lower than 2016 cash costs of $0.37/lb due to higher by-product credits ($0.06/lb).

All-in sustaining costs of $0.57/lb were consistent with prior year's results as the above-mentioned higher by-product credits were offset by higher sustaining capital expenditures ($0.06/lb) in the current year.

Exploration

Candelaria Mine, Chile (Copper, Gold)

A total of 150,271 metres were drilled in 2017. Drilling occurred within the existing underground mines, around the Candelaria open pit mine, and on surface in the south district to rapidly expand Mineral Resource and Mineral Reserve estimates and to determine the potential extension of known ore bodies. Geophysics were executed in the south district and north of the pit throughout the year to determine if mineral extensions exist and to assist in the development of drilling targets.

Eagle Mine, USA (Nickel, Copper)

Eagle exploration continued during the year with surface rigs maintaining focus on tracing the Eagle East conduit. A total of 39,371 metres were drilled from surface for the year. Limited borehole geophysics were also performed.

European Operations

Exploration planning sessions were further developed at Zinkgruvan and Neves-Corvo aimed at strategically expanding exploration efforts for zinc and copper mineralization extensions. Exploration activity was ramped up in 2017 and will continue into 2018.

Peru (Copper, Gold)

Field work continued 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 to be tested in 2019, following receipts of requisite permits.

Eastern Europe (Copper, Zinc, Lead, 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 copper-gold mining activities. Field work has commenced on several copper projects and will include geophysical surveys, geological mapping, sampling, and an initial drill program.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

Average metal prices for copper, zinc and nickel were all higher in 2017 compared to average prices for 2016. Average metal prices also increased during the last quarter of 2017 with average prices for copper, zinc and nickel being 7%, 9% and 10% higher, respectively, than the average prices for the third quarter of 2017. A shortage of copper and zinc raw materials, and an expected increase in demand for nickel from the battery sector have had a positive impact on recent metal prices.

		Three months ended December 31,			Twelve months ended December 31,		
(Average LME Price)		**2017**	2016	Change	**2017**	2016	Change
Copper	US$/pound	**3.09**	2.39	29%	**2.80**	2.21	27%
	US$/tonne	**6,808**	5,277		**6,166**	4,863	
Zinc	US$/pound	**1.47**	1.14	29%	**1.31**	0.95	38%
	US$/tonne	**3,236**	2,517		**2,896**	2,095	
Nickel	US$/pound	**5.25**	4.90	7%	**4.72**	4.36	8%
	US$/tonne	**11,584**	10,810		**10,411**	9,609	

The London Metal Exchange ("LME") inventory for copper, zinc and nickel all decreased during 2017 and ended the year 37%, 57% and 1% lower, respectively, than closing levels of 2016.

During the first quarter of 2017, the treatment charge ("TC") and refining charge ("RC") in the spot market for copper concentrates between miners and commodity traders decreased from an average spot TC during January of $75 per dry metric tonne ("dmt") of concentrate and a spot RC of $0.075 per lb of payable copper to an average spot TC during March of $58 per dmt of concentrate and a spot RC of $0.058 per lb of payable copper. Labour disruptions in Chile together with uncertainty regarding the situation at Freeport's Grasberg mine in Indonesia made the market nervous over concentrate supply. In April, many Chilean labour contracts were settled and the market stabilized. After an increase in charges in April and May, the spot TC reached $75-$76 per dmt of concentrate with a spot RC of $0.075-$0.076 per lb of payable copper in June and remained at this level until September. In October, in preparation for the annual negotiations, many smelters had scheduled maintenance and reduced their spot purchases. The TC between miners and commodity traders increased to $88 per dmt of concentrate in October with a RC of $0.088 per lb of payable copper. During the balance of the fourth quarter, various minor production disruptions reduced the expected availability of copper concentrates, and in December the TC had fallen back to $70 per dmt of concentrate with a RC of $0.07 per lb of payable copper.

The terms for annual contracts for copper concentrates for 2018 were reached late in December 2017 at a TC of $82.25 per dmt of concentrate with a RC of $0.08225 per lb of payable copper. This represents an improvement for the miners compared to the 2017 annual terms of a TC of $92.50 per dmt of concentrate and a RC of $0.0925 per lb of payable copper.

Spot TC, delivered China, for zinc concentrates during the first nine months of 2017 traded in a range of $30-$50 per dmt, flat. During the last quarter of the year, the spot TC declined to $15 per dmt. The impact of mine closures in 2015 and 2016 severely reduced the availability of zinc concentrates to the market and with no new major zinc mines opening over the past two years, the zinc concentrate inventories have been reduced to critical levels. The TC for annual contracts for 2017 was settled at $172 per dmt of concentrates based on a zinc price of $2,800 per metric tonne and with escalators of +/- 0% (i.e. flat). The agreed terms represented an improvement in favour of the miners of approximately $100 per dmt of concentrates, at the base price, compared to the prior year.

The annual negotiations for a TC under long term contracts between miners and smelters for 2018 have commenced, but so far there has been very little progress. The Company expects that there will be a settlement for the 2018 annual TC in March at the earliest and that the TC for 2018 will be improved in favour of miners.

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

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents increased by $851.7 million to $1,567.0 million as at December 31, 2017, from $715.3 million at December 31, 2016. Cash inflows for the year ended December 31, 2017 included Tenke sale net cash proceeds of $1.1 billion, operating cash flows of $903.5 million, and distributions from Tenke prior to sale ($58.3 million). Use of cash was primarily directed towards repayment of the 2020 Notes ($570.6 million), investments in mineral properties, plant and equipment of $478.8 million, dividends of $67.7 million paid to shareholders, total interest paid of $65.7 million, and distributions to non-controlling interests of $56.0 million.

Working Capital

Excluding assets classified as held for sale, working capital of $1,772.7 million, as at December 31, 2017 increased from the $982.8 million reported for December 31, 2016. The increase over the prior period is largely a reflection of a higher cash balance as at December 31, 2017.

Long-Term Debt

As at December 31, 2017, a principal amount of $445 million of 7.875% Senior Secured Notes due 2022 ("2022 Notes") are outstanding.

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

The Company redeemed all of its 7.50% Senior Secured Notes (due 2020) on November 20, 2017 at a redemption price of 103.75% of the principal amount of the notes for a total redemption price of $570.6 million plus accrued and unpaid interest.

In addition, the Company has an undrawn $350 million revolving credit facility, expiring in June 2020. Letters of credit have been issued totalling $26.8 million.

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

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

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

In addition, credit facilities and other agreements may contain restrictive covenants that limit the Company's ability to engage in activities that may be in the Company's long-term best interest. The Company's failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of repayment of the Company's debt. The Company's ability to make scheduled payments on or refinance its debt obligations, depends on the Company's financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to various external and other risks.

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

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

Shareholders' Equity

Shareholders' equity was $4,151.2 million at December 31, 2017, compared to $3,627.6 million at December 31, 2016. The increase in shareholders' equity is primarily due to current year's net earnings of $502.0 million.

Sensitivities

Sales and operating costs are affected by certain external factors including fluctuations in metal prices and changes in exchange rates between the €, the SEK, the CLP and the $.

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

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

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

The Company holds various financial assets, the value of which may be affected by changes in interest rates. Interest rates may also affect the Company's credit arrangements over time.

The Company does not currently hedge metal prices or interest rate exposure. Any hedging activity requires approval of the Company's Board of Directors. The Company will not hold or issue derivative instruments for speculation or trading purposes.

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

Metal	Tonnes Payable	Provisional price on December 31, 2017 ($US/tonne)	Change	Effect on Sales ($millions)
Copper	54,954	7,226	+/-10%	+/-$39.7
Zinc	17,891	3,333	+/-10%	+/-$6.0
Nickel	3,581	12,733	+/-10%	+/-$4.6

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 twelve months ended December 31, 2017 ($millions)
Chilean peso	+/-10%	+/-$40.7
Euro	+/-10%	+/-$18.6
Swedish krona	+/-10%	+/-$8.7

Contractual Obligations, Commitments and Contingencies

The Company has the following contractual obligations, capital commitments, and contingencies as at December 31, 2017:

	Payments due by period[1]				
US$ thousands	<1 years	1-3 years	4-5 years	> 5 years	Total
Long-term debt and finance leases	3,431	6,131	446,907	104	456,573
Reclamation and closure provisions	18,893	5,706	5,858	287,658	318,115
Capital commitments	263,675	93,986	13,729	-	371,390
Defined pension obligations	1,034	1,978	2,082	5,512	10,606
Operating leases and other	14,962	25,521	19,714	4,448	64,645
	301,995	133,322	488,290	297,722	1,221,329

1. Reported on an undiscounted basis, before inflation.

The Company is from time to time involved in legal proceedings that arise in the ordinary course of its business. Refer to Note 24 "Commitments and Contingencies" in the Company's consolidated financial statements.

Financial Instruments

Summary of financial instruments:

	Fair value at December 31, 2017 ($ thousands)	Basis of measurement	Associated risks
Cash and cash equivalents	1,567,038	Amortized cost	Credit/Exchange
Restricted funds	44,848	FVTPL	Market/Liquidity
Trade receivables (provisional)	285,385	FVTPL	Credit/Market/Exchange
Trade and other receivables	140,286	Amortized cost	Credit/Market/Exchange
Marketable securities	3,425	FVTPL	Market/Liquidity
Marketable securities (available for sale)	39,717	AFS	Market/Liquidity
Derivative asset	33,351	FVTPL	Credit/Market
Currency options	5,318	FVTPL	Market/Liquidity
Trade and other payables	274,017	Amortized cost	Exchange
Long-term debt and finance leases	489,605	FVTPL/Amortized cost	Interest
Derivative liability	8,900	FVTPL	Market

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

Marketable securities/restricted funds (FVTPL and Available-for-sale ("AFS")) – The fair value of investments in shares is determined based on quoted market price. Revaluation adjustments related to AFS financial instruments is recorded in other comprehensive income. Restricted funds include cash that has been pledged for reclamation and closure activities which are not available for immediate disbursement.

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

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

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

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

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

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

For the year ended December 31, 2017, the Company recognized:

- positive provisional price adjustments on prior period sales of $24.2 million in sales (2016: negative provisional price adjustments on prior period sales of $4.0 million);
- a revaluation gain of $0.3 million on FVTPL securities (2016: gain of $0.3 million);
- a revaluation gain of $4.6 million on FVTPL currency options (2016: gain of $1.6 million);
- a revaluation gain of $11.3 million (2016: nil) on the derivative asset arising from the sale of TF Holdings; and
- a revaluation loss of $3.8 million (2016: gain of $2.2 million) on the derivative liability arising from the purchase of Candelaria.

In addition, a foreign exchange loss of $17.6 million (2016: loss of $21.0 million) was realized in the year on working capital denominated in foreign currencies that was held in the Company's various entities and on the disposal of the Galmoy assets.

Related Party Transactions

Freeport Cobalt

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

Key Management Personnel

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

		2017		2016
Wages and salaries	**$**	**6,701**	$	6,135
Pension benefits		**172**		135
Share-based compensation		**3,928**		2,523
	$	**10,801**	$	8,793

Other Related Parties

The Company paid $1.9 million (2016 - $0.6 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 has conducted an analysis of its contracts with customers and applied the five-step model from IFRS 15 to assess the implications of adopting the new standard for existing contracts. The Company does not expect material changes in the timing or measurement of revenue from the review of its concentrate sales contracts.

The Company's concentrate sales contracts are provisionally priced at the time of sale. Variations between the price at the time of sale and actual final price received result in embedded derivatives in trade receivables that are recorded at fair value until final settlement. Under IFRS 15, these variations are not revenue from contracts with customers. The Company expects that changes in the fair value will continue to be classified as sales in the consolidated statement of earnings and will be separately disclosed in the notes to the financial statements.

The Company's streaming arrangement contracts will be affected by the adoption of IFRS 15 as a significant financing component has been identified in these contracts. As a result, it is expected that the Company's deferred revenue balance will increase. Additionally, finance costs as well as amounts recognized in sales will increase going forward after transition.

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

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model will not have a significant impact on the Company's financial statements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but is available for early adoption. The Company plans to adopt the standard beginning January 1, 2018.

On transition, investments classified as available-for-sale will be re-designated FVTPL financial instruments. Associated revaluation adjustments will be recorded in the statement of earnings instead of through other comprehensive income. The Company expects that there will be an adjustment to opening deficit and accumulated other comprehensive loss on transition for cumulative gains/losses on these instruments of $10.1 million.

Critical Accounting Estimates and Judgements

Critical Accounting Estimates

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

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

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

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

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

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

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

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

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

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

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

Goodwill - The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired is recorded as goodwill. Goodwill is allocated to the cash-generating units ("CGU") acquired based on the assessment of which CGU would be expected to benefit from the synergies of the acquisition. Estimates of recoverable value may be impacted by changes in metal prices, foreign exchange rates, discount rates, level of capital expenditures, operating costs and other factors that may be different from those used in determining fair value. Changes in estimates could have a material impact on the carrying value of the goodwill. Refer to Note 10 in the Company's consolidated financial statements for sensitivities.

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

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

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

Critical Accounting Judgments

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

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

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

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

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

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)	**December 31, 2017**	December 31, 2016
Current portion of long-term debt and finance leases	**(3,431)**	(1,082)
Long-term debt and finance leases	**(446,515)**	(982,295)
	(449,946)	(983,377)
Deferred financing fees (netted in above)	**(6,627)**	(16,038)
	(456,573)	(999,415)
Cash and cash equivalents	**1,567,038**	715,311
Net cash (debt)	**1,110,465**	(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 the Company's cash provided by operating activities as follows:

	Year ended December 31,	
($thousands, except share and per share amounts)	**2017**	2016
Cash provided by operating activities	**903,484**	363,188
Changes in non-cash working capital items	**(73,518)**	120,666
Operating cash flow before changes in non-cash working capital items	**829,966**	483,854
Weighted average common shares outstanding	**726,994,036**	720,328,576
Operating cash flow per share	**1.14**	0.67

Capital Expenditures

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

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

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

Cash Cost per Pound

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

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

All-in Sustaining Cost per Pound

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

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

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

Three months ended December 31, 2016					
Operations ($000s, unless otherwise noted)	**Candelaria (Cu)**	**Eagle (Ni)**	**Neves-Corvo (Cu)**	**Zinkgruvan (Zn)**	**Total**
Sales volumes (Contained metal in concentrate):					
Tonnes	42,974	4,697	10,110	17,100	
Pounds (000s)	94,741	10,355	22,289	37,699	
Operating cost					226,351
Less: By-product credits					(89,652)
Treatment and refining charges					58,676
Non-cash inventory					(5,743)
Royalties and other					4,520
Cash operating cost	132,811	14,297	32,665	14,379	194,152
Cash cost per pound ($/lb)	**1.40**	**1.38**	**1.47**	**0.38**	
Add: Sustaining capital expenditure & exploration	32,855	748	11,964	7,816	
Royalties	-	2,724	3,264	-	
Accretion	735	207	(547)	106	
Leases & other	-	-	95	480	
All-in sustaining cost	166,401	17,976	47,441	22,781	
AISC per pound ($/lb)	**1.76**	**1.74**	**2.13**	**0.60**	

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

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

Twelve months ended December 31, 2016					
Operations ($000s, unless otherwise noted)	**Candelaria (Cu)**	**Eagle (Ni)**	**Neves-Corvo (Cu)**	**Zinkgruvan (Zn)**	**Total**
Sales volumes (Contained metal in					
Tonnes	158,983	21,193	44,553	65,863	
Pounds (000s)	350,497	46,723	98,222	145,203	
Operating cost					864,449
Less: By-product credits					(344,076)
Treatment and refining charges					237,607
Non-cash inventory					(4,612)
Royalties and other					(7,306)
Cash operating cost	459,604	81,636	150,974	53,848	746,062
Cash cost per pound ($/lb)	**1.31**	**1.75**	**1.54**	**0.37**	
Add: Sustaining capital expenditure & exploration	110,396	6,906	35,628	27,857	
Royalties	-	8,913	5,210	-	
Accretion	2,901	830	638	447	
Leases & other	-	-	292	1,056	
All-in sustaining cost	572,901	98,285	192,742	83,208	
AISC per pound ($/lb)	**1.63**	**2.10**	**1.96**	**0.57**	

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

Managing Risks

Risks and Uncertainties

The operations of Lundin Mining are exposed to a number of inherent risks and uncertainties, including risks and uncertainties related to health and safety, environment, fluctuations in commodity prices, foreign exchange rates and other risks as discussed in this document. For a complete discussion of such risks and uncertainties, refer to the "Risks and Uncertainties" section of the Company's most recently filed Annual Information Form. Other than those noted within and here above, key risk factors to consider, among others, are:

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

Outstanding Share Data

As at February 15, 2018, the Company has 728,953,857 common shares issued and outstanding, and 12,677,285 stock options and 2,746,030 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. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as at December 31, 2017.

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'). Management conducted an evaluation of the effectiveness of internal control over financial reporting and concluded that it was effective as at December 31, 2017.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the year ended December 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 on SEDAR (www.sedar.com) or on the Company's website (www.lundinmining.com).

For further information, please contact:

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Consolidated Financial Statements of

Lundin Mining Corporation

December 31, 2017

Management's Report

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

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

(Signed) Paul K. Conibear

President and Chief Executive Officer

(Signed) Marie Inkster

Senior Vice President and Chief Financial Officer

Toronto, Ontario, Canada
February 15, 2018

February 15, 2018

Independent Auditor's Report

To the Shareholders of
Lundin Mining Corporation

We have audited the accompanying consolidated financial statements of Lundin Mining Corporation and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of earnings (loss), statements of comprehensive income (loss), statements of changes in equity, and statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lundin Mining Corporation and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

LUNDIN MINING CORPORATION

CONSOLIDATED BALANCE SHEETS (in thousands of US dollars)	**December 31, 2017**	December 31, 2016
ASSETS		
Cash and cash equivalents (Note 3)	**$ 1,567,038**	$ 715,311
Trade and other receivables (Note 4)	**425,671**	338,931
Income taxes receivable	**46,716**	34,853
Inventories (Note 5)	**192,358**	163,138
Other current assets	**16,313**	8,877
	2,248,096	1,261,110
Asset classified as held for sale (Note 9)	**-**	1,146,776
Total current assets	**2,248,096**	2,407,886
Restricted cash	**44,848**	41,272
Long-term inventory (Note 5)	**220,690**	217,914
Other non-current assets (Note 6)	**83,700**	11,977
Mineral properties, plant and equipment (Note 7)	**3,388,466**	3,179,600
Investment in associate (Note 8)	**101,424**	79,166
Deferred tax assets (Note 22)	**84,713**	102,786
Goodwill (Note 10)	**114,491**	101,928
	4,038,332	3,734,643
Total assets	**$ 6,286,428**	$ 6,142,529
LIABILITIES		
Trade and other payables (Note 11)	**$ 334,660**	$ 243,675
Income taxes payable	**140,761**	34,592
Current portion of long-term debt and finance leases (Note 12)	**3,431**	1,082
Current portion of deferred revenue (Note 13)	**42,258**	55,934
Current portion of reclamation and other closure provisions (Note 14)	**18,641**	20,279
Total current liabilities	**539,751**	355,562
Long-term debt and finance leases (Note 12)	**446,515**	982,295
Deferred revenue (Note 13)	**471,501**	504,009
Reclamation and other closure provisions (Note 14)	**244,958**	236,526
Other long-term liabilities	**11,482**	9,992
Provision for pension obligations	**13,479**	13,269
Deferred tax liabilities (Note 22)	**407,527**	413,249
	1,595,462	2,159,340
Total liabilities	**2,135,213**	2,514,902
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	**4,152,469**	4,135,367
Contributed surplus	**48,926**	44,779
Accumulated other comprehensive loss	**(196,657)**	(320,138)
Deficit	**(336,353)**	(695,718)
Equity attributable to Lundin Mining Corporation shareholders	**3,668,385**	3,164,290
Non-controlling interests (Note 16)	**482,830**	463,337
	4,151,215	3,627,627
	$ 6,286,428	$ 6,142,529

Commitments and contingencies (Note 24)

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

APPROVED BY THE BOARD OF DIRECTORS

(Signed) Lukas H. Lundin - **Director** (Signed) Dale C. Peniuk - **Director**

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
For the years ended December 31, 2017 and 2016
(in thousands of US dollars, except for shares and per share amounts)

		2017		2016
Sales	**$**	**2,077,497**	$	1,545,591
Operating costs (Note 17)		**(875,831)**		(864,449)
Depreciation, depletion and amortization (Note 7)		**(381,317)**		(434,867)
General and administrative expenses		**(38,835)**		(26,933)
General exploration and business development (Note 19)		**(81,216)**		(56,113)
Finance income (Note 21)		**26,938**		4,496
Finance costs (Note 21)		**(97,233)**		(84,835)
Other income (Note 20)		**33,768**		6,607
Other expenses (Note 20)		**(25,452)**		(57,240)
Impairment reversals (Note 10)		**-**		95,922
Earnings before income taxes		**638,319**		128,179
Current tax expense (Note 22)		**(172,782)**		(48,451)
Deferred tax (expense) recovery (Note 22)		**(18,622)**		44,138
Net earnings from continuing operations		**446,915**		123,866
Gain (loss) from discontinued operations (Note 9)		**55,066**		(754,096)
Net earnings (loss)	**$**	**501,981**	$	(630,230)
Net earnings from continuing operations attributable to:				
Lundin Mining Corporation shareholders	**$**	**371,422**	$	92,353
Non-controlling interests		**75,493**		31,513
Net earnings from continuing operations	**$**	**446,915**	$	123,866
Net earnings (loss) attributable to:				
Lundin Mining Corporation shareholders	**$**	**426,488**	$	(661,743)
Non-controlling interests		**75,493**		31,513
Net earnings (loss)	**$**	**501,981**	$	(630,230)
Basic and diluted earnings (loss) per share attributable to Lundin Mining Corporation shareholders:				
Earnings from continuing operations	**$**	**0.51**	$	0.13
Net earnings (loss)	**$**	**0.59**	$	(0.92)
Weighted average number of shares outstanding (Note 15)				
Basic		**726,994,036**		720,328,576
Diluted		**729,742,955**		721,208,806

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2017 and 2016
(in thousands of US dollars)

		2017		2016
Net earnings (loss)	**$**	**501,981**	$	(630,230)
Other comprehensive income (loss), net of taxes				
Item that will not be reclassified to net earnings (loss):				
Remeasurements for post-employment benefit plans		**(48)**		(337)
Items that may be reclassified subsequently to net earnings (loss):				
Unrealized gain on marketable securities		**10,055**		-
Effects of foreign exchange		**107,464**		(30,446)
Item that was reclassified to net earnings (loss):				
Reclassification adjustment (Note 20)		**6,010**		19,464
Other comprehensive income (loss)		**123,481**		(11,319)
Total comprehensive income (loss)	**$**	**625,462**	$	(641,549)
Comprehensive income (loss) attributable to:				
Lundin Mining Corporation shareholders	**$**	**549,969**	$	(673,062)
Non-controlling interests		**75,493**		31,513
Total comprehensive income (loss)	**$**	**625,462**	$	(641,549)

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2017 and 2016
(in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non-controlling interests	Total
Balance, December 31, 2016	725,134,187	$ 4,135,367	$ 44,779	$ (320,138)	$ (695,718)	$ 463,337	$ 3,627,627
Distributions	-	-	-	-	-	(56,000)	(56,000)
Exercise of share-based awards	3,284,445	18,247	(5,711)	-	-	-	12,536
Share-based compensation	-	-	9,858	-	-	-	9,858
Dividends declared (Note 15(e))	-	-	-	-	(67,123)	-	(67,123)
Deferred tax adjustment	-	(1,145)	-	-	-	-	(1,145)
Net earnings	-	-	-	-	426,488	75,493	501,981
Other comprehensive income	-	-	-	123,481	-	-	123,481
Total comprehensive income	-	-	-	123,481	426,488	75,493	625,462
Balance, December 31, 2017	**728,418,632**	**$ 4,152,469**	**$ 48,926**	**$ (196,657)**	**$ (336,353)**	**$ 482,830**	**$ 4,151,215**
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	5,505,830	29,074	(10,859)	-	-	-	18,215
Share-based compensation	-	-	6,526	-	-	-	6,526
Deferred tax adjustment	-	(1,176)	-	-	-	-	(1,176)
Net (loss) earnings	-	-	-	-	(661,743)	31,513	(630,230)
Other comprehensive loss	-	-	-	(11,319)	-	-	(11,319)
Total comprehensive (loss) income	-	-	-	(11,319)	(661,743)	31,513	(641,549)
Balance, December 31, 2016	725,134,187	$ 4,135,367	$ 44,779	$ (320,138)	$ (695,718)	$ 463,337	$ 3,627,627

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016
(in thousands of US dollars)

		2017		2016
Cash provided by (used in)				
Operating activities				
Net earnings (loss)	**$**	**501,981**	$	(630,230)
Items not involving cash and other adjustments				
Depreciation, depletion and amortization		**381,317**		434,867
Share-based compensation		**9,858**		6,526
(Earnings) loss from equity investment in associate		**(13,489)**		1,110
(Earnings) loss from discontinued operations		**(55,066)**		754,096
Foreign exchange (gain) loss		**(14,308)**		16,368
Deferred tax expense (recovery)		**18,622**		(44,138)
Recognition of deferred revenue (Note 13)		**(49,575)**		(46,647)
Reclamation and closure provisions		**(5,505)**		1,648
Finance costs		**77,161**		80,339
Impairment reversals		**-**		(95,922)
(Gain) loss on disposal of assets		**(6,816)**		22,319
Other		**(2,595)**		1,801
Other payments		**(7,284)**		(10,784)
Changes in long-term inventory		**(4,335)**		(7,499)
Changes in non-cash working capital items (Note 29)		**73,518**		(120,666)
		903,484		363,188
Investing activities				
Investment in mineral properties, plant and equipment		**(478,810)**		(187,551)
Interest received		**12,187**		-
(Contributions to) distributions from associates (Note 8)		**(8,769)**		9,300
Proceeds from sale of mineral properties, plant and equipment		**4,532**		1,788
Purchase of marketable securities		**(28,654)**		-
Distributions from discontinued operations (Note 9)		**58,320**		60,375
Proceeds from sale of discontinued operations (Note 9)		**1,121,426**		-
Cash outlay on disposal of Aguablanca (Note 20)		**-**		(30,661)
Other		**203**		2,903
		680,435		(143,846)
Financing activities				
Interest paid		**(65,686)**		(74,744)
Distributions to non-controlling interests		**(56,000)**		(2,000)
Dividends paid to shareholders		**(67,651)**		-
Proceeds from common shares issued		**12,536**		18,215
Debt and finance lease payments		**(553,029)**		(1,348)
Bond redemption fee		**(20,625)**		-
Other		**(4,295)**		(805)
		(754,750)		(60,682)
Effect of foreign exchange on cash balances		**22,558**		140
Increase in cash and cash equivalents during the year		**851,727**		158,800
Cash and cash equivalents, beginning of year		**715,311**		556,511
Cash and cash equivalents, end of year	**$**	**1,567,038**	$	715,311

Supplemental cash flow information (Note 29)

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

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

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

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

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

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

These consolidated financial statements were approved by the Board of Directors of the Company for issue on February 15, 2018.

(ii) Significant accounting policies

The Company has consistently applied the accounting policies to all the years presented. The significant accounting policies applied in these consolidated financial statements are set out below.

(a) Basis of consolidation

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

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

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

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

(b) Investments in associates

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

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

(c) Translation of foreign currencies

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

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

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

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

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

(d) Cash and cash equivalents

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

(e) Restricted cash

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

(f) Inventories

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

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

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

(g) Mineral properties

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

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

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

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

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

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

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

(h) Plant and equipment

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

Useful lives are as follows:

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

(i) Mining equipment under finance lease

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

(j) Impairment and impairment reversals

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

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

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

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

(k) Business combinations and goodwill

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

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

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

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

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

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

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

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

(m) Derivatives

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

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless closely related to the host contract. All derivative instruments, including certain embedded derivatives that are separated from their host contracts, are recorded on the consolidated balance sheets at fair value and mark-to-market adjustments on these instruments are included in the consolidated statements of earnings.

(n) Deferred revenue

Deferred revenue consists of payments received by the Company in consideration for future commitments. The Company records a portion of the deferred revenue as sales when substantial risks and rewards have been transferred.

(o) Provision for pension obligations

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

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

(p) Reclamation and other closure provisions

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

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

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

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

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

(q) Revenue recognition

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

(r) Share-based compensation

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

(s) Current and deferred income taxes

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

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

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

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

(t) Earnings (loss) per share

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

(u) Financial instruments

Financial instruments are recognized on the consolidated balance sheet on the trade date, the date on which the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be classified and measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument. The Company classifies its financial instruments in the following categories:

Financial assets at fair value through profit or loss ("FVTPL")

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

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

Transaction costs for FVTPL assets are expensed.

Loans and receivables

Loans and receivables include financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

Financial liabilities at amortized cost

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

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

Available for sale ("AFS") financial assets

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

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

(iii) **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 has conducted an analysis of its contracts with customers and applied the five-step model from IFRS 15 to assess the implications of adopting the new standard for existing contracts. The Company does not expect material changes in the timing or measurement of revenue from the review of its concentrate sales contracts.

The Company's concentrate sales contracts are provisionally priced at the time of sale. Variations between the price at the time of sale and actual final price received result in embedded derivatives in trade receivables that are recorded at fair value until final settlement. Under IFRS 15, these variations are not revenue from contracts with customers. The Company expects that changes in the fair value will continue to be classified as sales in the consolidated statement of earnings and will be separately disclosed in the notes to the financial statements.

The Company's streaming arrangement contracts will be impacted by the adoption of IFRS 15 as a significant financing component has been identified in these contracts. As a result, it is expected that the Company's deferred revenue balance will increase. Additionally, finance costs as well as amounts recognized in sales will increase going forward after transition.

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

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model will not have a significant impact on the Company's financial statements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but is available for early adoption. The Company plans to adopt the standard beginning January 1, 2018.

On transition, investments classified as available-for-sale will be re-designated FVTPL financial instruments. Associated revaluation adjustments will be recorded in the statement of earnings instead of through other comprehensive income. The Company expects that there will be an adjustment to opening deficit and accumulated other comprehensive loss on transition for cumulative gains/losses on these instruments of $10.1 million.

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

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

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

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

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

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

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

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

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

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

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

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

Goodwill - The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired is recorded as goodwill. Goodwill is allocated to the CGUs acquired based on the assessment of which CGU would be expected to benefit from the synergies of the acquisition. Estimates of recoverable value may be impacted by changes in metal prices, foreign exchange rates, discount rates, level of capital expenditures, operating costs and other factors that may be different from those used in determining fair value. Changes in estimates could have a material impact on the carrying value of the goodwill. Refer to Note 10 for sensitivities.

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

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

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

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

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

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

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

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

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

		December 31, 2017		December 31, 2016
Cash	**$**	**975,870**	$	516,212
Short-term deposits		**591,168**		199,099
	$	**1,567,038**	$	715,311

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

		December 31, 2017		December 31, 2016
Trade receivables	**$**	**308,130**	$	289,803
Value added tax		**28,659**		15,710
Prepaid expenses		**61,526**		16,307
Other receivables		**27,356**		17,111
	$	**425,671**	$	338,931

Included in prepaid expenses are $13.9 million of deferred bonuses paid related to union negotiation settlements, and $28.9 million related to advance payment of mine equipment purchase.

The Company does not have any significant balances that are past due nor any allowance for doubtful accounts. The Company's credit risk is discussed in Note 27.

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

The carrying amounts of trade and other receivables are mainly denominated as follows: $317.1 million, CLP 47.2 billion, €18.7 million, C$ 2.2 million and SEK 44.0 million as at December 31, 2017 (2016 - $298.1 million, CLP 15.9 billion, €10.2 million, C$0.7 million and SEK 33.8 million).

5. INVENTORIES

Inventories are comprised of the following:

		December 31, 2017		December 31, 2016
Ore stockpiles	**$**	**67,356**	$	48,436
Concentrate stockpiles		**37,538**		33,786
Materials and supplies		**87,464**		80,916
	$	**192,358**	$	163,138

The cost of inventories expensed and included in total operating costs for the year was $1,172.4 million (2016 - $1,212.7 million) (Note 17).

Long-term inventory is comprised of ore stockpiles.

6. OTHER NON-CURRENT ASSETS

Other non-current assets comprise the following:

		December 31, 2017		December 31, 2016
Marketable securities	**$**	**43,142**	$	2,986
Derivative asset (Note 9, Note 20)		**33,351**		-
Currency options		**-**		2,137
Other		**7,207**		6,854
	$	**83,700**	$	11,977

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment comprise 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	99,116	2,824	-	137,902	239,842
Impairment reversals	95,922	-	-	-	95,922
Disposals and transfers	352	14,698	(3,963)	(64,391)	(53,304)
Effects of foreign exchange	(66,738)	(27,979)	(184)	(2,400)	(97,301)
As at December 31, 2016	3,089,372	2,036,681	-	154,057	5,280,110
Additions	162,116	2,363	-	325,994	490,473
Disposals and transfers	(59,888)	13,341	-	(83,966)	(130,513)
Effects of foreign exchange	167,461	81,206	-	6,732	255,399
As at December 31, 2017	**$ 3,359,061**	**$ 2,133,591**	**$ -**	**$ 402,817**	**$ 5,895,469**

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	249,010	206,276	-	-	455,286
Disposals and transfers	(1,545)	(33,209)	-	-	(34,754)
Effects of foreign exchange	(44,097)	(16,165)	-	-	(60,262)
As at December 31, 2016	1,408,507	692,003	-	-	2,100,510
Depreciation	199,009	184,848	-	-	383,857
Disposals and transfers	(71,505)	(51,488)	-	-	(122,993)
Effects of foreign exchange	101,102	44,527	-	-	145,629
As at December 31, 2017	**$ 1,637,113**	**$ 869,890**	**$ -**	**$ -**	**$ 2,507,003**

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 December 31, 2017	**$ 1,721,948**	**$ 1,263,701**	**$ -**	**$ 402,817**	**$ 3,388,466**

During 2017, the Company capitalized $118.5 million (2016 - $27.2 million) of deferred stripping costs to mineral properties. Included in the mineral properties balance at December 31, 2017 is $342.5 million (2016 - $224.0 million) which is currently non-depreciable.

In addition, the Company capitalized $14.0 million (2016 - $4.8 million) of borrowing costs, at a rate of 8.1%, primarily related to construction of the Candelaria Los Diques tailings facility project.

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

The net carrying amount of equipment under finance leases is $11.6 million (2016 - $4.4 million).

During 2016, the Company disposed of the Aguablanca assets and liabilities. The net carrying amount of the plant and equipment was $9.5 million.

During 2016, the Company reversed previously recognized impairments related to the mineral properties of Candelaria mine and Eagle of $95.9 million (Note 10).

8. INVESTMENT IN ASSOCIATE

	Freeport Cobalt
As at December 31, 2015	$ 89,576
Distributions	(9,300)
Share of equity loss	(1,110)
As at December 31, 2016	79,166
Contributions	8,769
Share of equity income	13,489
As at December 31, 2017	**$ 101,424**

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

9. ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

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

b) The fair value of the contingent consideration was determined using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 1.2% and an expected price volatility of 17% and 26% for copper and cobalt, respectively. The contingent consideration was recorded as an asset under other non-current assets (Note 6 and Note 20). The Company has determined that the contingent consideration is a derivative financial instrument that is classified as FVTPL.

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

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

		Tenke Fungurume
As at December 31,2015		-
Reclassification from investment in associates		1,961,247
Distributions		(60,375)
Loss from discontinued operations		(754,096)
As at December 31, 2016	$	1,146,776
Distributions		(58,320)
Share of equity income		30,347
Impairment reversal of asset held for sale		21,922
Disposition of asset held for sale		(1,140,725)
As at December 31, 2017	**$**	-

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

		2017		2016
Impairment and impairment reversals	**$**	**21,922**	$	(772,114)
Share of equity income		**30,347**		18,018
Gain on disposal		**2,797**		-
Earnings (loss) from discontinued operations	**$**	**55,066**	$	(754,096)

Basic and diluted earnings per share from discontinued operations is $0.08 (2016 - loss per share $1.05).

Net investing cash flows from discontinued operations for year ended December 31, 2017 were $1,179.7 million (2016 - $60.4 million).

As a result of the definitive agreement to sell the Company's interest in TF Holdings, an impairment loss of $772.1 million was recognized during the year ended December 31, 2016, estimated as the difference between the carrying value of the investment and the fair value less cost of sell. In 2017, the Company reversed $21.9 million of the previously recognized 2016 impairment.

10. GOODWILL AND IMPAIRMENT REVERSALS

a) Goodwill

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

Goodwill is allocated to the following CGUs:

		Neves-Corvo mine		**Ojos mine[1]**		**Total**
Balance at December 31, 2015	$	94,208	$	10,713	$	104,921
Effects of foreign exchange		(2,993)		-		(2,993)
Balance at December 31, 2016		91,215		10,713		101,928
Effects of foreign exchange		12,563		-		12,563
Balance at December 31, 2017	**$**	**103,778**	**$**	**10,713**	**$**	**114,491**

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

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

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

Commodity prices used in the cash flow projections are within a range of current market consensus observed during the fourth quarter of 2017. The valuation of recoverable amount is most sensitive to changes in metal prices, exchange rates and discount rates.

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

In performing the CGU impairment test for the Neves-Corvo and Ojos mines, the Company used a FVLCD valuation model. Inputs utilized in this model were based on level 3 fair value measurements (see Note 23), which were not based on observable market data. The R&R were based on the Company's last published estimate dated June 30, 2017. Incorporated in the FVLCD were fair value estimates developed by the Company for R&R not captured in the cash flow model. These estimates are benchmarked using third-party market information.

Neves-Corvo mine

For the Neves-Corvo mine CGU impairment review, the Company used a FVLCD model (level 3 measurement). For the years ended December 31, 2017 and 2016, the Company determined that the recoverable amount of the Neves-Corvo CGU was higher than its carrying value, and therefore no impairment was recognized.

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

Key assumptions for Neves-Corvo mine

	2017	**2016**
Copper price $/lb	2.80 - 3.25	2.15 - 3.00
Zinc price $/lb	1.10 - 1.45	1.00 - 1.15
After-tax discount rate	9.0%	9.0%
€/$ exchange rate	1.20 - 1.25	1.15
Life of mine	16 years	19 years

Ojos mine

For the Ojos mine CGU impairment review, the Company used a FVLCD model (level 3 measurement). For the years ended December 31, 2017 and 2016, the Company determined that the recoverable amount of the Ojos mine CGU was higher than its carrying value, and therefore, no impairment was recognized.

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

Key assumptions for Ojos mine

	2017	**2016**
Copper price $/lb	2.80 - 3.25	2.15 - 3.00
After-tax discount rate	8.5%	8.5%
$/CLP exchange rate	585 - 635	585 - 650
Life of mine	7 years	6 years

b) Reversal of impairment

During the year ended December 31, 2016, the Company assessed whether there was an indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. When impairment reversal indicators exist, the Company estimates the recoverable amount of the asset and compares it against the asset's carrying amount.

Eagle mine

In the prior year, the Company identified an impairment reversal indicator related to its Eagle mine. For the Eagle mine CGU impairment reversal review, the Company used a FVLCD model (level 3 measurement). The recoverable amount measured for the CGU was higher than the carrying value by approximately $85 million. Therefore, the Company recorded a full impairment reversal of $50.9 million, net of depreciation ($33.1 million, net of taxes). The recoverable amount, based on FVLCD, was $508.9 million.

Key assumptions for Eagle mine

	2016
Nickel price $/lb	4.85 - 8.15
Copper price $/lb	2.15 - 3.00
After-tax discount rate	9.0%
Life of mine	7 years

Candelaria mine

During the prior year, the Company identified an impairment reversal indicator related to its Candelaria mine CGU. For the Candelaria mine CGU impairment reversal review, the Company used a FVLCD model (level 3 measurement). The recoverable amount determined for the CGU was higher than the carrying value by approximately $455 million, and a full reversal of the 2015 impairment loss of $45.0 million, net of depreciation, was recognized ($24.6 million, net of taxes and non-controlling interests). The recoverable amount, based on FVLCD, was $2.002 billion.

Key assumptions for Candelaria mine

	2016
Copper price $/lb	2.15 - 3.00
Gold price $/oz	1,300 - 1,350
Silver price $/oz	19.00 - 20.00
After-tax discount rate	9.25%
$/CLP exchange rate	585 - 650
Life of mine	19 years

The following table summarizes the impairment reversals recognized in the prior year:

		2016
Mineral properties		
Eagle	$	(50,943)
Candelaria mine		(44,979)
Impairment reversals	$	(95,922)

11. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

		December 31, 2017		December 31, 2016
Trade payables	**$**	**160,067**	$	119,718
Unbilled goods and services		**80,582**		60,141
Employee benefits payable		**60,643**		43,130
Interest payable		**5,906**		12,781
Royalty payable		**8,258**		7,905
Prepayment from customer		**19,204**		-
	$	**334,660**	$	243,675

12. LONG-TERM DEBT AND FINANCE LEASES

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

		December 31, 2017		December 31, 2016
Senior secured notes (a)	**$**	**438,373**	$	978,962
Finance lease obligations (b)		**11,573**		4,415
		449,946		983,377
Less: current portion		**3,431**		1,082
	$	**446,515**	$	982,295

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

As at December 31, 2015	$	979,116
Additions		4,669
Financing fee amortization		2,705
Other		(1,658)
Effects of foreign exchange		(107)
Cashflow		
Payments		(1,348)
As at December 31, 2016		983,377
Additions		9,072
Financing fee amortization/write-off		9,411
Effects of foreign exchange		1,115
Cashflow		
Payments		(553,029)
As at December 31, 2017	**$**	**449,946**

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

The Company redeemed all of its 2020 Notes on November 20, 2017 at the redemption price of 103.75% of the principal amount of the Notes plus accrued and unpaid interest. There is $445 million principal amount of the 2022 Notes currently outstanding.

The Notes are guaranteed on a senior secured basis by certain of the Company's subsidiaries that are guarantors under the existing credit facility and certain of the Company's subsidiaries that became guarantors under the streaming purchase agreement (Note 13(a)). The Notes and the guarantees are secured on a first priority basis by a pledge of the shares of certain streaming subsidiaries and on a second priority basis by a pledge of the shares of certain of the Company's subsidiaries that are also pledged to secure the Company's existing credit facility.

The Company has the option to redeem the 2022 Notes at any time on or after November 1, 2018. On redemption, the Company will be required to pay a bond redemption premium calculated as a percentage of the principal amount of the Notes.

b) Finance lease obligations relate to leases on mining equipment which have remaining lease terms of one to six years and interest rates of 1%-7% over the term of the leases.

c) During 2016, the Company executed an amending agreement to its $350 million revolving credit facility which extended the term to June 2020. The terms provide for interest rates on drawn funds from LIBOR + 2.5% to LIBOR + 3.5%, depending on the Company's leverage ratio. The revolving credit facility is subject to customary covenants. Certain assets and shares of the Company's material subsidiaries are pledged as security for the credit facility. As at December 31, 2017, the Company had no amount drawn on the credit facility, but had letters of credit issued totaling $26.8 million (SEK 162.0 million and €5.9 million).

d) Sociedade Mineira de Neves-Corvo, S.A. ("Somincor"), a subsidiary of the Company which owns the Neves-Corvo mine, has a commercial paper program. The €30 million program bears interest at EURIBOR plus 0.84%. The program matures in December 2020. As at December 31, 2017, no amounts were drawn (2016 - nil).

The schedule of principal repayment obligations is as follows:

	Long-term Debt	Finance leases	Total
2018	$ -	$ 3,431	$ 3,431
2019	-	3,136	3,136
2020	-	2,995	2,995
2021	-	1,457	1,457
2022	445,000	450	445,450
2023 and thereafter	-	104	104
Total	**$ 445,000**	**$ 11,573**	**$ 456,573**

13. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2015	$	608,496
Prepayments from customers		461
Recognition of revenue		(46,647)
Effects of foreign exchange		(2,367)
As at December 31, 2016		559,943
Recognition of revenue		(49,575)
Effects of foreign exchange		3,391
		513,759
Less: current portion		42,258
As at December 31, 2017	**$**	**471,501**

a) Candelaria

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

For each ounce of gold and silver delivered, FN makes payments equal to the lesser of the prevailing market prices and $404/oz of gold and $4.04/oz of silver, subject to a 1% annual inflationary adjustment.

b) Neves-Corvo mine

The Company has an agreement to deliver all of the silver contained in concentrate produced from its Neves-Corvo mine to Wheaton Precious Metals Corporation, formerly Silver Wheaton Corp. ("Wheaton"). The Company received an up-front payment which was deferred and is being recognized in sales as silver is delivered under the contract. The Company receives the lesser of a fixed payment (subject to annual inflationary adjustments) and the market price per ounce of silver. During 2017, the Company received approximately $4.18 per ounce of silver. The agreement extends to the earlier of September 2057 and the end of mine life of the Neves-Corvo mine.

c) Zinkgruvan mine

The Company has an agreement with Wheaton to deliver silver contained in concentrate from the Zinkgruvan mine. The Company received an up-front payment which was deferred and is being recognized in sales as silver is delivered under the contract and receives the lesser of a fixed payment (subject to annual inflationary adjustments) and the market price per ounce of silver. During 2017, the Company received approximately $4.29 per ounce of silver (Note 24(e)).

14. RECLAMATION AND OTHER CLOSURE PROVISIONS

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

	Reclamation provisions	Other closure provisions	Total
Balance, December 31, 2015	$ 199,314	$ 57,667	$ 256,981
Accretion	4,966	-	4,966
Accruals for services	-	(9,921)	(9,921)
Changes in estimates	38,961	-	38,961
Payments	(2,639)	(6,815)	(9,454)
Disposals (Note 20)	(24,651)	(2,730)	(27,381)
Effects of foreign exchange	(2,764)	5,417	2,653
Balance, December 31, 2016	213,187	43,618	256,805
Accretion	5,810	-	5,810
Accruals for services	-	(5,505)	(5,505)
Changes in estimates	(10,395)	-	(10,395)
Payments	(2,230)	-	(2,230)
Disposals (Note 20)	(1,827)	-	(1,827)
Effects of foreign exchange	13,643	7,298	20,941
Balance, December 31, 2017	218,188	45,411	263,599
Less: current portion	18,641	-	18,641
	$ 199,547	**$ 45,411**	**$ 244,958**

The Company expects the liability to be settled between 2018 and 2051. The provisions are discounted using current market pre-tax discount rates which range from 1% to 5%.

15. SHARE CAPITAL

(a) Authorized and issued shares

Authorized share capital consists of an unlimited number of voting common shares with no par value and one special non-voting share with no par value. As at December 31, 2017, there were 728,418,632 fully paid voting common shares issued (2016 - 725,134,187).

(b) Restricted share units

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

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

The Company uses the fair value method of accounting for the recording of SU grants to employees and officers. Under this method, the Company recorded share-based compensation expense of $4.6 million for 2017 (2016 - $1.9 million) with a corresponding credit to contributed surplus.

During 2017, the Company granted 1.2 million SUs to employees and officers that expire in 2020. The SUs vest three years from the grant date. The fair value of the SUs are based on the market value of the shares on the date of the grant and an estimated forfeiture rate of 10%. The weighted average fair value per SU granted during 2017 was C$8.13. As at December 31, 2017, there was $6.1 million of unamortized stock-based compensation expense related to SUs.

During 2017, 154,500 common shares (2016 - 61,900) were issued as a result of SUs being vested.

(c) Stock options

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

The Company uses the fair value method of accounting for the recording of stock options. Under this method, the Company recorded a share-based compensation expense of $5.3 million for 2017 (2016 - $4.5 million) with a corresponding credit to contributed surplus.

During 2017, the Company granted 4.4 million stock options to employees and officers that expire in 2022. The options vest over three years from the grant date. The fair value of the stock options at the date of the grant using the Black-Scholes option pricing model assumes risk-free interest rate of 0.8% to 1.6% (2016 - 0.5% to 0.9%), dividend yield, expected life of 3.5 years (2016 - 3.5 years) with an expected price volatility of 45% to 49% (2016 - 41% to 49%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of approximately 10% was applied (2016 - 13%). The weighted average fair value per option granted during 2017 was $2.67 (2016 - $1.44). As at December 31, 2017, there was $6.2 million of unamortized stock compensation expense (2016 - $2.7 million) related to options.

During 2017, 3,129,945 common shares (2016 - 5,443,930) were issued as a result of options being exercised.

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

	Number of SUs	Number of options	Weighted average exercise price (C$)
Outstanding, December 31, 2015	983,000	14,089,720	$ 4.92
Granted	1,116,700	4,151,565	4.43
Forfeited	(37,100)	(850,950)	4.86
Exercised	(61,900)	(5,443,930)	4.47
Outstanding, December 31, 2016	2,000,700	11,946,405	4.95
Granted	1,225,590	4,444,490	8.12
Forfeited	(74,600)	(299,600)	5.97
Exercised	(154,500)	(3,129,945)	5.16
Outstanding, December 31, 2017	**2,997,190**	**12,961,350**	**$ 5.96**

The following table summarizes options outstanding as at December 31, 2017, as follows:

	Outstanding Options			Exercisable Options		
Range of exercise prices (C$)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)
3 to 3.99	97,000	2.8	3.83	45,400	2.7	3.85
4 to 4.99	3,178,975	2.8	4.31	1,079,065	2.3	4.31
5 to 5.99	5,288,535	1.3	5.29	4,221,345	1.2	5.26
6 to 6.99	248,600	3.8	6.35	77,400	3.9	6.35
7 to 7.99	375,600	4.4	7.33	-	-	-
8 to 8.99	3,772,640	3.9	8.19	28,800	4.2	8.00
	12,961,350	**2.6**	**$5.96**	**5,452,010**	**1.5**	**$5.09**

(d) Diluted weighted average number of shares

The total incremental shares added to the basic weighted average of common shares to arrive at the fully diluted number of shares for the year ended December 31, 2017 is 2,748,919 (2016 - nil) shares which relate to exercisable "in-the-money" outstanding stock options and outstanding share units.

Stock options and restricted share units were not included in the computation of diluted loss per common share or diluted loss from discontinued operations per common share for the year ended December 31, 2016 as their inclusion would be anti-dilutive.

(e) Dividends

The Company declared dividends in the amount of $67.1 million (2016 - nil), or C$0.12 per share (2016 - nil), in the year ended December 31, 2017.

16. NON-CONTROLLING INTERESTS

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

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

Summarized Balance Sheets

	Candelaria mine		Ojos mine	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Total current assets	**$ 735,886**	$ 662,084	**$ 100,956**	$ 82,292
Total non-current assets	**$ 2,076,178**	$ 1,920,583	**$ 166,246**	$ 185,787
Total current liabilities	**$ 278,092**	$ 118,297	**$ 29,008**	$ 18,747
Total non-current liabilities	**$ 388,178**	$ 403,453	**$ 51,706**	$ 58,802

Summarized Statements of Earnings (loss) and Comprehensive Income (loss)

	Candelaria mine		Ojos mine	
For the years ended December 31	**2017**	2016	**2017**	2016
Total sales	**$ 1,186,313**	$ 820,766	**$ 206,228**	$ 151,567
Net earnings (loss)/Comprehensive income (loss)	**$ 353,232**	$ 167,525	**$ 32,846**	$ (2,175)
Dividends paid to non-controlling interests	**$ 50,000**	$ 2,000	**$ 6,000**	$ -

The above information is presented before inter-company eliminations.

17. OPERATING COSTS

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

	2017	2016
Direct mine and mill costs	**$ 791,438**	$ 778,087
Transportation	**69,095**	72,239
Royalties	**15,298**	14,123
	875,831	864,449
Depreciation, depletion and amortization (Note 7)	**380,983**	434,605
Total operating costs	**$ 1,256,814**	$ 1,299,054

Total operating costs consist of direct mine and mill costs (which include personnel, energy, maintenance and repair costs), transportation fees, royalty expenses and depreciation related to sales.

During the year ended December 31, 2017, the Company expensed $14.2 million related to union negotiation settlements.

18. EMPLOYEE BENEFITS

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

		2017		2016
Operating costs				
Wages and benefits	**$**	**244,372**	$	204,114
Pension benefits		**1,192**		1,450
Share-based compensation		**2,818**		2,045
		248,382		207,609
General and administrative expenses				
Wages and benefits		**18,292**		12,918
Pension benefits		**785**		514
Share-based compensation		**6,689**		3,884
		25,766		17,316
General exploration and business development				
Wages and benefits		**8,548**		7,702
Pension benefits		**391**		43
Share-based compensation		**351**		185
		9,290		7,930
Other expenses				
Wages and benefits		**-**		3,580
Share-based compensation		**-**		412
		-		3,992
Total employee benefits	**$**	**283,438**	$	236,847

19. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

		2017		2016
General exploration	**$**	**72,989**	$	46,734
Corporate development		**1,253**		4,577
Project development		**6,974**		4,802
	$	**81,216**	$	56,113

Project development expenses include study costs related to expansion projects.

20. OTHER INCOME AND EXPENSES

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

		2017		2016
Foreign exchange loss	**$**	**(17,589)**	$	(21,009)
Other expenses		**(7,863)**		(12,802)
Income (loss) from equity investment in associate (Note 8)		**13,489**		(1,110)
Revaluation on derivative asset (Note 6)		**11,255**		-
Gain (loss) on sale of assets		**6,816**		(22,319)
Other income		**2,208**		6,607
Total other income (expenses), net	**$**	**8,316**	$	(50,633)

Other income	**$**	**33,768**	$	6,607
Other expenses		**(25,452)**		(57,240)
Total other income (expenses), net	**$**	**8,316**	$	(50,633)

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

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

During 2016, the Company disposed of the Aguablanca assets. On disposal, the Company recognized a loss of $22.3 million and incurred a cash payment of $30.7 million. An amount, previously recorded in accumulated other comprehensive loss of $19.5 million, was reclassified to foreign exchange loss.

21. FINANCE COSTS

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

		2017		2016
Interest expense and financing fees	**$**	**(70,798)**	$	(79,944)
Bond redemption fee (Note 12 (a))		**(20,625)**		-
Accretion expense on reclamation provisions		**(5,810)**		(4,891)
Interest income		**21,607**		1,534
Revaluation of currency options		**4,604**		1,568
Other		**727**		1,394
Total finance costs	**$**	**(70,295)**	$	(80,339)

Finance income	**$**	**26,938**	$	4,496
Finance costs		**(97,233)**		(84,835)
Total finance costs, net	**$**	**(70,295)**	$	(80,339)

22. CURRENT AND DEFERRED INCOME TAXES

		2017		2016
Current tax expense:				
Current tax on net taxable earnings (a)	**$**	**173,940**	$	64,863
Adjustments in respect of prior years (b)		**(1,158)**		(16,412)
		172,782		48,451
Deferred tax expense (recovery)				
Origination and reversal of temporary differences		**3,308**		4,039
Change in tax rates		**30,262**		-
Utilization and recognition of previously unrecognized tax losses and temporary differences		**(23,984)**		(49,703)
Temporary differences for which no deferred asset was recognized		**56**		1,526
Write-down of deferred tax asset previously recorded		**8,980**		-
		18,622		(44,138)
Total tax expense	**$**	**191,404**	$	4,313

a) Current tax expense of $173.9 million reflects tax on net taxable earnings of $747.1 million and an increase in withholding taxes payable of $16.9 million on interest receivable, offset by tax credits of $14.3 million in Portugal in 2017.

b) 2016 adjustments in respect of prior years mainly relate to a tax refund of $27.7 million for the 2008 taxation year at Neves-Corvo, offset by an increase in withholding taxes payable of $12.4 million on accrued interest income for periods prior to 2016.

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

		2017		2016
Earnings (loss) excluding income taxes	**$**	**693,385**	$	(625,917)
Combined basic federal and provincial rates		**26.5%**		26.5%
Income taxes based on Canadian statutory income tax rates	**$**	**183,747**	$	(165,868)
Effect of different tax rates in foreign jurisdictions		**(71,861)**		207,515
Tax calculated at domestic tax rates applicable to earnings in the respective countries		**111,886**		41,647
Tax effects of:				
Non-deductible and non-taxable items (a)		**69,524**		21,262
Adjustments in respect of prior years (b)		**(17,012)**		(27,443)
Change in tax rates (c)		**30,262**		-
Write-down of deferred tax asset previously recorded (c)		**8,980**		-
Utilization and recognition of previously unrecognized tax losses and temporary differences (d)		**(23,984)**		(49,703)
Tax recovery associated with government grants and other tax credits		**(6,967)**		(2,668)
Withholding tax on accrued interest receivable		**16,918**		18,514
Other		**1,797**		2,704
Total tax expense	**$**	**191,404**	$	4,313

The weighted average applicable tax rate for 2017 was 16.1% (2016 - 6.7%). The increase in the tax rate reflects the decrease in proportion of income taxed at 0% due to the sale of TF Holdings. The Company's subsidiaries are in tax jurisdictions that have tax rates ranging from 22% to 35%. Effective January 1, 2018, the federal corporate tax rate in the United States has decreased from 35% to 21% and in Portugal the highest marginal tax rate has increased from 29.5% to 31.5% for taxable income greater than €35 million.

a) Non-deductible tax expense of $69.5 million in 2017 includes a loss on the sale of TF Holdings of $69.0 million. Included in 2016 non-deductible item is a loss on the sale of Aguablanca.

b) In 2017, prior year adjustments include true up of temporary differences in Canada of $6.2 million and an increase in tax refunds expected in Chile on prior year losses of $8.7 million.

   Included in the 2016 adjustments in respect of prior periods is a $27.7 million tax refund received by Neves-Corvo following the resolution of a tax dispute originating from 2008. In addition, a net prior period tax recovery of $5.4 million at Candelaria was offset by a net tax expense of $4.8 million for an increase in withholding tax rates on Chilean interest from 4% to 15%.

c) As a result of the US tax reform in December 2017, the deferred tax asset at Eagle mine has been revalued at the new tax rate of 21% from 35%, resulting in a deferred tax expense of $30.3 million. A write-down of deferred tax asset of $9.0 million arising from reclamation provisions was also recorded as it is unclear whether this can be recovered.

d) In 2017, the Company recognized an additional deferred tax asset of $20.5 million on tax losses that were not recognized in 2016 at Eagle. It has been determined that it is probable that Eagle will have sufficient taxable profits to utilize the deferred tax assets resulting from the remaining tax losses not recognized in 2016 due to stronger cash flow expected from the conversion of mineral resources into reserves and reduced operating costs. The deferred tax asset recorded in 2017 continues to be net of deferred tax liabilities.

   In 2016, the Company recognized a deferred tax asset of $49.7 million on tax losses, net of deferred tax liabilities at Eagle. With the addition of the Eagle East project, it was determined that it is probable that sufficient taxable profit will be available in the future to utilize the deferred tax asset resulting from recognized tax losses.

Deferred tax liabilities, net

		December 31, 2017		December 31, 2016
Deferred tax assets	**$**	**84,713**	$	102,786
Deferred tax liabilities		**(407,527)**		(413,249)
Deferred tax liabilities, net	**$**	**(322,814)**	$	(310,463)

Net deferred tax liabilities of $279.7 million (2016 - $285.3 million) are expected to be settled after 12 months and net deferred tax liabilities of $43.1 million (2016 - $25.1 million) are expected to be settled within 12 months.

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

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

	As at December 31, 2015	(Expensed)/ recovered	Equity adjusted	Effects of foreign exchange	As at December 31, 2016
Deferred tax assets:					
Loss carryforwards	$ 48,144	$ 104,967	$ -	$ -	$ 153,111
Reclamation and other closure provisions	46,866	2,978	-	(859)	48,985
Emoloyee benefit payable	2,576	(637)	-	(174)	1,765
Future tax credits	8,074	(2,102)	-	(157)	5,815
Share issuance and financing costs	4,885	(2,313)	(1,176)	-	1,396
Other	4,752	2,485	-	(195)	7,042
Deferred tax liabilities:					
Mineral properties, plant & equipment	(460,646)	(32,274)	-	3,012	(489,908)
Provisions	(10,489)	(3,066)	-	2,720	(10,835)
Mining royalty taxes	(17,837)	3,682	-	(127)	(14,282)
Long-term inventory	14,360	(23,978)	-	-	(9,618)
Revaluation gain (loss)	3,619	(6,727)	-	-	(3,108)
Other	(1,818)	1,123	-	(131)	(826)
	$ (357,514)	$ 44,138	$ (1,176)	$ 4,089	$ (310,463)

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

The Company did not recognize deferred tax assets of $15.3 million (2016 - $43.7 million) in respect of losses amounting to $59.5 million (2016 - $149.4 million) that can be carried forward against future taxable income.

Year of expiry	Canada	Ireland	Total
2023 and thereafter	$ 31,856	$ 27,592	$ 59,448

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

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

		December 31, 2017		December 31, 2016	
	Level	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Restricted cash	1	**44,848**	**44,848**	41,272	41,272
Trade receivables (provisional)	2	**285,385**	**285,385**	241,672	241,672
Marketable securities	1	**3,425**	**3,425**	2,986	2,986
Derivative asset	2	**33,351**	**33,351**	-	-
Currency options	2	**5,318**	**5,318**	4,512	4,512
		$ 372,327	**$ 372,327**	$ 290,442	$ 290,442
Available for sale					
Marketable securities	1	**39,717**	**39,717**	-	-
Financial liabilities					
Amortized cost					
Long-term debt and finance leases	1,2	**$ 449,946**	**$ 489,605**	$ 983,377	$ 1,075,154
Fair value through profit or loss					
Derivative liabilities	2	**8,900**	**8,900**	5,100	5,100

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

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

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

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

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

Trade receivables – The fair value of the embedded derivative on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized positive pricing adjustments of $118.2 million in sales during the year ended December 31, 2017 (2016 - $64.8 million positive pricing adjustment).

Marketable securities/restricted cash – The fair value of investments in shares is determined based on the quoted market price. Revaluation adjustment related to available-for-sale financial instruments is recorded in other comprehensive income.

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

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

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

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

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

24. COMMITMENTS AND CONTINGENCIES

a) Somincor has entered into a fifty-year concession royalty agreement with the Portuguese government to pay the greater of 10% of prescribed net earnings or 1% of mine-gate production revenue. Royalty costs for 2017 in the amount of $5.8 million (2016 - $5.2 million) were included in operating costs.

b) Eagle mine has obligations under state and private royalty agreements ranging from 1.0% to 7.0% of net sales. In addition, the operation is subject to a severance tax of 2.75% of net sales owed to the state of Michigan. Combined, for 2017, $15.5 million (2016 - $13.6 million) was recorded in operating costs under these agreements.

c) Royalty payments payable to the Chilean government relating to Candelaria are 4% of adjusted taxable income. Royalty costs for 2017 of $22.2 million (2016 - $3.1 million) have been reported as a tax expense in Candelaria. Commencing in 2018, a sliding scale royalty of between 5% - 14% of adjusted taxable income will be imposed.

d) As part of the Aguablanca disposal, the Company issued guarantees to the purchaser for $7.1 million (€ 5.9 million).

e) Under an agreement with Wheaton, the Company has agreed to deliver all future production of silver contained in concentrate produced from the Zinkgruvan mine. The Wheaton agreement with the Zinkgruvan mine includes a guaranteed minimum delivery of 40 million ounces of silver over an initial 25 year term. If at the end of the initial term the Company has not met its minimum obligation, it must pay Wheaton $1.00 for each ounce of silver not delivered. An aggregate total of approximately 23.4 million ounces has been delivered since the inception of the contract in 2004.

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

g) Under the terms of the TF Holdings disposal, the Company could receive contingent consideration of up to $51.4 million, consisting of $25.7 million if the average copper price exceeds $3.50 per pound and $25.7 million if the average cobalt price exceeds $20.00 per pound, both during a 24-month period beginning on January 1, 2018 (Note 9).

h) The sale of the Company's interest in Tenke Fungurume (Note 9) is considered an Asset Sale under the terms of the Company's bond indenture for the Notes. When the Company completes an Asset Sale, to the extent that, after a period of 365 days, there are proceeds which have not been committed to the reinvestment in capital expenditures, acquisition of long term assets or businesses, repayment of senior or secured indebtedness or open market purchase of the Notes, they are considered Excess Proceeds. If the amount of Excess Proceeds is greater than $100 million, the Company must issue a tender to purchase the Notes at par value plus accrued interest for the amount of the Excess Proceeds.

i) Pursuant to the terms of a signed Settlement and Community Development Agreement with the municipality of Tierra Amarilla, Chile, Candelaria mine has committed to a multi-year community investment program to support flood reconstruction, regional environmental reclamation activities, community infrastructure and social programs. Remaining committed funding is approximately $9.1 million.

j) The Company is a party to certain contracts relating to operating leases and service and supply agreements. Future minimum payments under these agreements as at December 31, 2017 are as follows:

2018	$	14,962
2019		13,712
2020		11,809
2021		10,556
2022		9,158
2023 and thereafter		4,448
Total commitments	**$**	**64,645**

The Company has various agreements which have contract termination fees totaling $166.0 million.

k) The Company has capital commitments of $371.4 million, on various initiatives, of which $263.7 million is expected to be paid during 2018.

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

Markowich v. Lundin Mining Corporation et al.

A proposed class action (Markowich v. Lundin Mining Corporation et al) was commenced in the Ontario Superior Court of Justice on December 7, 2017 against the Company and certain current officers and directors. The plaintiff alleges violations of provincial securities legislation on behalf of a global putative class comprising all persons who acquired securities of the Company between October 25, 2017, and November 29, 2017. The plaintiff seeks damages of $139.8 million (C$175 million) and punitive damages of $8.0 million (C$10 million). The plaintiff asserts various statutory and common law claims related to, among other things alleged misrepresentations and/or failure to make timely disclosure of material information about the Company's business and operations and, in particular, the operations of the Candelaria mine and the localized slide at the Candelaria mine on October 31, 2017. The class action proceedings are at a very early stage and, although the Company believes the claims are without merit, it is not possible at this time for management to predict the outcome. Accordingly, the Company has not accrued any amounts related to this litigation. The Company intends to vigorously defend against the claim.

Prevereau v. Lundin Mining Corporation et al.

A proposed overlapping class action (Prevereau v. Lundin Mining Corporation et al.) was instituted in the Québec Superior Court of Justice against the Company and certain current officers and directors by way of motion for authorization on January 18, 2018. The plaintiff alleges violations of provincial securities legislation on behalf of a putative class comprising persons who are resident or domiciled in Québec and acquired securities of the Company between October 25, 2017, and November 29, 2017. The plaintiff seeks damages of C$175 million and punitive damages of C$10 million. The plaintiff asserts various statutory and civil code claims related to, among other things, alleged misrepresentations and/or failure to make timely disclosure of material information about the Company's business and operations and, in particular, the operations of the Candelaria mine and the localized slide at the Candelaria mine on October 31, 2017. The class action proceedings are at a very early stage and, although the Company believes the claims are without merit, it is not possible at this time for management to predict the outcome. Accordingly, the Company has not accrued any amounts related to this litigation. The Company intends to vigorously defend against the claim.

25. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Chile, USA, Portugal and Sweden. 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. Candeleria mine and Ojos mine are included in the Candeleria reporting segment.

For the year ended December 31, 2017

	Candelaria Chile	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Tenke Fungurume DRC	Other	Total
Sales	$ 1,230,196	$ 276,531	$ 328,925	$ 241,845	$ -	$ -	$ 2,077,497
Operating costs	(474,049)	(122,556)	(193,122)	(84,757)	-	(1,347)	(875,831)
General and administrative expenses	-	-	-	-	-	(38,835)	(38,835)
	756,147	153,975	135,803	157,088	-	(40,182)	1,162,831
Depreciation, depletion and amortization	(192,470)	(107,820)	(54,975)	(24,424)	-	(1,628)	(381,317)
General exploration and business development	(39,019)	(19,814)	(5,727)	(7,513)	-	(9,143)	(81,216)
Finance (costs) income	(1,942)	(249)	7,511	(534)	-	(75,081)	(70,295)
Other (expense) income	(8,623)	221	(14,554)	(8,010)	-	39,282	8,316
Income tax expense	(121,381)	(15,459)	(9,837)	(25,295)	-	(19,432)	(191,404)
Net earnings (loss) from continuing operations	392,712	10,854	58,221	91,312	-	(106,184)	446,915
Earnings from discontinued operations	-	-	-	-	55,066	-	55,066
Net earnings (loss)	**$ 392,712**	**$ 10,854**	**$ 58,221**	**$ 91,312**	**$ 55,066**	**$ (106,184)**	**$ 501,981**
Capital expenditures	**$ 334,979**	**$ 39,527**	**$ 59,750**	**$ 42,904**	**$ -**	**$ 1,650**	**$ 478,810**
Total non-current assets[1]	**$ 2,238,201**	**$ 388,901**	**$ 844,141**	**$ 245,379**	**$ -**	**$ 108,449**	**$ 3,825,071**

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

For the year ended December 31, 2016

	Candelaria Chile	Eagle USA	Neves-Corvo Portugal	Zinkgruvan Sweden	Tenke Fungurume DRC	Other	Total
Sales	$ 847,684	$ 244,467	$ 281,134	$ 174,336	$ -	$ (2,030)	$ 1,545,591
Operating costs	(445,469)	(124,112)	(210,603)	(82,097)	-	(2,168)	(864,449)
General and administrative expenses	-	-	-	-	-	(26,933)	(26,933)
	402,215	120,355	70,531	92,239	-	(31,131)	654,209
Depreciation, depletion and amortization	(219,034)	(123,975)	(67,882)	(21,690)	-	(2,286)	(434,867)
General exploration and business development	(17,560)	(24,367)	(1,905)	(862)	-	(11,419)	(56,113)
Finance (costs) income	(2,204)	(830)	527	(606)	-	(77,226)	(80,339)
Impairment and impairment reversals	44,979	50,943	-	-	-	-	95,922
Other (expenses) income	4,236	704	4,115	5,723	-	(65,411)	(50,633)
Income tax recovery (expense)	(37,769)	51,610	29,597	(12,038)	-	(35,713)	(4,313)
Net earnings (loss) from continuing operations	174,863	74,440	34,983	62,766	-	(223,186)	123,866
Loss from discontinued operations	-	-	-	-	(754,096)	-	(754,096)
Net earnings (loss)	$ 174,863	$ 74,440	$ 34,983	$ 62,766	$ (754,096)	$ (223,186)	$ (630,230)
Capital expenditures	$ 109,771	$ 8,579	$ 35,146	$ 33,230	$ -	$ 825	$ 187,551
Total non-current assets[1,2]	$ 2,100,488	$ 458,109	$ 725,911	$ 204,296	$ -	$ 89,802	$ 3,578,606

1. Non-current assets include long-term inventory, mineral properties, plant and equipment, investment in associates and goodwill.
2. In 2016, the investment in Tenke Fungurume is classified as held for sale.

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

		2017		2016
Copper	**$**	**1,390,804**	$	1,023,250
Zinc		**312,800**		195,644
Nickel		**135,490**		128,049
Gold		**107,218**		94,200
Lead		**69,194**		53,914
Silver		**35,054**		33,580
Other		**26,937**		16,954
	$	**2,077,497**	$	1,545,591

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

		2017		2016
Europe	**$**	**896,983**	$	860,798
Asia		**859,677**		445,170
North America		**184,175**		149,316
South America		**136,661**		90,307
	$	**2,077,497**	$	1,545,591

26. RELATED PARTY TRANSACTIONS

a) Transactions with associates - The Company enters into transactions related to its investments in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Note 9 and 20).

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:

		2017		2016
Wages and salaries	**$**	**6,701**	$	6,135
Pension benefits		**172**		135
Share-based compensation		**3,928**		2,523
	$	**10,801**	$	8,793

c) Other related parties –The Company paid $1.9 million (2016 - $0.6 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

27. MANAGEMENT OF FINANCIAL RISK

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

a) Credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes that its maximum exposure to credit risk as at December 31, 2017 is the carrying value of its trade receivables.

Concentrate produced at the Company's Candelaria, Eagle, Neves-Corvo and Zinkgruvan mines are sold to a number of strategic customers with whom the Company has established long-term relationships. Limited amounts are occasionally sold to commodity traders on an ad hoc basis. Payment terms vary and provisional payments are normally received within one to four weeks of shipment, in accordance with industry practice, with final settlement up to six months following the date of shipment. Sales to commodity traders are made on a cash up-front basis. Credit worthiness of customers are reviewed by the Company on an annual basis or more frequently, if warranted, and those not meeting certain credit criteria are required to make 100% provisional payment up-front or provide an acceptable payment instrument such as a letter of credit. The failure of any of the Company's strategic customers could have a material adverse effect on the Company's financial position. For the year ended December 31, 2017, the Company has three customers that individually account for more than 10% of the Company's total sales. These customers represent approximately 17%, 15% and 15% of total sales.

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

b) Liquidity risk

The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient available capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company has a revolving credit facility in place to assist with meeting its cash flow needs as required (Note 12).

The maturities of the Company's non-current liabilities are disclosed in Note 12. All current liabilities are settled within one year.

c) Foreign exchange risk

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

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

The Company has purchased CLP call options against the USD to mitigate foreign exchange risk related to CLP strengthening. These options expire on December 31, 2018.

The impact of a US dollar change against the SEK by 10% at December 31, 2017 would have a $7.3 million (2016 - $3.8 million) impact on post-tax earnings. The impact of a US dollar change against the € by 10% at December 31, 2017 would have a $10.1 million (2016 - $9.3 million) impact on post-tax earnings. The impact of a US dollar change against CLP by 10% would have a $8.7 million (2016 - $5.8 million) impact on post-tax earnings, with all other variables held constant.

The impact of a US dollar change against the € and SEK by 10% at December 31, 2017 would have a $105.3 million (2016 - $91.4 million) impact on OCI.

d) Commodity price risk

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

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

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

Metal	Tonnes Payable	Provisional price on December 31, 2017 ($US/tonne)	Change	Effect on Sales ($millions)
Copper	54,954	7,226	+/-10%	+/-$39.7
Zinc	17,891	3,333	+/-10%	+/-$6.0
Nickel	3,581	12,733	+/-10%	+/-$4.6

e) Interest rate risk

The Company's exposure to interest rate risk arises from both the interest rate impact on its cash and cash equivalents as well as on its debt facilities. As at December 31, 2017, the Company's long-term debt is comprised of mainly fixed rate debt. As such, changes in interest rate will have no significant impact on interest expense.

28. MANAGEMENT OF CAPITAL RISK

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

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

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

The Company manages its capital by review of the following measures:

		December 31, 2017		December 31, 2016
Current portion of long-term debt and finance leases	$	**(3,431)**	**$**	(1,082)
Long-term debt and finance leases		**(446,515)**		(982,295)
		(449,946)		(983,377)
Deferred financing fees (netted in above)		**(6,627)**		(16,038)
		(456,573)		(999,415)
Cash and cash equivalents		**1,567,038**		715,311
Net cash (debt)	**$**	**1,110,465**	**$**	(284,104)

29. SUPPLEMENTARY CASH FLOW INFORMATION

		2017		2016
Changes in non-cash working capital items consist of:				
Trade receivables, inventories and other current assets	**$**	**(71,419)**	$	(162,887)
Trade payables and other current liabilities		**144,937**		42,221
	$	**73,518**	$	(120,666)
Operating activities included the following cash payments:				
Income taxes paid	**$**	**95,597**	$	1,946

During the year ended December 31, 2017, total interest paid, including capitalized interest, was $78.9 million (2016 - $79.5 million). Total interest received for the year ended December 31, 2017 was $19.5 million (2016 - $1.5 million).

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