

ANNUAL REPORT 2016



lundinfoundation.org



Front cover: Small scale dairy producers in southern Ecuador have increased production through the Foundation's support to ECOLAC.

International Sandwich Brothers, a social enterprise participating in the Boost Refugee incubator program, hires and trains unaccompanied male refugees in Norway.

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MESSAGE FROM THE CHAIR

Dear Readers:

The Lundin Foundation is pleased to present its 2016 Annual Report. Our global initiatives aim at ensuring host governments and locally impacted communities effectively manage, and benefit from, resource development projects.

Over the course of 2016, the Foundation deepened its work alongside Lundin Group companies in four strategic areas: improving governance and regional development planning by national and local authorities; enhancing education and skills training to enable community members to access emerging job opportunities; providing targeted technical assistance and access to finance in order to position local businesses to benefit from emerging procurement opportunities; and building strong and diversified local economies that do not depend exclusively on limited life resource development projects.

In response to evolving global challenges, the Foundation added a fifth strategic pillar in 2016: Social and Environmental Innovation. In Norway and Sweden, the Foundation supported the launch of two innovative pilot projects aimed at helping refugees to better integrate into their new countries through improved access to entrepreneurship training and job opportunities. In Chile's Atacama Desert, the Foundation also supported initiatives aimed at addressing the region's ongoing water crisis.

In September 2016, the Foundation organized and hosted an inaugural Lundin Group Business Sustainability Summit. The Summit presented a unique opportunity for participants to learn both from external experts and their peers on emerging best practices in the areas of stakeholder engagement, human rights, sustainability standards/disclosures, and community investment strategy. The Summit was attended by senior executives, country managers, and community liaison staff from seven Lundin Group companies.

The past year also saw the completion and formal opening of two capital projects: the Letlhakane Abattoir in Botswana and the Lodwar Vocational Training Centre in Kenya. Both are examples of innovative public-private partnerships designed to bring long-term benefit streams to local communities.

Looking ahead to 2017, the Foundation expects to deepen and extend its partnership activities with Lundin Gold through the design and management of a multi-year Training for Construction and Training for Operations initiative that will equip local populations with the skills needed to participate in Ecuador's nascent mining industry. It is also expected that the Foundation will increase its involvement in Lundin Mining's community investment programs in Chile and Europe. Finally, the Foundation expects to launch new funding vehicles in Botswana (Village Initiatives Fund) and Kenya (Northern Kenya Growth Fund).

In closing, I am grateful for the continued trust and support of our stakeholders and contributing partners in spite of depressed commodity prices. I would like to personally thank the Foundation's staff and Board of Directors for their ongoing commitment and dedication over the past year.

Yours sincerely,

Lukas H. Lundin
Chair



ABOUT THE FOUNDATION



José Paz, coffee and cacao producer associated with APEOSAE, takes care of the coffee plants daily.

The Lundin Foundation is a registered Canadian non-profit organization supported by the Lundin Group of Companies. We work closely with contributing partners to create shared value and build resilient communities everywhere we operate.

What we do

We work with our corporate partners and stakeholders to improve the management of, and revenue streams from, resource development. Operating across diverse geographies, each with a unique cultural and socio-economic context, our aim is to ensure inclusive benefits for generations to come.

- | | | | | | |
|-------------------------|-----------------|-------------|---------------------------|-----------------------|------------------|
| Strengthen institutions | Increase income | Create jobs | Cultivate local suppliers | Diversify the economy | Spark innovation |
|-------------------------|-----------------|-------------|---------------------------|-----------------------|------------------|

We create shared value through supporting initiatives that deliver social or economic benefit to local communities and business value for our corporate partners.



Who we are

The Foundation embodies the entrepreneurial spirit of the Lundin Group of Companies. We create jobs, stimulate the economy, train workers and improve livelihoods for those living at or near the bottom of the economic pyramid.

How we do it

We design and implement strategic initiatives through the provision of capacity building, targeted technical assistance and performance-based funding.

Since inception, the Foundation has disbursed \$62 million in support of building resilient communities.

All amounts in this report are in Canadian dollars.



RESOURCE DEVELOPMENT AND THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are 17 goals universally adopted by all 193 United Nations member states as part of the 2030 Agenda for Sustainable Development. To achieve these goals, all sectors will be required to incorporate the SDGs into operations. The resource development sector can make important contributions in a number of ways including:

- Job creation
- Improving water and energy infrastructure
- Building enabling infrastructure (water, energy)
- Taxes and royalties
- Environmental protection and climate change mitigation
- Health and safety
- Respecting human rights

How we're taking action

The Lundin Foundation focuses primarily on goals related to social inclusion, environmental sustainability and economic development.

GOAL	OPPORTUNITIES	INITIATIVES
NO POVERTY 	Direct employment Local sourcing	▶ Catering Las Peñas (Ecuador) Local Suppliers Initiative (Chile)
ZERO HUNGER 	Infrastructure/potable water Farmer productivity Growth of agribusinesses	▶ Zinc Nutrient Initiative (DRC) ECOLAC Dairy Processing (Ecuador) APEOSAE Coffee Producers (Ecuador)
QUALITY EDUCATION SKILLS ENHANCEMENT 	Infrastructure Local faculty capacity building Training local suppliers	▶ Lodwar Vocational Training Centre (Kenya) Accelerated High School Equivalency (Ecuador) C/O Business of Sweden
DECENT WORK AND ECONOMIC GROWTH 	Strengthening entrepreneurs and small- and medium-sized enterprises (SMEs) Local procurement strategies	▶ Lundin Equity Bank Emerging Entrepreneurs Fund (Kenya) Eagle Emerging Entrepreneurs Fund (US) Karowe Emerging Entrepreneurs Fund (Botswana)
INDUSTRY, INNOVATION AND INFRASTRUCTURE 	Public-private partnerships	▶ BOOST Refugee (Norway) Inventa Comunidad (Chile) Letlhakane Abbatoir (Botswana)



Dithamano Nkweyagae, an entrepreneur of the Karowe Emerging Entrepreneurs Fund, with his growing goat herd in Botswana.

BUILDING RESILIENT COMMUNITIES

Responsible natural resource development can be a powerful catalyst in a country’s development. We focus on five key areas in our work to benefit local communities and bolster economies in a sustainable and inclusive manner.

Our Pillars



RESOURCE GOVERNANCE

Provide training and capacity building to host governments for improved resource management.



EDUCATION AND SKILLS TRAINING

Increase education levels within communities and develop a skilled workforce.



LOCAL SUPPLIER DEVELOPMENT

Provide training, technical assistance and access to capital to help local suppliers meet industry requirements.



ECONOMIC DIVERSIFICATION

Support the growth of non-resource dependent sectors to develop strong, diverse economies.



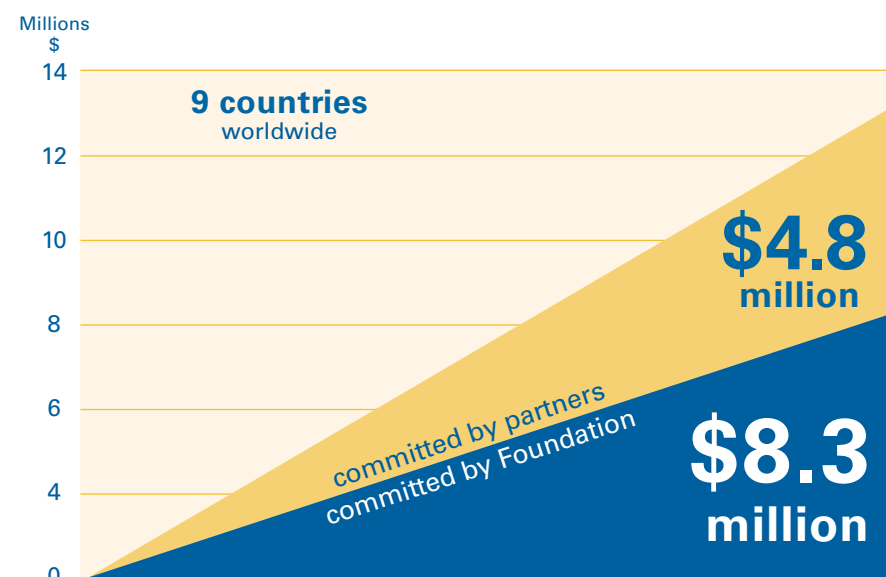
SOCIAL AND ENVIRONMENTAL INNOVATION

Support community-led solutions to address complex challenges to make local communities more resilient.



2016 AT A GLANCE

In 2016, we committed \$8.3 million towards 19 initiatives. Our commitment catalyzed an additional \$4.8 million from partners for a total of \$13.1 million.



RESOURCE GOVERNANCE

Enhance government capacity to effectively manage resource development and benefits

launched training programs

for local and national governments, strengthening environmental management and regional planning

200
people
trained

144
graduating
with
certificates

EDUCATION AND SKILLS TRAINING

Bridge skill and education gaps to employment in industry relevant sectors

launched new certificate programs

Electrical Installation
Plumbing
Accelerated High School Equivalency

300
students
enrolled

LOCAL SUPPLIER DEVELOPMENT

Support local small businesses to meet industry requirements

launched supplier development programs to prepare

180
companies

to bid on
contracts

ECONOMIC DIVERSIFICATION

Support growth of local businesses in non-resource dependent sectors

64
businesses
financed

\$1.5M
in loans

204
jobs created/
retained

trained

894
businesses

in business
management and
entrepreneurship

SOCIAL AND ENVIRONMENTAL INNOVATION

Scale innovative solutions to pressing social and environmental challenges

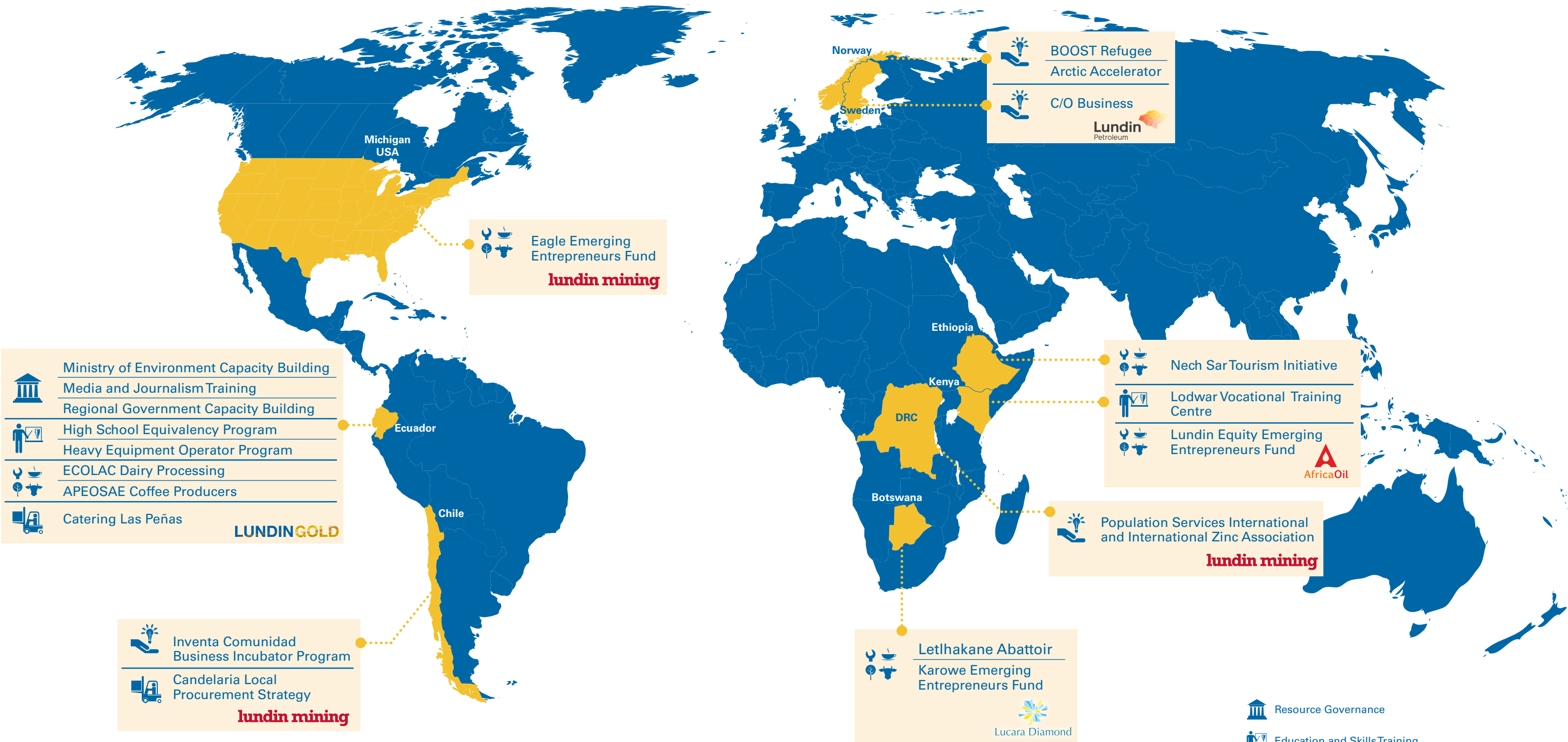
launched incubators supporting

22
social
enterprises

refugee
resettlement
water scarcity
sustainable use
of resources
waste
management



OUR 2016 INITIATIVES





RESOURCE GOVERNANCE

Strengthening national and local institutions to better manage the impacts and benefits of natural resource projects.

The Centre for Industry Development and Mining and the Universidad Técnica Particular de Loja hosted the first nation-wide Professional Certificate for Environmental Management in Mining.

We work with specialized and local training partners to provide training and capacity building to host governments to enable effective resource management.

Strengthening Ecuador’s Mining Capabilities

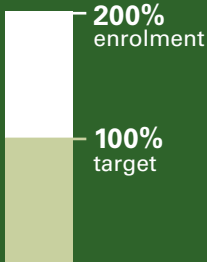
Ecuador has a well-developed oil and gas industry but the mining sector is still developing. The Foundation works with training partners to design and deliver educational programs that meet the needs of this emerging industry.

Professional Certificate for Environmental Management in Mining

The program was developed in partnership with the Universidad Técnica Particular de Loja (UTPL), the Centre for Industry Development and Mining, and specialized mine training center EDUMIN to help the Government of Ecuador better manage the benefits and impacts of mining.

“It is crucial to understand tools and practices used in other countries with more experience in mining. I now have a clear understanding of Environmental Impact Assessments and how to evaluate compliance.”

Diego Morocho,
Ministry of Environment



Exceeded target participants



Program rating



Professional Certificate in Sustainability and Local Planning

Three local governments and 45 officials participated in a program that supports local government in sustainably planning future developments. Participants engage with government officials from other countries, such as Peru, to adopt key learnings and best practices.

Certificate in Environmental Monitoring and Mining in Journalism

We funded 35 journalists to attend an innovative program to equip journalists with the skills and knowledge needed to report effectively on mining projects.

“Understanding what modern mining means is crucial to improving my ability to communicate with my audience. The program helped me to understand the mining cycle and how each phase creates benefits and challenges for communities around a mining project.”

Norman Tandazo,
journalist from Zamora Chinchipe



EDUCATION AND SKILLS TRAINING

Increasing education and skills training for community members and developing a skilled workforce.



Lodwar Vocational Training Centre, with the support of the Foundation, now offers plumbing certification to youth in Turkana to enable access to employment opportunities.

Resource development offers direct and indirect job opportunities, with most positions requiring skills training. We partner with local training institutions to provide industry relevant programs, ensuring the availability of a capable and qualified workforce.

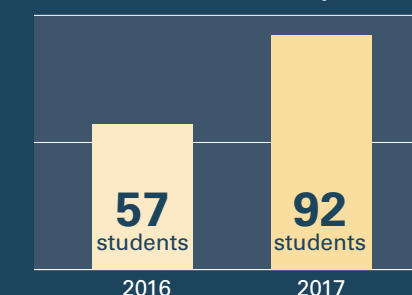
Building Technical Training Capacity in Kenya

Over 60% of employment opportunities within Kenya's emerging oil and gas sector are expected to require vocational and technical training. To equip the local population with the necessary skills to access these opportunities, the Foundation partnered with Africa Oil and the Turkana County Government. Together, we are focusing on strengthening training capacity in Lodwar, Turkana, where the most promising oil discoveries have been made.

Improving high-demand skills

The Foundation supported Lodwar Youth Polytechnic's upgrade to a Vocational Training Centre. The Centre is an important training facility for local students, many of whom have only primary or partial secondary school level education. The upgrade includes faculty and management capacity building, and modern, industry-relevant training facilities in three high-demand skill areas: electrical installation, plumbing and catering.

Annual enrollment up 61%



Empowering women

Farida Imbugwa is one of two female first year electrical students. As a little girl, she would wonder how she could get electricity to her village. Now she aims to start her own business to provide others in her village with electricity.

“I would tell other girls they can do anything. They shouldn't just sit and wait to be given something. If there's something they can do for themselves, they should do it.”

Farida Imbugwa,
first year student



Raising Education Levels in Ecuador

Lundin Gold is developing the Fruta del Norte project in southern Ecuador. The area relies primarily on agricultural and subsistence farming, with high poverty levels and low levels of education. The Foundation partnered with the Ministry of Education and Fe y Alegria to launch an accelerated high school equivalency program to help mature students obtain a high school diploma needed to access emerging training and job opportunities in the resource sector.

150+ adults completing their high school degree



“Some people said that I am too old to finish my high school, even some family members. I am a grandmother and I am taking care of my grandkids. That is my motivation – showing them that I can complete my high school. I am sure that my diploma will open other doors such as helping me to start my own business. This program is challenging me all the time. For example, I never expected to read digital textbooks on a tablet. At the beginning, I was a bit afraid but with my tutor’s support I saw that it is not hard. I can use it and I can create things with that technology. I am not afraid any more.”

Julia Campos, 48 years old, farmer



“My dream is to become a nurse because I love chemistry and biology. Because of my family circumstances I never completed my high school. When I saw this new program was to open, I was one of the first to sign up. I want to complete my high school certificate and go to university for my degree in nursing.”

Yolanda Burin, 46 years old, artisanal miner

Training for Employment Opportunities

The Foundation is working actively with educational partners, local communities and Lundin Gold to develop industry-relevant training programs to help community members prepare for job opportunities during the construction and operational phases of mine development.

The first training program delivered was a Heavy Equipment Operator Program offered by the Centre for Industry Development and Mining to 90 students in Zamora. The program uses simulators and heavy machinery, and was delivered during evenings and weekends to allow people with jobs to attend. The Foundation provided scholarships for 18 students from Los Encuentros, the nearest community to the mine development.

Heavy Equipment Operator Program

90 students attending Heavy Equipment Operator training

20% attending training on Foundation scholarship





LOCAL SUPPLIER DEVELOPMENT

Fostering a vibrant local small business sector to service industry needs and create jobs.



Laura Zhumy, shareholder and worker of Catering Las Peñas, prepares Christmas feast food for Fruta del Norte employees, Ecuador.

The purchasing power of resource development companies can be a powerful catalyst for growing the local economy, creating jobs and boosting wages. We provide training, targeted technical assistance and access to capital to help local small- and medium-sized enterprises become suppliers to resource development companies.

Catering to Demand in Ecuador

At Lundin Gold's Fruta del Norte project in southern Ecuador, the company originally provided its own catering services. The Foundation helped former catering employees create Catering Las Peñas, an independent company providing catering and housekeeping services to the developing mine.

Catering Las Peñas 2016 Results

114%

increase in
annual sales

42

local jobs
created

\$660,000

purchased from
local producers

every
\$1
invested by Foundation

generated an
additional
\$5.48
in the local
economy

Making It Easier to Buy and Hire Locally – Candelaria Mine, Chile

The Foundation is helping local suppliers provide goods and services to the Candelaria Mine – a Lundin Mining copper mine – in Chile's Atacama Region. As part of its Responsible Mining Policy, Lundin Mining now evaluates suppliers based on their ability to buy and hire locally. The Foundation provided technical assistance to Candelaria to help assess the readiness of 80 potential local suppliers.





ECONOMIC DIVERSIFICATION

Supporting the growth of non-resource dependent sectors to develop resilient local economies.



Onneile Alogeng, owner and operator of Letlhamosu Bricks, one of the rapidly growing brickyards in Boteti Sub-District, Botswana.

The Foundation provides training, targeted technical assistance and access to capital to support economic diversification initiatives that strengthen local economies.

Supporting Entrepreneurship in Botswana

The Karowe Emerging Entrepreneurs Fund was launched to promote employment opportunities and economic diversification surrounding the Karowe Mine in Botswana. The fund supports early stage micro-businesses by providing dedicated business development services and access to financing to local entrepreneurs.

8 new businesses funded in diverse industries

26 new jobs created in a range of sectors



Creating new entrepreneurs

Onneile Alogeng is a single mother of five children who was struggling to make ends meet as a small merchant in Letlhakane village. She dreamed of running her own business. The fund helped her take over a local brick manufacturing business. In just six months, Onneile has established strong sales channels, doubled production and created seven new jobs – illustrating the community's entrepreneurial potential.

“I have been encouraged by my business and it has given me hope for the future. It has changed my life when I least expected it. I feel my family's future is secure.”

Onneile Alogeng, business owner

Expanding existing businesses

Dithamano Nkweyagae lives with his family outside of Rakorps in Boteti Sub-District, Botswana. While he has some primary school education and carpentry training, his passion is goat farming. The fund has provided him with the financing to expand his goat herd from 20 to 170 goats. Business training also helped him to become a better herd manager, ensuring consistent year round income. The resulting profits have enabled him to upgrade his house with solar electricity, and he has become one of the district's top goat farmers.

“My business has changed the outlook on my goat production as I never thought it could be operated on such a commercial basis. I am grateful for the role the fund has played in transforming my dreams and plans.”

Dithamano Nkweyagae, goat farmer



Bolstering Small-Scale Producers in Ecuador

In the province of Zamora Chinchipe, agriculture and dairy farming are mainstays of the local economy.

Improving dairy production

ECOLAC is a regional dairy processor providing market access to hundreds of local dairy farmers. However, low levels of production and poor handling practices prevented farmers from improving their incomes. In 2016, the Foundation began supporting ECOLAC and 90 small-scale dairy producers to improve production. We provided capital and technical assistance to improve dairy production, handling and animal management.

20% increase in production
\$814 increase in dairy farmer annual income



Growing local farms

APEOSAE is an established local farmers' association that provides an important link to market for local coffee, cocoa and plantain producers. However, due to high reliance on non-recurring grants, APEOSAE was facing production and financial difficulties. The Foundation began providing technical assistance and financing to APEOSAE to strengthen production and management capacity, and secure new commercial relationships.

63% increase in sales
53% increase in income paid to local producers



Empowering Micro-Enterprises in Kenya

In 2015, the Foundation launched the Lundin-Equity Bank Emerging Entrepreneurs Fund in the marginalized Turkana, Isiolo and Lamu counties of Kenya. The fund provides local micro-entrepreneurs with business training and access to finance through a loan guarantee program.

860+ micro-businesses trained
30+ micro-businesses accessed financing



Training delivers business growth

Risper and James are a husband and wife team operating two grocery stores in Lodwar. They first started selling fruits informally and took on micro loans to expand their business. They participated in the Fund's training, which has qualified them to access a loan 10 times larger than previous loans, enabling further expansion of their business.

“Our business success has helped us pay for our children's education, purchase three plots of land and help out friends and family when they are in need.”

Risper Wangari Gachanja and James Njoroge, Batim Groceries

Fostering Small Business Growth in Michigan

The Foundation, in partnership with Northern Initiatives, launched the Eagle Emerging Entrepreneurs fund to support the growth of small businesses in the communities around Eagle Mine. The Foundation has provided a partial loan guarantee to high-potential businesses, which have also received business training.

\$820,000+ in loans provided to
22 local businesses in a range of sectors
140+ jobs retained/created in the area through access to financing



SOCIAL AND ENVIRONMENTAL INNOVATION

Supporting the development of innovative solutions to pressing social and environmental challenges.



Inventa entrepreneur Alejandro Abarcia, founder of Yakka, proudly displays his prototype to solve water issues in the Atamaca Region of Chile.

All communities face social and environmental challenges. The Foundation supports scalable, community-led solutions to complex challenges.

Supporting Refugee Entrepreneurs in Scandinavia

In 2015 alone, over 200,000 refugees entered Norway and Sweden, stretching the capacity of existing agencies. In 2016, the Foundation supported the launch of two local incubators, each offering an innovative approach to promoting jobs for refugees to help them integrate into their new countries.

Sweden: C/O Business

The Foundation partnered with Impact Invest Scandinavia and Innovation Skåne to launch C/O Business in Malmö, Sweden. C/O Business helps refugee entrepreneurs with the goal of improving integration and job creation among refugees.

60+

applications received

15

businesses are participating in the incubator

Putting down roots

Kotada Yonus founded Öresundspuls, an online and print media company that targets the Arab speaking community in Sweden. He came to Sweden as a Syrian refugee from Palestine and became a Swedish citizen in January, 2017. It's the first time he has held citizenship of any country. Since joining the C/O Business program, Öresundspuls's monthly revenues have quadrupled.

“We are in a stronger position and are more aware of Swedish market opportunities and way of business.”

Kotada Yonus, Öresundspuls founder



Kotada Yonus (centre) with the Öresundspuls team during the Malmö Arab Film Festival.

Norway: BOOST REFUGEE

The Foundation partnered with SoCentral, the leading Norwegian social innovation hub, and the City of Oslo to launch BOOST REFUGEE, an incubator program for social enterprises offering employment and integration support to refugees. The City of Oslo and other municipalities consider BOOST a best practice and are interested in scaling the BOOST model.

300+

refugees reached for potential job opportunities in the first four months

80+

refugees got job interviews

22

refugees secured employment

Creating jobs

International Sandwich Brothers hires unaccompanied male refugees between the ages of 18 and 25 to make and market artisanal ice cream sandwiches. This offers valuable paid work experience, enhancing the integration process.

“By participating in BOOST we have acquired new knowledge about financial strategies and business strategies. We also learned to grow on a personal level as leaders and social entrepreneurs through valuable coaching and training programs.”

International Sandwich Brothers

Solving Environmental Issues in Chile

The Inventa Comunidad program challenged entrepreneurs to create and prototype solutions to pressing environmental and social challenges in Tierra Amarilla and Caldera. The Foundation is working closely with Chrysalis, an entrepreneurial and business incubator at the University de Valparaíso de Chile, to launch and prototype the innovations, and CORFO, the regional economic development agency, to help the entrepreneurs launch viable businesses. Staff from Lundin Mining’s Candelaria operations have volunteered their expertise and time to mentor entrepreneurs.

Five entrepreneurs were selected to launch and prototype innovations that address pressing issues facing the Atacama Region, the driest desert in the world.



YAKKA: Water collection system

Yakka is a system of collecting and storing water from mist and dew on the slopes of hills and releasing the water for agricultural purposes. Still in the non-commercial prototype stage, the product is significantly more efficient than traditional collecting systems. It can generate up to 28,000 litres of water each day.

“Yakka is born as a result of the water crisis that affects the Atacama Region and the problems that this generates for many people who do not have access to drinking water. Fog is one of the natural resources that has less impact on the environment and is also free.”

Alejandro Abarcia, Yakka’s founder

Planta Purificadora Modular: Water filtration and storage system

Four volunteers in camps providing shelter for those in need wanted to improve living conditions for camp residents, especially the lack of clean water. The team designed a water filtration and storage system that provides those in camps with access to a safe and reliable water supply delivered through the municipality. The team hopes to scale up the system to contribute to solutions to regional water issues plaguing the whole Atacama Region.

“We are meeting a need in the region through designing an efficient prototype that’s environmentally friendly. We believe it will be an alternative that will generate high impact and will bring great benefits to the users and clients of this project.”

Founders: Mario Valladares Cortes, Diego Cortes Flores, Andrés Spataris Jaiña and Mauricio Gálvez Veliz



Diego Cortes Flores,
Co-inventor of water filtration
and storage system

Sustainable Solutions to Mine Tailings

Gonzalo Campusano is an artisanal miner who founded Ecoadoquines, which creates paving stones produced from mining tailings, with the aim of reducing pollutants and contributing to the recovery of community spaces. After the tailings are tested, Ecoadoquines encloses them with cement and lime to produce the stones. Gonzalo hopes to build a factory to streamline production.

“The idea is that the small-scale miners could be self-sustaining. The stones are used in public spaces. The whole community has benefited from the project.”

Gonzalo Campusano, artisanal miner and Ecoadoquines founder



Recybatt: Recycling Batteries and Raising Awareness about Environmental Issues

Recybatt, founded by Daniela Vergara, is a social enterprise that recovers dry battery metals through a low-cost and environmentally friendly recycling plant. The entrepreneur is in talks with battery manufacturing companies. Daniela has a vision to provide vulnerable people with meaningful employment opportunities and raise awareness about the importance of environmental stewardship.

“It is the children who answer the call to create an environmental culture; they are the main focus of our project. We want to make a difference in the management of waste in a sustainable way.”

Daniela Vergara, Recybatt founder

Creating a Community Garden and Encouraging Organic Composting

In Chile, 60% of organic waste goes into the garbage, which is a lost opportunity to generate rich soil for the farmers in the region. In Caldera, which has a cold desert climate, the Comunidad Ecoturística Bahía Inglesa agency created an initiative to promote food security in the community through creating a community garden and advancing the recycling of organic waste.

The desert is the driest non-polar desert in the world and does not provide good soil for farming. Around 200 people living in Caldera, as well as a number of students and teachers, benefited from the initiative.



INDEPENDENT AUDITORS' REPORT

STATEMENT OF FINANCIAL POSITION

Expressed in Canadian dollars

To the Directors of the Lundin Foundation

Report on the financial statements

We have audited the accompanying financial statements of the Lundin Foundation, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in unrestricted net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Lundin Foundation as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the Canada Corporations Act, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Ernst & Young

Chartered Professional Accountants

Vancouver, Canada
May 15, 2017

As at December 31	2016	2015
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	769,359	2,239,830
Short-term investments [note 3]	316,796	68,357
Accounts receivable [note 9[b]]	46,917	333,090
GAC contributions – grant receivable [note 8]	166,231	—
Prepaid and deposits	53,682	45,455
Due from related parties [note 9[e]]	1,676,461	715,982
Total current assets	3,029,446	3,402,714
Loans receivable [note 5]	872,039	3,116,384
Term deposit [note 3]	—	250,000
Equity venture investments [note 6]	1,367,481	7,360,406
Property and equipment, net [note 7]	57,456	70,224
Loan guarantees [note 12]	624,447	491,550
Repayable grant scheme [note 13]	105,256	97,217
Restricted cash – GAC [note 8]	19,604	224,016
Due from related parties – long term [note 9[e]]	736,592	—
Total assets	6,812,321	15,012,511
Liabilities and unrestricted net assets		
Current		
Accounts payable and accrued liabilities [note 9[a]]	379,305	557,837
Accounts payable to WATAF/GAC partners	119,199	54,714
Deferred revenue [note 10]	15,000	74,293
Total current liabilities	513,504	686,844
Commitments [note 11]		
Unrestricted net assets	6,298,817	14,325,667
Total liabilities and unrestricted net assets	6,812,321	15,012,511

See accompanying notes

On behalf of the Board:



Lukas H. Lundin
Director



Stephen D. Nairne
Director

STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS

Expressed in Canadian dollars

Year ended December 31	2016	2015
	\$	\$
Project costs [schedule 1]	(3,941,009)	(3,598,620)
GAC project expenses [note 8]	(570,195)	(238,170)
Consultancy fees [schedule 2]	(521,955)	(258,326)
	(5,033,159)	(4,095,116)
General and administrative [schedule 3]		
Accounting	60,598	69,487
Amortization	12,768	12,768
Bad debts	165	—
Bank charges and interest	25,657	14,812
Board and portfolio meetings	88,074	48,541
Conferences	2,193	12,032
Legal	97,718	48,570
Memberships	41,195	27,410
Office	132,599	64,804
Rent and utilities [note 9[c]]	250,727	156,914
Salaries and benefits	1,631,403	1,089,168
Sponsorships	19,578	5,000
Sustainability summit	71,104	—
Telephone and communications	31,194	19,932
Travel	336,642	318,685
Reimbursed expenses	(1,450,500)	(622,336)
	1,351,115	1,265,787
Operating expenses before the following	(6,384,274)	(5,360,903)
Donations received [note 9[b]]	4,369,213	7,673,537
GAC grant revenue [note 8]	479,761	180,391
Excess (deficiency) of revenue over expenses from operations before other items	(1,535,300)	2,493,025
Other items		
Investment income [schedule 2]	69,871	1,403,024
Miscellaneous revenue	86,079	—
Write-off of loan and equity investment	(8,061)	(74,300)
Net realized loss on sale of equity investments	(272,970)	—
Write down of loan guarantee	(36,496)	—
Net administration expense of repayable grant scheme	(25,212)	—
Impairment loss on repayable grant scheme	(123,485)	—
Donation in-kind to related party [note 9[f]]	(6,181,276)	—
	(6,491,550)	1,328,724
Excess (deficiency) of revenue over expenses for the year	(8,026,850)	3,821,749
Unrestricted net assets, beginning of year	14,325,667	10,503,918
Unrestricted net assets, end of year	6,298,817	14,325,667

See accompanying notes

STATEMENT OF CASH FLOWS

Expressed in Canadian dollars

Year ended December 31	2016	2015
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(8,026,850)	3,821,749
Add (deduct) items not affecting cash		
Amortization	12,768	12,768
Impairment loss on investment	8,061	74,300
Loss on sale of equity venture investments	272,970	—
Allocation of distribution income to equity	261,029	—
Foreign exchange gain not involving cash flow	44,826	(504,135)
	(7,427,196)	3,404,682
Changes in non-cash working capital balances related to operations		
Accounts receivable	286,173	573,245
Prepaid and deposits	(8,227)	4,424
Accounts payable and accrued liabilities	(114,047)	308,788
Deferred revenue – restricted donations	—	15,000
Due from related party	(1,697,071)	(390,395)
Cash provided by (used in) operating activities	(8,960,368)	3,915,744
Investing activities		
Loan advances	(281,410)	(665,803)
Loan repayments	541,209	132,399
Interest on loan receivable	(190,845)	(172,063)
Donated loans receivable to Lundin for Africa Foundation [“LFAF”]	1,439,489	—
Advances to equity venture investments	(804,925)	(3,914,283)
Sales of equity venture investments	2,205,079	—
Equity venture investments donated to related party	4,741,787	—
Reinvested income	1,561	(9,666)
Loan guarantee – Equity Bank, NEI, BCI	(132,897)	—
Repayable grant scheme – KEEF	(8,039)	(97,217)
Revenue over expenses relating to restricted cash	(21,112)	69,609
Cash (used in) investing activities	7,489,897	(4,657,024)
Net decrease in cash and cash equivalents during the year	(1,470,471)	(741,280)
Cash and cash equivalents, beginning of year	2,239,830	2,981,110
Cash and cash equivalents, end of year	769,359	2,239,830

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

Expressed in Canadian dollars
Year ended December 31, 2016

1. Purpose of the organization

The Lundin Foundation [the “Foundation”] is a registered non-profit corporation headquartered in Vancouver, British Columbia. The Foundation works with contributing partners, governments, and local communities to improve the management of, and benefit stream from, resource development projects in targeted countries.

The Foundation was incorporated under the Canada Corporations Act in 2005. The Foundation is a not-for-profit organization and is exempt from income taxes under the Federal Income Tax Act.

2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

Revenue recognition

Donations and government grants are recognized using the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Project expenses

Project expenses are recorded when the recipient[s] meet[s] the criteria set out in the respective contribution agreements and provides necessary supporting documentation to the Foundation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with financial institutions and short-term deposits which are highly liquid with original maturities of less than three months.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such other financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that

could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances improve in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Impact investments

The Foundation has chosen to record impact investments on the cost basis. Impact investment consists of the following:

	Ownership %	Basis of Accounting
Injaro Agricultural Capital Holdings Ltd.	10.22	Cost
Central Africa SME Fund	7.82	Cost
Rent to Own Zambia Ltd.	17.50	Cost
CDS Eau & Energie [“CDS”]	5.00	Cost
Medeem LLC	19.75	Cost
Honey Care Africa Ltd.	16.77	Cost
African Management Initiative	11.11	Cost
M-Kopa, LLC	4.43	Cost

Foreign currency translation

Amounts recorded in foreign currency have been translated into Canadian dollars as follows:

- [a] Current assets, current liabilities and long-term monetary assets and liabilities at the rate of exchange in effect as at date of the statement of financial position;
- [b] Non-monetary assets and liabilities, at the rates of exchange prevailing on the transaction dates; and,
- [c] Revenue and expenses, excluding amortization, which is translated at the same rate as the related asset, at the rates of exchange prevailing on the transaction dates.

Gains and losses arising from the translation of foreign currency are included in the statement of operations for the year.

Property and equipment

Property and equipment are recorded at cost, less accumulated amortization. Contributed assets are recorded at fair market value at the date of contribution. Amortization is calculated using the straight-line method at the following annual rates:

Office improvements	10 years
---------------------	----------

Impairment of long-lived assets

Long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted

market prices are not available, the Foundation uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to estimates and assumptions include carrying amounts of loans receivable and equity venture investments. Actual results could differ from those estimates.

Contributed services

A number of individuals contribute time and expertise to the Foundation across its operations. However, since no objective basis exists for recording and assigning fair values to contributed services, the value of this time has not been reflected in these financial statements.

Contributed materials are recorded at fair value when a fair value can be reasonably estimated and the materials would otherwise be purchased.

3. Short-term investments

The following investments are measured at fair value:

	2016	2015
	\$	\$
Echelon Canadian cash account	9,865	9,792
Echelon U.S. dollar cash account	56,931	58,565
Term deposit [Resilient Capital] bearing interest at 2.4% per annum and maturing in August 2017	250,000	250,000
	316,796	318,357
Less long-term portion	—	(250,000)
	316,796	68,357

4. Financial risks

The significant risks to which the Foundation is exposed are market risk and currency risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Foundation’s short-term investments are subject to fluctuating returns based on the market and are exposed to the risk of market volatility. Management mitigates such risk by holding these funds in professionally administered funds, using investment counsel, and assessing the market risk on an ongoing basis.

Currency risk

Currency is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Foundation’s short-term investments, accounts receivable, loans receivable, impact investments and accounts payable are exposed to financial risks as a result of

exchange rate fluctuations and the volatility of these rates. The Foundation does not currently enter into forward contracts to mitigate this risk.

5. Loans receivable

	2016	2015
	\$	\$
Catering Las Peñas – unsecured, 4% interest bearing loan. The loan plus accrued interest was repaid in full in 2016.	—	127,275
Chanyanya Project – unsecured, 5% interest bearing loan with interest and principal repayments commencing in 2013. [denominated in USD] [note 5[a]]	737,770	733,080
CDS – unsecured, 17% interest bearing loan, repayable in blended quarterly installments between March 31, 2014 and June 30, 2017 [denominated in Mauritanian Ouguiya]. The loan was repaid in full in 2016.	—	13,443
Medeem LLC – unsecured promissory note, bearing interest at 3%. [note 5[c]]	—	670,462
African Management Initiative – unsecured, 48-month loan bearing interest at gradual increments, without scheduled repayments. [denominated in USD] [note 5[b]]	—	612,100
Honey Care Africa Ltd. – 27-month loan, bearing interest at 15%, repayable in four quarters of the loan, secured by inventory and accounts receivable in an amount no less than 1.25x the value of the outstanding loan. [denominated in Kenyan Shillings] [note 5[b]]	—	235,827
Honey Care Africa Ltd. – 20-month loan, bearing interest at 15%, repayable in four quarters of the loan, secured by inventory and accounts receivable in an amount no less than 1.25x the value of the outstanding loan. [note 5[b]]	—	77,383
Honey Care Africa Ltd. – 13-month loan, bearing interest at 15%, repayable in four quarters of the loan, secured by inventory and accounts receivable in an amount no less than 1.25x the value of the outstanding loan. [note 5[b]]	—	285,607
M-Kopa LLC – unsecured promissory note, bearing interest at 11% [denominated in USD]. The loan was repaid in full in 2016.	—	361,207
Ecolac Cia Ltd. – unsecured and non-interest bearing. Principal of US\$100,000 to be repaid in full on December 15, 2018. [denominated in USD]	134,269	—
	872,039	3,116,384

- [a] As at December 31, 2016, the Foundation has accrued interest on the Chanyanya Project loan receivable totalling US\$154,316.
- [b] During 2016, the Foundation donated the following loans and accrued interest to Lundin for Africa Foundation [“LFAF”] [note 9[f)]:

	Principal US\$	Interest US\$	Loan balance US\$	Loan balance CAD\$
African Management Initiative	500,000	117,434	617,423	828,952
Honey Care Africa Ltd.	150,000	7,125	157,125	211,097
Honey Care Africa Ltd.	50,000	12,979	62,979	84,613
Honey Care Africa Ltd.	200,000	34,333	234,333	314,827
	900,000	171,871	1,071,860	1,439,489

No gain or loss was recorded on the donation of the loans as the transaction is between entities that are controlled by the common board members.

- [c] During 2016, Medeem LLC, a Delaware liability company, merged with and into Medeem Inc. Immediately prior to the transaction, the Foundation converted its loan receivable including accrued interest from Medeem LLC totalling US\$495,223 [equivalent CAD\$683,015] into 191 common shares of Medeem Inc. As a result of this conversion, the Foundation increased its equity ownership in Medeem Inc. to 52.91%.

Subsequent to the transaction, the Foundation donated total equity of Medeem Inc. with a net book value of \$853,176 to LFAF [note 9[f)]. No gain or loss was recorded on the donation of the investment as the transaction is between entities that are controlled by the common board members.

6. Equity venture investments

	2016	2015
	\$	\$
Injaro Agricultural Capital Holdings Ltd. [note 6[a)]	—	1,645,871
M-Kopa, LLC [note 9[f)]	—	3,430,589
Central Africa SME Fund	1,290,774	1,551,803
CDS Eau & Energie [“CDS”] [note 6[b)]	27,253	54,507
Rent to Own Zambia Ltd.	49,454	49,453
Medeem LLC [note 5[c), 9[f)]	—	170,161
Honey Care Africa Ltd. [note 9[f)]	—	453,830
African Management Initiative [note 9[f)]	—	4,192
	1,367,481	7,360,406

- [a] On December 9, 2016, the Foundation sold Injaro Agricultural Capital Holdings Ltd [“IACHL”] to Adolf H. Lundin Charitable Foundation [“AHLCF”] for \$2,166,498 [US\$1,645,775], in exchange for a 3 year promissory

note. This note bears interest at the prime rate plus 2% per annum. As at December 31, 2016, the promissory note receivable from AHLCF totalled \$1,473,184 and is included in amounts due from related parties [note 9[e)]

- [b] During 2016, the Foundation sold 50% of CDS for gross cash proceeds of \$38,580 [EUR\$26,600].

7. Property and equipment

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office improvements	127,680	70,224	57,456	70,224
	131,830	74,374	57,456	70,224

8. GAC contributions – grant receivable

	2016	2015
	\$	\$
Deferred revenue carried forward from prior year	59,293	(61,862)
Contributions and interest received from GAC during the year	254,791	302,039
	314,084	240,177
Less contributions spent during the year	(480,315)	(180,884)
Deferred revenue (grant receivable) [note 10]	(166,231)	59,293

The contributions received from Global Affairs Canada [“GAC”] are restricted to project costs for the West Africa Technical Assistance Facility in Cote D’Ivoire, and Ghana. In accordance with the agreement, 59% of the cash costs are covered by GAC and the remaining 41% of the cash costs are covered by the Foundation and Engineers Without Borders. As at December 31, 2016, the total cumulative costs incurred on the project by the organizations were \$873,045 [2015 – \$539,628] and the cumulative costs incurred on the project by GAC were \$1,256,457 [2015 – \$776,634]. Total revenue recognized in the statement of operations was \$480,315 [2015 – \$180,884]. Contributions received are deposited in a separate account, and are not to be used for general purposes by the Foundation. Accordingly, the unspent cash is disclosed as restricted cash on the statement of financial position totalling \$19,604 [2015 – \$224,016].

9. Related party transactions

- [a] During 2016, the Foundation paid \$198,450 [2015 – \$124,782] to Namdo Management Services Ltd. [“Namdo”], a private corporation owned by a member of the Board of Directors. The Foundation occupies office space in the Namdo offices for management and support staff. Namdo charges a monthly service fee of \$17,325 [2015 – \$12,600] and recovers out-of-pocket expenses related to the Foundation’s activities.

As at December 31, 2016, \$19,221 [2015 – \$1,100] is included in accounts payable for other expenses payable to Namdo.

- [b] The Foundation received total donations of \$4,369,213 [2015 – \$7,673,537], of which of \$2,650,098 [2015 – \$4,763,960] is received from companies in the Lundin Group, where the Directors of the Foundation also serve as Directors on the board, or as members of senior management in these companies. Of this amount, nil [2015 – \$205,577] is recorded in accounts receivable as at December 31, 2016.

- [c] The Foundation paid \$270,912 [2015 – nil] of salaries, rent and other office expense on behalf of the LFAF, a not-for-profit organization under common control. The balance receivable from the LFAF as at December 31, 2016 was \$183,497 [2015 – \$8,007].

- [d] During the year, the Foundation paid \$1,179,588 [2015 – \$622,336] of salaries, rent, travel, and other office expenses on behalf of Adolf H. Lundin Foundation [“AHLCF”], a not-for-profit organization under common control. In addition to the above noted reimbursed expenses, the Foundation charged nil [2015 – \$85,639] for expenses directly.

- [e] Receivable from related parties:

	2016	2015
	\$	\$
Receivable from LFAF	183,497	8,007
Receivable from AHLCF – current [expense reimbursements]	756,372	707,975
Receivable from AHLCF-IACHL promissory note	1,473,184	—
	2,676,461	715,982
Less AHLCF – Long term portion of IACHL promissory note	736,592	—
	1,676,461	715,982

- [f] During 2016, the Foundation transferred impact investments in the form of loans and equity to LFAF, resulting in a donation in-kind expense totalling \$6,181,276.

	2016	2015
	\$	\$
Equity investments transferred		
M-Kopa, LLC	3,430,589	—
Medeem Inc.	853,176	—
Honey Care Africa Ltd.	453,830	—
African Management Initiative	4,192	—
	4,741,787	—
Loans transferred		
Honey Care Africa Ltd.	610,537	—
African Management Initiative	828,952	—
	1,439,489	—
Total equity and loans transferred	6,181,276	—

Related party transactions are in the normal course of operations and are recorded at the exchange amount which is the consideration established and agreed to by the related parties. Amounts due to or from related

parties are unsecured, bear no interest and have fixed terms of repayment.

10. Deferred revenue

	2016	2015
	\$	\$
GAC contributions [note 8]	—	59,293
Restricted donations	15,000	15,000
	15,000	74,293

11. Commitments

The Foundation is committed to program delivery costs in the form of contribution and service agreements totalling US\$1,562,912 [2015 – US\$1,244,736].

12. Loan guarantees

The Foundation has entered into the following loan guarantee agreements with Northern Initiatives [“CDFI”], and Association Los Helados [the “Association”], which remain active as at December 31, 2016. Additionally, the Foundation has entered into a new guarantee facility with Equity Bank (Kenya) Limited.

CDFI

CDFI is to provide loans for the benefit of individuals or companies with 1-20 employees resident or operating in Marquette County and whose loan is partially guaranteed by the Eagle Emerging Entrepreneurs Fund [“Clients”].

The Foundation deposited US\$250,000 in 2013 in an insured depository institution selected by the CDFI, fully capitalizing the Foundation’s guarantee of loans that will be granted by CDFI to Clients.

The Foundation will guarantee 75% of each loan granted by CDFI to eligible Clients, in accordance with the terms of the guarantee.

As at December 31, 2016, CDFI has disbursed an aggregate total of US\$827,557 in business loans. To date, CDFI has drawn down \$27,181 from the loan guarantee balance.

The Association

The Association is a non-profit entity with its main goal to develop and support plans and programs to micro-entrepreneurs for Copiapo and Tierra Amarilla, and whose loan is partially guaranteed by the Financing Program “Convenio Programa de Financiamiento.”

The Foundation deposited the US dollar equivalent of CLP\$75,000,000 to Banco Credito y Inversiones, an insured depository institution selected by the Association, fully capitalizing the Foundation’s guarantee of loans that will be granted by the Association to clients.

The Foundation will guarantee 75% of each loan granted by the Association to eligible Clients, in accordance with the terms of the guarantee.

Equity Bank (Kenya) Limited [“EBKL”]

The Foundation, partnered with Equity Group Foundation [“EGF”], launched Lundin Equity Emerging Entrepreneurs Fund [“LEEED”] which aims to accelerate the growth of micro and small and medium sized enterprises [“MSMEs”] in three key counties in Kenya: Turkana, Isiolo and Lamu. These are among the most marginalised and economically

underdeveloped regions in the country, which are located along LAPSET infrastructure route. LEEEF provides business training to MSMEs, and partial loan guarantees to graduates of business training. The target impact of LEEEF is to create jobs, income benefits and on-going economic development along underserved regions of the country, with a particular focus on women and youth.

During 2016, the Foundation deposited US\$130,208 to EBKL, a company incorporated under the Laws of Kenya, fully capitalizing the Foundation's guarantee of loans that will be granted by EBKL to Clients.

The Foundation will guarantee 50% of each loan granted by the facility to eligible clients, in accordance with the terms of the guarantee.

As at December 31, 2016, 28 loans were disbursed, at 6,250,000 KES. Total outstanding balance of loans as at December 31, 2016 is 3,632,555 KES [CAD\$47,066]. There was no drawdown to the loan guarantee in 2016.

13. Repayable grant scheme

Karowe Emerging Entrepreneurship Fund [“KEEF”]

The Foundation had set up a Repayable Grant Scheme designed to assist emerging businesses in the Boteti Sub-District.

KEEF offers repayable grants with a 5% administration fee, which is a percentage of the approved grant amount. The repayable grant is to be repaid, within a maximum of five years. Early re-payment has financial and non-financial incentives.

As at December 31, 2016, total reported net assets of KEEF are BWP 851,665 [CAD\$105,256] [2015 – \$97,217].

14. Comparative information

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect the prior year's excess of revenue over expenses for the year.

SCHEDULE OF PROJECT COSTS

Expressed in Canadian dollars

Schedule 1

Year ended December 31	2016	2015
	\$	\$
African Management Initiatives	—	41,525
APEOSAE	189,278	—
Asociacion Los Helados –Tierra Amarilla	—	29,870
Catering Las Peñas	—	19,768
CDS – Lemrabott Habiloullah	8,440	—
CIPMEN	27,692	—
Ecolac Cia Ltd.	68,299	—
Equity Group Foundation	298,120	325,541
Fauna & Flora Intl.	—	157,981
FeY Alegria	398,765	—
FEDES	135,834	—
Impact Invest Scandinavia	124,734	—
International Lead Zinc (IZA)	123,147	—
Kunnskapsparken Nord (KUPA)	26,066	—
LEWA Wildlife Conservancy	—	24,088
Medeem LLC	287,720	294,493
Northern Rangeland Trust	—	149,651
Northern Economic Initiatives Corp.	—	44,824
Penampang Renewable Energy Sdn. Bhd	—	61,669
PETRAD	—	65,424
Pontificia Universidad Catolica de Valparaiso, Chile	62,250	—
Population Services	231,203	210,781
Rare Inc.	790,258	—
So Central	107,272	—
Stony Brook Foundation	125,480	334,000
Trust for African Rock Art	—	6,257
Contractors & equipment – Abbatoir	190,609	1,001,962
Contractors & equipment – LODWAR	608,554	830,786
Contractors & equipment – Jetty	111,509	—
Other contractors	25,779	—
	3,941,009	3,598,620

See accompanying notes

SCHEDULE OF OTHER ITEMS

Expressed in Canadian dollars

Schedule 2

Year ended December 31	2016	2015
	\$	\$
Investment income		
Recovery of expenses on investments	—	24,280
Interest on loans	192,914	172,063
Foreign exchange gain (loss)	(94,191)	995,362
Unrealized gain (loss) on marketable securities	(1,745)	9,633
Investment income from grant management	9,369	8,620
Investment income (loss) from equity venture investments	224,553	193,066
Allocation of distribution income to equity	(261,029)	—
	69,871	1,403,024
Consultancy fees		
Abraham Bravo	(330)	—
Amec Foster Wheeler America	(31,796)	—
Axis Kenya	(11,659)	—
Better Trading Co.	(12,058)	(10,375)
Carlos A. Ruiz	(2,098)	—
Career Connection	(31,285)	—
Conservation Capital Consulting	(48,276)	—
Corporative Initiatives Development Group	(157,750)	—
EA Tax Consulting	—	(2,247)
Edward Hammer	(12,256)	—
FEDES	(10,848)	(97,671)
Impact Investment Exchange (Asia)	(15,020)	—
Juvenal Enrique	(12,502)	—
Kurhama Consultants	—	(8,099)
Lemrabott Habiloullah EL Hevid	(819)	—
Maria Fernanda Escudero	(359)	—
Microsave Consulting	—	(8,949)
Nawa Architects (Pty.) Ltd.	(9,940)	—
Norcat	(37,922)	(43,618)
Oil and Energy Services Ltd.	—	(78,508)
Patrick Seetion	(37,911)	—
Pricewaterhouse Coopers	—	(8,859)
Prizma LLC	(26,862)	—
Roberto Jimenez Lozano	(35,991)	—
The Recruitment Group	(1,929)	—
Veiga and Associates Consulting	(24,344)	—
	(521,955)	(258,326)

See accompanying notes

SCHEDULE OF NET GENERAL AND ADMINISTRATIVE EXPENSES

Expressed in Canadian dollars

Schedule 3

Year ended December 31	2016	2015
	\$	\$
Accounting	60,598	69,487
Amortization	12,768	12,768
Bad debts	165	—
Bank charges and interest	25,657	14,812
Board and portfolio meetings	4,401	—
Conferences	2,193	12,032
Legal	27,212	48,570
Memberships	17,090	27,410
Office	71,318	59,290
Rent and utilities [note 9(c)]	115,301	70,456
Salaries and benefits	691,915	670,710
Sponsorships	9,578	5,000
Sustainability summit	71,104	—
Telephone and communications	26,015	19,932
Travel	215,800	255,320
	1,351,115	1,265,787

See accompanying notes



BUSINESS SUSTAINABILITY

The Lundin Group is committed to addressing the challenge of sustainability. The Group aims to deliver value to shareholders while simultaneously providing economic and social benefits to impacted communities and minimizing its environmental footprint.

Sustainability commitments

Prioritizing the health and safety of employees and communities

Meeting and, where possible, exceeding all environmental regulatory requirements

Supporting and protecting human rights

Actively engaging and maintaining dialogue with a broad range of stakeholders in a spirit of transparency and good faith

Maximizing employment and business opportunities for locally impacted communities

Sharing best practices

The Foundation hosted the inaugural Lundin Group Business Sustainability Summit in Vancouver in September 2016. Over 20 staff members from Africa, Latin America, Europe and North America – ranging from senior executives to community liaison staff – came together to share best practices and expertise to advance business sustainability across the Lundin Group of Companies.



Key sustainability topics included:

- Environmental, Social and Governance
- Community investment strategies
- Stakeholder engagement
- International standards and reporting
- Human rights

The summit was a unique opportunity for staff to learn from external experts and develop a network of peer support within the Lundin Group of Companies. Participating companies included: Africa Oil, Denison Mines, Lucara Diamond, Lundin Gold, Lundin Mining, Lundin Petroleum and Ram River Coal.

CONTRIBUTING PARTNERS

The Foundation is primarily supported by contributions from the Lundin Group of Companies.



LUNDINGOLD

lundin mining





Mabel Thobolo is the owner of Ramohube Investments, a fast growing fabric shop in Letlhakane supported by the Karowe Emerging Entrepreneurs Fund.

GOVERNANCE

Chair

Lukas Lundin

Mr. Lundin is known for recognizing value and superior global investment opportunities in the natural resource sector. He currently serves as a Director of a number of publicly traded companies. Mr. Lundin has a growing list of accomplishments, including raising hundreds of millions of dollars for exploration projects, and developing huge resource discoveries into production as principal of the Lundin Group of mining and oil and gas companies. He balances out his professional time by participating in extreme sports such as the Paris-Dakar motorcycle race, hiking Mount Kilimanjaro and extreme skiing. He combined his love for extreme sports with his global awareness of critical issues to make a positive impact in Africa by riding a motorcycle from Cairo to Cape Town in 2006, creating the Lundin Foundation in the process. As the visionary of the Lundin Foundation, Mr. Lundin follows in the adventurous spirit of his father, and the visionary founder of the Lundin Group, Adolf Lundin.

Directors

Christine Batruch

Ms. Batruch, a historian and lawyer, is based in Geneva and works in the non-profit and business sectors. Ms. Batruch is President of the Board of the Fondation Vidrodgenia in Geneva and member of the Advisory Boards of the Business and Human Rights Platform of the Business School of Lausanne and the International Philanthropic Society in Stockholm. She is on the Editorial Boards of the Journal of World Energy Law and Business and the Oil Gas and Energy Law Intelligence journal. She helped establish non-profit institutions in the Ukraine and was liaison officer and assistant professor at the International Academy of the Environment. As Vice President, Corporate Responsibility at Lundin Petroleum, she is responsible for sustainability, environmental, and health and safety strategy and implementation. She has spoken and lectured on environmental, social and governance issues at international conferences, business schools and universities.

Alex Budden

Mr. Budden is Vice President, Communications & Investor Relations at Lundin Petroleum. Before joining Lundin Petroleum, he was Vice President, External Relations for Africa Oil and Africa Energy. Previously Alex served as a Diplomat for the British Foreign and Commonwealth Office for 21 years. His international experience has seen him serve in Africa, Asia, the Middle East, Russia, the Balkans and North America. Throughout his career he has focused on international security, conflict, governance, human rights, and energy and environment issues. He specializes in government and security relations, complex stakeholder management, and strategic communications work. From 2005 to 2008, he was based in East Africa, advising the British Government on political, security, social and economic issues in the region. From 2008 to 2012, he represented the British Government in Canada on commercial, environmental and energy security issues, with a focus on the hydrocarbon and renewables sectors.

Paul Conibear

Mr. Conibear is an engineer who brings over 30 years of senior leadership experience from predominantly developing countries to the Board. He is currently the President and CEO of Lundin Mining, as well as a Director of several Lundin Group companies. Mr. Conibear is the former President and CEO of Tenke Mining and head of the Tenke Fungurume Project in the Democratic Republic of the Congo. He understands the importance of corporate social responsibility for international companies operating in developing countries, and brings insight into social development needs and the issues facing local communities.

Eva Lundin

Mrs. Lundin was born in 1934 in Stockholm, Sweden. She completed a Bachelor of Science in Agriculture from the University of Vermont, USA. Married for almost 50 years to Adolf Lundin, Mrs. Lundin has two sons, two daughters and twelve grandchildren. She has been a successful horse breeder since 1975 and is presently active in the art market through the Swedish auction house Bukowskis, of which the family is the owner. Mrs. Lundin is a frequent visitor to Africa and plays an active role overseeing the activities of the Foundation.

Stephen Nairne

Mr. Nairne has served as the Lundin Foundation's Managing Director since 2007. He serves on the Advisory Board of several SME funds and companies in Sub-Saharan Africa and is concurrently an Adjunct Professor at the University of British Columbia, where he teaches courses on Country and Project Risk Analysis in Developing Countries and African Political Economy. Prior to joining the Lundin Foundation, Mr. Nairne served as Deputy Director with Canada's Department of Foreign Affairs and International Trade's Pacific Office and as Senior Political Risk Analyst at Export Development Canada. He holds a Bachelor of Commerce degree from McGill University and a Master of Arts from the Norman Paterson School of International Affairs at Carleton University.

MANAGEMENT TEAM

Stephen Nairne

Managing Director, Lundin Foundation

Mr. Nairne has served as the Lundin Foundation’s Managing Director since 2007. He serves on the Advisory Board of several SME funds and companies in Sub-Saharan Africa and is concurrently an Adjunct Professor at the University of British Columbia, where he teaches courses on Country and Project Risk Analysis in Developing Countries and African Political Economy. Prior to joining the Lundin Foundation, Mr. Nairne served as Deputy Director with Canada’s Department of Foreign Affairs and International Trade’s Pacific Office and as Senior Political Risk Analyst at Export Development Canada. He holds a Bachelor of Commerce degree from McGill University and a Master of Arts from the Norman Paterson School of International Affairs at Carleton University.

Cornelio Delgado

Director, Local Content

Mr. Delgado designs and implements initiatives arising from natural resource activities to benefit locally impacted communities in Latin America. Mr. Delgado brings 15 years of experience in economic development, investment attraction, public-private partnerships and value chain development, working with International Development Agencies and government. Mr. Delgado has Bachelor of Arts in Economics and Sustainable Development, a Diploma in International Economic Relations and a Master’s degree in Public Administration from Queen’s University.

Erin Johnston

Chief Operating Officer

Ms. Johnston provides oversight of the Foundation’s operations as well as expertise related to resource governance and education and skills training. She previously oversaw British Columbia’s investment in skills training, aligning workforce needs with apprenticeship training programs. She also led programs for youth, women and Aboriginal participants. Ms. Johnston has 15 years of program management and capacity building experience on natural resource projects around the world in different sectors. She has a Masters of Arts in International Leadership from Simon Fraser University and an Executive Leadership Certificate from the UBC Sauder School of Business.

Eva Kigo

Project Manager, East and Southern Africa

Ms. Kigo joined the Foundation’s Nairobi office to support the implementation of strategic initiatives including project management, evaluation of investment opportunities and impact monitoring. She has a strong background in business consulting, financial analysis and managing initiatives with a range of stakeholders. Ms. Kigo holds a Masters of Science in Applied Economics from Johns Hopkins University and a Bachelor of Science degree in Finance from Virginia Tech.

Ka-Hay Law

Chief Innovation and Strategy Officer

Ms. Law, since 2011, has developed the Foundation’s impact investment portfolio. She has been active in deal sourcing, due diligence, investment and grant management, and impact reporting. Ms. Law has deep insight on the inner workings of SMEs and the evolving business models required to serve rural African markets, having worked in Zambia, Malawi and Ghana. She is the former Director of Agriculture Value Chains for Engineers Without Borders Canada, co-founded an African clothing company and was an advisor in corporate social responsibility, consulting for Canada’s largest corporations. Ms. Law holds a degree in engineering from the University of British Columbia.

Joanne Liu

Finance and Accounting Manager

Ms. Liu provides strategic leadership in accounting and finance management and has over ten years of experience in various for-profit and non-profit organizations. Her expertise lies in providing comprehensive accounting functions and financial reporting, monitoring operational efficiencies and implementing controls and procedures. She holds a Bachelor of Arts degree from the University of British Columbia, and a Diploma of Technology in Financial Management from the British Columbia Institute of Technology. Ms. Lui obtained her Certified General Accountant designation in 2013.

Joy Muballe

Regional Director, East and Southern Africa

Ms. Muballe manages the Foundation’s strategic grants in Kenya and advises companies in the investment portfolio. Previously she was Project Manager of the Clean Energy Program at Equity Bank in Kenya, which focused on scaling up access to clean household energy technologies through the bank’s micro-lending programs. Ms. Muballe has a background in software development and has co-founded an IT services company. She holds an MBA from Vlerick Business School in Belgium, where she attended as a Kofi Annan Fellow.

Anna Samaké

Regional Director, Central and West Africa

Ms. Samaké manages activities in West and Central Africa, including the Foundation’s West Africa Technical Assistance Facility. She has over 17 years of experience in banking, micro-finance and entrepreneurship development in West Africa. Ms. Samaké also has an MBA from Quebec University in Montreal and a Maitrise degree in Private Law from the National Administration School, Mali.

Audrey Yuen

Senior Accountant

Ms. Yuen joined the Foundation to take on bookkeeping and accounting functions. She has over ten years of experience in finance, logistics and property management. Ms. Yuen is experienced in IFR reporting and has expertise in risk management. She has completed the Certified General Accountant program and is currently pursuing a Bachelor of Commerce degree at Thompson River University.



Manuel Esparza working at his coffee, cocoa and plantain farm in the province of Zamora Chinchipe, Ecuador.



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