

A woman with dark hair tied back, smiling and standing with her arms crossed in front of a Panalínea store. She is wearing a dark halter-neck top with a red and blue floral pattern. The background shows the storefront of a Panalínea store with signs in Spanish. The text "HUMAN POTENTIAL, REALIZED." is overlaid in white, bold, sans-serif font.

**HUMAN
POTENTIAL,
REALIZED.**

LUNDIN FOUNDATION

“Overcoming challenges is part of being an entrepreneur and the business world. What makes the difference between those who succeed and those who give up is perseverance, the will to not give up. This is our greatest lesson.”

Susana Viegas
CO-OWNER MONTES ENERGIA, A RENEWABLE
ENERGY INSTALLER IN PORTUGAL AND GRADUATE
OF LUNDIN FOUNDATION'S ENTREPRENEURSHIP
DEVELOPMENT PROGRAM IN PORTUGAL

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MESSAGE FROM THE CHAIR

I am pleased to present the Lundin Foundation’s Annual Report highlighting key achievements in 2018. The Foundation supports the Lundin Group of Companies to ensure local communities benefit from resource development in a meaningful way.

Over the past year, through the Foundation, the Lundin Group of Companies invested \$8.8 Million CAD in programs with long-lasting and scalable economic benefits for the communities in which our companies operate. Our investments have helped generate \$47.8 Million CAD in annual revenue for local businesses supporting 3,100 jobs and 21,000 small-scale agricultural producers.

Achievements for 2018 span the globe—these are made possible because communities own their success. Together with our corporate partners and local stakeholders, we launched

economic diversification initiatives across a range of sectors, from sustainable fisheries in Chile to a community-owned commercial farm in Botswana. Each initiative presents a unique opportunity to unlock the potential of communities.

Our multi-year investments in strategic areas are generating benefits for communities. In Ecuador and Kenya, our three-year focus on education and skills training has resulted in community members being first in line for long-term jobs. Our focus on building local supplier capacity resulted in 100 local companies becoming new suppliers to the Lundin Group of Companies—these local suppliers experienced 158% annual revenue growth, multiplying the impact in communities.


We supported entrepreneurship and business incubator programs to address environmental and social issues in Norway, Sweden, Portugal and Chile. Our early stage seed funding and capacity building to promising entrepreneurs helped create investment-ready opportunities that secured third-party follow-on funding.

The Foundation’s advisory support and strategic investments have helped our corporate partners manage social risk throughout their operational phases. By sharing best practices and knowledge, we serve to elevate practice across the group. The



Foundation hosted the 2018 Sustainability Summit in Chile this past October, bringing together 35 sustainability professionals from 11 countries.

In closing, I am grateful to the Lundin Group of Companies for their contributions and commitment to the Foundation. I would like to express my appreciation to the Board of Directors for their vision and guidance, and the Foundation staff for their dedication over the past year. ♦

Sincerely,

Lukas H. Lundin
CHAIR

LUNDIN FOUNDATION OVERVIEW



The Lundin Foundation is a registered Canadian non-profit organization supported by the Lundin Group of Companies. We elevate development practices across the Lundin Group, ensuring resource operations have transformational impact on local communities and are a catalyst for prosperity.

Since our inception in 2007, we have disbursed more than \$76.3 million CAD into initiatives that enable local employment, nurture small business growth, support financially viable social and environmental solutions—together multiplying our impact beyond the initiatives themselves.

Our expertise is in advising and guiding the Lundin Group of Companies towards developing market-based solutions to support communities around operations. We convene knowledge sharing and best practices and serve as a central hub, connecting a vast network of experience and knowledge.

Realizing Human Potential

Our expertise spans four pillars of transformation: education and skills training, local procurement, economic diversification, and social and environmental innovation. In all areas, success is in the hands of the communities we work with. Our projects include

training, technical assistance and fit-for-purpose capital to enable long-term growth and inspire a strong entrepreneurial spirit.

Long-lasting Economic Benefits

We start by identifying untapped market opportunities, using the existing strengths of local communities, small businesses and entrepreneurs. We listen, push boundaries and test innovative solutions—from financing to program delivery—guided by our end goal of maximizing the potential of local communities. Every single project is co-created *with* those communities. When our project is complete, what remains is a clear path for people to continue improving their lives.

Elevating Performance Across the Lundin Group

We leverage the collective strength of the Lundin Group of Companies.

We share knowledge, insights and best practices to elevate performance across the Group and to maximize impact in the communities in which we operate.

Together we ensure communities across the globe benefit from the economic opportunities of resource operations, and investments in people are long-lasting and transformational.

UN Sustainable Development Goals

The Foundation recognizes that resource operations are a powerful catalyst for supporting the UN Sustainable Development Goals (SDGs). We ensure that every project is in support of the global shared blueprint for improving people's lives and the planet. Our commitment to the SDGs are highlighted throughout this report, see the icons for where we are making an impact. ♦

(ALL FINANCIAL FIGURES IN THIS REPORT ARE IN CANADIAN DOLLARS)

OPPOSITE PHOTO—
ECOLAC DAIRY PRODUCERS
LOS ENCUENTROS, ECUADOR

OUR ROLE



The Lundin Group operates in 25 countries around the world and is known for discovering and developing large resources and building world-class operations. The Lundin Foundation cultivates expertise and knowledge that can be shared across the Group to elevate performance, maximize benefits, and leave communities stronger than ever before.

We support the Lundin Group of Companies to make sure communities benefit from resource development in a meaningful way.

Design Market-Based Solutions

In collaboration with our corporate partners, we design market-based solutions to enhance education, employment and small business growth and launch social and environmental innovations.

Advise and Guide

We advise and guide our corporate partners in the areas of community investment and engagement, environmental and social governance, and sustainability communications and reporting.

Convene Best Practices

We convene best practices to leverage knowledge across the Lundin Group. We connect and share resources, experience and knowledge, ensuring insights and best practices reach each company.

2018 Business Sustainability Summit

In October 2018, we hosted the third annual Business Sustainability Summit at Lundin Mining's Candelaria mine in Chile. A group of 35 community and sustainability professionals from 11 sites across Lundin Group's global operations attended the Summit to discuss and design solutions to the most pressing issues facing the industry.

Through professional development sessions and peer-to-peer learning, we shared the most timely and industry-relevant knowledge on aligning community investment with business drivers. This helps our partners address the spectrum of social risks unique to each phase of a resource development project.

Benefits

The Lundin Group is committed to growing shareholder value in a responsible manner. By maximizing the benefits to communities, the Foundation helps maintain a social license to operate, reduce non-technical risk and support access to financing. ♦

KEY ACHIEVEMENTS

In 2018, the Foundation invested **\$8.8M CAD** in commitments from our corporate partners to fund and support **41 global initiatives**. These projects include education and skills training, local procurement, economic diversification, and social and environmental innovations.

UNLOCKING THE POTENTIAL OF ENTREPRENEURS

\$8.8M
INVESTED

385
SMALL BUSINESSES
SUPPORTED

\$47.8M
ANNUAL
REVENUE

3,100
QUALITY
JOBS

21,000
SMALL
AGRICULTURAL
SUPPLIERS

51
SOCIAL AND
ENVIRONMENTAL
SOLUTIONS

\$7.4M
IN
HOUSEHOLD
INCOME

EARNING
64%
ABOVE MINIMUM
WAGE

\$10.1M
THIRD PARTY FUNDING



OUR GLOBAL FOOTPRINT



US - MICHIGAN



“This business is my life. It’s what I think about all the time. It’s the only thing of this magnitude that I’ve ever created.”

Alex Rowland
SUPERIOR CULTURE,
A KOMBUCHA BREWERY



ECUADOR



“I’ve been able to obtain what I wanted through my own merits and that is a great feeling.”

Jenny Alejandro
TRAINING FOR
OPERATIONS GRADUATE



CHILE



“Recybatt represents an opportunity for concrete environmental and social changes. We are working on a local solution for a global problem”

Daniela Vergara
CEO RECYBATT, A BATTERY
RECYLING COMPANY



ARGENTINA & CHILE



Establishing strategic stakeholder management systems to support permitting and stakeholder relationships.



SWEDEN & NORWAY



“My advice for aspiring entrepreneurs? Go for it! If you believe that your concept has the right to life, quit your day job and go all in!”

Mariann Solaas
FOODSPOT, A LOW CARBON
SUSTAINABLE FOODS START UP



PORTUGAL



“When we started our company we did not have any management training. The training program has helped us improve the quality of our management practices and build a healthy and competitive company.”

Susana Viegas
MONTES ENERGIA,
A RENEWABLE ENERGY
COMPANY



KENYA & ETHIOPIA



“I believe that any person can do business as long they have a purpose, believe in themselves and work hard.”

Rebecca Logil
KAAKALI HARDWARE SHOP



BOTSWANA



“Building a community farm to produce food in Mokubilo has been a dream of our community for a long time. This farm has made me believe that nothing is impossible.”

Kedisaletse Kebabthokile
MOKUBILO COOPERATIVE
SOCIETY FARM, A COMMUNITY
OWNED COMMERCIAL FARM



PROJECT PROFILES

THE STARTING POINT FOR ALL OUR WORK IS COMMUNITY POTENTIAL.

Deeply embedded within our four pillars of transformation is a commitment to connect people with tools and knowledge that unlock economic prosperity. It is their journey, and we are here to serve as a catalyst for human potential.

**EDUCATION AND
SKILLS TRAINING**

**LOCAL SUPPLIER
DEVELOPMENT**

**ECONOMIC
DIVERSIFICATION**

**SOCIAL AND
ENVIRONMENTAL
INNOVATION**

EDUCATION AND SKILLS TRAINING

IN 2018, OUR TRAINING INITIATIVES UNLOCKED OPPORTUNITIES:

580 PEOPLE
TRAINED

98% GRADUATION
RATE

80% GRADUATES EMPLOYED
OR CONTINUING EDUCATION

OUR STRATEGY:

Education and skills training are at the heart of how we prepare communities for upcoming employment opportunities and local workforce needs. We develop and deliver industry-relevant programs that strengthen the educational infrastructure and lead to a confident and skilled workforce.

In 2018, the Foundation led training initiatives in Ecuador and continued long-term support to vocational and technical training capacity in Kenya.

UNLOCKING POTENTIAL

In 2016, our team, in partnership with Lundin Gold, embarked on a three-year journey to ensure local community members qualified for positions at the Fruta del Norte gold project in southern Ecuador. We supported women and men to obtain their high school diplomas, and by March 2018, 210 participants had graduated from our accelerated high school diploma program. This paved the way for members of the community to be eligible for specialized training leading to long-term employment at Fruta del Norte.

In 2018, with the support of Lundin Gold, we launched the Training for Operations program designed to teach recruits how to become underground equipment and process plant operators. To date, local community members, including indigenous people have received training with a 99% graduation rate. Post-graduation, 99% of all trainees are employed full-time, reflecting a substantial improvement in income and employment stability.

Jenny Alejandro is a graduate of the Training for Operations program and was offered full-time employment upon completion. Jenny was hesitant to pursue the program because she believed that jobs in mining were exclusive to men. Upon hearing that women could operate heavy machinery, Jenny was encouraged to join the program, gained confidence in the opportunity, and was supported to succeed. 💎

"I have to admit that I was terrified at first, but this was a great program that allowed me to believe in myself and all that I was capable of, which I would have never even dreamed of before."

**JENNY
ALEJANDRO**
TRAINING FOR OPERATIONS
GRADUATE FRUTA DEL NORTE
EMPLOYEE



OPPOSITE PAGE—
JENNY ALEJANDRO
(FRONT ROW, MIDDLE) AND
FELLOW TRAINING FOR
OPERATIONS CLASSMATES
ARE NOW EMPLOYED AT
FRUTA DEL NORTE.

Supporting the following UN Sustainable Development Goals



LOCAL SUPPLIER DEVELOPMENT

IN 2018, OUR INITIATIVES MULTIPLIED IMPACTS:

100 NEW SMALL
BUSINESS SUPPLIERS

\$20M SALES TO LUNDIN
GROUP COMPANIES

158% ANNUAL REVENUE
GROWTH

1,776 JOBS
SUPPORTED

\$4.1M IN HOUSEHOLD
INCOME EARNED

OUR STRATEGY:

Our team looks for opportunities that can leverage the purchasing power of resource operations—opportunities that stimulate the growth of local businesses, create jobs and multiply impacts along supply chains. To ensure benefits remain in local communities we provide technical assistance and flexible financing to help local suppliers meet purchasing requirements and thrive into the future.

In 2018, our organization supported eight initiatives in Chile, Ecuador, and Portugal to increase the capacity of local suppliers to respond to resource development projects.

IMPACT THAT MULTIPLIES

Our early support of a group of local cafeteria workers at Fruta del Norte helped launch a successful catering and laundry company called Catering Las Peñas which now provides catering and hospitality services to Fruta del Norte. Catering Las Peñas has achieved continued success, growing revenues by 170% and becoming one of the region's major employers.

In 2018, the Foundation supported Catering Las Peñas to launch 'Takataii', the company's own local supplier development program in order to multiply impact for local agricultural producers.

Takataii provides technical assistance, business training and micro-credit for small agricultural producers. This enables local agricultural suppliers to meet the demand of Catering Las Peñas, which keeps economic benefits local.

Jairo Gustavo Cuenca Armijos is a young farmer who previously worked his land with limited technical expertise and did not see his farm as a business opportunity. Jairo didn't have the knowledge to market his products or plan for what potential clients required. Takataii has helped Jairo and 78 local small farmers integrate into the Catering Las Peñas supply chain where \$1.7 million in products have been purchased from small businesses and agricultural producers. ♦

"Thanks to the technical assistance and training I received it has been possible for us to increase production and harvest better quality products. I hope this story motivates young people to become entrepreneurs and devote their lives to working the land."

JAIRO GUSTAVO CUENCA ARMIJOS
TAKATAII AGRICULTURAL
PRODUCER



OPPOSITE PAGE—
JAIRO GUSTAVO CUENCA ARMIJOS
AND HIS WIFE PREPARE PAPAYA CROPS
FOR SALE TO CATERING LAS PEÑAS

Supporting the following UN Sustainable Development Goals



ECONOMIC DIVERSIFICATION

IN 2018, OUR INITIATIVES MULTIPLIED IMPACTS:

122	BUSINESSES SUPPORTED	21,000	FAMILY FARM SUPPLIERS
\$5.2M	ANNUAL REVENUE GENERATED	1,151	JOB SUPPORTED
58%	ANNUAL REVENUE GROWTH	\$3.3M	IN HOUSEHOLD INCOME EARNED

OUR STRATEGY:

Identifying untapped market opportunities and building upon the existing assets of local communities is one of our greatest strengths. We help small businesses and entrepreneurs by providing business analysis, technical assistance, management training and financing. By investing in non-resource dependent sectors, we can help promote vibrant and diverse local economies.

In 2018, we supported 20 initiatives across diverse sectors such as sustainable fisheries, eco-tourism, smallholder agriculture and community owned commercial farms to promote vibrant local economies.

REVITALISING A COMMUNITY

The coastal communities in the Atacama region in Chile have a long history in fisheries. However, unsustainable fishing practices and market barriers have put pressure on artisanal fisheries. Our team identified a market opportunity between a global exporter and leader in sustainable fisheries, and a local fishing union that owns a fish processing plant. In partnership with Lundin Mining's Candelaria mine, we invested in upgrades to the plant and supported the union to adopt sustainable fishing practices. Our support will assist the plant in becoming financially viable and locally managed within three years, enabling fisherfolk to retain more income and produce a value-added product which supports the recovery of marine resources.

PLANTING ECONOMIC ROOTS

In Botswana, most vegetables are imported from neighbouring countries making them unaffordable for many. There was a clear opportunity to improve village access to affordable vegetables and protein, create meaningful employment and improve nutrition for 1,600 students attending local schools.

In partnership with Lucara, we worked closely with the Mokubilo community to design a viable business model for a community-owned commercial farm. We supported farm construction, start-up operations and integrated solar energy to meet water and lighting needs. The farm has created 13 new full-time jobs for local community members and completed its first sales in early 2019. ♦

"Where there is hard work, everything impossible can be made possible."

OREELETWE KEATSHABIWA
MOKUBILO COOPERATIVE
SOCIETY FARM



OPPOSITE PAGE—
OREELETWE KEATSHABIWA
PACKAGING EGGS FOR SALE AT
MOKUBILO COOPERATIVE
SOCIETY FARM

Supporting the following UN Sustainable Development Goals



SOCIAL AND ENVIRONMENTAL INNOVATION

IN 2018, OUR EARLY STAGE INVESTMENTS GAINED TRACTION:

51	SOCIAL AND ENVIRONMENTAL INNOVATIONS	40%	OF INNOVATIONS GENERATING REVENUES WITHIN 6 MONTHS
→	SOLUTIONS FOR CLIMATE CHANGE, SUSTAINABLE OCEANS AND INCLUSIVE COMMUNITIES	73	JOB'S SUPPORTED
		\$2M	FOLLOW-ON FUNDING SECURED

OUR STRATEGY:

At the Lundin Foundation, we look for high-potential solutions to social and environmental challenges led by inspiring entrepreneurs. Our focus is on supporting viable business models that leverage the scaling power of markets. We provide early-stage financing, technical assistance and fund incubator programs to help promising ideas grow.

In 2018, our team supported four exciting incubator programs and made impact investments in Chile, Norway and Sweden. Our focus has been on solutions tackling climate change, sustainable oceans, responsible consumption and social issues related to refugee integration.

SUPPORTING LOW CARBON FOOD SYSTEMS

The Arctic Accelerator has kickstarted new business models, incubated businesses and launched market-ready products with a focus on the environment in northern Norway. With the help of the Accelerator, Mariann Solaas launched FOODSPOT, a digital platform that links consumers to local sustainable agricultural producers, helping farmers expand sales channels while reducing

the carbon footprint of food distribution. Mariann now works full-time on FOODSPOT, and is preparing for a full commercial launch after securing follow-on funding from investors.

INVESTING IN SUSTAINABLE OCEANS

Our team also identified the need for solutions in sustainable oceans and invested in Katapult Ocean, an accelerator and impact fund co-founded by Katapult Accelerator and WWF Norway. The fund is focused on promoting the development of emerging sustainable ocean technologies that include zero-emissions shipping technologies, plastic waste reduction and traceability of fisheries. There are currently 12 active businesses involved in the fund, four of which are based in Norway. ♦

"I participated in the Arctic Accelerator because I needed to develop both my idea and myself as an entrepreneur. I launched the prototype during this period and it was really a game changer. My advice for aspiring entrepreneurs: Go for it! If you believe that your concept has the right to life, quit your day job and go all in!"

MARIANN SOLAAS
FOUNDER OF FOODSPOT, A START-UP PROMOTING SUSTAINABLE AND LOW CARBON FOOD SYSTEMS



Supporting the following UN Sustainable Development Goals





PARTNER PROFILES

WE CLEAR A
PATH, NOT JUST
FOR A FEW
INDIVIDUALS,
BUT FOR ENTIRE
COMMUNITIES.

The strength of our partnerships ensure a better way forward for resource development. Our shared commitment to elevate development practices makes certain that benefits are far-reaching and long-lasting.

- AFRICA OIL CORP.
- FILO MINING CORP AND NGEx RESOURCES INC.
- LUCARA DIAMOND CORP.
- LUNDIN MINING CORPORATION
- LUNDIN GOLD INC.
- LUNDIN PETROLEUM AB

OPPOSITE PAGE—
DANIELA VERGARA
OF RECYBATT PROMOTING BATTERY RECYCLING
AT LOCAL SCHOOLS IN COPIAPO, CHILE

AFRICA OIL CORP.



COUNTRIES:

KENYA

- STRATEGIC PILLARS:
- EDUCATION AND SKILLS TRAINING
 - ECONOMIC DIVERSIFICATION

PARTNERSHIP INITIATIVES SUPPORT THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS (SDGs):



Africa Oil supports small businesses and communities across northern Kenya, enabling access to employment and business opportunities linked to emerging oil and gas development. The Foundation supports these efforts through multi-year initiatives focused on education and skills training and small business growth.

In Turkana County, the Lundin Foundation and Africa Oil strengthened the training capacity of the Lodwar Technical Vocational Training Centre by upgrading the electrical, plumbing and catering

facilities. The Foundation’s support helped the Training Centre generate revenue through its catering program, building on its success with the launch of a profitable commercial restaurant. This unique social enterprise offers quality training for students, finances the centre’s operations and has provided a revenue generating model that is being expanded to other programs.

The Foundation developed multi-year initiatives to train, mentor and finance small businesses and launched an impact investment fund in northern Kenya.

The Turkana Catalyst Initiative targets early-stage, local oil and gas suppliers to ensure small businesses benefit from oil and gas development while diversifying their client base to create local jobs. This initiative attracted the interest and support of the UK’s Department for International Development and the Mennonite Economic Development Associates (MEDA). They co-funded the multi-year initiative and see the Initiative as a valuable strategy, that will provide opportunities to small businesses and positively impact the community. ♦

INITIATIVES

Lodwar Technical Vocational Training Centre	Upgrade local training institution with electrical, plumbing and catering facilities and institutional capacity building
Turkana Catalyst Initiative	Small business training program supporting Turkana-based oil and gas suppliers to expand business and diversify customers
Northern Kenya Growth Capital	Small-medium enterprise impact investment fund to support small businesses in underserved northern regions

FILO MINING CORP AND NGEx RESOURCES INC.



COUNTRIES:

CHILE
ARGENTINA

- STRATEGIC PILLARS:
- ADVISORY SERVICE

PARTNERSHIP INITIATIVES SUPPORT THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS (SDGs):



Filo and NGEx hold some of the largest copper and gold resources in Chile and Argentina with the Josemaria and Filo del Sol projects. While undergoing pre-feasibility studies in preparation for development in 2018, key priorities for both companies were securing land access, enhancing local stakeholder relations and raising financing.

The Foundation helped both companies lay the groundwork to manage social risks—with a focus on developing strategic management systems and practices to improve the investment attractiveness

and success of the project. This included conducting a gaps analysis on IFC Performance Standards developing responsible mining policy to close all gaps identified.

Though in early stages, this has already resulted in a deeper assessment of the impact on indigenous communities near the project based on national legislation and internationally recognized standards. This has supported both companies in obtaining environmental permits in Chile and forming constructive relationships with local communities. ♦

LUNDIN MINING CORPORATION

lundin mining

COUNTRIES:

CHILE
PORTUGAL
SWEDEN
UNITED STATES

- STRATEGIC PILLARS:
- EDUCATION AND SKILLS TRAINING
 - LOCAL SUPPLIER DEVELOPMENT
 - ECONOMIC DIVERSIFICATION
 - SOCIAL AND ENVIRONMENTAL INNOVATION

PARTNERSHIP INITIATIVES SUPPORT THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS (SDGs):



QUOTES:

“I would like the community to be part of Panalinea—to know that it is thanks to them that Panalinea exists today and to support the future creation of a recycling plant.”

KAREN CAMPOS
FOUNDER OF PANALINEA WHICH PRODUCES MODULAR FURNITURE CREATED FROM RECYCLED TETRA PACKS

Lundin Mining is committed to responsibly mining base metals vital to society while creating meaningful value for stakeholders. Generating lasting benefits for local communities through a vibrant, diversified, local economy is integral to the company’s long-term success. The Foundation works closely with each site and its stakeholders to increase capacity of regional suppliers, develop untapped business opportunities and foster community-led solutions for pressing social and environmental challenges.

In Chile, the Inventa Comunidad program challenges community members to create and prototype solutions for pressing environmental and social challenges. We incubate the most viable businesses and help entrepreneurs bring their products to market. In 2018, every incubated business generated revenue and secured third party funding, with numerous Inventa entrepreneurs being recognized through national awards.

In Portugal, we developed a training program for local companies to expand their businesses and to support local suppliers in partnership with the University of Lisbon. We completed a feasibility study for the Portugal Wildscapes Tourism project in Baixo Alentejo, identifying tourism-

related opportunities for small businesses that help diversify the local economy.

In Michigan, USA, the Foundation supported the Eagle Emerging Entrepreneurs fund which provides financing to new entrepreneurs in Marquette County. To date, the fund has supported 38 early stage entrepreneurs to access over \$1.2M in loan financing.

In Sweden, the Foundation partnered with Alfred Nobel Science Park and Drivhuset to launch Zinkgruvan re:think—an entrepreneurship development program targeted at social and environmental solutions and youth entrepreneurship. ♦



INITIATIVES

Inventa (Candelaria, Chile)	Incubator program to support community-led social and environmental innovation
Local Suppliers Program (Candelaria, Chile)	Business training and access to finance for local suppliers
Punta Frodden (Candelaria, Chile)	Refurbishment of fish processing plant and support for local fisherfolk to harvest sustainable seafood
Anariki Tourism (Candelaria, Chile)	Launch of community-owned tourism boat and service
Portugal Wildscapes—Nature Tourism Project (Neves Corvo, Portugal)	Development of a nature-based tourism route to support economic diversification in the region surrounding Neves Corvo mine
Entrepreneurship Development Program (Neves Corvo, Portugal)	Training program for local companies and entrepreneurs delivered in partnership with the University of Lisbon
Eagle Emerging Entrepreneurs Fund (Eagle, US)	Loan guarantee fund supporting start-up entrepreneurs
Accelerate UP! (Eagle, US)	Long term planning for business coaching program
Middle College (Eagle, US)	Long term strategic planning for early college program
Powell Township and Big Bay (Eagle, US)	Enhancing economic opportunities through responsible tourism
Zinkgruvan re:think (Zinkgruvan, Sweden)	Entrepreneurship Development Program for youth and environmental innovations

DIAMONDS OPERATIONS		
<div><div><div>LUCARA DIAMOND CORP.</div><div><div>COUNTRIES:</div><div>BOTSWANA</div></div><div><div>STRATEGIC PILLARS:</div><div><div>ECONOMIC DIVERSIFICATION</div></div></div></div><div><div><div><div><div></div><div>1</div><div>NO POVERTY</div></div><div><div></div><div>2</div><div>ZERO HUNGER</div></div><div><div></div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div></div><div><div>Partnership initiatives support the following UN Sustainable Development Goals (SDGs):</div></div></div><div><div><div>QUOTES:</div><div><div>"We have been able to realise our dream of developing a sustainable farm that will feed the village and create decent employment"</div><div><div>THOMAS MAPHANE</div><div>CHAIRPERSON, MOKUBILO COOPERATIVE SOCIETY FARM</div></div></div></div></div></div></div>		
<div><div><div>Lucara's contributions to the development of the local communities goes beyond creating jobs. The Lundin Foundation works with Lucara to strengthen local entrepreneurial capacity, develop community infrastructure and support community-driven initiatives.</div><div><div>Our support in Botswana has evolved from an initial focus on individual entrepreneurs, through the Karowe Emerging Entrepreneurs Fund, to an emphasis on initiatives that have the potential to generate</div><div>widespread community benefits. With a goal of supporting small scale livestock producers, we have provided multi-year support to refurbish and operate the Letlhakane Abattoir.</div><div>In 2018, the Foundation supported Mokubilo Cooperative Society to launch a community-owned commercial farm. The village of Mokubilo exemplifies the power and potential of a community. The members of the community had long recognised the importance of the farm concept and that the high cost of nutritious food undermined</div><div>the health of the community. They were persistent in their vision to build a viable commercial farm to serve their community.</div><div>The financial support and business advice from the Foundation helped bring the farm to life. By harnessing the community spirit and vision, the farm is creating jobs for residents and providing affordable and nutritious food for schools and the broader community—proving the potential of Mokubilo village. ♦</div></div></div></div>		
INITIATIVES		
<div><div><div>Mokubilo Cooperative Society Farm</div><div>Community-owned commercial farm producing vegetables and eggs for local community and schools</div></div><div><div>Karowe Emerging Entrepreneurs Fund</div><div>Business development program to support high potential local entrepreneurs</div></div><div><div>Letlhakane Abattoir</div><div>Strengthening management capacity and operational efficiency of refurbished Letlhakane abattoir serving local livestock producers</div></div></div>		

GOLD CONSTRUCTION		
<div><div><div>LUNDIN GOLD INC.</div><div><div>COUNTRIES:</div><div>ECUADOR</div></div><div><div>STRATEGIC PILLARS:</div><div><div>EDUCATION AND SKILLS TRAINING</div><div>LOCAL SUPPLIER DEVELOPMENT</div><div>ECONOMIC DIVERSIFICATION</div></div></div></div><div><div><div><div><div></div><div>1</div><div>NO POVERTY</div></div><div><div></div><div>4</div><div>QUALITY EDUCATION</div></div><div><div></div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div></div><div><div>Partnership initiatives support the following UN Sustainable Development Goals (SDGs):</div></div></div></div></div>		
<div><div><div>Lundin Gold demonstrates that responsible mineral development is a powerful catalyst for sustainable development in Ecuador. In preparation for the launch of operations at Fruta del Norte, the Foundation has been working closely with Lundin Gold to create tangible benefits for local communities.</div><div><div>Early investments in education and skills development have provided members of local and indigenous communities access to the training required for skilled positions. With the launch of operations, the first</div><div>cohort of trainees—all living within 40km of Fruta del Norte—is on track to be hired in early 2019 as underground equipment and process plant operators.</div><div>Catering Las Peñas, a catering and hospitality company launched by former Fruta del Norte cafeteria workers is leveraging its success to develop its own local supplier program for agricultural producers.</div><div>In 2018, the Foundation continued to support high potential non-mining related sectors such</div><div>as dairy, coffee and cocoa, improving market opportunities and production capacities of local producers. This has led to a significant increase in on-farm income for over 250 farm families and producers in communities surrounding Fruta del Norte.</div><div>The Foundation also collaborates with the Shuar Federation, launching the Shuar Cultural Interpretation Centre—a multi-stakeholder Cultural and Tourism Consortium that develops culturally responsible tourism and tourism-related jobs. ♦</div></div></div></div>		
INITIATIVES		
<div><div><div>High School Program</div><div>Accelerated high school equivalency program for local community</div></div><div><div>Training for Operations</div><div>Workforce training program for underground mine and process plant operators</div></div><div><div>NEXO Local Supplier Development Program</div><div>Business development program for local suppliers</div></div><div><div>Takataii Agricultural Producers</div><div>Technical assistance and financing to local agricultural producers</div></div><div><div>ECOLAC Dairy Producers</div><div>Technical assistance and financing to improve income for dairy producers</div></div><div><div>APEOSAE Coffee and Cocoa Cooperative</div><div>Business and management training to improve incomes for coffee and cocoa producers</div></div></div>		

LUNDIN PETROLEUM AB

COUNTRIES:

NORWAY
SWEDEN

STRATEGIC PILLARS:

■ SOCIAL AND ENVIRONMENTAL
INNOVATION



PARTNERSHIP INITIATIVES SUPPORT THE FOLLOWING
UN SUSTAINABLE DEVELOPMENT GOALS (SDGs):



Lundin Petroleum develops oil and gas resources in Norway efficiently and responsibly for a sustainable and low carbon future. The Foundation supports Lundin Petroleum to fulfill its commitments under the UN Global Compact and Sustainable Development Goals. We support early stage business incubation programs and impact investments to seed and develop viable solutions tackling climate change, sustainable oceans and inclusive communities.

In 2018, the Foundation grew its impact investment portfolio in Norway and Sweden. We invested in Katapult Ocean Accelerator and Impact Fund, an initiative co-founded between Katapult and WWF Norway aimed at supporting growth of early stage, sustainability-focused ocean technology companies.

We continue to support Arctic Accelerator, helping young entrepreneurs in northern Norway develop businesses around renewable energy, energy efficiency and sustainable use of natural resources.

The Foundation was invited to sit on the National Advisory Board in Sweden for the Global Steering Group for Impact Investing to guide the broader impact investing ecosystem in the region.

Our support to incubator programs focused on inclusive communities are generating exciting opportunities. We invested in CHARGE, a program supporting first generation immigrant entrepreneurs in Norway. Alumni businesses have also gone on to secure third party funding and win national social entrepreneurship awards. ♦

INITIATIVES

Arctic Accelerator	Business incubator program supporting youth entrepreneurs with early stage business ideas to market launch
Arctic Algae	Impact Investment in start up company launched through Arctic accelerator
Charge Incubator	Business incubator program supporting first generation immigrant entrepreneurs
C/O Businesses	Business incubator program helping newcomer and refugee entrepreneurs launch businesses
Katapult Ocean	Accelerator and seed investment fund focusing on early stage businesses dedicated to protect the oceans

BOARD AND MANAGEMENT TEAM

BOARD OF DIRECTORS

Lukas Lundin

CHAIR

Mr. Lundin is known for recognizing value and superior global investment opportunities in the natural resource sector. The vision for the Lundin Foundation came from an impactful journey Mr. Lundin took in 2006 when he rode his motorcycle from Cairo to Cape Town. Following in the adventurous spirit of his father, Adolf Lundin, his experiences and commitment to bringing global awareness of critical issues inspired the creation of the Lundin Foundation.

Christine Batruch

Ms. Batruch, a historian and lawyer, is based in Geneva and works in the non-profit and business sectors. As Vice President Corporate Responsibility at Lundin Petroleum, she is responsible for the company's sustainability strategy. Ms. Batruch is also President of the Board of the Foundation Vidrodgenia in Geneva and of the Bohdan Hawrylyshyn Family Foundation in Kyiv.

Paul Conibear

Mr. Conibear is a professional engineer who brings more than 30 years of senior leadership experience from predominantly developing countries. Mr. Conibear is the former President and CEO of Lundin Mining and President and CEO of Tenke Mining Corporation in the Democratic Republic of Congo. Mr. Conibear serves as a Director of several Lundin Group companies and is a founding Board Member of the Lundin Foundation.

Ron Hochstein

Mr. Hochstein is currently the President and Chief Executive Officer of Lundin Gold Inc. Mr. Hochstein has worked for the Lundin family directly and as a consultant for more than 20 years and served as President and Chief Executive Officer of Denison Mines Corporation from 2009 to 2015. Mr. Hochstein is Director of Lundin Gold Denison Mines Corp, and Sprott Resource Holdings Inc.

Eva Lundin

Mrs. Lundin is a frequent visitor to Africa and engaged in a number of philanthropic activities. Mrs. Lundin completed a Bachelor of Science in Agriculture at the University of Vermont.

Erin Johnston

Ms. Johnston serves as Managing Director of the Lundin Foundation. She draws upon over 15 years' experience working in the private sector, leading capacity building and resource governance projects in Latin America, Asia, and Africa. Ms. Johnston previously oversaw British Columbia's investment in skills training and has served on the Board of Directors of a number of not-for-profit organizations.

MANAGEMENT TEAM

Erin Johnston

MANAGING DIRECTOR

Ms. Johnston serves as Managing Director of the Lundin Foundation. She draws upon over 15 years' experience working in the private sector, leading capacity building and resource governance projects in Latin America, Asia, and Africa. Ms. Johnston previously oversaw British Columbia's investment in skills training and has served on the Board of Directors of a number of not-for-profit organizations.

Ka-Hay Law

CHIEF INNOVATION AND STRATEGY OFFICER

Ms. Law leads the Foundation's impact management system and strategy. She joined in 2011, expanding the Foundation's portfolio of impact investments. With over 12 years of experience in private sector development and impact investing in Africa, Ms. Law brings deep insight into the inner workings of small businesses and the evolving business models required to serve rural African markets.

Simon Maurice

TRAINING DIRECTOR, FRUTA DEL NORTE PROJECT

Mr. Maurice joined the Foundation to ensure Lundin Gold's Fruta del Norte project in Ecuador benefits from representation of community members and local workforce. He brings more than 20 years of large scale mining experience in developing countries and remote locations including Papua New Guinea, the Dominican Republic, Argentina, and Zambia. He has led corporate mining training programs and established training standards globally.

Stephen Nairne

STRATEGIC ADVISOR

Mr. Nairne is a Special Advisor to the Lundin Foundation, providing guidance on investing and economic diversification models. Mr. Nairne served as the Lundin Foundation's Managing Director from 2007 to 2018. Prior to that he 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.

Rosamelia Andrade

PROJECT MANAGER

Ms. Andrade provides project management support to training initiatives in southern Ecuador, and manages the Foundation's Sustainability Summit. She has managed projects in Afghanistan, Cambodia, Nepal and Sri Lanka, as well as 11 countries in Latin America.

Carlos Droppelmann

SUSTAINABILITY MANAGER, CHILE

Mr. Droppelmann is the Sustainability Manager for Filo Mining Corp and NGEx Resources . He has over 18 years of experience advising and contributing to the shared value creation processes related to sustainable development, community relations and environmental management—mainly in the extractive and productive industries.

Tamara Aravena

PROGRAM MANAGER, CHILE

Ms. Aravena is a Business Engineer with more than seven years of professional experience in project management in the public and private sector in Chile. Her main areas of expertise relate to environmental and social challenges in the mining industry as well as the spread of renewable energy solutions in isolated regions.

Ana Lucia Jaramillo

PROGRAM MANAGER, ECUADOR

Ms. Jaramillo has extensive experience in business administration, project management, corporate relations and relationship management between organizations and stakeholders such as communities, government entities and suppliers. She has been in charge of the value chain and business sector development and has participated in the management of capacity building and training initiatives. She moderates and coordinates round tables, dialogues and community negotiation processes.

Eva Kigo

PROGRAM MANAGER, KENYA AND ETHIOPIA

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.

Babatshi Gasha

PROGRAM MANAGER, BOTSWANA

Mr. Gasha oversees the Foundation’s community development initiatives and projects surrounding Lucara Botswana’s Karowe mine. He has over 16 years of experience working with built environments, with expertise in planning, implementing, and coordinating a diverse range of projects.

Joanne Liu

FINANCE AND ACCOUNTING DIRECTOR

Ms. Liu provides strategic leadership in accounting and finance management. She has more than 10 years of experience in various for-profit and non-profit organizations. Her expertise lies within providing comprehensive accounting functions and financial reporting, monitoring operational efficiencies and implementing controls and procedures. ♦

FINANCIAL
REPORT

INDEPENDENT AUDITOR’S REPORT

To the Directors of Lundin Foundation

Report on the audit of the financial statements

Opinion:

We have audited the financial statements of **Lundin Foundation** [the “Foundation”], which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion:

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor’s report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information above and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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.

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

Those charged with governance are responsible for overseeing the Foundation’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

As required by the *Canada Corporations Act*, we report that, in our opinion, the accounting principle in 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 22, 2019

STATEMENT OF FINANCIAL POSITION

EXPRESSED IN CANADIAN DOLLARS

AS AT DECEMBER 31	2018	2017
ASSETS		
(CURRENT)		
Cash and cash equivalents	1,604,312	873,935
Short-term investments [note 3]	68,775	63,346
Accounts receivable [note 10[b]]	472,993	285,168
Accounts receivable from West Africa Technical Assistance Facility partners [note 8]	—	62,385
Prepaid expenses and deposits	36,685	54,812
Loans receivable – short-term [note 5]	—	125,450
Due from related parties [note 10[e]]	1,150,924	1,627,456
Restricted cash – GAC [note 8]	—	53,284
Restricted cash – DFID [note 9]	—	379,655
Total current assets	3,333,689	3,525,491
Loans receivable – long-term [note 5]	—	714,093
Equity venture investments [note 6]	752,548	1,085,199
Property and equipment, net [note 7]	47,558	64,383
Restricted cash - loan guarantees [note 13]	627,124	594,781
Repayable grant scheme [note 14]	24,076	61,172
Due from related parties – long-term [note 10[e]]	414,353	361,654
Total assets	5,199,348	6,406,773
LIABILITIES AND UNRESTRICTED NET ASSETS		
Accounts payable and accrued liabilities [note 10[a]]	278,241	466,818
Deferred revenue [notes 8 and 11]	—	726,539
Total current liabilities	278,241	1,193,357
COMMITMENTS [NOTE 12]		
CONTINGENCIES [NOTE 13]		
Unrestricted net assets	4,921,107	5,213,416
Total liabilities and unrestricted net assets	5,199,348	6,406,773
SEE ACCOMPANYING NOTES		

ON BEHALF OF THE BOARD:


Lukas H. Lundin
DIRECTOR


Erin Johnston
DIRECTOR

STATEMENT OF OPERATIONS

EXPRESSED IN CANADIAN DOLLARS

YEAR ENDED DECEMBER 31	2018	2017
Contributions [note 10[b]]	8,994,545	5,696,458
GAC grant [note 8]	77,188	474,149
DFID grant	849,754	—
Expense recovery [notes 10[c] and [d]]	2,912,316	2,127,075
	12,833,803	8,297,682
Project costs [Schedule 1]	6,641,480	4,841,520
GAC project expenses [note 8]	176,011	624,898
	6,817,491	5,466,418
Excess of revenue over expenses before General and administrative expenses	6,016,312	2,831,264
GENERAL AND ADMINISTRATIVE EXPENSES [NOTES 10 [A], [C], [D]; [SCHEDULES 3 AND 4]]		
Accounting	124,966	68,484
Amortization of property and equipment	16,825	16,825
Bank charges and interest	38,128	26,760
Board and portfolio meetings	40,692	30,309
Conferences	56,062	31,909
Legal fees	155,745	31,753
Memberships	44,911	44,402
Office	218,977	143,105
Rent and utilities	438,350	390,708
Retreat and staff meeting	104,318	73,476
Salaries and benefits	3,287,667	2,301,344
Sponsorships	29,695	38,304
Sustainability summit	101,709	108,495
Telephone and communications	64,365	48,290
Travel	597,410	305,414
	5,319,820	3,659,578
Excess (deficiency) of revenue over expenses from operations before other items	696,492	(828,314)
OTHER ITEMS		
Investment income (loss) [Schedule 2]	429,712	(184,600)
Miscellaneous income (expense)	(41)	973
Write-off of loan receivable [note 5]	(803,490)	—
Net realized gain (loss) on sale of equity investments	—	11,744
Net administration expense on loan guarantee	—	(1,162)
Impairment loss on repayable grant scheme	(82,690)	(84,042)
Donation to related party	(532,292)	—
	(988,801)	(257,087)
Deficiency of revenue over expenses for the year	(292,309)	(1,085,401)
SEE ACCOMPANYING NOTES		

SEE ACCOMPANYING NOTES

STATEMENT OF CHANGES IN NET ASSETS

EXPRESSED IN CANADIAN DOLLARS

YEAR ENDED DECEMBER 31	UNRESTRICTED	EXTERNALLY RESTRICTED	2018 TOTAL	2017 TOTAL
Net assets, beginning of year	5,213,416	—	5,213,416	6,298,817
Excess [deficiency] of revenue over expenses for the year	(292,309)	—	(292,309)	(1,085,401)
Restricted funding received during the year	—	544,404	544,404	757,335
Deferred contributions	—	(544,404)	(544,404)	(757,335)
Deferred contributions earned during the year	—	1,270,943	1,270,943	30,796
Restricted funding expenditures for the year	—	(1,270,943)	(1,270,943)	(30,796)
Net assets, end of year	4,921,107	—	4,921,107	5,213,416
SEE ACCOMPANYING NOTES				

STATEMENT OF CASH FLOWS

EXPRESSED IN CANADIAN DOLLARS

YEAR ENDED DECEMBER 31	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	(292,309)	(1,085,401)
Add (deduct) items not affecting cash		
Amortization of Property and Equipment	16,825	16,825
Impairment loss on investment	803,490	—
Impairment loss on repayable grant scheme	82,690	30,000
Loss (gain) on sale of equity venture investments	—	(11,744)
Holding loss on marketable securities	(46,874)	3,769
Allocation of distribution income to equity	(5,429)	—
Foreign exchange loss not involving cash flow	(260,020)	77,655
	298,373	(968,896)
Changes in non-cash working capital balances related to operations		
Increase in accounts receivable	(182,924)	(238,251)
Decrease [increase] in prepaid expenses and deposits	18,127	(1,130)
Repayment from related parties	476,532	423,943
Decrease in accounts payable and accrued liabilities	(188,577)	(94,074)
Cash used in operating activities	421,531	(878,408)
INVESTING ACTIVITIES		
Maturity of term deposit	—	250,000
Loan repayments	136,410	—
Interest on loan receivable	—	(25,651)
Purchase of property and equipment	—	(23,752)
Proceeds on sale of equity investment	—	38,997
Capital distribution of equity venture investments	332,653	255,028
[Decrease] increase in deferred revenue – restricted donations	(344,000)	329,000
Reinvested income	—	(319)
Loan guarantee – Equity Bank, NEI, BCI	—	29,666
Repayable grant scheme – KEEF	(45,736)	14,084
Revenue over expenses relating to restricted cash	112,784	135,436
Cash provided by investing activities	192,111	1,002,489
Net increase in cash during the year		
Effect on foreign exchange on cash and cash equivalents	116,735	(19,505)
Cash and cash equivalents, beginning of year	873,935	769,359
Cash and cash equivalents, end of year	1,604,312	873,935
Cash and cash equivalents is comprised of:		
Cash	1,578,808	848,469
Cash equivalents	25,504	25,466
	1,604,312	873,935
SEE ACCOMPANYING NOTES		

NOTES TO FINANCIAL STATEMENTS (DECEMBER 31, 2018)

1 PURPOSE OF THE ORGANIZATION

The Lundin Foundation [the “Foundation”], incorporated under the Canada Corporations Act in 2005, 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 streams from, resource development projects in targeted countries. The Foundation is exempt from income taxes in Canada.

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

Contributions 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 deferred and recognized as revenue in the period in which the related expenses are incurred.

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 timing and amount 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.

Foreign currency translation

Amounts denominated in foreign currencies have been translated into Canadian dollars as follows:

- A| **Monetary assets and liabilities are translated at 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 are 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 (Vancouver)	10 years
Office improvements (Kenya)	6 years
Office furniture and equipment	5 years

When an item of property and equipment no longer has any long-term service potential to the Foundation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed

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

	2018	2017
Echelon Canadian cash account	10,062	9,946
Echelon U.S. dollar cash account	58,713	53,400
	68,775	63,346

4 FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Certain of the Foundation’s cash and cash equivalents earn interest at variable market rates and certain loans and promissory notes receivable earn interest at variable or fixed interest rates. The Foundation does not use derivative financial instruments to manage the effects of this risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk in the event of non-performance by counterparties primarily in connection with its cash and cash equivalents, restricted cash, accounts receivable, loans receivable, and promissory note receivable. The Foundation mitigates its credit risk with respect to cash and cash equivalents by dealing with financial institutions with no publicly known liquidity problems and, with respect to amounts receivable, loans receivable and promissory note receivable by dealing only with what management believes to be sound counterparties.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to liquidity risk primarily from its accounts payable and accrued liabilities. The Foundation’s ability to meet its obligations depends on generating cash flows from operations and the ability to obtain financing from other sources including its existing and other potential funders.

Currency risk

Currency risk 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 has certain cash and cash equivalents, accounts receivable, loans receivable, equity venture investments, restricted cash, repayable grants, and accounts payable denominated in US dollars, Kenyan shillings, Zambian kwachas, Botswanan pulas, and Chilean pesos and thus the Foundation is exposed to the risk of fluctuations in earnings and cash flows arising from changes in the exchange rate between the Canadian dollar and those currencies and the degree of volatility in those rates.

5 LOANS RECEIVABLE

	2018 (\$)	2017 (\$)
Chanyanya Project	—	714,093
unsecured, 5% interest bearing loan with interest and principal repayments commencing in 2013 [denominated in USD] [a]		
Ecolac Cia Ltd.	—	125,450
unsecured and non-interest bearing. Principal of US\$100,000 to be repaid in full on December 15, 2018 [denominated in USD]		
	—	839,543
Less loans receivable – current term portion	—	125,450
	—	714,093

[a] As at December 31, 2018, the Foundation recorded an impairment loss on the Chanyanya Project loan receivable totaling US \$803,490 [2017 – US \$nil]. As at December 31, 2018, the Foundation has accrued interest on the Chanyanya Project loan receivable totaling US \$nil [2017 – US\$174,074]. 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.

6 EQUITY VENTURE INVESTMENTS

	2018 (\$)	2017 (\$)
Central Africa SME Fund C.V.	703,094	1,035,745
[7.82% equity interest in a Dutch limited partnership that invests in small to medium sized enterprises in Central Africa. The Foundation has invested approximately 98% of its total committed investment of US\$1.5 million.] [denominated in USD \$514,217]		
Rent to Own Zambia Ltd.	49,454	49,454
[The Foundation holds 65,000 preferred shares (9.24% interest) of a for-profit business, which loans productive assets or equipment to viable small-scale entrepreneurs in rural Zambia] [denominated in USD \$50,000]		
	752,548	1,085,199

7 PROPERTY AND EQUIPMENT

			2018 (\$)	2017 (\$)
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VAUE
Office improvements (Vancouver)	127,680	95,760	31,920	44,688
Office improvements (Kenya)	20,813	6,938	13,875	17,344
Office furniture & equipment	7,088	5,325	1,763	2,351
	155,581	108,023	47,558	64,383

8 GAC CONTRIBUTIONS- DEFERRED REVENUE (GRANT RECEIVABLE)

	2018 (\$)	2017 (\$)
Deferred revenue (grant receivable) carried forward from prior year	2,884	(166,231)
Contributions and interest received from GAC during the year	74,304	643,264
	77,188	477,033
Less contributions spent during the year	(77,188)	(474,149)
Deferred revenue (grant receivable) [note 11]	--	2,884

The contributions received from Global Affairs Canada [“GAC”] are restricted to project costs for the West Africa Technical Assistance Facility (WATAF) 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 the end of the project reporting date of January 31, 2018, the total cumulative costs incurred on the project by the organizations were \$1,123,538 [2017 – \$1,202,723] and the cumulative costs incurred on the project by GAC were \$1,573,065 [2017 – \$1,730,606]. For the year ended December 31, 2018, the Foundation recognized \$77,188 (2017 – \$474,149) of revenue, and \$176,011 (2017 – \$624,898) of expenses in the statement of operations. 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 totaling \$nil [2017 – \$53,284]. As at December 31, 2018, the Foundation recorded accounts receivable from WATAF partners of \$nil [2017 – \$62,385].

9 DFID CONTRIBUTIONS – RESTRICTED CASH

In 2017, the Department of International Development [“DFID”] awarded a grant to the Foundation to contribute to the implementation of the Turkana Catalyst Initiative [“TCI”] of up to GBP 497,748 for a period of one year ended September 30, 2018. TCI was a business accelerator and seed financing program that combined targeted and intensive technical assistance and seed financing for a selected number of SMEs offering the greatest potential returns on this investment. The ambition was for the business accelerator program to act as a feeder fund towards a related initiative, “the Northern Kenya Growth Capital [“NKGK”]”, completing a vertically integrated approach to supporting SME growth in Turkana.

The Foundation received remaining project funding of GBP 279,914 [CAD \$470,100], which were fully spent in 2018. As at December 31, 2018, the Foundation had restricted cash recorded on the statement of financial position totaling GBP \$nil [CAD\$nil] [2017 – GBP 223,835 [CAD\$379,655]].

10 RELATED PARTY TRANSACTIONS

A| During 2018, included in rent and utilities expenses is \$357,989 [2017 – \$314,813] 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 \$26,250 [2017 – \$26,250] and recovers out-of-pocket expenses related to the Foundation’s activities.

As at December 31, 2018, \$13,909 [2017 – \$28,309] is included in accounts payable and accrued liabilities for other expenses payable to Namdo.

NOTES TO FINANCIAL STATEMENTS (DECEMBER 31, 2018)

(CONTINUED)

B| The Foundation received total donations of \$8,994,545 [2017 – \$5,696,458], of which of \$8,141,810 [2017 – \$4,878,387] 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, \$389,553 [2017 – \$281,776] is recorded in accounts receivable as at December 31, 2018.

C| The Foundation paid \$658,031 [2017 – \$423,724] of salaries, rent and other office expense on behalf of the Lundin Global Initiatives Foundation [“LGIF”], a not-for-profit organization under common control. The balance receivable from the LGIF as at December 31, 2018 was 205,657 [2017 – \$228,536]. The receivable balance is non-interest bearing, unsecured, with no stated repayment terms.

D| During the year ended December 31 2018, the Foundation paid \$2,254,285 [2017 – \$1,817,939] of salaries, rent, travel, and other office expenses on behalf of Adolf H. Lundin Foundation [“AHLCF”], a not-for-profit organization under common control. The balance receivable from AHLCF as at December 31, 2018 was US \$388,354 [CAD \$529,793] [2017 - US\$538,394 [CAD \$675,416]. The receivable balance is non-interest bearing, unsecured with payment request on demand.

E| Due from related parties:

	2018 (\$)	2017 (\$)
Due from LGIF [note 10[c]]	205,657	228,536
Due from AHLCF – current [expense reimbursements] [note 10[d]]	529,793	675,416
Due from AHLCF – promissory note [unsecured, bearing interest at prime + 2% per annum, US\$ 304,555 [CAD \$415,474] repayable by December 9, 2019; US\$303,734 [CAD\$414,353] repayable by December 9, 2020]	829,827	1,085,158
	1,565,277	1,989,110
Less - current portion	1,150,924	1,627,456
	414,353	361,654

11 DEFERRED REVENUE

	2018 (\$)	2017 (\$)
GAC contributions – deferred revenue [note 8]	--	2,884
DFID contributions – deferred revenue [note 9]	--	379,655
Restricted funding	--	344,000
	--	726,539

During the year ended December 31, 2018, the Foundation has fully recognized revenue for the period upon full completion of project milestones.

12 COMMITMENTS

The Foundation is committed to disbursement of project costs by 2019 in the form of contribution and service agreements totaling US\$ 2,118,555 [2017 – US\$1,409,358].

13 LOAN GUARANTEES

The Foundation has entered into the following loan guarantee agreements with Northern Initiatives [“CDFI”], Association Los Helados [the “Association”], and Equity Bank (Kenya) Limited [“EBKL”], which remain active as at December 31, 2018.

	2018 (\$)	2017 (\$)
CDFI	308,972	282,850
The Association	140,863	148,764
EBKL	177,289	163,167
	627,124	594,781

CDFI

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

In 2013, the Foundation deposited US\$250,000 in an insured depository institution selected by the CDFI, fully collateralizing 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, 2018, CDFI has disbursed an aggregate total of US\$1,244,363 [2017 – US\$1,084,254] in business loans. To date, CDFI has drawn down US\$27,181 [2017 – US\$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 and launched Lundin Equity Emerging Entrepreneurs Fund [“LEE EF”], 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. LEE EF provides business training to MSMEs, and partial loan guarantees to graduates of business training. The target impact of LEE EF 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.

The Foundation deposited US\$130,208 at 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.

A| As at December 31, 2018, 110 [2017 – 91] loans were disbursed, at KES 27,144,000 [CAD\$327,384]. Total outstanding balance of loans as at December 31, 2018 is KES 1,659,751 [CAD\$20,018] [2017 – KES 6,769,518 [CAD\$81,647]].

B| There was no drawdown to the loan guarantee in 2018 or 2017.

NOTES TO FINANCIAL STATEMENTS (DECEMBER 31, 2018)

(CONTINUED)

14 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 of Botswana, by providing funding, training, mentoring and support for new and existing businesses, with access to finance for both working capital and capital expenditure.

KEEF offers secured and unsecured repayable grants of up to a maximum of BWP 150,000, 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. All businesses

financed through KEEF will receive pre and post-funding training, and mentoring from KEEF’s business development manager.

As at December 31, 2018, total reported net assets of KEEF was BWP 193,300 [CAD\$24,076] [2017 – BWP 487,600 [CAD\$61,172]].

15 COMPARATIVE INFORMATION

Certain prior year amounts have been reclassified to conform to the financial statement presentation used in the current year. ♦

SCHEDULE OF PROJECT COSTS (SCHEDULE 1)

EXPRESSED IN CANADIAN DOLLARS

YEAR ENDED DECEMBER 31	2018	2017
AFRICA OIL CORP.	536,952	1,406,283
LUNDIN MINING CORPORATION	2,997,529	1,066,376
LUNDIN GOLD INC.	1,088,764	1,528,536
LUCARA DIAMOND CORP.	101,500	292,306
LUNDIN PETROLEUM AB.	1,087,928	465,950
NGEX RESOURCES INC.	86,113	—
FILO MINING CORP.	86,113	—
LUNDIN FOUNDATION	26,118	82,069
DFID: TURKANA CATALYST INITIATIVES	621,591	—
MEDA-TURKANA CATALYST INITIATIVES	8,872	—
	6,641,480	4,841,520

SEE ACCOMPANYING NOTES

SCHEDULE OF OTHER ITEMS (SCHEDULE 2)

EXPRESSED IN CANADIAN DOLLARS

YEAR ENDED DECEMBER 31	2018	2017
INVESTMENT INCOME (LOSS)		
Interest on impact investment-loan receivable	25,612	25,651
Interest on cash, cash equivalents, and promissory note receivable	58,951	75,265
Foreign exchange gain (loss)	340,431	(281,747)
Unrealized gain (loss) on marketable securities	4,718	(3,769)
	429,712	(184,600)

SEE ACCOMPANYING NOTES

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES (SCHEDULE 3)

EXPRESSED IN CANADIAN DOLLARS

YEAR ENDED DECEMBER 31	2018	2017
General and administrative expenses, net of expense recoveries of \$2,912,316 (2017 - \$2,127,075) are as follows:		
Accounting	82,260	51,238
Amortization	16,825	16,825
Bank charges and interest	27,482	25,749
Board and portfolio meetings	19,232	6,703
Conferences	21,191	2,773
Legal fees	44,889	9,814
Memberships	5,809	6,427
Office	132,238	75,387
Rent and utilities	171,032	139,472
Retreat and Staff meeting	18,092	—
Salaries and benefits	1,313,070	830,209
Sponsorships	—	23,304
Sustainability summit	101,709	108,495
Telephone and communications	25,489	20,972
Travel	428,186	215,135
	2,407,504	1,532,503

SEE ACCOMPANYING NOTES

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES: SEGREGATED REPORTING (SCHEDULE 4)

EXPRESSED IN CANADIAN DOLLARS

YEAR ENDED DECEMBER 31

	2018 ADMINISTRATION	2018 PROJECT MANAGEMENT	2018 TOTAL
General and administrative expenses, net of expense recoveries of \$2,912,316 (2017 - \$2,127,075) are as follows:			
Accounting	82,260	—	82,260
Amortization	16,825	—	16,825
Bank charges and interest	27,482	—	27,482
Board and portfolio meetings	19,232	—	19,232
Conferences	17,752	3,439	21,191
Legal fees	44,889	—	44,889
Memberships	5,809	—	5,809
Office	131,352	886	132,238
Rent and utilities	171,032	—	171,032
Retreat and staff meeting	18,092	—	18,092
Salaries and benefits	399,053	914,017	1,313,070
Sponsorships	—	—	—
Sustainability summit	101,709	—	101,709
Telephone and communications	25,489	—	25,489
Travel	22,213	405,973	428,186
	1,083,189	1,324,315	2,407,504

YEAR ENDED DECEMBER 31

	2017 ADMINISTRATION	2017 PROJECT MANAGEMENT	2017 TOTAL
Accounting	51,238	—	51,238
Amortization	16,825	—	16,825
Bank charges and interest	25,749	—	25,749
Board and portfolio meetings	6,703	—	6,703
Conferences	2,773	—	2,773
Legal fees	9,814	—	9,814
Memberships	6,427	—	6,427
Office	75,387	—	75,387
Rent and utilities	139,472	—	139,472
Retreat and staff meeting	—	—	—
Salaries and benefits	830,209	—	830,209
Sponsorships	23,304	—	23,304
Sustainability summit	108,495	—	108,495
Telephone and communications	20,972	—	20,972
Travel	215,135	—	215,135
	1,532,503	—	1,532,503

SEE ACCOMPANYING NOTES

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