

Lundin Foundation

Non-consolidated Financial Statements
(Expressed in Canadian dollars)
December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Directors of Lundin Foundation:

Opinion

We have audited the financial statements of Lundin Foundation (the "Foundation"), which comprise the non-consolidated statement of financial position as at December 31, 2019, and the non-consolidated statement of operations, non-consolidated statement of changes in net assets and non-consolidated statement of cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2019, and its results of operations and 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 non-consolidated financial statements and our auditor's report thereon, including in the Annual Report.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not or will not express any form of assurance 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 non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The annual report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Other Matter

The financial statements of the Foundation for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on May 22, 2019.

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 relating to the 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 aggregate, they could reasonably be expected to influence 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 audit 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 controls.
- Obtain an understanding of the internal controls 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 controls.
- 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 the 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 controls that we identify during our audit.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
April 10, 2020

Lundin Foundation

Non-consolidated Statement of Financial Position
(Amounts expressed in Canadian dollars)

As at December 31

	<i>note</i>	2019	2018
ASSETS			
Current			
Cash and cash equivalents		\$ 1,683,930	\$ 1,673,087
Accounts receivable	8(a), 8(c), 8(d)	1,697,264	1,208,443
Prepaid expenses and deposits		19,844	36,685
Note receivable from related party	3	712,508	415,474
Total current assets		4,113,546	3,333,689
Long-term investments	4	291,414	752,548
Property and equipment, net	5	30,734	47,558
Restricted cash - loan guarantees	6	584,442	627,124
Repayable grant scheme	7	-	24,076
Note receivable from related party	3	-	414,353
Total assets		\$ 5,020,136	\$ 5,199,348
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued liabilities	8(e)	\$ 396,447	\$ 278,241
Commitments	11		
Net assets			
Unrestricted net assets		4,623,689	4,921,107
Total liabilities and net assets		\$ 5,020,136	\$ 5,199,348

See accompanying notes to these non-consolidated financial statements.

Approved on behalf of the Board:



Lukas H. Lundin
Director



Erin Johnston
Director

Lundin Foundation

Non-consolidated Statement of Operations (Amounts expressed in Canadian dollars)

For the year ended December 31

	<i>note</i>	<u>2019</u>	<u>2018</u> <i>(note 12)</i>
Revenue			
Contributions	<i>8(d)</i>	\$ 8,241,000	\$ 8,994,545
GAC grant		-	77,188
DFID grant		-	849,754
Expense recovery	<i>8(a), 8(c)</i>	<u>1,634,129</u>	<u>2,912,316</u>
		9,875,129	12,833,803
Project costs		6,500,009	7,965,795
GAC project expenses		-	176,011
		<u>6,500,009</u>	<u>8,141,806</u>
Excess of revenue over expenses before general and administration expenses		<u>3,375,120</u>	<u>4,691,997</u>
General and administrative expenses (Schedule 1)			
Amortization of property and equipment	<i>8(a), 8(c)</i> 5	16,825	16,825
Audit and tax		129,250	124,966
Bank charges and interest		22,461	38,128
Board and portfolio meetings		10,416	40,692
Conferences		44,145	52,623
Legal fees		89,508	155,745
Memberships		24,722	44,911
Office supplies and services	<i>8(e)</i>	59,782	115,611
Rent and utilities	<i>8(e)</i>	294,686	437,464
Retreat and staff meeting		20,179	104,318
Salaries, benefits and staffing services		1,404,056	2,373,650
Sponsorships		15,448	29,695
Sustainability summit		-	101,709
Telephone and internet		24,943	64,365
Travel		106,645	191,437
Website and communication		149,051	103,366
		<u>2,412,117</u>	<u>3,995,505</u>
Excess of revenue over expenses from operations before other income (loss)		<u>963,003</u>	<u>696,492</u>
Other income (loss)			
Foreign exchange gain (loss)		(303,101)	340,341
Interest income on loan and note receivable	3	40,891	80,038
Investment income on cash and cash equivalents		5,006	9,292
Write-off of loan and interest receivable	3	(118,428)	(803,490)
Impairment loss on repayable grant scheme	7	(25,237)	(82,690)
Fair value gain on shares donated to related party	<i>8(b)</i>	104,195	-
Donation to related party	<i>8(b)</i>	(963,747)	(532,292)
		<u>(1,260,421)</u>	<u>(988,801)</u>
Deficiency of revenue over expenses for the year		<u>\$ (297,418)</u>	<u>\$ (292,309)</u>

See accompanying notes to these non-consolidated financial statements.

Lundin Foundation

Non-consolidated Statement of Changes in Net Assets
(Amounts expressed in Canadian dollars)

For the year ended December 31

	<u>2019</u>	<u>2018</u>
Net assets, beginning of year	\$ 4,921,107	\$ 5,213,416
Deficiency of revenue over expenses for the year	(297,418)	(292,309)
Restricted funding received during they year	-	544,404
Deferred Contributions	-	(544,404)
Deferred contributions earned during the year	-	1,270,943
Restricted funding expenditures for the year	-	(1,270,943)
Net assets, end of year	\$ 4,623,689	\$ 4,921,107

See accompanying notes to these non-consolidated financial statements.

Lundin Foundation

Non-consolidated Statement of Cash Flows (Amounts expressed in Canadian dollars)

For the year ended December 31

	<u>2019</u>	<u>2018</u>
		<i>(note 12)</i>
Operating activities		
Deficiency of revenue over expenses for the year	\$ (297,418)	\$ (292,309)
Add (deduct) items not affecting cash		
Amortization of property and equipment	16,825	16,825
Interest income on loan and note receivable	(40,891)	(80,038)
Write-off of loan and interest receivable	118,428	803,490
Impairment loss on repayable grant scheme	25,237	82,690
Fair value gain on shares donated to related party	(104,195)	-
Donation-in-kind to related party	153,648	-
Foreign exchange loss (gain)	303,101	(340,341)
	<u>174,735</u>	<u>190,317</u>
Changes in non-cash working capital		
(Increase) decrease in accounts receivable	(514,254)	73,203
Decrease in prepaid expenses and deposits	16,841	18,127
Increase in accounts payable in accrued liabilities	95,541	82,098
Decrease in deferred revenue, net of associated restricted cash	-	(293,600)
Cash (used in) provided by operating activities	<u>(227,137)</u>	<u>70,145</u>
Investing activities		
Capital distributions received on investment	324,597	332,653
Repayment of note receivable from related party	-	397,328
Repayable grant disbursed	-	(45,736)
Cash provided by investing activities	<u>324,597</u>	<u>684,246</u>
Net increase in cash during the year	97,460	754,391
Effect of foreign exchange on cash and cash equivalents	(86,617)	(18,585)
Cash and cash equivalents, beginning of year	<u>1,673,087</u>	<u>937,281</u>
Cash and cash equivalents, end of year	<u>1,683,930</u>	<u>1,673,087</u>
Cash and cash equivalents consists of:		
Cash	1,566,374	1,578,808
Cash equivalents	117,556	94,279
	<u>1,683,930</u>	<u>1,673,087</u>

See accompanying notes to these non-consolidated financial statements.

Lundin Foundation

Notes to Non-consolidated Financial Statements

(Amounts expressed in Canadian dollars unless otherwise noted)

For the year ended December 31, 2019

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 is affiliated with the Lundin Group of Companies.

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

Basis of presentation

The financial statements of the Foundation have been prepared by management in accordance with *CPA Canada Handbook – Accounting, Part III, Accounting Standards for Not-for-Profit Organizations* ("ASNPO").

Changes in accounting policies

The Foundation adopted the following new and/or revised standard, effective January 1, 2019:

- Section 4433, Tangible Capital Assets Held by Not-for-Profit Organizations

The adoption of the above new and/or revised standard had no significant impact on the Foundation's non-consolidated financial statements.

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, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Significant items subject to estimates and assumptions include carrying amounts of note receivable from related party and long-term investments. Accordingly, actual results could differ from these estimates.

Foreign currency translation

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

- (a) Monetary assets and liabilities are translated at the rate of exchange in effect as at the 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.

Foreign exchange gains and losses are included in the statement of operations.

Financial instruments

The Foundation's financial instruments consist of cash and cash equivalents, accounts receivable, note receivable from related party, long-term investments, restricted cash – loan guarantees, and accounts payable and accrued liabilities.

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

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(Amounts expressed in Canadian dollars unless otherwise noted)

For the year ended December 31, 2019

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 recognized at cost or amortized cost 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.

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.

Investments

Investments in which the Foundation does not have control or significant influence are accounted for using the cost method whereby the investment is initially recorded at cost and earnings from the investment are recognized only to the extent received or receivable.

At each reporting date, the investments are reviewed to assess whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment, if any. Previously recognized impairment losses are reversed when the extent of the impairment decreases, provided that the adjusted carrying amount is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

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	over lease period
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.

Revenue recognition

Contributions

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.

Interest income

Interest income on interest-bearing note is accrued when earned.

Contributed materials and services

From time to time, the Foundation receives contributions of materials. Contributed materials are recorded at fair value when a fair value can be reasonably estimated, and the materials would otherwise be purchased.

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(Amounts expressed in Canadian dollars unless otherwise noted)

For the year ended December 31, 2019

From time to time, individuals contribute time and expertise to the Foundation's operations. Because of the difficulty in determining the fair value of the contributed services, the value of contributed services is not recognized in the financial statements.

3. Note receivable from related party

As at December 31, 2019, the Foundation has a note receivable of \$712,508 (US\$548,590) (2018 - \$829,827 (US\$608,289) due from Adolf H. Lundin Charitable Foundation ("AHLCF"), a not-for profit organization with whom the Foundation has common members on the Board of Directors. The note receivable is denominated in U.S. dollars, is unsecured and earns interest at the Royal Bank of Canada's Prime rate plus 2% per annum.

During the year ended December 31, 2019, the repayment and the interest terms were renegotiated. Under the amended repayment terms, the outstanding balance is due by December 9, 2020. The interest terms were renegotiated to waive the outstanding accrued interest and the interest accrual on the outstanding principal balance. Accordingly, the accrued interest receivable of \$118,428 (US\$90,516) (2018 - \$nil), consisting of \$40,891 (US\$30,817) (2018 - \$54,426 (US\$42,041)) interest accrued during the year and outstanding accrued interest of \$77,537 (US\$59,699) from prior years, was written off. The loss was recorded in the non-consolidated statement of operations for the year.

4. Long-term investments

	2019	2018
Central Africa SME Fund (a)	\$ 291,414	\$ 703,094
Rent to Own Zambia Ltd. (b)	-	49,454
	<u>\$ 291,414</u>	<u>\$ 752,548</u>

(a) The Foundation holds 7.82% equity interest Central Africa SME Fund C.V. ("CASME"), over which it does not have control or significant influence. CAMSE is a Dutch limited partnership that invests in small to medium sized enterprises in Central Africa.

(b) In 2018, the Foundation held 65,000 preference shares, a 9.24% equity interest, of Rent to Own Zambia Ltd. ("RTO"), over which it did not have control or significant influence. During the year ended December 31, 2019, the Foundation gifted its 65,000 preference shares (note 8(b)) to Lundin Global Initiatives Foundation ("LGIF"), a not-for-profit organization under common control.

5. Property and equipment

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Office improvements	\$ 148,493	\$ 118,934	\$ 29,559	\$ 45,795
Office furniture and equipment	7,088	5,913	1,175	1,763
	<u>\$ 155,581</u>	<u>\$ 124,847</u>	<u>\$ 30,734</u>	<u>\$ 47,558</u>

6. Restricted cash – loan guarantees

	2019	2018
Northern Initiatives ("CDFI") (a)	\$ 295,233	\$ 308,972
Association of Los Helados (the "Association") (b)	120,572	140,863
Equity Bank (Kenya) Limited ("EBKL") (c)	168,637	177,289
	<u>\$ 584,442</u>	<u>\$ 627,124</u>

Lundin Foundation

Notes to Non-consolidated Financial Statements

(Amounts expressed in Canadian dollars unless otherwise noted)

For the year ended December 31, 2019

- (a) CDFI is to provide loans for the benefit of individuals or companies with 1 to 20 employees resident or operating in 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 collateralising 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, 2019, CDFI has disbursed an aggregate of US\$1,979,464 (2018 – US\$1,244,363) in business loans. To date, CDFI has drawn down US\$27,181 (2018 - \$27,181) from the loan guarantee balance.

- (b) 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 in Chile ("Participants"), and whose loan is partially guaranteed by a financing program.

The Foundation deposited the US dollar equivalent of CLP75,000,000 to an insured depository institution selected by the Association, fully collateralising the Foundation's guarantee of loans that will be granted by the Association to Participants. The Foundation will guarantee 75% of each loan granted by the Association to eligible Participants, in accordance with the terms of the guarantee.

To date, no amount has been drawn down from the loan guarantee balance.

- (c) The Foundation partnered with Equity Group Foundation and launched Lundin Equity Emerging Entrepreneurs Fund ("LEEEF"), 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 marginalized and economically underdeveloped regions in the country, which are located along Lamu Port South Sudan Ethiopian Transport ("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 under-served regions of the country, with 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 MSMEs. The Foundation will guarantee 50% of each loan granted by the facility to eligible MSMEs, in accordance with the terms of the guarantee.

The LEEEF program concluded during the year ended December 31, 2019 and is in the process of winding down the fund. To date, no amount has been drawn down from the loan guarantee balance.

7. Repayable grant scheme

The Foundation had set up a repayable grant scheme ("Grant") through Karowe Emerging Entrepreneurship Fund ("KEEF"). The repayable grant scheme was 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.

During the year ended December 31, 2019, KEEF was dissolved and the Foundation provided for a \$25,237 (2018 - \$82,690) impairment loss and recorded it in the non-consolidated statement of operations.

8. Related party transactions

Related party transactions that are in the normal course of operations are recorded at the exchange amount, which is the consideration established and agreed to by the related parties. Related party transactions that are not in the normal course of operations are recorded at the exchange amount.

- (a) During the year ended December 31, 2019, the Foundation incurred \$348,911 (2018 - \$658,031) of salaries, rent and other office expenses on behalf of LGIF. As at December 31, 2019, the Foundation had a receivable

Lundin Foundation

Notes to Non-consolidated Financial Statements

(Amounts expressed in Canadian dollars unless otherwise noted)

For the year ended December 31, 2019

balance due from LGIF of \$350,367 (2018 - \$205,607).

- (b) During the year ended December 31, 2019, the Foundation donated \$963,747 (2018 - \$532,292), which includes \$153,648 (2018 - \$nil) donation-in-kind of RTO preference shares (note 4(b)). The fair value gain on the donation-in-kind of \$104,195 (2018 - \$nil) was recognized in the statement of operations.
- (c) During the year ended December 31, 2019, the Foundation incurred \$1,285,218 (2018 - \$2,254,285) of salaries, rent and other office expenses on behalf of AHLCF. As at December 31, 2019, the Foundation had a receivable balance due from AHLCF of \$494,821 (US\$380,983) (2018 - \$529,793 (US\$388,354)). The receivable balance is non-interest bearing and unsecured with payment due on demand.
- (d) During the year ended December 31, 2019, the Foundation received total contributions of \$7,892,034 (2018 - \$8,141,810) 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 the companies. Of this amount, \$750,102 (2018 - \$389,553) is recorded in accounts receivable as at December 31, 2019.
- (e) Included in rent and utilities and office supplies and services expenses is \$289,656 (2018 - \$357,989) to a private corporation ("Namdo Management Services Ltd.") owned by a member of the Board of Directors. Namdo Management Services Ltd. charges the Foundation the rent for office space and the cost of shared support staff and recovers out-of-pocket expenses related to the Foundation's activities. As at December 31, 2019, \$3,800 (2019 - \$13,909) is included in accounts payable and accrued liabilities.

9. Financial summaries of controlled entity

The Foundation controls 100% of LGIF. LGIF, a charitable foundation, was incorporated under the Canada Not-for-profit Corporations Act in 2005. It is a registered charity exempt from income taxes in Canada.

LGIF provides financing and makes equity investments to businesses and entrepreneurs with innovative solutions to pressing, social and environmental challenges to relieve poverty in developing nations.

There are no significant differences in accounting policies between the Foundation and LGIF. LGIF's assets are not subject to restrictions. Financial summaries of this unconsolidated entity as at December 31, 2019 and 2018 and for the years then ended are as follows:

	2019	2018
Financial position		
Total assets	\$ 4,134,401	\$ 4,471,836
Total liabilities	\$ 585,896	\$ 225,954
Total unrestricted net assets	3,548,505	4,245,882
	\$ 4,134,401	\$ 4,471,836
Results of operations		
Total revenue	\$ 963,747	\$ 532,292
Total expenses	(1,661,124)	(3,871,009)
Deficiency of revenue over expenses for the year	\$ (697,377)	\$ (3,338,717)
Cash flows		
Cash provided by (used in) operating activities	276,403	\$ (352,628)
Cash (used in) provided by investing activities	(832,784)	(1,021,767)
Cash provided by (used in) financing activities	139,488	(22,879)
Decrease in cash during the year	\$ (416,893)	\$ (1,397,274)

Lundin Foundation

Notes to Non-consolidated Financial Statements

(Amounts expressed in Canadian dollars unless otherwise noted)

For the year ended December 31, 2019

10. Financial risks

Interest rate risk

Interest rate risk is the risk that the fair values of 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 and restricted cash – loan guarantees earn interest at variable market rates and certain loans receivable earn interest at 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, accounts receivable, note receivable from related party, and restricted cash – loan guarantees. The Foundation mitigates its credit risk with respect to cash and cash equivalents and restricted cash – loan guarantees by dealing with financial institutions with no publicly known liquidity problems and, with respect to note receivable from related party by dealing only with what management believe 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 of 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, note receivable from related party, restricted cash – loan guarantees, repayable grant scheme, and accounts payable and accrued liabilities denominated in Botswana Pula (BWP), Chilean Pesos (CLP), Kenyan Shilling (KES), Norwegian Krone (NOK), US dollars (USD), and Côte d'Ivoire CFA Franc (XOF), 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. The Canadian dollar amounts of the Foundation's financial instruments denominated in foreign currencies at December 31, 2019 and 2018 are as follows:

	2019					
	BWP	CLP	KES	NOK	USD	XOF
Cash and cash equivalents	-	-	6,140,146	-	1,043,297	7,915,466
Accounts receivable	-	-	-	-	1,034,178	-
Note receivable from related party	-	-	-	-	548,590	-
Restricted cash - loan guarantees	-	68,898,075	-	-	352,153	-
Accounts payable and accrued liabilities	-	-	(2,292,721)	(900,000)	(130,881)	(1,792,788)
	-	68,898,075	3,847,425	(900,000)	2,847,337	6,122,678

	2018					
	BWP	CLP	KES	NOK	USD	XOF
Cash and cash equivalents	-	-	2,038,020	-	1,079,131	6,534,258
Accounts receivable	-	-	-	-	78,207	-
Note receivable from related party	-	-	-	-	608,289	-
Restricted cash - loan guarantees	-	71,795,685	-	-	356,444	-
Repayable grant scheme	157,743	-	-	-	-	-
Accounts payable and accrued liabilities	-	-	(2,831,771)	-	(65,971)	(25,781,338)
	157,743	71,795,685	(793,751)	-	2,056,100	(19,247,080)

Lundin Foundation

Notes to Non-consolidated Financial Statements

(Amounts expressed in Canadian dollars unless otherwise noted)

For the year ended December 31, 2019

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. The Foundation is exposed to other price risk from investments held by the Foundation for which future prices are uncertain.

11. Commitments

The Foundation is committed to disbursements of project costs by 2020 in the form of service agreements totaling \$2,339,146 (US\$1,769,801) (2018 - \$2,890,133 (US\$2,118,555)).

The Foundation's operating lease commitments for its offices as at December 31, 2019 are as follows:

2020	243,075
2021	35,883
2022	38,928
2023	11,619

12. Comparative information

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

13. Subsequent event

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. Financial markets around the world have been extremely volatile due to events and conditions resulting from this pandemic and as a result, the volatility could have a material impact on the fair values of the Fund's investments. The extent of the impact of this pandemic and related containment measures on the entity's operations or on any financial statements for reporting periods after December 31, 2019 cannot be reliably estimated at this time.

Lundin Foundation

Schedule of general and administrative expenses

(Amounts expressed in Canadian dollars unless otherwise noted)

For the year ended December 31, 2019

General and administrative expenses, net of expense recoveries of \$1,634,129 (notes 8(a) and 8(c)) (2018 - \$2,912,316) are as follows:

		2019	2018
	<i>note</i>		<i>(note 12)</i>
Amortization of property and equipment	5	\$ 16,825	\$ 16,825
Audit and tax		36,883	82,260
Bank charges and interest		20,094	27,482
Board and portfolio meetings		7,733	19,232
Conferences		17,746	17,752
Legal fees		44,244	44,889
Memberships		2,231	5,809
Office supplies and services	8(e)	40,703	27,986
Rent and utilities	8(e)	221,813	171,032
Retreat and staff meeting		20,120	18,092
Salaries, benefits and staffing services		204,933	399,053
Sustainability summit		-	101,709
Telephone and internet		9,399	25,489
Travel		-	22,213
Website and communication		135,264	103,366
		\$ 777,988	\$ 1,083,189

See accompanying notes to these non-consolidated financial statements.