lundin mining

2012 Annual Filings

December 31, 2012

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Management's Discussion and Analysis
For the year ended December 31, 2012

This management's discussion and analysis ("MD&A") has been prepared as of February 21, 2013 and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2012. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of $ is to United States dollars. Reference of C$ is to Canadian dollars, reference to SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

Lundin Mining Corporation ("Lundin", "Lundin Mining" or the "Company") is a diversified base metals mining company with operations in Portugal, Sweden, Spain and Ireland, producing copper, zinc, lead and nickel. In addition, Lundin Mining holds a 24% equity stake in the world-class Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo.

Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form and in each management's discussion and analysis. Forward-looking information is, in addition, based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long-term price of copper, zinc, lead and nickel; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Highlights

Operational and Financial Performance

***Wholly-owned operations*:** The Company's strong and steady performance throughout the year is reflected in the production results which are at the high end of guidance targets.

- Neves-Corvo met its production goals for both zinc and copper. A significant amount of incremental lower grade, but profitable, copper ore was mined, compared to the reserve models, as additional volumes of mineralization on the periphery of stopes was encountered. Near record copper recoveries in the plant were achieved. Cash costs per pound of copper sold were $2.17 for the quarter as a result of the processing of more tonnes of ore at lower grades, and $1.79 for the year.
- Zinkgruvan finished the year with record production of zinc, lead and copper in concentrate and continued to report high recovery performance in the process plant. Zinc, copper and lead grades and plant recoveries met, and in some cases exceeded expectations. Cash costs per pound of zinc sold were $0.12 for the quarter and $0.13 for the year.
- Aguablanca's processing operations were restarted in August, with full production achieved earlier than planned, resulting in higher than expected nickel and copper metal production. Grades mined and plant recoveries for both nickel and copper were slightly better than expected. Cash costs per pound of nickel sold were $6.19 for the quarter, which was the first quarter of full production since mining was suspended in the fourth quarter of 2010.
- Galmoy's mining production from remnant ores exceeded expectations for the year. Although mining ceased in the fourth quarter of 2012, processing of stockpiled ore by a third party processing facility will continue into 2013.

Tenke: Tenke achieved record mining, milling and production rates in 2012 facilitated by the staged commissioning of Phase II expansion facilities. The Phase II expansion is substantially complete, on schedule and on budget.

- By the end of 2012, the expanded facilities were operating near full Phase II design capacity. Fourth quarter production of 44,130 tonnes of copper cathode is 91% of the expanded annual design capacity of 195,000 tonnes per annum copper cathode, on a prorated basis.
- During the year, the Phase II expansion and sustaining capital funding was met almost entirely with cash available from Tenke operations with the exception of a cash call for $15.0 million funded by the Company.
- Attributable operating cash flow related to Tenke for 2012 was $145.9 million.

Production Summary:

Total 2012 production, compared to the latest guidance and prior years, was as follows:

Years ended December 31 (contained tonnes)		**2012 Actual**	*2012 Guidance*	2011 Actual	2010 Actual	2009 Actual
Copper	Neves-Corvo	**58,559**	*55,000 - 60,000*	74,109	74,011	86,462
	Zinkgruvan	**3,059**	*3,000 - 4,000*	1,768	540	nil
	Aguablanca	**2,260**	*1,500 - 2,000*	nil	5,484	6,989
	Wholly-owned	**63,878**	*59,500 - 66,000*	75,877	80,035	93,451
	Tenke(@24%)[a]	**38,105**	*36,200*	31,523	29,767	17,325
	Total attributable	**101,983**	*95,700 - 102,200*	107,400	109,802	110,776
Zinc	Neves-Corvo	**30,006**	*25,000 - 30,000*	4,227	6,422	501
	Zinkgruvan	**83,209**	*77,000 - 83,000*	75,147	72,206	70,968
	Galmoy (in ore)	**8,989**	*8,500 - 9,000*	32,071	11,501	29,932
	Total	**122,204**	*110,500 - 122,000*	111,445	90,129	101,401
Lead	Neves-Corvo	**87**	*nil*	nil	nil	nil
	Zinkgruvan	**37,246**	*34,000 - 39,000*	32,339	36,636	36,183
	Galmoy (in ore)	**1,131**	*1,000 - 1,100*	8,791	2,932	7,669
	Total	**38,464**	*35,000 - 40,100*	41,130	39,568	43,852
Nickel	Aguablanca	**2,398**	*1,500 - 2,000*	nil	6,296	8,029

a - Lundin Mining's attributable share of Tenke 's production was reduced from 24.75% to 24.0% effective March 26, 2012.

- Operating earnings[1] for the year ended December 31, 2012 were $308.7 million, a decrease of $73.2 million from the $381.9 million reported in 2011. The decrease was primarily attributable to a change in sales mix, as less profitable zinc replaced copper sales in 2012 ($48.0 million), lower realized prices and price adjustments from prior period sales ($39.7 million), higher costs ($10.4 million) and lower overall sales volume ($3.2 million) which more than offset the impact of the favourable exchange rates ($22.3 million) and restart of the Aguablanca operation ($5.8 million).

- For the year ended December 31, 2012, sales of $721.1 million decreased $62.7 million from the prior year ($783.8 million) which was mainly as a result of lower net sales volume ($24.8 million) and lower realized metal prices and prior period price adjustments ($39.7 million). Increased volume of metal concentrate sales at Zinkgruvan and the restart of the Aguablanca mine were more than offset by lower copper sales at Neves-Corvo and overall reduced sales at Galmoy.

- Average London Metal Exchange ("LME") metal prices for copper, zinc, lead and nickel for the year ended December 31, 2012 were significantly lower (10% - 23%) than that of the prior year (see page 27 of this MD&A for details).

- Operating costs (excluding depreciation) of $385.0 million in the current year were slightly higher than the prior year of $382.0 million. Excluding increased costs from Aguablanca ($18.2 million) associated with restart of production, costs decreased by $15.2 million which is primarily attributable to:

    - Neves-Corvo ($11.5 million): Favourable foreign exchange rate and lower royalty charge, partially offset by higher per unit costs; and
    - Galmoy ($4.4 million): Lower production and cessation of mining operations.

[1] Operating earnings is a non-GAAP measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs. See page 44 of this MD&A for discussion of non-GAAP measures.

- Net earnings of $123.2 million ($0.21 per share) for the current year were $60.6 million lower than the $183.8 million ($0.32 per share) reported in 2011. Earnings were impacted by:

    - lower operating earnings primarily due to lower sales and lower realized metal prices ($73.2 million)
    - higher impairment loss on write-down of Aguablanca's mineral properties, plant and equipment and goodwill in 2012 compared to 2011 ($31.6 million);
    - higher exploration and business development expenditures ($15.4 million); offset by
    - lower depreciation, depletion and amortization expense ($31.4 million) as a result of lower production at Neves-Corvo and foreign exchange rates; and
    - lower tax expense of $27.6 million, reflecting lower operating earnings and a decrease in Sweden's future tax rate from 26.3% to 22% effective January 1, 2013.

- Cash flow from operations for the year was $194.0 million compared to $308.7 million for 2011. The comparative decrease in the cash flow is mostly attributable to lower operating earnings and changes in working capital.

- Shortly after the restart of production at Aguablanca, the mine encountered pit stability issues on the south wall which restricted access to certain areas of the pit. As the Company continues to assess its options, the mine is operating on a modified mine plan with a mine life of only two years due to restricted access to its ore. This has resulted in a decrease in the value of certain of Aguablanca's assets below their carrying values. Accordingly, the Company has recognized an impairment loss of $39.2 million ($34.0 million after-tax) on mineral properties, plant and equipment and $28.1 million on goodwill.

Tenke Fungurume

- Milling facilities continued to produce above rated capacity, with throughput averaging approximately 13,000 metric tonnes of ore per day during 2012, an estimated 1,900 metric tonnes of ore per day higher than the previous year.

- For the year ended December 31, 2012, Tenke produced 157,671 tonnes of copper and sold 152,355 tonnes at an average realized price of $3.51/lb. In addition, 11,669 tonnes of cobalt in hydroxide was produced and 11,259 tonnes were sold at an average realized price of $7.83/lb of cobalt.

- Cash costs[1] of $1.23/lb of copper for the year were higher than the $1.07/lb reported in the prior year, primarily resulting from lower cobalt credits.

- During the year, $158.9 million was spent on the Company's attributable share of Tenke's capital requirements which was funded by a cash advance of $15.0 million and excess cash flow from operations.

[1] Cash cost per pound is a non-GAAP measure – see page 44 of this MD&A for discussion of Non-GAAP measures.

Corporate Highlights

- On September 4, 2012, the Company reported its Mineral Reserve and Resource estimates as at June 30, 2012. The Company also filed independent NI 43-101 compliant technical reports on the Neves-Corvo mine (including the Semblana deposit) and the Zinkgruvan mine in January 2013. These reports can be found on SEDAR (www.sedar.com).

- In December 2012, the Company executed an amendment to its revolving credit agreement that increases the amount of its credit facility to $350 million from $300 million, reducing the costs of borrowing and extending the term of the facility to December 2015.

- In January 2013, the Company, together with its partners in Tenke Fungurume, entered into a definitive agreement to acquire a large scale cobalt chemical refinery in Finland to provide direct end-market access for Tenke's cobalt hydroxide production. See press release entitled, *"Lundin Mining, together with Tenke partners, to acquire Kokkola cobalt operations in Finland"*, dated January 21, 2013.

Financial Position and Financing

- Net cash[1] position at December 31, 2012 was $265.1 million compared to a net cash position of $236.1 million at December 31, 2011.

- The $29.0 million increase in net cash during the year was primarily attributable to cash inflow from operations of $194.0 million, offset by investment in mineral properties, plant and equipment of $159.4 million, a $15.0 million cash advance to Tenke and a full repayment of the Company's commercial paper program ($19.7 million).

[1] Net cash is a non-GAAP measure defined as available unrestricted cash less long-term debt and finance leases.

Outlook

2013 Production and Cost Guidance

- Production guidance for the three-year period of 2013 through 2015 for wholly-owned operations remains unchanged from the guidance provided on December 6, 2012 (see news release entitled "Lundin Mining Provides Operating Outlook for 2013-2015"). Production and cash cost guidance for 2013 are as follows:

2013 Guidance (contained tonnes)		**Tonnes**	**C1 Cost**[a]
Copper	*Neves-Corvo*	*50,000 – 55,000*	*$ 1.80*
	Zinkgruvan	*2,500 – 3,500*	
	Aguablanca	*4,500 – 5,000*	
	Wholly-owned	*57,000 – 63,500*	
	Tenke(@24%)[b]	*44,650*	*$ 1.03*
	Total attributable	*101,650 – 108,150*	
Zinc	*Neves-Corvo*	*45,000 – 50,000*	
	Zinkgruvan	*73,000 – 78,000*	*$ 0.20*
	Total	*118,000 – 128,000*	
Lead	*Zinkgruvan*	*33,000 – 36,000*	
Nickel	*Aguablanca*	*5,000 – 5,500*	*$ 5.00*

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.30, USD/SEK:6.75) and metal prices (forecast at Cu: $3.50, Zn: $0.95, Pb: $1.00,Ni: $8.00, Co: $12.00).
b. Freeport has provided 2013 sales and C1 cash cost guidance. The sales guidance is assumed to approximate Tenke's production.

- **Neves-Corvo:** Copper production is expected to be maintained above 50,000 tonnes per annum with an increasing zinc by-product credit. The zinc plant is expected to operate at full capacity in 2013 processing approximately 1.0 million tonnes per annum ("mtpa") of ore. The production forecast assumes that the zinc plant will be used exclusively to process zinc ore; however this plant has the flexibility to process either zinc or copper ores, to optimize the profitability of the operation.

- **Zinkgruvan:** Production of all metals in 2013 is expected be in line with 2012.

- **Aguablanca:** The mine has continued to experience south pit wall instability and this has resulted in restricted access to certain areas in the pit. The current production guidance reflects a reduction in the mineable reserve to only those areas not affected by the instability and assumes no additional investment to attempt to recover reserves in the affected area. Revised life of mine plan and reserves remain under evaluation.

- **Tenke:** Given the substantial completion of the Phase II expansion in 2012, Freeport McMoRan Copper and Gold Inc. ("Freeport"), the mine's operator, expects sales of copper to increase to 186,000 tonnes of copper cathode in 2013 and 13,600 tonnes of cobalt (contained in cobalt hydroxide product).

2013 Capital Expenditure Guidance

Capital expenditures for 2013 are expected to be $285 million (2012: $318.3 million), an increase of $15 million from our previously released estimate of $270 million on December 6, 2012. This increase is primarily attributable to revised forecasts for 2013 capital investments at Tenke. Major capital investments for 2013 are as follows:

- **Sustaining capital in European operations** - $110 million (2012: $129.5 million), consisting of approximately $70 million for Neves-Corvo and $40 million for Zinkgruvan.

- **New investment capital in European operations -** $60 million (2012: $29.9 million), consisting of:

  - Lombador Phase I ($30 million) - For underground development, improvements to the main surface substation, installation of surface power cables, and other items related to positioning for increased copper and zinc production from the Lombador ore bodies over the next several years.

  - Neves-Corvo industrial water dam ($9 million) - Work was to have commenced in 2012 on this dam but was delayed until 2013 due to drilling on the Monte Branco copper discovery which lies beneath.

  - Zinkgruvan ore dressing plant ($13 million) - During 2012, a pre-feasibility study was completed showing that with an estimated $52 million investment over a 24 month period, replacement of the current crushing, screening and grinding circuits would result in higher plant availability, lower operating costs, improved noise and dust emissions and an increase in mine production. A feasibility study is advancing with expected completion in the first half of 2013. Permitting of the plant modernization and tailings facility expansion is in progress and, subject to positive results, investment in the zinc plant modernization will be fast tracked.

  - Other improvement initiatives ($8 million).

- **New investment in Tenke** - $115 million (2012: $158.9 million), estimated by the Company as its share of the remaining Phase II expansion costs and sustaining capital funding for 2013. All of the capital expenditures are expected to be self-funded by cash flow from Tenke operations. If current metal prices and operating conditions prevail, it is reasonable to expect meaningful amounts of excess operating cash flows from Tenke to come back to the funding partners to repay initial capital investments on a 70/30 basis.

Exploration Investment

- Exploration expenditures are expected to be in the range of $40 million in 2013 (2012: $50.9 million). Approximately $18 million of this will be spent at Neves-Corvo where a large drilling program will advance exploration on various targets including the new copper discovery at Monte Branco. An additional $5 million will be spent on several other copper targets in the Iberian Region.

- The Company continues to seek exploration investment opportunities. In November 2012, Lundin Mining signed an Option Agreement with Southern Hemisphere Mining (ASX:SUH) to earn up to a 75% interest in the Llahuin Project in Chile by investing $35 million in development over a period of 6 years; approximately $7 million is expected to be spent in 2013.

Selected Quarterly and Annual Financial Information

($ millions, except per share amounts)	2012	2011 [3]	2010 [3]
	Years ended December 31		
Sales	**721.1**	783.8	849.2
Operating costs	**(385.0)**	(382.0)	(367.3)
General and administrative expenses	**(27.4)**	(19.9)	(18.6)
Operating earnings	**308.7**	381.9	463.3
Depreciation, depletion and amortization	**(122.4)**	(153.8)	(121.9)
General exploration and business development	**(66.1)**	(50.7)	(25.2)
Income from equity investment in Tenke Fungurume	**101.5**	94.7	75.9
Finance income and costs, net	**(7.5)**	(13.1)	36.1
Other income and expenses, net	**(0.3)**	11.5	(2.0)
Asset impairment	**(67.3)**	(35.7)	-
Earnings before income taxes	**146.6**	234.8	426.2
Income tax expense	**(23.4)**	(51.0)	(119.9)
Net earnings	**123.2**	183.8	306.3
Shareholders' equity	**3,475.2**	3,297.9	3,153.6
Cash flow from operations	**194.0**	308.7	276.1
Capital expenditures (incl. advances to Tenke)	**174.4**	253.1	160.3
Total assets	**3,990.5**	3,864.3	3,826.3
Net cash	**265.1**	236.1	159.2
Key Financial Data:			
Shareholders' equity per share[1]	**5.95**	5.66	5.43
Basic and diluted earnings per share	**0.21**	0.32	0.53
Equity ratio[2]	**87%**	85%	82%
Shares outstanding:			
Basic weighted average	**582,942,459**	582,074,865	579,924,538
Diluted weighted average	**584,013,588**	582,964,608	580,539,367
End of period	**584,005,006**	582,475,287	580,575,355

($ millions, except per share data)	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11[3,4]	Q3-11[3,4]	Q2-11[3,4]	Q1-11[3]
Sales	**176.4**	159.6	172.3	212.8	242.1	146.2	184.0	211.5
Operating earnings	**51.8**	71.1	80.4	105.4	124.3	53.8	85.4	118.4
Net (loss) earnings	**(17.1)**	37.9	44.1	58.3	36.1	16.4	60.1	71.2
(Loss) earnings per share, basic[5]	**(0.03)**	0.07	0.08	0.10	0.06	0.03	0.10	0.12
(Loss) earnings per share, diluted[5]	**(0.03)**	0.06	0.08	0.10	0.06	0.03	0.10	0.12
Cash flow from operations	**49.4**	(25.7)	119.0	51.3	113.9	(36.6)	99.2	132.2
Capital expenditures (incl. Tenke)	**29.0**	52.3	47.6	45.5	84.3	62.8	60.1	45.9
Net cash	**265.1**	245.0	312.7	242.3	236.1	208.7	308.2	262.0

1. Shareholders' equity per share is a non-GAAP measure defined as shareholders' equity divided by total shares outstanding at the end of the period.
2. Equity ratio is a non-GAAP measure defined as shareholders' equity divided by total assets at the end of the period.
3. Certain transaction costs related to corporate development activity in prior years have been reclassified from general and administrative expenses to general exploration and business development.
4. Adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine,* in the fourth quarter of 2011 allowed for the capitalization of certain stripping costs, which had previously been expensed, at the Aguablanca mine.
5. Earnings per share is determined for each quarter. As a result of using different weighted average number of shares outstanding, the sum of the quarterly amounts may differ from the year-to-date amount.

Sales Overview

Sales Volumes by Payable Metal

	Total 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Copper (tonnes)										
Neves-Corvo	**56,497**	13,024	11,200	15,869	16,404	69,974	26,026	12,671	14,304	16,973
Zinkgruvan	**2,854**	640	865	880	469	2,092	678	680	734	-
Aguablanca[1]	**556**	298	258	-	-	(73)	-	(5)	(15)	(53)
	59,907	13,962	12,323	16,749	16,873	71,993	26,704	13,346	15,023	16,920
Zinc (tonnes)										
Neves-Corvo	**25,591**	9,488	4,617	5,542	5,944	2,619	(43)	1,842	5	815
Zinkgruvan	**71,809**	16,588	17,623	19,580	18,018	61,661	15,981	15,183	13,529	16,968
Galmoy[2]	**11,474**	1,283	3,768	3,827	2,596	16,346	3,106	4,768	4,694	3,778
	108,874	27,359	26,008	28,949	26,558	80,626	19,044	21,793	18,228	21,561
Lead (tonnes)										
Neves-Corvo	**31**	-	31	-	-	-	-	-	-	-
Zinkgruvan	**36,128**	10,080	7,637	8,176	10,235	29,794	7,906	8,570	7,031	6,287
Galmoy[2]	**3,023**	806	1,099	587	531	5,010	769	1,649	1,517	1,075
	39,182	10,886	8,767	8,763	10,766	34,804	8,675	10,219	8,548	7,362
Nickel (tonnes)										
Aguablanca[1]	**915**	508	407	-	-	(48)	-	7	6	(61)

1. Final weight adjustment in 2011 related to provisional sales recognized.

2. 50% of metal is attributable to Galmoy on sale of ore to third party processing facility (see MD&A page 22).

Sales Analysis

	Year ended December 31				
	2012		2011		Change
($ thousands)	$	%	$	%	$
by Mine					
Neves-Corvo	**466,174**	65	558,044	71	(91,870)
Zinkgruvan	**209,621**	29	188,566	24	21,055
Aguablanca	**22,167**	3	(1,897)	-	24,064
Galmoy	**23,144**	3	39,073	5	(15,929)
	721,106		783,786		(62,680)
by Metal					
Copper	**452,742**	63	563,103	72	(110,361)
Zinc	**164,144**	23	135,078	17	29,066
Lead	**71,029**	10	71,356	9	(327)
Nickel	**15,548**	2	(444)	-	15,992
Other	**17,643**	2	14,693	2	2,950
	721,106		783,786		(62,680)

Sales for the current year were lower compared to the year ended December 31, 2011, reflecting lower realized metal prices of copper and zinc in the current year and lower production and sales of copper at Neves-Corvo which more than offset the impact of increased sales at Zinkgruvan and production startup at Aguablanca.

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

Year to Date Reconciliation of Realized Prices

2012		Twelve months ended December 31, 2012			
($ thousands, except per pound amounts)	**Copper**	**Zinc**	**Lead**	**Nickel**	**Total**
Current period sales[1]	477,302	210,941	81,817	15,562	785,622
Prior period provisional adjustments	4,535	444	475	-	5,454
Sales before other metals and TC/RC	481,837	211,385	82,292	15,562	791,076
Other metal sales					17,643
Less: TC/RC					(87,613)
Total Sales					**721,106**
Payable Metal (tonnes)	**59,907**	**108,874**	**39,182**	**915**	
Current period sales ($/lb)[1]	$ 3.61	$ 0.88	$ 0.95	$ 7.71	
Prior period provisional adjustments ($/lb)	0.04	-	-	-	
Realized prices ($/lb)	**$ 3.65**	**$ 0.88**	**$ 0.95**	**$ 7.71**	

2011		Twelve months ended December 31, 2011			
($ thousands, except per pound amounts)	**Copper**	**Zinc**	**Lead**	**Nickel**	**Total**
Current period sales[1]	596,647	176,575	81,702	-	854,924
Prior period provisional adjustments	3	(585)	186	(589)	(985)
Sales before other metals and TC/RC	596,650	175,990	81,888	(589)	853,939
Other metal sales					14,693
Less: TC/RC					(84,846)
Total Sales					**783,786**
Payable Metal (tonnes)	**71,993**	**80,626**	**34,804**	**(48)**	
Current period sales ($/lb)[1]	$ 3.76	$ 0.99	$ 1.06	n/a	
Prior period provisional adjustments ($/lb)	-	-	0.01	n/a	
Realized prices ($/lb)	**$ 3.76**	**$ 0.99**	**$ 1.07**	**n/a**	

1. Includes provisional price adjustments on current period sales.

Provisionally valued sales for the year ended December 31, 2012

Metal	**Tonnes Payable**	**Valued at $ per lb**	**Valued at $ per tonne**
Copper	11,857	3.60	7,932
Zinc	15,573	0.92	2,028
Lead	7,670	1.05	2,318
Nickel	723	7.73	17,032

Annual Financial Results

Operating Costs

Operating costs of $385.0 million for the year ended December 31, 2012 were $3.0 million higher than the year ended December 31, 2011. Costs were lower at Neves-Corvo, Zinkgruvan and Galmoy by $11.5 million, $1.5 million and $4.4 million, respectively, due largely to a stronger US dollar compared to the € and SEK. This was partially offset by increased costs at Aguablanca ($18.2 million) associated with the restart of production in the current year.

General and Administrative Expenses

General and administrative expenses of $27.4 million for the year ended December 31, 2012 were $7.5 million higher than the year ended December 31, 2011, primarily as a result of higher stock-based compensation expense.

Depreciation, Depletion and Amortization

Decrease in depreciation, depletion and amortization expense for the year ended December 31, 2012 compared with the same period in 2011 is primarily due to lower copper production and changes in life of mine estimates at Neves-Corvo, partially offset by higher amortization at Aguablanca on start up of production in the current year.

Depreciation by operation	**Year ended December 31**		
($ thousands)	**2012**	2011	Change
Neves-Corvo	**83,245**	119,418	(36,173)
Zinkgruvan	**26,335**	30,876	(4,541)
Aguablanca	**12,285**	3,067	9,218
Other	**514**	435	79
	122,379	153,796	(31,417)

General Exploration and Business Development

General exploration and business development costs increased from $50.7 million in 2011 to $66.1 million for the year ended December 31, 2012. The increase is a result of incremental exploration costs at Neves-Corvo, primarily from a 90,000 metre drilling program and additional high-resolution 3D seismic in and around the mine, focused on extending mine life for copper production. In addition, business development projects were undertaken in support of the Company's initiative for growth. (*See additional commentary of exploration activities under Exploration Highlights*).

Finance Income and Costs

For the year ended December 31, 2012, net finance costs were $7.5 million, compared to $13.1 million in the prior year. The decrease in net finance costs is attributable to higher revaluation losses on marketable securities in 2011 and lower net interest and accretion expense in 2012.

Other Income and Expense

Net other expenses for the year ended December 31, 2012 were $0.3 million compared to net other income of $11.5 million for the year ended December 31, 2011. The decrease in net other income relates to foreign exchange gains which decreased year over year by $13.3 million. This was offset by insurance proceeds of €6.0 million ($7.9 million) received in 2012 relating to the 2010 slope failure at the Aguablanca mine.

A foreign exchange loss of $5.1 million in the year and a gain of $8.2 million for the year ended December 31, 2011, relates to US$-denominated cash and trade receivables that were held in the European group entities.

Period end exchange rates at December 31, 2012 were $1.32:€1.00 (December 31, 2011 – $1.29:€1.00) and $1.00:SEK6.52 (December 31, 2011 - $1.00:SEK6.92).

Asset Impairment

As required by IFRS, each cash generating unit ("CGU") which has been allocated goodwill must be tested annually for impairment. Management assessed the Aguablanca CGU for impairment using a modified mine plan which has a shortened mine life of approximately two years and is based on restricted ore access due to pit wall instability.

The recoverable value of Aguablanca was calculated using a value-in-use model based on forecast commodity prices (Ni: $8.25/lb - $8.75/lb, Cu: $3.65/lb - $3.80/lb), reserves and resource quantities, operating costs, capital expenditures, reclamation and other closure costs, discount rate (14%) and foreign exchange rate (€/US = 1.32) and the resulting cash flow projections.

In comparing Aguablanca's recoverable amount to its carrying value, a $67.3 million impairment loss ($62.1 million after-tax) was measured. $39.2 million ($34.0 million after-tax) of this loss was recorded as an impairment of mineral properties, plant and equipment with the remaining $28.1 million reported as goodwill impairment during the fourth quarter of 2012.

Current and Deferred Taxes

Current tax expense	**Year ended December 31**		
($ thousands)	**2012**	2011	Change
Neves-Corvo	**38,240**	54,750	(16,510)
Zinkgruvan	**9,632**	6,345	3,287
Aguablanca	**-**	13,920	(13,920)
Other	**4,111**	2,826	1,285
	51,983	77,841	(25,858)

Current income tax expense for 2012 was $52.0 million, $25.8 million lower than the $77.8 million recorded in 2011. Aguablanca recorded a tax expense of €9.1 million ($12.5 million) in the prior year from a Spanish tax assessment for the deductibility of accelerated depreciation expense in fiscal years 2006 and 2007. In addition, the lower tax expense in the current year reflects lower operating earnings and tax credits applied by Neves-Corvo for government approved investments.

Deferred tax recovery	**Year ended December 31**		
($ thousands)	**2012**	2011	Change
Neves-Corvo	**(17,796)**	(17,252)	(544)
Zinkgruvan	**7,184**	9,270	(2,086)
Aguablanca	**(11,145)**	(13,101)	1,956
Other	**(6,776)**	(5,713)	(1,063)
	(28,533)	(26,796)	(1,737)

Deferred income tax recovery for 2012 was $28.5 million compared to $26.8 million in 2011, which reflects final tax return adjustments at both Neves-Corvo and Aguablanca and a decrease in the statutory tax rate in Sweden from 26.3% to 22% effective January 1, 2013 (impact of $3.0 million).

Fourth Quarter Financial Results

Sales

Sales of $176.5 million for the three months ended December 31, 2012 were $65.7 million lower than the comparable period in 2011 due to lower sales volume ($76.2 million), partially offset by the restart of the Aguablanca mine ($11.6 million).

Fourth Quarter Reconciliation of Realized Prices

2012	Three months ended December 31, 2012				
($ thousands, except per pound amounts)	**Copper**	**Zinc**	**Lead**	**Nickel**	**Total**
Current period sales[1]	110,858	54,279	24,980	8,644	198,761
Prior period provisional adjustments	(3,550)	(1,218)	(527)	(532)	(5,827)
Sales before other metals and TC/RC	107,308	53,061	24,453	8,112	192,934
Other metal sales					5,749
Less: TC/RC					(22,224)
Total Sales					**176,459**
Payable Metal (tonnes)	**13,962**	**27,359**	**10,886**	**508**	
Current period sales ($/lb)[1]	$ 3.60	$ 0.90	$ 1.04	7.72	
Prior period provisional adjustments ($/lb)	(0.11)	(0.02)	(0.02)	(0.48)	
Realized prices ($/lb)	**$ 3.49**	**$ 0.88**	**$ 1.02**	**7.24**	

2011	Three months ended December 31, 2011				
($ thousands, except per pound amounts)	**Copper**	**Zinc**	**Lead**	**Nickel**	**Total**
Current period sales[1]	203,712	35,901	17,094	-	256,707
Prior period provisional adjustments	5,538	(811)	94	11	4,832
Sales before other metals and TC/RC	209,250	35,090	17,188	11	261,539
Other metal sales					4,615
Less: TC/RC					(24,023)
Total Sales					**242,131**
Payable Metal (tonnes)	**26,704**	**19,044**	**8,675**	**-**	
Current period sales ($/lb)[1]	$ 3.46	$ 0.86	$ 0.89	n/a	
Prior period provisional adjustments ($/lb)	0.10	(0.02)	0.01	n/a	
Realized prices ($/lb)	$ **3.56**	**$ 0.84**	**$ 0.90**	**n/a**	

1. Includes provisional price adjustments on current period sales.

Operating Earnings

For the three months ended December 31, 2012, operating earnings of $51.8 million were $72.5 million lower than the comparable period in 2011 primarily as a result of lower sales of copper and higher per unit production costs at Neves-Corvo.

Net (Loss) Earnings

Net loss for the quarter ended December 31, 2012 was $17.1 million compared to net earnings of $36.1 million in the comparable period ended December 31, 2011. The reduction in net earnings is largely a reflection of lower operating earnings and a higher after-tax impairment loss on Aguablanca's assets (2012: $62.1 million, 2011: $35.7 million).

Cash Flow from Operations

For the three months ended December 31, 2012, cash flow from operations was $49.4 million, compared to $113.9 million for the three months ended December 31, 2011. The decrease of $64.5 million in cash flow is largely the reflection of a comparative decrease in operating earnings ($72.5 million).

Cash Cost Overview

	Cash cost/lb (US dollars)		Cash cost/lb (local currency)	
	Three months ended December 31		Three months ended December 31	
	2012	2011	**2012**	2011
Neves-Corvo (Local in €)				
Gross cost	**2.69**	1.46	**2.07**	1.08
By-product[1]	**(0.52)**	(0.04)	**(0.40)**	(0.03)
Net Cost - cost/lb Cu	**2.17**	1.42	**1.67**	1.05
Zinkgruvan (Local in SEK)				
Gross cost	**0.87**	0.96	**5.79**	6.49
By-product[1]	**(0.75)**	(0.59)	**(4.99)**	(4.00)
Net Cost - cost/lb Zn	**0.12**	0.37	**0.80**	2.49
Aguablanca (Local in €)[2]				
Gross cost	**9.29**	n/a	**7.24**	n/a
By-product[1]	**(3.10)**	n/a	**(2.39)**	n/a
Net Cost - cost/lb Ni	**6.19**	n/a	**4.85**	n/a

1. By-product is after related TC/RC
2. Net costs were measured over the re-start and ramp-up of operations and are not representative of steady state operating conditions.

Mining Operations

Production Overview

	Total 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Copper (tonnes)										
Neves-Corvo	**58,559**	11,988	14,012	15,950	16,609	74,109	26,866	15,070	13,475	18,698
Zinkgruvan	**3,059**	673	864	986	536	1,768	622	349	356	441
Aguablanca	**2,260**	1,563	697	-	-	-	-	-	-	-
	63,878	14,224	15,573	16,936	17,145	75,877	27,488	15,419	13,831	19,139
Zinc (tonnes)										
Neves-Corvo	**30,006**	9,533	5,834	7,619	7,020	4,227	382	1,874	1,020	951
Zinkgruvan	**83,209**	18,703	20,053	24,022	20,431	75,147	20,337	17,459	17,582	19,769
Galmoy[1]	**8,989**	925	2,565	331	5,168	32,071	6,334	9,458	8,802	7,477
	122,204	29,161	28,452	31,972	32,619	111,445	27,053	28,791	27,404	28,197
Lead (tonnes)										
Neves-Corvo	**87**	39	48	-	-	-	-	-	-	-
Zinkgruvan	**37,246**	8,198	8,953	9,747	10,348	32,339	7,621	7,368	7,829	9,521
Galmoy[1]	**1,131**	116	364	33	618	8,791	1,652	2,709	2,538	1,892
	38,464	8,353	9,365	9,780	10,966	41,130	9,273	10,077	10,367	11,413
Nickel (tonnes)										
Aguablanca	**2,398**	1,705	693	-	-	-	-	-	-	-

1. represents 50% of contained metal attributable to Galmoy on delivery of ore to a third party processing facility (Galmoy - see MD&A page 22)

Cash Cost Overview

	Cash cost/lb (US dollars)		Cash cost/lb (local currency)	
	Year ended December 31			
	2012	2011	**2012**	2011
Neves-Corvo (Local in €)				
Gross cost	**2.11**	1.83	**1.64**	1.32
By-product[1]	**(0.32)**	(0.07)	**(0.25)**	(0.05)
Net Cost - cost/lb Cu	**1.79**	1.76	**1.39**	1.27
Zinkgruvan (Local in SEK)				
Gross cost	**0.76**	0.93	**5.16**	6.02
By-product[1]	**(0.63)**	(0.63)	**(4.24)**	(4.05)
Net Cost - cost/lb Zn	**0.13**	0.30	**0.92**	1.97
Aguablanca (Local in €)[2]				
Gross cost	**10.04**	n/a	**7.89**	n/a
By-product[1]	**(3.28)**	n/a	**(2.55)**	n/a
Net Cost - cost/lb Ni	**6.76**	n/a	**5.34**	n/a

1. By-product is after related TC/RC
2. Net costs were measured over the re-start and ramp-up of operations and are not representative of steady state operating conditions.

Commentary on production and cash costs is included under individual mine operational discussion.

Neves-Corvo Mine

Neves-Corvo is an underground mine, located 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The mine has been a significant producer of copper since 1989 and in 2006 commenced treating zinc ores. The facilities include a shaft with a total hoisting capacity of up to 4.5 mtpa, a copper plant with 2.5 mtpa processing capacity and a newly expanded zinc plant with 1.0 mtpa processing capacity. The zinc plant has the flexibility to process zinc or copper ores.

Operating Statistics

	Total 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Ore mined, copper (000 tonnes)	**2,507**	648	577	638	644	3,126	899	750	769	708
Ore mined, zinc (000 tonnes)	**530**	178	107	132	113	86	-	9	34	43
Ore milled, copper (000 tonnes)	**2,512**	648	597	634	633	3,198	921	797	736	744
Ore milled, zinc (000 tonnes)	**543**	181	104	135	123	63	-	63	-	-
Grade per tonne										
Copper (%)	**2.6**	2.2	2.7	2.8	2.9	2.7	3.4	2.3	2.2	2.9
Zinc (%)	**7.3**	7.1	7.2	7.2	7.6	6.4	-	6.4	-	-
Recovery										
Copper (%)	**88.2**	85.6	86.0	90.0	91.1	84.5	84.7	83.3	83.3	85.9
Zinc (%)	**71.0**	70.5	78.2	78.5	74.6	46.3	-	46.3	-	-
Concentrate grade										
Copper (%)	**23.9**	23.6	24.2	23.9	24.0	24.4	24.3	24.5	24.2	24.5
Zinc (%)	**47.3**	47.0	46.6	48.1	47.3	47.6	-	47.6	-	-
Production (contained metal)										
Copper (tonnes)	**58,559**	11,988	14,012	15,950	16,609	74,109	26,866	15,070	13,475	18,698
Zinc (tonnes)	**30,006**	9,533	5,834	7,619	7,020	4,227	382	1,874	1,020	951
Lead (tonnes)	**87**	39	48	-	-	-	-	-	-	-
Silver (000 oz)	**961**	282	178	240	261	901	297	201	184	219
Sales ($000s)	**466,174**	108,349	92,640	112,274	152,911	558,044	193,768	84,678	123,036	156,562
Operating earnings ($000s)	**218,564**	33,705	45,602	52,467	86,790	299,053	118,759	21,029	59,817	99,448
Cash cost (€ per pound)	**1.39**	1.67	1.49	1.26	1.23	1.27	1.05	1.67	1.48	1.13
Cash cost ($ per pound)	**1.79**	2.17	1.87	1.61	1.63	1.76	1.42	2.35	2.13	1.55

Operating Earnings

Operating earnings of $218.6 million for the year ended December 31, 2012 were $80.5 million lower than 2011. The decrease is attributable to a change in the mix of sales, to less profitable zinc ($48.0 million), lower sales volume ($14.9 million), increase in unit costs ($17.3 million), and lower realized metal prices and price adjustments from prior period sales ($18.0 million) which more than offset the favourable exchange rates ($17.7 million).

Production

Copper production for 2012 was lower than the prior year by 15,550 tonnes (21%). Although metallurgical recoveries were higher in the current year, throughput and head grades were lower, resulting in lower copper production. A significant percentage of lower grade, but profitable, material was mined during the year benefiting the overall life of mine copper production profile, representing 42% of the total ore tonnes mined and 27% of the total copper produced being derived from mineralization outside the mineral reserve. In the fourth quarter, a lower proportion of ore mined was from higher grade bench and fill stopes, which resulted in lower overall copper head grade.

Ramp-up of the zinc plant continued in the fourth quarter of 2012. Annual zinc production, at 30,006 tonnes of metal in concentrate, represents a new zinc production record for the mine.

Cash Costs

Cash costs of $1.79/lb were higher than guidance ($1.70/lb) as a result of higher mining costs, lower than planned grades and a stronger Euro than forecast in the fourth quarter. Cash costs were slightly higher than the previous year's average of $1.76/lb mainly due to an increase in overall production costs ($0.44/lb) partially offset by favourable foreign exchange ($0.15/lb) and by-product credits ($0.26/lb).

Lombador Zinc/Copper Project and Semblana Copper Project

In 2012, a revised mine development strategy was prepared with an emphasis on achieving early copper production from Lombador Phase I by the third quarter of 2013. Construction of the first phase of the Lombador project remains on track, including a range of supporting surface infrastructure. Significant Lombador zinc production starts in 2013 and ramps up to constitute the majority of zinc plant feed in 2015.

Studies directed at the future mine areas of lower Lombador and the Semblana deposit continue to focus on further low cost options for access, mining, materials handling, and incremental process plant expansions. A range of opportunities are being examined on how these new areas can best be integrated into the existing operations for maximum value. In parallel, development of twin ramps continued from the adjacent Zambujal orebody down to Semblana, initially for the purpose of gaining access for underground exploration drill drives but with sufficient flexibility in their design to readily convert them into production ramps.

Zinkgruvan Mine

The Zinkgruvan mine is located approximately 250 km south-west of Stockholm, Sweden. Zinkgruvan has been producing zinc, lead and silver on a continuous basis since 1857. The operation consists of an underground mine, processing facilities and associated infrastructure with a nominal production capacity of 1.3 million tonnes of ore.

Operating Statistics

	Total 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Ore mined, zinc (000 tonnes)	**954**	251	189	251	263	1,029	228	257	256	288
Ore mined, copper (000 tonnes)	**157**	40	46	44	27	103	5	36	36	26
Ore milled, zinc (000 tonnes)	**998**	254	216	241	287	999	256	236	231	276
Ore milled, copper (000 tonnes)	**145**	29	48	49	19	110	38	22	21	29
Grade per tonne										
Zinc (%)	**9.1**	8.2	10.1	10.7	7.7	8.2	8.5	8.0	8.5	8.0
Lead (%)	**4.4**	3.8	4.7	4.8	4.3	4.0	3.7	3.7	4.1	4.2
Copper (%)	**2.3**	2.5	2.0	2.2	3.0	1.8	1.8	1.7	1.9	1.7
Recovery										
Zinc (%)	**91.7**	89.2	91.9	93.5	91.8	91.5	93.2	93.0	89.9	89.8
Lead (%)	**85.4**	84.8	88.0	85.3	83.8	81.9	79.7	83.3	82.5	82.4
Copper (%)	**91.8**	92.6	90.6	91.6	93.4	90.5	91.1	91.5	90.1	89.1
Concentrate grade										
Zinc (%)	**54.1**	54.5	54.6	54.5	53.0	52.6	52.4	53.0	52.7	52.4
Lead (%)	**74.7**	73.4	74.0	76.2	74.9	74.8	73.7	75.4	75.5	74.7
Copper (%)	**25.1**	24.7	24.3	25.9	25.7	25.2	25.6	24.3	24.4	26.2
Production- tonnes (contained metal)										
Zinc (tonnes)	**83,209**	18,703	20,053	24,022	20,431	75,147	20,337	17,459	17,582	19,769
Lead (tonnes)	**37,246**	8,198	8,953	9,747	10,348	32,339	7,621	7,368	7,829	9,521
Copper (tonnes)	**3,059**	673	864	986	536	1,768	622	349	356	441
Silver (000 oz)	**2,496**	560	621	673	642	1,691	390	379	414	508
Sales ($000s)	**209,621**	52,946	48,699	52,934	55,042	188,566	42,240	48,741	50,000	47,585
Operating earnings ($000s)	**116,143**	27,564	28,706	31,616	28,257	93,588	15,129	28,315	26,178	23,966
Cash cost (SEK per pound)	**0.92**	0.80	0.55	0.82	1.50	1.97	2.49	0.81	1.64	2.76
Cash cost ($ per pound)	**0.13**	0.12	0.08	0.12	0.22	0.30	0.37	0.13	0.26	0.42

Operating Earnings

Operating earnings of $116.1 million were $22.5 million higher than the $93.6 million reported in 2011. Higher sales volumes ($20.4 million), lower unit costs ($16.9 million) and foreign exchange gains ($3.8 million) more than compensated for the decrease in realized metal prices, net of prior period price adjustments ($18.6 million).

Production

Total throughput for the year was similar to that of the prior year, while significant improvements were made to the zinc concentrate grade. Zinc, lead and copper production were at an all-time high for the mine and exceeded 2011 production by 11%, 15% and 73%, respectively, due to higher ore grades and improved metallurgical recoveries.

Cash Costs

2012 cash costs of $0.13/lb have decreased $0.17/lb from the previous year ($0.30/lb) as a result of lower overall production costs, an increase in by-product copper and lead metal sales and higher zinc production. Lower production costs resulted from improved cost controls, the reduced use of contractors and lower electricity charges due to reduced rates and a milder winter.

Projects

A pre-feasibility study was initiated during the fourth quarter of 2012 to study replacement of the existing surface crushing and screening circuit with fully autogenous grinding for each of the copper and zinc ores. Concurrent with the study, tenders have been requested for supply of the new zinc mill which will be evaluated during the first quarter of 2013. The intent of the study is to better define concepts as well as operating and capital costs. The study is expected to be completed by the second quarter of 2013. The new circuit is expected to facilitate lower operating costs, increased system reliability, lower dust and noise emissions and increased throughput towards the achievement of processing 1.5 million tonnes per year combined zinc and copper ores.

Aguablanca Mine

The Aguablanca nickel-copper mine is located in the province of Badajoz, 80 km by road to Seville, Spain, and 140 km from a major seaport at Huelva. The operations consist of an open pit mine and an on-site processing facility (milling and flotation) with a production capacity of 1.9 million tonnes per annum. Production activities were suspended in December 2010 following a pit-slope failure. Operations restarted during the third quarter of 2011 in the pit to reinstate the main ore haulage ramp and concentrate production recommenced in August 2012.

Operating Statistics

	Total 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total 2011	Q4 2011[1]	Q3 2011[1]	Q2 2011[1]	Q1 2011
Ore mined (000s tonnes)	**755**	368	198	148	41	24	23	1	-	-
Ore milled (000s tonnes)	**577**	368	209	-	-	-	-	-	-	-
Grade per tonne										
Nickel (%)	**0.5**	0.5	0.4	-	-	-	-	-	-	-
Copper (%)	**0.4**	0.5	0.4	-	-	-	-	-	-	-
Recovery										
Nickel (%)	**81.3**	82.8	78.1	-	-	-	-	-	-	-
Copper (%)	**91.4**	92.9	87.7	-	-	-	-	-	-	-
Concentrate grade										
Nickel (%)	**6.8**	6.8	6.7	-	-	-	-	-	-	-
Copper (%)	**6.4**	6.3	6.8	-	-	-	-	-	-	-
Production (contained metal)										
Nickel (tonnes)	**2,398**	1,705	693	-	-	-	-	-	-	-
Copper (tonnes)	**2,260**	1,563	697	-	-	-	-	-	-	-
Sales ($000s)	**22,167**	11,582	10,585	-	-	(1,897)	-	(34)	71	(1,934)
Operating loss ($000s)	**(10,879)**	(3,163)	(2,988)	(2,505)	(2,223)	(16,717)	(4,642)	(1,873)	(2,756)	(7,446)
Cash cost (€ per pound)	**5.34**	4.85	5.94	-	-	-	-	-	-	-
Cash cost ($ per pound)	**6.76**	6.19	7.47	-	-	-	-	-	-	-

[1] Adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine,* in the fourth quarter of 2011 allowed for the capitalization of certain stripping costs, which had previously been expensed, at the Aguablanca mine.

Restart of Operations

Pre-stripping activities were accelerated in the year and a coarse ore stockpile of over 200,000 tonnes was built up which, along with ongoing mining, enabled an earlier than planned restart of concentrate production in August 2012. During the fourth quarter, processing operations reached annualized throughput rates equivalent of 1.5 million tonnes.

The total investment required to recommence concentrate production was €44 million, slightly below expectations. Stream lining and fresh water dam lining programs were completed ahead of the production restart.

Monitoring and analysis of the mine's south pit wall instability continued throughout the fourth quarter, while mining of ore and waste remained restricted to the north side of the open pit. A decision regarding the future configuration of the pit is anticipated during the second quarter of 2013. The production guidance for 2013 reflects a reduction in the mineable reserve to only those areas not affected by the instability and assumes no additional investment to attempt to recover reserves in the affected area.

Production

The early restart of processing operations resulted in the production of 2,398 tonnes of nickel and 2,260 tonnes of copper in bulk concentrate during the year. In the fourth quarter, the ramp-up of the processing plant continued with nickel and copper recovery levels and concentrate grades achieving pre-shutdown levels.

Operating Loss

Operating loss of $10.9 million for the year ended December 31, 2012, which includes a $9.1 million write down of concentrate inventory to net realizable value, was lower than 2011 due to significant waste removal costs incurred at the beginning of 2011. During December 2012, insurance proceeds of €6.0 million ($7.9 million) were received for claims made in relation to the December 2010 pit slope failure. The proceeds were recorded in "other income" in the statement of earnings and do not form part of the operating loss.

Galmoy Mine

The Galmoy underground zinc mine is located in south-central Ireland in County Kilkenny. Execution of the approved mine closure plan is currently underway. Milling ceased in May 2009 and the mill has been sold. Mining of remnant high grade ore continued until October 2012. All mined ore has been transported to an adjacent mine and stockpiled for treatment during 2013. Production tonnage is based on a 50% attributable-share to Lundin Mining.

Operating Statistics

	Total 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Ore mined (000 tonnes)	**142**	15	43	5	79	302	77	79	77	69
Ore sold (000 tonnes)	**188**	19	61	69	39	193	47	50	54	42
Grade per tonne										
Zinc (%)	**14.0**	13.9	13.1	14.8	14.3	22.6	20.1	24.8	22.5	23.4
Lead (%)	**2.4**	2.5	2.6	2.2	2.4	7.5	5.7	8.9	8.2	7.4
Production (contained metal)										
Zinc (tonnes)	**8,989**	925	2,565	331	5,168	32,071	6,334	9,458	8,802	7,477
Lead (tonnes)	**1,131**	116	364	33	618	8,791	1,652	2,709	2,538	1,892
Sales ($000s)	**23,144**	3,582	7,663	7,057	4,842	39,073	6,122	12,845	10,862	9,244
Operating earnings ($000s)	**15,022**	1,914	6,607	5,692	809	26,503	1,000	10,649	7,030	7,824

Operating Earnings

Mining of high grade ore for processing by a third party yielded operating earnings of $15.0 million in the year ended December 31, 2012, lower than the $26.5 million reported in 2011. Sales and operating earnings in the current year were negatively impacted by planned lower grade ore and higher mining and site costs when compared to the prior year.

An amount of $12.1 million is reported as deferred revenue as at December 31, 2012, representing cash received for ore delivered but not yet processed. As at December 31, 2012, approximately 130,000 dmt of ore were held in inventory at the processing facility, for which final revenue settlement will be recognized as it is milled.

Production

Production is reported based on a 50% attributable-share of the metal contained in ore delivered (after accounting for expected plant recoveries). Mining of remnant high grade ore was fully completed in October 2012 and all ore has now been transported to a neighboring mine for processing during 2013. Execution of the approved mine closure plan is currently underway.

Closure Costs

$1.8 million was incurred during the year for mine closure and rehabilitation work. This included expenditures on land/tailing rehabilitation, mine flooding/sealing and replacement water supply activities.

Tenke Fungurume

Tenke Fungurume ("Tenke") is a copper-cobalt mine located in the southern part of Katanga Province, Democratic Republic of Congo ("DRC"). Lundin Mining holds a 24% equity interest in the mine. Freeport is the operating partner and holds a 56% interest in the mine. La Générale des Carrières et des Mines ("Gécamines"), the Congolese state mining company, holds a 20% carried interest in the mine. On completion of the Phase II expansion, the mine will have nameplate annual production capacity of 195,000 tonnes of copper cathode and 15,000 tonnes of cobalt hydroxide.

Operating Statistics

100% Basis	**Total 2012**	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Ore mined (000 tonnes)	**12,806**	3,909	3,170	2,641	3,086	9,995	2,418	2,720	2,692	2,165
Ore milled (000 tonnes)	**4,748**	1,222	1,248	1,172	1,106	4,046	1,092	1,104	881	969
Grade per tonne										
Copper (%)	**3.6**	3.8	3.6	3.5	3.6	3.4	3.4	3.2	3.7	3.4
Recovery										
Copper (%)	**92.4**	94.8	92.9	90.6	91.2	92.5	93.8	91.4	92.9	91.7
Production (contained metal)										
Copper (tonnes)	**157,671**	44,130	41,446	35,965	36,130	127,367	34,891	32,249	29,891	30,336
Cobalt (tonnes)	**11,669**	2,718	3,356	2,868	2,727	11,182	2,854	2,759	2,776	2,793
Income from equity investment ($000s) [1]	**101,516**	25,785	25,060	25,111	25,560	94,681	20,561	17,233	32,022	24,865
Attributable share of operating cash flows ($000s)	**145,899**	39,156	26,069	49,652	31,022	149,392	37,986	21,397	51,834	38,175
Cash cost ($ per pound) [2]	**1.23**	1.24	1.23	1.22	1.25	1.07	1.30	1.12	0.94	0.86

[1] The Company recognized a 24.75% interest in the earnings of Tenke up to March 25, 2012 and 24% thereafter. Lundin Mining's share of equity earnings includes adjustments for GAAP harmonization differences and purchase price allocations.

[2] Cash costs are as calculated and reported by Freeport. Unit costs attributable to Lundin Mining's share of production may vary slightly from time to time due to marginal differences in the basis of calculation.

Income from Equity Investment

Income of $101.5 million was $6.8 million higher than the prior year. Higher copper sales volumes were partially offset by higher costs and lower average realized price on both copper and cobalt sales. Volume of copper cathode sold during the year, on a 100% basis, was 152,355 tonnes compared to 128,284 tonnes in the prior year.

The average price realized for copper sales during the year was $3.51/lb, compared to $3.74/lb in 2011. The average realized price for cobalt sold during 2012 was $7.83/lb (2011: $9.99/lb).

Production

Tenke achieved record mining, milling and copper production rates during the year principally related to the ramp-up of the Phase II expansion. Milling facilities continue to perform well with throughput averaging approximately 13,000 metric tonnes of ore per day for the year. Mining rates have been increased to enable additional copper cathode production from the initial project capacity of 115,000 tonnes per year to in excess of 195,000 tonnes per year.

Freeport is expecting annual sales volumes to be approximately 186,000 tonnes of copper and 13,600 tonnes of cobalt in 2013.

Cash Costs

Average cash operating costs, including the cobalt by-product credit, of $1.23/lb of copper for the year was higher than guidance, largely as a result of lower realized cobalt prices. Freeport projects 2013 cash costs to be lower at $1.03/lb.

Phase II Expansion

The Phase II expansion is substantially complete and within budget.

Freeport continues to engage in drilling activities, exploration analyses, metallurgical testing and piloting heap leaching on low grade material to evaluate the full potential of the highly prospective minerals district at Tenke. These analyses are being incorporated in the evaluation of opportunities for several further phases of expansion. The addition of a second sulphuric acid plant is expected to be completed in 2015.

Tenke Funding

The Company funded a $15.0 million cash call during the year (2011: $64.5 million) to cover sustaining capital, on-going concession exploration and expansion initiatives not already funded by surplus cash flows from operations.

Lundin Mining's share of attributable operating cash flow from Tenke for the year was $145.9 million (2011: $149.4 million).

Lundin Mining's share of 2013 capital investment for Tenke has been assumed, for internal planning purposes, to be $115 million to fund remaining Phase II expansion costs, exploration drilling, Phase III and Phase IV testwork and studies, a tailings dam expansion and other sustaining capital items. It is expected that the Company's share of operating cash flows from Tenke will be substantially more than sufficient to fund these capital and non-capital requirements and the Company estimates net cash distributions could be in the range of $130 million in 2013. Final decisions on capital investment levels and the amounts and timing of any cash distributions for 2013 are ultimately made by Freeport, the mine's operator.

Exploration

Portugal

Neves-Corvo Mine Exploration (Copper, Zinc)
The 2012 surface exploration program included a total of 94,439 metres of drilling. At Semblana, an update on the Inferred Mineral Resource was reported in June 2012 in accordance with the definitions in the Canadian National Instrument 43-101. The update included a new zone of high grade copper sulphides discovered approximately 300 metres to the south of the initial resource block, which was not included in the initial resource. Drilling around this new discovery, as well as progressively testing other high priority targets, continued throughout 2012.

The 2012 program also included drill-testing of high priority seismic reflectors and step-out drilling of the resource-grade copper mineralization discovered at Monte Branco just west of the tailings management facility; drilling of these targets will continue during 2013. Additional drilling in 2013 will work towards defining the limits and grade distribution of the Semblana deposit, especially to the west and south, and will focus on delineating a silver-rich polymetallic resource that appears to extend beyond the limits of the currently known copper resource.

Iberian Pyrite Belt Regional Exploration (Copper, Zinc)
Target definition work was undertaken in 2012, focusing on priority areas up to 8 km along strike to the northwest of the Neves-Corvo mine. A total of 2,318 metres was drilled in 2012 to test three of four new targets identified with seismic surveys and mapping. The 2013 program will focus on additional target generation and testing in this area.

Spain
The Company optioned the Touro copper project in northern Spain and a significant drill, testwork and study program advanced through to the third quarter of 2012 on this project. While resource increase targets were achieved, preliminary economic assessments indicated that investment hurdle rates were unlikely to be achieved and the option rights to the property were dropped.

Ireland

Clare Project (Copper, Zinc, Lead, Silver)
The focus of the Clare Project is the development of copper-zinc-lead-silver resources at the Kilbricken Deposit, first discovered in 2009 by Belmore Resources (subsequently acquired by the Company in 2011). The 2012 drill program had two objectives. The first was to increase the size of the known deposit with step-out drilling from the two main zones. The second objective was to investigate the Kilbricken Corridor for further high grade zones. The Kilbricken Corridor is a broadly east-west oriented zone, measuring approximately 10 km by 2.5 km.

The high grade Copper Zone, located approximately 700 metres west of the Discovery Zone, was expanded to the west and south and remains open. Drilling to the south of the Discovery Zone intercepted new zinc-lead-silver mineralization over a strike length of 500 metres. That area remains open to the south, southeast and southwest. A total of 18,100 metres in 28 holes was drilled in the Kilbricken Deposit area in 2012.

A set of seven widely spaced 2D seismic lines was completed to provide structural control for future drill targeting in the Kilbricken Corridor. An airborne magnetic survey was also completed, covering the northern half of the Clare property. Results indicate that the structures controlling mineralization at Kilbricken are continuous for more than 10 km to the east of Kilbricken. The corridor remains highly prospective for discovering additional copper-zinc-lead-silver resources. A total of 9,800 metres in 19 holes was drilled in the Kilbricken Corridor, outside of the immediate Kilbricken Deposit area, in 2012.

Drilling in 2013 will continue to focus on expanding the current limits of the Discovery and Copper Zones, as well as exploring for additional new zones of high grade copper-zinc-lead-silver mineralization in the vicinity of the Kilbricken Deposit and within the Kilbricken Corridor.

Lakelands Project (Zinc, Lead)
A total of 10,100 metres in 24 holes was drilled at the Reynolds Hill Prospect in Co. Leitrim, in northwest Ireland, to follow-up a zinc-lead mineralised intercept drilled in late 2011. A broad area of disseminated zinc-lead sulphides was discovered but no potentially economic intersections were made. The mineralization is associated with a significant structural feature, more than 15 km long, interpreted from geophysical surveys carried out by the Company and previous operators. The future program will concentrate on defining further drill targets on this structure as well as elsewhere within the property.

Chile **(Copper, Gold)**
In 2012, Lundin Mining completed an earn-in agreement with Southern Hemisphere Mining on the Llahuin copper-gold-molybdenum project located only 56 km from the coast and 40 km north of the city of Illapel in Chile's Region IV. The Company will continue to focus on Chile in developing additional copper-gold targets in 2013.

Romania **(Copper, Gold)**
Under an option agreement with a private Romanian company, the Company funded a small exploration program at a greenfield copper-gold porphyry prospect ("Rozalia"), located in an underexplored region of western Romania. This region hosts the same metalliferous belt of rocks as seen further to the south, in Serbia, at the large Bor and Majdanpek copper-gold deposits. The Company has the right to acquire a 100% interest in the project and will recommence exploration on Rozalia late in the second quarter of 2013.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for 2012 were lower than the average prices for 2011. During the first eight months of the year, the metals market continued to be weak based on continued concerns about the Eurozone and a slowdown of Chinese growth. In September, China announced a program for spending on infrastructure which, together with announcements from the European Central Bank on an ease in borrowing costs for indebted countries and from the United States on a third round of quantitative easing, helped to boost metal prices. During the fourth quarter the markets traded sideways, initially because of a US election and a leadership change in China and subsequently because of weak economic data out of Europe and concerns about the US fiscal cliff. However, copper, zinc and lead prices all ended the year higher than the end of 2011, while the price of nickel closed lower than the previous year.

		Three months ended December 31			Twelve months ended December 31		
(Average LME Price)		**2012**	2011	Change	**2012**	2011	Change
Copper	US$/pound	3.59	3.40	6%	3.61	4.00	-10%
	US$/tonne	7,909	7,489		7,950	8,811	
Zinc	US$/pound	0.88	0.86	3%	0.88	0.99	-11%
	US$/tonne	1,947	1,897		1,946	2,191	
Lead	US$/pound	1.00	0.90	11%	0.93	1.09	-14%
	US$/tonne	2,199	1,983		2,061	2,398	
Nickel	US$/pound	7.70	8.30	-7%	7.95	10.36	-23%
	US$/tonne	16,967	18,303		17,526	22,831	

The LME inventory for zinc and nickel continued to increase during 2012 and ended the year 49% and 55%, respectively, higher than the closing levels of 2011. The LME inventory for copper and lead decreased during 2012 and ended the year 14% and 9%, respectively, lower than the closing levels of 2011.

Treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates decreased in the first five months of 2012. In January 2012, the spot TC was $26 per dmt of concentrate and the spot RC was $0.026 per lb of payable copper, in May the spot TC had decreased to $23 per dmt with a spot RC of $0.023 per lb of payable copper. In June, the spot market turned as a result of reduced demand for imported concentrates in China as well as more tonnage of copper concentrates becoming available from the ramp-up of new mines. In August 2012, the spot TC reached $45 per dmt with a RC of $0.045 per lb payable copper and by December the spot market was trading at a TC of $62 per dmt of concentrates with a RC of $0.062 per lb payable copper. In the annual negotiations for copper TC and RC for 2012, the benchmark TC was agreed at $60-63.5 per dmt of concentrates with a RC of $0.06-0.0635 per lb payable copper. In January 2013, the benchmark terms for the year were set at a TC of $70 per dmt of concentrates and a RC of $0.07 per lb of payable copper, a slight increase over terms for 2012.

The spot TC for zinc concentrates increased during 2012 from $55 per dmt of concentrate, flat, in January to $125 per dmt of concentrate, flat, in December. The main reason behind the increase in the spot TC was due to an increase in Chinese domestic mine production of zinc concentrates, reduced demand and high inventories. The TC for annual contracts for 2012 was settled at $191 per dmt based on a zinc price of $2,000 per mt and with escalators of 2%-5% and de-escalators of 2%. The annual negotiations for TC under long term contracts between miners and smelters for 2013 have started, but are not yet finalized.

Although China increased its imports of lead concentrates during 2012 compared to 2011, the spot TC remained relatively stable. The average spot TC for 2012 was $110 per dmt of concentrate, flat, to be compared with $120 per dmt of concentrate, flat, in 2011. However, during the period April to July the spot TC dropped to $70-$90 per dmt of concentrate, flat, as a function of the arbitrage between the lead price of the LME and of the Shanghai Futures Exchange being in favour of imported lead concentrates. The spot TC for lead concentrates at the end of 2012 was $130 per dmt of concentrate, flat. Lead concentrates are less of a homogenous product than copper and zinc concentrates and there is no single benchmark TC. The qualities differ in the content of lead, precious metals and impurities and each quality is priced accordingly. In December 2012 the Company concluded terms for the majority of its long term contracts for Zinkgruvan lead concentrates with 2013 TC approximately 20% lower than 2012.

The Company’s nickel concentrates are sold under a long-term contract at market terms. The contract provides for regular monthly delivery and pricing of the concentrates which ensure that nickel realizations correlate more closely with LME averages over the year. Production at Aguablanca resumed in August 2012 after having been stopped since December 2010 due to damages caused by torrential rainfall. During the second half of 2012 the company made two shipments of Aguablanca nickel concentrates.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents increased by $9.7 million to $275.1 million as at December 31, 2012, from $265.4 million at December 31, 2011. Cash inflows for the year ended December 31, 2012 included operating cash flows of $194.0 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment ($159.4 million), full repayment of the Company’s commercial paper program ($19.7 million) and a cash advance to Tenke ($15.0 million).

Working Capital

Working capital of $315.7 million as at December 31, 2012 was relatively unchanged from the $306.6 million reported for December 31, 2011. The increase of $9.1 million reflects a higher balance of cash and inventories, partially offset by lower trade receivables.

Revolving Credit Facility

The Company has a $350 million revolving credit facility which expires in December 2015. No advances are currently outstanding under the credit facility other than a letter of credit in the amount of SEK80 million ($12.3 million).

Shareholders’ Equity

Shareholders’ equity was $3,475.2 million at December 31, 2012, compared to $3,297.9 million at December 31, 2011. Shareholders’ equity increased primarily as a result of net earnings of $123.2 million and translation adjustments of $37.1 million.

Sensitivities

Net earnings and earnings per share are affected by certain external factors including fluctuations in metal prices and changes in exchange rates between the Euro, the SEK and the US dollar.

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

Metal	Provisional price on December 31, 2012 ($US/tonne)	Change	Effect on pre-tax earnings ($millions)
Copper	7,932	+/-10%	+/-$9.4
Zinc	2,028	+/-10%	+/-$3.2
Lead	2,318	+/-10%	+/-$1.8
Nickel	17,032	+/-10%	+/-$1.2

Contractual Obligations and Commitments

	Payments due by period				
US$ thousands	<1 years	1-3 years	4-5 years	> 5 years	Total
Long-term debt	1,083	1,320	1,244	-	3,647
Finance leases	1,954	3,398	733	290	6,375
Reclamation and closure provisions[1]	7,032	19,722	29,196	52,367	108,317
Capital commitments	34,394	2,740	-	-	37,134
Operating leases and other	7,066	7,619	949	319	15,953
	51,529	34,799	32,122	52,976	171,426

1. Reclamation and closure provisions are reported on an undiscounted basis and before inflation.

Financial Instruments

Summary of financial instruments:

	Fair value at December 31, 2012 ($000s)	Basis of measurement	Associated risks
Cash and cash equivalents	275,104	Carrying value	Interest/Credit/Exchange
Trade and other receivables	14,484	Carrying value	Credit/Market/Exchange
Other assets	1,478	Carrying value	Credit/Market/Exchange
Reclamation funds	34,838	Carrying value	Interest/Credit
Trade receivables	76,237	Fair value through profit and loss	Credit/Market/Exchange
Marketable securities and reclamation funds	31,392	Fair value through profit and loss	Market/Liquidity
Marketable securities	19,717	Fair value through OCI	Market/Liquidity
Trade and other payables	94,768	Amortized cost	Interest
Long-term debt and finance leases	10,022	Amortized cost	Interest
Other long-term liabilities	3,625	Amortized cost	Interest

Carrying value – Cash and cash equivalents, certain trade and other receivables, other assets and reclamation funds mature in the short-term and approximate their fair values.

Fair value through profit and loss (trade receivables) – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on forward LME prices.

Fair value through profit and loss (“FVPTL” securities) – The fair value of investments in shares is determined based on quoted market price and the fair value of warrants is determined using a valuation model that incorporates such factors as the quoted market price, strike price and the volatility of the related shares of which the warrants can be exchanged for and the expiry date of the warrants.

Fair value through other comprehensive income (“OCI”) (Available-for-sale or “AFS” securities) – The fair value of investments in shares is determined based on quoted market price and the fair value of warrants is determined using a valuation model that incorporates such factors as the quoted market price, strike price and the volatility of the related shares and the expiry date of the warrants.

Amortized cost – Trade and other payables, long-term debt and finance leases and other long-term liabilities approximate their carrying values as the interest rates are comparable to current market rates.

During the year ended December 31, 2012, the Company recognized; additional sales of $5.5 million (2011: reduction in sales of $1.0 million) on final settlement of provisionally priced transactions from the prior year, a revaluation loss on FVPTL securities of $2.3 million (2011: $3.9 million) and a revaluation gain on AFS securities of $4.0 million (2011: nil). In addition, a foreign exchange loss of $5.1 million (2011: $8.2 million gain) was realized in the year on US$-denominated cash and trade receivables that were held in the European group entities.

Related Party Transactions

Tenke

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

During the year ended December 31, 2012, the Company advanced $15.0 million to fund its portion of Tenke expenditures. In addition, the Company provides certain letters of credit and guarantees for $1.7 million worth of contracts entered into by Tenke. These letters of credit expire in 2013.

Key Management Personnel

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

		2012		2011
Wages and salaries	**$**	**6,036**	$	5,992
Pension benefits		**109**		146
Share-based compensation		**2,662**		523
	$	**8,807**	$	6,661

During the year ended December 31, 2012, the Company paid $0.3 million for services provided by a company owned by the Chairman of the Company. The Company also paid $0.5 million for the year ended December 31, 2012, to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

Changes in Accounting Policies

New Accounting Pronouncements

The Company is currently evaluating the impact of the following pronouncements:

- IFRS 7 *Financial instruments – disclosures were* further amended to provide guidelines on the eligibility criteria for offsetting assets and liabilities as a single net amount in the balance sheets. This amendment is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IFRS 10 *Consolidated financial statements* requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—special purpose entities* and parts of IAS 27 *Consolidated and separate financial statements*. This standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IFRS 11 *Joint arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities—non-monetary contributions by venturers*. This standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IFRS 12 *Disclosure of interests in other entities* establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IFRS 13 *Fair value measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IAS 1 *Presentation of financial statements,* was amended to require entities to group items within other comprehensive income that may be reclassified to the statement of earnings. This standard is effective for annual periods beginning on or after July 1, 2012 and is not expected to have a significant impact on the Company.

- IAS 19 *Post-employment benefits*, was amended to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IAS 28 *Investments in associates,* was amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. This amendment is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IAS 32 *Financial instruments: presentation* was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014 and is not expected to have a significant impact on the Company.

- IFRS 9 *Financial instruments*, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial instruments – Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in the statement of earnings to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

  Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value change due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for annual periods beginning on or after January 1, 2015. The Company is still assessing the impact of this standard.

Critical Accounting Estimates and Assumptions

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

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

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

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

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

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

The Company undertakes a review of the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sale volumes, metal prices, foreign exchange rates, reserves and resource quantities, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

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

Valuation of investment in Tenke Fungurume

The Company carries its investment at cost and adjusts for its share of earnings of the investee. The Company reviews the carrying value of the investment whenever events or changes in circumstances indicate that impairment may be present. In undertaking this review, the Company makes reference to future operating results and cash flows. This requires making significant estimates of, amongst other things, reserves and resources quantities, future production and sale volumes, metal prices, future operating and capital costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the investment.

Goodwill

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

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

Reclamation and other closure provisions

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

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

Pension obligations
The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The principal assumptions used in determining the net cost for pensions include the discount rate and the rate of salary increase. Any changes in these assumptions will impact the carrying amount of pension obligations.

Share-based compensation
The Company grants stock options to employees under its incentive stock option plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. Option pricing models require the input of highly subjective assumptions including expected volatility and life. Changes in the input assumptions can materially affect the fair value estimate. Assumption details are discussed in the notes to the financial statements.

Critical Accounting Judgments

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

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

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

Managing Risks

Risks and Uncertainties

Metal Prices

Metal prices, primarily copper, zinc and lead are key performance drivers and fluctuations in the prices of these commodities can have a dramatic effect on the results of operations. Prices can fluctuate widely and are affected by numerous factors beyond the Company's control. The prices of metals are influenced by supply and demand, exchange rates, inflation rates, changes in global economies, and political, social and other factors. The supply of metals consists of a combination of new mine production, recycling and existing stocks held by governments, producers and consumers.

If the market prices for metals fall below the Company's full production costs and remain at such levels for any sustained period of time, the Company may experience losses and may determine to discontinue mining operations or development of a project at one or more of its properties. If the prices drop significantly, the economic prospects of the mines and projects in which the Company has an interest could be significantly reduced or rendered uneconomic. Low metal prices will affect the Company's liquidity, and if they persist for an extended period of time, the Company may have to look for other sources of cash flow to maintain liquidity until metal prices recover. The Company does not currently hedge metal prices.

Foreign Exchange Risk

The Company's revenue from operations is received in US dollars while most of its operating expenses will be incurred in Euro and SEK. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results. The Company does not currently engage in foreign currency hedging activities.

Credit Risk

The Company is exposed to various counterparty risks. The Company is subject to credit risk through its trade receivables. The Company manages this risk through evaluation and monitoring of industry and economic conditions and assessment of customers' financial reports. The Company transacts with credit worthy customers to minimize credit risk and if necessary, employs pre-payment arrangements and the use of letters of credit, where appropriate, but cannot always be assured of the solvency of its customers. Credit risk relating to derivative contracts arises from the possibility that a counterparty to an instrument with which the Company has an unrealized gain fails to settle the contracts.

Derivative Instruments

The Company does not currently, but may from time to time, manage exposure to fluctuations in metal prices and foreign exchange rates by entering into derivative instruments approved by the Company's Board of Directors. The Company does not hold or issue derivative instruments for speculation or trading purposes. Such derivative instruments would be marked-to-market at the end of each period and may not necessarily be indicative of the amounts the Company might pay or receive as the contracts are settled.

Reclamation Funds and Mine Closure Costs

As at December 31, 2012, the Company had $51.6 million in a number of reclamation funds that will be used to fund future site reclamation and mine closure costs at the Company's various mine sites. The Company will continue to contribute to these funds as required, based on an estimate of the future site reclamation and mine closure costs as detailed in the closure plans. Changes in environmental laws and regulations can create uncertainty with regards to future reclamation costs and affect the funding requirements.

The Company has received regulatory approval for closure at its Galmoy mine and closure activities are ongoing. From time to time Galmoy may need to seek regulatory approval for amendments to its mine closure plan for necessary changes. Mining activity at Galmoy ceased in the fourth quarter of 2012 and all remnant high grade ore has been transported to an adjacent mine where it will be treated during 2013.

Rehabilitation programs at the Storliden mine were completed in 2012. The site remains subject to an ongoing monitoring program until 2020. The Company also has ongoing long-term monitoring programs in place associated with legacy mining operations previously carried on in Honduras under the ownership of a subsidiary of Rio Narcea Gold Mines Ltd., which was acquired by the Company in 2007.

Closing a mine can have significant impact on local communities and site remediation activities may not be supported by local stakeholders. The Company endeavours to mitigate this risk by reviewing and updating closure plans regularly with external stakeholders over the life of the mine and considering where post-mining land use for mining affected areas has potential benefits to the communities.

In addition to immediate closure activities (including ground stabilization, infrastructure demolition and removal, top soil replacement, re-grading and re-vegetation), closed mining operations require long-term surveillance and monitoring.

Site closure plans have been developed and amounts accrued in the Company's financial statements to provide for mine closure obligations. Future remediation costs for inactive mines are estimated at the end of each period, including ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. Actual costs realized in satisfaction of mine closure obligations may vary materially from management's estimates.

Competition

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Foreign Countries and Regulatory Requirements

The Company's operations in Portugal, Sweden, Ireland and Spain are subject to various laws and environmental regulations. The implementation of new, or the modification of, existing laws and regulations affecting the mining and metals industry could have a material adverse impact on the Company.

The Company has a significant investment in mining operations located in the DRC. The carrying value of this investment and the Company's ability to advance development plans may be adversely affected by political instability and legal and economic uncertainty. The risks by which the Company's interest in the DRC may be adversely affected include, but not limited to: political unrest; labour disputes; invalidation of governmental orders, permits, agreements or property rights; risk of corruption including violations under U.S. and Canadian foreign corrupt practices statutes; military repression; war; civil disturbances; criminal and terrorist actions; arbitrary changes in laws, regulations, policies, taxation, price controls and exchange controls; delays in obtaining or the inability to obtain necessary permits; opposition to mining from environmental or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitations on mineral exports; and high rates of inflation and increased financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means without fair compensation. Africa's status as a developing continent may make it more difficult for the Company to obtain any required exploration, development and production financing for its projects.

There can be no assurance that industries which are deemed of national or strategic importance in countries in which the Company has operations or assets, including mineral exploration, production and development, will not be nationalized. Risk exists that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company's operations.

Mining and Processing

The Company's business operations are subject to risks and hazards inherent in the mining industry, including, but not limited to, unanticipated variations in grade and other geological problems, water conditions, surface or underground conditions, metallurgical and other processing problems, mechanical equipment performance problems, the lack of availability of materials, equipment or power, the occurrence of rock or ramp collapses, accidents, labour force disruptions, force majeure factors, unanticipated transportation costs, and weather conditions, any of which can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures and production commencement dates.

The Company's processing facilities are dependent upon continuous mine feed to remain in operation. Insofar as the Company's mines may not maintain material stockpiles of ore or material in process, any significant disruption in either mine feed or processing throughput, whether due to equipment failures, adverse weather conditions, power or supply interruptions, labour force disruptions or other causes, may have an immediate adverse effect on results of operations of the Company.

The Company periodically reviews mining schedules, production levels and asset lives in its life of mine ("LOM") planning for all of its operating and development properties. Significant changes in the LOM plans can occur as a result of experience obtained in the course of carrying out mining activities, new ore discoveries, changes in mining methods and rates, process changes, investments in new equipment and technology, foreign exchange and metal price assumptions, and other factors. Based on this analysis, the Company reviews its accounting estimates and in the event of an impairment, may be required to write-down the carrying value of a mine or development property. This complex process continues for the economic life of every mine and development property in which the Company has an interest.

Mine Development Risks

The Company's ability to maintain, or increase, its annual production of copper, zinc, lead, nickel and other metals will be dependent in significant part on its ability to bring new mines into production and to expand existing mines. Although the Company utilizes the operating history of its existing mines to derive estimates of future operating costs and capital requirements, such estimates may differ materially from actual operating results at new mines or at expansions of existing mines. The economic feasibility analysis with respect to any individual project is based upon, among other things, the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed), precious and base metals price assumptions, the configuration of the orebody, expected recovery rates of metals from the ore, comparable facility and equipment costs, anticipated climatic conditions, estimates of labour, productivity, royalty or other ownership requirements and other factors. Some of the Company's development projects are also subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing. Although the Company's feasibility studies are generally completed with the Company's knowledge of the operating history of similar ore bodies in the region, the actual operating results of its development projects may differ materially from those anticipated, and uncertainties related to operations are even greater in the case of green field development projects. Actual capital costs may be greater than those estimated, driven by factors unknown at the time of the estimate or factors beyond the control of the Company.

Environmental and Other Regulatory Requirements

All phases of mining and exploration operations are subject to government regulation including regulations pertaining to environmental protection. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There can be no assurance that possible future changes in environmental regulation will not adversely affect the Company's operations. As well, environmental hazards may exist on a property in which the Company holds an interest, which were caused by previous or existing owners or operators of the properties and of which the Company is not aware at present. Operations at the Company's mines are subject to strict environmental and other regulatory requirements, including requirements relating to the production, handling and disposal of hazardous materials, pollution controls, health and safety and the protection of wildlife. The Company may be required to incur substantial capital expenditures in order to comply with these requirements. Any failure to comply with the requirements could result in substantial fines, delays in production, or the withdrawal of the Company's mining licenses.

Government approvals and permits are required to be maintained in connection with the Company's mining and exploration activities. With the exception of certain of Aguablanca's water licenses (see *Infrastructure*), the Company has all the required permits for its operations as currently conducted; however, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations or additional permits for any possible future changes to the Company's operations, including any proposed capital improvement programs. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the Company resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

Mineral Resource and Reserve Estimates

The Company's reported Mineral Resources and Mineral Reserves are only estimates. No assurance can be given that the estimated Mineral Resources and Mineral Reserves will be recovered or that they will be recovered at the rates estimated. Mineral Resource and Mineral Reserve estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral Resource and Mineral Reserve estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain Mineral Resources and Mineral Reserves uneconomic and may ultimately result in a restatement of estimated resources and/or reserves. Moreover, short-term operating factors relating to the Mineral Resources and Mineral Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades or types, may adversely affect the Company's profitability in any particular accounting period.

Estimation of Asset Carrying Values

The Company annually undertakes a detailed review of the LOM plans for its operating properties and an evaluation of the Company's portfolio of development projects, exploration projects and other assets. The recoverability of the Company's carrying values of its operating and development properties are assessed by comparing carrying values to estimated future net cash flows and/or market values for each property.

Factors which may affect the recoverability of carrying values include, but are not limited to, metal prices, foreign exchange rate, capital cost estimates, mining, processing and other operating costs, grade and metallurgical characteristics of ore, mine design and timing of production. In the event of a prolonged period of depressed prices, the Company may be required to take material write-downs of its operating and development properties.

Funding Requirements and Economic Volatility

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfill its obligations under any applicable agreements. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of the Company's properties.

Lundin Mining is a multinational company and relies on financial institutions worldwide to fund its corporate and project needs. Instability of large financial institutions may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect the Company's access to the liquidity needed for the business in the longer term.

The Company's access to funds under its revolving credit facility is dependent on the ability of the financial institutions that are parties to the facility to meet their funding commitments. Those financial institutions may not be able to meet their funding requirements if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under the revolving credit facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others. Such disruptions could require the Company to take measures to conserve cash until the markets stabilize or until alternative credit or other funding arrangements for the Company's business needs can be obtained.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political risks.

No Assurance of Titles or Boundaries

Although the Company has investigated the right to explore and exploit its various properties and obtained records from government offices with respect to all of the mineral claims comprising its properties, this should not be construed as a guarantee of title. Other parties may dispute the title to a property or the property may be subject to prior unregistered agreements and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The

Company has not conducted surveys of all of its properties and the precise area and location of claims or the properties may be challenged.

Partner in the Tenke Fungurume Project

The Company's partner in the Tenke Fungurume copper/cobalt project is Freeport. There may be risks associated with this partner of which the Company is not aware.

Tax

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. By this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over withholding tax rates.

Employee Relations

A prolonged labour disruption by employees or suppliers at any of the Company's mining operations or distribution channels could have a material adverse effect on the Company's ability to achieve its objectives with respect to such properties and its operations as a whole.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges and power and water supplies are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage or government or other interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

During recent years, the water supply has been the object of political debate between the region in which Aguablanca operates and the neighbouring region. The Company is continuing to advance its application with central and regional authorities to obtain all of the water licenses required to satisfy all of its supply requirements.

Acquisition and Integration

The strategic acquisition of a mining Company, property or asset may change the scale of the Company's business and operation, exposing the Company to new geographic, political, operational and financial risks, many of which are inherent in our existing operations (as identified above). In addition, the Company may discover it has acquired a substantial undisclosed liability with little recourse against the seller. Such liabilities could have an adverse impact on the Company's business, financial condition, results of operations and cash flows. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, complete effective due diligence activities, negotiate acceptable terms and integrate the acquired operations efficiently into the Company.

Key Personnel

The Company has strengthened its human resources in key areas throughout the organisation, but is crucial that it further motivates, retains and attracts highly skilled employees. There can be no assurance that the Company will successfully retain current key personnel or attract additional qualified personnel to manage our current or future needs. The Company does not have key person insurance on these individuals.

Outstanding Share Data

As at February 21, 2013, the Company had 584,206,673 common shares issued and outstanding and 10,032,422 stock options outstanding under its incentive stock option plans.

Non-GAAP Performance Measures

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

- **Operating earnings**

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

- **Cash cost per pound**

  Copper, zinc and nickel cash costs per pound are key performance measures that management uses to monitor performance. Management uses these statistics to assess how well the Company's producing mines are performing compared to plan and to assess overall efficiency and effectiveness of the mining operations.

  Lundin provides cash cost information as it is a key performance indicator required by users of the Company's financial information in order to assess the Company's profit potential and performance relative to its peers. The cash cost figure represents the total of all cash costs directly attributable to the related mining operations after the deduction of credits in respect of by-product sales and royalties. Cash cost is not an IFRS measure and, although it is calculated according to accepted industry practice, the Company's disclosed cash costs may not be directly comparable to other base metal producers. By-product credits are an important factor in determining the cash costs. The cost per pound experienced by the Company will be positively affected by rising prices for by-products and adversely affected when prices for these metals are falling.

Reconciliation of unit cash costs of payable copper, zinc and nickel metal sold to the consolidated statements of operations

Cash costs can be reconciled to the Company's operating costs as follows:

		Three months ended December 31, 2012				Three months ended December 31, 2011			
		Total Tonnes Sold	Pounds (000s)	Cash Cost $/lb	Operating Costs ($000s)	Total Tonnes Sold	Pounds (000s)	Cash Cost $/lb	Operating Costs ($000s)
Operation									
Neves-Corvo (Cu)		13,024	28,713	2.17	62,307	26,026	57,377	1.42	81,475
Zinkgruvan (Zn)		16,588	36,570	0.12	4,388	15,981	35,232	0.37	13,036
Aguablanca (Ni) [1]		508	1,120	6.19	6,933	-	-	-	3,481
Galmoy (Zn) [2]		-	-	-	373	-	-	-	4,687
					74,001				102,679
Add:	By-product credits				47,475				24,509
	Treatment costs				(13,825)				(21,426)
	Royalties and other				9,654				6,502
Total Operating Costs					**117,305**				**112,264**

		Twelve months ended December 31, 2012				Twelve months ended December 31, 2011			
		Total Tonnes Sold	Pounds (000s)	Cash Cost $/lb	Operating Costs ($000s)	Total Tonnes Sold	Pounds (000s)	Cash Cost $/lb	Operating Costs ($000s)
Operation									
Neves-Corvo (Cu)		56,497	124,555	1.79	222,953	69,974	154,266	1.76	271,508
Zinkgruvan (Zn)		71,809	158,312	0.13	20,581	61,661	135,939	0.30	40,782
Aguablanca (Ni) [1,3]		915	2,017	6.76	17,405	-	-	-	14,848
Galmoy (Zn) [2]		-	-	-	6,580	-	-	-	8,360
					267,519				335,498
Add:	By-product credits				151,927				105,467
	Treatment costs				(61,820)				(72,000)
	Royalties and other				27,371				13,055
Total Operating Costs					**384,997**				**382,020**

[1] Pit-slope failure caused suspension of operations in December 2010.
[2] Operating costs for Galmoy include shipment and processing of ore by an adjacent mine.
[3] Pre-production costs are not reflected in Aguablanca's 2012 cash cost per pound.

Management’s Report on Internal Controls

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures and has evaluated the effectiveness of the Company’s disclosure controls and procedures and has concluded that they were effective as at December 31, 2012.

Internal control over financial reporting

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

Management has used the Committee of Sponsoring Organizations of the Treadway Commission (‘COSO’) framework in order to assess the effectiveness of the Company’s internal control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting and concluded that it was effective as at December 31, 2012.

Changes in internal control over financial reporting

There have been no changes in the Company’s internal control over financial reporting during the three month period ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Other Information

Additional information regarding the Company is included in the Company’s Annual Information Form (“AIF”) which is filed with the Canadian securities regulators. A copy of the Company’s AIF can be obtained from the Canadian Securities Administrators' website at www.sedar.com.

Consolidated Financial Statements

For the Year Ended December 31, 2012

Management's Report

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

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

(Signed) Paul K. Conibear	*(Signed) Marie Inkster*
President and Chief Executive Officer	Senior Vice President and Chief Financial Officer

Toronto, Ontario, Canada
February 21, 2013

Independent Auditor's Report

To the Shareholders of
Lundin Mining Corporation

We have audited the accompanying consolidated financial statements of Lundin Mining Corporation, which comprise the consolidated balance sheets as at December 31, 2012 and 2011 and the consolidated statements of earnings, comprehensive income, changes in equity, and cash flows for the years then ended December 31, 2012 and 2011 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lundin Mining Corporation as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario, Canada
February 21, 2013

LUNDIN MINING CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands of US dollars)		**December 31, 2012**		December 31, 2011
ASSETS				
Current				
Cash and cash equivalents (Note 3)	**$**	**275,104**	$	265,400
Trade and other receivables (Note 4)		**110,808**		120,066
Income taxes receivable		**6,494**		6,869
Inventories (Note 5)		**48,740**		41,203
		441,146		433,538
Non-Current				
Reclamation funds		**51,617**		54,392
Marketable securities and other assets (Note 6)		**39,052**		19,515
Mineral properties, plant and equipment (Note 7)		**1,270,813**		1,242,126
Investment in Tenke Fungurume (Note 8)		**2,003,053**		1,886,537
Deferred tax assets (Note 9)		**18,893**		37,848
Goodwill (Note 10)		**165,877**		190,369
		3,549,305		3,430,787
	$	**3,990,451**	$	3,864,325
LIABILITIES				
Current				
Trade and other payables (Note 11)	**$**	**119,714**	$	121,733
Income taxes payable		**5,726**		5,211
Current portion of deferred revenue (Note 12)		**17,683**		12,523
Current portion of long-term debt and finance leases (Note 13)		**3,037**		21,740
Current portion of reclamation and other closure provisions (Note 14)		**6,486**		6,581
		152,646		167,788
Non-Current				
Deferred revenue (Note 12)		**59,979**		68,514
Long-term debt and finance leases (Note 13)		**6,985**		7,606
Reclamation and other closure provisions (Note 14)		**124,244**		103,046
Other long-term liabilities (Note 15)		**3,625**		5,745
Provision for pension obligations (Note 16)		**19,131**		18,525
Deferred tax liabilities (Note 9)		**148,677**		195,245
		362,641		398,681
		515,287		566,469
SHAREHOLDERS' EQUITY				
Share capital (Note 17)		**3,505,398**		3,497,006
Contributed surplus		**34,140**		29,450
Accumulated other comprehensive loss		**(75,128)**		(116,174)
Retained earnings (deficit)		**10,754**		(112,426)
		3,475,164		3,297,856
	$	**3,990,451**	$	3,864,325

Commitments and contingencies (Note 22)

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

APPROVED BY THE BOARD

(Signed) Lukas H. Lundin
Director

(Signed) Dale C. Peniuk
Director

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS
For the years ended December 31, 2012 and 2011
(in thousands of US dollars, except for shares and per share amounts)

		2012		2011
Sales	$	**721,106**	$	783,786
Operating costs (Note 18)		**(384,997)**		(382,020)
Depreciation, depletion and amortization (Note 7)		**(122,379)**		(153,796)
General and administrative expenses		**(27,445)**		(19,881)
General exploration and business development (Note 19)		**(66,064)**		(50,702)
Income from equity investment in Tenke Fungurume (Note 8)		**101,516**		94,681
Finance income (Note 20)		**2,983**		3,602
Finance costs (Note 20)		**(10,441)**		(16,741)
Other income (Note 21)		**9,311**		16,845
Other expenses (Note 21)		**(9,708)**		(5,238)
Asset impairment (Note 7, 10)		**(67,252)**		(35,726)
Earnings before income taxes		**146,630**		234,810
Current tax expense (Note 9)		**(51,983)**		(77,841)
Deferred tax recovery (Note 9)		**28,533**		26,796
Net earnings	$	**123,180**	$	183,765

Basic and diluted earnings per share	$	**0.21**	$	0.32
Weighted average number of shares outstanding (Note 17c)				
Basic		**582,942,459**		582,074,865
Diluted		**584,013,588**		582,964,608

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2012 and 2011
(in thousands of US dollars)

		2012		2011
Net earnings	**$**	**123,180**	$	183,765
Other comprehensive income (loss), net of taxes				
Revaluation gain on marketable securities (Note 6)		**3,952**		-
Effects of foreign currency translation		**37,094**		(49,825)
Comprehensive income	**$**	**164,226**	$	133,940

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2012 and 2011
(in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive (loss)	Retained earnings (deficit)	Total
Balance, December 31, 2011	582,475,287	$ 3,497,006	$ 29,450	$ (116,174)	$ (112,426)	$ 3,297,856
Exercise of stock options	1,529,719	8,392	(2,545)	-	-	5,847
Share-based compensation	-	-	7,235	-	-	7,235
Net earnings	-	-	-	-	123,180	123,180
Revaluation gain on marketable securities	-	-	-	3,952	-	3,952
Effects of foreign currency translation	-	-	-	37,094	-	37,094
Balance, December 31, 2012	**584,005,006**	**$ 3,505,398**	**$ 34,140**	**$ (75,128)**	**$ 10,754**	**$ 3,475,164**
Balance, December 31, 2010	580,575,355	$ 3,485,814	$ 30,312	$ (66,349)	$ (296,191)	$ 3,153,586
Exercise of stock options	1,899,932	11,192	(2,986)	-	-	8,206
Share-based compensation	-	-	2,124	-	-	2,124
Net earnings	-	-	-	-	183,765	183,765
Effects of foreign currency translation	-	-	-	(49,825)	-	(49,825)
Balance, December 31, 2011	582,475,287	$ 3,497,006	$ 29,450	$ (116,174)	$ (112,426)	$ 3,297,856

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2012 and 2011
(in thousands of US dollars)

	2012	2011
Cash provided by (used in)		
Operating activities		
Net earnings	$ 123,180	$ 183,765
Items not involving cash		
Finance income and costs	5,979	8,784
Share-based compensation	7,739	2,124
Depreciation, depletion and amortization	122,379	153,796
Foreign exchange gain	(581)	(5,370)
Income from equity investment in Tenke Fungurume	(101,516)	(94,681)
Deferred tax recovery	(28,533)	(26,796)
Recognition of deferred revenue (Note 12)	(22,020)	(24,529)
Reclamation and other closure provisions	5,027	(1,342)
Asset impairment	67,252	35,726
Other	2,467	(4,253)
Reclamation payments	(3,221)	(2,700)
Pension payments	(1,186)	(1,095)
Prepayments received (Note 12)	14,514	30,443
Changes in non-cash working capital items (Note 28)	2,568	54,791
	194,048	308,663
Investing activities		
Investment in mineral properties, plant and equipment	(159,371)	(188,631)
Investment in Tenke Fungurume (Note 8)	(15,000)	(64,508)
Distribution from Tenke Fungurume (Note 8)	-	7,800
Reclamation funds withdrawn, net	5,534	5,563
(Acquisition of) proceeds from sale of marketable securities	(18,379)	7,972
Other	153	934
	(187,063)	(230,870)
Financing activities		
Common shares issued	5,847	8,206
Long-term debt repayments	(21,644)	(28,106)
Proceeds from long-term debt	-	17,592
Proceeds from government grants (Note 7)	15,107	-
Repayments of government grants (Note 15)	(3,220)	(335)
Other	(1,731)	-
	(5,641)	(2,643)
Effect of foreign exchange on cash balances	8,360	(8,659)
Increase in cash and cash equivalents during the year	9,704	66,491
Cash and cash equivalents, beginning of year	265,400	198,909
Cash and cash equivalents, end of year	$ 275,104	$ 265,400

Supplemental cash flow information (Note 28)

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

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company. The Company's wholly-owned operating assets include the Neves-Corvo copper/zinc mine located in Portugal, the Zinkgruvan zinc/lead mine located in Sweden, and the Aguablanca nickel/copper mine located in Spain. The Company also has a 24% equity accounted interest in the Tenke Fungurume copper/cobalt mine located in the Democratic Republic of Congo ("DRC").

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as outlined in Part 1 of the Handbook of Canadian Institute of Chartered Accountants.

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

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

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

These consolidated financial statements were approved by the Board of Directors of the Company for issue on February 21, 2013.

(ii) Significant accounting policies

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

(a) Basis of consolidation

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

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

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

(b) Investments in associates

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

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

(c) Translation of foreign currencies

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

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

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

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

(d) Cash and cash equivalents

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

(e) Reclamation funds

Reclamation funds include cash that has been pledged for reclamation and closure activities and is not available for immediate disbursement.

(f) Inventories

Ore and concentrate stockpiles are valued at the lower of production cost and net realizable value. Production costs include direct costs of materials and labour related directly to mining and processing activities, including production phase stripping costs, depreciation and amortization of mineral property and plant and equipment directly involved in the related mining and production process, amortization of any stripping costs previously capitalized and directly attributable overhead costs. Materials and supplies inventories are valued at the lower of average cost less allowances for obsolescence or net realizable value. If carrying value exceeds net realizable amount, a write down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

(g) Mineral properties

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

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

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

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

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

v. Pre-production expenditures net of the proceeds from sales generated, if any, relating to any one area of interest are recognized in the statement of earnings.

vi. Once a mining operation has achieved commercial production, capitalized mineral property expenditures for each area of interest are depleted on a unit-of-production basis using proven and probable reserves.

(h) Plant and equipment

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

Useful lives are as follows:

	Years
Buildings	20 - 50
Plant and machinery	5 - 20
Equipment	5

(i) Mining equipment under finance lease

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

(j) Impairment

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

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

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

Reversals of impairment arise from subsequent reviews of the impaired assets where the conditions which gave rise to the original impairments are deemed no longer to apply. The carrying value of the asset is increased to the revised estimate of its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as a gain in the statement of earnings in the period it is determined.

(k) Borrowing costs

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

(l) Business combinations and goodwill

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

Goodwill is reviewed for impairment at least annually or when events or circumstances indicate that an assessment for impairment will be required. For purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGUs, or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the CGU may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year.

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

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

(m) Derivatives

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

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

(n) Deferred revenue

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

(o) Provision for pension obligations

The Company's Zinkgruvan mine has an unfunded defined benefit pension plan based on employee pensionable remuneration and length of service. The cost of the defined benefit pension plan is determined annually by independent actuaries. The actuarial valuation is based on the projected benefit method pro-rated on service which incorporates management's best estimate of future salary levels, retirement ages of employees and other actuarial factors. Actuarial gains and losses which exceed 10% of the present value of the Company's pension obligations are amortized over the estimated remaining period of services to be received. Actuarial gains and losses which are less than 10% of the present value of the Company's pension obligations are not recognized.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

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

(p) Reclamation and other closure provisions

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

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

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

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

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

(q) Revenue recognition

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

(r) Share-based compensation

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

(s) Deferred and current income taxes

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

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

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

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

(t) Earnings per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during each reporting period. Diluted earnings per share is calculated assuming the proceeds which would be received upon the exercise of exercisable in-the-money stock options is used to calculate how many common shares could be purchased at the average market price during the period and cancelled. If the calculated result is dilutive, it is included in the diluted earnings per share calculation.

(u) Financial instruments

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

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

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

Subsequent re-measurements of FVTPL assets are re-valued with any gains or losses recognized in the statement of earnings.

Transaction costs for FVTPL assets are expensed.

Available for sale ("AFS")

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

AFS assets are measured at fair value with changes in fair values recognized in other comprehensive income. When an AFS asset has sustained a loss in value which is significant or prolonged, the loss is recognized in the statement of earnings.

Loans and receivables

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

Financial liabilities at amortized cost

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

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

(v) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants relating to costs are deferred and recognized in the statement of earnings over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to plant and equipment are credited to the cost of the property for which the grant was received for. The Company only recognizes grants when there is reasonable assurance that the conditions attached would be complied with and the grants would be received.

(iii) **Critical accounting estimates and assumptions**

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

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

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

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

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

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

The Company undertakes a review of the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sale volumes, metal prices, foreign exchange rates, reserves and resource quantities, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures. Refer to Note 7 for sensitivities.

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

Valuation of Investment in Tenke Fungurume – The Company carries its investment at cost and adjusts for its share of earnings of the investee. The Company reviews the carrying value of the investment whenever events or changes in circumstances indicate that impairment may be present. In undertaking this review, the Company makes reference to future operating results and cash flows. This requires making significant estimates of, amongst other things, reserves and resources quantities, future production and sale volumes, metal prices, future operating and capital costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the investment.

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

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

Reclamation and other closure provisions - The Company has obligations for reclamation and other closure activities related to its mining properties. The future obligations for mine closure activities are estimated by the

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

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

Pension obligations - The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The principal assumptions used in determining the net cost for pensions include the discount rate and the rate of salary increase. Any changes in these assumptions will impact the carrying amount of pension obligations.

Share-based compensation - The Company grants stock options to employees under its incentive stock option plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. Option pricing models require the input of highly subjective assumptions including expected price volatility of the underlying shares and life of the options. Changes in the input assumptions can materially affect the fair value estimate. Assumption details are discussed in Note 17.

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

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

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

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

(v) **New accounting pronouncements**

- IFRS 7 *Financial instruments: disclosures were* further amended to provide guidelines on the eligibility criteria for offsetting assets and liabilities as a single net amount in the balance sheets. This amendment is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IFRS 10 *Consolidated financial statements* requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—special purpose entities* and parts of

IAS 27 *Consolidated and separate financial statements*. This standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IFRS 11 *Joint arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities—non-monetary contributions by venturers*. This standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IFRS 12 *Disclosure of interests in other entities* establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IFRS 13 *Fair value measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IAS 1 *Presentation of financial statements,* was amended to require entities to group items within other comprehensive income that may be reclassified to the statement of earnings. This standard is effective for annual periods beginning on or after July 1, 2012 and is not expected to have a significant impact on the Company.

- IAS 19 *Post-employment benefits*, was amended to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IAS 28 *Investment in associates,* was amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. This amendment is effective for annual periods beginning on or after January 1, 2013 and is not expected to have a significant impact on the Company.

- IAS 32 *Financial instruments: presentation* was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014 and is not expected to have a significant impact on the Company.

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

- IFRS 9 *Financial instruments*, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial instruments – Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in the statement of earnings to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

  Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value change due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for annual periods beginning on or after January 1, 2015. The Company is still assessing the impact of this standard.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

		December 31, 2012		December 31, 2011
Cash	**$**	**243,069**	$	265,339
Short-term deposits		**32,035**		61
	$	**275,104**	$	265,400

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

		December 31, 2012		December 31, 2011
Trade receivables	**$**	**78,114**	$	83,239
Value added tax and other receivables		**29,355**		32,780
Prepaid expenses		**3,339**		4,047
	$	**110,808**	$	120,066

The Company does not have any significant balances that are past due nor any allowance for doubtful accounts. The Company's credit risk is discussed in Note 26.

The fair value of trade and other receivables, including the embedded derivative arising from provisionally priced trade receivables, is disclosed in Note 25.

The carrying amounts of trade and other receivables are denominated as follows: $78.0 million, €22.6 million, SEK13.0 million and C$0.7 million as at December 31, 2012 (2011 - $81.8 million, €24.2 million, SEK 41.8 million, C$0.7 million).

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

5. INVENTORIES

Inventories are comprised of the following:

		December 31, 2012		December 31, 2011
Ore stockpiles	**$**	**10,933**	$	9,249
Concentrate stockpiles		**18,954**		11,349
Materials and supplies		**18,853**		20,605
	$	**48,740**	$	41,203

The cost of inventories expensed and included in total operating costs for the year was $435.5 million (2011 - $401.8 million). Included in these costs is $9.1 million of concentrate inventory written down at the Aguablanca mine due to production costs being in excess of net realizable value.

6. MARKETABLE SECURITIES AND OTHER ASSETS

Marketable securities and other assets comprise the following:

		2012		2011
Marketable securities (a)	**$**	**34,330**	$	15,067
Other assets		**4,722**		4,448
	$	**39,052**	$	19,515

a) Marketable securities

Investments in marketable securities consist of shares in publicly-traded mining and exploration companies. The Company does not exercise significant influence over any of the companies, which in all cases, amounts to less than a 20% equity interest in any one company.

The changes in marketable securities are as follows:

		FVTPL Investments		**AFS Investments**		**Total**
As at December 31, 2010	$	27,337	$	-	$	27,337
Disposals		(8,168)		-		(8,168)
Revaluation		(3,929)		-		(3,929)
Effect of changes in foreign exchange rates		(173)		-		(173)
As at December 31, 2011		15,067		-		15,067
Additions		4,304		15,875		20,179
Disposals		(2,571)		-		(2,571)
Revaluation		(2,321)		3,952		1,631
Effect of changes in foreign exchange rates		134		(110)		24
As at December 31, 2012	$	14,613	$	19,717	$	34,330

During 2012, the Company acquired $20.2 million of marketable securities of which $15.9 million was related to companies holding exploration projects considered to have development potential of specific interest to the Company. These investments are classified as AFS investments and the revaluations related to these investments are recorded in OCI.

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

Revaluation on marketable securities designated as FVTPL was recorded in finance income and costs (see Note 20). During 2011, the Company received cash proceeds of $8.0 million as a result of disposals.

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment comprise the following:

Cost	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2010	$ 1,464,118	$ 479,230	$ 51,855	$ 96,526	$ 2,091,729
Additions	89,343	3,784	9,532	87,546	190,205
Disposals and transfers	2,747	159,045	-	(172,649)	(10,857)
Effects of changes in foreign exchange rates	(51,935)	(24,771)	(1,641)	704	(77,643)
As at December 31, 2011	1,504,273	617,288	59,746	12,127	2,193,434
Additions	115,559	14,966	-	43,939	174,464
Grants recognized	-	(18,828)	-	-	(18,828)
Impairment	(27,977)	(9,356)	-	(1,835)	(39,168)
Disposals and transfers	2,803	30,249	-	(35,304)	(2,252)
Effects of changes in foreign exchange rates	51,773	20,559	844	1,493	74,669
As at December 31, 2012	**$ 1,646,431**	**$ 654,878**	**$ 60,590**	**$ 20,420**	**$ 2,382,319**

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2010	$ 646,959	$ 195,431	$ -	$ -	$ 842,390
Depreciation	102,835	50,961	-	-	153,796
Disposals and transfers	-	(9,478)	-	-	(9,478)
Effects of changes in foreign exchange rates	(26,294)	(9,106)	-	-	(35,400)
As at December 31, 2011	723,500	227,808	-	-	951,308
Depreciation	79,149	43,230	-	-	122,379
Disposals and transfers	286	(1,339)	-	-	(1,053)
Effects of changes in foreign exchange rates	28,759	10,113	-	-	38,872
As at December 31, 2012	**$ 831,694**	**$ 279,812**	**$ -**	**$ -**	**$ 1,111,506**

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2011	$ 780,773	$ 389,480	$ 59,746	$ 12,127	$ 1,242,126
As at December 31, 2012	**$ 814,737**	**$ 375,066**	**$ 60,590**	**$ 20,420**	**$ 1,270,813**

In late-2010, a slope failure occurred at the Company's Aguablanca mine affecting the main open-pit access ramp. Refined technical plans implemented during 2011 allowed for the recommencement of production in the third quarter of 2012. In late-2012, the mine experienced continued pit instability which restricted access to some of the ore reserves of the mineral property. As a result of these events, the Company conducted an impairment assessment related to these assets. The Company used a value-in-use model to determine the recoverable amount. This model was based on forecasted discounted cashflows. The assumptions made in the determination of the cashflows are detailed in Note 10. The impairment review identified an excess of the carrying values over the recoverable amount. Accordingly, the Company recognized a mineral property and plant and equipment impairment of $39.2 million ($34.0 million after-tax) related to its Aguablanca mine.

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

The Company performed sensitivity analysis on assumptions that would have the most significant effect on the valuation. A 5% change in the metal prices or foreign exchange rate used in the model would have an impact on the impairment by approximately $5.4 million. Due to the short mine life, the valuation is not sensitive to changes in the discount rate used.

The net carrying amount of equipment under finance leases is $5.7 million (2011 - $6.8 million).

During 2012, the Company recorded $18.8 million of government grants as a reduction in plant and equipment. Of this amount, $15.1 million was received as proceeds during the year.

Depreciation, depletion and amortization is comprised of:

		2012		2011
Operating costs	**$**	**121,977**	$	153,433
General and administrative expenses		**402**		363
Depreciation, depletion and amortization	**$**	**122,379**	$	153,796

8. INVESTMENT IN TENKE FUNGURUME

As at December 31, 2010	$	1,735,148
Advances		64,508
Cash distribution		(7,800)
Share of equity income		94,681
As at December 31, 2011		1,886,537
Advances		15,000
Share of equity income		101,516
As at December 31, 2012	**$**	**2,003,053**

On March 26, 2012, the President and Prime Minister of the DRC signed a decree approving the changes to Tenke Fungurume Mining Corp S.A.R.L ("TFM") by-laws that reflect the agreements reached in October 2010 following the mining contract review. With the approval of the by-law changes, the Company's effective ownership in TFM decreased from 24.75% to 24%. This change did not have a significant impact on the Company's consolidated statement of earnings nor on its consolidated balance sheet position.

The Company holds a 30% interest in TF Holdings Limited ("TFH"), a Bermuda company, which in turn holds an 80% interest in a Congolese subsidiary company, TFM. Freeport McMoRan Copper & Gold Inc. ("FCX") holds the remaining 70% interest in TFH. TFM holds a 100% interest in the Tenke Fungurume copper/cobalt mine. The Company's and FCX's effective interest in TFM is 24% and 56%, respectively. La Générale des Carrières et des Mines ("Gécamines"), a DRC Government-owned corporation, owns a free-carried 20% interest.

FCX is the operator of the Tenke Fungurume mine. The Company exercises significant influence over TFM and accordingly, the Company uses the equity method to account for this investment.

During the year ended December 31, 2012, the Company made cash advances of $15.0 million (2011 - $64.5 million) to fund its portion of TFM expenditures. The Company received its first cash distribution of $7.8 million in 2011. Other commitments relating to Tenke Fungurume are disclosed in Note 22.

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

The following is a summary of the financial information of TF Holdings Limited on a 100% basis:

		December 31, 2012		December 31, 2011
Total assets	**$**	**3,605,880**	$	2,846,798
Total liabilities	**$**	**1,151,221**	$	869,608

		2012		2011
Total sales	**$**	**1,384,024**	$	1,312,947
Total net earnings	**$**	**372,917**	$	347,446

9. CURRENT AND DEFERRED INCOME TAXES

		2012		2011
Current tax expense:				
Current tax on net earnings	**$**	**51,878**	$	63,323
Adjustments in respect of prior years		**105**		14,518
		51,983		77,841
Deferred tax (recovery) expense:				
Origination and reversal of temporary differences		**(39,871)**		(23,882)
Change in tax rates		**(2,177)**		1,709
Utilization of previously unrecognized tax losses		**(4,536)**		(8,071)
Tax losses for which no deferred income tax asset was recognized		**18,051**		3,448
		(28,533)		(26,796)
Total tax expense	**$**	**23,450**	$	51,045

Included in 2011 current tax expense is an adjustment in respect of prior years for a Spanish tax assessment of $12.5 million relating to deductibility of accelerated depreciation in fiscal years 2006 and 2007.

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

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

		2012		2011
Earnings before income tax	**$**	**146,630**	$	234,810
Combined basis federal and provincial rates		**26.5%**		28.2%
Income taxes based on statutory income tax rates	**$**	**38,857**	$	66,329
Effect of lower tax rates in foreign jurisdictions		**(30,003)**		(32,763)
Tax calculated at domestic tax rates applicable to earnings in the respective countries		**8,854**		33,566
Tax effects of:				
Non-deductible and non-taxable items		**12,159**		8,558
Change in tax rates		**(2,177)**		1,709
Adjustments in respect of prior years		**(1,898)**		9,934
Tax losses for which no deferred income tax asset was recognized		**18,051**		3,448
Utilization of previously unrecognized tax losses		**(4,536)**		(8,071)
Tax recovery associated with government grants and other tax credits		**(7,576)**		-
Other		**573**		1,901
Total tax expense	**$**	**23,450**	$	51,045

The weighted average applicable tax rate for 2012 was 6.0% (2011 – 14.3%). The decrease in the tax rate is related to an increase in the ratio of income from the equity investment in Tenke Fungurume (held by a subsidiary with a zero tax rate) to consolidated net earnings and also due to the change of profitability of the Company's subsidiaries in the respective countries that have tax rates ranging from 26.3% to 31.5%.

During 2012, Sweden reduced its statutory tax rate from 26.3% to 22% commencing in 2013, resulting in a deferred tax recovery of $3.0 million. Due to the effects of further slope instability issues at the Aguablanca mine, a deferred tax expense of $6.6 million was recorded for unrecoverable deferred tax assets as a result of the revised life of mine plan and projected lower taxable income.

During 2011, the statutory tax rate in Portugal changed from 29% to 31.5% for 2012 and 2013. As a result, an additional $1.7 million deferred tax expense was recorded.

Deferred tax assets (liabilities), net

		December 31, 2012		December 31, 2011
Deferred tax liabilities:				
Deferred tax liabilities to be settled after more than 12 months		**(127,905)**		(145,246)
Deferred tax liabilities to be settled within 12 months		**(1,879)**		(12,151)
Deferred tax liabilities, net	**$**	**(129,784)**	$	(157,397)

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

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

	As at December 31, 2011	Expensed/ (recovered)	Effect of changes in foreign exchange rates	As at December 31, 2012
Deferred tax assets:				
Loss carryforwards	$ 5,146	$ 3,361	$ 238	$ 8,745
Reclamation and other closure provisions	19,695	1,660	446	21,801
Pension obligations	3,420	(841)	181	2,760
Other	2,726	2,437	117	5,280
Deferred tax liabilities:				
Mineral properties, plant & equipment	(173,855)	25,955	(3,517)	(151,417)
Reserves	(14,529)	(1,760)	(664)	(16,953)
	$ (157,397)	$ 30,812	$ (3,199)	$ (129,784)

	As at December 31, 2010	Expensed/ (recovered)	Effect of changes in foreign exchange rates	As at December 31, 2011
Deferred tax assets:				
Loss carryforwards	$ 8,731	$ (3,504)	$ (81)	$ 5,146
Reclamation and other closure provisions	21,053	(746)	(612)	19,695
Pension obligations	3,852	(334)	(98)	3,420
Other	1,013	2,073	(360)	2,726
Deferred tax liabilities:				
Mineral properties, plant & equipment	(202,213)	24,433	3,925	(173,855)
Reserves	(19,751)	4,874	348	(14,529)
	$ (187,315)	$ 26,796	$ 3,122	$ (157,397)

The Company did not recognize deferred tax assets of $21.4 million (2011 - $9.4 million) in respect of mineral properties, plant and equipment, marketable securities and other assets.

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. During 2012, the Spanish subsidiary incurred additional non-capital losses of $13.8 million (2011 - $12.7 million) to which a deferred tax asset of $4.1 million (2011 - $3.8 million) has been recognized. Based on the Company's approved budget, it is anticipated that the operations at Aguablanca will generate sufficient taxable profits in 2013 to fully utilize these tax losses.

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

The Company did not recognize deferred tax assets of $65.9 million (2011 - $68.4 million) in respect of tax losses amounting to $252.4 million (2011 - $273.5 million) that can be carried forward against future taxable income, as indicated below:

Year of expiry	Canada	Ireland	Total
2013	$ 2,034	$ -	$ 2,034
2014	4,364	-	4,364
2015	7,456	-	7,456
2016	-	-	-
2017 and thereafter	171,652	66,849	238,501
	$ 185,506	$ 66,849	$ 252,355

The non-capital losses for Ireland have an indefinite life.

The aggregate amount of temporary differences related to investments in subsidiaries and associates for which deferred tax liabilities have not been recognized is $316.1 million as at December 31, 2012 (2011 - $214.3 million).

10. GOODWILL

Goodwill resulted from the acquisition of EuroZinc Mining Corporation ("EuroZinc") which relates primarily to the mining operations of the Neves-Corvo mine and from the acquisition of Rio Narcea Gold Mines, Ltd. ("Rio Narcea"), which relates to the mining operations of Aguablanca.

Goodwill is allocated to the CGUs as follows:

	Neves-Corvo	Aguablanca	Total
Balance at December 31, 2010	$ 167,988	$ 64,825	$ 232,813
Impairment	-	(35,726)	(35,726)
Effect of changes in foreign exchange rates	(5,318)	(1,400)	(6,718)
Balance at December 31, 2011	162,670	27,699	190,369
Impairment	-	(28,084)	(28,084)
Effect of changes in foreign exchange rates	3,207	385	3,592
Balance at December 31, 2012	**$ 165,877**	**$ -**	**$ 165,877**

Impairment

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

The Company did not make any significant changes to the valuation methodology used to assess CGU impairment since the last annual test. The recoverable value of a CGU was determined using cash flow projections based on approved life-of-mine financial plans. The key assumptions used in cash flow projections consist of forecasted commodity prices, treatment and refining charges, reserve and resource quantities, operating costs, capital expenditures, reclamation and other closure costs, discount rates and foreign exchange rates.

Commodity prices used in the cash flow projections are within the range of current market consensus observed during the fourth quarter of 2012. The valuation for the recoverable amount is most sensitive to long-term copper prices and short-term nickel prices, as well as Euro and US dollar exchange rates.

The reserves and resources were based on the Company's last published statement dated June 30, 2012.

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

Neves-Corvo

For the Neves-Corvo CGU impairment review, the Company used a fair value less cost to sell ("FVLCS") model and assumed an after-tax discount rate of 9% per annum (2011 – 9%) on copper and zinc price ranges of $3.00/lb to $3.80/lb (2011 - $2.75/lb to $4.00/lb) and $1.00/lb to $1.20/lb (2011 - $1.00/lb to $1.20/lb), respectively, to calculate the present values of cash flows over the economic years of the Company's life-of-mine plan. Foreign exchange assumptions applied to the impairment test for €/$ was forecasted at 1.30 (2011 – 1.41). Incorporated in the FVLCS, the Company developed fair value estimates for resources not captured in the cash flow model. These estimates were benchmarked using third-party market information. Since the recoverable amount of the CGU was determined to be higher than the carrying value, no impairment was recognized.

Sensitivities which had the most significant impact were performed for the cash flow model. Several scenarios were reviewed where key inputs were changed: metal prices (+/-5%), the foreign exchange (+/-5%) and the discount rate (+/-1%). These changes did not have any impact on the goodwill impairment assessment.

Aguablanca

During 2012, the Company continued to experience pit wall instability at its Aguablanca mine and determined that the instability would result in a reduced mine life. The shortened mine life had a significant impact on the projected cashflows which resulted in the recoverable amount being lower than the carrying value of the CGU. The goodwill impairment recognized was $28.1 million (2011 - $35.7 million).

Management assessed this CGU for impairment based on a modified mine plan which has a shortened mine life of approximately 2 years. The current production plan reflects a reduction in the mineable reserve to only those areas not affected by the instability. The Company used a value-in-use cash flow model and applied a pre-tax discount rate of 14% (2011 - 18%). The discount rate was reduced due to the recommencement of operations during 2012. The model is not sensitive to discount rate changes because of the short mine life. Nickel and copper price ranges of $8.25/lb to $8.75/lb (2011 - $8.75/lb to $9.00/lb) and $3.65/lb to $3.80/lb (2011 - $2.75/lb to $4.00/lb), respectively, were used in the model to assess impairment. The foreign exchange assumptions applied to the impairment test for €/$ was the closing rate of 1.32 (2011 – 1.30).

Sensitivities which had the most significant impact were performed for the cash flow models. Several scenarios were reviewed where key inputs were changed: metal prices (+/-5%), the foreign exchange (+/-5%) and the discount rate (+/-1%). These changes did not have any impact on the goodwill impairment assessment.

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

11. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

		December 31, 2012		December 31, 2011
Trade payables	**$**	**71,572**	$	72,192
Unbilled goods and services		**12,844**		16,373
Payroll obligations		**24,947**		18,441
Royalty payable		**10,351**		14,727
	$	**119,714**	$	121,733

12. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2010	$	77,676
Prepayment received		30,443
Recognition of revenue		(24,529)
Effects of changes in foreign exchange rates		(2,553)
As at December 31, 2011		81,037
Prepayment received		14,514
Recognition of revenue		(22,020)
Effects of changes in foreign exchange rates		4,131
		77,662
Less: current portion		17,683
As at December 31, 2012	**$**	**59,979**

a) Neves-Corvo mine

The Company has sold all of the silver contained in concentrate produced from its Neves-Corvo mine in Portugal to Silver Wheaton Corp ("Silver Wheaton"). The Company received an up-front payment which was deferred and is being recognized as revenue as silver is delivered under the contract and receives the lesser of $3.90 per ounce (subject to a 1% annual adjustment) and the market price per ounce of silver. The agreement extends to the earlier of September 2057 and the end of mine life of the Neves-Corvo mine.

b) Zinkgruvan mine

The Company has an agreement with Silver Wheaton to deliver silver contained in concentrate from the Zinkgruvan mine in Sweden. The Company received an up-front payment which was deferred and is being recognized in revenue as silver is delivered under the contract and receives a payment of the lesser of $3.90 per ounce (subject to adjustment based on changes in the US consumer price inflation index) and the market price per ounce of silver (Note 22d).

c) Galmoy mine

The Company received customer prepayments related to the sale of ore. Deferred revenue of $12.1 million will be recognized in sales during 2013.

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

13. LONG-TERM DEBT AND FINANCE LEASES

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

	December 31, 2012	December 31, 2011
Somincor commercial paper program (b)	**$ -**	$ 19,350
Finance lease obligations (c)	**6,375**	5,915
Rio Narcea debt (d)	**3,647**	4,081
	10,022	29,346
Less: current portion	**3,037**	21,740
	$ 6,985	$ 7,606

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

As at December 31, 2010	$ 39,664
Additions	19,772
Payments	(28,106)
Revaluations	558
Effects of changes in foreign exchange rates	(2,542)
As at December 31, 2011	29,346
Additions	1,443
Payments	(21,644)
Revaluations	160
Effects of changes in foreign exchange rates	717
As at December 31, 2012	**$ 10,022**

a) In December 2012, the Company executed an amendment to its revolving credit facility. The Company has a $350 million (2011 - $300 million) credit facility which carries a current interest rate of LIBOR+2.5% (2011 - LIBOR+3%). The facility is secured by charges against the Company's mining assets and has covenants customarily required for such debt facilities, including minimum tangible net worth and interest coverage. The credit facility expires in December 2015. No advances are currently outstanding under the credit facility other than a letter of credit in the amount of $12.3 million (SEK 80 million).

b) The Sociedade Mineira de Neves-Corvo, S.A. ("Somincor"), a subsidiary of the Company which owns the Neves-Corvo mine, completed a new commercial paper program replacing the previous program which expired in December 2012. The new €30 million program bears interest at EURIBOR plus 3.6%. The program matures in December 2015.

c) Finance lease obligations relate to leases on mining equipment which have remaining lease terms of three to six years and interest rates of approximately 8% over the term of the leases.

d) The Rio Narcea debt is an interest free loan extended by the Spanish Department of Trade, Industry and Commerce. The debt is recorded using an imputed interest rate of 0.8% (2011 – 2.0%) and is repayable annually until 2017.

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

The schedule of principal repayment obligations are as follows:

	Debt	Finance Leases	Total
2013	$ 1,083	$ 1,954	$ 3,037
2014	660	1,935	2,595
2015	660	1,463	2,123
2016	660	495	1,155
2017 and therafter	584	528	1,112
Total	**$ 3,647**	**$ 6,375**	**$ 10,022**

14. RECLAMATION AND OTHER CLOSURE PROVISIONS

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

	Reclamation provisions	Other closure provisions	Total
Balance, December 31 2010	$ 101,401	$ 15,992	$ 117,393
Accretion	3,261	-	3,261
Accruals for services	-	(1,342)	(1,342)
Changes in estimates	(2,444)	-	(2,444)
Payments	(2,700)	-	(2,700)
Effect of changes in foreign exchange rates	(3,201)	(1,340)	(4,541)
Balance, December 31, 2011	96,317	13,310	109,627
Accretion	1,832	-	1,832
Accruals for services	-	5,027	5,027
Changes in estimates	14,190	-	14,190
Payments	(2,988)	(233)	(3,221)
Effect of changes in foreign exchange rates	2,743	532	3,275
Balance, December 31, 2012	112,094	18,636	130,730
Less: current portion	5,299	1,187	6,486
	$ 106,795	$ 17,449	$ 124,244

At December 31, 2012, the reclamation and other closure provision for the Neves-Corvo mine was $85.2 million (2011 - $70.1 million). The Company expects the payments for site restoration costs at Neves-Corvo to be incurred between 2013 to 2029. A change in estimate of $11.8 million was recorded during 2012 due to an increase of the provision and a revision in the timing of payments.

The reclamation provision at the Zinkgruvan mine at December 31, 2012 was $12.0 million (2011 - $9.5 million). This provision is based on future reclamation costs being paid primarily during 2017. The Company has posted environmental bonds related to its site restoration provision (Note 22c).

The reclamation and other closure provision, including severance, for the Aguablanca mine at December 31, 2012 totaled $25.2 million (2011 - $20.8 million). The payments are expected to be settled between 2013 and 2016. There was a $3.1 million increase in the other closure provisions related to severance costs during 2012.

The reclamation and other closure obligation at the Galmoy mine as at December 31, 2012 was $6.4 million (2011 - $6.6 million). It is expected that $3.9 million will be settled in 2013.

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

15. OTHER LONG-TERM LIABILITIES

Included in other long-term liabilities are government grants received that are expected to be repaid between 2013 and 2017 if certain conditions are not met. During 2012, the Company made repayments of $3.2 million (2011 - $0.3 million).

16. EMPLOYEE BENEFITS

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

		2012		2011
Operating costs				
Wages and benefits	**$**	**112,463**	$	108,597
Pension benefits		**2,324**		3,672
Share-based compensation		**2,543**		593
		117,330		112,862
General and administrative expenses				
Wages and benefits		**12,052**		10,157
Pension benefits		**320**		466
Share-based compensation		**4,920**		1,338
		17,292		11,961
General exploration and business development				
Wages and benefits		**4,414**		4,708
Pension benefits		**44**		39
Share-based compensation		**276**		193
		4,734		4,940
Total employee benefits	**$**	**139,356**	$	129,763

Provision for pension obligations

The Company has calculated its liability relating to the defined benefit plan at the Zinkgruvan mine using the accrued benefit pro-rated on services method. Actuarial assumptions, based on the most recent actuarial valuation dated December 31, 2012, used to determine benefit obligations as at December 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	**3.7%**	3.7%
Rate of salary increase	**2.5%**	2.5%

Discount rates used reflect high quality bond rates matching the currency and maturity of the obligation.

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

Information about Zinkgruvan's pension obligations is as follow:

	2012	2011	2010
Accrued benefit obligation			
Balance, beginning of the year	**$ 13,797**	$ 14,781	$ 12,237
Current service costs	**385**	534	492
Interest costs	**548**	615	546
Actuarial losses	**1,644**	599	537
Benefits paid	**(1,186)**	(1,095)	(858)
Effects of changes in foreign exchange rates	**767**	(1,637)	1,827
Balance, end of the year	**15,955**	13,797	14,781
Unrecognized actuarial gains	**(1,644)**	(599)	(537)
Accrued benefit obligation	**14,311**	13,198	14,244
Other pension accruals	**4,820**	5,327	4,572
Total provision for pension obligations	**$ 19,131**	$ 18,525	$ 18,816

The defined benefit plan is unfunded and, accordingly, there are no plan assets and the Company made no contributions to the plan. The Company's pension expense recorded within operating costs related to the defined benefit plan is as follows:

	2012	2011
Current service costs	**$ 385**	$ 534
Interest costs	**548**	615
Payroll taxes	**529**	279
Pension expense	**$ 1,462**	$ 1,428

A 1% change in the discount rate assumption would have an insignificant impact to the pension obligation or the pension expense for 2012.

The Company expects to make payments of $1.8 million under the defined benefit plan during the next financial year.

Defined contribution plans

In addition, the Company recorded a pension expense in operating costs in the amount of $0.9 million (2011 - $2.3 million) and in general and administrative expenses in the amount of $0.4 million (2011 - $0.5 million) relating to defined contribution plans.

In accordance with the transitional provisions set out in the amendment to IFRS 1, disclosures are presented prospectively from the date of transition.

17. SHARE CAPITAL

(a) Authorized and issued shares

Authorized share capital consists of an unlimited number of voting common shares with no par value and one special non-voting share with no par value. As at December 31, 2012, there were 584,005,006 fully paid voting common shares issued (2011 - 582,475,287).

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

(b) Stock options

The Company has an incentive stock option plan (the "Plan") available for certain employees and officers to acquire shares in the Company. The term of any options granted are approved by the Board of Directors and may not exceed ten years from the date of grant. The total number of options that are issuable under the plan is 21,000,000. The vesting requirements for the options include the passage of a specified time period, as well as continued employment.

The Company uses the fair value method of accounting for the recording of stock option grants to employees and officers. Under this method, the Company recorded a share-based compensation expense of $7.2 million for 2012 (2011 - $2.1 million) with a corresponding credit to contributed surplus.

During the year ended December 31, 2012, the Company granted 4,303,000 incentive stock options to employees and officers that expire in 2017. The fair value of the stock options at the date of the grant using the Black-Scholes pricing model assumes risk-free interest rate of 1.1% to 1.6% (2011 - 1.0% to 1.6%), no dividend yield, expected life of 3.5 years (2011 - 1.6 to 3.6 years) with an expected price volatility of 54% to 79% (2011 - 56% to 79%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of 18% is applied (2011 - 18%). The weighted average fair value per option granted during 2012 was $2.05 (2011 - $2.13). As at December 31, 2012, there was $9.6 million of unamortized stock compensation expense (2011 - $8.9 million).

During the year ended December 31, 2012, 1,529,719 common shares (2011 - 1,899,932) were issued as a result of options being exercised.

The continuity of incentive stock options issued and outstanding is as follows:

	Number of options	Weighted average exercise price (C$)
Outstanding, January 1, 2011	7,065,545	$ 6.55
Granted during the period	5,814,999	$ 4.16
Forfeited during the period	(1,252,574)	$ 6.70
Expired during the period	(643,566)	$ 7.81
Exercised during the period	(1,899,932)	$ 4.25
Outstanding, December 31, 2011	9,084,472	$ 5.39
Granted during the period	4,303,000	$ 4.93
Cancelled during the period	(45,000)	$ 3.89
Forfeited during the period	(178,332)	$ 5.65
Expired during the period	(1,485,332)	$ 11.93
Exercised during the period	(1,529,719)	$ 3.79
Outstanding, December 31, 2012	**10,149,089**	**$ 4.48**

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

The following table summarizes options outstanding as at December 31, 2012, as follows:

	Outstanding Options			Exercisable Options		
Range of exercise prices (C$)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)
$3.89 to $3.99	4,891,666	3.8	$ 3.90	1,415,553	3.8	$ 3.90
$4.00 to $4.47	925,836	2.1	$ 4.35	391,942	0.9	$ 4.43
$4.48 to $5.01	3,943,000	4.9	$ 4.99	-	-	-
$5.02 to $7.92	388,587	1.4	$ 6.98	254,690	0.8	$ 7.33
	10,149,089	4.0	$ 4.48	2,062,185	2.9	$ 4.42

(c) Diluted weighted average number of shares

The basic weighted average number of common shares outstanding for the year ended December 31, 2012 was 582,942,459 (2011 – 582,074,865).

The total incremental shares added to the basic weighted average number of common shares to arrive at the fully diluted number of shares for the period ended December 31, 2012 is comprised of 1,071,129 shares (2011 – 889,743 shares) which relate to exercisable “in-the-money” outstanding stock options.

18. OPERATING COSTS

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

		2012		2011
Direct mine and mill costs	**$**	**354,771**	$	350,074
Transportation		**19,979**		18,165
Royalties		**10,247**		13,781
		384,997		382,020
Depreciation, depletion and amortization (Note 7)		**121,977**		153,433
Total operating costs	**$**	**506,974**	$	535,453

19. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

		2012		2011
General exploration	**$**	**50,851**	$	42,575
Corporate development		**7,239**		8,127
Project development		**7,974**		-
	$	**66,064**	$	50,702

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

The Company has revised its presentation of corporate development costs in the statement of earnings. These costs were previously included in general and administrative expenses. This presentation has been applied for comparative periods.

20. FINANCE INCOME AND COSTS

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

		2012		2011
Interest income	**$**	**2,070**	$	3,602
Interest expense and bank fees		**(6,288)**		(9,011)
Accretion expense on reclamation provisions		**(1,832)**		(3,261)
Unrealized loss on revaluation of marketable securities		**(2,321)**		(3,929)
Other		**913**		(540)
Total finance costs, net	**$**	**(7,458)**	$	(13,139)

Finance income	**$**	**2,983**	$	3,602
Finance costs		**(10,441)**		(16,741)
Total finance costs, net	**$**	**(7,458)**	$	(13,139)

21. OTHER INCOME AND EXPENSES

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

		2012		2011
Foreign exchange (loss) gain	**$**	**(5,067)**	$	8,187
(Loss) gain on sale of non-core assets		**(684)**		2,230
Other income		**9,311**		6,428
Other expenses		**(3,957)**		(5,238)
Total other (expense) income, net	**$**	**(397)**	$	11,607

Other income	**$**	**9,311**	$	16,845
Other expenses		**(9,708)**		(5,238)
Total other (expense) income, net	**$**	**(397)**	$	11,607

During 2012, the Company received an initial payment of $7.9 million for insurance proceeds related to the Aguablanca ramp failure which occurred in late-2010. The Company expects to finalize the claim and receive the remaining settlement in 2013.

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

22. COMMITMENTS AND CONTINGENCIES

a) The Company's wholly-owned subsidiary, Somincor, has entered into the following commitments:

   i. Royalty payments under a fifty year concession agreement to pay the greater of 10% of net earnings or 1% of mine-gate production revenue with the Portuguese government. Royalty costs for the year ended December 31, 2012 in the amount of $9.4 million (2011 - $13.1 million) were included in operating costs; and

   ii. Use of the railways under a railway transport agreement that expires in January 2014. The estimated annual cost is $5 million per year.

b) Royalty payments relating to the Aguablanca mine are 2% of net sales. Royalty costs for the year ended December 31, 2012 was $0.4 million (2011 - $nil).

c) A Swedish bank has issued a bank guarantee to the Swedish authorities in the amount of $12.3 million (SEK 80.0 million) relating to the future reclamation costs at the Zinkgruvan mine. Additional bonds of $2.5 million (SEK 16.2 million) and $1.5 million (SEK 10.0 million) are to be provided in 2016 and 2024, respectively. The Company has agreed to indemnify the Swedish bank for this guarantee.

d) Under agreement with Silver Wheaton, the Company has agreed to deliver all future production of silver contained in concentrate produced from the Zinkgruvan mine. The Silver Wheaton agreement with the Zinkgruvan mine includes a guaranteed minimum delivery of 40 million ounces of silver over an initial 25 year term. If at the end of the initial term the Company has not met its minimum obligation, it must pay Silver Wheaton $1.00 for each ounce of silver not delivered. An aggregate total of approximately 14.8 million ounces has been delivered since the inception of the contract in 2004.

e) The Company provides certain letters of credit and guarantees for $1.7 million worth of contracts entered into by Tenke Fungurume Mining. These letters of credit expire in 2013.

f) The Company is a party to certain contracts relating to operating leases, office rent and capital commitments. Future minimum payments under these agreements as at December 31, 2012 are as follows:

2013	$	41,460
2014		7,016
2015		3,342
2016		482
2017		467
2018 and thereafter		319
Total commitments	**$**	**53,086**

23. SEGMENTED INFORMATION

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

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

For the year ended December 31, 2012

	Neves-Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Tenke Fungurume DRC	Other	Total
Sales	$ 466,174	$ 209,621	$ 22,167	$ 23,144	$ -	$ -	$ 721,106
Operating costs	(247,610)	(93,478)	(33,046)	(8,122)	-	(2,741)	(384,997)
General and administrative expenses	-	-	-	-	-	(27,445)	(27,445)
Operating earnings (loss) *	218,564	116,143	(10,879)	15,022	-	(30,186)	308,664
Depreciation, depletion and amortization	(83,245)	(26,335)	(12,285)	-	-	(514)	(122,379)
General exploration and business development	(40,452)	(3,120)	(1,018)	-	-	(21,474)	(66,064)
Income from equity investment in Tenke Fungurume	-	-	-	-	101,516	-	101,516
Finance income and costs	672	(2,478)	(391)	180	-	(5,441)	(7,458)
Asset impairment	-	-	(67,252)	-	-	-	(67,252)
Other income and expenses	102	(4,496)	8,631	(1,340)	-	(3,294)	(397)
Income tax (expense) recovery	(20,444)	(16,816)	11,145	(412)	-	3,077	(23,450)
Net earnings (loss)	$ 75,197	$ 62,898	$ (72,049)	$ 13,450	$ 101,516	$ (57,832)	$ 123,180
Capital expenditures	$ 88,278	$ 30,517	$ 40,121	$ 24	$ 15,000	$ 431	$ 174,371
Total non-current assets**	$ 1,132,267	$ 242,353	$ 44,634	$ 6,394	$ 2,003,053	$ 11,042	$ 3,439,743

For the year ended December 31, 2011

	Neves-Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Tenke Fungurume DRC	Other	Total
Sales	$ 558,044	$ 188,566	$ (1,897)	$ 39,073	$ -	$ -	$ 783,786
Operating costs	(258,991)	(94,978)	(14,820)	(12,570)	-	(661)	(382,020)
General and administrative expenses	-	-	-	-	-	(19,881)	(19,881)
Operating earnings (loss) *	299,053	93,588	(16,717)	26,503	-	(20,542)	381,885
Depreciation, depletion and amortization	(119,418)	(30,876)	(3,067)	-	-	(435)	(153,796)
General exploration and business development	(29,590)	(651)	(1,404)	-	-	(19,057)	(50,702)
Income from equity investment in Tenke Fungurume	-	-	-	-	94,681	-	94,681
Finance income and costs	(2,117)	(562)	(3,901)	460	-	(7,019)	(13,139)
Asset impairment	-	-	(35,726)	-	-	-	(35,726)
Other income and expenses	(3,834)	2,019	1,863	1,014	-	10,545	11,607
Income tax (expense) recovery	(37,498)	(15,615)	(819)	(549)	-	3,436	(51,045)
Net earnings (loss)	$ 106,596	$ 47,903	$ (59,771)	$ 27,428	$ 94,681	$ (33,072)	$ 183,765
Capital expenditures	$ 117,727	$ 41,506	$ 19,321	$ 34	$ 64,508	$ 10,043	$ 253,139
Total non-current assets**	$ 1,110,803	$ 223,660	$ 81,472	$ 6,311	$ 1,886,537	$ 10,249	$ 3,319,032

* Operating earnings (loss) is a non-GAAP measure

** Non-current assets include mineral properties, plant and equipment, investment in Tenke Fungurume and goodwill.

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

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

	2012	2011
Copper	**$ 452,742**	$ 563,103
Zinc	**164,144**	135,078
Lead	**71,029**	71,356
Nickel	**15,548**	(444)
Other	**17,643**	14,693
	$ 721,106	$ 783,786

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

	2012	2011
Europe	**$ 670,781**	$ 732,031
Asia	**22,167**	51,473
South America	**28,158**	282
	$ 721,106	$ 783,786

24. RELATED PARTY TRANSACTIONS

a) **Transactions with associates** - The Company enters into transactions related to its investment in Tenke Fungurume. These transactions are entered into in the normal course of business and on an arm's length basis (Note 8).

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

	2012	2011
Wages and salaries	**$ 6,036**	$ 5,992
Pension benefits	**109**	146
Share-based compensation	**2,662**	523
	$ 8,807	$ 6,661

c) **Other related parties** - During the twelve months ended December 31, 2012, the Company paid $0.3 million (2011 - $0.3 million) for services provided by a company owned by the Chairman of the Company. The Company also paid $0.5 million for the twelve months ended December 31, 2012 (2011 - $0.2 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

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

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at December 31, 2012 and December 31, 2011:

		December 31, 2012		December 31, 2011	
	Level	Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Loans and receivables					
Cash and cash equivalents		$ 275,104	$ 275,104	$ 265,400	$ 265,400
Trade and other receivables		14,484	14,484	34,499	34,499
Other assets		1,478	1,478	1,455	1,455
Reclamation funds		34,838	34,838	48,446	48,446
		$ 325,904	$ 325,904	$ 349,800	$ 349,800
FVTPL					
Trade receivables	2	$ 76,237	$ 76,237	$ 81,520	$ 81,520
Marketable securities - shares	1	14,463	14,463	14,624	14,624
Marketable securities - warrants	2	150	150	443	443
Reclamation funds - shares	1	16,779	16,779	5,946	5,946
		$ 107,629	$ 107,629	$ 102,533	$ 102,533
AFS					
Marketable securities - shares	1	$ 18,506	$ 18,506	-	-
Marketable securities - warrants	2	1,211	1,211	-	-
		$ 19,717	$ 19,717	-	-
Financial liabilities					
Amortized cost					
Trade and other payables		$ 94,768	$ 94,768	$ 103,292	$ 103,292
Long-term debt and finance leases		10,022	10,022	29,346	29,346
Other long-term liabilities		3,625	3,625	5,745	5,745
		$ 108,415	$ 108,415	$ 138,383	$ 138,383

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

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

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

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

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

Trade receivables – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on forward London Metals Exchange price. During the year, the Company recognized positive pricing adjustments of $4.5 million (2011 - $29.6 million negative adjustment) related to current and prior year sales;

Marketable securities/reclamation funds – The fair value of investments in shares is determined based on quoted market price and the fair value of warrants is determined using a valuation model that incorporates such factors as the quoted market price, strike price, the volatility of the related shares of which the warrants can be exchanged for and the expiry date of the warrants;

Long-term debt and other long-term liabilities – The fair value of the Company's long-term debt approximates its carrying value as the interest rates are comparable to current market rates.

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

26. MANAGEMENT OF FINANCIAL RISK

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

a) Credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes that its maximum exposure to credit risk as at December 31, 2012 is the carrying value of its trade receivables.

Concentrate produced at the Company's Neves-Corvo and Zinkgruvan mines and ore produced at the Galmoy mine is sold to a small number of strategic customers with whom the Company has established long-term relationships. Limited amounts are occasionally sold to metals traders on an ad hoc basis. Production from the Aguablanca mine is sold to a trading company under a long-term contract. The payment terms vary and provisional payments are normally received within one to four weeks of shipment, in accordance with industry practice, with final settlement up to four months following the date of shipment. Sales to metals traders are made on a cash up-front basis. Credit worthiness of customers are reviewed by the Company on an annual basis or more frequently, if warranted, and those not meeting certain credit criteria are required to make 100% provisional payment up-front or by an acceptable payment instrument such as a letter of credit. The failure of any of the Company's strategic customers could have a material adverse effect on the Company's financial position. For the year ended December 31, 2012, the Company has three customers that individually account for more than 10% of the Company's total sales. These customers represent approximately 43%, 13% and 11% of total sales and relate primarily to the Neves-Corvo and Zinkgruvan mines.

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

b) Liquidity risk

The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient committed capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company has a revolving credit facility in place to assist with meeting its cash flow needs as required (Note 13).

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

The maturities of the Company's non-current liabilities are disclosed in (Note 13 and 15). All current liabilities are settled within one year.

c) Foreign exchange risk

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

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

As at December 31, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars but held by group companies that have functional currencies in € or SEK:

		US Dollar
Cash and cash equivalents	$	184,091
Other working capital items	$	77,449

The impact of a US dollar change against the EUR by 10% at December 31, 2012 would have a $8.7 million impact on pre-tax earnings. The impact of a US dollar change against the SEK by 10% would have a $15.0 million impact on pre-tax earnings, with all other variables held constant.

d) Commodity price risk

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

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

The sensitivity of the Company's financial instruments recorded as at December 31, 2012 excluding the effect of the changes in metal prices on smelter treatment charges is as follows:

	Price on December 31, 2012 ($/tonne)	Change	Effect on pre-tax earnings ($ millions)
Copper	7,932	+/- 10%	+/-$9.4
Zinc	2,028	+/- 10%	+/-$3.2
Lead	2,318	+/- 10%	+/-$1.8
Nickel	17,032	+/- 10%	+/-$1.2

e) Interest rate risk

The Company's exposure to interest rate risk arises from the both interest rate impact on its cash and cash equivalents as well as on its debt facilities. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any short-term investments included in cash and cash equivalents as they are generally held to maturity with large financial institutions.

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

27. MANAGEMENT OF CAPITAL RISK

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

Through the ongoing management of its capital, the Company will modify the structure of its capital based on changing economic conditions in the jurisdictions in which it operates. In doing so, the Company may issue new shares or debt, buy back issued shares, or pay off any outstanding debt. The Company's current policy is to not pay out dividends but rather to reinvest its earnings in the business.

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

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

		2012		2011
Cash and cash equivalents	**$**	**275,104**	$	265,400
Long-term debt and finance leases		**(10,022)**		(29,346)
Net cash	**$**	**265,082**	$	236,054

		2012		2011
Shareholders' equity	**$**	**3,475,164**	$	3,297,856
Number of shares outstanding		**584,005,006**		582,475,287
Shareholders' equity per share	**$**	**5.95**	$	5.66

28. SUPPLEMENTARY CASH FLOW INFORMATION

		2012		2011
Changes in non-cash working capital items consist of:				
Trade receivables, inventories and other current assets	**$**	**6,139**	$	114,136
Trade payables and other current liabilities		**(3,571)**		(59,345)
	$	**2,568**	$	54,791
Operating activities included the following cash payments:				
Interest received	**$**	**2,070**	$	3,602
Interest paid	**$**	**2,724**	$	6,470
Income taxes paid	**$**	**52,076**	$	125,825

29. SUBSEQUENT EVENT

In January 2013, the Company announced that together with FCX, it has entered into a definitive agreement to acquire an effective 24% interest in a large scale cobalt chemical refinery located in Finland, as well as the related sales and manufacturing business to provide direct end market access for Tenke's cobalt production. The Company's 30% share of the initial consideration is $97.5 million (100% basis - $325 million) at closing, subject to customary working capital adjustments, expected to occur in 2013. The Company will potentially contribute an additional $33 million (100% basis - $110 million) over a three year period, contingent upon the achievement of revenue-based performance targets.

lundin mining

Annual Information Form
For the Year Ended December 31, 2012

March 27, 2013

DEFINITIONS

In this Annual Information Form all units are SI metric unless otherwise noted. Abbreviations are as defined below unless the context otherwise indicates:

Ag means silver.

AIF means this Annual Information Form.

ARMC means Amended and Restated Mining Convention.

C$ means Canadian dollars.

CIM means the Canadian Institute of Mining, Metallurgy and Petroleum.

CIM Standards means the definitions adopted by CIM Council on November 27, 2010, which were adopted by the Canadian Securities Administrators' in National Instrument 43-101.

Co means cobalt.

Cu means copper.

DRC means Democratic Republic of the Congo.

dollars or **$** means United States dollars.

€ means the Euro.

Equinox means Equinox Minerals Limited.

EuroZinc means EuroZinc Mining Corporation, which was acquired by the Company on October 31, 2006 and subsequently amalgamated with the Company effective November 30, 2006.

FCX or Freeport means Freeport-McMoRan Copper & Gold Inc., a senior copper mining company with headquarters in Phoenix, Arizona, that owns the majority of TF Holdings and is indirectly majority owner and Operator of TFM.

GAAP means generally accepted accounting principles.

Galmoy means Galmoy Mines Ltd. (Ireland), a wholly-owned indirect subsidiary of the Company that owns the Galmoy mine located in Ireland.

Gécamines means La Générale des Carrières et des Mines, the GDRC state-owned mining company.

GDRC means the Government of the DRC.

ha means hectare.

HSEC means Health, Safety, Environment and Community.

IFC means the International Finance Corporation.

IFRS means International Financial Reporting Standards.

Inmet means Inmet Mining Corporation.

km means kilometer.

LOM means Life of Mine.

Lundin Mining or the **Company** means Lundin Mining Corporation, including Lundin Mining Corporation and its subsidiaries.

m means metre.

mm means millimetre.

MD&A means Management's Discussion and Analysis of results of operations and financial condition of the Company for the fiscal year ended December 31, 2012, dated February 21, 2013.

mtpa means million tonnes per annum.

National Instrument 43-101 means National Instrument 43-101 "Standards for Disclosure For Mineral Projects" adopted by the Canadian Securities Administrators.

National Instrument 52-110 means National Instrument 52-110 "Audit Committees" adopted by the Canadian Securities Administrators.

Ni means nickel.

NSR means Net Smelter Return.

OMX means the NASDAQ OMX Nordic Exchange, Stockholm.

Oz means ounces.

Pb means lead.

PD / Phelps Dodge means Phelps Dodge Corporation.

Qualified Person means a qualified person as defined within the meaning of National Instrument 43-101.

Rights Plan means Shareholder Rights Plan.

Rio Narcea means Rio Narcea Gold Mines, Ltd. (Canada), a wholly-owned indirect subsidiary of the Company that indirectly owns the Aguablanca mine located in Spain.

Rio Tinto means the Rio Tinto Group.

SEDAR means the System for Electronic Document Analysis and Retrieval.

SEK means Swedish kronor.

SI means International System of Units

Silverstone means Silverstone Resources Corp.

Silver Wheaton means Silver Wheaton Corp., which acquired Silverstone in May 2009.

Somincor means Somincor-Sociedade Mineira de Neves-Corvo, S.A. (Portugal), a wholly-owned indirect subsidiary of the Company that owns the Neves-Corvo mine located in Portugal.

Tenke Holdings means Tenke Holdings Ltd. (Bermuda), a wholly-owned subsidiary of the Company that owns a minority interest in TF Holdings and a minority indirect interest in TFM.

Tenke Mining means Tenke Mining Corp. which was acquired by the Company on July 3, 2007 and subsequently amalgamated with the Company effective July 31, 2007.

TF Holdings means TF Holdings Limited (formerly, Lundin Holdings Ltd.), a Bermuda company owned 30% by Tenke Holdings and 70% by FCX that owns a controlling position of TFM.

TFM means Tenke Fungurume Mining Corp. SARL, a Congolese company that owns the Tenke Fungurume mine.

Tenke Fungurume mine means the deposits of copper, cobalt and associated minerals under mining concessions granted to TFM in 1996 at Tenke and Fungurume, Katanga Province, DRC.

tpa/d means tonnes per annum/day.

TSX means the Toronto Stock Exchange.

Zinkgruvan means Zinkgruvan Mining AB (Sweden), a wholly-owned indirect subsidiary of the Company that owns the Zinkgruvan mine located in Sweden.

Zn means zinc.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain of the statements made and information contained herein are "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "potential", "pro forma" and similar expressions are intended to identify forward-looking information or statements. Forward-looking information and statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information and statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labor or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; the outcome of contract review processes and resolution of administrative disputes with government authorities; and other risks and uncertainties, including those described under Risk and Uncertainties in this Annual Information Form and in each management's discussion and analysis.

Forward-looking information and statements are, in addition, based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of copper, lead, nickel and zinc; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking information and statements. Accordingly, readers are advised not to place undue reliance on forward-looking information and statements.

The forward-looking information and statements contained in this Annual Information Form are made as of the date hereof and Lundin Mining undertakes no obligation to update publicly or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

ITEM 1 INTRODUCTION

1.1. Date of Information

All information in this AIF is as of December 31, 2012 unless otherwise indicated.

1.2. Currency

The Company reports its financial results and prepares its financial statements in United States dollars. All currency amounts in this AIF are expressed in United States dollars, unless otherwise indicated. The United States dollar exchange rates for the Company's principal operating currencies and for the Canadian dollar are as follows:

As at December 31	2012	2011	2010
Canadian dollar (C$)	0.9949	1.0170	0.9946
Euro (€)	0.7579	0.7729	0.7484
Swedish krona (SEK)	6.5156	6.9234	6.7910

1.3. Accounting Policies and Financial Information

Financial information is presented in accordance with IFRS as issued by the International Accounting Standards Board as outlined in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants. Unless otherwise indicated, financial information contained in this AIF is presented in accordance with IFRS.

This AIF refers to various non-GAAP measures, such as "operating earnings" and "cash cost per pound", which are used by the Company to manage and evaluate operating performance at each of Lundin Mining's mines and are widely reported in the mining industry as benchmarks for performance but do not have standardized meaning. To facilitate a better understanding of these measures, as calculated by the Company, please refer to the MD&A where detailed descriptions and reconciliations, where applicable, have been provided.

1.4. Conversion Table

In this AIF, metric units may be used with respect to Lundin Mining's various mineral properties and operations. Conversion rates from imperial measures to metric units and from metric units to imperial measures are provided in the table set out below.

Imperial Measure	=	Metric Unit	Metric Unit	=	Imperial Measure
2.47 acres		1 hectare	0.4047 hectares		1 acre
3.28 feet		1 metre	0.3048 metres		1 foot
0.62 miles		1 kilometre	1.609 kilometres		1 mile
2.2 pounds		1 kilogram	0.454 kilograms		1 pound
0.032 ounces (troy)		1 gram	31.1 grams		1 ounce (troy)
2,204.62 pounds		1 tonne	0.000454 tonnes		1 pound

1.5. Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable Mineral Reserves and measured, indicated and inferred Mineral Resources are those used by Canadian Securities Administrators and conform to the definitions utilized by the CIM in the CIM Guidelines. Where Mineral Resources are stated alongside Mineral Reserves, those Mineral Resources are inclusive of, not in addition to, the stated Mineral Reserves.

ITEM 2 CORPORATE STRUCTURE

2.1. Name, Address and Incorporation

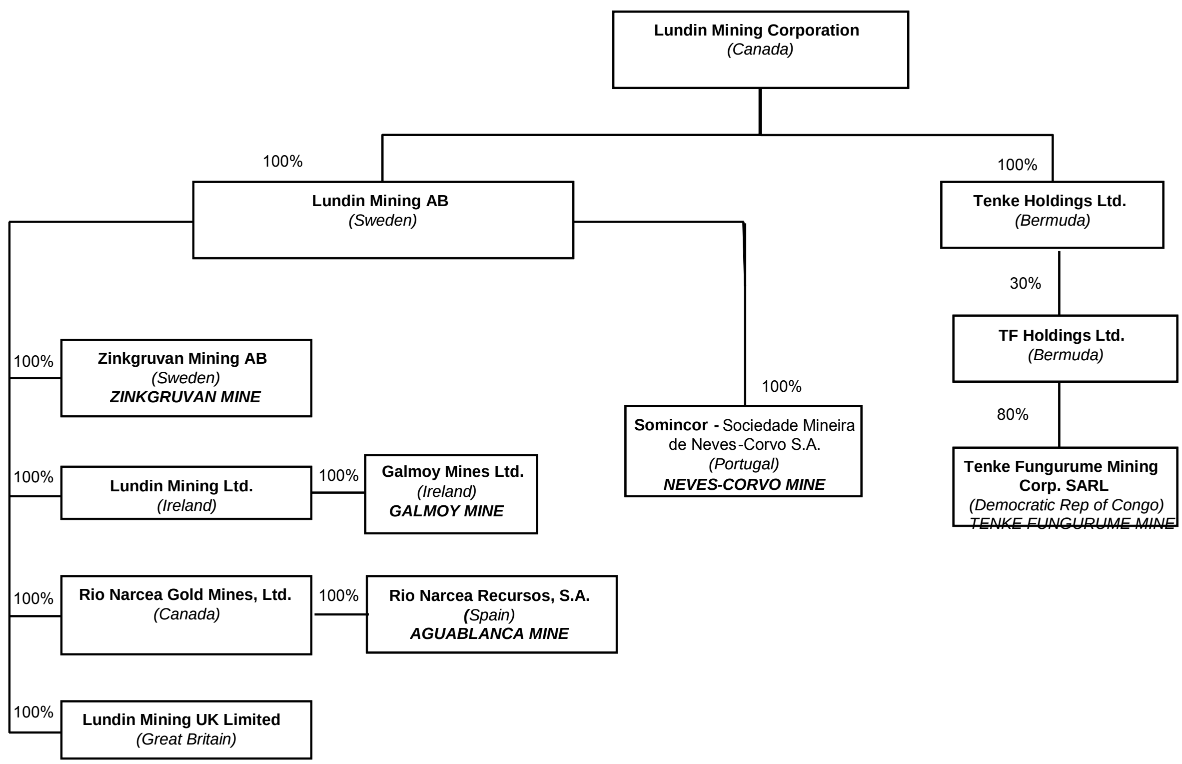
Lundin Mining was incorporated by Articles of Incorporation on September 9, 1994, under the *Canada Business Corporations Act* as South Atlantic Diamonds Corp. and subsequently changed its name to South Atlantic Resources Ltd. on July 30, 1996, and to South Atlantic Ventures Ltd. on March 25, 2002. The Company changed its name to Lundin Mining Corporation on August 12, 2004.

The Company amalgamated with EuroZinc effective November 30, 2006 and with Tenke Mining effective July 31, 2007.

As at December 31, 2012, the Company's registered and records office and corporate head office was located at 150 King Street West, Suite 1500, Toronto, Ontario, Canada M5H 1J9; telephone: +1 416 342 5560.

2.2. Inter-Corporate Relationships

A significant portion of the Company's business is carried on through its various subsidiaries. The following chart illustrates, as at December 31, 2012, the Company's significant subsidiaries, including their respective jurisdiction of incorporation and the percentage of voting securities in each that are held by the Company either directly or indirectly:



ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Lundin Mining is a diversified Canadian base metals mining company with operations in Portugal, Sweden, Spain and Ireland, producing copper, zinc, lead and nickel. In addition, Lundin Mining holds an equity stake in the Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo.

3.1. Three Year History

2010

a) On February 11, 2010, the Company announced an agreement with Astur Gold Corp. (formerly Dagilev Capital Corp.) for the sale of the Salave gold project in northern Spain. The sale was completed in April 2010.

b) On February 16, 2010, underground mining employees at Neves-Corvo commenced a program of strikes. This action terminated on April 1, 2010 and an agreement was reached on May 14, 2010 to end industrial action at Neves-Corvo based on a new productivity arrangement.

c) The Zinkgruvan copper plant was commissioned in the third quarter of 2010, and has a design capacity of 7,000 tpa of copper. The capital cost of the copper project was approximately $40 million.

d) On September 1, 2010, Lundin Mining's revolving credit facility agreement was amended, increasing the facility to $300 million from $225 million, and extending the term to September 2013. The amended facility provided additional flexibility for future growth projects and reduced carrying costs.

e) In October 2010, the government of the DRC announced the conclusion of the review of TFM's mining contracts. The conclusion of the review process confirmed that TFM's existing mining contracts are in good standing and acknowledged the rights and benefits granted under those contracts. TFM's key fiscal terms, including a 30% income tax rate, a 2% mining royalty rate and a 1% export fee, will continue to apply and are consistent with the rates in the DRC's current Mining Code. In connection with the review, TFM made several commitments, which have been reflected in amendments to its mining contracts, including: an increase in the ownership interest of Gécamines, which is wholly owned by the government of the DRC, from 17.5% (non-dilutable) to 20.0% (non-dilutable), resulting in a decrease of Freeport's effective ownership interest from 57.75% to 56% and Lundin Mining's effective ownership interest from 24.75% to 24%; an additional royalty of $1.2 million for each 100,000 tonnes of proven and probable copper reserves above 2.5 million tonnes at the time new reserves are established by FCX; additional payments totaling $30 million to be paid in six equal installments of $5 million upon reaching certain production milestones; conversion of $50 million in intercompany loans to equity; a payment of approximately $5 million for surface area fees and ongoing surface area fees of approximately $0.8 million annually; incorporating clarifying language stating that TFM's rights and obligations are governed by the ARMC; and expanding Gécamines' participation in TFM management.

   TFM has also reiterated its commitment to the use of local services and Congolese employment. In connection with the modifications, the annual interest rate on advances from TFM shareholders increases from a rate of LIBOR plus 2% to LIBOR plus 6%. In December 2010, the addenda to TFM's ARMC and Amended and Restated Shareholders' Agreement were signed by all parties and subject to implementation once a ratifying Presidential Decree was obtained. In addition, the change in Lundin Mining's effective ownership interest in TFM and the conversion of intercompany loans to equity will be given effect after obtaining approval of the modifications to TFM's bylaws.

f) During October 2010, Lundin Mining announced that surface exploration drilling focusing on a prospective area close to the Neves-Corvo mine discovered a new high-grade, copper-rich massive sulphide deposit, Semblana, one kilometre to the northeast of the Zambujal copper-zinc orebody. Exploration drilling outlined an area of at least 600 metres by 250 metres of massive sulphide + stockwork mineralization in 7 drill holes. This new deposit remains open in several directions and appears to be almost flat-lying.

g) During October 2010, Lundin Mining announced that Mr. Philip Wright, the President and CEO, would retire during the first half of 2011 and the Board of Directors appointed a committee to address the timing and manner of succession to ensure an orderly and effective transition.

h) Mining operations at Aguablanca were suspended following a major slope failure on the main access ramp caused by heavy rainfall in the second week of December 2010. The mine had approximately five years of reserves remaining and it was expected that production will resume in 2012.

2011

a) On January 12, 2011, Lundin Mining and Inmet announced that they entered into an arrangement agreement to merge and create Symterra Corporation, a leading international copper producer. The transaction was valued at approximately C$9 billion.

b) On February 27, 2011, Lundin Mining announced that it had been advised by Equinox that Equinox intended to make an unsolicited take-over bid for the shares of Lundin Mining.

c) On March 29, 2011, Lundin Mining and Inmet jointly announced the termination of the arrangement agreement dated January 12, 2011. Also on that day, Lundin Mining announced that its Board of Directors had adopted a limited duration Rights Plan to enable a full consideration of strategic alternatives.

d) On April 18, 2011, Lundin Mining announced that the government of the DRC issued a Presidential Decree approving the amendments to the Tenke Fungurume Mining contracts and the decree was published in the DRC Official Gazette.

   This decree formalized the conclusion of the review process by the DRC government and confirmed that the Tenke Fungurume contract's were in good standing, and acknowledged the parties' continuing commitment to the rights and benefits granted under the Tenke Fungurume Mining contracts.

e) On April 25, 2011, Equinox announced the withdrawal of its offer to acquire the common shares of Lundin Mining. Subsequent to the hostile take-over bid for Lundin Mining, Equinox became subject to a take-over bid by Barrick Gold Corporation which was conditional on Equinox abandoning its bid for Lundin Mining.

f) In late May 2011, Lundin Mining announced the conclusion of its strategic review process.

g) On May 25, 2011, Lundin Mining announced the expiration of the Rights Plan, which was not renewed.

h) In September 2011, the Company announced the results of the Feasibility Study for the Lomabdor Phase I project. The Feasibility Study showed that Lombador Phase I could be developed as a profitable and value accretive extension to the Neves-Corvo mine, and would extend the mine life to at least 2026.

i) On October 31, 2011, the Company announced the formal appointment of Mr. Paul Conibear as President and Chief Executive Officer, after having held the role on an interim basis following the retirement of Mr. Philip Wright on June 30, 2011.

j) On November 1, 2011, the Company reported that FCX, as operator of the Tenke Fungurume mining operations, approved the undertaking of a second phase of the Tenke Fungurume mine which targets the addition of approximately 68,000 tonnes of copper cathode production annually. The Phase 2 Expansion is expected to increase copper production by 50% to approximately 195,000 tonnes of copper cathode and 15,000 tonnes of cobalt in hydroxide, targeted for completion in 2013. The expansion cost is approximately $850 million and includes additional mining equipment, mill upgrades, acid plant expansion and a doubling of existing tank house capacity.

k) In December 2011, the Company released an interim report on exploration activities including an initial Inferred Mineral Resource for the Semblana Copper Deposit located adjacent to its 100% owned Neves-Corvo mine in southern Portugal.

2012

a) On January 23, 2012, Lundin Mining released a summary of the results of the initial Future Underground Materials Handling Study (the "Study") for its Neves-Corvo mining complex in southern Portugal. This conceptual level Study identified and evaluated various underground materials handling and access options necessary to pursue the exploitation of the deeper Lombador copper/zinc resources as well as the Semblana copper deposit which are adjacent to the Company's Neves-Corvo mine.

b) On March 26, 2012 the President and Prime Minister of the DRC signed a decree approving the bylaw changes for TFM as announced in October 2010 and approved by Presidential Decree in April 2011. Accordingly, as of March 26, 2012, Lundin Mining's effective ownership interest in TFM was reduced from 24.75% to 24% and $50 million in intercompany loans were converted to equity.

c) On April 11, 2012, the Company announced that it had entered into a purchase option agreement ("Option Agreement") to acquire an 80% interest in the Touro copper project located in northern Spain owned by two private Spanish companies. The Option Agreement gave Lundin Mining an exclusive option until October 1, 2012, to purchase an 80% interest in the project, pending satisfactory completion of due diligence, including confirmatory and step-out drilling and othe technical work to be conducted by the Company.

d) At the end of August 2012, Aguablanca restarted production ahead of schedule after the pit slope failure in 2010.

e) In September 2012, the Company reported its Mineral Reserve and Resource estimates and provided an Exploration Update as at June 30, 2012. The full release can be found on the Company's website at www.lundinmining.com.

f) On September 25, 2012, the Company announced that it had notified the owners of the Touro copper project that it did not intend to exercise its option under the Option Agreement to acquire a controlling interest in the project.

g) In December 2012, Lundin Mining announced that it executed an amendment to its revolving credit facility increasing the amount of its revolving credit facility to $350 million from $300 million and extending the term of the facility to December 2015.

2013

a) On January 21, 2013, the Company announced that it had, through a newly formed joint venture entity, entered into a definitive agreement with OM Group, Inc to acquire a large scale cobalt chemical refinery located in Kokkola, Finland and the related sales and marketing business. The acquisition will provide direct end-market access for the cobalt hydroxide production from the

Tenke Fungurume mine. Lundin Mining will hold an effective 24% ownership interest in the joint venture, with Freeport holding an effective 56% ownership interest and acting as operator of the joint venture and Gécamines holding a 20% interest. Initial consideration of $325 million will be paid at closing, with a potential for additional consideration of up to $110 million payable over a period of three years, contingent upon the achievement of revenue-based performance targets. Lundin Mining and Freeport will together fund the initial acquisition costs on a 30/70% basis, which will be repaid in full prior to any distributions. The acquisition is subject to customary closing conditions, including required regulatory approvals, and is expected to close in the second quarter of 2013.

b) In late January 2013, Lundin Mining filed updated independent NI 43-101 Technical Reports on the Neves-Corvo mine and Semblana deposit and the Zinkgruvan mine which were filed on SEDAR (www.sedar.com).

c) In March 2013, the Company announced amendments to its by-laws to include an advance notice policy (the "Policy") which requires advance notice to the Company in circumstances where nominations of persons for election to the Board of Directors are made by shareholders of the Company other than pursuant to: (i) the requisition of a meeting, or (ii) a shareholder proposal, both made pursuant to the provisions of the *Canada Business Corporations Act*. The amended by-laws, which include the Policy, are effective as of the date they were approved by the Board of Directors, being February 21, 2013. In accordance with the Act, the amendments to the Company's by-laws are subject to confirmation by shareholders at the annual shareholders meeting.

ITEM 4 DESCRIPTION OF THE BUSINESS

Lundin Mining is a diversified base metals mining company with operations in Portugal, Sweden, Spain and Ireland, producing copper, zinc, lead and nickel. In addition, Lundin Mining holds a 24% equity stake in the world-class Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo.

4.1 Principal Products and Operations

Lundin Mining's principal products and sources of sales are copper, zinc, lead and nickel concentrates from Neves-Corvo, Zinkgruvan and Aguablanca. Lundin Mining also holds a minority interest in TFM. Information related to Lundin Mining's segmented information is set forth in Note 23 to the consolidated annual financial statements for the year ended December 31, 2012. The MD&A discusses each operation that is separately defined as a segment.

Production from operations was as follows:

	2012	2011	2010
Copper (tonnes)	63,878	75,877	80,035
Zinc (tonnes)[1]	122,204	111,445	90,129
Lead (tonnes)[1]	38,464	41,130	39,568
Nickel (tonnes)	2,398	-	6,296
Copper (tonnes) Tenke attributable (24%)[2]	38,105	31,523	29,767

[1] *Includes production from Galmoy mine which was originally planned to cease operational mining in mid-2009 but continues to mine and sell remnant high-grade ore.*

[2] *The Company's interest in Tenke was reduced from 24.75% to 24.0% effective March 26, 2012 as a result of signed modifications to Tenke Fungurume Mining's bylaws that reflect the signed agreements with the DRC government.*

4.2 Employees

As of December 31, 2012, Lundin Mining has a total of approximately 1,600 employees and 1,300 contract employees located in Canada, United Kingdom, Portugal, Sweden, Spain and Ireland.

4.3 Health, Safety, Environment and Community

Lundin Mining's policy is to conduct its business responsibly and in a manner designed to protect its employees, adjacent communities and the natural environment. The Company is committed to achieving a safe, productive and healthy work environment and to upholding the values of human rights. Lundin Mining seeks to create sustainable value for employees, business partners and the communities in which it works. These commitments are described in the Company's HSEC policy.

The HSEC policy, approved by the Board of Directors, commits the Company to compliance with legal requirements as a minimum and to go beyond those requirements where deemed appropriate.

HSEC planning is part of the Company's business planning processes to assess the potential safety, health and environmental effects of its activities and integrate these considerations into its operational decisions and processes.

The Company is committed to design, develop and operate its facilities with a view to minimizing the environmental impact of its operations; providing efficient use of energy, water and other resources; reducing or preventing pollution; limiting waste generation and disposal; and where waste must be disposed of, doing so responsibly.

The Company has in place closure plans for all its operations and these are reviewed and updated in accordance with relevant national legislation. Each mine has in place an agreed financial mechanism to meet anticipated closure costs. Wherever practicable, the operations progressively rehabilitate areas no longer required for ongoing operations using environmentally sound methods.

Lundin Mining has a company-wide HSEC system that formalizes the Company's implementation of the HSEC policy supporting consistency across sites owned or operated by the Company, and clearly setting out expectations for HSEC management for joint ventures. The management system describes how the Company's operations and projects will comply with the Company's corporate values and commitments.

The HSEC system exists to:

- Ensure that sound management practices and processes are in place in sites across the Company resulting in strong HSEC performance.
- Describe and formalize the expectations of the Company with respect to HSEC management.
- Provide a systematic approach to the identification of HSEC issues and ensure that a system of risk identification and risk management is in place.
- Provide a framework for HSEC responsibility and a systematic approach for the attainment of corporate HSEC objectives.
- Provide a structure to drive continuing improvement of HSEC programs and performance.

In applying the HSEC system, the Company engages its employees, contractors, the community, regulators and other interested parties to ensure that stakeholder concerns are considered in managing aspects of our business that have the potential to impact health, safety, the environment and communities.

The Company strives for continuous improvement in its HSEC performance through the development of objectives and targets. To achieve this, operations advise and train employees and contractors as necessary to meet HSEC undertakings and the operations establish clear accountabilities for employees, and especially managers, with respect to their HSEC performance.

To ensure that the Company meets its objectives and targets, management monitors and reviews performance and publically reports progress.

For further information on the Company's social and community programs and other HSEC information please consult Lundin Mining's Sustainability Report which is available on the website at www.lundinmining.com.

4.4 Description of Properties

The following descriptions of Lundin Mining's operating properties, being Neves-Corvo, Zinkgruvan, Aguablanca, Galmoy and Tenke Fungurume, are based on filed technical reports, the 2012 Resource and Reserve Estimate Update and on the Company's previously filed material change reports, financial statements and MD&A. Unless noted otherwise, all of the technical reports referenced in this AIF have been filed on SEDAR under the Company's profile. For more detailed information in respect of Lundin Mining's properties, direct reference should be made to these technical reports.

4.4.1 OPERATING MINES

4.4.1.1 NEVES-CORVO MINE

The following information has been derived from and is qualified in its entirety by the NI 43-101 technical report entitled "NI 43-101 Technical Report for Neves-Corvo Mine and Semblana Deposit, Portugal" dated January 18, 2013 (the "**Neves-Corvo Report**") prepared for Lundin Mining by Mark Owen, BSc, MSc (MCSM), CGeol, EurGeol, FGS and Lewis Meyer, ACSM, MCSM, BEng, MSc, PhD, CEng, FIMMM, qualified persons as defined by NI 43-101. The Neves-Corvo Report is available for review under Lundin Mining's SEDAR profile at www.sedar.com.

4.4.1.1.1 Project Description and Location

The Neves-Corvo mine is owned and operated by the Portuguese company, Somincor, which is a subsidiary of Lundin Mining. It is situated approximately 220 km southeast of Lisbon in the Alentejo district of southern Portugal. The mine site lays some 15 km southeast of the town of Castro Verde and exploits five major orebodies from an underground mine. The ore is processed on-site and tailings are disposed of in the Cerro de Lobo impoundment some 3 km from the plant. Concentrates are dispatched by rail and road for onward shipping to customers.

The mining operations are contained within a mining concession contract between the State and Somincor covering 13.5 km^2, located in the parishes of Santa Bárbara de Padrões and Senhora da Graça de Padrões, counties of Castro Verde and Almodôvar, district of Beja. The concession provides the rights to exploit the Neves-Corvo deposits for copper, zinc, lead, silver, gold, tin and cobalt for an initial period of fifty years (from November 24, 1994) with two further extensions of twenty years each.

This mining concession is in turn surrounded by the Castro Verde exploration concession, signed in 2006, covering an area of 549 km^2. Somincor also holds one further neighbouring exploration concession, the Almodovar concession, with an area of approximately 420 km^2.

The mine is operated under an Integrated Pollution Prevention and Control Licence (IPPC) granted by the Portuguese Environmental Agency in 2008.

4.4.1.1.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

Neves-Corvo has good connections to the national road network which links with Faro to the south and Lisbon to the north. The mine has a dedicated rail link into the Portuguese rail network and to the port of Setúbal.

There are no major centres of population close to the mine, although a number of small villages with populations numbered in the hundreds lie within the mining concession. Most employees travel to the mine by company-provided buses or private cars.

The climate of the region is semi-arid with an average July temperature of 23°C (maximum 40°C) and an average minimum temperature in winter of 3.8°C. Rainfall averages 426 mm, falling mainly in the winter months.

The topography around the mine is relatively subdued, comprising low hills with minimal rock outcrop. The mine collar is 210 m above sea level. The area supports low intensity agriculture confined to stock rearing and the production of cork and olives.

Fresh water is supplied to the mine via a 400 mm diameter pipeline from the Santa Clara reservoir, approximately 40 km west of the mine. The mine is connected to the national electric power grid by a single 150 kV, 50 MVA rated, overhead power line 22.5 km long.

The mining concession provides sufficient surface rights to accommodate the existing mine infrastructure and allow for expansion if required.

4.4.1.1.3 History

The Neves-Corvo ore bodies were discovered in 1977. The Portuguese company Somincor was established to exploit the deposit and by 1983, the Corvo, Graça, Neves and Zambujal sulphide deposits had been partially outlined, covering an area of some 1.5 km by 2 km. Rio Tinto became involved in the project in 1985, effectively forming a 49%:51% joint venture with the Portuguese government (EDM). The project was reappraised with eventual first production commencing from the Upper Corvo and Graça orebodies in January 1989.

During the development of the mine, high-grade tin ores were discovered, associated with the copper mineralization, which led to the rapid construction of a tin plant that was commissioned in 1990.

The railway link between Neves-Corvo and Setúbal was constructed between 1990 and 1992 for the shipment of concentrates and the hauling of sand for backfill on the return journey. This was followed between 1992 and 1994 by a major mine deepening exercise to access the Lower Corvo orebody through the installation of an inclined conveyor ramp linking the 700 and 550 levels.

In June 2004, EuroZinc acquired a 100% interest in Somincor for consideration of €128 million. In October 2006, EuroZinc merged with Lundin Mining and the Lundin Mining name was retained.

In 2006, zinc production was commenced at Neves-Corvo with processing through the modified tin plant. In June 2007, Silverstone (since acquired by Silver Wheaton) agreed to acquire 100% of the life-of-mine payable silver production from the Neves Corvo mining lease deposits, as the mine produces around 0.5 million ounces per year of silver in copper concentrate. Zinc production was suspended in November 2008 due to the low prevailing zinc price. In September 2009, the decision was made to expand the zinc plant at an estimated cost of €43 million, to a design capacity of 50,000 tpa zinc in concentrate and first zinc production was achieved from the expanded plant in mid-2011.

In mid-2009, a copper tailings retreatment circuit was commissioned to recover both copper and zinc, and in late 2010, tailings disposal changed from subaqueous to paste methods at the Cerro do Lobo facility.

In October 2010, the copper rich Semblana deposit was discovered located one km to the northeast of the Zambujal copper-zinc orebody within the Castro Verde exploration concession. In December 2011, following extensive diamond drilling, an initial Inferred Mineral Resource was published, and that was further updated in June 2012. A high-resolution 3D seismic survey carried out in 2011 also identified several new exploration targets in the Neves Corvo vicinity.

A Feasibility Study on the Lombador Phase 1 Project, which contemplated mining this zinc rich orebody and expanding the overall zinc capacity at Neves Corvo to 2.5 mtpa, was completed in September 2011. The underground elements of this project are being advanced to provide high grade zinc feed to the existing 1.0 mtpa zinc plant. In mid-2012, twin access ramps were started towards the Semblana deposit from the Zambujal area of the mine, initially for the purpose of gaining access for underground exploration drill drives but with sufficient flexibility in their design to readily convert them to production ramps. Studies on lower capital cost extensions to the mine access and materials handling systems for both lower Lombador and Semblana were underway at 2012 year end.

4.4.1.1.4 Geological Setting

Neves-Corvo is located in the western part of the Iberian Pyrite Belt, which stretches through southern Spain into Portugal and which has historically hosted numerous major stratiform volcano-sedimentary massive sulphide deposits.

The Neves-Corvo deposits occur within the Volcanic Sedimentary Complex, which consists of acid volcanics separated by shale units, with a discontinuous black shale horizon immediately below the lenses. Above the mineralization, there is a thrust-faulted repetition of volcano-sedimentary and flysch units. The whole assemblage has been folded into a gentle anticline oriented NW-SE which plunges to the southeast, resulting in orebodies distributed on both limbs of the fold. All the deposits have been affected by both sub-vertical and low angle thrust faults, causing repetition in some areas.

4.4.1.1.5 Exploration

Exploration work within the mining concession has concentrated primarily on the extension of known orebodies by both underground and surface drilling. Some of the Neves-Corvo orebodies have not been completely delineated. Drilling from both surface and underground in the last few years has identified significant new zinc and copper mineralization within the Lombador massive sulphide lens and associated stockworks, as well as important bridge fissural copper mineralization between the Lower Corvo, Neves and Lombador orebodies.

In 2010, the Semblana deposit, a new massive sulphide deposit containing a zone of copper-rich sulphide mineralization, was discovered by surface drilling. Semblana, lies 1.3 km northeast of the Zambujal orebody and is located in the exploration concession that surrounds the mine. In 2011, surface exploration drilling focused on delineating the extent of Semblana and defining an initial Mineral Resource. In December 2011, a National Instrument 43-101 compliant Inferred Mineral Resource of 6.58 million tonnes grading 3.0% copper was announced; this was updated with additional drilling in September 2012 to 7.13 million tonnes grading 2.8% copper. This incorporated the copper mineralisation discovered in late 2011, located approximately 300 metres south of the Semblana resource.

A high resolution 3D seismic survey covering the area immediately east and southeast of the mine was also completed in 2011. This survey was successful in detecting both the Lombador and Semblana massive sulphide bodies in great detail, in addition to identifying several seismic reflectors that have similar characteristics to massive sulphide bodies. Drilling of one of these high-priority reflectors led to the discovery of the high-grade copper sulphides located just south of Semblana.

During the fourth quarter of 2011, a new copper discovery was made called Monte Branco, located just west of the tailings dam. Priority was given to ongoing exploration of this new discovery in 2012.

4.4.1.1.6 Mineralization

Six massive sulphide lenses have been defined at Neves-Corvo comprising Neves (divided into North and South), Corvo, Graça, Zambujal, Lombador (divided North, South and East), and Semblana. The base metal grades are segregated by the strong metal zoning into copper, tin and zinc zones, as well as barren massive pyrite. The massive sulphide deposits are typically underlain by stockwork sulphide zones which form an important part of the copper orebodies.

4.4.1.1.7 Drilling

Surface and underground exploration drilling is an ongoing operation at the mine with the work undertaken by both contractors and in-house drill rigs. The nominal hole spacing on the underground diamond drilling is between 17.5 m and 35 m, with surface drilling on a spacing of 75 m to 100 m. As a standard procedure, drill holes, which are all NQ size, are surveyed with an Eastman Single Shot or Reflex EZ-Shot tool at 30 m intervals, which provides an accurate location of the drill intersections.

In 2012, 94,419 m of drilling was completed from surface with 108 holes completed and 36,561 m was drilled from underground in 301 holes.

4.4.1.1.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling, insertion of QC samples and density measurement protocols and procedures are in place at Neves-Corvo. In addition to drill core sampling, underground grade control sampling is carried out using face sampling in the areas subject to drift-and-fill mining and short diamond drill holes in the bench-and-fill areas. Samples are prepared on-site and analyzed at either the mine's fully accredited assay laboratory facility or by the ALS Chemex laboratory in Vancouver, Canada.

4.4.1.1.9 Security of Samples

Data and sample security procedures that conform to industry standards are in place at Neves-Corvo. All drill cores are logged and photographed, and the cores and sampling splits are stored on-site. Traceability records prevent errors of identification and ensure sample history can be followed.

4.4.1.1.10 Mineral Resource and Mineral Reserve Estimates

Mineral Resources at Neves-Corvo are estimated using three dimensional interpretation and modelling methods with calculations performed using specialized software and in particular Leapfrog® and Vulcan® 3D. The Ordinary Kriging method of interpolation is used to estimate metal grades and a multiple regression formula using the estimated metal grades is used to estimate density.

Mineral Reserves are calculated by the Neves-Corvo mine planning department primarily using Vulcan® 3D software. Stoping volumes are cognisant of the method of access to allow for the cut-off grade boundary and include an allowance for planned and unplanned dilution and ore loss. An effective minimum mining width of 5 m is applied.

The Semblana Mineral Resource was modelled and estimated using Datamine Studio software. Metal grades were estimated using Ordinary Kriging or Inverse Distance Weighting. Bulk density was estimated using Inverse Distance Weighting.

Details of the June 2012 Mineral Resource and Reserve estimates for Neves-Corvo and Semblana are included in Schedule A, attached to this AIF.

4.4.1.1.11 Mining Operations

Neves-Corvo is a major underground mine. The principle means of mine access are provided by one vertical 5 m diameter shaft and a ramp from surface. The shaft is used to hoist ore from the 700 m level. The surface is nominally 1200 m above datum. A conveyor decline descends from the 700 m level to the 550 m level and provides ore hoisting from the deeper levels of the mine. The mine is highly mechanized and a number of different stoping methods are employed but the most significant are bench-and-fill and drift-and-fill. Backfill is provided by hydraulically placed sand, paste tailings and internally generated waste rock.

The treatment facility at Neves-Corvo comprises of two processing plants. The copper plant treats copper ores and has a maximum capacity of approximately 2.6 mtpa and the zinc plant (the former tin plant) which treats zinc or copper ores was expanded to 1.0 mtpa capacity during 2011. Both processing plants comprise secondary crushing, rod and ball mill grinding circuits, flotation cells and concentrate thickening and dewatering. In mid-2009, modifications to the copper plant were completed to regrind and recover additional copper and zinc concentrate from the copper tailings stream.

Concentrates are transported by road to a Spanish smelter or by rail to a dedicated port facility at Setúbal, Portugal from where they are shipped to other smelter customers.

Tailings disposal was changed from subaqueous to paste techniques during 2010 following approval by the Portuguese authorities. Tailings are thickened and pumped from a new facility located at the Cerro de Lobo tailings impoundment, 3 km from the mine site.

Copper and zinc concentrates from the mine are sold to a variety of smelter customers that are primarily European based. Multi-year sales contracts are normally agreed with customers and treatment, refining and penalty charges are typical of those for copper and zinc sulphide concentrates.

The mine operates under an IPPC licence (No.18/2008) granted by the Portuguese Environmental Agency in 2008. The licence includes conditions covering Environmental Management Systems, tailings and waste rock disposal, water and energy consumption, emissions to atmosphere, emissions to water courses and water treatment, noise, industrial waste disposal, emergency and closure planning. Key environmental issues include the acid-generating potential of the ore and waste rocks; the close proximity of the Oeiras River to the mine site; the groundwater is a significant aquifer and connects to local water supplies and the Oeiras River; and the dispersal of dust and noise from the mine site. The mine permit requires that closure plans for the mine are updated every 5 years, and an accumulating closure fund is in place to cover final closure costs.

The corporation tax rate in Portugal is 27.5%, and a local tax of 1.5% is also payable. For 2012 and 2013, an extra tax rate of 3% for profits between €1.5 million and €10 million will be applicable, increasing to 5% for profits above €10 million. Royalties are either a profit-related royalty of 10%, or a revenue-based royalty of 1% (at the State's discretion). The payment may be reduced by 0.25% of the revenue-based royalty provided that the corresponding amount of such percentage is spent on mining development investment.

The current copper Mineral Reserves at Neves-Corvo will support a mine life of at least 10 years with copper production, based on currently known reserves, and zinc production mine life is potentially much larger. The Lombador Phase 1 ramp will reach its planned depth in 2013 and initial production of both copper and zinc mineralisation is scheduled. Development of twin access ramps, initially to access underground drill drives for the Semblana orebody is also advancing. Mine studies will continue to focus on shorter schedule, lower capital cost access and materials handling solutions for extraction of the mineralisation within the lower Lombador and Semblana orebodies.

4.4.1.1.12 Exploration and Development

Surface drilling will focus mostly on exploring for extensions to the Monte Branco deposit, with some drilling into Semblana to increase the resource and the investigation of the polymetallic zones. In addition there will be drill testing of various 3D seismic targets and step-outs to investigate areas between Zambujal and Monte Branco and the area between Semblana and Monte Branco. Underground drilling will be intensified in 2013 and will focus on upgrading the Lombador North ore-body.

4.4.1.2 ZINKGRUVAN MINE

The following information has been derived from and is qualified in its entirety by the NI 43-101 technical report entitled "NI 43-101 Technical Report for the Zinkgruvan Mine, Central Sweden" dated January 18, 2013 (the "**Zinkgruvan Report**") prepared for Lundin Mining by Mark Owen, BSc, MSc (MCSM), CGeol, EurGeol, FGS and Lewis Meyer, ACSM, MCSM, BEng, MSc, PhD, CEng, FIMMM, qualified persons as defined by NI 43-101. The Zinkgruvan Report is available under Lundin Mining's SEDAR profile at www.sedar.com.

4.4.1.2.1 Project Description and Location

The Zinkgruvan mine is located approximately 200 km south west of Stockholm in south-central Sweden. The mine site is some 15 km from the town of Askersund and comprises a deep underground mine, a processing plant and associated infrastructure and tailings disposal facilities. Concentrates are trucked from the mine to the inland port of Otterbäcken on Lake Vänern from where they are shipped via canal and sea to European smelter customers.

The mining operations are contained within two exploitation concessions covering the deposit and its immediate area. The "Zinkgruvan Concession" was amalgamated from a large number of smaller rights in 2000, has an area of 254 ha and is valid until 2025. The neighboring "Klara Concession" was granted in 2002, has an area of 355 ha and is valid until 2027. These concessions are automatically extendable for periods of 10 years provided the concession is being regularly exploited. In addition, the mine currently holds exploration concessions in the area totaling 3,753 ha. For exploitation concessions granted before 2005, there are no mining royalties in Sweden.

The mine is currently operated under an Environmental Licence granted by the Swedish authorities that is valid until December 2017. A permit application for mine life extension and a new tailings management facility was submitted to authorities in August 2012.

4.4.1.2.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

Zinkgruvan has good local road access and is close to the main E18 highway linking Stockholm and Oslo. Rail and air links are available at the town of Örebro some 60 km distant. Lake Vänern, the largest lake in Sweden, is some 100 km distant and provides access to coastal shipping via a series of inland canals and the port of Göteborg.

The climate of the area is mild in the summer with average temperatures of 18°C, while in the winter temperatures are below freezing with a lowest average of -4°C in February. Annual rainfall is approximately 750 mm with modest snowfalls during the winter months.

The topography around the mine comprises gently rolling terrain approximately 175 m above sea level. The area is largely forested and is bisected by slow-moving streams in shallow valleys.

There is ready access to power, telephone lines and domestic water and industrial water sources. The mine owns sufficient freehold surface land to accommodate the existing and planned mine infrastructure.

4.4.1.2.3 History

The Zinkgruvan deposit has been known since the sixteenth century but it was not until 1857 that large scale production commenced under the ownership of the Belgian Vieille Montagne Company. The processing plant for these operations was initially based in Åmmeberg on the shores of Lake Vättern with ore transported approximately 5 km from the mine site by narrow gauge railway.

In the mid-1970s, a decision was made to significantly expand production to 600,000 tpa. A new shaft, P2, was sunk to access deeper ore and a new concentrator and tailings facility established adjacent to the mine site.

In 1990, Vieille Montagne merged with Union Miniere, and in 1995, North Limited of Australia acquired Zinkgruvan mine. In August 2000, Rio Tinto became the owner of the mine following its acquisition of North. In June 2004, Lundin Mining purchased the mine from Rio Tinto.

In December 2004, Silver Wheaton agreed to purchase the LOM silver production from the Zinkgruvan mine. In October 2007, the Zinkgruvan Expansion Programme was announced, a project to increase ore production by 300,000 tpa through the addition of copper to the current zinc-lead production.

In late 2010, the copper plant was commissioned and during 2011 modifications were made to allow this plant's 300,000 tpa ore capacity to be used to also treat zinc/lead ores. In November 2010, an access ramp from the surface to the underground workings was completed, allowing a significant increase in the mine's operational flexibility. In 2012, pre-feasibility studies were completed and final feasibility studies initiated on the replacement of the front end of the grinding and crushing circuit at the mine with a view to increasing total mill throughput to 1.5mtpa with improved operational reliability, lower operating costs and environmental performance.

4.4.1.2.4 Geological Setting

Zinkgruvan is located in the south-west corner of the Proterozoic aged Bergslagen greenstone belt. The district is composed of a series of small, elongated basins with felsic metavolcanics overlain by metasediments. The basins are surrounded by mainly granitoid intrusions of which the oldest are the same age as the metavolcanics.

The Zinkgruvan deposit is situated in an east-west striking synclinal structure. The tabular-shaped Zn-Pb-Ag orebodies occur in a 5 m to 25 m thick stratiform zone in the upper part of the metavolcanic-sedimentary group. The orebody is 5 km long and is proven to a depth of 1,500 m below surface. A major sub-vertical fault splits the ore deposit in two parts, the Knalla mine to the west and the Nygruvan to the east.

4.4.1.2.5 Exploration

Exploration has focused primarily on replacing depleted resources initially by exploring the Nygruvanand Burklandareas at depth and more recently in the Knalla area to the west. Due to the depth of the exploration areas and relatively complex geometry, future exploration will be done by underground drilling. Additional underground development is required in order to provide drill platforms to fully evaluate the potential of new zones intersected from surface drilling.

4.4.1.2.6 Mineralization

The Zinkgruvan orebodies are dominated by sphalerite and galena and are generally massive, well banded and stratiform. Remobilization of galena and silver has occurred in response to metamorphism and deformation, and is most pronounced in the lead-rich western extension of Nygruvan and in the Burkland area.

Copper stockwork mineralization has been identified in the structural hanging wall of the Burkland deposit. Chalcopyrite is the main copper mineral and occurs as coarse disseminations and patches within a marble host rock.

4.4.1.2.7 Drilling

Underground exploration, comprising resource and stope definition drilling, is carried out on an ongoing basis. Stope definition holes are drilled from underground with intersections typically on 15 m by 20 m centres. All drill holes are surveyed at 3 m intervals using Maxibore surveying equipment which provides an accurate location of the drill intersections. In 2012, 23,140 m of drilling was completed from underground.

4.4.1.2.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling, insertion of QC samples and density measurement protocols and procedures are in place. Samples are prepared on-site and sent to ACME's laboratory in Vancouver, Canada for assay.

4.4.1.2.9 Security of Samples

Data and sample security procedures that conform to industry standards are in place at Zinkgruvan. All drill core is logged and photographed, and the cores and sampling splits are stored on-site in a purpose built facility at the mine site. Traceability records prevent errors of identification and ensure sample history can be followed.

4.4.1.2.10 Mineral Resource and Reserve Estimates

Mineral resources at Zinkgruvan are estimated using two methods: the polygonal method and 3D block modelling. The polygonal method is generally used at the early stages of resource assessment and is carried out on parts of Nygruvan, Mellanby, and Sävsjön. The remaining areas of Nygruvan and all of Burkland are estimated using block modelling with Microstation® AutoCad and Prorok® software. Ordinary Kriging and Inverse Distance Weighting methods are used for grade estimation and density estimation uses a regression formula based on estimated metal grades.

Mineral Reserves are calculated from the resources using Prorok® and Microstation® software. A zinc equivalent cut-off is applied together with dilution and mining recovery factors that are based on the mine's long operating experience.

Details of the June 2012 Mineral Resource and Reserve estimate for Zinkgruvan are included in Schedule A, attached to this AIF.

4.4.1.2.11 Mining Operations

Zinkgruvan is an underground mine with a long history. Mine access is currently via three shafts, with the principle P2 shaft providing hoisting and man access to the 800 m and 850 m levels with the shaft bottom at 900 m. A ramp connecting the underground workings with surface was completed in 2010 and now provides vehicle access direct to the mine. A system of ramps is employed to exploit resources below the shaft and the deepest mine level is now at 1,130 m below surface. The mine is highly mechanized and uses longhole primary secondary panel stoping in the Burkland area of the mine, sublevel benching in the Nygruvan area and in the Cecilia area. All stopes are backfilled with either paste tailings and cement or waste rock.

The processing plant is located adjacent to the P2 shaft. The run-of-mine ore is secondary crushed and then ground in an AG and ball mill circuit. A bulk flotation concentrate is produced initially before further flotation to separate zinc and lead concentrates. The concentrates are thickened and filtered and then stockpiled under cover. Tailings are pumped some 4 km to a dedicated tailings impoundment from which decant water is returned to the process.

A separate 0.3 mtpa copper treatment line in the processing plant was commissioned during 2010, and copper production has commenced. This line was further modified to allow it the flexibility to treat zinc-lead ore as well as copper during 2011. In 2012, pre-feasibility studies were completed that demonstrated the merit of upgrading the front end of the mine's crushing and grinding circuit. The proposed changes to the plant will allow increased total mill throughputs of 1.5 mtpa with improved operational reliability, lower operating costs and better environmental performance. Feasibility studies will be completed in the second quarter 2013.

Current Mineral Reserves at Zinkgruvan are sufficient for a mine life in excess of 10 years and the mine is able to fund all currently planned capital programmes through cash flow.

Zinc and lead concentrates from the mine are sold to a variety of European smelters. Multi-year sales contracts are normally agreed upon with customers and treatment, refining and penalty charges are typical of those for zinc and lead sulphide concentrates. The lead concentrates are particularly high grade and contain elevated levels of silver.

The mine is currently operated under an Environmental Licence granted by the Swedish authorities that is valid until December 2017. The licence includes conditions covering production levels, tailings disposal, water discharge limits, hazardous materials, process chemicals, water recirculation, noise levels, dust pollution, waste handling, energy use and closure planning.

The corporation tax rate in Sweden was recently lowered from 26.3% to 22.0% (effective January 1, 2013) and Zinkgruvan does not pay mining royalties.

4.4.1.2.12 Exploration and Development

Exploration activities in 2013 will focus on converting inferred Mineral Resources to indicated resources through in-fill definition drilling, defining new inferred resources through down-dip step-out drilling of existing Mineral Resources and continuing exploration drives in order to establish underground drill platforms to allow drilling of deep extensions of known orebodies.

4.4.1.3 AGUABLANCA MINE

The following information has been derived from and is qualified in its entirety by the NI 43-101 technical report entitled “Technical Report on the Aguablanca NI-CU Deposit, Extremadura Region, Spain” dated March 31, 2009 (the “**Aguablanca Report**”) prepared for Lundin Mining by Arturo G. del Olmo, Managing Director, Golder Associates Global Iberica, a qualified person as defined by NI 43-101. The Aguablanca Report is available under Lundin Mining’s SEDAR profile at www.sedar.com.

4.4.1.3.1 Project Description and Location

The Aguablanca mine is located approximately 100 km north of Seville in the Extremadura region of southern Spain. The mine lies some 30 km south of the town of Monesterio, and comprises an open pit mine, processing plant and associated waste and tailings management facilities. Concentrates from the mine are trucked to the port of Huelva for onward shipping to customers.

In December 2010, a significant slope failure occurred that affected the main access ramp to the open pit and led to a suspension of mine and mill operations. Mining operations recommenced in August 2011 and processing is expected to restart in the second half of 2012. Remaining Mineral Reserves at the mine represent around 5 years of production.

The mining rights for Aguablanca are covered under a *ReservaDefinitiva a Favor del Estado* which consists of 95 contiguous claims covering an area of 2,862 ha. The *ReservaDefinitiva* is valid for 30 years from June 2003 and is extendable for a further 30 years. Mining royalties of 2% of Net Smelter Return are payable to the Spanish state.

The mine operates under environmental permits granted by the Spanish Government. These permits cover all aspects of the operations including tailings management and project closure. Intitial operation permits were obtained in June 2003.

4.4.1.3.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

Aguablanca has excellent road connections to the new A66 national highway which runs northwards from Seville and connects by a further national highway to the port of Huelva. The mine site lies approximately 10 km east of this road and is adjacent to the village of El Real de la Jara. There is ready access to power, telephone lines, and domestic and industrial water sources.

There are no major population centres close to the mine, although a number of small villages with populations numbered in the hundreds do lie close to the mine. Most employees travel to the mine by private cars.

The climate of the region is Mediterranean with relatively mild winters and hot dry summers. The mine lies at an elevation of 450 to 500 m above sea level in an area of low hills with moderate relief. Vegetation comprises trees and bushes forming classic Mediterranean forest, with local meadows comprising grass, oak, cork and olive trees.

The mine owns sufficient freehold surface land to accommodate the existing and planned mine infrastructure.

4.4.1.3.3 History

Exploration for nickel and copper mineralization has been carried out in the Aguablanca area since the mid-1980s. The Aguablanca deposit was discovered in 1993/4 following stream sediment sampling and subsequent diamond drilling by a Presur (Spanish state)/Rio Tinto Minera joint venture. The Aguablanca project was acquired by Rio Narcea in mid-2001 from the then owner Presur/Atlantic Copper S.A..

Construction of the Aguablanca mine started in November 2003 with first commercial production commencing in January 2005 and the first shipment of concentrate in May of the same year. With the commencement of the open pit mine, a 2.7km long underground decline was developed to allow exploration of the mineralization beneath the planned open pit.
The Aguablanca mine was acquired by Lundin Mining in July 2007 through its purchase of Rio Narcea.

Production activities at Aguablanca were suspended in December 2010 following a pit slope failure. Activity restarted in the pit in the third quarter 2011 and this allowed the resumption of concentrate production in August 2012. Following a heavy rainstorm in September 2012, slope stability problems were again experienced on the south pit wall which are likely to result in reducing mine life to no more than another two years of open pit production.

4.4.1.3.4 Geological Setting

The area of the Aguablanca nickel-copper deposit is underlain by mafic and ultramafic rocks of the Aguablanca Stock (AS), which has intruded carbonate rocks of Cambrian age. The AS is a small gabbroic intrusion (approximately 2.3 km^2) located along the northern contact of the much larger Santa Olalla Pluton (SOP). The northern and southern limits of the SOP are marked by major fault zones. A well developed contact metamorphic aureole surrounds the AS and SOP exemplified by skarn mineralization. Aguablanca represents a somewhat unique example of a magmatic sulphide breccia hosted by gabbro and gabbro-norites.

4.4.1.3.5 Exploration

Lundin Mining holds exploration rights over an area of 1,864 km^2, largely to the north and west of Aguablanca, known as the Ossa Morena. Additional exploration potential exists for nickel-copper and copper-gold mineralization within this area.

4.4.1.3.6 Mineralization

There are two mineralized bodies at Aguablanca. The larger South or Main Zone is some 400 m long on strike and dips steeply to the north. It has widths of up to 100 m and a known depth of over 600 m. The North Zone is also steeply dipping, 125 m long, up to 50 m thick and has a known depth of 300 m.

Three main types of sulphide mineralization have been recognized and are currently mined separately before blending from stockpiles.

4.4.1.3.7 Drilling

A total of approximately 3,400 m of drilling was completed in late 2009 - early 2010 in order to increase the data density between the 250 and the 350 mine levels. No additional exploration drilling has been carried out since 2010.

4.4.1.3.8 Sampling and Analysis

Grade control sampling is carried out using open hole percussion rigs drilling 8 m deep holes on the open pit benches.

Samples are prepared on site and analysed at the mine's assay laboratory facility. Repeat samples are sent to the OMAC laboratory in Ireland for analysis.

4.4.1.3.9 Security of Samples

Data and sample security procedures that conform with industry standards are in place at Aguablanca. All drill core is labelled, logged and photographed, and the cores and sampling splits are all stored on site. A bar code tagging system is in place at the mine.

4.4.1.3.10 Mineral Resource and Reserve Estimates

Mineral resources at Aguablanca were estimated at 30 June 2012 using three dimensional geological block modelling methods and specialised software (Datamine®). The Ordinary Kriging method of interpolation was used to estimate six metal grades (Ni, Cu, Pt, Pd, Co and Au) and the Inverse Distance Squared method was used for the density estimation.

Mineral Reserves were estimated from the June 2012 Mineral Resource block model within a re-optimised open pit shell produced by Golder Associates (using the specialised software Whittle® Four-X) in March 2011.

Details of the June 2012 Mineral Resource and Reserve estimate for Aguablanca are included in Schedule A attached to this AIF.

4.4.1.3.11 Mining Operations

The Aguablanca mine is a single open-pit mine. Mining operations recommenced in August 2011 with a new mining contractor using a conventional drill and blast, and truck and shovel fleet. The pit is mined with 8 m benches and the final slopes are designed with a double bench configuration. Waste rock is stacked to the immediate north of the open pit and the waste dumps form the downstream wall of the tailings impoundment. Processing operations restarted in August 2012. Run-of-mine ore is stockpiled, blended and then primary crushed. The crushed ore is conveyor fed to a conventional grinding and flotation circuit to produce a bulk nickel-copper concentrate. The concentrate is thickened and filtered to produce a filter cake suitable for onward transport. The concentrate is truck hauled approximately 125 km to Huelva port from where it is shipped to customer smelter facilities. Tailings from the process plant are pumped to a fully lined tailings impoundment to the north of the plant site area. Decant water from the tailings dam is returned to the process plant.

Open pit instabilities reoccurred in the south wall of the open pit during the third quarter of 2012. Mining operations continue from the north side of the pit while studies were initiated in to the future configuration of the mine with results anticipated during the second quarter 2013.

All bulk nickel-copper concentrate produced from the Aguablanca operation is sold under a single, long-term contract. Principle payable metals are nickel and copper with by-product payments made for platinum, palladium, cobalt and gold, and the payment terms are typical of those for bulk nickel/copper sulphide concentrates.

The Aguablanca Mine operates under environmental permits granted by the Spanish Government. These permits include conditions covering environmental management systems, tailings and waste rock disposal, water and energy consumption, emissions to atmosphere, emissions to water courses and water treatment, noise, industrial waste disposal, emergency and closure planning. Key environmental issues include; the potential lack of water during drought periods; the dispersal of dust and noise from the mine site; and mine site rehabilitation.

The corporation tax rate in Spain is 30% and royalties of 2% of NSR apply.

4.4.1.3.12 Exploration and Development

In 2013, continued regional exploration in the Ossa Morena area is planned.

An underground mining study was initiated in late 2011 to define potential high grade feed to supplement open pit production.

4.4.1.4 GALMOY MINE

The following information has been derived from and is qualified in its entirety by the NI 43-101 technical report entitled "A Technical Review of the Galmoy Mine and Prospecting Licences Held by Arcon in the Irish Midlands-Republic of Ireland for Lundin Mining Corporation" dated April 22, 2005 (the "**Galmoy Report**") prepared for Lundin Mining by John R. Sullivan, P.Geo, G. Ross MacFarlane, P.Eng, and Stephen B. Cheeseman, P.Geo, qualified persons as defined by NI 43-101. The Galmoy Report is available under Lundin Mining's SEDAR profile at www.sedar.com.

The Galmoy zinc-lead mine is located in south-central Ireland in County Kilkenny. Galmoy is an underground mine with most of the workings between 100 m and 160 m below surface. The primary access is by a decline and mine production is carried out by room-and-pillar and by bench-and-fill methods. The Galmoy flow sheet employed a conventional SAG-ball mill grinding circuit with differential flotation for the production of lead and zinc concentrates. Tailings were placed in a fully lined, multi-phase impoundment at the mine site.

The Galmoy mine and mill ceased concentrate production at the end of the second quarter 2009. In late 2009, following approval from the relevant Irish authorities, a test batch of high-grade ore was mined and trucked to an adjacent mine for treatment. This was successful and further high-grade ore deliveries continued until October 2012. Treatment of the stockpiled Galmoy ore at the adjacent mine is expected to be completed by the end of 2013.

The closure plan for the mine is being followed with the mill now dismantled and sold, rehabilitation of the tailings management facility underway and progressive mine re-watering commenced. Closure activities will continue in 2013 and the restricted cash closure fund accumulated during the mine life will continue to be drawn to meet the closure obligations.

Details of the June 2012 Mineral Resource and Reserve estimate for Galmoy are included in Schedule A, attached to this AIF.

4.4.1.5 TENKE FUNGURUME MINE

The following information has been derived from and is qualified in its entirety by the NI 43-101 technical report entitled "Technical Report Expansion Feasibility Study for the Tenke Fugurume Mine, Katanga Province, Democratic Republic of Congo" dated December 15, 2011 (the "**Tenke Report**") prepared for Lundin Mining by John Nilsson, P.Eng, Ronald G. Simpson, P.Geo, and William McKenzie, P.Eng, qualified persons as defined by NI 43-101. The Tenke Report is available under Lundin Mining's SEDAR profile at www.sedar.com.

4.4.1.5.1 Property Description and Location

TFM's copper-cobalt deposits comprise one of the world's largest known copper-cobalt resources. The deposits are located on contiguous concessions which total in excess of 1,500 km^2. These concessions are located in Katanga Province, DRC, approximately 175 km northwest of Lubumbashi, the provincial capital.

Construction started in late 2006 on open-pit and oxide ore processing facilities designed to produce 115,000 tpa of cathode copper and over 8,000 tpa of cobalt in hydroxide. Commissioning of the copper facilities occurred at the end of the first quarter 2009, and of the cobalt hydroxide facilities at the end of the second quarter. By year end 2009, full name plate capacities for both products were being achieved. Subsequent debottlenecking and plant upgrades have allowed expansion to increase to 132,000 tpa of cathode copper and approximately 11,000 tpa cobalt. A further Phase 2 Expansion of the plant was substantially completed at the end of 2012, which will see production increase to at least 195,000 tpa of copper cathode and 15,000 tpa cobalt hydroxide.

This is one of several stages of development contemplated with the objective of ultimately producing up to 500,000 tpa of copper mining multiple deposits concession-wide.

4.4.1.5.2 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The main highway, railroad and power line connecting Kolwezi and Likasi with Lubumbashi pass through the concessions. Scheduled air services are available between Lubumbashi and the capital Kinshasa, as well as from Johannesburg, South Africa and Zambia. An airstrip constructed on the concession can accommodate freight aircraft and small passenger jets. Most copper and cobalt product and bulk mine consumables are transported primarily by truck and to an extent by rail between Tenke and ports in Durban, South Africa and Dar-es-Salaam, Tanzania.

The site climate is characterized as mild, rainy, sub-tropical mid-latitude with dry winters, with three seasons. The average annual rainfall is approximately 1,150 mm. Monthly average temperatures are 28°C (max); 20°C (min) in September and 22°C (max); 13°C (min) in June.

Tailings facilities are located to the north of the process plant site and a first raise of the initial facility was completed during 2010. The current tailings storage location is of sufficient size to handle the majority of currently proven/probable reserves. Other adjacent areas have been identified to provide life-of-mine storage capacity. A potential location for a future sulphide concentrator has been identified as having potential heap leach pad areas.

Electrical power is provided from the national grid. The local Nseke hydro power station is being renovated and expanded as part of the project and new local power lines have been constructed. Water from local boreholes supplements runoff water collected and the project is operated in line with a zero discharge water management philosophy.

The dominant landform is the Dipeta Syncline, an east-west trending valley approximately 15 km long and 3 km wide. The Dipeta River runs along the valley bottom while the Kwatebala, Tenke (formerly called Goma) and Fwaulu orebodies lie on the north-western crest of this valley. The orebodies presently form hills and ridges rising to elevations of about 1,500 m above sea level and up to 170 m above adjacent valleys. The plant site elevation is 1,200 m above sea level. The ore deposits lie on a surface water divide, with waters to the north flowing into the Mofya River and waters to the south flowing into the Dipeta River.

The flora of the concessions is dominated by an agricultural mosaic of croplands and fallow fields. The second most common vegetation type is miombo woodland. The third most common type of vegetation is degraded miombo woodland (miombo woodland that has been impacted by agricultural clearing activity). Copper-cobalt vegetation types occupy less than five percent of the area.

4.4.1.5.3 History and Development Terms

The Tenke Fungurume deposits have a history dating back to at least 1917. A controlling interest in the concessions was acquired from Gécamines following a lengthy tender process, and in November 1996, pursuant to a mining convention and TFM formation agreement, the concessions were transferred to TFM in exchange for a series of transfer bonus payments and other significant commercial and development commitments. TF Holdings paid Gécamines the first stage of the transfer payments ($50 million) in May 1997.

In December 1998, Tenke Mining concluded an option agreement with BHP Copper Inc. (now BHP Billiton ("BHPB")) which established a formal structure for BHPB to acquire, directly or indirectly, a controlling interest in the Tenke Fungurume project. In December 2000, Phelps Dodge entered into an agreement with BHPB, whereby Phelps Dodge had the opportunity to earn up to one-half of BHPB's position. On September 13, 2002, BHPB's rights and obligations under the option agreement with the Corporation were formally transferred to Phelps Dodge.

As a result of the DRC's new 2002 World Bank sponsored mining code and other developments resulting from the DRC conflict, an extensive renegotiation process commenced upon formation of the transitional government in 2003, which successfully concluded with amended agreements ("Amended Agreements") in late 2005. Pursuant to the terms agreed in the Amended Agreements, the single purpose joint venture company, TF Holdings then controlled 70:30% by Phelps Dodge and Tenke Mining, agreed to pay Gécamines an additional US$50 million in stages based on pre-agreed development-related milestones. In accordance with shareholding agreements finalized between Phelps Dodge and Tenke Mining in January 2004, Phelps Dodge was obligated to fund $42.5 million of this balance, with Tenke Mining funding the remaining $7.5 million.

Upon the entry into force of the Amended Agreements, TF Holdings paid Gécamines $15 million leaving $35 million due according to the following milestone schedule: $5 million on a positive build decision; $10 million on commencement of commercial operations; and $10 million on each of the two successive anniversaries of commencement of commercial operations. As the deposits have been brought to the 'exploitation stage', TFM enjoys all rights and privileges with respect to mining activity including surface usage. A positive build decision was made in December 2006 by then operator Phelps Dodge.
Under the terms of the Amended Agreements, TF Holdings committed to start the first phase of facilities with a minimum production level of 40,000 tpa copper and associated cobalt. In fact, initial facilities were ultimately designed for a capacity of 115,000 tpa copper production. The Amended Agreements contain objectives without guarantee of reaching in excess of 130,000 tpa copper production by year 5 and 400,000 tpa by year 11 of operations, subject to a number of qualifications including DRC conditions and markets.

TFM was established in December 1996 under the DRC Companies Act and formed for the purpose of developing the deposits of copper, cobalt and associated minerals under mining concession nº 198[1] and mining concession nº 199[2] granted to TFM in 1996 at Tenke and Fungurume. In early 2007, Freeport acquired Phelps Dodge, which resulted in them taking over as operator and owner of a 70% interest in TF Holdings. In mid-2007, Lundin Mining acquired Tenke Mining, resulting in Lundin Mining controlling the remaining 30% of TF Holdings. This resulted in FCX indirectly holding 57.75% of TFM, and Lundin Mining indirectly holding 24.75% of TFM. Gécamines held the balance of ownership – 17.5% by way of a directly held carried interest in TFM.

In accordance with the Amended Agreements, a Base Metals Royalty is payable at the rate of 2% of net sales. In addition, a 1% net sales metals export duty applies. Full repatriation of funds is allowed, subject to a 10% expatriated dividends withholding tax. Income tax is payable at the rate of 30% and certain other minor taxes and duties apply as defined in TFM's Amended Agreements consistent with the 2002 DRC Mining Code Title IX. In addition to the 15% of the Base Metals Royalty that is defined to be repatriated by the GDRC to the region of the mine, TFM has committed to a 0.3% net sales social fund, to be administered annually to benefit local communities.

In February 2008, the Ministry of Mines, Government of the DRC, sent a letter seeking comment on proposed material modifications to the mining contracts for the Tenke Fungurume concession, including the amount of transfer payments payable to the government, the government's percentage ownership and involvement in the management of the mine, regularization of certain matters under Congolese law and the implementation of social plans.

[1]Renumbered nº 123 by the *Cadastre Minier Certificat d'Exploitation* nº CAMI/CE/940/2004 dated November 3, 2004; subsequently divided and renumbered nº 123, nº 9707 and nº 9708 by the *Ministère des Mines* through Ministerial Decree dated February 20, 2009.
[2]Renumbered nº 159 by the *Cadastre Minier Certificat d'Exploitation*nº CAMI/CE/941/2004 dated November 3, 2004; subsequently divided and renumbered nº 159, nº 4728 and nº 4729 by the *Ministère des Mines* through Ministerial Decree dated July 7, 2006.

In October 2010, the government of the DRC announced the conclusion of the review of Tenke Fungurume Mining SARL's mining contracts. The conclusion of the review process confirmed that TFM's existing mining contracts are in good standing and acknowledged the rights and benefits granted under those contracts. TFM's key fiscal terms, including a 30% income tax rate, a 2% mining royalty rate and a 1% export fee, will continue to apply and are consistent with the rates in the DRC's current Mining Code. In connection with the review, TFM made several commitments, which have been reflected in amendments to its mining contracts, including: an increase in the ownership interest of Gécamines, which is wholly owned by the government of the DRC, from 17.5% (non-dilutable) to 20.0% (non-dilutable), resulting in a decrease of Freeport effective ownership interest from 57.75% to 56% and Lundin Mining's effective ownership interest from 24.75% to 24%; an additional royalty of $1.2 million for each 100,000 tonnes of proven and probable copper reserves above 2.5 million tonnes at the time new reserves are established by FCX; additional payments totalling $30 million to be paid in six equal installments of $5 million upon reaching certain production milestones; conversion of $50 million in intercompany loans to equity; a payment of approximately $5 million for surface area fees and ongoing surface area fees of approximately $0.8 million annually; incorporating clarifying language stating that TFM's rights and obligations are governed by the ARMC; and expanding Gécamines' participation in TFM management. TFM has also reiterated its commitment to the use of local services and Congolese employment. In connection with the modifications, the annual interest rate on advances from TFM shareholders increases from a rate of LIBOR plus 2% to LIBOR plus 6%.

In December 2010, the addenda to TFM's ARMC and Amended and Restated Shareholders' Agreement were signed by all parties. In April 2011 the amended agreements were ratified by a Presidential Decree. On March 26, 2012 the President and Prime Minister of the DRC signed a decree approving the bylaw changes for TFM. Accordingly, the change in Lundin Mining's ownership interest in TFM and the conversion of intercompany loans to equity is now effective.

In January 2012, the Tenke Fungurume partners through a new joint venture entity entered in to a definitive agreement to acquire the Kokkola cobalt refinery in Finland and related sales and marketing business from the OM Group Inc. Lundin Mining will hold an effective 24% ownership interest in the joint venture, FCX will hold an effective 56% ownership interest and will act as operator, and Gecamines will hold a 20% ownership interest. Under the terms of the agreement, initial consideration of $325 million, on a 100% basis, (subject to customary working capital adjustments) will be paid at closing, with the potential for additional consideration of up to $110 million payable over a three period, contingent on the achievement on revenue-based performance targets. Lundin Mining and FCX will fund the initial acquisition cost on a 30/70% basis, which amounts will be paid in full prior to any distributions.

4.4.1.5.4 Geological Setting

The Tenke Fungurume copper-cobalt deposits are typical of those that comprise the Central African Copperbelt. The Copperbelt is located in a major geological structure called the Lufilian Arc, a 500 km fold belt that stretches from Kolwezi in the southern DRC to Luanshya in Zambia. The deposits of the Tenke Fungurume district are located at the northernmost apex of the arc. The arc formed between the Angolan Plate to the southeast and Congo Plate to the northwest during the late Neoproterozic, approximately 650 to 600 million years before present (Ma). Rocks in the arc are exposed in a series of tightly folded and thrust anticlines and synclines, generally trending east-west to southeast-northwest in the southern DRC. The Tenke Fungurume group of sediment hosted copper cobalt deposits occurs near the base of a thick succession of sedimentary rocks belonging to the Katanga System of Proterozoic age (1050-650 Ma).

The older rocks of the basement complex belonging to the KibaraSupergroup form the framework within which the Katangan sediments were deposited and consist of granitic rocks and metamorphosed sediments. Sedimentation took place in shallow intra-cratonic basins bounded by rifts. A series of cratonic events of Pan African age (650 Ma to 500 Ma) resulted in extensive deformation of these rocks. The principal tectonic event is referred to as the Lifilian Orogeny and this led to the formation of the Lufilian Arc. All of the major Zambian and Congolese copper-cobalt deposits are located along this 500 km long arcuate structure, which extends from Kolwezi in the Congo to Luanshya in Zambia. The Tenke and Fungurume deposits are located in the northernmost apex of the arc.

4.4.1.5.5 Exploration and Concession Potential

The mineral concessions have been subject to multiple phases of exploration over time. Exploration in 2012 focused on finding additional high-grade oxide resources and the investigation of deeper mixed and sulphide mineralization. A total of 103,749 m of diamond drilling was completed during 2012 in 627 individual holes.The campaign focused on the following:

- Exploration drilling at Fungurume, the Mwadinkomba Anticline and Kamalondo South
- Oxide resource conversion and mixed resource additions at Mwadinkomba and Pumpi
- Infill, geomechanical (slope stability) and ore control drilling at Tenke and Fwaulu.
- Condemnation drilling for future mine facilities such as waste stockpiles and tailing storage facilities.

In addition to the diamond drilling programmes, green field exploration was carried out during 2012 with surface mapping of numerous, unworked écailles, and regional stream sediment and soil geochemistry sampling over the entire concession.

Due to data and time availability, many of the known deposits have yet to be assessed with mineral resource and reserve models. The Tenke Fungurume concessions remain extensively under-explored.

4.4.1.5.6 Mineralization

The copper-cobalt mineralization is mainly associated with two dolomitic shale horizons (RSF and SDB respectively), each ranging in thickness from 5 m to 15 m, separated by 20 m of cellular silicified dolomite (RSC).

The main economic minerals present are malachite, chrysocolla, bornite, and hetrogenite. Primary copper and cobalt mineralogy is predominately chalcocite, digenite, bornite, and carrollite. Oxidation has resulted in widespread alteration producing malachite, pseudomalachite, chrysocolla (hydrated copper silicate) and heterogenite.

The primary copper-cobalt mineral associations are homogeneous in both mineralized zones and any variations are due to the effect of oxidation and supergene enrichment. Consequently the mineral assemblages can be grouped into three main categories dependent upon the degree of alteration – oxide, mixed and sulphide zones. Dolomite and quartz are the main gangue minerals present. Dolomite or dolomitic rocks make up the bulk of the host strata. Weathering of the host rocks is normally depth-related, intensity decreasing with increasing depth, producing hydrated iron oxides and silica at the expense of dolomite, which is leached and removed.

4.4.1.5.7 Drilling

The exploration and drilling history of Tenke Fungurume deposits began in 1919. UMHK explored the surface and drilled exploration core holes between 1919-1921, 1942-1951 and 1958-1968. Gécamines conducted exploration and drilling 1968-70 and 1981-1991. SMTF carried out exploration and core drilling 1971-1976. TFM carried out additional core drilling in 1997. These campaigns totalled 186,376 m of drilling plus mapping, trenching and exploration adits. Exploration core drilling carried out by PD/FCX between 2006 and the end of 2012 comprised 2,953 core holes totaling approximately 470,000 m. Reverse circulation drilling was used locally to drill through unmineralized waste.

In 2013, exploration will be targeted at the replacement of the mineralization depleted, further increases in high grade oxide resources and ongoing investigation of deeper mixed and sulphide resources. A further 105,500 m of drilling is planned, including infill and deeper drilling on the known orebodies of Kansalawile, the Katuto area (includes Kakalalwe, Kamakoka, and Leta) and Fungurume V, VI, and VI Extension together the delineation of mixed and sulphide mineralisation at Mambilima, Fungurume, and Kwatebala.

In 2013, an underground bulk sample of mixed/sulphidemineralization will be obtained via a small shaft and underground development in the Fungurume orebody for metallurgical testwork purposes.

4.4.1.5.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling, QC sample insertion and density measurement protocols have been followed by Phelps Dodge and subsequently by FCX. Regular independent audits to review sampling activities with respect to quality assurance, quality control and sample security are completed. In addition to drill core and drill cutting sampling, open-pit grade control sampling is carried out using a trench cutting tool.

Samples are prepared on-site and analyzed at the mine's assay laboratory facility. Strict QA/QC protocols are in place including placement and assaying of duplicates, blanks and check samples. A computerized Laboratory Information Management System is used to manage data.

4.4.1.5.9 Security of Samples

Data and sample security procedures that conform to industry standards are in place. All drill cores are logged and photographed and the cores and sampling splits are stored on-site. These and other traceability records prevent errors of identification and ensure sample history can be followed.

4.4.1.5.10 Mineral Resource and Mineral Reserve Estimates

The current mineral resources at Tenke Fungurume have been estimated with 14 deposit models within the concessions: Kwatebala, Tenke, Fwaulu, Mwadinkomba, Kansalawile, Fungurume, Fungurume V1/VI Extension, Katuto, Shinkusu, Kazinyanga, Mambilima, Pumpi, Zikule and Mudilandima.

Mineral Resources have been estimated using three dimensional modelling methods with Minesight® software being used for geological modeling. Grade estimation has been carried out using specially developed Local Anisotropy Kriging (LAK) techniques to account for the narrow and complex nature of the orebodies.

The open-pit designs were optimized for all the twelve deposits listed above. Datamine NPV Scheduler was used for nine of the deposits with Tenke Fungurume and Katutobeing evaluated using Minesight® as it uses a rotated model. In each case, a Lerch Grossman algorithm was used to maximize the gross value of the pit. Pits were designed with 38 degree inter-ramp slope angle, 35 degree overall slope angle and double 5 m benches between berms. Input parameters to the open-pit optimizations were updated in 2012 and include revisions to the mine operating costs, cobalt recovery factors and the gangue acid consumption estimations.

Dilution is potentially a significant issue as mineralized zones are long, typically narrow (6 m to 15 m wide), faulted and folded, and contacts are relatively sharp. To address this issue, the resource and reserve models have block dimensions of 5 m by 2.5 m by 2.5 m; the ore mining fleet uses small equipment and 0.625 m ore cuts broken by the surface miners. For mine planning purposes, resource grades are reduced by 5% to account for anticipated grade dilution during operations. A Minesight® ore control system based on the reserve block model and refined by trench sampling is used to control the selectivity of mining.

Details of the December 2012 resource and reserve estimate for Tenke Fungurume are included in Schedule A, attached to this AIF.

4.4.1.5.11 Mining Operations

The Tenke Fungurume operation mines copper-cobalt oxide ores by open-pit mining techniques. Continuous miners are used to break the ore, and drill and blast is employed in the waste rock. Conventional loaders and trucks transport the ore to the crusher or stockpiles and the waste to dumps. Larger mining equipment is currently being introduced to enable increased mining rates. In 2012, production was sourced primarily from the Kwatebala orebody with some ore from Tenke and Fwaulu. The other orebodies are scheduled to be mined in a number of phases over time.

The latest proven process technology is being used to extract copper and cobalt. Copper is extracted using standard SAG milling, sulphuric acid leach, solvent extraction and electro-winning to produce copper cathode. Solution from the copper SXEW plant feeds the cobalt plant where cobalt hydroxide is produced through purification and precipitation processes. Copper is marketed with guidance from FCX's global copper marketing programme. Cobalt is sold as cobalt hydroxide under contract and on the spot market.

Nominal daily mill feed of oxide ore has increased from the original design of 8,000 tpd to 11,000 tpd to 14,500 tpd following several phases of plant debottlenecking and the completion of a Phase 2 expansion. Planned copper production levels have increased from 115,000 tpa to 132,000 tpa to 195,000 tpa.

Capital investment of approximately $2.0 billion was made for the initial project facilities, which included aspects to support major future expansions. This included a $140 million loan to accomplish a multi-year provincial hydro power rehabilitation project to provide reliable power to the project and national grid. Total power available to the project resulting from the power loan investment under agreement with SNEL (DRC power authority) is in excess of 200 MW to support expansions, which is more than sufficient for current plans.

The Phase 2 expansion of Tenke Fungurume was substantially complete at 2012 year end increasing annual copper production by 50% to approximately 195,000 tonnes copper cathode and 15,000 tonnes cobalt hydroxide. The $850 million expansion included additional mining equipment, mill upgrades, acid plant expansion and a doubling of the existing tank house capacity. During 2011 and 2012, test scale on/off heap leach pads were constructed and operated on site to evaluate the potential of commencing heap leaching of the low grade ores that are currently being mined and stockpiled, and future utilization of the excess SX-EW capacity.

FCX continues to engage in drilling activities, exploration analyses and metallurgical testing for further oxide plant debottlenecking and oxide heap leach on mixed and sulphide ores to evaluate the full potential of the highly prospective minerals district at Tenke. These analyses are being incorporated in the evaluation of several further phases of expansion.

4.4.1.5.12 Kokkola

Kokkola, located in the Baltic Sea in Kokkola, Finland processes unrefined cobalt and related metals and manufactures advanced inorganic products for use in a variety of applications in fast-growing end use markets. Kokkola is the world's largest supplier of cobalt chemicals and powders for use in batteries, chemicals and ceramics and powder metallurgy.

Kokkola has been in operation since 1968 and has an experienced management team, over 400 employees and global sales and marketing footprint that services approximately 500 customers in over 50 countries in Asia, Europe and the Americas.

4.4.1.5.13 Environmental and Social Aspects

The project has been developed in accordance with Equator Principles, Voluntary Principles of Security and Human Rights, applicable World Bank/IFC standards and the Extractive Industries Transparency Initiative. Development and operation are subject to a number of DRC laws, regulations and standards dealing with the protection of public health, public safety and the environment. Permits and authorizations are in place for construction and operation.

Key environmental issues addressed by the project include mitigation of damage to sensitive indigenous flora unique to highly mineralized areas of the DRC copper belt, design of the project to zero discharge objectives, and adoption of fully plastic-lined process water and tailings storage impoundments. As this is the first commercial development of mining on the concessions, there are no known existing environmental liabilities.

Key social investments addressed during project development include extensive community consultation and stimulation of both direct and indirect employment – during the initial phase of construction, employment peaked at more than 8,000 DRC nationals. The Phase 2 Expansion Project employed more than 2,000 people. Operations direct employment is greater than 4,000 personnel, most who are DRC citizens. Indirect effects are expected to be responsible for more than 5,000 jobs created in the region.

Other social investments include medical, fresh water supply, education, agricultural and regional infrastructure investments in power, roads and border crossings.

4.4.2 MINE CLOSURES

The Galmoy mine is now under full reclamation mode, with the underground workings being flooded and final tailings reclamation in progress.

Lundin Mining acquired the Vueltas del Rio gold mine in Honduras, as part of the acquisition of Rio Narcea in 2007. Reclamation of the property continued throughout 2012 in accordance with the mine closure plans approved by the local authorities.

Production ceased in 2008 at the Storliden zinc-copper mine in northern Sweden. A rehabilitation programme has been completed in accordance with the approved closure plan. The land has been sold for use as a commercial forestry and the site is now subject to a long-term monitoring program.

ITEM 5 RISKS AND UNCERTAINTIES

5.1 Risks and Uncertainties

The Company is subject to various risks and uncertainties, including but not limited to those listed below.

Metal Prices

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

If the market prices for metals fall below the Company's full production costs and remain at such levels for any sustained period of time, the Company may, depending on hedging practices, experience losses and may determine to discontinue mining operations or development of a project at one or more of its properties. If the prices drop significantly, the economic prospects of the mines and projects in which the Company has an interest could be significantly reduced or rendered uneconomic. Low metal prices will affect the Company's liquidity, and if they persist for an extended period of time, the Company may have to look for other sources of cash flow to maintain liquidity until metal prices recover.

Credit Risk

The Company is exposed to various counterparty risks. The Company is subject to credit risk through its trade receivables. The Company manages this risk through evaluation and monitoring process such as using the services of credit agencies. The Company transacts with credit worthy customers to minimize credit risk and if necessary, employs pre-payment arrangements and the use of letters of credit, where appropriate, but cannot always be assured of the solvency of its customers. Credit risk relating to derivative contracts arises from the possibility that a counterparty to an instrument with which the Company has an unrealized gain fails to settle the contracts.

Foreign Exchange Risk

The Company's revenue from operations is received in United States dollars while most of its operating expenses will be incurred in Euro and SEK. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results. The Company does not currently engage in foreign currency hedging activities.

Derivative Instruments

The Company may, from time to time, manage exposure to fluctuations in metal prices and foreign exchange rates by entering into derivative instruments approved by the Company's board of directors. The Company does not hold or issue derivative instruments for speculation or trading purposes. These derivative instruments are marked-to-market at the end of each period and may not necessarily be indicative of the amounts the Company might pay or receive as the contracts are settled.

Reclamation Funds and Mine Closure Costs

As at December 31, 2012, the Company had $51.6 million in a number of reclamation funds that will be used to fund future site reclamation and mine closure costs at the Company's various mine sites. The Company will continue to contribute to these funds as required, based on an estimate of the future site reclamation and mine closure costs as detailed in the closure plans. Changes in environmental laws and regulations can create uncertainty with regards to future reclamation costs and affect the funding requirements.

The Company has received regulatory approval for closure of its Galmoy mine and closure activities are ongoing. From time to time Galmoy may need to seek regulatory approval for amendments to its mine closure plan for necessary changes. Mining activity ceased in the fourth quarter of 2012 and all remnant high grade ore has been transported to an adjacent mine where it will be treated during 2013.

Rehabilitation programs at the Storliden mine were completed in 2012. The site remains subject to ongoing monitoring program until 2020. The Company also has ongoing long-term monitoring programs in place associated with legacy mining operations previously carried on in Honduras under the ownership of a subsidiary of Rio Narcea Gold Mines Ltd., which was acquired by the Company in 2007.

Closing a mine can have significant impact on local communities and site remediation activities may not be supported by local stakeholders. The Company endeavors to mitigate this risk by reviewing and updating closure plans regularly with external stakeholders over the life of the mine and considering where post-mining land use for mining affected areas has potential benefits to the communities.

In addition to the immediate closure activities, including ground stabilization, infrastructure demolition and removal, top soil replacement, re-grading and re-vegetation, closed mining operations require long-term surveillance and monitoring.

Site closure plans have been developed and amounts accrued in the Company's financial statements to provide for mine closure obligations. Future remediation costs for inactive mines are estimated at the end of each period, including ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. Actual costs realized in satisfaction of mine closure obligations may vary materially from management's estimates.

Competition

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Foreign Countries and Regulatory Requirements

The Company's operations in Portugal, Sweden, Ireland and Spain are subject to various laws and environmental regulations. The implementation of new or the modification of existing laws and regulations affecting the mining and metals industry could have a material adverse impact on the Company.

The Company has a significant investment in mining operations located in the DRC. The carrying value of this investment and the Company's ability to advance development plans may be adversely affected by political instability and legal and economic uncertainty. The risks by which the Company's interest in the DRC may be adversely affected include, but are not limited to: political unrest; labour disputes; invalidation of governmental orders, permits, agreements or property rights; risk of corruption including violations under applicable foreign corrupt practices statutes; military repression; war; rebel group and civil disturbances; criminal and terrorist actions; arbitrary changes in laws, regulations, policies, taxation, price controls and exchange controls; delays in obtaining or the inability to obtain necessary permits; opposition to mining from environmental or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitations on mineral exports; and high rates of inflation and increased financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights, or the taking of property by nationalization, expropriation or other means without fair compensation. Africa's status as a developing continent may make it more difficult for the Company to obtain any required exploration, development and production financing for its projects.

There can be no assurance that industries which are deemed of national or strategic importance in countries in which the Company has operations or assets, including mineral exploration, production and development, will not be nationalized. The risk exists that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company's operations.

Mining and Processing

The Company's business operations are subject to risks and hazards inherent in the mining industry, including, but not limited to, unanticipated variations in grade and other geological problems, water conditions, surface or underground conditions, metallurgical and other processing problems, mechanical equipment performance problems, the lack of availability of materials and equipment, the occurrence of accidents, labour force disruptions, force majeure factors, unanticipated transportation costs, and weather conditions, any of which can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures and production commencement dates.

The Company's processing facilities are dependent upon continuous mine feed to remain in operation. Insofar as the Company's mines may not maintain material stockpiles of ore or material in process, any significant disruption in either mine feed or processing throughput, whether due to equipment failures, adverse weather conditions, supply interruptions, labour force disruptions or other causes, may have an immediate adverse effect on results of operations of the Company.

The Company periodically reviews mining schedules, production levels and asset lives in its LOM planning for all of its operating and development properties. Significant changes in the LOM Plans can occur as a result of experience obtained in the course of carrying out mining activities, new ore discoveries, changes in mining methods and rates, process changes, investments in new equipment and technology, metal price assumptions, and other factors. Based on this analysis, the Company reviews its accounting estimates and, in the event of an impairment, may be required to write-down the carrying value of a mine or mines. This complex process continues for the economic life of every mine in which the Company has an interest.

Energy Prices and Availability

The Company's mining operations and facilities are intensive users of electricity and carbon based fuels. Energy prices can be affected by numerous factors beyond the Company's control, including global and regional supply and demand, political and economic conditions and applicable regulatory regimes. The prices of various soruces of energy the Company relies on may increase signigicantly from current levels and any such significant increase could have an adverse effect on profitability.

Mine Development Risks

The Company's ability to maintain, or increase, its annual production of copper, zinc, lead, nickel and other metals will be dependent in significant part on its ability to bring new mines into production and to expand existing mines. Although the Company utilizes the operating history of its existing mines to derive estimates of future operating costs and capital requirements, such estimates may differ materially from actual operating results at new mines or at expansions of existing mines. The economic feasibility analysis with respect to any individual project is based upon, among other things, the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed), and base metals price assumptions, the configuration of the orebody, expected recovery rates of metals from the ore, comparable facility and equipment costs, anticipated climatic conditions, estimates of labour, productivity, royalty or other ownership requirements and other factors. Some of the Company's development projects are also subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals, sourcing suitable power and water requirements, confirming the availability of appropriate local area infrastructure, receipt of adequate financing and addressing local stakeholder concerns.

The capital expenditures and timeline needed to develop a new mine or expansion are considerable and the economics of and the ability to complete a project can be affected be many factors, including; inability to complete construction and related infrastructure in a timely manner; changes in the legal and regulatory environment; currency fluctuations; industrial disputes, availability of parts, machinery or operators; delays in the delivery of major process plant equipment; inability to obtain, renew or maintain the necessary permits, licences or approvals; unforeseen natural events and political and other factors. Factors such as changes to technical specifications, failure to enter into agreements with contractors or suppliers in a timely manner, and shortage of capital may also delay the completion of construction or commencement of production or require the expenditure of additional funds. Although the Company's feasibility studies are generally completed with the Company's knowledge of the operating history of similar orebodies in the region, the actual operating results of its development projects may differ materially from those anticipated, and uncertainties related to operations are even greater in the case of development projects.Many major mining projects constructed in the last several years, or under construction currently, have experienced cost overruns that substantially exceeded the capital cost estimated during the basic engineering phase of those projects. There can be no assurance that the Company's development projects will be able to be developed successfully or economically or that they will not be subject to the other risks described in this section.

Exploration Risk

Exploration of mineral properties involves significant financial risk. Very few properties that are explored are later developed into operating mines. Whether a mineral deposit will be commercially viable depends on a number of factors, including; the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulation, including regulations relating to prices, taxes, royalties land tenure, land use, importing and exporting of minerals and environment protection. As a result, the Company cannot provide assurance that its exploration efforts will result in any new commercial mining operations or yield new mineral reserves.

Community Relations

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activites on the environment and on communities impacted by such activities. Publicity adverse to us, the Company's operations, or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk.

Environmental and Other Regulatory Requirements

All phases of mining and exploration operations are subject to government regulation including regulations pertaining to environmental protection. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their directors, officers and employees. There can be no assurance that possible future changes in environmental regulation will not adversely affect the Company's operations. As well, environmental hazards may exist on a property in which the Company holds an interest, which were caused by previous or existing owners or operators of the properties and of which the Company is not aware at present. Operations at the Company's mines are subject to strict environmental and other regulatory requirements, including requirements relating to the production, handling and disposal of hazardous materials, pollution controls, health and safety and the protection of wildlife. The Company may be required to incur substantial capital expenditures in order to comply with these requirements. Any failure to comply with the requirements could result in substantial fines, delays in production, or the withdrawal of the Company's mining licenses.

Government approvals and permits are required to be maintained in connection with the Company's mining and exploration activities. With the exception of Aguablanca's water licenses (see Infrastructure), the Company has all the required permits for its operations as currently conducted; however, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations or additional permits for any possible future changes to the Company's operations, including any proposed capital improvement programs. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the Company resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

Mineral Resource and Reserve Estimates

The Company's reported Mineral Resources and Mineral Reserves are only estimates. No assurance can be given that the estimated Mineral Resources and Mineral Reserves will be recovered or that they will be recovered at the rates estimated. Mineral Resource and Mineral Reserve estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral Resource and Mineral Reserve estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain Mineral Resources and Mineral Reserves uneconomic and may ultimately result in a restatement of estimated resources and/or reserves. Moreover, short-term operating factors relating to the Mineral Resources and Mineral Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades or types, may adversely affect the Company's profitability in any particular accounting period.

Estimation of Asset Carrying Values

The Company annually undertakes a detailed review of the LOM Plans for its operating properties and an evaluation of the Company's portfolio of development projects, exploration projects and other assets. The recoverability of the Company's carrying values of its operating and development properties are assessed by comparing carrying values to estimated future net cash flows and/or market values for each property.

Factors which may affect the recoverability of carrying values include, but are not limited to, metal prices, foreign exchange rates, capital cost estimates, mining, processing and other operating costs, grade and metallurgical characteristics of ore, mine design and timing of production. In the event of a prolonged period of depressed prices, the Company may be required to take material write-downs of its operating and development properties.

Funding Requirements and Economic Volatility
The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfill its obligations under any applicable agreements. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of the Company's properties.

Lundin Mining is a multinational company and relies on financial institutions worldwide to fund its corporate and project needs. Instability of large financial institutions may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect the Company's access to the liquidity needed for the business in the longer term.

The Company's access to funds under its Revolving Credit Facility is dependent on the ability of the financial institutions that are parties to the facility to meet their funding commitments. Those financial institutions may not be able to meet their funding requirements if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under the Revolving Credit Facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others. Such disruptions could require the Company to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for the Company's business needs can be arranged.

Uninsurable Risks
Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, work force health issues, contaminations, labour disputes, changes in regulatory environment, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political risks.

No Assurance of Titles or Boundaries
Although the Company has investigated the right to explore and exploit its various properties and obtained records from government offices with respect to all of the mineral claims comprising its properties, this should not be construed as a guarantee of title. Other parties may dispute the title to a property or the property may be subject to prior unregistered agreements and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of all of its properties, and the precise area and location of claims or the properties may be challenged.

Market Price of Common Shares
The Company's share price may be significantly affected by short-term changes in commodity prices or in the Company's financial condition or results of operations. Other factors unrelated to the Company's performance may have an effect on the price of the Company's common shares. The market price of the Company's common shares, at any given point in time, may not accurately reflect its long-term value.

Litigation
The Company is subject from time to time to litigation and may be involved in disputes with other parties in the future, which may result in litigation. The Company cannot predict the outcome of any litigation. If the Company cannot resolve these disputes favourably, the Company's activities, financial condition, results of operations, future prospects and share price may be materially afversely affected.

Partner in the Tenke Fungurume Mine
The Company's partner in the Tenke Fungurume copper/cobalt project is Freeport-McMoRan Copper & Gold Inc. There may be risks associated with this partner of which the Company is not aware.

Tax
The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. By this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Any changes in taxation laws or reviews and assessments could result in higher taxes being payable by the Company which could adversely affect the Company's profitability. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over withholding tax rates.

Employee Relations
A prolonged labour disruption at any of the Company's mining operations could have a material adverse effect on the Company's ability to achieve its objectives with respect to such properties and its operations as a whole.

Infrastructure
Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges and power and water supplies are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage or government, and other interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

During recent years, the water supply has been the object of political debate between the region in which Aguablanca operates and the neighbouring region. The Company is continuing to advance its application with central and regional authorities to obtain all of the water licences required to satisfy all of its supply requirements.

Key Personnel
The Company has strengthened its human resources in key areas throughout the organization, but is crucial that it further motivates, retains and attracts highly skilled employees. There can be no assurance that the Company will successfully retain current key personnel or attract additional qualified personnel to manage our current or future needs. The Company does not have key person insurance on these individuals.

ITEM 6 DIVIDENDS AND DISTRIBUTIONS

6.1 Dividends and Distributions

There are no restrictions which prevent the Company from paying dividends. The Company has not paid dividends on its common shares in the last five years and it has no present intentions of paying any dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business. The directors of the Company will determine if and when dividends should be declared and paid in the future, based on the Company's financial position at the relevant time.

ITEM 7 DESCRIPTION OF CAPITAL STRUCTURE

7.1 General Description of Capital Structure

The authorized share capital of the Company consists of an unlimited number of common shares without nominal or par value of which 584,005,006 common shares are issued and outstanding, and one special share without nominal or par value. The special share is not issued and outstanding at this time.

The holders of common shares are entitled to receive notice of and attend all meetings of shareholders with each common share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of common shares are entitled to dividends if, as and when declared by the board of directors of the Company. The common shares are entitled, upon liquidation, dissolution or winding up of the Company, to receive the remaining assets of the Company available for distribution to shareholders.

ITEM 8 MARKET FOR SECURITIES

8.1 Exchange Listings

The Common Shares of the Company are traded in Canada on the TSX under the symbol “LUN”. In Sweden, the Common Shares are represented by Swedish Depository Receipts which trade on the O-list of the NASDAQ OMX Nordic Exchange under the symbol “LUMI”.

8.2 Trading Price and Volume

The following table provides information as to the monthly high and low closing prices of the Company’s Common Shares during the 12 months of the most recently completed financial year, as well as the volume of shares traded for each month on the TSX:

Month	High (C$)	Low (C$)	Volume
January 2012	5.33	4.04	70,689,909
February 2012	5.37	4.81	59,966,914
March 2012	5.18	4.32	59,727,605
April 2012	5.00	4.12	48,159,277
May 2012	5.02	3.70	59,049,829
June 2012	4.48	3.85	44,283,988
July 2012	4.57	3.90	43,118,805
August 2012	4.75	4.19	36,450,021
September 2012	5.38	4.40	55,490,758
October 2012	5.54	4.93	50,106,356
November 2012	5.49	4.96	35,556,367
December 2012	5.32	4.98	39,120,732

ITEM 9 ESCROWED SECURITIES

9.1 Escrowed Securities

There are no Lundin Mining securities in escrow.

ITEM 10 DIRECTORS AND OFFICERS

10.1 Name, Address, Occupation and Security Holding of Directors and Officers

The Board of Directors of the Company is currently comprised of eight directors who are elected annually and whose term of office will expire at the Company's annual meeting scheduled to be held May 10, 2013. Each director holds office until the next annual meeting of shareholders or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws of the Company. The names, provinces and countries of residence of each of the directors and officers of the Corporation as at the date of this AIF, their respective positions and offices held with the Company, their principal occupations within the preceding five years and the number of securities of the Company owned by them as at the date of this AIF is set forth in the following table:

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of securities owned (directly or indirectly) or controlled at present [(1)]
Lukas H. Lundin British Columbia, Canada *Chairman and Director*	Chairman and a director of the Company; chairman; president and/or director of a number of publicly traded resource-based companies which include Denison Mines Corp., Fortress Minerals Corp., Lucara Diamond Corp., Lundin Petroleum AB, NGEx Resources Inc., Sirocco Mining Inc. and Vostok Nafta Investment Ltd.	September 9, 1994	2,271,449 common shares
Paul K. Conibear British Columbia, Canada *President, Chief Executive Officer and Director*	President and Chief Executive Officer since June 30, 2011; Senior Vice President, Corporate Development since October 2009; Senior Vice President, Projects, of the Company from July 2007 to October 2009; President and Chief Executive Officer of Suramina Resources Inc. from June 11, 2007 to September 30, 2007; President and Chief Executive Officer of Tenke Mining Corporation from November 26, 2002 to July 13, 2007.	June 30, 2011	789,904 common shares[(2)]
Colin K. Benner British Columbia, Canada *Director*	President of CKB Mining Inc.; Executive Chairman and director of Aurico Gold Inc. since July 2012; Chairman and director of Aurico Gold Inc. from May 2010 to June 2012; Chairman and director of Capstone Mining Corporation from November 2008 to June 2011; Executive Chairman and director of Creston Moly Corp. from October 2008 to September 2011; Vice Chairman, Chief Executive Officer and director of Skye Resources Inc. from March 2009 to August 2009; President and Chief Executive Officer of HudBay Minerals Inc. March 2009; Executive Chairman and director of PBC Coals Inc. from August 2007 to October 2008; director of a number of publically traded companies.	October 31, 2006	40,000 common shares

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of securities owned (directly or indirectly) or controlled at present (1)
Donald K. Charter Ontario, Canada *Director*	President and CEO, and director of Corsa Coal Corp. since August 2010; since January 2006, he has been the President of 3Cs Corporation, his private consulting and investment company; director of a number of publicly traded companies.	October 31, 2006	21,424 common shares
John H. Craig Ontario, Canada *Director*	Lawyer, partner of Cassels Brock & Blackwell LLP.	June 11, 2003	213,849 common shares
Brian D. Edgar British Columbia, Canada *Director*	Chairman of Silver Bull Resources, Inc.; director of Rand Edgar Investment Corp. since October 1992; director of a number of publicly traded companies.	September 9, 1994	130,000 common shares
Dale C. Peniuk C.A. British Columbia, Canada *Director*	Chartered Accountant and corporate director; formerly an assurance partner with KPMG LLP, Chartered Accountants; director of a number of publicly traded companies.	October 31, 2006	17,600 common shares(3)
William A. Rand British Columbia, Canada *(Lead) Director*	President and director of Rand Edgar Investment Corp.; director of a number of publicly traded companies.	September 9, 1994	223,424 common shares
Susan J. Boxall United Kingdom *Vice President, Human Resources*	Vice President, Human Resources of the Company since August 2012; Group HR Director with De Beers from March 2010 to July 2012; Executive Director HR with Element Six from November 1990 to March 2010.	N/A	Nil
Stephen T. Gatley United Kingdom Vice President, Technical Services	Vice President, Technical Services of the Company since June 2012; Director, Technical Services of the Company from January 2006 to May 2012; General Manager Galmoy Mine from June 2001 to Janaury 2006.	N/A	37,833
James A. Ingram Ontario, Canada *Corporate Secretary*	Corporate Secretary of the Corporation since February 2010; Vice President, Secretary and General Counsel with Hudson's Bay Company from March 1998 to July 2009.	N/A	Nil
Marie Inkster Ontario, Canada *Senior Vice President and Chief Financial Officer*	Chief Financial Officer of the Company since May 2009; Vice President, Finance of the Company from September 2008 to April 30, 2009; Vice President, Finance, GBS Gold International Inc. from September 2007 to June 2008; LionOre Mining International Ltd., last position held being that of Vice President/ Controller from 2002 to 2007.	N/A	80,200

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of securities owned (directly or indirectly) or controlled at present [(1)]
Julie A. Lee Harrs Ontario, Canada *Senior Vice President, Corporate Development*	Senior Vice President, Corporate Development since November 2011; President and Chief Operating Officer, Energizer Resources Inc. from September 2009 to September 2011, Senior Vice President, General Counsel and Secretary, Sherritt International Corp. from May 2006 to October 2008.	N/A	125
Jinhee Magie Ontario, Canada *Vice President, Finance*	Vice President, Finance of the Company since May 2009; Director of Finance of the Company from September 2008 to April 2009; formerly, Director of Corporate Compliance, LionOre Mining International Ltd.	N/A	Nil
Paul M. McRae United Kingdom Senior Vice President, Projects	Senior Vice President, Projects of the Company since January 2012; Project Director, AMEC from June 2009 to December 2011; Project Director of the Company from February 2008 to May 2009; Project Director, AMEC from August 2003 to January 2008.	N/A	Nil
Peter G. Nicoll[(4)] Ontario, Canada *Vice President Health, Safety, Environment and Community*	Vice President, Health, Safety, Environment and Community of the Company since July 2008; Vice President, Safety, Health, Environment and Corporate Social Responsibility of Uranium One from August 2007 to June 2008; Director, Office of Environmental Health and Safety, University of Toronto, February 2006 to August 2007.	N/A	Nil
Neil P. M. O'Brien Ontario, Canada *Senior Vice President, Exploration and Business Development*	Senior Vice President, Exploration and New Business Development of the Company since March, 2007; Vice President, Exploration of the Company from September 2005 to February 2007.	N/A	62,000 common shares
J. Mikael Schauman Sweden *Vice President, Marketing*	Vice President, Marketing of the Company since February 2007.	N/A	Nil

(1) *On a non-diluted basis. The information as to common shares beneficially owned has been provided by the directors and officers themselves.*
(2) *Includes 80,850 common shares registered in the name of Mr. Conibear's spouse.*
(3) *Includes 15,000 common shares registered in the name of Mr. Peniuk's spouse and 100 common shares registered in the name of Mr. Peniuk's child.*
(4) *Mr. Nicoll left the Company on December 31, 2012.*

Certain directors of the Company have other business interests and do not devote all of their time to the affairs of the Company. See "Conflicts of Interest" below.

The directors and officers of the Company hold, as a group, a total of 3,887,808 common shares, representing 0.67% of the number of common shares of the Company issued and outstanding as at the date hereof.

There are currently four standing committees of the board. These committees are the Audit Committee, the Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the Human Resources/Compensation Committee. The following table identifies the members of each of these Committees:

Audit Committee	Human Resources and Compensation Committee	Corporate Governance and Nominating Committee	Health, Safety, Environment and Community Committee
Dale C. Peniuk (Chair) Donald K. Charter William A. Rand	Donald K. Charter (Chair) Dale C. Peniuk William A. Rand	Brian D. Edgar (Chair) John H. Craig Dale C. Peniuk	Colin K. Benner (Chair) Paul K. Conibear Brian D. Edgar

10.2 Corporate Cease Trade Orders or Bankruptcies

Except as noted below, no director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Lundin Mining), that:

(a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “order”) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Edgar and Mr. Rand were directors of New West Energy Services Inc. (formerly Lexacal Investment Corp.) (TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.

Except as noted below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Lundin Mining) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Benner was a director of Tahera Diamond Corporation ("Tahera") which, on January 16, 2008, was granted creditor protection by the Ontario Superior Court of Justice under the Companies' Creditor Arrangement Act ("CCAA"). Mr. Benner resigned as a director of Tahera on September 29, 2008. Pursuant to a number of extensions, Tahera remained under CCAA protection and was sold to a third party.

Ms. Inkster was Vice President, Finance of GBS Gold International Inc. ("GBS") from September 2007 to June 2008. On September 15, 2008, GBS put its Australian group of subsidiaries into voluntary liquidation proceedings. In March 2009, GBS announced that it had agreed to transfer its remaining valued assets to the secured promissory noteholders pursuant to the terms of a note indenture and general security deed entered into on May 27, 2008. The shares of GBS have been suspended from trading on the NEX board and it has effectively ceased business.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any controlling shareholder of the Company individually.

10.3 Penalties or Sanctions

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

b) any other penalties or sanctions imposed by a court or regulatory body that wouldlikely be considered important to a reasonable investor in making an investment decision.

10.4 Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or the terms of such participation. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, the involvement in a greater number of programs or a reduction in financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of Canada, the directors or the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and the financial position at that time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors of officers in accordance with the *Canada Business Corporations Act* and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Other than as disclosed above, the directors and officers of the Company are not aware of any such conflicts of interest in any existing or contemplated contracts with or transactions involving the Company.

ITEM 11 AUDIT COMMITTEE

11.1 Overview

The Audit Committee of the Company's board of directors is principally responsible for recommending to the Company's board of directors the external auditor to be nominated for election by the Company's shareholders at each annual meeting of shareholders and approving the compensation of such external auditor, overseeing the work of the external auditor, reviewing the Company's annual and interim financial statements, MD&A and press releases regarding earnings before they are reviewed and approved by the board of directors and publicly disseminated by the Company, and reviewing the Company's financial reporting procedures with respect to the public disclosure of financial information extracted or derived from its financial statements.

11.2 Audit Committee Mandate/Charter

The Company's Board of Directors has adopted an audit committee mandate (the "Mandate") which sets out the Audit Committee's purpose, procedures, organization, powers, roles and responsibilities. The complete Mandate is attached as Schedule B to this AIF.

11.3 Composition of the Audit Committee

Below are the details of each Audit Committee member, including his name, whether he is independent and financially literate as such terms are defined under National Instrument 52-110 and his education and experience as it relates to the performance of his duties as an Audit Committee member. The qualifications and independence of each member is discussed below and in the Company's Management Information Circular dated April 1, 2012, prepared in connection with the Company's annual meeting of shareholders held on May 11, 2012, a copy of which is available under the Company's profile on the SEDAR website at www.sedar.com.

Member Name	Independent(1)	Financially Literate(2)	Education and Experience Relevant to Performance of Audit Committee Duties
Dale C. Peniuk (Chair)	Yes	Yes	Mr. Peniuk is a chartered accountant and a graduate of the University of British Columbia (B.Comm). Mr. Peniuk was an assurance partner with KPMG LLP Canada from 1996 to 2006 and was the leader of their British Columbia mining practice. In addition to Lundin Mining, he is presently a director and audit committee chair of Argonaut Gold Inc., Capstone Mining Corp., Rainy River Resources Ltd., and Sprott Resource Lending Corp.
Donald K. Charter	Yes	Yes	Mr. Charter has both an Honours B.A. in economics and an LLB, both from McGill University. Mr. Charter has attained financial experience and exposure to accounting and financial issues in his current role as a director of several publically traded Canadian companies, and in his previous roles as Chairman and Chief Executive Officer of Dundee Securities Corporation and as Executive Vice President of Dundee Corporation and Dundee Wealth Management.
William A. Rand	Yes	Yes	Mr. Rand is a retired corporate and securities lawyer and mining executive with a B.Comm. from McGill University (Honours in Economics and Major in Accounting), who has been a member of a number of boards and audit committees of public companies for over 30 years. Through this education and experience, Mr. Rand has experience overseeing and assessing the performance of companies and public accountants with respect to the preparation, auditing and evaluation of financial statements.

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the board of directors, reasonably interfere with the exercise of a member's independent judgment, or is otherwise deemed to have a material relationship pursuant to NI 52-110.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues and can reasonably be expected to be raised by the Company's financial statements.

11.4 Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Company's Board.

11.5 Pre-Approval Policies and Procedures

All audit and non-audit services performed by the external auditor are pre-approved by the Audit Committee.

11.6 External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Company by its external auditors during the financial year ended December 31, 2012. Services billed in C$, SEK or € were translated using average exchange rates that prevailed during 2012.

Fiscal Year Ending	Audit Fees(1)	Audit-Related Fees(2)	Tax Fees(3)	All other Fees(4)
December 31, 2012	$816,470	$125,694	$10,495	$17,866
December 31, 2011	$714,375	$106,548	$39,890	$598,760

(1) Audit fees represent the aggregate fees billed by the Company's auditors for audit services.
(2) Audit-related fees represent the aggregate fees billed for assurance and related services by the Company's auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and not disclosed in the Audit Fees column.
(3) Tax fees represent the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
(4) All other fees represent the aggregate of fees billed for products and services provided by the Company's auditors other than services reported under clauses (1), (2) and (3) above.

PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, have prepared the Independent Auditors' Report dated February 21, 2013 in respect of the Company's consolidated financial statements as at December 31, 2012 and 2011 and for the years then ended, and February 21, 2012 in respect of consolidated financial statements as at December 31, 2011 and 2010 and for the years then ended.

ITEM 12 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

12.1 Legal Proceedings

The Company is not currently a party to any material legal proceedings; however, from time to time, the Company may become party to routine litigation incidental to Lundin Mining's business.

12.2 Regulatory Actions

No penalties or sanctions were imposed by a court relating to securities legislation or by a securities regulatory authority during the Company's recently completed financial year, nor were there any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, nor were any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority during the Company's recently completed financial year.

ITEM 13 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

13.1 Interest of Management and Others in Material Transactions

To the best of the Company's knowledge, none of the directors, officers or principal shareholders of the Company, and no associate or affiliate of any of them, has or has had any material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company.

ITEM 14 TRANSFER AGENTS AND REGISTRARS

14.1 Transfer Agents and Registers

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal offices in Toronto, Ontario and Vancouver, British Columbia.

ITEM 15 MATERIAL CONTRACTS

15.1 Material Contracts

There were no other contracts, other than those entered into in the ordinary course of business, that were material to the Company and that were entered into between January 1, 2012 and up to the date of this AIF or that were entered into prior to January 1, 2012 and remain in effect during 2012, other than as follows:

(a) Credit Agreement dated May 28, 2007, First Amending Agreement and Second Amending Agreement and Waiver dated May 15, 2008 and March 6, 2009, respectively, and the Third Amending Agreement dated July 6, 2009 between the Company and the Bank of Nova Scotia et al, pursuant to which the Company secured a five-year $225 million non-revolving and a $575 million revolving credit facility for general corporate purposes collateralized by shares owned by the Company in its subsidiaries. These loan facilities were used in part to acquire 100% of the issued and outstanding shares of Rio Narcea Gold Mines, Ltd. ("Rio Narcea"). Following the purchase of Rio Narcea, the Company sold its Tasiast gold project for $225 million and retired the non-revolving credit facility.

(b) Amended and Restated Credit Agreement dated September 1, 2010 between the Company and the banking syndicate comprising Bank of Nova Scotia, Bank of Montreal, WestLB AG, ING Bank N.V., Export Development Canada and Skandinaviska Enskilda Banken AB, to increase the amount of the revolving credit facility from $225 million to $300 million. The restated agreement is for a full three- year term to September 2013, with reduced borrowing costs.

(c) Amended and Restated Credit Agreement dated September 1, 2010, as amended by a first amending agreement dated December 19, 2012, between the Company and a banking syndicate comprised of The Bank of Nova Scotia, Bank of Montreal, ING Belgium NV/SA, Bank of America, N.A., Canada Branch, Royal Bank of Canada, Skandinaviska Enskilda Banken AB and Export Development Canada. The first amending agreement, among other things, increased the amount of the revolving credit facility from $300 million to $350 million, reduced borrowing costs and extended the term of the facility to December 2015 from September 2013.

ITEM 16 INTERESTS OF EXPERTS

16.1 Interests of Experts

The Qualified Persons as defined by NI 43-101 who have supervised the preparation of the Company's Mineral Reserve and Mineral Resource estimates during 2012 or authored portions of the technical reports disclosed in this AIF are as follows:

- Messrs. John Nilsson, P.Eng., Nilsson Mine Services Ltd., and Ronald G. Simpson, P.Geo, GeoSim Services Inc. in respect of the Tenke Fungurume mineral resource and mineral reserve estimate;
- Messrs. John Nilsson, P.Eng., Nilsson Mine Services Ltd., Ronald G. Simpson, P.Geo, GeoSim Services Inc. and William McKenzie, P.Eng. Global Project Management Corporation in respect of the Tenke Fungurume technical reports.
- Messrs. Nelson Pacheco, Chief Geologist, Neves-Corvo, and Stephen Gatley, Vice President Technical Services, Lundin Mining, in respect of the Neves-Corvo mineral resource and mineral reserve estimate;
- Mr. Graham Greenway, Group Resource Geologist, Lundin Mining, in respect of the Semblana mineral resource estimate.
- Dr. Lewis Meyer and Mr Mark Owen of Wardell Armstrong International Ltd., in respect of the Neves-Corvo technical report;

- Messrs. Graham Greenway, Group Resource Geologist, and Stephen Gatley, Vice President Technical Services, both employees of Lundin Mining, in respect of the Zinkgruvan mineral resource and mineral reserve estimate;
- Dr. Lewis Meyer and Mr Mark Owen of Wardell Armstrong International Ltd., in respect of the Zinkgruvan technical report;
- Messrs. Graham Greenway, Group Resource Geologist, and Stephen Gatley, Vice President Technical Services, both employees of Lundin Mining, in respect of the Aguablanca mineral resource and mineral reserve estimate;
- Messrs. Juan Alvarez, Sia Khosrowshahi and Juan Pablo Gonzalez of Golder Associates Global Iberica, S.L.U., and Mr. Stephen Gatley, Vice President Technical Services, Lundin Mining (author of the section entitled "Additional Requirements for Development and Production Properties") in respect of the Aguablanca technical report.; and
- Mr. Paul McDermott, Technical Services Superintendent, an employee of Galmoy mine, in respect of the Galmoy mineral resource and mineral reserve.

The above noted qualified persons have reviewed and approved the summaries of the properties for which they have been involved and approve the related scientific and technical disclosure in this AIF, including the Mineral Reserve Table included in Schedule A.

PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, have advised the Company that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

No person or company named or referred to under this Item beneficially owns, directly or indirectly, 1% or more of any class of the Corporation's outstanding securities.

ITEM 17 ADDITIONAL INFORMATION

17.1 Additional Information

Additional information regarding the Company is available on SEDAR website at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, if any, and securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular dated April 1, 2012 prepared in connection with the annual meeting of shareholders of the Company held on May 11, 2012. Additional financial information is provided in the consolidated financial statements of the Company as at December 31, 2012 and December 31, 2011 and for the years ended December 31, 2012 and 2011, together with auditors' report thereon and the notes thereto, and MD&A for the year ended December 31, 2012.

RESOURCE AND RESERVE ESTIMATE – 2012 SCHEDULE A

Mineral Reserves

	Category	000's Tonnes	Cu %	Zn %	Pb %	Ag g/t	Ni %	Co %	Cu T	Zn T	Pb T	Ag Oz	Ni T	Co T	Lundin Interest
									Contained Metal 000's (Ounces millions)						
Copper															
Neves-Corvo	Proven	6,059	4.7	1.1	0.2	40			282	68	14	8			*100%*
	Probable	18,049	2.6	0.8	0.2	40			475	153	41	23			*100%*
	Total	**24,108**	**3.1**	**0.9**	**0.2**	**40**			**758**	**222**	**54**	**31**			***100%***
Zinkgruvan	Proven	3,931	2.2	0.4		32			86	16		4			*100%*
	Probable	77	2.0	0.5		34			2	-		-			*100%*
	Total	**4,008**	**2.2**	**0.4**		**32**			**88**	**16**		**4**			***100%***
Tenke	Proven	51,940	3.5					0.4	1,812					203	*24%*
Fungurume	Probable WIP	22,471	1.2					0.4	272					81	*24%*
	Probable	66,673	3.1					0.3	2,060					211	*24%*
	Total	**141,084**	**2.9**					**0.4**	**4,144**					**495**	***24%***
Zinc															
Neves-Corvo	Proven	11,525	0.3	8.2	1.9	72			35	941	218	27			*100%*
	Probable	11,153	0.4	6.7	1.6	67			43	743	175	24			*100%*
	Total	**22,678**	**0.3**	**7.4**	**1.7**	**70**			**78**	**1,684**	**393**	**51**			***100%***
Zinkgruvan	Proven	8,443		9.2	4.4	95				777	371	26			*100%*
	Probable	2,421		8.4	2.7	54				203	65	4			*100%*
	Total	**10,864**		**9.0**	**4.0**	**86**				**980**	**437**	**30**			***100%***
Galmoy	Proven	39		11.6	1.8	12				5	1	0			*100%*
	Probable	2		11.6	1.3	14				-	-	-			*100%*
	Total	**41**		**11.6**	**1.8**	**12**				**5**	**1**	**0**			***100%***
Nickel															
Aguablanca	Proven	5,701	0.5				0.6		26				35		*100%*
	Probable	294	0.2				0.3		1				1		*100%*
	Total	**5,994**	**0.5**				**0.6**		**27**				**36**		***100%***
Note: totals may not summate correctly due to rounding								**Lundin's share**	**1,945**	**2,907**	**885**	**116**	**36**	**119**	

Mineral Resources - inclusive of reserves

	Category	000's Tonnes	Cu %	Zn %	Pb %	Ag g/t	Ni %	Co %	Cu T	Zn T	Pb T	Ag Oz	Ni T	Co T	Lundin Interest
									Contained Metal 000's (Ounces millions)						
Copper															
Neves-Corvo	Measured	9,852	4.9	1.0	0.3	45			483	98	25	14			*100%*
	Indicated	40,348	2.5	1.0	0.3	47			998	419	140	61			*100%*
	Inferred	25,423	1.7	1.2	0.4	47			439	302	112	39			*100%*
Semblana	Inferred	7,125	2.8			26			201			6			*100%*
Zinkgruvan	Measured	5,292	2.3	0.4		30			122	21		5			*100%*
	Indicated	587	2.3	0.3		34			14	2		1			*100%*
	Inferred	622	1.7	0.4		31			11	2		1			*100%*
Tenke	Measured	140,373	2.9					0.3	4,013					452	*24%*
Fungurume	Indicated	404,678	2.5					0.2	9,945					971	*24%*
	Inferred	283,115	1.9					0.2	5,496					637	*24%*
Zinc															
Neves-Corvo	Measured	24,037	0.3	7.5	1.8	67			75	1,801	435	52			*100%*
	Indicated	62,280	0.3	5.5	1.3	58			203	3,430	802	116			*100%*
	Inferred	22,060	0.3	4.5	0.9	51			74	1,000	204	36			*100%*
Zinkgruvan	Measured	8,682		10.5	5.0	107				912	434	30			*100%*
	Indicated	5,876		9.7	4.9	101				570	288	19			*100%*
	Inferred	4,553		8.9	3.3	78				405	150	11			*100%*
Galmoy	Measured	520		14.2	1.5	11				74	8	0			*100%*
	Indicated	130		10.5	0.8	7				14	1	-			*100%*
	Inferred	7		9.2	0.4	8				1	-	-			*100%*
Nickel															
Aguablanca	Measured	7,474	0.5				0.7		40				52		*100%*
	Indicated	368	0.2				0.4		1				1		*100%*
	Inferred	10	0.2				0.6		-				-		*100%*
								Lundin's share not including Inferred Resources	**5,285**	**7,340**	**2,132**	**299**	**53**	**342**	

Notes on Mineral Reserves and Resources Table

Mineral Reserves and Resources are shown on a 100 percent basis for each mine. Mineral Resources for all operations are inclusive of Reserves. All estimates, with the exception of Tenke Fungurume, are prepared as at June 30, 2012. The Tenke Fungurume estimate is dated December 31, 2012.

Estimates for all 100% owned operations are prepared by or under the supervision of a Qualified Person as defined in NI 43-101. Tenke Proven and Probable Mineral Reserves are estimated by the operator Freeport, are prepared to SEC standards and are reviewed by Lundin Mining's independent Qualified Persons.

Except as noted below, Mineral Reserves have been calculated using long-term average metal prices of US$2.50/lb copper, US$1.00/lb zinc, US$0.95/lb lead, US$8.50/lb nickel and exchange rates of EUR/USD 1.25 and USD/SEK 7.00.

Neves-Corvo

The Mineral Resources are reported above cut-off grades of 1.0% for copper and 3.0% for zinc. The copper and zinc Mineral Reserves have been calculated using variable Net Smelter Return (NSR) values based on area and mining method. The NSR is calculated on a recovered payable basis taking in to account copper, lead, zinc and silver grades, metallurgical recoveries, prices and realization costs. The copper Mineral Reserves are reported above a site average cut-off grade equivalent to 1.5%. For zinc Mineral Reserves an average cut-off grade equivalent of 5.2% is used for ore-bodies other than Lombador and for Lombador Phase 1 a zinc cut-off of 6.0% was applied. Mineral Reserves and Resources for Neves-Corvo were estimated by the mine's geology and mine engineering departments under the guidance of Nelson Pacheco, Chief Geologist and Fernando Cartaxo, Chief Mine Planning Engineer. Qualified Persons are Nelson Pacheco and Stephen Gatley, Vice President Technical Services, Lundin Mining.

Semblana

The Mineral Resources are reported above a cut-off grade of 1.0% copper. The Mineral Resource estimate was prepared by Graham Greenway, Group Resource Geologist, Lundin Mining.

Zinkgruvan

The zinc Mineral Resources and Reserves are reported above a site average cut-off grade of 3.8% zinc equivalent for zinc. The copper Mineral Resources and Reserves are reported above cut-off grades of 1.0% and 1.5% respectively. The Mineral Reserves have been calculated using variable Net Smelter Return (NSR) values based on area and mining method. The NSR is calculated on a recovered payable basis taking in to account copper, lead, zinc and silver grades, metallurgical recoveries, prices and realization costs. The Zinkgruvan Mineral Resource and Reserve estimates are prepared by the mine's geology and mine engineering department under the guidance of Lars Malmström, Resource Manager, employed by Zinkgruvan mine. Qualified Persons are Graham Greenway and Stephen Gatley.

Aguablanca

The Mineral Resources and Reserves within the open pit are reported above a 0.18% nickel cut-off, whereas the underground Mineral Resources are reported above a 0.5% nickel cut-off. Mineral Resources and Reserves for Aguablanca were estimated by the mine's geology and mine engineering departments under the guidance of César Martinez and Jorge Llidó. Qualified Persons are Graham Greenway and Stephen Gatley.

Galmoy

The Mineral Resources are reported above a cut-off of 4.5% zinc equivalent. The Mineral Reserves are those tonnes above a 6.0% zinc equivalent cut off that are amenable to mining and treatment at an adjacent mine. The Qualified Person responsible for the Galmoy Mineral Resource and Reserve estimate is Paul McDermott, Technical Services Superintendent, an employee of Galmoy mine.

Tenke Fungurume

The Mineral Resources are an estimate of what is mineralized material in the ground based on a cut-off of 1.3% copper equivalent and a cobalt to copper factor of 4.0 without assigning economic probability. The 2012 Mineral Reserves are based on smoothed pit designs for measured and indicated resources using metal prices of US$2.00/lb Cu and US$10.00/lb Co. The Mineral Resource (not reported under United States SEC guidelines) and Reserve estimates (reported under United States SEC guidelines) for Tenke have been prepared by Freeport staff and reviewed by independent consultants and Qualified Persons John Nilsson, P.Eng. of Nilsson Mine Services Ltd and Ron Simpson P.Geo. of GeoSim Services Inc., on behalf of Lundin Mining.

A. PURPOSE

The overall purpose of the Audit Committee (the "Committee") is to ensure that the Corporation's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements of the Corporation and to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts.

B. COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the Board of Directors (the "Board"), all of whom shall be "independent directors", as that term is defined in Multilateral Instrument 52-110, "Audit Committees".
2. All of the members of the Committee shall be "financially literate" (i.e. able to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements).
3. At least one member of the Committee shall have accounting or related financial expertise (i.e. able to analyze and interpret a full set of financial statements, including the notes thereto, in accordance with generally accepted accounting principles).
4. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
5. Unless the Board shall have appointed a chair of the Committee or in the event of the absence of the chair, the members of the Committee shall elect a chair from among their number.
6. The secretary of the Committee shall be designated from time to time from one of the members of the Committee or, failing that, shall be the Corporation's Corporate Secretary, unless otherwise determined by the Committee.
7. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
8. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
9. Meetings of the Committee shall be conducted as follows:
   - (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the Chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;
   - (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee;
   - (c) the Chair of the Committee shall be responsible for developing and setting the agenda for Committee meetings and determining the time and place of such meetings;
   - (d) the following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:
     - (i) Chief Executive Officer; and
     - (ii) Chief Financial Officer.

(e) other management representatives shall be invited to attend as necessary; and

(f) notice of the time and place of every meeting of the Committee shall be given in writing to each member of the Committee a reasonable time before the meeting.

10. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its Chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

11. The Committee shall have authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Audit Committee and to communicate directly with the internal and external auditors.

C. ROLES AND RESPONSIBILITIES

1. The overall duties and responsibilities of the Committee shall be as follows:

   (a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements;

   (b) to establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;

   (c) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and

   (d) to report regularly to the Board on the fulfilment of its duties and responsibilities.

2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:

   (a) to recommend to the Board a firm of external auditors to be engaged by the Corporation, and to verify the independence of such external auditors;

   (b) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;

   (c) review the audit plan of the external auditors prior to the commencement of the audit;

   (d) to review with the external auditors, upon completion of their audit:

      (i) contents of their report;
      (ii) scope and quality of the audit work performed;
      (iii) adequacy of the Corporation's financial and auditing personnel;
      (iv) co-operation received from the Corporation's personnel during the audit;
      (v) internal resources used;
      (vi) significant transactions outside of the normal business of the Corporation;
      (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
      (viii) the non-audit services provided by the external auditors;

   (e) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles; and

   (f) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.

3. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:

(a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;

(b) review and approve the internal audit plan; and

(c) review significant internal audit findings and recommendations, and management's response thereto.

4. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

(a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;

(b) review compliance under the Corporation's Business Conduct Policy and to periodically review this policy and recommend to the Board changes which the Committee may deem appropriate;

(c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and

(d) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

5. The Committee is also charged with the responsibility to:

(a) review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;

(b) review and recommend to the Board the approval of the financial sections of:

(i) the annual report to shareholders;
(ii) the annual information form;
(iii) prospectuses; and
(iv) other public reports requiring approval by the Board,

and report to the Board with respect thereto;

(c) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;

(d) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;

(e) review and report on the integrity of the Corporation's consolidated financial statements;

(f) review the minutes of any audit committee meeting of subsidiary companies;

(g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;

(h) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts;

(i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors following each annual general meeting of shareholders; and

(j) establish procedures for:

(i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

2013

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
AND
MANAGEMENT INFORMATION CIRCULAR
WITH RESPECT TO THE
ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON
MAY 10, 2013
FOR
LUNDIN MINING CORPORATION

April 1, 2013

lundin mining

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that an annual and special meeting ("Meeting") of the shareholders of **LUNDIN MINING CORPORATION** ("Corporation") will be held at the St. Andrew's Club & Conference Centre, 150 King Street West, 27th Floor (King Street/University Avenue) Toronto, Ontario, on Friday, May 10, 2013 at the hour of 10:00 a.m. Toronto time, for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation for the year ended December 31, 2012 and the report of the auditors thereon;
2. To elect the directors for the ensuing year; **(Resolution 1)**
3. To appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year, and to authorize the directors to fix the remuneration to be paid to the auditors; **(Resolution 2)**
4. To consider, and if deemed advisable, to confirm, with or without variation, an amendment to the Corporation's By-Law No. 1 to add an advance notice requirement for nominations of directors by shareholders in certain circumstances, as more fully described in the accompanying management information circular ("Circular"); and **(Resolution 3)**
5. To transact such further and other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

This Notice is accompanied by the Circular and form of proxy. The nature of the business to be transacted at the meeting is described in further detail in the Circular.

All shareholders are entitled to attend and vote at the Meeting in person or by proxy. Registered shareholders who are unable to attend the Meeting are requested to complete, date, sign and deliver the enclosed form of proxy to Computershare Investor Services Inc. ("Computershare"), 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1, Attention: Proxy Department. If a shareholder does not deliver a proxy to Computershare by 10:00 a.m. (Toronto, Ontario, time) on Wednesday, May 8, 2013 (or not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, before any adjournments or postponements of the Meeting at which the proxy is to be used), or deposit it with the Secretary of the Corporation or the Chairman of the Meeting prior to the time of voting at the Meeting, then the shareholder will not be entitled to vote at the Meeting by proxy.

As provided in the *Canada Business Corporations Act*, the directors have fixed a Record Date of March 28, 2013. Accordingly, shareholders registered on the books of the Corporation at the close of business on March 28, 2013 are entitled to receive notice of the Meeting and to vote at the Meeting or any adjournment thereof.

If you are a non-registered shareholder and receive these materials through your broker or other intermediary, please complete and return the voting instruction form or other authorization in accordance with the instructions provided to you by your broker or intermediary.

Dated at Toronto, Ontario this 1st day of April, 2013.

BY ORDER OF THE BOARD OF DIRECTORS

Paul K. Conibear

Paul K. Conibear,
President, Chief Executive Officer and Director

GENERAL VOTING INFORMATION

SOLICITATION OF PROXIES

This Management Information Circular ("Circular") is furnished in connection with the solicitation of proxies being undertaken by the management of Lundin Mining Corporation ("Corporation" or "Lundin Mining") for use at the annual and special meeting of the Corporation's shareholders to be held on Friday, May 10, 2013 ("Meeting") at the time and place and for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Shareholders ("Notice") or at any adjournment thereof. Management's solicitation of proxies will primarily be by mail and may be supplemented by telephone or other means of communication to be made, without compensation other than their regular fees or salaries, by directors, officers and employees of the Corporation. The cost of solicitation by management will be borne by the Corporation.

It is anticipated that this Circular, together with the accompanying Notice and form of proxy will be mailed to shareholders of the Corporation on or about April 17, 2013.

Unless otherwise stated, the information contained in this Circular is as of April 1, 2013. All monetary amounts referred to herein are stated in United States currency, unless otherwise indicated.

VOTING OF PROXIES

Common shares of the Corporation represented by properly executed proxies in the accompanying form will be voted or withheld from voting on each respective matter in accordance with the instructions of the Registered Shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by such proxy will be voted accordingly. If no choice is specified, the person designated in the accompanying form of proxy will vote FOR all matters proposed by management at the Meeting.

APPOINTMENT OF PROXYHOLDER

The persons named as proxyholders in the enclosed form of proxy are directors and/or officers of the Corporation ("Management Proxyholders"). A registered shareholder ("Registered Shareholder") has the right to appoint a person or company other than one of the Management Proxyholders to represent the Registered Shareholder at the Meeting by striking out the printed names and inserting that other person's or company's name in the blank space provided. A proxyholder need not be a shareholder. If a shareholder appoints one of the Management Proxyholders as a nominee and there is no direction by the Registered Shareholder, the Management Proxyholder shall vote the proxy **FOR** the election of the directors, **FOR** the appointment of the auditors, and **FOR** the amendment to the Corporation's By-Law No. 1.

The instrument appointing a proxyholder must be signed in writing by the Registered Shareholder, or such Registered Shareholder's attorney authorized in writing. If the Registered Shareholder is a corporation, the instrument appointing a proxyholder must be in writing signed by an officer or attorney of the corporation duly authorized by resolution of the directors of such corporation, which resolution must accompany such instrument. An instrument of proxy will only be valid if it is duly completed, signed, dated and received at the office of the Corporation's registrar and transfer agent, Computershare Investor Services Inc. ("Computershare"), Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 by 10:00 a.m. (Toronto, Ontario time) on Wednesday, May 8, 2013 (or not less than 48 hours, excluding Saturdays, Sundays and holidays before any adjournments of the Meeting at which the proxy is to be used), or it is deposited with the Secretary of the Corporation or the Chairman of the Meeting prior to the time of voting at the Meeting.

If you have any questions about the procedures to be followed to vote at the Meeting or about obtaining, completing and depositing the required form of proxy, you should contact Computershare by telephone (toll free) at 1-800-564-6253 or by e-mail at service@computershare.com.

REVOCATION OF PROXY

A Registered Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing, including a proxy bearing a later date, executed by the Registered Shareholder or by his attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The instrument revoking the proxy must be deposited at the registered office of the Corporation, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the Secretary of the Corporation or the Chairman of the Meeting prior to the time of voting at the Meeting. Only Registered Shareholders have the right to revoke a proxy. Beneficial Shareholders who wish to change their vote must arrange for their respective intermediaries to revoke the proxy on their behalf.

EXERCISE OF DISCRETION

The enclosed proxy, when properly completed and delivered and not revoked, gives discretionary authority to the persons named therein with respect to any amendments or variations of matters identified in the Notice of Annual Meeting of Shareholders and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Annual and Special Meeting of Shareholders are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the person designated in the accompanying form of proxy to vote in accordance with their best judgment on such matters. As of the date of this Circular, management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting.

VOTING BY BENEFICIAL (NON-REGISTERED) SHAREHOLDERS

The information in this section is important to many shareholders as a substantial number of shareholders do not hold their shares in their own name. This Circular and related Meeting materials are being sent to both registered and non-registered owners of the securities. If you are a "non-registered beneficial owner" and Lundin Mining or its agent has sent these materials directly to you it has done so as permitted under National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer. The Corporation has used a non-objecting beneficial owner list to send the Meeting materials directly to the non-objecting beneficial owners whose names appear on that list. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Shareholders who hold common shares of the Corporation through their brokers, intermediaries, trustees, or other nominees (such shareholders being collectively called “Beneficial Shareholders”) should note that only proxies deposited by shareholders whose names appear on the share register of the Corporation may be recognized and acted upon at the Meeting. If common shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholder will not appear on the share register of the Corporation. Such shares will most likely be registered in the name of the broker or an agent of the broker. In Canada, the vast majority of such shares will be registered in the name of “CDS & Co.”, the registration name of The Canadian Depository for Securities Limited, which acts as a nominee for many brokerage firms. Such shares can only be voted by brokers, agents, or nominees and can only be voted by them in accordance with instructions received from Beneficial Shareholders. As a result, Beneficial Shareholders should carefully review the voting and instructions provided by their broker, agent or nominee with this Circular and ensure that they direct the voting of their shares in accordance with those instructions.

Applicable regulatory policies require brokers and intermediaries to seek voting instructions from Beneficial Shareholders in advance of a shareholders’ meeting. Each broker or intermediary has its own mailing procedures and provides its own return instructions to clients. The purpose of the form of proxy or voting instruction form provided to a Beneficial Shareholder by such shareholder’s broker, agent or nominee is limited to instructing the registered holder on how to vote such shares on behalf of the Beneficial Shareholder. Most brokers in Canada now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Independent Investor Communication Corporation) (“Broadridge”). Broadridge typically prepares voting instruction forms, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received by it and provides appropriate instructions respecting the voting of such shares at the Meeting. A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote their shares at the Meeting. Instead, the voting instruction form must be returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting in order to ensure that such shares are voted.

Beneficial Shareholders should follow the instruction on the forms that they receive and contact their intermediaries promptly if they need assistance.

RECORD DATE

Shareholders registered as at March 28, 2013 (“Record Date”) are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the proxy to attend and vote, deliver their proxies at the place and within the time set forth in the notes to the proxy.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as otherwise set out herein, no director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of common shares and one special share, of which 584,206,673 common shares are issued and outstanding as of March 28, 2013, the Record Date. Each common share is entitled to one vote on all matters to be acted upon at the Meeting.

The following table sets forth those persons who, to the knowledge of the directors and executive officers of the Corporation, beneficially own, control or direct, directly or indirectly, common shares carrying more than 10% of the voting rights attached to all common shares of the Corporation:

Name of Shareholder	Number of Common Shares	Percentage of Common Shares
Lorito Holdings S.à.r.l. ("Lorito")[(1)] Luxembourg	33,950,000	5.8%
Zebra Holdings and Investments S.à.r.l. ("Zebra")[(1)] Luxembourg	36,264,854	6.2%

(1) Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settlor was the late Adolf H. Lundin.

BUSINESS OF THE MEETING

FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the year ended December 31, 2012 including the report of the auditor will be tabled at this Meeting and will be received by the shareholders. These audited consolidated financial statements of the Corporation for the year ended December 31, 2012 and the report of the auditor thereon and the related management discussion and analysis have been provided to shareholders who have validly requested such statements separately and are available on SEDAR at www.sedar.com.

ELECTION OF DIRECTORS

The directors of the Corporation for the ensuing year will be elected at this Meeting.

MAJORITY VOTING POLICY

On the recommendation of the Corporate Governance and Nominating Committee, effective February 21, 2013, the board of directors of the Corporation (the "Board") adopted a majority voting policy in order to promote enhanced director accountability. The policy provides that each director should be elected by the vote of a majority of the common shares, represented in person or by proxy, at any meeting for the election of directors. The chairman of the Board will ensure that the number of common shares voted "for" or "withheld" for each director nominee is recorded and promptly made public after the meeting. If any nominee for election as director receives, from the common shares voted at the meeting in person or by proxy, a greater number of votes "withheld" than votes "for" his or her election, the director will promptly tender his or her resignation to the chairman of the Board following the meeting, to take effect upon acceptance by the Board. The Corporate Governance and Nominating Committee will expeditiously consider the director's offer to resign and make a recommendation to the Board whether to accept that offer. Within 90 days of the meeting of shareholders, the Board will make a final decision concerning the acceptance of the director's resignation and announce that decision by way of a news release. Any director who tenders his or her resignation will not participate in the deliberations of the Board or any of its committees pertaining to the resignation.

The policy does not apply to a contested election of directors, that is, where the number of nominees exceeds the number of directors to be elected. If any director fails to tender his or her resignation as contemplated in the policy, the Board will not re-nominate that director in the future. Subject to any corporate law restrictions, where the Board accepts the offer of resignation of a director and that director resigns, the Board may exercise its discretion with respect to the resulting vacancy and may, without limitation, leave the resultant vacancy unfilled until the next annual meeting of shareholders, fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the shareholders, or call a special meeting of shareholders to elect a new nominee to fill the vacant position.

ADVANCED NOTICE

As further discussed below, on February 21, 2013, the Board approved certain amendments to the Corporation's By-Law No. 1 to add an advance notice requirement for nominations of directors by shareholders in certain circumstances. As at the date of this Circular, the Corporation did not receive notice of any director nominations in connection with the Meeting within the time periods prescribed by the amended By-Law No. 1. Accordingly at this time, the only persons eligible to be nominated for election to the Board are the below nominees.

NOMINEES

Directors are elected annually. The Board of the Corporation has accepted a recommendation of the Corporate Governance and Nominating Committee of the Corporation for a simplified corporate structure and has determined that the size of the Board should be 8 directors. The number of directors to be elected is 8. Unless authority to vote is withheld, the shares represented by the proxies hereby solicited will be voted by the persons named therein **FOR** the election of the nominees whose names are set forth below. All 8 nominees are presently members of the Board and the dates on which they were first elected or appointed are indicated below. Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote **FOR** another nominee in their discretion, unless the shareholder has specified in the accompanying form of proxy that such shareholder's shares are to be withheld from voting on the election of directors.

Each of the following persons is nominated to hold office as a director until the next annual meeting or until his or her successor is duly elected or appointed.

Name, province, country of residence, current position(s) and age held in the Corporation	**Principal occupations for last five years**	**Served as director since**	**Number of voting securities beneficially owned, or controlled or directed, directly or indirectly(1)**
Lukas H. Lundin Vaud, Switzerland Chairman Age: 55	Chairman and a director of the Corporation since September 1994; chairman, president and/or director of a number of publicly traded resource-based companies which include Denison Mines Corp., Fortress Minerals Corp., Lucara Diamond Corp., Lundin Petroleum AB, NGEx Resources Inc., Sirocco Mining Inc. and Vostok Nafta Investment Ltd.	September 9, 1994	2,271,449 common shares
Paul K. Conibear (5) British Columbia, Canada President & Chief Executive Officer Age: 55	President and Chief Executive Officer of the Corporation since June 30, 2011, Senior Vice President, Corporate Development of the Company from October 2009 to June 2011; Senior Vice President, Projects, of the Corporation from July 2007 to October 2009; director of Lucara Diamond Corp., NGEx Resources Inc. and Sirocco Mining Inc.	June 30, 2011	789,904(6) common shares
Colin K. Benner (5) British Columbia, Canada Director Age: 68	President of CKB Mining Inc.; Executive Chairman and director of Aurico Gold Inc. since July 2012; Chairman and director of Aurico Gold Inc. from May 2010 to June 2012; Chairman and director of Capstone Mining Corporation from November 2008 to June 2011; Executive Chairman and director of Creston Moly Corp. from October 2008 to September 2011; Vice Chairman, Chief Executive Officer and director of Skye Resources Inc. from March 2009 to August 2009; President and Chief Executive Officer of HudBay Minerals Inc. March 2009; Executive Chairman and director of PBC Coals Inc. from August 2007 to October 2008; director of a number of publicly traded companies.	October 31, 2006	40,000 common shares
Donald K. Charter (2) (4) Ontario, Canada Director Age: 56	President & CEO, and director of Corsa Coal Corp. since August 2010; since January 2006, he has been the President of 3Cs Corporation, his private consulting and investment company, and a corporate director.	October 31, 2006	21,424 common shares
John H. Craig (3) Ontario, Canada Director Age: 65	Lawyer, partner of Cassels Brock & Blackwell LLP; director of a number of publicly traded companies.	June 11, 2003	213,849 common shares

Name, province, country of residence, current position(s) and age held in the Corporation	Principal occupations for last five years	Served as director since	Number of voting securities beneficially owned, or controlled or directed, directly or indirectly[1]
Brian D. Edgar [3] [5] British Columbia, Canada Director Age: 63	Chairman of Silver Bull Resources, Inc.; director of Rand Edgar Investment Corp. Since October 1992; director of a number of publicly traded companies.	September 9, 1994	130,000 common shares
Dale C. Peniuk [2] [3] [4] British Columbia, Canada Director Age: 53	Chartered Accountant and corporate director; formerly an Assurance partner with KPMG LLP, Chartered Accountants; director of a number of publicly traded companies.	October 31, 2006	17,600 common shares[7]
William A. Rand [2] [4] British Columbia, Canada Director Age: 70	President and Director of Rand Edgar Investment Corp. since October 1992; director of a number of publicly traded companies.	September 9, 1994	223,424 common shares

(1) The information as to common shares beneficially owned has been provided by the directors themselves.
(2) Members of the Audit Committee. Mr. Peniuk is the Chair.
(3) Members of the Corporate Governance and Nominating Committee. Mr. Edgar is the Chair.
(4) Members of the Human Resources/Compensation Committee. Mr. Charter is the Chair.
(5) Members of the Health, Safety, Environment and Community Committee. Mr. Benner is the Chair.
(6) Includes 80,850 common shares registered in the name of Mr. Conibear's spouse.
(7) Includes 15,000 common shares registered in the name of Mr. Peniuk's spouse and 100 common shares registered in the name of Mr. Peniuk's child.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

Except as noted below, no proposed director is, as of the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, "order") that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Messrs. Rand and Edgar were directors of New West Energy Services Inc. (NEW-TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.

Except as noted below, no proposed director is, as of the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Benner was a director of Tahera Diamond Corporation (TAH-TSX) ("Tahera") which, on January 16, 2008, was granted creditor protection by the Ontario Superior Court of Justice under the Companies' Creditor Arrangement Act ("CCAA"). Mr. Benner resigned as a director of Tahera on September 29, 2008. Pursuant to a number of extensions, Tahera remained under CCAA protection and was sold to a third party.

INDIVIDUAL BANKRUPTCIES

No proposed director of the Corporation has, within the 10 years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

PENALITIES OR SANCTIONS

No proposed director of the Corporation has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for the proposed director.

APPOINTMENT AND REMUNERATION OF AUDITORS

The auditors for the Corporation will be appointed at this Meeting. The directors of the Corporation recommend the re-appointment of PricewaterhouseCoopers LLP ("PwC"), Chartered Accountants, located in Toronto, Ontario, as auditors of the Corporation to hold office until the termination of the next annual meeting of the shareholders of the Corporation. PwC was first appointed as the auditors of the Corporation on October 19, 2006. It is also proposed that the remuneration to be paid to the auditors be determined by the directors of the Corporation.

The disclosure required by Form 52-110F1 of National Instrument 52-110, Audit Committees, including the text of the Audit Committee's charter and the fees paid to the Corporation's external auditor, can be found in the Corporation's Annual Information Form dated March 28, 2013 as filed on SEDAR at www.sedar.com.

CONFIRMATION OF AMENDMENT TO BY-LAW NO.1

On February 21, 2013, the Board approved certain amendments to By-Law No. 1 of the Corporation's by-laws (the "By-Law Amendments") to require advance notice to the Corporation in circumstances where nominations of persons for election to the Board are made by the shareholders of the Corporation other than pursuant to: (a) a requisition of a meeting made pursuant to the provisions of the *Canada Business Corporations Act* (the "Act"), or (b) a shareholder proposal made pursuant to the provisions of the Act.

Among other things, the By-Law Amendments fixes a deadline by which holders of record of common shares of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Corporation. In the case of an annual meeting of shareholders, notice to the Corporation must be provided not less than 30 days nor more than 65 days prior to the date of the annual meeting.

In the case of a special meeting of shareholders (which is not also an annual meeting), notice to the Corporation must be provided no later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

The Board believes that the By-Law Amendments are consistent with shareholder rights and democracy and of benefit to shareholders for the following reasons:

- They do not prevent shareholders from making director nominations.
- They ensure an orderly nomination process and that shareholders are informed in advance of a proxy contest and have the relevant information, in a timely way, to knowledgeably vote on contested director elections.
- They prevent "ambushes", that is, the possibility of a small group of shareholders taking advantage of a poorly attended meeting to nominate their slate of directors from the floor of a meeting and thus impose their slate on what could be a majority of shareholders who are unaware that this could happen (because without a provision in a company's articles or by-laws, there is no requirement to give prior notice of nominations from the floor).

The By-Law Amendments offer an important mechanism for ensuring that director elections are conducted in an orderly, fair and open manner, with proper and timely information being provided to shareholders so that they can make an informed vote, with benefits to both the Corporation and its shareholders.

Pursuant to the provisions of the Act, the By-Law Amendments will cease to be affective unless confirmed by a resolution passed by a simple majority of the votes cast by shareholders at the Meeting. The full text of the By-Law Amendments is set forth in Appendix B attached hereto.

Advance notice provisions are amendments to the corporate by-laws that require advance notice to be provided for shareholder proposals. Advance notice provisions are relatively commonplace in the United States, but have only recently become of interest for Canadian companies.

At the meeting, shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, a resolution in the form set out below (the "By-Law Resolution"), subject to such amendments, variations or additions as may be approved at the Meeting, confirming the By-Law Amendments.

The Board recommends that shareholders vote **FOR** the By-Law Resolution. To be effective, the By-Law Resolution must be approved by not less than a majority of the votes cast by the holders of common shares present in person, or represented by proxy, at the Meeting. **The nominees named in the accompanying form of proxy will vote the shares represented thereby FOR such resolution, unless the shareholder has given contrary instructions in such form of proxy.**

The text of the By-Law Resolution to be submitted to shareholders at the Meeting is set forth below:

"BE IT RESOLVED THAT:

1. the amendment to By-Law No. 1 of the Corporation, all as approved by the board of directors of the Corporation on February 21, 2013, is hereby confirmed without amendment;

2. any other director or officer of the Corporation be and is hereby authorized and directed to execute and deliver for and in name of and on behalf of the Corporation, whether under its corporate seal or not, all such certificates, instruments, agreements, documents and notices and to do all such other acts and things as in such person's opinion as may be necessary or desirable for the purpose of giving effect to this resolution."

STATEMENT OF EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

In the following pages we describe the Corporation's policies and practices with respect to the compensation of senior executives, the role and structure of the Human Resources/Compensation Committee ("HRCC") in this process, and the detailed disclosure of the remuneration of the Named Executive Officers ("NEOs"), namely the President and Chief Executive Officer ("CEO"), the Senior Vice President and Chief Financial Officer ("CFO") and the three other most highly compensated executives in the Corporation.

- **Paul Conibear** President and Chief Executive Officer
- **Marie Inkster** Senior Vice President and Chief Financial Officer
- **Paul McRae** Senior Vice President, Projects ("SVP Projects")
- **Neil O'Brien** Senior Vice President, Exploration & Business Development ("SVP Exploration and Business Development")
- **Julie Lee Harrs** Senior Vice President, Corporate Development ("SVP Corporate Development")

Overview of Compensation Philosophy

The Corporation's aim is to provide market competitive remuneration to attract, retain and motivate the Corporation's executives to achieve the Corporation's business objectives. In 2012, the Corporation's management team was again strengthened and the Corporation remains satisfied with its ability to attract and retain high calibre individuals capable of working within, and contributing to, the corporate growth strategy. The total reward package is designed to pay on the basis of corporate performance and an individual's personal effectiveness and contribution to corporate performance. An underlying principle of the remuneration package is that good performance will be recognized and poor performance will not be tolerated or rewarded. A key aspect of remuneration is to align the interests of executives with those of shareholders by tying compensation to corporate performance as well as individual performance.

The Corporation's approach strives to achieve total compensation that is market competitive and an appropriate balance of base salary, benefits and at-risk remuneration in the form of both short-term and long-term incentives. Base pay is broadly targeted at a median level of industry competitors; compensation data is used only as a guideline. In 2012, salaries were additionally benchmarked to a specific peer group of companies which included IAMGOLD, AuRico Gold, First Quantum Minerals Ltd., Hudbay Minerals Inc., Inmet Mining Corp., Pan American Silver Corp. and Sherritt International. STI was additionally benchmarked against a specific peer group of companies which included Inmet Mining Corp., Hudbay Minerals Inc., Boliden AB, Nyrstar NV and First Quantum Minerals Ltd. Peers were selected on the basis of being a multi-tier metals company, trading on the TSX and subject to the same metals sentiment/prices and capital markets interest as Lundin Mining.

The HRCC, with the input of the CEO and Vice President, Human Resources, determines short-term and long-term incentive awards for senior management based on corporate performance and the individual's personal effectiveness in meeting key strategic deliverables and selected management behaviours that are designed to enhance overall company performance, improve financial strength and grow the business. To align management's interests with those of shareholders, the short-term incentive plan "pays for performance" in the form of annual cash payments. These payments are based on individual targets through the setting of Key Performance Indicators ("KPIs"), which are a subset of the Corporation's targets, and provide above-median remuneration for individuals who demonstrate effectiveness in their roles and in achieving their objectives. Long-term incentive awards, in the form of stock option grants, are based on performance as well and give executives an opportunity to build ownership in the business and align their interests with those of shareholders. The long-term incentive plan represents a potentially significant portion of an executive's total remuneration and provides reward that is subject to the same external market conditions as the Corporation's shareholders.

2012 Approach and Opportunities for 2013

A benchmarking exercise of basic pay, short-term incentives ("STI") and long-term incentives ("LTI") was undertaken in 2012 with the assistance of Mercer (Canada) Limited ("Mercer"). The findings of the review indicated a general agreement that base salaries were in line with the benchmark, but that both STI and LTI required adjustment in some instances. Mercer's findings were ultimately presented to the HRCC and an action plan was initiated.

The HRCC agreed that 2012 was a transitionary period for the Corporation in that compensation-supporting systems and procedures were in the process of transition, and they exercised discretion in determining short-term and long-term award levels to ensure they were consistent with executive and corporate performance, while using the newly developing annual performance review structure as a base and guideline with respect to performance. The Corporation will undertake a further review of LTI vehicles in 2013 to ensure that it remains competitive in rewarding the key management personnel.

The basis for the 2012 Performance Effectiveness Review ("PER") and STI awards was a combination of a streamlined process and benchmarking by Mercer. The Corporation also used the Towers Watson "Global 50 Remuneration Planning Report" ("Global 50") in its benchmarking process. One of Mercer's recommendations was that Lundin Mining reduce the number of annual assessment criteria in favour of emphasizing key, high-level deliverables. Following Mercer's recommendation, it was decided to instead identify approximately 5 - 7 KPIs from each NEO's One Page Plan ("OPP") to form the basis for his or her 2012 PER and STI award.

2012 has seen the Corporation change direction to a more active, growth mode of exploration, asset expansion and acquisition. A number of key additions and changes were made to senior management in order to realize these ambitions. At the end of 2011, Julie Lee Harrs joined as SVP Corporate Development to fill the gap left when Paul Conibear assumed the role of CEO. Paul McRae also joined as SVP Projects. Michael Hulmes was hired as General Manager for the Neves-Corvo mine in Portugal ("Neves-Corvo"). Bengt Sundelin, hired as General Manager for the Zinkgruvan mine in Sweden ("Zinkgruvan") in September 2011, strengthened his operating team significantly in 2012, enabling the mine to achieve record results. Sue Boxall was also recruited as Vice President, Human Resources to bring expertise, focus and change.

Elements of Compensation

Total compensation of the Corporation's NEOs for the fiscal year ended December 31, 2012 was made up of the following components: base salary, short-term incentive (cash award), long-term incentive (stock option grants), retirement benefits and other executive benefits. The Corporation's reporting currency is United States dollars (reference herein of $ is to United States dollars, reference of C$ is to Canadian dollars and reference of £ is to UK Sterling).

These elements are now described in greater detail.

1. Base Salary

Base salaries for NEOs are set at a level that is required to attract and retain candidates with the necessary levels of expertise and experience while taking into account competitive rates for the relevant position and location. In 2012, the Corporation engaged Mercer to prepare an in-depth 'Executive and Senior Staff Remuneration Report', particularly focused on base pay, STI and LTI. The study took into consideration the multiple jurisdictions in which the senior management team of the Corporation operates and the breadth of the mining and resources sectors in which it competes for talent to form a comparison group.

The Mercer study confirmed the HRCC's belief that the salary paid to the CEO, CFO and each executive officer during the last fiscal year was consistent with the requirements of the position and the incumbent's experience. The HRCC further validated Mercer's views by hiring Hugessen Consulting ("Hugessen"), an external firm of consultants, to review the data. It was recognized and appreciated that the HRCC retained judgement in considering, among other things, the industry in which the Corporation operates, the competitive landscape for hiring executives within this industry, the public nature and the market capitalization of the Corporation, and the responsibilities of the executive officers.

For the most part, in January 2012, an increase in base salaries was granted to the executive and management groups. A more substantial change to base pay than standard inflation was made in the case of Ms. Inkster and Dr. O'Brien in order to better align these high-performing individuals with the market.

The base salaries of the Corporation's NEOs as at December 31, 2012, and adjustments thereto, are shown in the table below:

Name	Title	2012 Base Salary ($)(1)	Increase to base salary in Jan 2012
Paul Conibear	President and Chief Executive Officer (as of Jun 30, 2011)	$750,600	n/a
Marie Inkster	Senior Vice President and Chief Financial Officer	$396,317	10.0%
Paul McRae	Senior Vice President, Projects	$496,992	n/a
Neil O'Brien	Senior Vice President, Exploration and Business Development	$367,494	8.0%
Julie Lee Harrs	Senior Vice President, Corporate Development	$350,280	n/a

(1) NEOs were paid in C$, except Mr. McRae who was paid in £. Average 2012 exchange rates were used in this and the following tables (US$1.0008: C$1.00; US$1.5853:£1.00).

2. Short-Term Incentive Plan

The Corporation's approach to STI is based upon the belief that formula-driven compensation can too often result in inappropriate results. Accordingly, the approach is based on the belief that the experienced judgment of the Board provides best results. In approaching executive compensation, the HRCC looks at performance based on the following concepts:

Financial Targets:

	Threshold	On Target	Stretch	Weighting
Stock Price (Performance vs Peer Group) (November VWAP)	-15%	Equal to average of Peer Group	+20%	40%
Operating Cash Flow ($millions) (factored for actual metal prices vs budget price deck)	-10%	Per Budget	+20%	40%

Safety Targets:

	Threshold	On Target	Stretch	Weighting
Fatalities	0	0	0	10%
Total Recordable Incident Frequency	< 2.2	1.8	< 1.2	10%

The Corporation's performance for 2012 was at Stretch.

The Corporation's Short-Term Incentive Plan ("STIP") delivers an "at risk" annual cash payment based on a targeted level of incentive for each position and an assessment of an individual's personal effectiveness. Potential award amounts are capped. The STIP payment is one of the outcomes of a holistic process that links business planning with an evaluation of the personal effectiveness of senior executives and managers. This process was reviewed and simplified in 2012.

After a review by Mercer, partway through 2012, the Corporation recalibrated its STI performance measures by identifying 5 – 7 KPIs of each NEO. These KPIs formed the basis of the 2012 PERs and replaced the former Job Results Description which contained a much longer list of initiatives and measurement items.

- OPPs are plans established for all executives, and, in aggregate, they encompass the overall goals and targets of the Corporation. OPPs contain linked strategic initiatives and intermediate targets covering operational matters, health, safety, environment and community, business growth and development, and the identification, development and attainment of better practices. They can be modified to reflect changing priorities and circumstances, if needed.

- PERs are a performance management tool that enables an individual's performance to be measured in a disciplined, fair and consistent manner. The following factors formed the basis of measuring each NEO's overall personal effectiveness in 2012 to determine an appropriate level for payment of their short-term incentive rewards:

- *Personal effectiveness* – This factor is measured by achievement of financial and budgetary results, and the assessment of performance against the objectives set out in the individual's OPP / KPIs (75% weighting).

- *Management behaviours* – This factor is measured by an evaluation of 6 key areas of competence chosen from among the following behaviours that are deemed to be of the greatest value and influence in driving superior performance in the organization and have a 25% weighting:
  - action orientation and drive for results
  - ability to deal with ambiguity and change
  - leadership ability
  - functional and technical skills
  - integrity and trust
  - interpersonal style

The refinements made to the OPP / PER process, and implemented in 2012, resulted in a more streamlined process to measure individual performance against KPIs.

2012 Performance

In 2012, the Board determined STIP payout levels by taking into account several significant performance achievements of the Corporation and the role each NEO played in these accomplishments. Specifically, as stated under "Financial Targets", the Corporation hit stretch target performance for its financial targets as well as safety targets. In addition, the achievements outlined below were recognized.

The Corporation had strong and steady performance throughout 2012. Neves-Corvo met its production goals for copper, and zinc production was a record 30,006 tonnes of metal in concentrate. Zinkgruvan finished the year with record production of zinc, lead and copper concentrate and continued to report high recovery performance in the process plant. Aguablanca's processing operations were restarted in August 2012, with full production achieved earlier than planned, resulting in higher-than-expected nickel and copper metal production. Furthermore, mining production from remnant ores of the Galmoy mine in Ireland exceeded expectations for the year. All of these factors contributed to a healthy balance sheet and a strong net cash position. 2012 was also a year of significant corporate activity, with a number of strategic evaluation exercises either completed or in progress into 2013.

Neves-Corvo's 2012 exploration program was very successful. At the Semblana copper-silver deposit, a new zone was discovered of high-grade copper sulphides, approximately 300 metres to the south of the initial resource block. Drilling around this discovery continued throughout 2012. Drilling of Monte Branco, an additional copper discovery located approximately 1.2 kilometres to the south of Semblana and just west of the tailings management facility, was also successful in discovering a new massive sulphide deposit.

In November 2012, Lundin Mining signed an Option Agreement with Southern Hemisphere Mining (ASX:SUH) to earn up to 75% interest in the Llahuin copper-gold-molybdenum project in Chile by investing $35 million in development over 6 years. The Corporation will continue to focus on Chile in 2013, developing additional copper-gold targets. Under an option agreement with a private Romanian company, the Corporation also funded a small exploration program at a Greenfield copper-gold porphyry prospect ("Rozalia"), located in an underexplored region of western Romania. The Touro copper project in northern Spain was identified and the size of the resource doubled.

Zinkgruvan's milling performance showed its best result in the 155-year history of this mine. 2011 production was exceeded by 11% for zinc, 15% for lead and 73% for copper, owing to higher ore grades and improved metallurgical recoveries. A pre-feasibility study was initiated in the fourth quarter of 2012 with the intention of replacing the existing surface crushing and screening circuit with fully autogenous grinding for copper and zinc ores. The new circuit is expected to lower operating costs, increase system reliability and increase throughput towards the achievement of processing 1.5 million tonnes per year combined zinc and copper ores.

The Tenke asset is performing according to plan and went through its first major expansion – an $800 million investment starting up ahead of schedule and on budget. Tenke is now an international-scale steady producer.

Financially, the Corporation had the best balance sheet since the first quarter of 2007 - $300 million in cash, and a renewed, lower cost bank facility and opportunities to raise more debt without share dilution due to our attractive production and cash flow profile.

Overall, the STIP payment is expressed as a percentage of base salary and is set out in the chart on page 12. STIP target levels are a guideline, and individual incentive award decisions are made taking full account of individual performance and behavioural factors (as described in detail above), corporate performance including extraordinary events in the year and the competitive environment in which the Corporation is operating. In 2012, these STIP awards ranged from 100% to 115% of that NEO's personal target. The HRCC judged that the personal contribution of the NEOs to 2012's overall corporate performance was both exceptional and material, and so it warranted STIP awards on this occasion that were commensurate with that level of exceptional performance.

Mr. Conibear continued to focus the Corporation on business optimization and improvement, embedding a renewed vision of growth within all levels of the organization. Mr. Conibear took significant steps to progress strategic expansion into new geographical regions while continuing to fortify the Corporation's existing assets through exploration at Neves-Corvo, and modernization at Zinkgruvan. Key decisions were made to advance corporate development, financing, exploration, human resources and environment, in support of the Corporation's growth mandate for 2012 and beyond. In 2012, Lundin Mining strongly outperformed most of its peer group. For the year, Lundin Mining's share price increased by 32%, while the S&P/TSX Global Base Metals Index decreased by 5%.

Ms. Inkster completed a variety of goals established in the areas of finance, treasury, tax, risk management, information technology and corporate development. Notably, Ms. Inkster improved financing flexibility by successfully executing an amendment to the terms of the Corporation's revolving credit facility (the "Facility"). The amendment increases the amount of the Facility to US$350 million from US$300, reduces the costs of borrowing and extends the term of the Facility to December 2015. Under the terms of the amended Facility, the Corporation gained the option to raise funds through the issue of high yield notes or convertible debt. This provides the Corporation with the flexibility to access significant levels of debt financing. Ms. Inkster was also fully responsible for human resources from December 2011 to July 2012 and successfully recruited Vice President, Human Resources, Sue Boxall, who started in August 2012.

Mr. McRae joined the Corporation early in the year. Since then, he has worked to improve the project delivery capability of Lundin Mining hiring experienced project managers and initiating improvements to project management execution. Mr. McRae oversaw the completion of studies examining the viability of major new infrastructure at Neves-Corvo to access Semblana and lower Lombador ore bodies as well as studies at Zinkgruvan to improve or replace the existing surface crushing and screening facilities with the objective of achieving lower operating cost, increased throughput and reduced noise levels. Mr. McRae is also overseeing the submission of the application to renew the Zinkgruvan operating permit. In the fourth quarter of 2012, he took over leadership of health and safety for the Corporation and immediately initiated important initiatives to improve safety performance. Also in the fourth quarter, Mr. McRae was nominated to the board of Southern Hemisphere Mining, Lundin Mining's partner in the Llahuin copper project in Chile.

Dr. O'Brien directed his exploration and new business development teams towards a focused and productive year in 2012. Exploration successfully diversified with new copper-gold growth projects in two new desirable regions: South America (Chile) and Eastern Europe (Romania). Investments in four new early-stage projects were made. Through an intensive resource evaluation program at the Touro project in northern Spain, Dr. O'Brien's team also provided highest quality resource data in context with an innovative geological model, in addition to determining resource expansion potential, on time and on budget, allowing for a confident no-go option decision. Dr. O'Brien was also ultimately responsible for overseeing another very successful near-mine resource exploration program at Neves-Corvo, which saw the initial outline of a polymetallic resource at Semblana and a new copper discovery at Monte Branco.

Since joining Lundin Mining in November 2011, Ms. Lee Harrs has led the corporate development team in identifying and evaluating various strategic initiatives, including the announced acquisition of OM Group, Inc.'s Kokkola cobalt refinery in Finland and she provided acquisition support for the growth projects identified by Dr. O'Brien's exploration team. Ms. Lee Harrs manages the Corporation's relationship with Freeport-McMoRan Copper & Gold Inc. in connection with the companies' shared interests in Tenke and Kokkola. As well, since July 1, 2012, Ms. Lee Harrs has executive responsibility for the Corporation's Galmoy mine in Ireland, including oversight responsibility for the completion of mining activities which occurred in October 2012 and various activities relating to the ongoing closure plan.

The key strategic initiatives included operational improvement, health and safety performance, process standardization and improvement, financial management, investor relations, increases in resources and reserves, and business growth and development initiatives. These, along with the key budgetary deliverables, were designed to enhance overall performance, improve financial strength and grow the business of the Corporation.

The following table records the STIP target for each NEO in 2012 as a percentage of base salary as well as their awards for that performance year:

Name	**2012 Target STIP as a Percentage of Base Salary**	**2012 STIP paid ($)[1]**	**2012 STIP Paid as a Percentage of Base Salary or as a Fixed Amount**
Paul Conibear	120%	$891,180	120%
Marie Inkster	65%	$293,109	75%
Paul McRae	50%	$242,680	50%
Neil O'Brien	65%	$259,975	72%
Julie Lee Harrs	50%	$190,614	55%

(1) Reflects average exchange rate of month in which STIP was paid.

3. Long-Term Incentive Plan

The Corporation provides long-term incentives primarily through grants of stock options made pursuant to the Incentive Stock Option Plan ("ISOP"). Stock options are awarded on assessment of corporate and personal performance. The Corporation chose to grant stock options as its long-term awards because they give executives an opportunity to build ownership in the business and align their interests with those of shareholders. The recipients of these awards achieve an increase in value only to the extent the Corporation's shareholders benefit from the increase in the Corporation's stock price. Stock option grants vest over three years from the date of grant and have a five-year term. The recipients of these awards can achieve an increase in value to the extent that the Corporation's shareholders benefit from the increase in the Lundin Mining stock price.

Past stock option grants were considered in granting the 2012 awards and will be considered in awarding future grants. The same performance criteria which were reviewed in granting STIP awards were also considered in determining the size of the LTIP grants. The Corporation has engaged Mercer to complete a comprehensive review of its LTI program in 2013.

2012 Option Grants

The following incentive stock options were granted during the most recently completed financial year to each NEO:

Name of Executive Officers	Securities Under Options Granted (#)	% of Total Options Granted to All Employees in the Financial Year[1]	Exercise or Base Price ($C/Security)	Market Value of Securities Underlying Options on the Date of Grant ($C/Security)	Date of Grant	Expiration Date
Paul Conibear	250,000	5.8%	$5.01	$5.01	Dec 10, 2012	Dec 9, 2017
Marie Inkster	225,000	5.2%	$5.01	$5.01	Dec 10, 2012	Dec 9, 2017
Paul McRae	150,000	3.5%	$5.01	$5.01	Dec 10, 2012	Dec 9, 2017
Neil O'Brien	165,000	3.8%	$5.01	$5.01	Dec 10, 2012	Dec 9, 2017
Julie Lee Harrs	150,000	3.5%	$5.01	$5.01	Dec 10, 2012	Dec 9, 2017

(1) A total of 4,303,000 stock options were granted during the calendar year.

Phantom Share Appreciation Rights

In 2011, Mr. Conibear was granted a long-term incentive award in the form of phantom share appreciation rights ("PSAR") on 500,000 shares of Lundin Mining stock. The grant was made in connection with his employment agreement as President and Chief Executive Officer to increase the alignment of his interests with those of shareholders. Under the award, Mr. Conibear will receive cash equal to the increase, if any, in the value of the Corporation's stock during the 18-month period following the date the employment agreement was signed. Future annual PSAR grants will have a 12-month term and will be based on 250,000 shares of the Corporation's common stock.

4. Retirement Benefits

In the year ended December 31, 2012, the Corporation provided retirement or pension benefits for executive officers in a manner which was appropriate to the country of employment and are generally offered to all employees in those countries. These amounts are included in the Summary Compensation Table on page 17.

A retirement savings plan is in place in Canada, to which the Corporation contributes 6% of base salary up to a maximum of C$22,970 per annum (or $22,988). Four of the NEOs, Mr. Conibear, Dr. O'Brien, Ms. Inkster and Ms. Harrs, were included in that plan.

5. Other Executive Benefits

Mr. McRae, who has been expatriated to the United Kingdom from Canada, is paid an allowance of 6% of his base salary in cash because of his inability to participate in the contributory retirement savings scheme offered in the United Kingdom. He was also paid an education allowance of $23,780 (£15,000) and a housing allowance of $58,322 (£36,789).

Other benefits do not form a significant part of the remuneration package of the NEOs. In most cases, health care and life insurance benefits are provided in a manner which are appropriate to the country of employment and are generally offered to all employees in those countries.

Compensation Risk Management

As part of its annual compensation review, the HRCC evaluated the potential risks related to the Corporation's compensation policies and practices. The HRCC considered the following policies and practices it uses to mitigate compensation risk. The annual incentive program awards are capped and the amount of any cash incentive bonus received by an employee is subject to the discretion of the CEO, the HRCC and the Board. Stock option grants vest over three years from the date of grant and have a five-year term. The recipients of these stock option awards can achieve an increase in value to the extent the Corporation's shareholders benefit from the increase in the Lundin Mining stock price.

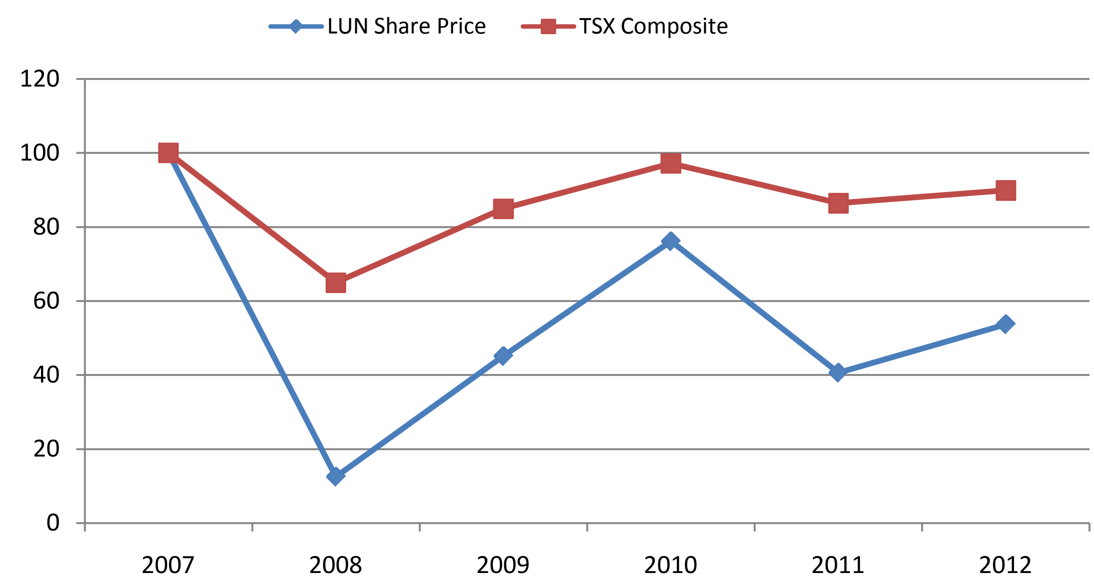
The HRCC determined that there are no risks arising from the Corporation's compensation policies and practices that are likely to have a material adverse effect on the Corporation.

Hedging

The Corporation has a policy prohibiting any NEO or director from purchasing financial instruments designed to hedge against a decrease in the market value of equity securities granted as compensation or held directly or indirectly by the NEO or the director.

PERFORMANCE GRAPH

The following graph compares the yearly percentage change in the cumulative total shareholder return on the Toronto Stock Exchange ("TSX") for C$100 invested in common shares of the Corporation on December 31, 2007 against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years of the Corporation.



	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12
LUN Share Price	100	12	45	76	41	54
TSX Composite	100	65	85	97	86	90

Following the trend in the Corporation's stock price performance as noted in the graph, average total NEO compensation decreased following a decrease in stock price from 2007 to 2008 and increased along with an increase in stock price from 2009 to 2010. This demonstrates significant correlation between company stock price performance and average total NEO pay levels over this five year period. Certain increases and awards were made to NEO compensation in 2011 to acknowledge exceptional performance during a year of significant corporate challenges. Key hiring and restructuring initiatives were completed in late 2011 and 2012, including the replacement of the General Managers at Neves-Corvo and Zinkgruvan, hiring a new Vice President, Human Resources, creating the strategic role of SVP Projects, and hiring an SVP Corporate Development to fill the gap created when Paul Conibear became CEO. We believe these decisions contributed to a strong performance, reflected in Lundin Mining's strong share price performance in 2012.

COMPENSATION GOVERNANCE

Policies and Practices

Towards the end of each fiscal year, or as appropriate, the HRCC reviews the performance of the officers and certain senior executives of the Corporation. The HRCC considers a variety of factors when determining compensation policies and individual compensation levels. These factors include the long-term interests of the Corporation and its shareholders, the performance of the Corporation, each officer's and senior executive's personal effectiveness in his or her role, each officer's or senior executive's contractual terms, and external market conditions and movements.

Human Resources/Compensation Committee

The HRCC currently consists of three directors, Mr. Donald K. Charter (chair), Mr. Dale C. Peniuk and Mr. William A. Rand, all of whom are independent directors. The HRCC met seven times in 2012.

All of the members of the HRCC have the skills and experience required by the Board and the HRCC mandate to carry out the responsibilities of the HRCC.

Mr. Charter is currently the President and Chief Executive Officer of a publicly traded producing coal mining company. Mr. Charter is a member or former member of the compensation committees of several Canadian publicly traded companies including IAMGOLD Corporation, Great Plains Exploration Inc., Hudbay Minerals Inc. and Baffinland Iron Mines Corporation. He was also Chief Executive Officer of Dundee Securities and, as such, was directly involved with the compensation matters for more than one thousand employees. As a member of these committees and his executive positions, Mr. Charter has developed the requisite experience in reviewing and approving compensation programs, policies and guidelines in the mining industry for the Chief Executive Officer level, other executive officers and senior management, to ensure that such compensation programs are relevant to the goals of the Corporation.

Mr. Peniuk is a member or former member of the compensation committees of several Canadian publicly traded companies involved in the mining industry. As a member of these committees, Mr. Peniuk has developed the requisite experience in reviewing and approving compensation programs, policies and guidelines in the mining industry for the Chief Executive Officer level, other executive officers and senior management, to ensure that such compensation programs are relevant to the goals of the Corporation. He has read extensively on the subject of executive compensation and worked with human resource specialists to develop such programs, policies and guidelines. Mr. Peniuk has also participated in various training and information sessions from Equilar, a US-based executive compensation group.

Mr. Rand is a member of the compensation committees of several Canadian and Swedish publicly traded companies including Denison Mines Corp., Lundin Petroleum AB, New West Energy Services Inc. and NGEx Resources Inc. As a member of these committees, Mr. Rand has the requisite experience in reviewing and approving compensation programs, policies and guidelines in the mining industry for the Chief Executive Officer level, other executive officers and senior management, to ensure that such compensation programs are relevant to the goals of the Corporation. He has read extensively on the subject of executive compensation and worked with human resource specialists to develop such programs, policies and guidelines.

Responsibilities, Powers and Operation of the HRCC

The HRCC is responsible for recommending to the Board the annual salary, bonus and other benefits, direct and indirect, of the CEO, approving the compensation of the Corporation's other executive officers after considering the recommendations of the CEO, approving other human resources and compensation policies and guidelines and ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre. The HRCC is also responsible for recommending the adequacy and form of director compensation to the Board.

In 2012, the Corporation engaged Mercer to prepare an in-depth 'Executive and Senior Staff Remuneration Report', particularly focused on base pay, STI and LTI against a group of similar mining companies. The study took into consideration the multiple jurisdictions in which the senior management team of the Corporation operates, and the breadth of the mining and resources sectors in which we compete for talent and formed a comparison group accordingly.

In summary, the study confirmed the HRCC's belief that the salary paid to the CEO, CFO and each executive officer during the last fiscal year was consistent with the requirements of the position and the incumbent's experience. The HRCC further validated their views by hiring an external firm of consultants to review the data. It was recognized and appreciated that the HRCC retained the option of judgement in considering, among other things, the industry in which the Corporation operates, the competitive landscape for hiring executives within this industry, the public nature and the market capitalization of the Corporation, and the responsibilities of each particular executive officer.

Please review the section in this Circular titled "Statement of Corporate Governance Practices" for further information about the duties and responsibilities of the HRCC.

Role of Management in Determining Compensation

The accountability for decisions on executive remuneration is within the mandate of the Board with recommendations from the HRCC. Management plays an important role in supporting the HRCC as required by the HRCC. The CEO and other senior members of his leadership team assist with the provision of both external data and analysis. They also provide, when required, the results of performance evaluations for the management team to assist the HRCC in their consideration of changes in the remuneration of individual executives.

The CEO is not a member of the HRCC. He provides input on the performance of senior executives and managers. Discussions affecting the CEO's remuneration package, either directly or indirectly are held in camera without management present.

Compensation Consultants

During 2012, the HRCC referred, as required, to independent market data from a number of service providers, including benchmarking provided in Mercer's comprehensive review. As a further check and balance, the Company consulted the 2011/12 Towers Watson "Global 50" report for salary and STI benchmarking. The "Global 50" provides remuneration data for 50 key positions in 57 countries worldwide, based upon extensive market research from a range of industries and sub-sectors. The HRCC also independently engaged Hugessen to confirm the findings.

Compensation Consultant Fees

Advisor	Type of Work	2012 Fees ($)	2011 Fees ($)
Mercer	Executive Compensation-Related Fees	133,000 (1)	Nil
	All Other Fees	Nil	Nil
Hugessen	Executive Compensation-Related Fees	7,200	Nil
	All Other Fees	Nil	Nil

(1) Full review of corporate performance measurement and short-term and long-term incentive systems with benchmarking and mine STI review, 2012 average exchange rates were used (see page 10).

SUMMARY COMPENSATION TABLE

This table provides information regarding compensation received in or in respect of the financial year ended December 31, 2012 by each of the Corporation's NEOs, who are: (i) the President and Chief Executive Officer, (ii) the Senior Vice President and Chief Financial Officer, (iii) each of the Corporation's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers during the fiscal year ended December 31, 2012 and whose total compensation exceeded C$150,000 and (iv) any additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer of the Corporation as at December 31, 2012.

Name and principal position	Year	Salary ($)	Share-based awards ($)[1]	Option-based awards ($)[2]	Non-equity incentive plan compensation ($)		Pension Value ($)	All other compensation ($)[4]	Total compensation ($)
					Annual incentive plans[3]	Long-term incentive plans			
Paul Conibear,[5]	**2012**	**$750,600**	**-**	**$500,841**	**$891,180**	**n/a**	**n/a**	**$32,940**	**$2,175,562**
President and Chief Executive	2011	$918,659	$545,573	-	$487,415	n/a	n/a	$31,952	$1,985,599
Officer (Jun 30 – Dec 31)	2010	$373,835	-	-	$291,300	n/a	n/a	$48,074	$713,209
Marie Inkster,[6]	**2012**	**$396,317**	**-**	**$450,757**	**$293,109**	**n/a**	**n/a**	**$31,711**	**$1,171,894**
Senior Vice President and Chief	2011	$364,092	-	$623,265	$197,382	n/a	n/a	$31,439	$1,216,178
Financial Officer	2010	$310,720	-	$105,873	$291,300	n/a	n/a	$40,715	$748,608
Paul McRae,	**2012**	**$496,992**	**-**	**$957,931**[7]	**$242,680**	**n/a**	**n/a**	**$112,255**	**$1,809,858**
Senior Vice President, Projects									
Neil O'Brien,	**2012**	**$367,494**	**-**	**$330,555**	**$259,975**	**n/a**	**n/a**	**$22,050**	**$980,074**
Senior Vice President,	2011	$343,865	-	$623,265	$197,382	n/a	n/a	$20,632	$1,185,144
Exploration & Business Development	2010	$297,126	-	-	$291,300	n/a	n/a	$30,061	$618,487
Julie Lee Harris,[8]	**2012**	**$350,280**	**-**	**$300,505**	**$190,614**	**n/a**	**n/a**	**$27,692**	**$896,091**
Senior Vice President, Corporate Development	2011	$53,777	-	$556,429	-	n/a	n/a	$1,556	$611,762

(1) This amount represents the fair value of 500,000 PSARs, on the date of grant, calculated using the Black Scholes model according to IFRS2 Share-based payment of IFRS since it is used consistently by comparable companies. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield. Fair values were calculated in C$ and translated into US$.

(2) This amount represents the fair value, on the date of grant, of awards made under the Corporation's stock option plan. The grant date fair value has been calculated using the Black-Scholes model according to IFRS2 Share-based payment of IFRS since it is used consistently by comparable companies. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield. Option fair values were calculated in C$ and translated into US$. Reference is made to the disclosure regarding the Corporation's stock option plan in Note 17 in the consolidated audited financial statements for the year ended December 31, 2012 available on the SEDAR website at www.sedar.com.

(3) Represents incentive awards in respect of the corresponding year's performance but are paid the following year.

(4) Amounts in this column typically consist of, but are not limited to, benefits such as retirement savings benefits. There are no defined-benefit or actuarial plans in place. As an expat, Mr. McRae also received education and housing allowances in 2012.

(5) Paul Conibear was Senior Vice President, Corporate Development, from October 2009 to June 2011. On June 30, 2011, Mr. Conibear was appointed to the position of President and Chief Executive Officer on an interim basis and was permanently appointed on October 31, 2011.

(6) Ms. Inkster joined the Corporation as Vice President, Finance in September 2008 and was appointed to Chief Financial Officer of the Corporation on May 1, 2009. On June 30, 2011, Ms. Inkster was appointed to Senior Vice President and Chief Financial Officer.

(7) A stock option grant was made to Mr. McRae in late 2011 related to his new employment with the Corporation starting on January 1, 2012 and has been included in the 2012 total.

(8) Ms. Lee Harrs joined the Corporation on November 6, 2011.

Included in the compensation table above is Mr. Conibear's PSAR award. The initial grant of PSARs to Mr. Conibear on 500,000 common shares of Lundin Mining stock were made when he entered into his employment agreement as President and Chief Executive Officer effective October 31, 2011 and had an 18-month term. Future annual PSAR grants will have a 12-month term and will be on 250,000 shares of the Corporation's stock. At the end of the PSAR term, Mr. Conibear will receive cash equal to the increase, if any, in the value of the common shares of the Corporation from the date of grant to the maturity date. The value of the award will be equal to the positive difference between the closing price of the Corporation's common shares on the TSX on each PSAR maturity date minus the closing price on the related PSAR pricing date. If Mr. Conibear resigns, or his employment is terminated for just cause before the payout of any grant, the grant will lapse immediately. If his employment is terminated by the Corporation without just cause before the payout of any grant, the grant will be valued and paid out as of the employment termination date.

INCENTIVE PLAN AWARDS

OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table provides information regarding the equity incentive plan awards for each NEO outstanding as of December 31, 2012:

Name	Option-based Awards					Share-based Awards		
	Grant date	Number of securities underlying unexercised options (#)	Option exercise price (C$)	Option expiration date	Value of unexercised in-the-money options (C$)(1)	Number of shares or units of shares that have not vested (#)	Market payout value of share-based awards that have not vested (C$)	Market payout value of share-based awards not paid out or distributed (C$)
Paul Conibear	Sept 4/08 Oct 31/11 Dec 10/12	90,000 n/a 250,000	\$4.42 n/a \$5.01	Dec 31/13 n/a Dec 9/17	\$63,000 n/a \$27,500(2)	500,000(6)	- \$605,000 -	-
Marie Inkster	Sept 17/10 Dec 12/11 Dec 10/12	50,000 300,000 225,000	\$4.47 \$3.89 \$5.01	Sept 16/13 Dec 11/16 Dec 9/17	\$32,500 \$369,000(3) \$24,750(2)	-	-	-
Paul McRae	Oct 31/11 Dec 10/12	300,000 150,000	\$3.91 \$5.01	Jan 2/17 Dec 9/17	\$363,000(4) \$16,500(2)	-	-	-
Neil O'Brien	Sept 4/08 Dec 12/11 Dec 10/12	55,556 300,000 165,000	\$4.42 \$3.89 \$5.01	Dec 31/13 Dec 11/16 Dec 9/17	\$38,889 \$369,000(3) \$18,150(2)	-	-	-
Julie Lee Harrs	Nov 7/11 Dec 10/12	250,000 150,000	\$3.99 \$5.01	Nov 6/16 Dec 9/17	\$282,500(5) \$16,500(2)	-	-	-

(1) Based on closing pricing on December 31, 2012 of C$5.12.
(2) These options were unvested at December 31, 2012. They will vest in thirds, 1, 2 and 3 years from date of grant.
(3) This value represents 100,000 vested options and 200,000 unvested options. 100,000 options vest on Dec 10, 2013 and the remaining 100,000 options vest on Dec 10, 2014.
(4) This value represents 100,000 vested options and 200,000 unvested options. 100,000 options vest on January 3, 2014 and the remaining 100,000 options vest on January 3, 2015.
(5) This value represents 83,000 vested options and 166,667 unvested options. 83,333 vest on Nov 7, 2013 and 83,334 vest on Nov 7, 2014.
(6) Phantom Share Appreciation Rights.

INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED IN 2012

The following table provides information regarding the value on vesting of incentive plan awards for the financial year ended December 31, 2012, plus a summary of cash awards made under the STIP for 2012 performance.

Incentive Plan Awards Vested or Earned in 2012

Name	Option-based awards – value vested during the year (\$)(1)	Share-based awards – value vested during year (\$)	Non-equity incentive plan compensation – value earned during year (\$)(2)
Paul Conibear	-(3)	-	\$891,180
Marie Inkster	\$129,984(4)	-	\$293,109
Paul McRae	-	-	\$242,680
Neil O'Brien	\$129,984(4)(5)	-	\$259,975
Julie Lee Harrs	\$109,592(6)	-	\$190,614

(1) Represents the aggregate dollar value that would have been realized if the options had been exercised on the vesting date, based on the difference between the closing price of the common shares of Corporation as traded on the TSX on the vesting date and the exercise price of the options.
(2) This column represents only the cash STIP payments referred to earlier in the report.
(3) 60,000 options which were issued at C$4.42 vested during 2012. The TSX closing price of the Corporation's shares on the vesting date was C$4.05.
(4) 100,000 options which were issued at C$3.89 vested during 2012. The TSX closing price of the Corporation's shares on the vesting date was C$5.17.
(5) 55,555 options which were issued at C$4.42 vested during 2012. The TSX closing price of the Corporation's shares on the vesting date was C$4.05.
(6) 83,333 options which were issued at C$3.99 vested during 2012. The TSX closing price of the Corporation's shares on the vesting date was C$5.30.

PENSION PLAN BENEFITS

The Corporation does not have any defined benefit or actuarial plans for the NEOs.

TERMINATION AND CHANGE OF CONTROL BENEFITS

INTRODUCTION

Each of the Corporation's NEOs as of December 31, 2012 is a party to an indefinite term employment agreement with the Corporation that sets forth certain instances where payments and other obligations arise on the termination of their employment or in the situation of a change of control of the Corporation.

TERMINATION WITHOUT CAUSE

The employment agreements for each of Mr. Conibear, Ms. Inkster, Ms. Lee Harrs, Mr. McRae and Dr. O'Brien contain specific terms and conditions describing the Corporation's obligations if any of these NEOs had their employment terminated without cause. If those agreements are terminated by Lundin Mining without cause, or if the agreement is terminated by certain of these executive officers for good reason then payment of salary and, in some cases, short-term incentives, long-term incentives and benefits will be due for the appropriate notice period as provided in their respective contracts.

Following the termination of Mr. Conibear's employment by the Corporation without cause, the Corporation will be required to pay this NEO on termination 24 months' base salary, plus two times the average of the bonus received in the previous two years. Mr. Conibear will also be entitled to be paid the longterm incentive for the year in which the termination occurs with the PSAR valuation determined on the termination date as the increase, if any, of the value of those shares on the termination date compared to the pricing date. The NEO shall also continue to participate in the Corporation's health and medical benefits for 24 months following the termination date.

Following the termination of Ms. Inkster's employment by the Corporation without cause, the Corporation will be required to pay this NEO at termination 12 months' base salary. In the case of a termination of her employment in the event of redundancy, the Corporation will also provide 12 months' bonus calculated as the average over the last two performance years and 12 months' benefits.

Following the termination of Mr. McRae's employment by the Corporation without cause, Mr. McRae will receive an amount equal to the Salary that would have been payable to him had his employment with the Corporation continued for a period of 12 months after the termination date in full satisfaction of any notice periods, severance or other payments to which he may be entitled to under statute or otherwise in respect of the termination of his employment with the Corporation. Salary is defined as base salary, plus pro-rated bonus averaged over the last two performance years, and pro-rated benefits.

Following the termination of Dr. O'Brien's employment by the Corporation without cause, the Corporation will be required to pay this NEO at termination 24 months' base salary, plus two times the average of the cash bonuses paid to him for the two completed fiscal years preceding the year in which the termination occurred. This NEO shall also be entitled to have his benefits maintained for 24 months following the termination date. Any stock options that would have vested during the 24-month period following the termination date shall vest and remain open for exercise until the earlier of their ordinary expiration date and 24 months following the termination date.

Following the termination of Ms. Lee Harrs' employment by the Corporation without cause, Ms. Lee Harrs will receive an amount equal to the Salary that would have been payable to her had her employment with the Corporation continued for a period of 12 months after the termination date in full satisfaction of any notice periods, severance or other payments to which she may be entitled to under statute or otherwise in respect of the termination of his employment with the Corporation. Salary is defined as base salary, plus pro-rated bonus averaged over the last two performance years, and pro-rated benefits.

For certain of the NEOs, the Corporation may elect to terminate their employment for disability in which case additional payments may be required.

Other than as set forth above, the Corporation has no compensatory plan, contract or arrangement where an NEO is entitled to receive compensation in the event of resignation, retirement or other termination of the NEO's employment with the Corporation.

The following table provides details regarding the estimated incremental payments from the Corporation to the NEOs assuming termination of employment without cause on December 31, 2012.

Name	Base Salary ($)(1)	STIP ($)(2)	Value of Benefits ($)(3)	Equity ($)(4)	Total ($)
Paul Conibear	$1,501,200	$1,378,595	$83,527	$650,300(5)	$3,613,622
Marie Inkster	$396,317	$245,246	$40,202	$156,293	$838,058
Paul McRae	$496,992	$242,680	$54,819	-(6)	$794,491
Neil O'Brien	$734,988	$457,357	$74,524	$428,212	$1,695,081
Julie Lee Harrs	$350,280	$190,614	$31,979	$94,647	$667,520

(1) Based on 12-24 months' salary, as set out in the individual employment contracts, using average 2012 exchange rates (see page 10).
(2) Based on 1-2 times the average STIP paid over the 2 preceding fiscal years, as set out in the individual employment contracts.
(3) Assumes benefits paid at the average 2012 exchange rates for the duration of the severance period.
(4) For all NEOs, except Dr. O'Brien as noted above, values represent the gain on all vested options, assuming a TSX closing price on Dec 31, 2012 of C$5.12. Based on the closing exchange rate of US$1.0051:C$1.00 on Dec 31, 2012.
(5) Value includes Mr. Conibear's Phantom Share Appreciation Rights as outlined on page 19.
(6) Mr. McRae's options were not vested at Dec 31, 2012.

CHANGE OF CONTROL

In the majority of the employment agreements of the NEOs and in the case of change of control of the Corporation, certain of the NEOs have a commitment that they may not terminate their employment until the expiry of a 6 month period following the change of control, except in the case of a reduction in the NEO's compensation (other than any year-over-year change in their awards under incentive compensation plans) or a material change in the NEO's place of employment. During the period 6 to 12 months following a change of control, the NEO may terminate his or her employment with the Corporation, in which case the termination payments below would apply.

Within 12 months of a change of control of the Corporation, if Mr. Conibear is terminated without cause or if a triggering event occurs, such as a significant diminution of this NEO's duties or responsibilities, and the NEO elects to terminate his employment, this NEO will be entitled to receive the termination provisions of his employment agreement for termination without cause as set out above.

Within 6 to 12 months following a change of control of the Corporation, and upon the occurrence of an event of good reason, such as a material reduction in their duties or functions, which occurred during the 6 month period that followed the change of control of the Corporation, Dr. O'Brien may terminate his employment with the Corporation and will be entitled to receive the termination provision of his employment agreement for termination without cause as set out above.

After the expiration of the 6-month period following a change of control of the Corporation, Ms. Inkster may terminate her employment with the Corporation and will be entitled to a termination payment of 12 months' base salary. If this election is not made within 12 months of the date of the change of control then this right will lapse.

After the expiration of the 6-month period following a change of control of the Corporation, Ms. Lee Harrs may be eligible to terminate her employment with the Corporation and be entitled to a termination payment of 12 months' salary. Salary is defined as base salary, plus pro-rated bonus averaged over the last two performance years, and pro-rated benefits. If this election is not made within 12 months of the date of the change of control then this right will lapse.

The following table provides details regarding the estimated incremental payments from the Corporation to the NEOs assuming change of control on December 31, 2012.

Name	Severance: Base Salary ($)(1)	Severance: STIP ($)(2)	Severance: Value of Benefits ($)(3)	Equity ($)(4)	Total ($)
Paul Conibear	$1,501,200	$1,378,595	$83,527	$699,047(5)	$3,662,369
Marie Inkster	$396,317	-	-	$428,424	$824,741
Paul McRae	-	-	-	$381,435	$381,435
Neil O'Brien	$734,988	$457,357	$74,524	$428,212	$1,695,081
Julie Lee Harrs	$350,280	$190,614	$31,979	$300,525	$873,398

(1) Based on 12-24 months' salary, as set out in the individual employment contract, using average 2012 exchange rates (see page 10).
(2) Based on 1-2 times the average STIP paid over the 2 preceding fiscal years, as set out in the individual employment contracts.
(3) Assumes benefits paid at the 2012 exchange rates for the duration of the severance period.
(4) In accordance with the Corporation's Stock Option Plan, all options vest and become exercisable following a change of control. Values represent the gain on all vested and unvested options, assuming a TSX closing price on Dec 31, 2012 of C$5.12. Based on the closing exchange rate of US$1.0051:C$1.00 on Dec 31, 2012.
(5) Value includes Mr. Conibear's Phantom Share Appreciation Rights as outlined on page 19.

DIRECTOR COMPENSATION

DIRECTOR COMPENSATION TABLE

The following table provides information regarding compensation paid to the Corporation's non-executive directors during the financial year ended December 31, 2012:

Name	Fees earned ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other Compensation ($)	Total ($)
Lukas H. Lundin	$200,160	-	-	n/a	-	-	$200,160
Colin K. Benner	$100,080	-	-	n/a	-	-	$100,080
Donald K. Charter	$125,100	-	-	n/a	-	-	$125,100
John H. Craig	$95,076	-	-	n/a	-	-	$95,076
Brian D. Edgar	$105,084	-	-	n/a	-	-	$105,084
Dale C. Peniuk	$130,104	-	-	n/a	-	-	$130,104
William A. Rand	$140,112	-	-	n/a	-	-	$140,112

The CEO, Mr. Conibear, who also acts as a director of the Corporation, does not receive any compensation for services as a director.

For the year ended December 31, 2012, the chairman of the Board received annual remuneration in the amount of C$200,000. Each non-executive director received annual base remuneration of C$90,000. The chair of the Audit Committee received annual remuneration of C$25,000 and each committee member received annual remuneration of C$15,000. The chair of the HRCC received annual remuneration of C$20,000 and each committee member received annual remuneration of C$10,000. The chair of each of the other Board committees received annual remuneration of C$10,000 and each committee member received annual remuneration of C$5,000. The lead director received annual remuneration of C$25,000. All of these amounts were paid in monthly installments.

Non-executive directors do not receive any stock options or short-term incentives.

Namdo Management Services Ltd. ("Namdo"), a private corporation owned by Mr. Lukas H. Lundin, chairman and a director of the Corporation, was paid or accrued the amount of approximately $264,000 for services rendered during the fiscal year ended December 31, 2012, plus reimbursement of out-of-pocket expenses at cost. Namdo has approximately 15 employees and provides administrative, investor and public relations and, in some cases, financial services to a number of public companies. Mr. Lundin is paid compensation by Namdo. However, there is no basis for allocating the amounts paid by Namdo to Mr. Lundin as he is not receiving such compensation primarily in respect of his personal services provided to the Corporation.

During the most recently completed financial year, an amount of approximately $565,000 was paid or accrued to the law firm of Cassels Brock & Blackwell LLP, of which Mr. John H. Craig, a director of the Corporation, is a partner, for legal services rendered to the Corporation.

No other director was compensated either directly or indirectly by the Corporation and its subsidiaries during the most recently completed financial year for services as consultants or experts.

DIRECTOR OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

No share-based or option-based awards were outstanding for directors at December 31, 2012.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Corporation, proposed nominees for directors, or associates or affiliates of said persons, have been indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The Corporation's ISOP, as described below, provides for the grant of non-transferable stock options to permit the purchase of the common shares of the Corporation by the participants of the ISOP.

Equity Compensation Plan Information as of December 31, 2012

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options (C$)	Number of securities remaining available for future issuance under the plan
Equity Compensation Plans approved by security holders	10,149,089	$4.48	10,850,911
Equity Compensation Plans not approved by security holders	-	-	-
Total	10,149,089	$4.48	10,850,911

The Corporation's Incentive Stock Option Plan

The ISOP is currently the only equity-based compensation arrangement pursuant to which securities may be issued from treasury of the Corporation. The major features of the ISOP are as follows:

The Board, or a committee appointed for such purposes, may, from time to time, grant to directors, officers, eligible employees of or consultants to, the Corporation or its subsidiaries, or to employees of management companies providing services to the Corporation (collectively, the "Eligible Personnel"), options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board or such committee.

The purpose of the ISOP is to advance the interests of the Corporation by providing Eligible Personnel with a financial incentive for the continued improvement of the Corporation's performance and encouragement to stay with the Corporation. The Corporation's current policy is to not grant directors of the Corporation stock options.

The Board has the authority under the ISOP to establish the option price at the time each share option is granted but, in any event, it shall not be lower than the market price of the common shares of the Corporation on the date of grant of the options. The market price shall be calculated as the closing market price on the TSX of the Corporation's common shares on the date of the grant, or, if the date of grant is not a trading day, the closing price of the Corporation's common shares on the last trading day prior to the date of grant.

The Board has the authority to set the periods within which options may be exercised and the number of options which may be exercised in any such period. This shall be determined by the Board at the time of granting the options provided, however, all options must be exercisable during a period not extending beyond ten years from the date of the option grant unless otherwise permitted by the TSX.

The Board has the authority to determine the vesting terms of the options at the date of the option grant and as indicated in any option commitment related thereto. Notwithstanding the foregoing, options granted to consultants providing investor relations services shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any 3 month period.

The aggregate number of common shares reserved for issuance for all purposes under the ISOP and all other share-based compensation arrangements is 21,000,000. In addition, the ISOP contains the following restrictions on the issuance of options:

- The aggregate number of common shares reserved for issuance pursuant to the ISOP or any other share based compensation arrangement (pre-existing or otherwise) to any one participant shall not exceed 5% of the Corporation's common shares outstanding from time to time, to any consultant within any one-year period shall not exceed 2% of the common shares of the Corporation outstanding at the time of the grant, to any employee conducting investor relations activities within any one-year period shall not exceed 2% of the common shares of the Corporation outstanding at the time of the grant, and to insiders shall not exceed 10% of the common shares of the Corporation outstanding at any time unless the Corporation obtains disinterested shareholder approval to do so.

- The aggregate number of common shares issued and options granted pursuant to the ISOP or any other share based compensation arrangement (pre-existing or otherwise) to insiders within any one-year period shall not exceed 10% of the common shares of the Corporation outstanding unless the Corporation has obtained disinterested shareholder approval to do so, and to any one insider and such insider's associates within any one-year period shall not exceed 5% of the common shares of the Corporation outstanding from time to time unless the Corporation has obtained disinterested shareholder approval to do so.

Any common shares subject to a share option which for any reason is cancelled or terminated without having been exercised will again be available for grant under the ISOP.

Options are not transferable other than by will or the laws of dissent and distribution. Typically, if an optionee ceases to be an Eligible Person for any reason whatsoever other than death, each option held by such optionee will cease to be exercisable 60 days following the termination date (being the date on which such optionee ceases to be an Eligible Personnel). If an optionee dies, the legal representative of the optionee may exercise the optionee's options within one year after the date of the optionee's death but only up to and including the original option expiry date.

The Board may from time to time, subject to applicable law and to the prior approval, if required, of the TSX or any other regulatory body having authority over the Corporation or the ISOP or, if required by the rules and policies of the TSX, the shareholders of the Corporation, suspend, terminate or discontinue the ISOP at any time, or amend or revise the terms of the ISOP or of any option granted under the ISOP and the option commitment relating thereto, provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any option previously granted to an optionee under the ISOP without the consent of that optionee.

It must be noted that current vesting provisions do not permit any immediate vesting of stock options upon the date of grant. The grants now stipulate that stock options will vest one third, one third and one third of the total number of stock options granted on the first, second and third anniversary dates of the grant of the stock options.

The Corporation provides no financial assistance to facilitate the purchase of common shares by Eligible Personnel who hold options granted under the ISOP.

As at December 31, 2012, there were 10,149,089 options outstanding exercisable for 10,149,089 common shares, representing approximately 1.7% of the Corporation's common shares currently outstanding. In addition, 10,850,911 options remain available for future issuances pursuant to the ISOP, representing approximately 1.9% of the Corporation's current outstanding common shares.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During 2012, the Corporation maintained liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of C$65,000,000 against liabilities incurred by such persons as directors and officers of the Corporation and its subsidiaries, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the Corporation. The annual premium paid in 2012 by the Corporation for this insurance in respect of the directors and officers as a group was C$259,938. No premium for this insurance was paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Corporation to any liability in addition to the payment of the required premium.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

INTRODUCTION

This statement of corporate governance practices is made with reference to National Instrument 58-101, *Disclosure of Corporate Governance Practices* and to National Policy 58-201, *Corporate Governance Guidelines* ("Governance Guidelines") which are initiatives of the Canadian Securities Administrators. In accordance with the Governance Guidelines, the Corporation has chosen to disclose its system of corporate governance in this Circular. The following text sets forth the steps taken by the Corporation in order to comply with the Governance Guidelines and its system of corporate governance currently in force.

BOARD OF DIRECTORS

The Board has considered the relationship and status of each director. As of the date hereof, the Board currently consists of 8 directors, a majority of whom are independent.

The independent directors are Colin K. Benner, Donald K. Charter, Brian D. Edgar, Dale C. Peniuk and William A. Rand. Each of these directors do not have any material business relationships with the Corporation and are therefore considered independent under the Governance Guidelines and otherwise independent under National Instrument 52-110, *Audit Committees* ("NI 52-110") for the purposes of sitting on the Corporation's Audit Committee. John H. Craig is also considered independent. While Mr. Craig's law firm provides legal services for the Corporation, the amount of the fees charged by Mr. Craig's law firm for such legal services are considered insignificant relative to the overall fee income of his law practice. Mr. Craig is, however, not eligible to be a member of the Audit Committee because he is a partner of a law firm that provides legal services to the Corporation and is therefore deemed not to be independent pursuant to NI 52-110.

The non-independent directors of the Board are Paul K. Conibear and Lukas H. Lundin. Mr. Conibear is not independent because of his current role as President and Chief Executive Officer of the Corporation. Mr. Lundin, chairman of the Board, is not considered independent due to his direct involvement with management of the Corporation.

The Board regularly sets aside a portion of each Board meeting to meet in camera without management and non-independent directors present. In addition, the mandates of the Board and the Corporate Governance and Nominating Committee require that procedures be implemented at such times as are desirable or necessary to enable the Board to function independently of management and to facilitate open and candid discussion among its independent directors.

The Board has appointed William A. Rand, an independent director, as lead director to act as effective leader of the Board, to ensure that the Board's agenda will enable it to successfully carry out its duties and to provide leadership for the Board's independent directors. As lead director, Mr. Rand, among other things, presides at meetings of the Board and of the Corporation's shareholders, ensures that the Board is alert to its obligations and responsibilities and that it fully discharges its duties, communicates with the Board to keep the Board up to date on all major developments, and acts as a liaison between the Board and management of the Corporation.

Directors Attendance Record at Board and Board Committee Meetings

Below is the attendance record of each director for all Board and Board committee meetings held during the period from January 1, 2012 to December 31, 2012:

Directors	Board		Audit		Human Resources/ Compensation		Corporate Governance/ Nominating		Health, Safety, Environment and Community	
	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)
Colin K. Benner	6	6	-	-	-	-	-	-	4	4
Donald K. Charter	6	6	5	5	7	7	-	-	-	-
Paul K. Conibear	6	6							4	4
John H. Craig	6	6	-	-	-	-	1	1	-	-
Brian D. Edgar	6	6	-	-	-	-	1	1	4	4
Lukas H. Lundin	6	6	-	-			-	-	-	-
Dale C. Peniuk	6	6	5	5	5	7	1	1	-	-
William A. Rand	6	6	5	5	7	7	-	-	-	-

(1) Represents number of meetings the Director was eligible to attend.

Directors' Other Board Memberships

Several of the directors of the Corporation serve as directors of other reporting issuers. Currently, the following directors serve on the boards of directors of other publicly traded companies as listed below:

Director	Public Company Board Membership
Colin K. Benner	AuRico Gold Inc. (TSX), Corsa Coal Corp. (TSX-V), Dalradian Resources Inc. (TSX), Delta Gold Corp. (TSX-V), Mercator Minerals Ltd. (TSX), Troon Ventures Ltd. (TSX-V)
Donald K. Charter(1)	Adriana Resources Inc. (TSX-V), Corsa Coal Corp. (TSX-V), Dundee Real Estate Investment Trust (TSX), IAMGOLD Corporation (TSX)
Paul K. Conibear	Lucara Diamond Corp. (TSX-V), NGEx Resources Inc. (TSX), Sirocco Mining Inc. (TSX-V)
John H. Craig	Africa Oil Corp. (TSX-V), Black Pearl Resources Inc. (TSX), Consolidated HCI Holdings Corp. (TSX), Corsa Coal Corp. (TSX-V), Denison Mines Corp. (TSX/NYSE MKT), Etrion Corporation (TSX), Sirocco Mining Inc. (TSX-V)
Brian D. Edgar	Black Pearl Resources Inc. (TSX), Denison Mines Corp. (TSX-AMEX), Lucara Diamond Corp. (TSX-V), ShaMaran Petroleum Ltd. (TSX-V), Silver Bull Resources, Inc. (TSX/NYSE MKT)
Lukas H. Lundin	Denison Mines Corp. (TSX), Fortress Minerals Corp. (TSX-V), Lucara Diamond Corp. (TSX-V), Lundin Petroleum AB (OMX-Nordic), NGEx Resources Inc. (TSX), Sirocco Mining Inc. (TSX-V), Vostok Nafta Investment Ltd. (OMX-Nordic)
Dale C. Peniuk	Argonaut Gold Inc. (TSX), Capstone Mining Corp. (TSX), Rainy River Resources Ltd. (TSX), Sprott Resource Lending Corp. (TSX/NYSE MKT)
William A. Rand	Denison Mines Corp. (TSX/NYSE MKT); Lundin Petroleum AB (OMX-Nordic), New West Energy Services Inc. (TSX-V), NGEx Resources Inc. (TSX), Vostok Nafta Investment Ltd. (OMX-Nordic)

(1) Mr. Charter's principal occupation is President and Chief Executive Officer of Corsa Coal Corp. and he sits on the board of directors of this company in connection with his employment.

Legend:

TSX	Toronto Stock Exchange
TSX-V	TSX Venture Exchange
NYSE	New York Stock Exchange
NYSE MKT	NYSE MKT LLC (previously, American Stock Exchange 2)
OMX-Nordic	OMX Nordic Stock Exchange (previously, the Stockholm Stock Exchange)

BOARD MANDATE

The Board has adopted a mandate which acknowledges its responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business of the Corporation. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board considers the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the CEO, sets the standards of conduct for the Corporation.

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its chairman and lead director, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

Under its mandate, the Board is required to oversee the Corporation's communications policy. The Board has put structures in place to ensure effective communication between the Corporation, its shareholders and the public. The Corporation has established a Disclosure and Confidentiality Policy. The Board monitors the policies and procedures that are in place to provide for effective communication by the Corporation with its shareholders and with the public generally, including effective means to enable shareholders to communicate with senior management and the Board. The Board also monitors the policies and procedures that are in place to ensure a strong, cohesive, sustained and positive image of the Corporation with shareholders, governments and the public generally. Significant shareholder concerns are brought to the attention of management or the Board. Shareholders are informed of corporate developments by the issuance of timely press releases which are concurrently posted to the Corporation's website and are available on SEDAR at www.sedar.com.

The full text of the Board's mandate is attached hereto as Appendix A.

MAJORITY VOTING FOR ELECTION OF DIRECTORS

The Board has adopted a policy regarding majority voting for the election of directors. The policy is described above under "Election of Directors – Majority Voting Policy".

POSITION DESCRIPTIONS

The Board has adopted a written position description for each of the chairman, vice chairman, lead director, the chair of each Board committee, and the CEO.

Chairman, Vice Chairman and Lead Director

The chairman of the Board is currently Mr. Lundin and the lead director is currently Mr. Rand. The Board has established a written position description for the chairman, vice chairman and the lead director of the Board who are responsible for, among other things, presiding at meetings of the Board and shareholders, providing leadership to the Board, managing the Board, acting as liaison between the Board and management, and representing the Corporation to external groups including shareholders, local communities and governments.

Chairman of the Audit Committee

The chairman of the Audit Committee is currently Mr. Peniuk. The Board has established a written position description for the chairman of the Audit Committee, who is responsible for, among other things, acting as liaison between the Audit Committee, the Board and management, chairing all meetings of the Audit Committee, ensuring that meetings of the Audit Committee are held as required, coordinating the attendance of the Corporation's external auditors at meetings of the Audit Committee, and reporting regularly to the Board on all matters within the authority of the Audit Committee and in particular, the recommendations of the Audit Committee in respect of the Corporation's quarterly and annual financial statements.

Chairman of the Corporate Governance and Nominating Committee

The chairman of the Corporate Governance and Nominating committee is currently Mr. Edgar. The Board has established a written position description for the chairman of the Corporate Governance and Nominating Committee, who is responsible for, among other things, acting as liaison between the Corporate Governance and Nominating Committee and the Board, chairing all meetings of the Corporate Governance and Nominating Committee, proposing nominees for the Board and each committee of the Board, ensuring that the meetings of the Corporate Governance and Nominating Committee are held as required, monitoring the preparation of the statement of corporate governance to be given to the shareholders of the Corporation each year, and reporting regularly to the Board on matters within the authority of the Corporate Governance and Nominating Committee.

Chairman of the Health, Safety, Environment and Community Committee

The chairman of the Health, Safety, Environment and Community Committee is currently Mr. Benner. The Board has established a written position description for the chairman of the Health, Safety, Environment and Community Committee, who is responsible for, among other things, acting as liaison between the Health, Safety, Environment and Community Committee, the Board and management, chairing all meetings of the Health, Safety, Environment and Community Committee, ensuring that the meetings of the Health, Safety, Environment and Community Committee are held as required, and reporting regularly to the Board on matters within the authority of the Health, Safety, Environment and Community Committee.

Chairman of the Human Resources/Compensation Committee

The chairman of the Human Resources/Compensation Committee is currently Mr. Charter. The Board has established a written position description for the chairman of the Human Resources/Compensation Committee, who is responsible for, among other things, acting as liaison between the Human Resources/Compensation Committee, the Board and the CEO, chairing all meetings of the Human Resources/Compensation Committee, ensuring that the meetings of the Human Resources/Compensation Committee are held as required, overseeing the process whereby annual salary, bonus and other benefits of the Corporation's executive officers are reviewed assessed and revised in accordance with the recommendations of the CEO, reviewing the directors' compensation and reporting regularly to the Board on matters within the authority of the Human Resources/Compensation Committee.

President and Chief Executive Officer

The President and Chief Executive Officer is currently Mr. Conibear. The Board has established a written position description for the President and Chief Executive Officer, who is responsible for, among other things, the day to day management of the business and the affairs of the Corporation. The President and Chief Executive Officer is also responsible for assisting the chairman of the Board, the lead director and the chairs of the Board committees to develop agendas for the Board and Board committee meetings to enable these entities to carry out their responsibilities, reporting to the Board in an accurate, timely and clear manner on all aspects of the business that are relevant so that the directors may carry out their responsibilities, making recommendations to the Board on those matters on which the Board is required to make decisions, ensuring that the financial statements and other financial information contained in regulatory filings and other public disclosure fairly present the financial condition of the Corporation, ensuring the integrity of the financial and other internal control and management information systems and risk management systems, the promoting of ethical conduct within the Corporation and its subsidiaries, recruiting of senior management as may be directed by the board, senior management development and succession, acting as the principal interface between the Board and senior management, promoting a work environment that is conducive to attracting, retaining and motivating a diverse group of high-quality employees, promoting continuous improvement in the timeliness, quality, value and results of the work of the employees of the corporation, and speaking for the Corporation in its communications to its shareholders and the public.

<u>ORIENTATION AND EDUCATION</u>

The Corporation provides new directors with an orientation package upon joining the Corporation that includes financial and technical information relevant to the Corporation's operations, and periodically arranges for project site visits to familiarize members of the Board with the Corporation's operations and to ensure that their knowledge and understanding of the Corporation's business remains current.

Board members are encouraged to communicate with management and others, to keep themselves current with industry trends and development, and to attend related industry seminars. Board members have full access to the Corporation's records and receive a Monthly Report discussing the operations, health and safety matters, sales of product, projects and investments, financial summary, exploration, human resources, and new business and corporate development. The Corporation's legal counsel also provides directors and senior officers with summary updates of any developments relating to the duties and responsibilities of directors and officers and to any other corporate governance matters. In addition, the Board will provide any further continuing education opportunities for all directors, where required, so that individual directors may maintain or enhance their skills and abilities as directors.

It must be noted that the Corporation through its legal counsel has commenced a series of seminars and webcasts on topics of relevance to the directors. Recent topics included an in-depth review of the insider trading rules as it pertains to directors and other insiders and a discussion concerning timely disclosure. Webcasts were attended widely by both directors and executives of the Corporation.

ETHICAL BUSINESS CONDUCT

The Board has adopted a formal written Code of Conduct and Ethical Values Policy ("Code of Conduct") for its directors, officers and employees of Lundin Mining and its subsidiaries.

Individuals governed by the Code of Conduct are required to disclose in writing all business, commercial or financial interests or activities which might reasonably be regarded as creating an actual or potential conflict with their duties. Individuals must avoid all situations in which their personal interests conflict or may conflict with their duties to the Corporation or with the economic interest of the Corporation. All business transactions with individuals, corporations or other entities that could potentially, directly or indirectly, be considered to be a related party, must be approved by the Board of Directors regardless of the amount involved.

Directors, officers and employees are encouraged to report violations of the Code of Conduct on a confidential and, if preferred, anonymous basis to senior management, the Board or the Audit Committee chairman, in accordance with the complaints procedure set out in the Code of Conduct. If the Audit Committee becomes involved with the matter, the Audit Committee may request special treatment for any complaint, including the involvement of the Corporation's external auditors, legal counsel or other advisors. All complaints are required to be documented in writing by the person(s) designated to investigate the complaint, who shall report forthwith to the chairman of the Audit Committee. On an annual basis, or otherwise upon request from the Board of Directors, the Code of Conduct requires the chairman of the Audit Committee to prepare a written report to the Board summarizing all complaints received during the previous year, all outstanding unresolved complaints, how such complaints are being handled, the results of any investigations and any corrective actions taken.

The Code of Conduct is available on the Corporation's website and has been filed and is accessible through SEDAR on the Corporation's profile at www.sedar.com.

The Audit Committee has also established a Fraud Reporting and Investigation (Whistleblower) Policy to encourage employees, officers and directors to raise concerns regarding questionable accounting, internal controls, auditing or other fraudulent matters, on a confidential basis free from discrimination, retaliation or harassment.

NOMINATION OF DIRECTORS

The Board has established a Corporate Governance and Nominating Committee composed of independent directors which is responsible for the recommendation of director nominees that will best serve the Corporation based upon the competencies and skills necessary for the Board as a whole to possess, the competencies and skills necessary for each individual director to possess, and whether the proposed nominee to the Board will be able to devote sufficient time and resources to the Corporation. To encourage an objective nomination process, the independent directors conduct a discussion of the nominees among themselves. The Corporate Governance and Nominating Committee will also review, on a regular basis, the size of the Board and will consider the number of directors required to carry out the Board's duties effectively.

The Corporation recognizes that improving diversity on the Board of Directors and among its senior executives presents the Corporation with an opportunity to develop a competitive advantage by ensuring that the Corporation appeals to potential employees from the broadest possible talent pool. To that end, while the focus always has been, and will continue to be, to recruit and appoint the most qualified individuals, the Corporation proposes to make a greater effort to locate qualified women as candidates for nomination to the Board. Women are well represented in senior executive positions within the Corporation and its subsidiary corporations.

On February 21, 2013 the Board adopted a majority voting policy as part of its commitment to best practices for corporate governance. The policy is described above under "Election of Directors – Majority Voting Policy".

COMPENSATION OF DIRECTORS AND OFFICERS

The extent and level of directors' and officers' compensation is determined by the Board after considering the recommendations of the Human Resources/Compensation Committee which is composed entirely of independent directors. The Human Resources/Compensation Committee has been mandated to review the adequacy and form of the compensation of directors and officers to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director or officer in the Corporation and the mining industry. In making recommendations to the Board in respect of compensation to directors, this committee considers the time commitment, risks and responsibilities involved in being a director with the Corporation as well as market data pertinent to the compensation paid to directors of peer group companies.

Please review the section in this Circular titled "Statement of Executive Compensation" for further information concerning director compensation.

BOARD COMMITTEES

To assist the Board in its responsibilities, the Board has established four standing committees including the Audit Committee, the Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the Human Resources/Compensation Committee. Each committee has a written mandate and reviews its mandate annually.

AUDIT COMMITTEE

The Audit Committee ("AC") is comprised of 3 directors. The current members of the AC are Dale C. Peniuk (chair), Donald K. Charter and William A. Rand, all of whom are independent and financially literate for the purposes of NI 52-110.

The AC oversees the accounting and financial reporting processes of the Corporation and its subsidiaries and all audits and external reviews of the financial statements of the Corporation, on behalf of the Board, and has general responsibility for oversight of internal controls, and accounting and auditing activities of the Corporation and its subsidiaries. All auditing services and non-audit services to be provided to the Corporation by the Corporation's auditors are pre-approved by the AC. The AC reviews, on a regular basis, any reports prepared by the Corporation's external auditors relating to the Corporation's accounting policies and procedures, as well as internal control procedures and systems. The AC is also responsible for reviewing all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The AC also oversees the annual audit process, the quarterly review engagements, the Corporation's internal accounting controls, the Corporation's Fraud Reporting and Investigation (Whistleblower) Policy, any complaints and concerns regarding accounting, internal control or audit matters, and the resolution of issues identified by the Corporation's external auditors. The AC recommends to the Board annually the firm of independent auditors to be nominated for appointment by the shareholders at the shareholders annual meeting.

The Board appoints the members of the AC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the AC and may fill any vacancy in the AC.

The AC meets a minimum of 4 times a year. The AC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Additional information relating to the Audit Committee, including a copy of the Audit Committee's mandate, is provided in the Corporation's Annual Information Form for the year ended December 31, 2012, a copy of which is available on the SEDAR website at www.sedar.com.

HUMAN RESOURCES/COMPENSATION COMMITTEE

The HRCC consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The current members of the HRCC are Donald K. Charter (chair), Dale C. Peniuk and William A. Rand.

The principal purpose of the HRCC is to implement and oversee human resources and compensation policies approved by the Board of the Corporation. The duties and responsibilities of the HRCC include recommending to the Board the annual salary, bonus and other benefits, direct and indirect, for the CEO, after considering the recommendations of the CEO approving the compensation for the Corporation's other executive officers, approving other human resources and compensation policies and guidelines, ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre, and recommending the adequacy and form of director compensation to the Board.

The Board appoints the members of the HRCC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the HRCC and may fill any vacancy in the HRCC.

The HRCC meets regularly each year on such dates and at such locations as the chairman of the HRCC determines. The HRCC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel or advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

The Corporate Governance and Nominating Committee ("CGNC") consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The current members of the CGNC are Brian D. Edgar (chair), John H. Craig and Dale C. Peniuk.

The principal purpose of the CGNC is to provide a focus on corporate governance that will enhance the Corporation's performance, and to ensure, on behalf of the Board of Directors and shareholders that the Corporation's corporate governance system is effective in the discharge of its obligations to the Corporation's stakeholders. The duties and responsibilities of the CGNC include the development and monitoring of the Corporation's overall approach to corporate governance issues and, subject to approval by the Board, implementation and administration of a system of corporate governance which reflects superior standards of corporate governance practices, recommendation to the Board a slate of nominees for election as directors of the Corporation at the Annual Meeting of Shareholders, reporting annually to the Corporation's shareholders, through the Corporation's annual management information circular or annual report to shareholders, on the Corporation's system of corporate governance and the operation of its system of governance, analyzing and reporting annually to the Board the relationship of each director to the Corporation as to whether such director is an independent director or not an independent director, and advising the Board or any of the committees of the Board of any corporate governance issues which the CGNC determines ought to be considered by the Board or any such committee.

The Board appoints the members of the CGNC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the CGNC and may fill any vacancy in the CGNC.

The CGNC meets regularly each year on such dates and at such locations as the chair of the CGNC determines. The CGNC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY COMMITTEE

The Health, Safety, Environment and Community Committee ("HSEC") consists of 3 directors. The current members of the HSEC Committee are Colin K. Benner (chair), Paul K. Conibear and Brian D. Edgar.

The principal purpose of the HSEC is to assist the Board in its oversight of health, safety, environment and community risks, compliance with applicable legal and regulatory requirements associated with health, safety, environmental and community matters, performance in relation to health, safety, environmental and community matters, the performance and leadership of the health, safety, environment and community function in the Corporation, and external annual reporting in relation to health, safety, environmental and community matters.

The Board appoints the members of the HSEC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the HSEC and may fill any vacancy in the HSEC.

The HSEC meets a minimum of 4 times a year. The HSEC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

ASSESSMENTS OF THE BOARD

In accordance with the Board's mandate, the Board, through the CGNC, undertakes formal Board evaluations of itself, its committees and also of each individual director's effectiveness and contribution on an annual basis.

The CGNC prepares and delivers an annual Board Effectiveness Assessment questionnaire to each member of the Board. The questionnaire is divided into four parts dealing with: (i) Board Responsibility; (ii) Board Operations; (iii) Board Effectiveness; and (iv) Individual Assessments. Each director must complete the entire questionnaire including the ranking of each director and also complete a personal assessment. The CGNC reviews and considers the responses received and makes a final report, with recommendations, if any, to the Board of Directors. This process occurs prior to the consideration by the CGNC of nominations for director elections at the Corporation's annual meeting of shareholders each year.

MANAGEMENT CONTRACTS

Management functions of the Corporation and its subsidiaries are performed by directors and executive officers of the Corporation and not, to any substantial degree, by any other person with whom the Corporation has contracted.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the best of the Corporation's knowledge, no informed person of the Corporation, proposed directors or any associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction since the commencement of the Corporation's most recently completed financial year which has materially affected or will materially affect the Corporation or any of its subsidiaries.

OTHER BUSINESS

Management of the Corporation knows of no other matters which will be brought before the Meeting, other than those referred to in the Notice of Meeting. Should any other matters properly be brought before the Meeting, the common shares represented by the proxies solicited hereby will be voted on those matters in accordance with the best judgment of the persons voting such proxies.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on the SEDAR website under the Corporation's profile at www.sedar.com. Financial information related to the Corporation is contained in the Corporation's financial statements and related management's discussion and analysis. Copies of the Corporation's consolidated audited financial statements and Annual Information Form prepared for its fiscal year ended December 31, 2012 may be obtained free of charge by writing to the Corporate Secretary of the Corporation at Suite 1500, 150 King Street West, P.O. Box 38, Toronto, Ontario, Canada, M5H 1J9 or may be accessed on the Corporation's website at www.lundinmining.com or under the Corporation's profile on the SEDAR website at www.sedar.com.

CERTIFICATE OF APPROVAL

The contents and the distribution of this Circular have been approved by the Board.

DATED at Toronto, Ontario this 1st day of April, 2013.

BY ORDER OF THE BOARD OF DIRECTORS

Paul K. Conibear

Paul K. Conibear,
President, Chief Executive Officer and Director

APPENDIX A
LUNDIN MINING CORPORATION MANDATE OF THE BOARD OF DIRECTORS

A. INTRODUCTION

The Board of Directors (hereinafter also referred to as the "Board") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

B. PROCEDURES AND ORGANIZATION

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, lead director, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation and the Canada Business Corporations Act (hereinafter also referred to as the "Act"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

C. DUTIES AND RESPONSIBILITIES

The Board's principal duties and responsibilities fall into a number of categories which are outlined below.

1. **Legal Requirements**

(a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;

(b) The Board has the statutory responsibility to:

- (i) manage or, to the extent it is entitled to delegate such power, to supervise the management of the business and affairs of the Corporation by the senior officers of the Corporation;
- (ii) act honestly and in good faith with a view to the best interests of the Corporation;
- (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and
- (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation's Articles and By-laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations.

2. **Independence**

The Board has the responsibility to ensure that appropriate structures and procedures are in place to permit the Board to function independently of management, including endeavouring to have a majority of independent directors as well as an independent Chair or an independent Lead Director, as the term "independent" is defined in National Instrument 58-101 "Disclosure of Corporate Governance Practices".

3. **Strategy Determination**

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving the mission of the business of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation's business.

4. **Managing Risk**

The Board has the responsibility to identify and understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

5. **Division of Responsibilities**

The Board has the responsibility to:

(a) appoint and delegate responsibilities to committees where appropriate to do so; and

(b) develop position descriptions for:

    (i) the Board;

    (ii) the Chairman, Vice-Chairman and Lead Director of the Board;

    (iii) the Chair of each Board Committee;

    (iv) the President and Chief Executive Officer;

    (v) the Chief Financial Officer; and

    (vi) the Chief Operating Officer.

(c) ensure that the directors of the Corporation’s subsidiaries are qualified and appropriate in keeping with the Corporation’s guidelines and that they are provided with copies of the Corporation’s policies for implementation by the subsidiaries.

To assist it in exercising its responsibilities, the Board hereby establishes four standing committees of the Board: the Audit Committee, the Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the Human Resources/Compensation Committee. The Board may also establish other standing committees from time to time.

Each committee shall have a written mandate that clearly establishes its purpose, responsibilities, members, structure and functions. Each mandate shall be reviewed by the Board regularly. The Board is responsible for appointing committee members.

6. **Appointment, Training and Monitoring Senior Management**

The Board has the responsibility:

(a) to appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer’s performance, to satisfy itself as to the integrity of the Chief Executive Officer, and to provide advice and counsel in the execution of the Chief Executive Officer’s duties;

(b) to develop or approve the corporate goals or objectives that the Chief Executive Officer is responsible for;

(c) to approve the appointment of all senior corporate officers, acting upon the advice of the Chief Executive Officer and to satisfy itself as to the integrity of such corporate officers;

(d) to ensure that adequate provision has been made to train, develop and compensate management and to ensure that all new directors receive a comprehensive orientation, fully understand the role of the Board and its committees, the nature and operation of the Corporation’s business and the contribution that individual directors are required to make;

(e) to create a culture of integrity throughout the Corporation;

(f) to ensure that management is aware of the Board’s expectations of management;

(g) to provide for succession of management; and

(h) to set out expectations and responsibilities of directors including attendance at meetings and review of meeting materials.

7. **Policies, Procedures and Compliance**

The Board has the responsibility:

(a) to ensure that the Corporation operates at all times within applicable laws, regulations and ethical standards; and

(b) to approve and monitor compliance with significant policies and procedures by which the Corporation is operated.

8. **Reporting and Communication**

The Board has the responsibility:

(a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;

(b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;

(c) to ensure the timely reporting of developments that have a significant and material impact on the value of the Corporation;

(d) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year;

(e) to develop appropriate measures for receiving shareholder feedback; and

(f) to develop the Corporation's approach to corporate governance and to develop a set of corporate governance principles and guidelines.

9. **Monitoring and Acting**

The Board has the responsibility:

(a) to monitor the Corporation's progress towards it goals and objectives and to revise and alter its direction through management in response to changing circumstances;

(b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant;

(c) to ensure that the Corporation has implemented adequate control and information systems which ensure the effective discharge of its responsibilities; and

(d) to make regular assessments of itself, its committees and each individual director's effectiveness and contribution.

APPENDIX B
ADVANCE NOTICE BY-LAW

BY-LAW NO. 2013-1

BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of Lundin Mining Corporation (hereinafter called the "**Corporation**") as follows:

ADVANCE NOTICE OF
<u>NOMINATIONS OF DIRECTORS</u>

1. By-law No. 1 of the by-laws of the Corporation is hereby amended by adding the following thereto as section 4.03A, following section 4.03 and preceding section 4.04:

4.03A Nomination of Directors. Subject only to the Act and the articles, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors, (a) by or at the direction of the board or an authorized officer of the Corporation, including pursuant to a notice of meeting, (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Act or (c) by any person (a "**Nominating Shareholder**") (i) who, at the close of business on the date of the giving of the notice provided for below in this section 4.03A and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and (ii) who complies with the notice procedures set forth below in this section 4.03A:

(a) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the corporate secretary of the Corporation at the principal executive offices of the Corporation in accordance with this section 4.03A.

(b) To be timely, a Nominating Shareholder's notice to the corporate secretary of the Corporation must be made (i) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is called for a date that is less than 50 days after the date (the "Notice Date") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and (ii) in the case of a special meeting of shareholders (which is not also an annual meeting of shareholders) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made. Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this paragraph (b). In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

(c) To be in proper written form, a Nominating Shareholder's notice to the corporate secretary of the Corporation must set forth (i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director (A) the name, age, business address and residential address of the person, (B) the principal occupation(s) or employment(s) of the person, (C) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws; and (ii) as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

(d) No person shall be eligible for election as a director unless nominated in accordance with the provisions of this section 4.03A; provided, however, that nothing in this section 4.03A shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

(e) For purposes of this section 4.03A, (i) "public announcement" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and (ii) "Applicable Securities Laws" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.

(f) Notwithstanding any other provision of By-law No. 1, notice given to the corporate secretary of the Corporation pursuant to this section 4.03A may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the corporate secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

(g) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this section 4.03A.

2. By-law No. 1, as amended from time to time, of the by-laws of the Corporation and this by-law shall be read together and shall have effect, so far as practicable, as though all the provisions thereof were contained in one by-law of the Corporation. All terms contained in this by-law which are defined in By-law No. 1, as amended from time to time, of the by-laws of the Corporation shall, for all purposes hereof, have the meanings given to such terms in the said By-law No. 1 unless expressly stated otherwise or the context otherwise requires.

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This amendment to By-Law No. 1 of the Corporation shall come into force upon being passed by the directors in accordance with the Act.

MADE by the board this 21st day of February, 2013.

WITNESS the seal of the Corporation.

"*Paul K. Conibear*"
President and Chief Executive Officer

"*James A. Ingram*"
Corporate Secretary

Other Supplementary Information

1. ***List of directors and officers at February 21, 2013:***

(a) **Directors:**

Colin K. Benner
Donald K. Charter
Paul K. Conibear
John H. Craig
Brian D. Edgar
Lukas H. Lundin
Dale C. Peniuk
William A. Rand

(b) **Officers:**

Lukas H. Lundin, *Chairman*
Paul K. Conibear*, President and Chief Executive Officer*
Marie Inkster, *Senior Vice President and Chief Financial Officer*
Julie A. Lee Harrs, *Senior Vice President, Corporate Development*
Paul M. McRae, *Senior Vice President, Projects*
Neil P. M. O'Brien, *Senior Vice President, Exploration and New Business Development*
Stephen T. Gatley, *Vice President, Technical Services*
Susan J. Boxall, *Vice President, Human Resources*
Jinhee Magie, *Vice President, Finance*
J. Mikael Schauman, *Vice President, Marketing*
James A. Ingram, *Corporate Secretary*

2. **Financial Information**

The report for the first quarter of 2013 is expected to be published on April 24, 2013.

3. **Other information**

Address (Corporate head office):
Lundin Mining Corporation
Suite 1500, 150 King Street West
P.O. Box 38
Toronto, Ontario M5H 1J9
Canada
Telephone: +1-416-342-5560
Fax: +1-416-348-0303
Website: www.lundinmining.com

Address (UK office):
Lundin Mining UK Limited
Hayworthe House, Market Place
Haywards Heath, West Sussex
RH16 1DB
United Kingdom
Telephone: +44-1-444-411-900
Fax: +44-1-444-456-901

The Canadian federal corporation number for the Company is 443736-5.

For further information, please contact:

Sophia Shane, Investor Relations, North America, +1-604-689-7842, sophias@namdo.com
Robert Eriksson, Investor Relations, Sweden: +46-8-545-015-50, robert.eriksson@vostoknafta.com
John Miniotis, Senior Business Analyst: +1-416-342-5560, john.miniotis@lundinmining.com