lundin mining

2009 Annual Filings

For the twelve months ended December 31, 2009

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lundin mining

Management's Discussion and Analysis
For the year ended December 31, 2009

This management's discussion and analysis has been prepared as of February 24, 2010 and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2009. Those financial statements are prepared in accordance with Canadian generally accepted accounting principles. The Company's reporting currency is United States 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 Canadian base metals mining company with operations in Portugal, Sweden, Spain and Ireland, producing copper, zinc, lead and nickel. In addition, Lundin Mining holds a development project pipeline which includes expansion projects at its Zinkgruvan and Neves-Corvo mines along with its 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 or "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 of the United States. 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 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, 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 forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Highlights

Operational and Financial Highlights

- Production of all metals exceeded market guidance for the full year. Total production was as follows:

Production Summary

	Years ended December 31				
	2009 Actual	*Guidance 09*	2008[1]	2007[1]	2006
Copper (tonnes)	93,451	*91,000*	97,944	97,120	24,091
Zinc (tonnes)	101,401	*100,000*	151,157	151,830	167,422
Lead (tonnes)	43,852	*40,000*	44,799	44,560	45,106
Nickel (tonnes)	8,029	*7,200*	8,136	3,270	-
Copper (tonnes) Tenke attributable (24.75%)	17,325	-	-	-	-

- Operating earnings[2] increased by $50.0 million from $323.2 million in 2008 to $373.2 million in 2009. Cost improvements ($47.3 million) and favourable exchange rates ($27.2 million) offset the effect of lower sales volumes ($34.9 million). Lower metal prices ($56.2 million) were offset by the difference in price-adjustments between the years. Average metal prices in 2009 were significantly below those in 2008.

- Sales for the year were $746.0 million compared to sales of $835.3 million last year. Lower volume from continuing operations ($29.3 million) and the closures of Galmoy and Storliden ($58.6 million) account for the difference. Metal price changes and price adjustments, offset each other.

- Cash inflow from operations for the year was $137.4 million, compared to $215.0 million for 2008. The reduction relates mainly to: smelter payments made in the first quarter related to sales in the prior year of approximately $70 million; cash loss on derivatives of $20.4 million; and payments related to asset retirement obligations which were charged against provisions of $20.6 million. These offset the higher operating earnings.

- Adjusting for impairment charges, net income from continuing operations was $105.2 million ($0.19 per share) compared to $49.0 million ($0.12 per share) in 2008. The current year includes an impairment charge of $37.1 million (net of tax).

- The Galmoy mine achieved a well-controlled closure of mining and milling operations, while generating positive operating earnings and cash flow. Opportunities for the sale of remaining high-grade ore continue to be pursued by the Company.

- Investment in in-mine and near-mine exploration has seen the growth of mineral reserves to replace record ore tonnages mined during the year at both Neves-Corvo and Zinkgruvan.

  In addition, at Neves-Corvo there has been an increase of 11 million tonnes (+44%) in measured and indicated copper resources (approximately 160,000 tonnes of contained copper) and 20 million tonnes have been added in inferred copper resources *(See news release dated February 22, 2010).*

[1] Excluding Aljustrel production: 2008 – 16,687 tonnes zinc and 204 tonnes copper; 2007 – 190 tonnes zinc.
[2] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 37 of this MD&A for discussion of Non-GAAP measures.

Corporate Highlights

- Construction activities on Phase I of the $2.0 billion Tenke Fungurume Project ("Tenke") were completed. Phase 1 name-plate capacity is 115,000 tonnes per annum of copper cathode and 8,000 tonnes per annum of cobalt. By year end, Tenke produced approximately 70,000 tonnes of copper, of which approximately 59,000 tonnes were sold at an average realized price of $2.85 per pound.

  Cash payments of $56.7 million (2008: $264.1 million) were made during the year to fund the Company's share of Tenke expenditures. The Company's proportionate share of costs for Phase I development for the year of $166.9 million was funded by Freeport-McMoRan Copper & Gold Inc. ("FCX") under the Excess Over-run Costs facility ("EOC facility"). The principal balance of the EOC facility at December 31, 2009 was $223.5 million.

- In February 2009, the Company terminated the plan of arrangement with HudBay Minerals Inc. ("HudBay") that had been entered into in November 2008.

- The Company completed the sale of the Aljustrel mine on February 5, 2009. While a small gain was reported on disposal, the actual cash effect was an outflow of $21.0 million, most of which represented an amount to cover environmental rehabilitation and other liabilities.

- On April 27, 2009, the Company closed a bought-deal public offering for total gross proceeds of C$188.6 million ($155.8 million). The Company issued 92 million common shares at a price of C$2.05 per share.

- During April 2009, the Company entered into multiple option collar arrangements to protect against near-term decreases in the price of copper. The contracts established a weighted average floor price of $1.87 per pound and a weighted average maximum price cap of $2.39 per pound. The contracts were for approximately 40,000 tonnes of copper, due over a 12 month period at a rate of approximately 3,000 tonnes per month.

  In July 2009, the Company extended the copper price protection for a further three months by entering into additional collars for the months of May, June and July 2010. The contracts, for 3,000 tonnes of copper per month, establish a weighted average floor price of $1.89 per pound and a weighted average price cap of $2.89 per pound.

  No cash premiums were paid or received to establish the contracts under the net zero cost structures. Monthly cash settlements are made where necessary for the contracts.

  As at December 31, 2009, contracts representing 22,577 tonnes remained outstanding at a weighted average floor price of $1.88 and a cap of $2.61.

- On July 6, 2009, the Company completed the restructuring of its credit facility. The revised terms incorporated in the Third Amending Agreement provided for a three year, fully-revolving credit facility of US$225 million, at an interest rate of LIBOR plus 4.5% until March 2010 and from April 2010 at LIBOR plus 3.5% to 4.5% depending upon the leverage ratio of the Company, and with financial covenants customarily required for a revolving–term facility, including minimum tangible net worth, interest coverage ratio and leverage ratio.

- On September 18, 2009, the Company completed the sale of its 49% interest in the Ozernoe zinc project in Russia for gross proceeds of $35.0 million. Proceeds of $3.5 million were received upon closing, with the balance of $31.5 million payable over 10 months. This sale terminates all of the Company's rights and obligations related to the project. After accounting for costs of disposal, the Company recorded a loss of $18.7 million in current year income.

- The Company made the following senior executive appointments:
    - Ms Marie Inkster was appointed Chief Financial Officer on April 30, 2009.
    - Mr. Paul Conibear was appointed Senior Vice President, Corporate Development on October 29, 2009.
    - Mr. James Ingram was appointed Corporate Secretary on February 24, 2010.
- On February 22, 2010, the Company reported its Mineral Reserve and Resource estimates as at December 31, 2009. The full release can be found on the Company's website at www.lundinmining.com.

Financial Position and Financing

- Net debt[1] at December 31, 2009 was $49.3 million compared to a net debt position of $145.5 million at the end of 2008. Cash flow from operations covered all sustaining capital expenditures and all new investment related to the European operations.

  The decrease in net debt during the year was attributable to the bought-deal public offering for total gross proceeds of $155.8 million, offset by Tenke funding obligations of $56.7 million.
- Cash on hand at December 31, 2009 was $141.6 million.
- Net debt to equity at December 31, 2009 is 1.7%.
- As at February 22, 2010, cash on hand is approximately $141.7 million and net debt is $9.2 million.

Fourth Quarter Results

- All operations performed ahead of, or in-line with, production guidance for 2009.
- Sales revenue for the quarter was significantly higher than the prior year corresponding quarter owing to improved metal prices.
- Operating earnings[2] of $152.2 million for the quarter represents an increase of $218.0 million from a loss of $65.8 million in the fourth quarter 2008. Virtually all of the improvement in operating earnings was related to improved metal prices and the difference in price adjustments between quarters.

  Net income for the quarter included losses on derivative contracts of $27.4 million ($0.05 per share), of which $13.4 million was unrealized. Also included was $37.1 million ($0.06 per share) related to impairment on the Salave gold project in northern Spain (*See news release dated February 11, 2010*).
- Cash flow from operations for the quarter was $97.0 million, compared to $46.5 million for the corresponding quarter in 2008.

[1] Net debt is a Non-GAAP measure defined as available unrestricted cash less financial debt, including capital leases and other debt-related obligations.
[2] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation.

Fourth Quarter Sales

2009					
	Quarter ended December 31, 2009				
($ thousands)	**Copper**	**Zinc***	**Nickel**	**Lead***	**Total**
Sales invoiced at shipment date	163,162	39,138	35,352	23,480	261,132
Adjustments for provisionally priced sales settled during the quarter	21,625	1,752	2,299	1,493	27,169
Period end price adjustments for unfixed sales	1,833	985	3,074	(1,202)	4,690
Sales before TC/RC	186,620	41,875	40,725	23,771	292,991
Other metal sales					6,045
Less: TC/RC					(42,333)
Total Net Sales					**256,703**
Payable Metal (tonnes)	**24,779**	**17,187**	**2,155**	**10,357**	
Realized prices, $ per pound	$ 3.42	$ 1.11	$ 8.57	$ 1.04	
Realized prices, $ per tonne	$7,531	$2,436	$18,898	$2,295	

** excludes Galmoy ore sales*

2008					
	Quarter ended December 31, 2008				
($ thousands)	**Copper**	**Zinc**	**Nickel**	**Lead**	**Total**
Sales invoiced at shipment date	83,768	37,344	21,199	14,092	156,403
Adjustments for provisionally priced sales settled during the quarter	(43,551)	(16,118)	(8,794)	(3,533)	(71,996)
Period end price adjustments for unfixed sales	(19,445)	1,066	(60)	(1,320)	(19,759)
Sales before TC/RC	20,772	22,292	12,345	9,239	64,648
Other metal sales					8,187
Less: TC/RC					(29,299)
Total Net Sales					**43,536**
Payable Metal (tonnes)	**24,594**	**27,236**	**1,935**	**10,831**	
Realized prices, $ per pound	$ 0.38	$ 0.37	$ 2.89	$ 0.39	
Realized prices, $ per tonne	$ 845	$ 818	$ 6,380	$ 853	

First Quarter 2010 Guidance

Specific issues that may affect earnings in the first quarter of 2010 when considered on a quarter-to-quarter basis are as follows:

- Production for the quarter is expected to be below trend owing to a number of factors including: abnormal weather conditions in Europe hampering ore processing; flooding of the Aguablanca pit, early January and again mid-February, restricting access to higher-grade ore zones; Zinkgruvan has been restricted by a blocked orepass.

  Annual guidance is reaffirmed; however, no allowance has been made for the industrial action at Neves-Corvo.

- Average prices in the quarter to date are lower than those used to provisionally value outstanding receivables at December 31, 2009. Depending on price changes and the timing of settlements, the first quarter may see the effect of negative price adjustments.

- Timing of sales during the fourth quarter of 2009 resulted in unusually low concentrate inventory levels at December 31, 2009. It is expected that sales in the first quarter of 2010 will reflect the return to normal inventory levels.

Outlook

- Production targets for 2010 are as follows:

(contained tonnes)		2010 Targets	
		Tonnes	**C1 Cost[1]**
Neves-Corvo[2]	*Cu*	*82,000*	*1.20*
	Zn	*3,000*	
Zinkgruvan	*Zn*	*75,000*	*0.30*
	Pb	*36,000*	
	Cu	*1,000*	
Aguablanca	*Ni*	*7,500*	*5.80*
	Cu	*7,000*	
Galmoy	*Zn*	*14,000*	*0 .30*
(in ore)	*Pb*	*4,000*	
Total: Wholly-owned operations[2]	*Cu*	*90,000*	
	Zn	*92,000*	
	Pb	*40,000*	
	Ni	*7,500*	
Tenke: 24.75% attributable share[3]	*Cu*	*28,500*	

[1] Cash costs remain dependent upon exchange rates (2010 €/USD: 1.42). Cash cost of nickel is highly leveraged to metal price owing to the price participation formula in smelter terms.

[2] No allowance has been made for the limited industrial action currently underway. Production that may be lost is currently being assessed and will depend upon a number of factors, including the duration of the action.

[3] At design capacity production of copper and cobalt and assuming average cobalt prices of $10 per pound, average unit net cash costs are targeted to be $0.50 per pound of copper. Each $2 per pound change in average prices of cobalt would impact net cash costs by approximately $0.12 lb/copper.

- Zinc production at Neves-Corvo is expected to resume in 2011 at the rate of 50,000 tpa. An earlier start, at a nominal rate of 25,000 tpa, is under evaluation.

- Studies continue separately on the feasibility of developing the Lombador zinc/copper deposit adjacent to the Neves-Corvo mine. Progress to date is positive and a feasibility study is targeted for completion in early 2011. A preliminary target of 2013 has been set for commencement of full-scale operations from Lombador.

- Capital expenditure for 2010 is expected to be between $190 and $250 million. This includes:
  - Sustaining capital in European operations of $90 million (2009 - $80 million)
  - New investment in European operations of $60 million (2009 - $35 million)
  - Investment in Tenke of $100 million (2009 - $56.7 million). The Company estimates this could vary between $40 million and $100 million depending on development plans. Final decisions on capital investment levels are made by the operator.

- Expenditure on exploration and resource acquisition is expected to be similar to 2009 levels at $20 million, of which approximately $10 million will be spent on exploration drilling to delineate further copper resources at Neves-Corvo.

  The market outlook remains volatile and in our view 2010 remains a year of slow recovery prior to a resumption of growth in 2011.

Selected Quarterly and Annual Financial Information

(USD millions, except per share amounts)	Years ended December 31					
	2009 Excluding Impairment	**2009**	2008 Excluding Impairment	2008	2007 Excluding Impairment	2007
Sales	**746.0**	**746.0**	835.3	835.3	1,059.7	1,059.7
Operating earnings[1]	**373.2**	**373.2**	323.2	323.2	628.5	628.5
Depletion, depreciation & amortization	**(170.0)**	**(170.0)**	(202.3)	(202.3)	(175.7)	(175.7)
General exploration and project investigation	**(22.6)**	**(22.6)**	(38.9)	(38.9)	(35.4)	(35.4)
Other income and expenses	**5.1**	**5.1**	(24.6)	(24.6)	(7.2)	(7.2)
Loss on derivative contracts	**(61.5)**	**(61.5)**	(0.1)	(0.1)	(18.0)	(18.0)
Income (loss) from equity investment in Tenke	**0.3**	**0.3**	(2.2)	(2.2)	(0.3)	(0.3)
(Loss) gain on sale of investments	**(6.7)**	**(6.7)**	(1.3)	(1.3)	74.3	74.3
Impairment charges	**-**	**(53.0)**	-	(904.3)	-	(350.0)
Income (loss) from continuing operations before income taxes	**117.8**	**64.8**	53.8	(850.5)	466.2	116.2
Income tax (expense) recovery	**(12.6)**	**3.3**	(4.8)	130.5	(115.9)	(115.9)
Income (loss) from continuing operations	**105.2**	**68.1**	49.0	(720.0)	350.3	0.3
Gain (loss) from discontinued operations	**5.6**	**5.6**	(0.7)	(237.1)	(12.6)	(154.5)
Net income (loss)	**110.8**	**73.7**	48.3	(957.1)	337.7	(154.2)
Shareholders' Equity		**2,915.2**		2,603.7		3,541.8
Cash flow from operations		**137.4**		215.0		373.4
Capital expenditures (incl. Tenke)		**185.0**		538.5		250.3
Total assets		**3,740.1**		3,704.5		4,710.8
Net debt[2] **(surplus)**		**49.3**		145.5		(35.8)
Key Financial Data:						
Shareholders' equity per share[3]		**5.03**		5.34		9.02
Basic and diluted income (loss) per share	**0.20**	**0.13**	0.12	(2.41)	1.00	(0.46)
Basic and diluted (loss) income per share from continuing operations	**0.19**	**0.12**	0.12	(1.82)	1.03	-
Dividends		**-**		-		-
Equity ratio[4]		**78%**		70%		75%
Shares outstanding:						
Basic weighted average		**550,000,833**		396,416,414		338,643,242
Diluted weighted average		**550,045,231**		396,416,414		338,643,242
End of period		**579,592,464**		487,433,771		392,489,131

($ millions, except per share data)	**Q4-09**	**Q3-09**	**Q2-09**	**Q1-09**	**Q4-08**	**Q3-08**	**Q2-08**	**Q1-08**
Sales	**256.7**	171.1	194.8	123.4	43.5	191.9	294.1	305.7
Operating earnings	**152.2**	91.8	91.0	38.2	(65.8)	68.9	137.2	182.9
Impairment charges (after tax)[5]	**(37.1)**	-	-	-	(651.5)	(201.1)	(152.8)	-
Income (loss) from continuing operations	**35.1**	3.7	43.5	(14.1)	(707.7)	(190.2)	96.9	81.3
Net income (loss)	**35.1**	3.7	43.5	(8.6)	(728.5)	(199.0)	(108.4)	78.8
Income (loss) per share from continuing operations, basic and diluted	**0.06**	0.01	0.08	(0.03)	(1.72)	(0.49)	0.25	0.21
Income (loss) per share, basic[6] **and diluted**[6]	**0.06**	0.01	0.08	(0.02)	(1.77)	(0.51)	(0.28)	0.20
Cash flow from operations	**97.0**	40.0	63.7	(63.3)	46.5	46.8	118.3	3.5
Capital expenditure (incl. Tenke)	**39.0**	54.7	57.8	33.6	105.7	146.8	164.7	121.3
Net debt[2]	**49.3**	132.2	110.7	259.5	145.5	194.8	95.7	104.2

[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of asset retirement obligation ("ARO") and other provisions, selling, general and administration costs and stock-based compensation.
[2] Net debt is a Non-GAAP measure defined as available unrestricted cash less financial debt, including capital leases and other debt-related obligations.
[3] Shareholders' equity per share is a Non-GAAP measure defined as shareholders' equity divided by total number of shares outstanding at end of period.
[4] Equity ratio is a Non-GAAP measure defined as shareholders' equity divided by total assets at the end of period.
[5] Includes impairment from discontinued operations.
[6] Income (loss) 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.
See page 37 of this MD&A for a discussion of Non-GAAP measures.

Sales Overview

Sales Volumes by Payable Metal

	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Copper (tonnes)										
Neves-Corvo	**82,747**	23,126	17,236	22,277	20,108	86,748	23,104	23,087	23,051	17,506
Aguablanca	**6,295**	1,653	1,281	1,798	1,563	5,905	1,490	1,477	1,669	1,269
Storliden	**-**	-	-	-	-	1,783	-	255	872	656
	89,042	24,779	18,517	24,075	21,671	94,436	24,594	24,819	25,592	19,431
Zinc (tonnes)										
Neves-Corvo	**-**	-	-	-	-	19,166	2,977	6,434	5,750	4,005
Zinkgruvan	**63,146**	17,187	11,167	18,324	16,468	55,985	11,399	14,279	13,475	16,832
Galmoy*	**26,035**	(88)	1,569	13,283	11,271	46,468	12,860	10,894	11,303	11,411
Storliden	**-**	-	-	-	-	5,956	-	846	3,090	2,020
	89,181	17,099	12,736	31,607	27,739	127,575	27,236	32,453	33,618	34,268
Lead (tonnes)										
Zinkgruvan	**33,729**	10,357	7,571	9,275	6,526	31,626	7,549	8,025	9,406	6,646
Galmoy*	**7,541**	(9)	805	4,967	1,778	11,793	3,282	2,488	3,026	2,997
	41,270	10,348	8,376	14,242	8,304	43,419	10,831	10,513	12,432	9,643
Nickel (tonnes)										
Aguablanca	**7,582**	2,155	1,616	1,766	2,045	7,210	1,935	1,822	1,850	1,603

* includes payable metal in sales of ore (50% attributable to Galmoy – see MD&A page 19)

With the exception of nickel, sales volumes are lower in 2009 than 2008. Volumes in the final quarter returned to expected levels and processed inventories at the end of the year were very low.

Sales Revenue by Mine

	Years ended December 31		
(US$ millions)	**2009**	2008	**Change**
Neves-Corvo	**448.7**	497.9	(49.2)
Zinkgruvan	**137.3**	123.5	13.8
Aguablanca	**125.2**	120.3	4.9
Galmoy	**34.8**	69.8	(35.0)
Other	**-**	23.8	(23.8)
	746.0	835.3	(89.3)

The decrease in sales revenue from 2008 is the result of lower volume from continuing operations ($29.3 million) and the closures of Galmoy and Storliden ($58.6 million). Metal price changes and price adjustments offset each other.

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 month the sale is expected to settle 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 typically are one to four months after shipment.

The average realized prices for 2009 and 2008 remained relatively consistent despite a significant reduction in the LME average prices in 2009 (see MD&A Page 23). The reason for this is the effect of price adjustments, referred to above, shifting significant revenue from one year to the next. Average realized prices for 2009 and 2008 are as follows:

Reconciliation of realized prices

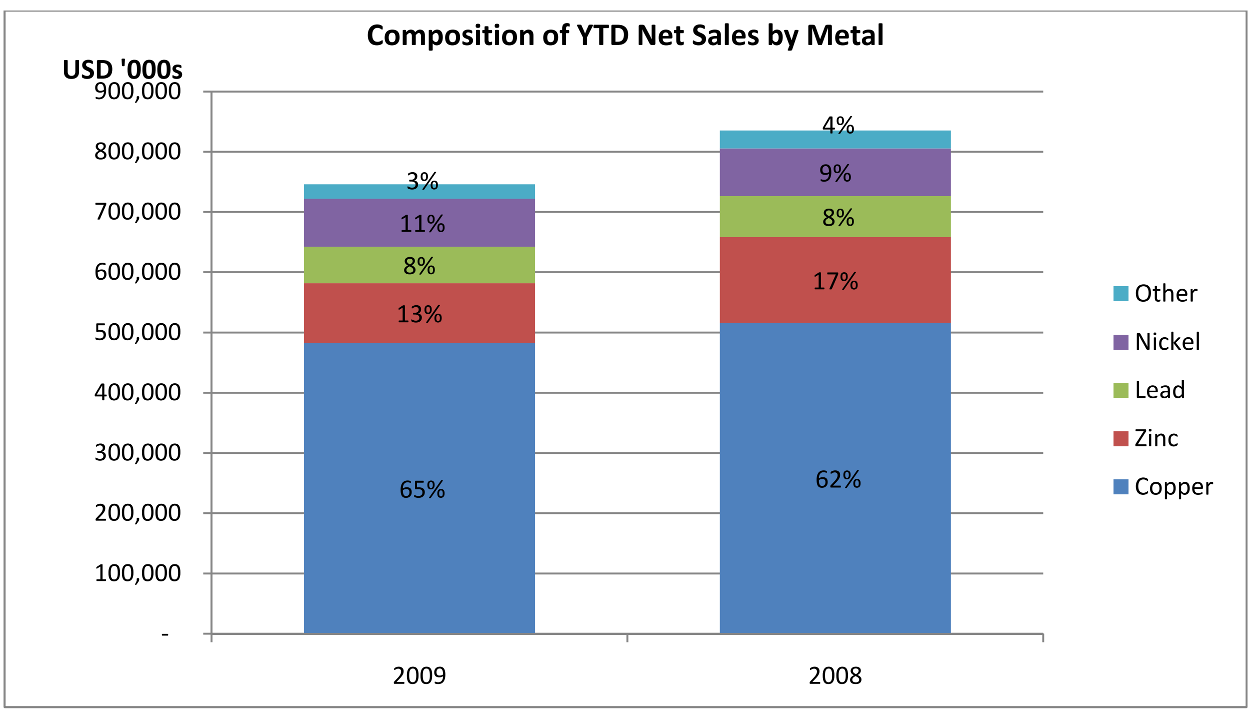
2009 ($ millions)	**Copper**	**Zinc***	**Nickel**	**Lead***	**Total**
		Year ended December 31, 2009			
Sales before TC/RC	$ 525.6	$ 146.8	$ 126.8	$ 73.5	$ 872.7
Other metal sales					24.1
Less: TC/RC					(150.8)
Total Net Sales					**$ 746.0**
Payable Metal (tonnes)	**89,042**	**87,806**	**7,582**	**40,381**	
Realized prices, $ per pound	$ 2.68	$ 0.76	$ 7.59	$ 0.83	
Realized prices, $ per tonne	$5,903	$1,672	$16,724	$1,820	

* excludes Galmoy ore sales

2008 ($ millions)	**Copper**	**Zinc**	**Nickel**	**Lead**	**Total**
		Year ended December 31, 2008			
Sales before TC/RC	$ 559.3	$ 220.7	$ 130.9	$ 86.6	$ 997.5
Other metal sales					25.3
Less: TC/RC					(187.5)
Total Net Sales					**$ 835.3**
Payable Metal (tonnes)	**94,436**	**127,575**	**7,210**	**43,419**	
Realized prices, $ per pound	$ 2.69	$ 0.78	$ 8.23	$ 0.90	
Realized prices, $ per tonne	$5,923	$ 1,730	$ 18,155	$ 1,994	

Sales Value by Metal

Copper revenues of $482.2 million (2008 - $520.6 million) comprise the largest component of net metal sales. Zinc sales were $99.5 million (2008 - $142.6 million) and nickel sales were the third highest contributor to revenues at $79.5 million (2008 - $78.6 million). Lead sales were $60.7 million (2008 - $68.2 million) while other metals accounted for $24.1 million (2008 - $25.3 million).



Operating Results

Operating Costs

Costs of mining operations were $340.3 million compared with $436.6 million for the same period in 2008. The decrease resulted from cost reduction at continuing operations of $16.3 million, and a further savings of approximately $27.0 million due to the stronger US dollar. In addition, closure of Galmoy at the end of the second quarter of 2009 ($40.1 million) and the closure of the Storliden mine at the end of 2008 ($15.4 million) also contributed to the lower overall operating costs in 2009.

Accretion of Asset Retirement Obligations and Other

Accretion of asset retirement obligations and other provisions reduced to $6.9 million for 2009, compared to $25.9 million in the prior year. The previous year included charges for provisions established in connection with the decision to close the Galmoy mine. This included $14.9 million of anticipated severance costs, $14.6 million of which have subsequently been paid.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization decreased by $32.3 million to $170.0 million in 2009, compared with $202.3 million in 2008. This decrease is primarily attributable to the $419.0 million reduction in 2008 to the carrying values of long-lived assets and property, plant and equipment at Aguablanca and Galmoy as a result of impairment assessments. This was offset by increase in deprecation for Neves-Corvo reflecting revised estimates as a result of the suspension of zinc production.

	Years ended December 31		
Depreciation by operation ($ millions)	**2009**	2008	**Change**
Neves-Corvo	**126.5**	94.7	31.8
Zinkgruvan	**15.7**	20.0	(4.3)
Aguablanca	**27.0**	63.4	(36.4)
Galmoy	**0.1**	23.1	(23.0)
Other	**0.7**	1.1	(0.4)
	170.0	202.3	(32.3)

General Exploration and Project Investigation

General exploration and project investigation costs decreased to $22.6 million in 2009 from $38.9 million during 2008 as a result of a reduction in activity. The majority of exploration expenditure now relates to near-mine exploration at Neves-Corvo and is focused on expanding Neves-Corvo's copper resources.

Other Costs

Other costs are as follows:

	Years ended December 31		
($ millions)	**2009**	2008	**Change**
Selling, general and administrative	**20.0**	39.6	(19.6)
Stock-based compensation	**5.6**	9.9	(4.3)
Other income	**(5.9)**	(4.8)	(1.1)
Interest and bank charges	**15.0**	14.7	0.3
Foreign exchange (gain) loss	**(14.4)**	14.7	(29.1)
Loss on derivative contracts	**61.5**	0.1	61.4
Loss on sale of investments	**18.7**	-	18.7
Goodwill and long-lived asset impairment	**53.0**	760.2	(707.2)
Impairment of AFS securities	**-**	144.1	(144.1)
(Gain) loss on sale of AFS securities	**(12.0)**	1.3	(13.3)
	141.5	979.8	(838.3)

Selling, General and Administration (“SG&A”)

2008 includes costs associated with changes in the leadership team and the restructuring of the corporate offices. The lower cost in 2009 also reflects the effect of cost reduction initiatives.

Stock-Based Compensation

The reduction in stock-based compensation expense reflects a decrease in the numbers of options granted in 2009 and lower fair values. Only 1.5 million options were granted in 2009, compared to 6.2 million options which were granted in 2008. In addition, there were cancellations of approximately 960,000 unvested options in 2009 which resulted in a recovery of amounts previously expensed of $2.1 million.

Foreign Exchange (Gain) Loss

The foreign exchange gain relates to US$ denominated debt held in the Canadian and Swedish group entities. These gains were partly offset by losses on revaluation of cash held in US$ by the European operations. Average exchange rate in 2009 was $1.39:€1.00 (2008 – $1.47:€1.00) and $1.00:SEK7.65 (2008 – $1.00:SEK6.60).

Loss on Derivative Contracts

The 2009 loss on derivatives relates to the Company’s copper contracts. Of the $61.5 million loss recorded in 2009, $20.4 million was cash-settled and recorded as a realized loss during the year.

Loss on Sale of Investments

During the third quarter of 2009, the Company completed the sale of its 49% interest in the Ozernoe zinc project in Russia for gross proceeds of $35.0 million, resulting in a loss on sale of the investment of $18.7 million.

Goodwill and Long-Lived Asset Impairment

The Company regularly reviews its long-lived assets and goodwill for impairment when there is reason to believe that the assets may be impaired.

On February 11, 2010, the Company announced that it has entered into an agreement for the sale of the Salave gold project in northern Spain. The Company has assessed the carrying value in relation to an estimate of the fair value of the proceeds to be received at the date of closing and has recorded a write-down of $53.0 million ($37.1 after tax) to the carrying value to reflect the estimated impairment as at December 31, 2009.

In 2008, the Company recorded goodwill impairments of $237.4 million and long-lived asset impairments of $522.8 million for continuing operations. This assessment was as a result of declining economic conditions, including low base metal prices.

Impairment of AFS Securities

In 2008, it was determined that the impairment in the investment portfolio was likely to be other than temporary impairment ("OTTI"). As a result, a loss in the amount of $144.1 million ($143.2 million after tax) was recorded related to mark-to-market adjustments recorded in previous years. In 2009, no indications of OTTI were evident.

Current and Future Income Taxes

Current Tax Expense (Recovery)	**Years ended December 31**		
($ millions)	**2009**	2008	Change
Neves-Corvo	**45.4**	44.2	1.2
Zinkgruvan	**2.2**	5.5	(3.3)
Aguablanca	**-**	(0.7)	0.7
Galmoy	**0.3**	1.3	(1.0)
Other	**3.2**	(20.6)	23.8
Current tax expense	**51.1**	29.7	21.4

The increase in current income tax expense is a reflection of higher taxable earnings.

The corporate tax rates in the countries where the Company has mining operations range from 25% in Ireland to 30% in Spain. To December 31, 2009, the Company has paid a total of $37.8 million in income taxes, including $3.2 million paid in Sweden, $35.2 million paid in Portugal and $3.8 million paid in Cyprus, offset by a refund of $4.0 million received in Canada and $0.4 million received in Ireland.

Future Tax Expense (Recovery)	**Years ended December 31**		
($ millions)	**2009**	2008	Change
Neves-Corvo	**(27.7)**	(3.7)	(24.0)
Zinkgruvan	**(0.1)**	(3.2)	3.1
Aguablanca	**(10.8)**	(102.9)	92.1
Galmoy	**-**	5.5	(5.5)
Other	**(15.8)**	(55.8)	40.0
Future tax recovery	**(54.4)**	(160.1)	105.7

Future income tax recovery for 2009 was $105.7 million lower than 2008. Future tax recoveries in 2008 of $160.1 million included $135.2 million of recoveries related to asset impairments recognized.

Mining Operations

Production Overview

	YTD 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Copper (tonnes)										
Neves-Corvo	**86,462**	22,150	19,756	22,189	22,367	89,026	23,297	22,291	20,726	22,712
Aguablanca	**6,989**	1,718	1,595	1,803	1,873	7,071	1,796	1,878	1,849	1,548
Storliden	**-**	-	-	-	-	1,847	-	264	903	680
	93,451	23,868	21,351	23,992	24,240	97,944	25,093	24,433	23,478	24,940
Zinc (tonnes)										
Neves-Corvo	**501**	293	208	-	-	22,567	2,598	6,758	7,419	5,792
Zinkgruvan	**70,968**	19,598	13,439	17,896	20,035	65,631	15,036	15,844	16,552	18,199
Galmoy*	**29,932**	120	1,504	14,066	14,242	55,952	14,772	13,470	14,016	13,694
Storliden	**-**	-	-	-	-	7,007	-	995	3,635	2,377
	101,401	20,011	15,151	31,962	34,277	151,157	32,406	37,067	41,622	40,062
Lead (tonnes)										
Zinkgruvan	**36,183**	10,289	7,261	8,972	9,661	33,075	7,291	7,043	9,959	8,782
Galmoy*	**7,669**	104	850	3,506	3,209	11,724	2,626	2,865	2,438	3,795
	43,852	10,393	8,111	12,478	12,870	44,799	9,917	9,908	12,397	12,577
Nickel (tonnes)										
Aguablanca	**8,029**	2,324	1,784	1,960	1,961	8,136	2,179	2,155	1,954	1,848

* includes payable metal in sales of ore (50% attributable to Galmoy – see MD&A page19)

Overall production targets were achieved for all metals produced. All mine operations generally performed in accordance with, or better than internal expectations.

Cash Cost Overview

	Cash cost / lb (US cents)		Cash cost / lb (local currency)	
	2009	2008	**2009**	2008
Neves-Corvo (Local in € cents)				
Gross cost	**116**	122	**83**	83
By-product **	**(2)**	(15)	**(2)**	(10)
Net Cost – Cu/lb	**114**	107	**81**	73
Zinkgruvan (Local in SEK)				
Gross cost	**69**	78	**522**	508
By-product **	**(43)**	(48)	**(325)**	(306)
Net Cost - Zn/lb	**26**	30	**197**	202
Aguablanca (Local in € cents)				
Gross cost	**713**	809	**510**	548
By-product **	**(273)**	(259)	**(195)**	(172)
Net Cost - Ni/lb	**440**	550	**315**	376

**By-product is after related TC/RC

Commentary on cash cost performance is included under individual mine operational discussion.

Neves-Corvo Mine

Neves-Corvo is an underground mine, 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 processing of zinc-rich ores was suspended in November 2008 pending an improvement in zinc prices and the zinc facility was converted to treat copper ore. Zinc production is expected to recommence in 2011.

Operating Statistics

	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Ore mined, copper (tonnes)	**2,509,460**	633,337	619,567	620,155	636,401	2,395,516	674,207	573,766	577,980	569,563
Ore mined, zinc (tonnes)	-	-	-	-	-	407,046	34,509	106,488	138,728	127,321
Ore milled, copper (tonnes)	**2,569,603**	632,696	642,605	622,822	671,480	2,409,966	675,599	550,182	588,875	595,310
Ore milled , zinc (tonnes)	-	-	-	-	-	398,985	42,864	114,556	126,669	114,896
Grade per tonne										
Copper (%)	**3.9**	4.0	3.6	4.3	3.9	4.3	4.0	4.7	4.1	4.4
Zinc (%)	-	-	-	-	-	7.3	7.7	7.6	7.5	6.6
Recovery										
Copper (%)	**86**	88	84	84	86	86	87	85	85	87
Zinc (%)	-	-	-	-	-	78	78	78	79	77
Concentrate grade										
Copper (%)	**24.8**	24.9	24.5	25.0	24.8	24.3	24.4	24.5	24.4	23.8
Zinc (%)	-	-	-	-	-	49.2	48.9	49.0	49.7	48.8
Production- tonnes (metal contained)										
Copper	**86,462**	22,150	19,756	22,189	22,367	89,026	23,297	22,291	20,726	22,712
Zinc	**501**	293	208	-	-	22,567	2,598	6,758	7,419	5,792
Silver (oz)	**722,501**	193,345	164,554	168,072	196,530	926,740	232,252	233,077	218,674	242,737
Sales ($000s)	**448,742**	163,755	107,757	103,818	73,412	497,936	15,501	119,698	193,575	169,162
Operating earnings ($000s)[1]	**263,361**	106,619	66,874	54,645	35,223	291,831	(20,226)	62,639	125,880	123,538
Cash cost (€ per pound)[2]	**0.81**	0.83	0.81	0.80	0.78	0.73	0.79	0.72	0.74	0.67
Cash cost ($ per pound)[2]	**1.14**	1.22	1.21	1.10	1.01	1.07	1.05	1.06	1.15	1.02

Operating Earnings[1]

Operating earnings of $263.4 million were $28.5 million lower than 2008. Lower sales volume ($38.0 million effect) was partially offset by favourable exchange rates ($9.9 million effect). The lower sales volume reflects lower copper production and the suspension of zinc mining. Average copper prices were significantly below 2008 ($82 million negative effect); however, this was almost entirely offset by more favourable price adjustments in 2009 compared to 2008.

Production

Record production was achieved in copper ore mined and processed. The increased volume (approximately 6,000 contained metal tonnes additional) largely offset the lower copper head-grade (approximately 8,000 contained metal tonnes lower). In this higher price environment, Neves-Corvo continues to mine lower-grade, out of reserve ores, and this is largely accounting for the observed decrease in average head-grades.

Zinc production was suspended all year and timing of recommencement is dependent on the zinc price.

In June 2009, the RC circuit, designed to recover a proportion of copper and zinc lost to tailings, was commissioned. In the last quarter this plant recovered nearly 1,000 tonnes of copper and 300 tonnes of zinc, twice the amount that was expected, reducing expected payback on this plant to around 12 months.

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[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 37 of this MD&A for discussion of Non-GAAP measures.

[2] Cash cost per pound of payable copper sold is the sum of direct cash costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 37 of this MD&A.

Cash Costs

The increase in cash costs per pound of $0.07 relates entirely to a lower by-product credit. In local currency, the cost per pound of copper is unchanged from 2008 when viewed prior to by-product credits.

Cash costs at $1.14 for the year are $0.04 above prior guidance owing to the reallocation of certain one-time charges and other costs as costs of production rather than SG&A and other expenses.

Neves-Corvo Zinc Expansion Project

The zinc expansion project at Neves-Corvo, designed to produce a minimum of 50,000 tonnes per annum of zinc from existing orebodies, was re-started in the third quarter of 2009 and is advancing on schedule and on budget. Production is expected to build up from early 2011 reaching full production rates during the third quarter 2011. The estimated cost of the project is €43 million.

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 and processing facility with associated infrastructure and a present nominal production capacity of 1 million tonnes of ore throughput.

Operating Statistics

	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Ore mined (tonnes)	**990,655**	269,976	205,955	252,971	261,753	900,387	250,638	193,953	212,156	243,640
Ore milled (tonnes)	**1,028,234**	268,839	225,097	276,747	257,551	895,024	226,167	204,096	237,114	227,647
Grade per tonne										
Zinc (%)	**7.5**	8.0	6.5	7.0	8.3	7.9	7.2	8.3	7.5	8.5
Lead (%)	**4.1**	4.5	3.8	3.8	4.4	4.3	3.8	4.0	4.8	4.5
Recovery										
Zinc (%)	**92**	91	91	92	93	93	93	94	93	94
Lead (%)	**85**	84	85	85	86	86	84	87	88	86
Concentrate grade										
Zinc (%)	**52.6**	52.4	52.7	53.0	52.4	53.2	53.5	53.4	53.0	53.0
Lead (%)	**74.4**	74.5	72.8	74.9	75.3	76.7	77.2	76.3	76.2	77.2
Production – tonnes (metal contained)										
Zinc	**70,968**	19,598	13,439	17,896	20,035	65,631	15,036	15,844	16,552	18,199
Lead	**36,183**	10,289	7,261	8,972	9,661	33,075	7,291	7,043	9,959	8,782
Silver (oz)	**1,861,029**	505,026	414,555	480,077	461,371	1,694,566	373,769	370,932	534,193	415,672
Sales ($000s)	**137,281**	52,167	29,800	34,925	20,389	123,508	11,064	29,745	34,066	48,633
Operating earnings ($000s)[1]	**74,775**	32,502	16,123	17,841	8,309	57,238	(2,136)	11,437	14,806	33,131
Cash cost (SEK per pound)[2]	**1.97**	1.69	1.36	2.05	2.58	2.02	3.06	2.27	2.03	1.09
Cash cost ($ per pound)[2]	**0.26**	0.23	0.20	0.26	0.31	0.30	0.40	0.35	0.33	0.18

Operating Earnings[1]

Operating earnings of $74.8 million were $17.5 million above 2008. The increase is attributable to higher sales volume ($6.0 million earnings effect) and favourable exchange rates ($12.0 million earnings effect). Lower zinc and lead prices were offset by favourable price adjustments comparing 2009 to 2008.

Production

Record production levels were reached for ore mined and treated during 2009. Metal production was also at record levels continuing the substantial improvements in output at this mine.

Zinc production in the fourth quarter was lower than expected owing to continued issues with dilution related to localized-faulting in the hanging walls of 2 stopes in the Burkland area. Higher lead production resulted from processing of an intermediate lead product. Remedial plans are underway to address dilution associated with the local faulting.

Cash Costs

Cash costs per pound of zinc have decreased $0.04 when measured in US dollars as a result of a favourable exchange rate.

Copper Project

The estimated cost of the copper project is $40 million, and is on track for first production in the second quarter of 2010. Design production of 7,000 tpa of copper is expected to be reached in 2013.

[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 37 of this MD&A for discussion of Non-GAAP measures.

[2] Cash cost per pound of payable zinc sold is the sum of direct cash costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 37 of this MD&A.

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 present production capacity of 1.9 million tonnes per annum.

Operating Statistics

	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Ore mined (tonnes)	**1,441,903**	373,626	361,676	389,364	317,237	1,794,089	480,663	461,477	444,720	407,229
Ore milled (tonnes)	**1,912,675**	463,175	478,474	486,931	484,095	1,825,212	492,681	475,893	451,265	405,373
Grade per tonne										
Nickel (%)	**0.5**	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.5	0.6
Copper (%)	**0.4**	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Recovery										
Nickel (%)	**77**	78	75	77	78	80	79	81	80	81
Copper (%)	**90**	90	91	91	89	93	94	93	93	92
Concentrate grade										
Nickel (%)	**6.8**	7.3	6.7	6.6	6.3	7.0	7.1	7.0	6.9	7.0
Copper (%)	**5.9**	5.5	6.0	6.1	6.1	6.1	5.9	6.1	6.5	5.9
Production-tonnes (metal contained)										
Nickel	**8,029**	2,324	1,784	1,960	1,961	8,136	2,179	2,155	1,954	1,848
Copper	**6,989**	1,718	1,595	1,803	1,873	7,071	1,796	1,878	1,849	1,548
Sales ($000s)	**125,146**	41,256	30,281	34,376	19,233	120,280	8,917	24,194	35,864	51,305
Operating earnings ($000s)[1]	**48,854**	17,907	11,696	18,468	783	22,231	(13,927)	4,737	2,887	28,534
Cash cost (€ per pound)[2]	**3.15**	2.93	3.49	3.57	2.77	3.76	3.86	3.28	3.23	4.80
Cash cost ($ per pound)[2]	**4.40**	4.31	4.99	4.89	3.62	5.50	5.07	4.94	5.01	7.24

Operating Earnings[1]

Operating earnings of $48.9 million were $26.6 million above 2008. The increase is attributable to lower costs (around $20.0 million earnings effect), higher sales and favourable exchange rates.

Production

Nickel and copper production was down owing to lower recoveries and a marginal reduction in grade. Mill throughput achieved a record high while mined tonnage was deliberately lowered to reduce costs and partially oxidized surface ore stockpiles were blended with ROM production to make up the mill feed. The use of oxidized ore lowered grades and recoveries. Oxidized ore stocks were exhausted during the fourth quarter of 2009 and the mine was returned to full production. Production for the fourth quarter exceeded expectation owing to higher than predicted head-grade.

Cash Costs

Cash costs per pound of nickel improved significantly in 2009 as a direct result of the modified operating plan that was implemented. Costs at $4.40 were well below guidance of $5.00 as the ramp-up of mining production at the end of the year, following a decision to resume full-scale operations, occurred slower than expected. As a consequence, while ore mined met expectations, waste mined was approximately 2 million tonnes lower than expected thus accounting for a reduction of $0.25 per pound of nickel. This tonnage will need to be made up and could occur in 2010 or 2011. 2010 cost guidance remains at $5.80 and will be reviewed based on progress during the year.

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[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 37 of this MD&A for discussion of Non-GAAP measures.

[2] Cash cost per pound of payable nickel sold is the sum of direct cash costs and inventory changes less by-product credits. During 2008, the numbers reported for cash cost per pound included royalties. In 2009, the Company amended the calculation to remove royalties, as defined in the Brook Hunt model, which is consistent with the method used in the Company's other operations.

Galmoy Mine

The Galmoy underground zinc mine is located in south-central Ireland in County Kilkenny. Operational mining ceased in May 2009 and milling on-site ceased in June 2009. Mining of remnant high-grade ore has recommenced and ore is being shipped to an adjacent mine for processing. Production tonnage is based on a 50% attributable-share to Lundin Mining.

Operating Statistics

	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Ore mined (tonnes)	**172,903**	-	-	68,673	104,230	494,860	115,746	131,114	119,590	128,410
Ore milled (tonnes)	**190,871**	-	-	85,533	105,338	496,953	122,394	112,776	131,768	130,015
Grade per tonne										
Zinc (%)	**17.7**	-	-	19.8	16.8	13.5	14.5	14.1	12.8	12.9
Lead (%)	**5.0**	-	-	5.5	4.9	3.5	3.3	3.8	2.9	4.1
Recovery										
Zinc (%)	**82**	-	-	83	81	83	83	85	83	82
Lead (%)	**68**	-	-	74	63	67	65	67	64	71
Concentrate grade										
Zinc (%)	**52.3**	-	-	53.0	51.5	52.5	52.4	51.8	53.4	52.3
Lead (%)	**68.0**	-	-	70.3	65.7	65.2	66.3	65.8	65.7	63.7
Production- tonnes (metal contained)										
Zinc	**28,312**	-	4*	14,066	14,242	55,952	14,772	13,470	14,016	13,694
Lead	**6,715**	-	-	3,506	3,209	11,724	2,626	2,865	2,438	3,795
Silver	**56,044**	-	-	24,596	31,448	134,120	20,546	27,124	27,344	59,106
Zinc from ore sales**	**1,619**	119*	1,500							
Lead from ore sales**	**954**	104*	850							
Sales ($000s)	**34,820**	(475)	3,242	21,707	10,346	69,831	7,938	15,549	19,539	26,805
Operating earnings ($000s)[1]	**12,480**	373	2,007	9,406	694	(7,218)	(20,347)	1,570	2,005	9,554
Cash cost (€ per pound)[2]	**0.36**	-	-	0.26	0.43	0.48	0.52	0.44	0.49	0.45
Cash cost ($ per pound)[2]	**0.48**	-	-	0.35	0.56	0.70	0.69	0.66	0.76	0.69

* Final production adjustment

** Estimated production on a 50% attributable-share to Lundin Mining from ore treated at an adjacent mine.

Operating Earnings[1]

Operating earnings of $12.5 million were $19.7 million above 2008 and reflects selective mining of high-grade areas combined with a carefully managed closure programme. Mining has recommenced to extract remnant high-grade ore for processing at an adjacent mine and thus Galmoy continues to generate earnings despite closure of all processing facilities.

Production

Mining ceased in the second quarter according to plan. Production tonnage from the third quarter onwards comprises ore sales. Contained metal in sales of ore attributable to Lundin is based on a 50% attributable-share.

Closure Costs

The mine closure at Galmoy is progressing as planned and restricted cash on hand has been assessed to be sufficient to meet these obligations. Excluding rehabilitation costs, for which reimbursement is now due from closure funds, Galmoy was cash neutral for the year after meeting all closure and severance payments.

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[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 37 of this MD&A for discussion of Non-GAAP measures.

[2] Cash cost per pound of payable zinc sold is the sum of direct costs and inventory changes less by-product credits. See page 37 for discussion of Non-GAAP Performance Measures.

Tenke Fungurume

(Lundin 24.75%, FCX 57.75%, Gécamines 17.5%)

Tenke Fungurume ("Tenke") is a major new copper-cobalt operation located in the southern part of Katanga Province, Democratic Republic of Congo ("DRC"). Freeport-McMoRan Copper & Gold Inc. ("FCX" or "Freeport") is the operating partner. La Générale des Carrières et des Mines ("Gécamines"), the Congolese state mining company, holds a 17.5% free carried interest in the project. Owing to the carried interest of Gécamines, capital funding is provided by FCX and the Company as to 70% and 30%, respectively.

Production Statistics

100% Basis	**Total 2009**	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined (tonnes)	**6,219,344**	1,890,765	1,676,156	1,615,400	1,037,023
Ore milled (tonnes)	**2,111,067**	714,738	730,219	620,915	45,195
Grade per tonne					
Copper (%)	**3.7**	4.2	3.7	3.4	-
Recovery					
Copper (%)	**92**	95	89	92	-
Production - tonnes					
Copper	**70,001**	29,201	24,317	16,483	-

The project consists of successive phases of development from the concessions' multiple ore deposits. Construction of the Phase I oxide ore open pit mine and associated process and infrastructure facilities was substantially completed during the first half of the year. Production of copper cathode commenced in the first quarter of 2009 and first saleable cobalt hydroxide was produced in May 2009. The cobalt plant and sulphuric acid plant were commissioned in the third quarter of 2009. Phase 1 name-plate capacity is 115,000 tonnes per annum of copper cathode and 8,000 tonnes per annum of cobalt.

Reserves as at December 31, 2009 (*as announced February 22, 2010*) are as follows: 135 million metric tonnes grading 3.13 % total copper and 0.33 % total cobalt.

In its first nine months of ramp-up of operations, the mine produced approximately 70,000 tonnes of copper cathode. By year-end, copper recoveries were consistently at, or above, design levels. Some cobalt processing issues remain to be resolved but Tenke is making good progress with these issues and they are expected to be resolved during 2010. Average price realized for copper sales during the year was $2.85 per pound of cathode sold.

During 2009, the Company contributed $56.7 million to the project. Company funding of Tenke during 2009 included Lundin's share of working capital, exploration and on-going studies. The Company was protected from cost overruns on the initial Phase I project capital cost, whereby FCX funded certain excess cost overruns starting late in 2008. These costs were funded by FCX through loans to the project. The loans are non-recourse to Lundin and are being repaid from operating cash flows. At December 31, 2009, the principal amount owing to FCX for contributions made on behalf of the Company through the excess overrun cost facility for the completed Phase 1 facilities was $223.5 million.

In the fourth quarter of 2009, debottlenecking and expansion feasibility studies commenced, potentially increasing production capacity by 50% or greater. The expansion feasibility study is expected to be completed by mid-2010. Capital investment obligations from the Company for the year ahead are uncertain until the results of the feasibility study are received; however the expected range of capital investment by the Company is expected to be in the order of $40 million for exploration, study work and sustaining capital if expansion does not mobilize in 2010. The Company has estimated for internal planning purposes that its capital obligations for 2010 could increase to the $100 million range if the expansion progresses according to an aggressive time frame. This figure is dependent upon the results of the feasibility study and could vary materially depending upon the results received from the study.

The Ministry of Mines, Government of the DRC initiated a review of the mining contracts in the country in 2007. FCX, as operator, has been leading discussions with the government and continues to engage in discussions with representatives of the DRC Government regarding the ongoing contract review. The Company believes that the TFM agreements with the Government of the DRC are legally binding, that all associated issues have been dealt with fully under Congolese law and that the overall fiscal terms previously negotiated and incorporated into the Amended and Restated Mining Convention exceed the requirements of the Congolese Mining Code. Discussions are continuing in a co-operative manner and have not affected mining operations.

The Company accounts for its investment in Tenke using the equity method. Accordingly, the Company's proportionate share of the earnings and losses are recorded in income as "Income from Equity Investment in Tenke" with a corresponding adjustment to the balance sheet investment. The balance sheet investment is increased when the Company makes advances to Tenke and will be decreased by any cash distributions received.

Prior to the commencement of commercial production, operational revenues and expenses are capitalized. The Company considers commercial production to have been reached during the third quarter of 2009 and as such, the Company's share of the operational results are recorded in income for the fourth quarter and the impact on the Company's Statement of Operations in future periods is expected to be material.

Exploration Highlights

Exploration was restricted during the year to high-priority near-mine exploration and limited regional activities.

Continued investment in in-mine and near-mine exploration has seen the growth of mineral reserves to replace ore mined during the year at both Neves-Corvo and Zinkgruvan.

In addition, at Neves-Corvo there has been an increase of 11 million tonnes (+44%) in measured and indicated copper resources (approximately 160,000 tonnes of contained copper) and 20 million tonnes have been added in inferred copper resources (*See news release dated February 22, 2010*).

Neves-Corvo Mine Exploration (Copper, Zinc)

Surface drilling for the year totalled 42,598 metres with 46 individual targets tested. The most significant result for the year was the discovery of a new zone of copper-zinc mineralization (Lombador Mid) located 400 metres to the northwest of the Lombador East deposit. The Lombador East massive sulphide lens was extended 220 metres down-dip during 2009, opening up a large volume for additional resource extensions that will be further drill tested in 2010 as will the potential for connecting the Lombador East and Lombador Mid deposits. Infill drilling into the Lombador East footwall copper zone was also completed, allowing this new copper body to be added to the resource inventory.

Iberian Pyrite Belt Regional Exploration, Portugal (Copper, Zinc)

A JV option agreement, reached in September 2009 with Metallica Mining AS for the exploration of this large regional property portfolio, was terminated just prior to year-end.

Aguablanca Mine Exploration (Nickel, Copper)

No mine exploration was carried out at Aguablanca during 2009.

Zinkgruvan Mine Exploration (Zinc, Lead, Silver)

No surface mine exploration work was carried out in 2009. An initial zinc-lead-silver resource was defined at the deep Dalby zone located immediately to the northwest of the mine. Future resource exploration is expected to be carried out from underground.

Regional Exploration, Sweden (Zinc, Lead, Silver and Copper)

All regional exploration throughout Sweden was curtailed in 2009. In October 2009, a purchase and sale agreement for the Company’s 100%-owned Swedish exploration subsidiary company was reached with Kopparberg Mineral AB. The transaction closed in January 2010.

Ireland (Zinc, Lead, Silver)

Exploration activity in Ireland was largely restricted to the Clare JV property in south-western Ireland which is subject to a joint venture option agreement with Belmore Resources. Drilling results continue to be encouraging and drilling will continue in 2010. Lundin Mining has the right to earn an undivided 51% interest in the Clare project by spending €2.7 million by December 2011 and has the option of earning up to a 70% interest by meeting certain additional expenditure commitments by June 2017. It is expected that the initial 51% interest will be vested prior to mid-year 2010.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

Metal prices fell sharply during the first half of 2009 as a consequence of the slow-down of global industrial production. In response, a number of mines announced temporary or permanent closures which, together with production disruptions, reduced metal production during 2009. Metal prices increased during the second half of 2009.

		Three months ended December 31			Twelve months ended December 31		
(Average LME Prices)		**2009**	2008	**Change**	**2009**	2008	**Change**
Copper	US$/pound	**3.01**	1.79	69%	**2.34**	3.15	-26%
	US$/tonne	**6,643**	3,940	69%	**5,164**	6,952	-26%
Lead	US$/pound	**1.04**	0.57	83%	**0.78**	0.95	-17%
	US$/tonne	**2,292**	1,251	83%	**1,726**	2,085	-17%
Zinc	US$/pound	**1.00**	0.54	86%	**0.75**	0.85	-11%
	US$/tonne	**2,211**	1,189	86%	**1,659**	1,870	-11%
Nickel	US$/pound	**7.96**	4.94	61%	**6.67**	9.54	-30%
	US$/tonne	**17,543**	10,885	61%	**14,700**	21,027	-30%

The LME inventory for copper, zinc, lead and nickel all saw a considerable increase during 2009 and ended the year 48% (copper), 93% (zinc), 224% (lead) and 102% (nickel) higher than the closing levels of 2008.

Annual negotiations for copper treatment charges (“TC”) and refining charges (“RC”) are underway with some settlements being reported at a TC of $46.50 per dmt of concentrates with a RC of $0.0465 per payable pound of copper contained. This represents a substantial improvement over the 2009 terms with a TC of $75 and with a RC of $0.075.

The spot treatment charges TC for zinc concentrates increased during 2009 from $165 per dmt in January to $220-230 per dmt in December. During the fourth quarter 2009, the spot TC for zinc concentrates increased from $190 per dmt, flat, in the beginning of the quarter to $220-$230 per dmt, flat, at the end of the quarter. The main reason for the increase in the spot TC is the increase of the LME zinc price, the differential between the realized TC under annual contracts and the spot TC remained the same during the quarter.

Since most of the zinc smelting capacity which was closed during the first half of 2009 has been reopened during the last quarter of 2009, while most of the zinc mines which closed during the last quarter of 2008 and the first quarter of 2009 remain closed, the Company expects an improvement in the TC under annual contracts in favour of the mines for 2010.

Lead concentrate imports by China have increased by 26% in 2009 compared to 2008. The increase in demand from China had kept the spot treatment charges TC for lead concentrates below the level of the annual contract throughout 2009.

Lead concentrates are mainly produced as a by-product to zinc concentrates and because of the price induced closures of zinc mines, the Company expects the market for lead concentrates to remain tight for 2010 which in turn should lead to lower TC under the annual contracts compared to 2009.

The Company’s nickel concentrates are sold under a multi-year contract which is up for re-negotiation in mid-2010.

Liquidity and Financial Condition

Cash Reserves

Net debt as at December 31, 2009 of $49.3 million was down from net debt of $145.5 million at the end of 2008. The Company defines net debt to be available unrestricted cash less financial debt, including capital leases and other debt-related obligations.

Cash and cash equivalents decreased by $28.1 million to $141.6 million as at December 31, 2009 from $169.7 million at December 31, 2008. Net proceeds of $148.8 million from the bought deal financing in April 2009 and operating cash inflow of $137.4 million (after $68.1 million of cash outflows related to the settlement of sales for which provisional payments had been previously received), were offset by the following outlays of cash:

- $128.3 million in investment in mineral property, plant and equipment;
- $56.7 million for Tenke funding;
- $21.0 million on the disposal of Aljustrel, pursuant to terms of the sale agreement; and
- $124.6 million for repayment of the revolving credit facility.

As at December 31, 2008, the Company received a waiver from the banking syndicate to cure non-compliance with the tangible net worth covenant under its then existing $575 million revolving line of credit facility.

On July 6, 2009, the Company completed the restructuring of its credit facility by establishing a three year fully-revolving credit facility for US$225 million, the terms of which include:

- Interest at LIBOR plus 4.5% until March 2010 and from April 2010 at LIBOR plus 3.5% to 4.5% depending upon the leverage ratio at the Company; and
- Financial covenants customarily required for a revolving–term facility, including minimum tangible net work, interest coverage ratio and leverage ratio.

The Company is in compliance with all requirements under the restructured agreement. The total outstanding on the facility at December 31, 2009 is $141.6 million (excluding a letter of credit of $11.1 million). The total outstanding is matched by cash on-hand.

Working Capital

At December 31, 2009, there is working capital of $193.6 million, compared to $91.7 million at December 31, 2008 (excluding current portion of long-term debt and capital leases). The increase in working capital results reflects a substantial improvement in liquidity, from the reduction in accounts payable and accrued liabilities as a result of lower operating costs, and an increase in receivables which were very low in the prior year owing to low metal prices. The receipt of proceeds from the equity financing, as discussed above, increased cash and aided the reduction in current liabilities.

Deferred Revenues

The Company has agreements with Silver Wheaton Corp. in respect of Zinkgruvan and Neves-Corvo, to sell all future silver production at a price of $3.90/oz or the market price if it is less than $3.90/oz. The agreement for Zinkgruvan production is periodically adjusted for inflation. The up-front payments received have been deferred and are realized on the statement of operations when the actual deliveries of silver occur.

Shareholders' Equity

Shareholders' equity was $2.9 billion at December 31, 2009, compared to $2.6 billion at December 31, 2008. Share capital was increased by the proceeds of the equity issuance of $148.8 million. Differences that result from the translation of the Company's Iberian and Swedish net assets into US dollars will result in increases and decreases to the Company's translated net assets, depending on the strength of the US dollar when compared to the Euro or SEK. These variances related to translation are recorded in Other Comprehensive Income. Translation differences resulted in an increase in other comprehensive income of $52.3 million for the twelve month period ended December 31, 2009. The change related to the fair value of AFS investments added approximately $30.0 million.

Contractual Obligations and Commitments

	Payments due by period				
$US thousands	**< 1 year**	1-3 years	4-5 years	After 5 years	Total
Long-term debt	**1,255**	182,320	1,464	1,156	186,195
Capital leases	**1,281**	2,499	913	-	4,693
Operating leases and other	**2,243**	3,451	639	1,620	7,953
	4,779	188,270	3,016	2,776	198,841

Off-Balance Sheet Financing Arrangements

The Company has certain protection for cost overruns relating to the development of Phase I of the Tenke copper/cobalt project. Costs above a certain level were funded by Freeport (see page 20 of this MD&A for details.) During the fourth quarter of 2008, capital expenditures on Phase I reached a certain threshold, beyond which the Company was not required to provide cash funding. Freeport contributed the Company's proportionate share of project funding required by advancing amounts to the project on the Company's behalf. The funding is non-recourse to the Company and will be repaid from the operating cash flows of the project with first priority to other shareholder advances and dividends.

Sensitivities

Net income and income per share (EPS) are affected by certain external factors including fluctuations in metal prices and changes in exchange rates between the Euro, the Swedish Krona and the US dollar.

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

	Price on December 31, 2009 ($US/tonne)	**Change**	**Effect on pre-tax earnings ($millions)**
Copper	7,346	+10%	16.1
Zinc	2,570	+10%	4.5
Lead	2,395	+10%	2.9
Nickel	18,480	+10%	6.6

Outstanding receivables (provisionally valued) as of December 31, 2009

Metal	**Tonnes payable**	**Valued at $ price per lb**	**Valued at $ price per tonne**
Copper	21,963	3.34	7,362
Zinc	17,642	1.06	2,333
Lead	11,961	1.06	2,338
Nickel	3,584	8.39	18,501

Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standard Boards (“AcSB”) confirmed in February 2008 that IFRS will replace Canadian GAAP (“GAAP”) for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company’s first mandatory filing under IFRS, which will be the first quarter of 2011, will contain IFRS-compliant financial statements on a comparative basis, as well as reconciliations for that quarter and as at the January 1, 2010 transition date. Although IFRS uses a conceptual framework similar to GAAP, there are significant differences in recognition, measurement and disclosure.

The Company’s conversion plan has three phases which are design and planning, assess and quantify and implementation.

During the design and planning phase, the Company established a core team which has developed a detailed change-over conversion plan which marks key milestones and deliverables which will enable the Company to track its progress in order to complete the transition to IFRS. A steering committee has also been put in place to oversee the progress of the IFRS project. In 2008, the Company also undertook an IFRS diagnostic study with a view to assessing the impact of the transition to IFRS. This diagnostic study revealed that there were a number of key accounting areas where IFRS differs from current GAAP and also identified alternatives in those and other key accounting areas. The IFRS diagnostic study also identified key system and business process areas that needed to be addressed as part of the ongoing conversion project.

During 2009, the Company made the following progress on the key elements of its changeover plan:

ACCOUNTING POLICIES

The Company is in the process of completing its detailed review and assessment of IFRS standards, and has preliminarily identified those standards which it believes will have the most material impact on the Company as follows:

Mineral properties, plant and equipment

The Company has recognized impairment losses for mineral properties and plant and equipment in previous years. On conversion, the impairment tests performed under Canadian GAAP will have to be reassessed. In accordance with Canadian GAAP, impairment testing is a two step process. The first step, using undiscounted cash flows is undertaken to determine if impairment exists. If an impairment is identified, then the second step is undertaken whereby a discounted cash flow analysis is used to determine the impairment to be recorded. Under IAS 36, impairment tests are undertaken using discounted cash flows only. The Company is assessing whether this difference will result in adjustments on conversion.

Under IFRS, reverse impairment indicators must be reviewed periodically. To the extent that reverse impairment indicators exist, previously recognized impairments may be reversed. Applying IFRS 1 elections for fair value as deemed cost to certain long-lived assets will limit the requirement to reverse impairments. The Company is still assessing the application of this election.

Componentization is the process in which significant components of individual assets which have different lives are amortized accordingly. The Company is in process of completing its review of componentization.

Foreign Currency

An IFRS 1 election is available which resets cumulative foreign currency translation adjustments to zero on the date of transition. The Company expects to apply this IFRS 1 election.

Asset Retirement Obligations
Under IFRS the ARO must include legal or constructive obligations which may result in an expanded scope. The discount rate applied to the ARO is a current rate updated at each balance sheet date.

The Company expects to apply the IFRS 1 election available for the related ARO asset which provides relief in retroactively reassessing any potential depreciation impacts as a result of conversion adjustments to the ARO. The Company is in the process of completing its assessment on the IFRS conversion adjustments for ARO.

Business Combinations
Certain differences have been identified between IFRS and Canadian GAAP in accounting for business combinations. Under IFRS restructuring costs and other transactions costs are expensed on acquisition. Additionally, on asset acquisitions future tax liabilities recognized for temporary tax differences are not recognized.

An IFRS 1 election is available to apply IFRS 3R to business combinations after the date of transition. On a preliminary basis, the Company expects to apply this election to all business combinations completed prior to the date transition.

IFRS EXPERTISE

The project team has received in-depth training and has provided training for field staff. IFRS training is also being scheduled for the members of the Company's Audit Committee and other Board members to supplement self learning material already provided.

An external advisor has been engaged to assist in the IFRS conversion project.

The transition plan to IFRS has been communicated throughout the Company, including to the various international sites.

The Company continues to monitor standards development as issued by the International Accounting Standards Board and the Canadian Institute of Chartered Accountants Accounting Standards Board, as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of the Company's adoption of IFRS.

The Company will continue to assess resource and training requirements as the project progresses

COMPUTER SYSTEMS

Requirements have been assessed and the implementation of necessary changes has been substantially completed.

INTERNAL CONTROLS

The Company's preliminary assessment is that it does not expect significant changes to disclosure controls and procedures and internal controls over financial reporting.

A Steering Committee has also been established to oversee the progress of the IFRS project.

The overall responsibility for the implementation and success of the Company's change-over conversion plan rests with the Company's senior financial management who report to and are overseen by the Company's Audit Committee.

During 2010, the Company will complete the next phase of its conversion plan, whereby the Company will continue to perform detailed assessments and technical analysis that will result in the conclusion of IFRS transitional adjustments, aid decisions on accounting policy choices and assist in the drafting of accounting policies. The implementation phase is expected to be completed during the second half of 2010.

New Accounting Standards

Effective January 1, 2009, the Company has adopted the following CICA accounting standards:

Section 3064 – Goodwill and Intangible Assets

This new standard replaces the former CICA Section 3062 – Goodwill and Other Intangible Assets and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Adoption of this standard did not have any material effect on the financial statements.

Section 3855 – Financial Instruments

Assessment of embedded derivatives upon reclassification

The CICA amended Section 3855 to clarify that, upon reclassification of a financial instrument out of the held-for-trading category, an assessment of whether an embedded derivative is require to be bifurcated must be completed. In addition, the amendment prohibits the reclassification of a financial instrument out of held-for-trading when the derivative embedded in the financial instrument cannot be separately measured from the host contract. The amendment is applicable to all reclassification occurring after July 1, 2009. Adoption of this standard did not have any material effect on the financial statements.

Financial asset measurement categories and impairment

In August 2009, the CICA issued amendments to Section 3855. The amendments changed the definition of a loan such that certain debt securities may be classified as loans if they do not have a quoted price in an active market and the Company does not have the intent to sell the security immediately or in the near term. As a result, debt securities classified as loans will be assessed for impairment using the incurred credit loss model of Section 3025 to reduce the carrying value of a loan to its estimated realizable amount. Loan impairment accounting requirements are also applied to held-to-maturity financial assets as a result of the amendments. Debt securities that are classified as AFS continue to be written down to their fair-value when the impairment is considered to be other-than-temporary. However, the impairment loss can be reversed if the fair value substantially increases and the increase can be objectively related to an event occurring after the impairment loss was recognized. Adoption of this standard did not have any material effect on the financial statements.

Section 3862 – Financial Instruments Disclosures

The CICA amended Section 3862 to enhance fair value and liquidity disclosures. The standard now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels. Each level is based on the transparency of inputs to the valuation of the financial asset or liability as of the measurement date. Adoption of this standard did not have any material effect on the consolidated financial statements.

EIC-173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued an Emerging Issues Committee Abstract (“EIC”) on Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, EIC-173. This EIC discusses how an entity’s own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of this standard did not have any material effect on the financial statements.

EIC-174 – Mining Exploration Costs

In March 2009, the CICA issued EIC-174 on Mining Exploration Costs. This EIC provides guidance on the accounting and the impairment review of mining exploration costs. Adoption of this standard did not have any material effect on the financial statements.

Critical Accounting Estimates

The application of certain accounting policies requires the Company to make estimates based on assumptions that may be undertaken at the time the accounting estimate is made. The Company has determined that the following accounting estimates are critical and could have a material effect on the financial statements of the Company if there is a change in an estimate.

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 amortizes the mineral property and mining equipment and other assets 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, asset is amortized over its expected useful life.

The proven and probable reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves the study geological, geophysical 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 and amortization of the related mining assets and could result in an impairment of the 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 in Portugal and the Zinkgruvan mine in Sweden, which have longer mine lives, would be less affected by a change in the reserve estimate.

Valuation of Mineral Properties and Exploration and Development Properties

The Company carries its mineral properties at cost less a 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 amortized over the economic life of the property on a units-of-production basis. Costs are charged for operations when a property is abandoned or when impairment in value that is other than temporary has been determined. General exploration costs are charged to operations as incurred.

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 undiscounted 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, unit sales prices, 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 operations.

Goodwill

The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired is goodwill. Goodwill is allocated to the reporting units acquired based on management's estimates of the fair value of each reporting unit as compared to the fair value of the assets and liabilities of the reporting unit. Estimates of fair value may be impacted by changes in base metal prices, currency exchange rates, discount rates, level of capital expenditures, interest rate, 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 reporting units that have recorded goodwill, the estimated fair value 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. If the carrying value exceeds the estimated or implied fair value of goodwill, which is equal to management's estimate of potential value within the reporting unit, any excess of the carrying amount of goodwill over the estimated or implied goodwill is deducted from the carrying value of goodwill and charged to the current period earnings.

Income Taxes

Future income 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 future income tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether the Company is "more likely than not" to benefit from these prior losses and other future 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. In the event that it is determined that certain of the losses are not likely to be utilized, a valuation reserve would have to be recorded against the recognized future tax assets through a charge to income. Conversely, where amounts that are considered not likely to be utilized to reduce future tax payable are determined to be likely to be utilized in the future, the valuation allowances against these losses would be removed by recording a future income tax recovery in the statement of operations.

As at December 31, 2009, the Company has estimated non-capital loss carry-forwards of approximately $392.9 million, which can be applied to reduce future income taxes payable. Non-capital losses in Spain and Canada will expire between 2010 and 2029. In Sweden and Ireland, non-capital losses do not have an expiry. The Company may not be able to benefit from a portion of these loss carry-forwards and is uncertain whether they will be utilized in the future. As such, a valuation allowance has been applied against $290.6 million of the loss carry-forwards.

Stock-Based Compensation
The Company grants stock options to employees of the Company 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. In estimating fair value, management is required to make certain assumptions and estimates regarding such items as the life of options and forfeiture rates. Changes in the assumptions used to estimate fair value could result in materially different results.

Mine Closure Provisions
The Company has obligations for site restoration and decommissioning 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 assumptions and judgments 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’s policy for recording mine closure provisions is to establish provisions for future mine closure costs at the commencement of mining operations based on the present value of the future cash flows required to satisfy the obligations. 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 operating costs.

Managing Risks

Risks and Uncertainties

Metal Prices
Metal prices, primarily zinc, copper 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 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 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, employ provisional payment arrangements and the use of letters of credit, where appropriate, but cannot always be assured of the solvency of its customers and at times will sell to parties whose credit worthiness is not determinable. 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 for regularly occurring operational transactions.

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, 2009, the Company had $60.3 million in a number of reclamation funds that will be used to fund future site restoration and mine closure costs at the Company's various mine sites. The Company will continue to contribute annually to these funds as required, based on an estimate of the future site restoration 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 ceased production at its Galmoy mine during the first half of 2009 but resumed limited mining of ore in late 2009 for treatment at an adjacent mine. Current mining activity does not have a significant effect on closure activities which continue to be carried out.

Rehabilitation programs will be completed at the Storliden mine during 2010 following production shutdown in 2008 and the site will be subject to ongoing monitoring for several years following the completion of closure activities. The Company also has ongoing long-term monitoring programs in place associated with legacy mining operations previously carried on in Honduras and Spain 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: 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. 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 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, precious metals 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.

Mine Development Risks

The Company's ability to maintain, or increase, its annual production of zinc, silver, copper, 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 development projects.

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 charges 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. Although the Company currently has all the required permits for its operations as currently conducted, 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 from each property.

Factors which may affect carrying values include, but are not limited to, metal prices, 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 additional 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 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 the 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, 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-McMoRan Copper & Gold Inc. There may be risks associated with this partner, including its financial condition, of which the Company is not aware. There is a risk for non-payment by partners of their share of project expenditures, which would adversely affect the Company's financial position and financial results.

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 the withholding tax rates in the countries where the operations are carried out.

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 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 licences required to satisfy all of its supply requirements.

Key Personnel

The Company is depending on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company does not have key person insurance on these individuals.

Share Price Volatility

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities.

Outstanding Share Data

As at February 22, 2010, the Company had 579,678,242 common shares issued and outstanding and 9,143,925 stock options and 171,360 stock appreciation rights outstanding under its stock-based incentive plans.

Non-GAAP Performance Measures

The Company uses certain performance measures in its analysis. These performance measures have no meaning within GAAP 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

Canadian GAAP. 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 income or loss. Operating earnings is defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. The operating earnings are shown on the statement of operations as "Income before undernoted".

- Cash cost per pound

  Zinc, copper 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 a GAAP 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.

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

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

	Year ended December 31, 2009				Year ended December 31, 2008			
	Total Tonnes Sold	**Pounds (000s)**	**Cost $/lb**	**Cash Operating Costs (000s)**	**Total Tonnes Sold**	**Pounds (000s)**	**Cost $/lb**	**Cash Operating Costs (000s)**
Operation								
Neves-Corvo (cu)	82,747	182,426	1.14	207,966	86,748	191,245	1.07	204,632
Zinkgruvan (zn)	63,146	139,213	0.26	36,195	55,985	123,425	0.30	37,028
Aguablanca (ni)	7,582	16,715	4.40	73,546	7,210	15,895	5.50	87,422
Galmoy (zn)	24,660	54,366	0.48	26,096	46,468	102,443	0.70	71,710
				343,803				400,792
Add: Byproduct credits				119,866				163,954
Treatment costs				(135,647)				(142,994)
Royalties and other				12,299				14,881
Total Operating Costs				**340,321**				**436,633**

	Three months ended December 31, 2009				Three months ended December 31, 2008			
	Total Tonnes Sold	Pounds (000s)	Cost $/lb	Cash Operating Costs (000s)	Total Tonnes Sold	Pounds (000s)	Cost $/lb	Cash Operating Costs (000s)
Operation								
Neves-Corvo (cu)	23,126	50,984	1.22	62,200	23,104	50,935	1.05	53,482
Zinkgruvan (zn)	17,187	37,891	0.23	8,715	11,399	25,130	0.40	10,052
Aguablanca (ni)	2,155	4,751	4.31	20,477	1,935	4,266	5.07	21,629
Galmoy (zn)	-	-	-	-	12,860	28,351	0.69	19,562
				91,392				104,725
Add: Byproduct credits				38,498				14,524
Treatment costs				(37,893)				(23,966)
Royalties and other				6,810				(10,479)
Total Operating Costs				**98,807**				**84,804**

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, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as at December 31, 2009.

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 generally accepted accounting principles ("GAAP"). 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 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, 2009.

Changes in internal control over financial reporting
There have been no changes in the Company's internal control over financial reporting during the fiscal year ended December 31, 2009 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 and the United States Securities and Exchange Commission ("SEC"), respectively. A copy of the Company's AIF can be obtained from the Canadian Securities Administrators' website at www.sedar.com or from the SEC website at www.sec.gov.

lundin mining

Consolidated Financial Statements

For the Year Ended December 31, 2009

Management's Report

The accompanying consolidated financial statements of Lundin Mining Corporation 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 Canadian generally accepted accounting principles, and include some amounts that are based on management's estimates and judgment.

The Board of Directors carries out its responsibility for the 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 their 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.

(Signed) Philip J. Wright

President and Chief Executive Officer

(Signed) Marie Inkster

Chief Financial Officer

Toronto, Ontario, Canada
February 24, 2010

Auditors' Report

To the Shareholders of
Lundin Mining Corporation

We have audited the consolidated balance sheets of Lundin Mining Corporation as at December 31, 2009 and 2008 and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario, Canada
February 24, 2010

Lundin Mining Corporation

CONSOLIDATED BALANCE SHEETS

As at December 31, 2009 and 2008

(in thousands of US dollars)		2009		2008
ASSETS				
Current				
Cash and cash equivalents (Note 4)	$	141,575	$	169,698
Accounts receivable		195,370		74,411
Inventories (Note 5)		27,519		40,081
Prepaid expenses		3,541		8,052
		368,005		292,242
Reclamation funds and restricted cash		67,076		58,385
Mineral properties, plant and equipment (Notes 6, 10)		1,310,287		1,351,584
Investment in Tenke Fungurume (Note 7)		1,633,740		1,576,743
Investments and other assets (Note 8)		42,508		66,987
Future income tax assets (Note 11)		68,707		52,102
Goodwill (Notes 9, 10)		249,820		242,519
Assets of discontinued operations (Note 20)		-		63,940
	$	3,740,143	$	3,704,502
LIABILITIES				
Current				
Accounts payable	$	59,473	$	151,087
Accrued liabilities (Note 12)		48,235		44,353
Income taxes payable		14,657		1,648
Current portion of long-term debt and capital leases (Note 13)		2,536		306,973
Current portion of asset retirement obligations (Note 18)		5,830		-
Current portion of deferred revenue (Note 15)		5,667		3,465
Derivative contracts (Note 16)		40,557		-
		176,955		507,526
Long-term debt and capital leases (Note 13)		188,352		8,243
Other long-term liabilities (Note 14)		11,936		16,252
Deferred revenue (Note 15)		72,230		75,665
Provision for pension obligations (Note 17)		16,385		14,359
Asset retirement obligations and other provisions (Note 18)		120,954		109,530
Future income tax liabilities (Note 11)		238,089		262,650
Liabilities of discontinued operations (Note 20)		-		106,553
		824,901		1,100,778
SHAREHOLDERS' EQUITY				
Share capital (Note 19)		3,480,487		3,331,309
Contributed surplus		30,415		24,758
Accumulated other comprehensive income		265,051		182,074
Deficit		(860,711)		(934,417)
		2,915,242		2,603,724
	$	3,740,143	$	3,704,502

Commitments and contingencies (Note 22)

See accompanying notes to consolidated financial statements

Approved by the Board of Directors

(Signed) Lukas H. Lundin
Director

(Signed) Dale C. Peniuk
Director

Lundin Mining Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, 2009 and 2008

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

		2009		2008
Sales	$	745,989	$	835,294
Operating costs		(340,321)		(436,633)
Accretion of asset retirement obligations and other provisions (Note 18)		(6,918)		(25,931)
Selling, general and administration		(19,960)		(39,556)
Stock-based compensation (Note 19b)		(5,629)		(9,926)
Income from continuing operations before undernoted		373,161		323,248
Depreciation, depletion and amortization		(170,004)		(202,317)
General exploration and project investigation		(22,645)		(38,876)
Interest and bank charges		(15,027)		(14,725)
Foreign exchange gain (loss)		14,430		(14,726)
Loss on derivative contracts (Note 16)		(61,496)		(91)
Income (loss) from equity investment in Tenke Fungurume (Note 7)		297		(2,171)
Goodwill and long-lived assets impairment (Notes 9, 10)		(53,042)		(760,188)
Impairment of available-for-sale ("AFS") securities (Note 8a)		-		(144,077)
Gain (loss) on sale of AFS securities (Note 8a)		11,951		(1,320)
Loss on sale of investment (Note 8b)		(18,661)		-
Other income and expenses		5,900		4,796
Income (loss) from continuing operations before income taxes		64,864		(850,447)
Current income tax expense (Note 11)		(51,106)		(29,677)
Future income tax recovery (Note 11)		54,375		160,130
Income (loss) from continuing operations		68,133		(719,994)
Gain (loss) from discontinued operations, net of income taxes (Note 20)		5,573		(237,067)
Net income (loss)	$	73,706	$	(957,061)
Basic and diluted income (loss) per share from				
Continuing operations	$	0.12	$	(1.82)
Discontinued operations		0.01		(0.60)
Basic and diluted income (loss) per share	$	0.13	$	(2.41)
Weighted average number of shares outstanding				
Basic		550,000,833		396,416,414
Diluted		550,045,231		396,416,414

See accompanying notes to consolidated financial statements

Lundin Mining Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2009 and 2008
(in thousands of US dollars)

		2009		2008
Net income (loss)	$	73,706	$	(957,061)
Other comprehensive income (loss), net of taxes				
Changes in the fair value of AFS securities		38,274		(128,793)
Reclassification adjustment of gains and losses included in net income (loss)		(8,506)		(263)
Impairment of AFS securities		-		143,222
Cumulative foreign currency translation adjustment		53,209		(103,393)
		82,977		(89,227)
Comprehensive income (loss)	$	156,683	$	(1,046,288)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2009 and 2008
(in thousands of US dollars, except share amounts)

	Number of Shares		Share Capital		Contributed Surplus		Accumulated Other Comprehensive Income		Retained Earnings (Deficit)		Total
Balance, December 31, 2007	392,489,131	$	3,233,682	$	14,179	$	271,301	$	22,644	$	3,541,806
Exercise of stock options	97,848		920		(301)		-		-		619
Stock-based compensation	-		-		10,880		-		-		10,880
Reclassification adjustment of losses included in net loss	-		-		-		(263)		-		(263)
Changes in the fair value of AFS securities	-		-		-		(128,793)		-		(128,793)
Impairment of AFS securities	-		-		-		143,222		-		143,222
Normal Course Issuer Bid share buyback	(2,150,700)		(14,654)		-		-		-		(14,654)
Private placement	96,997,492		111,361		-		-		-		111,361
Net loss	-		-		-		-		(957,061)		(957,061)
Effects of foreign currency translation	-		-		-		(103,393)		-		(103,393)
Balance, December 31, 2008	487,433,771	$	3,331,309	$	24,758	$	182,074	$	(934,417)	$	2,603,724
Exercise of stock options and SARs	158,693		354		(26)		-		-		328
Stock-based compensation	-		-		5,683		-		-		5,683
Reclassification adjustment of gains included in net income	-		-		-		(8,506)		-		(8,506)
Changes in the fair value of AFS securities	-		-		-		38,274		-		38,274
Issuance of common shares, net of costs	92,000,000		148,824		-		-		-		148,824
Net income	-		-		-		-		73,706		73,706
Effects of foreign currency translation	-		-		-		53,209		-		53,209
Balance, December 31, 2009	579,592,464	$	3,480,487	$	30,415	$	265,051	$	(860,711)	$	2,915,242

See accompanying notes to consolidated financial statements

Lundin Mining Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2009 and 2008

(in thousands of US dollars)

	2009	2008
Cash provided by (used in)		
Operating activities		
Net income (loss)	$ 73,706	$ (957,061)
Items not involving cash		
Accretion of asset retirement obligations	4,984	4,016
Provision for severance and closure costs	1,934	21,915
Stock-based compensation	5,629	9,926
Depreciation, depletion and amortization	170,004	202,317
Unrealized foreign exchange (gain) loss	(33,400)	17,815
Unrealized loss (gain) on derivative contracts	41,059	(10,503)
(Income) loss from equity investment in Tenke Fungurume	(297)	2,171
Goodwill and long-lived asset impairment	53,042	970,660
Impairment of AFS securities	-	144,077
(Gain) loss on sale of AFS securities	(11,951)	1,320
Loss on sale of investment	18,661	-
Future income tax recovery	(54,375)	(134,122)
Gain on disposition of Aljustrel	(5,573)	-
Provision for pension obligations	1,615	1,651
Recognition of deferred revenue	(5,689)	(6,796)
Other	1,048	3,668
Reclamation payments and other closure costs	(20,647)	(3,811)
Reclamation fund contributions	(2,309)	(780)
Pension payments	(790)	(785)
Changes in non-cash working capital items	(99,256)	(50,649)
	137,395	215,029
Investing activities		
Investment in mineral properties, plant and equipment	(128,319)	(274,446)
Investment in Tenke Fungurume	(56,700)	(264,100)
Investments in AFS securities	(2,936)	(4,675)
Proceeds from sale of investments and other assets	23,051	48,904
Cash outlay on disposition of Aljustrel	(20,979)	-
Other	57	10,024
	(185,826)	(484,293)
Financing activities		
Debt repayments	(164,547)	(136,010)
Proceeds from long-term debt	39,483	374,458
Common shares issued	149,258	111,980
Common share buyback	-	(17,974)
Other	(421)	-
	23,773	332,454
Effect of foreign exchange on cash balances	(3,465)	(26,105)
(Decrease) increase in cash and cash equivalents during the year	(28,123)	37,085
Cash and cash equivalents, beginning of year	169,698	133,207
Cash and cash equivalents, discontinued operations	-	(594)
Cash and cash equivalents, end of year	$ 141,575	$ 169,698

Supplemental cash flow information (Note 26)

See accompanying notes to consolidated financial statements

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company with operations in Portugal, Sweden, Spain and Ireland, producing copper, zinc, lead and nickel.

The Company's principal operating mine assets include the Neves-Corvo copper/zinc mine, located in Portugal, the Zinkgruvan zinc/lead mine, located in Sweden, the Aguablanca nickel/copper mine, located in Spain, and a 24.75% equity accounted interest in the Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo ("DRC"). In addition, the Company holds development projects at its Zinkgruvan and Neves-Corvo mines.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The presentation currency of the Company is US dollars. All amounts are in US dollars unless otherwise indicated.

Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these consolidated financial statements where required.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Management exercises significant judgment in the determination of the following estimates:

- the amounts of ore reserves and resources used in the evaluation of carrying values, amortization rates and the timing of cash flows;
- quantities and net realizable value of inventories;
- contingent liabilities;
- tax provisions and future income tax balances;
- useful economic life of plant and equipment;
- costs of asset retirement obligations and other mine closure obligations;
- stock-based compensation measurements;
- financial and derivative instruments valuations;
- assumptions used in impairment testing of all assets;
- determination of reporting units and the valuation of reporting units for goodwill determination; and
- valuation of mineral exploration and development properties.

Actual results could differ from estimates made by management during the preparation of these consolidated financial statements, and those differences may be material.

Significant Accounting Policies

The significant accounting policies used in these consolidated financial statements are as follows:

(a) Subsidiaries, variable interest entities and investments

Investments over which the Company holds a controlling interest are consolidated in these financial statements. The Company consolidates subsidiaries and entities that are subject to control on a basis of ownership of a majority of the voting interests, or variable interest entities.

Investments over 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, and for accounting changes that relate to periods subsequent to the date of acquisition. When there is a loss in value of an equity accounted investment which is other than temporary, the investment is written down to recognize the loss by a charge included in net income.

(b) Translation of foreign currencies

The accounts of self-sustaining foreign operations are translated into US dollars at year-end exchange rates, and revenues and expenses and cash flows are translated at the average exchange rates. Differences arising from these foreign currency translations are recorded as cumulative foreign currency translation adjustments within other comprehensive income and as accumulated other comprehensive income until they are realized by a reduction in the investment.

For integrated foreign operations, monetary assets and liabilities are translated into US dollars at year-end exchange rates and non-monetary assets and liabilities are translated at historical rates. Revenues, expenses and cash flows are translated at average exchange rates, except for items related to non-monetary assets and liabilities, which are translated at historical rates. Gains or losses on translation of monetary assets and monetary liabilities are included in net income.

The measurement or functional currencies of all material subsidiaries is the local currency.

(c) 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.

(d) Inventories

Ore stockpile and concentrate stockpile inventories 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 property, plant and equipment directly involved in the related mining and production process, amortization of any stripping costs previously capitalized and directly attributable overhead costs. Materials and supplies inventories are valued at average cost less allowances for obsolescence.

(e) Mineral properties

Mineral properties are carried at cost less accumulated depletion and any accumulated impairment charges. Mineral property expenditures include:

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

ii. Exploration and evaluation costs incurred on an area of interest once a determination has been made that a property has potential economically recoverable resources and there is a reasonable expectation that costs can be recovered by future exploitation or sale of the property. Exploration and evaluation 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. Stripping costs represent the cost incurred to remove overburden and other waste materials to access ore. Stripping costs incurred prior to the production phase of a mine are capitalized and included as part of mineral property costs. During the production phase, stripping costs, which represent a betterment of the mineral property, are capitalized. Capitalized stripping costs are amortized on a unit-of-production basis over the proven and probable reserves to which they relate. All other stripping costs incurred during the production phase of a property are accounted for as variable production costs and are included in the cost of inventory produced during the period in which the cost is incurred.

v. Pre-production expenditures net of the proceeds from sales generated, if any, relating to any one area of interest are capitalized as mineral property expenditures until such time as production rates achieve sustained commercial production levels.

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

(f) 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, as follows:

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

(g) Mining equipment under capital lease

Leases that transfer substantially all of the property ownership benefits and risks to the Company are accounted for as capital leases. At the time a capital lease is entered into, the asset is recorded together with the related long-term obligation and is amortized on a straight line basis over its estimated useful life but not to exceed the life of mine. The interest portion of the lease payments are charged to net income as incurred.

(h) Impairment assessment

The Company performs impairment tests on its mineral properties, including exploration and development properties, plant and equipment, when events or changes in circumstances indicate that the carrying values of these assets may not be recoverable. These tests require the comparison of the expected undiscounted future cash flows derived from these assets with the carrying value of the assets. If shortfalls exist, the assets are written down to fair value, determined primarily using discounted cash flow methods.

(i) Interest capitalization

Interest and financing costs on debt or other liabilities that can be attributed to specific projects and that are incurred during the development or construction period are capitalized as a cost of the asset under development or construction.

(j) 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 plus or minus the amounts recognized for future income taxes is recorded as goodwill. Goodwill is identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair value of the assets and liabilities and related future income tax balances of the reporting unit at the date of acquisition. Goodwill is not amortized.

Goodwill is tested annually for impairment or more frequently if current events or changes in circumstances indicate that the carrying value of the goodwill of a reporting unit may exceed its fair value. A two-step impairment test is used to identify potential impairment in goodwill and to measure the amount of goodwill impairment, if any. In the first step, the fair value of a reporting unit is compared with its carrying value, including goodwill. When the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is not undertaken. When the carrying value of a reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill (determined on the same basis as the value of goodwill is determined in a business combination) is compared with its carrying value to measure the amount of the impairment loss, if any. When the carrying value of reporting unit goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

(k) Derivatives

The Company may enter into derivative instruments to mitigate exposures to commodity price and currency exchange rate fluctuations. 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 operations. Fair values for derivative instruments 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 consolidated balance sheets at fair value and mark to market adjustments on these instruments are included in the consolidated statements of operations.

(l) Deferred revenue

Deferred revenue consists of payments received by the Company in consideration for future commitments to deliver silver contained in concentrate at contracted prices. As deliveries are made, the Company records a portion of the deferred revenue as sales, based on a proportionate share of deliveries made compared with the total estimated contractual commitment.

(m) Provision for pension obligations

The Company's Zinkgruvan mine has an unfunded defined benefit pension plan. The cost of the defined benefit pension plan is determined periodically 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). Each year actuarial gains and losses are calculated and accumulated actuarial gains and losses are amortized over the estimated remaining period of services to be received.

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

(n) Asset retirement obligations

The Company records the fair value of its asset retirement obligations as a long-term liability as incurred and records an increase in the carrying value of the related asset by a corresponding amount. In subsequent periods, the carrying value of the liability is accreted by a charge to the statement of operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing or amount of the underlying future cash flows. Charges for accretion and asset retirement obligation expenditures are recorded as operating activities.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the asset retirement obligation, and a corresponding change in the carrying value of the related long-lived asset. Upward revisions in the amounts of estimated cash flows are discounted using the credit-adjusted risk-free rate applicable at the time of the revision. Downward revisions in the amount of estimated cash flows are discounted using the historical credit-adjusted risk-free rate when the original liability was recognized.

(o) 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.

(p) Stock-based compensation

The Company follows the fair value method with respect to stock-based awards to directors and employees, including options, awards that are direct awards of stock that call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this approach, stock-based awards are recognized as a compensation expense over the vesting period of the options or when the awards or rights are granted, with a corresponding credit to contributed surplus. With respect to options that vest over time, the fair value is amortized using the graded vesting attribution method and expensed on a monthly basis. When the stock options or rights are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(q) Income taxes

The Company accounts for income taxes using the liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax based values. Future income tax assets and liabilities are measured using the tax rates substantively enacted when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in the statement of operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(r) Income (loss) per share

Basic income (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Diluted income per share is calculated using the treasury stock method. In applying the treasury-stock method, the assumed proceeds which would be received upon the exercise of outstanding stock options is used to calculate how many common shares could be purchased at the average market price during the year and cancelled. If the calculated result is dilutive, it is included in the diluted income per share calculation.

(s) Financial instruments – recognition and measurement / presentation and disclosure

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value on initial recognition except for certain financial instruments that arise in related party transactions. Measurement in subsequent periods is dependent upon the classification of the financial instrument as held-for-trading, available-for-sale ("AFS"), loans and receivables, held-to-maturity, or other financial liabilities. The held-for-trading classification is applied when an entity is "trading" in an instrument or alternatively the standard permits that any financial instrument be irrevocably designated as held-for-trading. For financial instruments classified as other than held-for-trading, transaction costs are added to the initial fair value of the related financial instrument.

Financial assets and financial liabilities classified as held-for-trading are measured at fair values with changes in those fair values recognized in net income. Financial assets classified as AFS are measured at fair value with changes in those fair values recognized in other comprehensive income. Financial assets classified as loans and receivables, held-to-maturity or other financial liabilities are measured at amortized cost using the effective interest rate method of amortization. Where a financial asset classified as AFS has a loss in value which is considered to be other than temporary, the loss is recognized in the statement of operations.

The Company's financial assets and liabilities are classified as follows:

- Cash and cash equivalents are classified as held-for-trading and any period change in fair value is recorded in the consolidated statements of operations.

- Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method.

- Investments are classified as AFS when they are acquired not for the purpose of near term selling or repurchasing. Any period change in fair value is recorded through other comprehensive income. Where the investment experiences an other- than temporary decline in value, the loss is recognized in the consolidated statements of operations.

- Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

- Derivative instruments including certain embedded derivatives separated from their host contracts are recorded at fair value.

(t) Adoption of new accounting standards

Effective January 1, 2009 the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") accounting standards:

i. Section 3064 – Goodwill and Intangible Assets

This new standard replaces the former CICA Section 3062 – Goodwill and Other Intangible Assets and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Adoption of this standard did not have any material effect on the financial statements.

ii. Section 3855 – Financial Instruments Recognition and Measurement

Assessment of embedded derivatives upon reclassification

The CICA amended Section 3855 to clarify that, upon reclassification of a financial instrument out of the held-for-trading category, an assessment must be completed to determine whether an embedded derivative is required to be bifurcated. In addition, the amendment prohibits the reclassification of a financial instrument out of held-for-trading when the derivative embedded in the financial instrument cannot be separately measured from the host contract. The amendment is applicable to all reclassifications occurring after July 1, 2009. Adoption of this standard did not have any material effect on the financial statements.

Financial asset measurement categories and impairment

In August 2009, the CICA issued further amendments to Section 3855. The amendments changed the definition of a loan such that certain debt securities may be classified as loans if they do not have a quoted price in an active market and the Company does not have the intent to sell the security immediately or in the near term. As a result, debt securities classified as loans will be assessed for impairment using the incurred credit loss model of Section 3025 to reduce the carrying value of a loan to its estimated realizable amount. Loan impairment accounting requirements are also applied to held-to-maturity financial assets as a result of the amendments. Debt securities that are classified as AFS continue to be written down to their fair-value when the impairment is considered to be other-than-temporary. However, the impairment loss can be reversed if the fair value substantially increases and the increase can be objectively related to an event occurring after the impairment loss was recognized. Adoption of this standard did not have any material effect on the financial statements.

iii. Section 3862 – Financial Instruments Disclosures

The CICA amended Section 3862 to enhance fair value and liquidity disclosures. The standard now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels. Each level is based on the transparency of inputs to the valuation of the financial asset or liability as of the measurement date. Adoption of this standard did not have any material effect on the consolidated financial statements.

iv. EIC-173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued an Emerging Issues Committee Abstract ("EIC") on Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, EIC-173. This EIC discusses how an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of this standard did not have any material effect on the consolidated financial statements.

v. EIC-174 – Mining Exploration Costs

In March 2009, the CICA issued EIC-174 on Mining Exploration Costs. This EIC provides guidance on the accounting and the impairment review of mining exploration costs. Adoption of this standard did not have any material effect on the consolidated financial statements.

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

3. NEW ACCOUNTING PRONOUNCEMENTS

Section 1582 – Business Combinations, Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests

These sections replace the former CICA Section 1581, Business Combinations and CICA Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These standards provide the Canadian equivalent to International Financial Reporting Standard IFRS 3R, Business Combinations. CICA Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company will adopt the requirements on the date specified in each respective section and is considering the impact of these standards on the consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2009	2008
Cash	$ 102,774	$ 153,952
Short term investments	38,801	15,746
	$ 141,575	$ 169,698

5. INVENTORIES

Inventories comprise the following:

	2009	2008
Ore stockpiles	$ 3,884	$ 7,337
Concentrate stockpiles	2,168	6,546
Materials and supplies	21,467	26,198
	$ 27,519	$ 40,081

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment comprise the following:

	December 31, 2009		
	Cost	Accumulated depreciation, depletion and amortization	Net
Mineral properties	$ 1,460,737	$ 561,121	$ 899,616
Plant and equipment	489,527	182,676	306,851
Exploration properties	55,573	-	55,573
Assets under construction	48,247	-	48,247
	$ 2,054,084	$ 743,797	$ 1,310,287

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

	December 31, 2008		
	Cost	Accumulated depreciation, depletion and amortization	Net
Mineral properties	$ 1,356,513	$ 438,868	$ 917,645
Plant and equipment	406,248	134,925	271,323
Exploration properties	104,411	-	104,411
Assets under construction	58,205	-	58,205
	$ 1,925,377	$ 573,793	$ 1,351,584

During the year, the Company did not enter into any capital leases (2008 - $2.5 million).

7. INVESTMENT IN TENKE FUNGURUME

	2009	2008
Balance, beginning of year	$ 1,576,743	$ 1,314,814
Advances	56,700	264,100
Share of equity income (loss)	297	(2,171)
Balance, end of year	$ 1,633,740	$ 1,576,743

The Company holds a 30% interest in TF Holdings (“TFH”) which in turn holds an 82.5% interest in a Congolese subsidiary company, Tenke Fungurume Mining Corp S.A.R.L (“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 24.75% and 57.75% respectively. La Générale des Carrières et des Mines (“Gécamines”), a DRC Government-owned corporation owns a free-carried 17.5% interest. FCX is the operator of the project. The Company exercises significant influence over TFM. Accordingly, the Company uses the equity method to account for this investment.

During the year ended December 31, 2009, the Company made cash advances of $56.7 million to fund its portion of TFM expenditures. The Company has an off-balance sheet financing arrangement whereby FCX was responsible for funding the Company’s share of Phase I project development costs that were in excess of agreed budgets. The amounts were funded through loans from FCX to the project and are non-recourse to the Company.

During the year, $166.9 million was advanced by FCX to TFM to fund the Company’s share of the excess Phase I project development costs (on a cumulative basis, $223.5 million). These amounts will be repaid to FCX on a priority basis from future operating cash flows of TFM.

In 2007, the Government of DRC initiated a review of all mining contracts in the country. FCX as operator has been leading discussion with the Government in respect of the review. The Company believes the TFM agreements with the Government are legally binding, all related issues have been duly addressed under Congolese law and the overall fiscal terms as previously negotiated and incorporated into the Congolese Mining Convention as Amended and the TFM agreement terms exceed the requirements of the Congolese Mining Code. The discussion has not delayed project development activities, however, until the review is concluded, the Company’s investment is subject to uncertainty.

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

8. INVESTMENTS AND OTHER ASSETS

Investments and other assets include the following:

	2009	2008
AFS securities (a)	$ 39,539	$ 13,953
Other assets (b)	2,969	53,034
	$ 42,508	$ 66,987

a) AFS securities

Investments in AFS securities consist of marketable securities which had a fair value of $39.5 million as at December 31, 2009 (2008 - $14.0 million). These investments consist of shares in publicly traded mining and exploration companies.

During the year ended December 31, 2009, the Company recognized a gain of $12.0 million (2008 - loss of $1.3 million) from the sale of AFS securities. Cash proceeds of $17.3 million were received (2008 - $48.9 million).

In 2008, management's assessment of the significant decline in the value of its AFS securities was an other than temporary impairment ("OTTI"). As such, the Company recorded an impairment loss of $144.1 million. In 2009, there were no indications of OTTI.

The Company does not exercise significant influence over any of the companies in which investments in AFS securities are held, which in all cases, amounts to less than a 20% equity interest in any one company.

b) Other assets

During the year, the Company completed the sale of its 49% interest in the Ozernoe zinc project in Russia for gross proceeds of $35.0 million. The sale terminates all of Lundin's rights and obligations related to the project. Proceeds of $3.5 million were received upon closing with the remaining balance of $31.5 million to be received over a period to July 2010. Loss on the sale of investment of $18.7 million has been recorded.

9. GOODWILL

The following table summarizes changes to the carrying value of goodwill:

	December 31, 2009		
	EuroZinc	Rio Narcea	Total
Goodwill, beginning of year	$ 174,992	$ 67,527	$ 242,519
Effect of changes in foreign exchange rates	5,267	2,034	7,301
Goodwill, end of year	$ 180,259	$ 69,561	$ 249,820

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

	December 31, 2008		
	EuroZinc	Rio Narcea	Total
Goodwill, beginning of year	$ 357,956	$ 145,969	$ 503,925
Impairment charges (Note 10)	(166,702)	(70,713)	(237,415)
Effect of changes in foreign exchange rates	(16,262)	(7,729)	(23,991)
Goodwill, end of year	$ 174,992	$ 67,527	$ 242,519

EuroZinc: Goodwill resulted from the acquisition of EuroZinc Mining Corporation ("EuroZinc") in 2006, which includes primarily the mining operations of Neves-Corvo.

Rio Narcea: Goodwill resulted from the acquisition of Rio Narcea Gold Mines, Ltd ("Rio Narcea") in 2007, which includes primarily the mining operations of Aguablanca.

10. GOODWILL AND LONG-LIVED ASSETS IMPAIRMENT

During 2009, a write down of $53.0 million was recorded (after tax $37.1 million) related to the Salave gold project in northern Spain. The property was targeted for disposal at December 31, 2009 and subsequent to year-end, the Company entered into an agreement for the sale of the property (Note 27). In 2008, impairments of goodwill of $237.4 million and long-lived assets of $522.8 million, net of tax, were recognized due to significant metal price declines and general economic conditions.

11. FUTURE INCOME TAXES

The reconciliation of income taxes computed at Canadian statutory tax rates to the Company's income tax expense for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Combined basic federal and provincial rates	33.0%	33.5%
Income tax expense (recovery) based on statutory income tax rates	$ 23,244	$ (284,030)
Effect of lower tax rates in foreign jurisdictions	(7,138)	(79,815)
Non-deductible and non-taxable items	(9,294)	226,468
Other	(10,081)	6,924
Income tax recovery	$ (3,269)	$ (130,453)

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

Temporary differences and loss carry-forwards which give rise to future income tax assets and liabilities as at December 31, 2009 and 2008 are as follows:

	2009	2008
Future income tax assets		
Loss carry forwards	$ 101,345	$ 128,716
Mineral properties, plant and equipment	3,862	36,370
Investments	3,006	12,101
Asset retirement obligations and other mine closure costs	21,150	29,554
Reserves and provisions	13,678	17,112
Share issue costs	2,181	914
Other	8,972	7,404
	154,194	232,171
Valuation allowance	(85,487)	(180,069)
Future income tax assets	$ 68,707	$ 52,102
Future income tax liabilities		
Mineral properties, plant and equipment	10,694	19,128
Mining rights	195,496	219,068
Reserves	21,628	18,913
Other	10,271	5,541
Future income tax liabilities	238,089	262,650
Net future income tax liability	$ 169,382	$ 210,548

As at December 31, 2009, the Company had accumulated non-capital losses as follows:

Year of expiry	Canada	Spain	Sweden	Ireland	Total
2010	$ -	$ -	$ -	$ -	$ -
2011	4,142	-	-	-	4,142
2012	9,429	-	-	-	9,429
2013	-	-	-	-	-
2014 and thereafter	123,018	37,036	96,580	122,744	379,378
	$ 136,589	$ 37,036	$ 96,580	$ 122,744	$ 392,949

Non-capital loss carry forwards in Ireland and Sweden have an indefinite life.

12. ACCRUED LIABILITIES

	2009	2008
Unbilled goods and services	$ 28,858	$ 19,496
Payroll obligations	11,242	12,295
Royalty payable	8,135	12,562
	$ 48,235	$ 44,353

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

13. LONG-TERM DEBT AND CAPITAL LEASES

	2009	2008
Revolving credit facility (a)	$ 141,620	$ 266,652
Somincor debt (b)	38,713	38,692
Capital lease obligations (c)	4,693	4,715
Rio Narcea debt (d)	5,862	5,157
	190,888	315,216
Less: current portion due within one year	2,536	306,973
	$ 188,352	$ 8,243

The principal repayment obligations are scheduled as follows:

	Debt	Capital Leases	Total
2010	$ 1,255	$ 1,281	$ 2,536
2011	732	1,372	2,104
2012	181,588	1,127	182,715
2013	732	765	1,497
2014 and thereafter	1,888	148	2,036
Total	$ 186,195	$ 4,693	$ 190,888

Management estimates that the fair value of the Company's long-term debt approximates its carrying value.

a) During 2009, the Company executed a third amendment to its credit agreement resulting in a restructured facility with the following terms:

- Fully revolving credit facility of US$225 million with a term to May 2012;
- Interest at LIBOR plus 4.5% until March 2010 and from April 2010 at LIBOR plus 3.5% to 4.5% depending upon the leverage ratio of the Company. The effective interest rate at December 31, 2009 was 4.73%;
- Re-defined financial covenants including minimum tangible net worth, interest coverage ratio and leverage ratio;
- Security includes shares owned by the Company in its subsidiaries and material assets acquired; and
- Requirement that the facility be reduced if the Company's principal mining assets are disposed of in whole or in part.

b) On December 17, 2009, the Company repaid 540,000 unsecured bonds with a nominal value of €50 each for a total of €27.0 million that were issued in 2004 by the Company's wholly owned Portuguese subsidiary, Sociedade Mineira de Neves Corvo S.A. ("Somincor"). A three year commercial paper program was established to repay the bonds. The commercial paper has terms of a minimum of 7 days and a maximum of 1 year and bears interest at EURIBOR plus 2%. The effective interest rate at December 31, 2009 was 2.72%.

c) Capital lease obligations relate to leases on mining equipment having lease terms of eight years with fixed interest rates between 7.03% to 8.01%.

d) The Rio Narcea debt is an interest free loan extended by the Spanish Department of Trade, Industry and Commerce. It is repayable in equal annual installments of €0.5 million on December 15 of each year through 2017. The debt is recorded using an imputed interest rate of 4.3%.

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

14. OTHER LONG-TERM LIABILITIES

Included in other long-term liabilities are grants received by Somincor of $9.8 million (€6.8 million) (2008 - $12.5 million or €9.0 million) from the Portuguese government and the European Union to promote capital investment. Based on expenditures made and achievement of certain goals a portion of this grant may not have to be repaid. The portion of the grant that is to be repaid may be interest free if it is to be repaid within two years from receipt of the grant. Otherwise, it will carry an interest of LIBOR plus 0.6% payable over a four year term.

During the year, $7.5 million (€5.2 million) was assessed to be non-repayable based on appropriate expenditure levels. This amount was credited to plant and equipment.

15. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

	2009	2008
Balance, beginning of year	$ 79,130	$ 98,341
Amortization on delivery of silver in concentrate	(5,689)	(6,796)
Effect of changes in foreign exchange rates	4,456	(12,415)
	77,897	79,130
Less: estimated current portion	5,667	3,465
Balance, end of year	$ 72,230	$ 75,665

a) Neves-Corvo mine

The Company has an agreement to sell all of the silver contained in concentrate produced from its Neves-Corvo mine in Portugal to Silver Wheaton Corp ("Silver Wheaton") (formerly Silverstone Resources Corp.). The Company received an up-front payment which 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 27, 2057 and the end of mine life for the Neves-Corvo mine. (Note 22d)

b) Zinkgruvan mine

The Company has an agreement with Silver Wheaton to deliver silver contained in concentrate from the Zinkgruvan mine in Sweden to Silver Wheaton. The Company received an up-front payment which is being recognized as 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)

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

16. DERIVATIVE CONTRACTS

During 2009, the Company entered into multiple option collar arrangements for 49,905 tonnes of copper. No premiums were paid or received to establish the contracts under the net zero cost structure.

During the year ended December 31, 2009, the Company cash-settled 27,328 tonnes of the copper contracts, which resulted in a realized loss of $20.4 million.

As at December 31, 2009, contracts representing 22,577 tonnes of copper remain outstanding. The contracts expire monthly until July 2010. The remaining outstanding contracts have a weighted average floor price of $1.88 per pound and a weighted average maximum price of $2.61 per pound of copper. As at December 31, 2009, the fair value of the contracts and the corresponding unrealized loss was $41.1 million.

17. PROVISION FOR PENSION OBLIGATIONS

The Company has calculated its liability relating to the defined benefit plan at the Zinkgruvan mine using the projected benefit pro-rated on services method. Actuarial assumptions used to determine benefit obligations as at December 31, 2009 and 2008 were as follows:

	2009	2008
Discount rate	4.0%	4.5%
Rate of salary increase	2.5%	2.5%
Long-term rate of inflation	0%	0%

Information about Zinkgruvan's defined benefit and other retirement plans as at December 31, 2009 and 2008 are as follows:

	2009	2008
Accrued benefit obligation:		
Balance, beginning of the year	$ 9,924	$ 12,194
Current service costs	858	761
Interest costs	442	568
Actuarial (gains) losses	(190)	258
Benefits paid	(790)	(785)
Effects of foreign exchange	1,993	(3,072)
Balance, end of the year	12,237	9,924
Adjustments of cumulative unrecognized actuarial losses	528	874
Unrecognized actuarial gains (losses)	190	(258)
Accrued benefit liability	12,955	10,540
Provision for indirect taxes on non-vested pension obligations	2,375	2,524
Pension obligations covered by insurance policies	1,055	1,295
Total provision for pension obligations	$ 16,385	$ 14,359

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

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 related to the defined benefit plan is as follows:

	2009	2008
Current service costs	$ 858	$ 761
Interest costs	442	568
Indirect taxes	315	322
Pension expense	$ 1,615	$ 1,651

In addition, the Company recorded a pension expense of $1.9 million (2008 - $2.3 million) relating to defined contribution plans.

18. ASSET RETIREMENT OBLIGATIONS AND OTHER PROVISIONS

The asset retirement obligations ("ARO") and other provisions relating to the operations of Neves-Corvo, Zinkgruvan, Aguablanca, Galmoy and Storliden mines, are as follows:

	Asset Retirement Obligations	Other Mine Closure Costs	Total
Balance, December 31, 2007	$ 107,380	$ 10,209	$ 117,589
Accretion	4,016	-	4,016
Accruals for services	-	21,915	21,915
Changes in estimates	(21,719)	-	(21,719)
Amounts arising from disposal	(769)	-	(769)
Effect of changes in foreign exchange rates	(6,281)	(1,410)	(7,691)
Payments	(3,811)	-	(3,811)
Balance, December 31, 2008	78,816	30,714	109,530
Accretion	4,984	-	4,984
Accruals for services	-	1,934	1,934
Changes in estimates	26,335	-	26,335
Effect of changes in foreign exchange rates	2,518	2,130	4,648
Payments	(6,009)	(14,638)	(20,647)
	106,644	20,140	126,784
Less: current portion due within one year	5,606	224	5,830
	$ 101,038	$ 19,916	$ 120,954

At December 31, 2009, the asset retirement obligation at the Neves-Corvo mine is based on the estimated undiscounted future site restoration costs of $79.3 million (€55.3 million) and a credit-adjusted risk-free interest rate of 4.75%. There was a change in estimate during 2009, which increased the carrying value of the asset retirement obligation and the related asset by $19.6 million. The Company expects the payments for site restoration costs to be incurred during the last 10 years preceding the closure of the Neves-Corvo mine which is estimated as 2022 or end of mine life. For the year ended December 31, 2009, the Company recorded an accretion expense of $2.8 million (2008 - $1.6 million). The asset retirement obligation for the Neves-Corvo mine was $65.2 million (2008 - $48.2 million).

The asset retirement obligation at the Zinkgruvan mine at December 31, 2009 was $13.4 million (December 31, 2008 - $11.6 million). This was based on estimated undiscounted future site restoration costs of $33.3 million (SEK 240.1 million) and a credit-adjusted risk-free interest rate of 5.5%. The Company expects the future reclamation costs to be incurred subsequent to the end of the mine life which is estimated as 2027 or end of mine life. The Company has posted environmental bonds in the amount of $11.1 million (SEK 80 million), to be followed by additional bonds of $2.24 million (SEK 16.2 million) and $1.39 million (SEK 10.0 million) in 2016 and 2024 respectively.

The future site restoration and mine closure costs at the Aguablanca mine were determined based on the current life of mine plan, estimated undiscounted future site restoration costs of $15.9 million (€11.1 million) for the mine using a credit-adjusted risk-free interest rate of 5.0%. There was a change in estimate during 2009, which increased the carrying value of the asset retirement obligation and the related asset by $12.0 million. The asset retirement obligation including severance for the Aguablanca mine at December 31, 2009 totaled $23.8 million (December 31, 2008 - $11.0 million). The ARO is expected to be settled in 2014 and 2015.

The asset retirement obligation at the Galmoy mine as at December 31, 2009 was $11.6 million (2008 - $15.1 million), which was based on an undiscounted asset retirement obligation of $16.3 million (€11.4 million) and a credit-adjusted risk-free interest rate of 5.5%. There was a change of estimate in the amount of $4.8 million during 2009. Cash payments of $14.6 million for severance related closure costs and $4.7 million for site restoration costs were made in 2009. Remaining expenditures for site restoration costs are expected to be incurred over the period to 2011. For the year ended December 31, 2009, the Company recorded an accretion expense of $0.9 million (2008 - $0.8 million) and a recovery of $0.9 million (2008 - $13.9 million) for other mine closure costs which include government subsidies.

19. SHARE CAPITAL

(a) Authorized and issued shares

The 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 of which 579,592,464 voting common shares (2008 – 487,433,771) are issued and fully-paid.

On April 27, 2009, the Company issued 92 million common shares at a price of C$2.05 per share by way of a short form prospectus offering for aggregate gross proceeds to the Company of $155.8 million (C$188.6 million). Net proceeds were $148.8 million.

On December 11, 2008, the Company completed a private placement, resulting in HudBay Minerals Inc. ("HudBay") subscribing for 96,997,492 common shares in the capital of the Company, at a price of C$1.40 per share, for aggregate gross proceeds to the Company of approximately C$135.8 million. On May 11, 2009, Hudbay sold the shares with consent from the Company.

(b) Stock options

The Company has an incentive stock option plan (the “Plan”) available for certain employees, directors and officers to acquire shares in the Company. The term of any options granted are fixed by the Board of Directors and may not exceed ten years from the date of grant.

Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company’s stock options granted/vested during the year.

The Company uses the fair value method of accounting for all stock-based payments to employees, directors and officers. Under this method, the Company recorded a stock compensation expense of

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

$5.6 million for 2009 (2008 - $9.9 million) with a corresponding credit to contributed surplus. The fair value of the stock options granted at the date of the grant using the Black-Scholes pricing model assumes risk-free interest rates of 0.8% to 1.2% (2008 - 2.6% to 3.8%) , no dividend yield, expected life of 1.5 to 2.1 years (2008 - 1.5 to 4.3 years) with an expected price volatility ranging from 79% to 101% (2008 - 47% to 69%). As at December 31, 2009, there was $1.7 million of unamortized stock compensation expense (2008 - $8.3 million).

The continuity of incentive stock options issued and outstanding during 2009 and 2008 is as follows:

	Number of Options	Weighted average exercise price (CAD$)
Outstanding, December 31, 2007	6,117,828	$ 11.84
Granted during the year	6,176,040	4.97
Cancelled/forfeited during the year	(1,104,000)	12.36
Exercised during the year	(97,848)	6.44
Outstanding, December 31, 2008	11,092,020	8.01
Granted during the year	1,448,334	2.79
Cancelled/forfeited during the year	(3,345,651)	8.75
Exercised during the year	(23,333)	2.67
Outstanding, December 31, 2009	9,171,370	$ 6.93

During the year ended December 31, 2009, the Company granted 1,448,334 incentive stock options to employees and officers at a weighted average exercise price of CAD $2.79 per share that expire between December 31, 2011 and April 22, 2012. In 2008, the Company granted 6,176,040 incentive stock options to employees and officers at a weighted average exercise price of CAD $4.97 per share that expire between August 5, 2011 and December 31, 2013. The exercise price for each of the options granted during 2009 and 2008 was based on the closing stock price on the date of grant.

The following table summarizes options outstanding as at December 31, 2009, as follows:

	Outstanding Options			Exercisable Options		
Range of exercise prices (CAD$)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (CAD$)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (CAD$)
$1.24 to $4.41	1,469,010	2.3	$ 2.76	599,557	2.2	$ 2.87
$4.42 to $5.80	3,975,000	2.9	4.44	637,200	1.9	4.56
$5.81 to $9.62	741,960	2.7	8.25	561,615	2.5	8.35
$9.63 to $12.73	752,200	2.2	9.93	752,200	2.2	9.93
$12.74 to $13.75	2,233,200	2.7	12.81	2,219,200	2.7	12.80
	9,171,370	2.7	$ 6.97	4,769,772	2.44	$ 9.48

In 2009, 23,833 options (2008 - 97,848) and 135,360 stock appreciation rights (2008 - nil) were exercised. This resulted in the issuance of 158,693 common shares (2008 - 97,848).

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

The incremental shares added to the basic weighted average number of commons shares to arrive at the fully diluted number of shares for the year ended December 31, 2009 relate to the outstanding in-the-money stock options.

(c) Stock appreciation rights

There were 171,360 stock appreciation rights issued and outstanding as at December 31, 2009 (2008 - 306,720 issued and outstanding)

The stock appreciation rights are recorded as a current liability and are adjusted based on the Company's closing stock price at the end of each reporting period. There was no liability related to the stock appreciation rights as at December 31, 2009 and 2008.

All stock appreciation rights are fully vested and exercisable.

20. DISCONTINUED OPERATIONS

Pirites Alentejanas SA

On December 23, 2008, the Company announced that it had entered into an agreement of purchase and sale for the sale of its wholly-owned subsidiary Pirites Alentejanas SA ("PA"). The transaction was completed on February 5, 2009.

The results of the discontinued operations for the years ended December 31 were as follows:

	2009	2008
General exploration and project investigation	$ -	$ (2,918)
Interest and bank charges	-	(140)
Foreign exchange gain	-	245
Gain on forward sales contracts	-	3,131
Impairment of property and equipment	-	(210,472)
Gain on disposition	5,573	-
Other income and expenses	-	(887)
Current income tax expense	-	(18)
Future income tax expense	-	(26,008)
Loss from discontinued operations	$ 5,573	$ (237,067)

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

The following table details the assets and liabilities related to the discontinued operations as at December 31, 2008:

		2008
Cash and cash equivalents	$	594
Accounts receivable		4,405
Inventories		3,439
Prepaid expenses		345
Mineral properties, plant and equipment		55,157
Assets of discontinued operations	$	63,940
Accounts payable and accrued liabilities		10,514
Accrued liabilities		15,126
Current portion of long term debt and capital leases		262
Deferred revenue		55,157
Asset retirement obligation and other provisions		25,494
Liabilities of discontinued operations	$	106,553

21. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Portugal, Spain, Sweden, Ireland and the DRC. The Company has reportable segments as identified by the individual mining operations at each of its operating mines as well as its significant investment in the Tenke Fungurume Mine. Segments are operations reviewed by the executive management. Each segment is identified based on quantitative factors, whereby its revenues or assets comprise 10% or more of the total revenues or assets of the Company.

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

Segmented Information - Operational

For the year ended December 31, 2009

	Neves Corvo	Zinkgruvan	Aguablanca	Galmoy	Tenke Fungurume	Other	Total
Sales	$ 448,742	$ 137,281	$ 125,146	$ 34,820	$ -	$ -	$ 745,989
Income (loss) before undernoted	263,361	74,775	48,854	12,480	-	(26,309)	373,161
Depreciation, depletion and amortization	(126,469)	(15,654)	(27,018)	(71)	-	(792)	(170,004)
General exploration and project investigation	(16,340)	(57)	(948)	-	-	(5,300)	(22,645)
Interest and bank charges	(1,930)	(299)	(1,186)	-	-	(11,612)	(15,027)
Foreign exchange (loss) gain	(5,341)	(2,160)	1,448	(215)	-	20,698	14,430
Loss on derivative contracts	(61,496)	-	-	-	-	-	(61,496)
Income from equity investment in Tenke Fungurume	-	-	-	-	297	-	297
Goodwill and long-lived assets impairment	-	-	-	-	-	(53,042)	(53,042)
Gain on sale of AFS securities	-	-	-	-	-	11,951	11,951
Loss on sale of investment	-	-	-	-	-	(18,661)	(18,661)
Other income and expenses	(874)	959	5,285	508	(1,500)	1,522	5,900
Income tax (expense) recovery	(17,683)	(2,090)	10,790	(314)	-	12,566	3,269
Net income (loss) from continuing operations	33,228	55,474	37,225	12,388	(1,203)	(68,979)	68,133
Gain from discontinued operations	-	-	-	-	-	5,573	5,573
Net income (loss)	$ 33,228	$ 55,474	$ 37,225	$ 12,388	$ (1,203)	$ (63,406)	$ 73,706
Capital assets*	$ 1,044,360	$ 190,330	$ 68,315	$ 6,243	$ 1,633,740	$ 1,039	$ 2,944,027
Total segment assets	$ 1,463,122	$ 321,232	$ 234,972	$ 38,614	$ 1,633,740	$ 48,463	$ 3,740,143
Capital expenditures	$ 86,552	$ 36,151	$ 5,346	$ 208	$ 56,700	$ 62	$ 185,019

For the year ended December 31, 2008

	Neves Corvo	Zinkgruvan	Aguablanca	Galmoy	Tenke Fungurume	Other	Total
Sales	$ 497,936	$ 123,508	$ 120,280	$ 69,831	$ -	$ 23,739	$ 835,294
Income (loss) before undernoted	291,831	57,238	22,231	(7,218)	-	(40,834)	323,248
Depreciation, depletion and amortization	(94,709)	(19,967)	(63,440)	(23,094)	-	(1,107)	(202,317)
General exploration and project investigation	(18,563)	4	(9,076)	(2,722)	-	(8,519)	(38,876)
Interest and bank charges	(3,834)	(237)	(1,216)	(8)	-	(9,430)	(14,725)
Foreign exchange gain (loss)	7,484	2,297	(2,190)	(7)	-	(22,310)	(14,726)
Gain (loss) on derivative contracts	-	257	-	-	-	(348)	(91)
Loss from equity investment in Tenke Fungurume	-	-	-	-	(2,171)	-	(2,171)
Goodwill and long-lived asset impairment	(166,702)	-	(411,136)	(78,572)	-	(103,778)	(760,188)
Impairment of AFS securities	(5,045)	-	(63,885)	-	-	(75,147)	(144,077)
Loss on sale of AFS securities	-	-	-	-	-	(1,320)	(1,320)
Other income and expenses	839	1,315	(233)	1,523	-	1,352	4,796
Income tax (expense) recovery	(40,449)	(2,350)	103,584	(6,825)	-	76,493	130,453
Net (loss) income from continuing operations	(29,148)	38,557	(425,361)	(116,923)	(2,171)	(184,948)	(719,994)
Loss from discontinued operations	-	-	-	-	-	(237,067)	(237,067)
Net (loss) income	$ (29,148)	$ 38,557	$ (425,361)	$ (116,923)	$ (2,171)	$ (422,015)	$ (957,061)
Capital assets*	$ 1,110,874	$ 158,177	$ 127,985	$ 7,327	$ 1,576,743	$ 2,380	$ 2,983,486
Total segment assets	$ 1,420,353	$ 280,953	$ 235,431	$ 39,568	$ 1,576,743	$ 151,454	$ 3,704,502
Capital expenditures	$ 199,716	$ 44,772	$ 7,600	$ 6,374	$ 264,100	$ 13,269	$ 535,831

* Capital assets consist of mineral exploration and development properties, property, plant and equipment, and investments in Tenke Fungurume. Capital assets from discontinued operations are included in the "Other" segment.

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

Segmented Information - Geographical

For the year ended December 31, 2009

	Portugal	Sweden	Spain	Ireland	DRC	Other	Total
Sales	$ 448,742	$ 137,281	$ 125,146	$ 34,820	$ -	$ -	$ 745,989
Income (loss) before undernoted	263,361	71,747	48,852	12,480	-	(23,279)	373,161
Depreciation, depletion and amortization	(126,564)	(15,831)	(27,018)	(71)	-	(520)	(170,004)
General exploration and project investigation	(15,974)	(1,299)	(1,030)	(3,403)	-	(939)	(22,645)
Interest and bank charges	(1,943)	(5,408)	(1,186)	-	-	(6,490)	(15,027)
Foreign exchange (loss) gain	(5,342)	4,764	1,448	(215)	-	13,775	14,430
Loss on derivative contracts	(61,496)	-	-	-	-	-	(61,496)
Income from equity investment in Tenke Fungurume	-	-	-	-	297	-	297
Goodwill and long-lived asset impairment	-	-	(53,042)	-	-	-	(53,042)
Gain on sale of AFS securities	-	315	-	-	-	11,636	11,951
Loss on sale of investment	-	(18,661)	-	-	-	-	(18,661)
Other income and expenses	(1,994)	484	5,285	508	(1,500)	3,117	5,900
Income tax (expense) recovery	(17,661)	(4,146)	26,703	(314)	-	(1,313)	3,269
Net income (loss) from continuing operations	32,387	31,965	12	8,985	(1,203)	(4,013)	68,133
Gain from discontinued operations	5,573	-	-	-	-	-	5,573
Net income (loss)	$ 37,960	$ 31,965	$ 12	$ 8,985	$ (1,203)	$ (4,013)	$ 73,706
Capital assets*	$ 1,043,362	$ 191,257	$ 68,315	$ 6,243	$ 1,633,740	$ 1,110	$ 2,944,027
Total segment assets	$ 1,462,339	$ 307,791	$ 234,988	$ 38,614	$ 1,633,740	$ 62,671	$ 3,740,143
Capital expenditures	$ 86,559	$ 36,159	$ 5,346	$ 208	$ 56,700	$ 47	$ 185,019

For the year ended December 31, 2008	Portugal	Sweden	Spain	Ireland	DRC	Other	Total
Sales	$ 497,936	$ 147,247	$ 120,280	$ 69,831	$ -	$ -	$ 835,294
Income (loss) before undernoted	291,831	50,609	21,835	(7,218)	-	(33,809)	323,248
Depreciation, depletion and amortization	(94,827)	(20,497)	(63,440)	(23,094)	-	(459)	(202,317)
General exploration and project investigation	(16,978)	(9,233)	(9,437)	(2,722)	-	(506)	(38,876)
Interest and bank charges	(3,877)	(5,255)	(1,234)	(8)	-	(4,351)	(14,725)
Foreign exchange gain (loss)	6,325	(6,399)	(2,173)	(7)	-	(12,472)	(14,726)
Loss on derivative contracts	-	(91)	-	-	-	-	(91)
Income from equity investment in Tenke Fungurume	-	-	-	-	(2,171)	-	(2,171)
Goodwill and long-live asset impairment	(166,702)	-	(411,136)	(78,572)	-	(103,778)	(760,188)
Impairment of AFS securities	(5,045)	-	(63,885)	-	-	(75,147)	(144,077)
Loss on sale of AFS securities	-	-	-	-	-	(1,320)	(1,320)
Other income and expenses	1,351	3,301	(119)	1,523	-	(1,260)	4,796
Income tax (expense) recovery	(41,160)	54,799	103,587	(6,825)	-	20,052	130,453
Net (loss) income from continuing operations	(29,082)	67,234	(426,002)	(116,923)	(2,171)	(213,050)	(719,994)
Loss from discontinued operations	(237,067)	-	-	-	-	-	(237,067)
Net loss (income)	$ (266,149)	$ 67,234	$ (426,002)	$ (116,923)	$ (2,171)	$ (213,050)	$ (957,061)
Capital assets*	$ 1,111,280	$ 158,556	$ 127,985	$ 7,327	$ 1,576,743	$ 1,595	$ 2,983,486
Total segment assets	$ 1,421,332	$ 301,582	$ 235,906	$ 39,568	$ 1,576,743	$ 129,371	$ 3,704,502
Capital expenditures	$ 199,716	$ 44,772	$ 7,600	$ 6,374	$ 264,100	$ 13,269	$ 535,831

* Capital assets consist of mineral exploration and development properties, property, plant and equipment, and investments in Tenke Fungurume. Capital assets from discontinued operations are in Portugal.

(Tabular amounts in thousands of US dollars, except for share 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 income or 0.75% of mine-gate production revenue. Royalty costs for the year ended December 31, 2009 were $6.7 million (2008 - $3.4 million);

   ii. Port facilities rental payable to the port authority of Setubal and Sesimbra, Portugal for a thirty-year period beginning in 1996 at an annual cost of $0.2 million per year;

   iii. Use of the railways under a railway transport agreement for ten years expiring in November 2010 at an estimated annual cost of $4.5 million per year;

   iv. Setubal bulk terminal land and use license commitments totaling approximately $0.7 million per year for the duration of the life of the terminal facilities.

b) Royalty payments relating to the Aguablanca mine are 2% of net sales. Royalty costs for the year ended December 31, 2009 were $2.5 million (2008 - $2.3 million)

c) A Swedish bank issued a bank guarantee to the Swedish authorities in the amount of $11.1 million (SEK 80.0 million) relating to the future reclamation costs at the Zinkgruvan mine. The Company has agreed to indemnify the Swedish bank for this guarantee.

d) As disclosed in Note 15, under agreements with Silver Wheaton, the Company has agreed to deliver all future production of silver contained in concentrate produced from the Zinkgruvan and Neves-Corvo mines. 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 $1.00 to Silver Wheaton for each ounce of silver not delivered. An aggregate total of 9,336,989 ounces has been delivered since the inception of the contract in 2004.

e) Bonus transfer payments of $3.0 million are to be made on the first and second anniversaries of commercial production of the Tenke Fungurume Mine.

f) The Company provides certain letters of credit and guarantees for $10.3 million worth of contracts entered into by TFM. These letters of credit expire between 2010 and 2012.

g) The Company is a party to certain contracts relating to leases, office rent and capital commitments. Future minimum payments under these agreements as at December 31, 2009 are as follows:

2010	$	2,243
2011		2,050
2012		1,401
2013		497
2014 and thereafter		1,762
Total	$	7,953

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

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying value of certain financial instruments maturing in the short-term approximates their fair value. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The Company calculates fair values based on the following methods of valuation and assumptions:

Embedded derivatives in trade receivables – The fair values of embedded derivatives on provisional sales are valued using quoted market prices based on forward LME price;

AFS securities – The fair value of AFS securities is based on quoted market price;

Derivative contracts – The fair value is determined using a valuation model that incorporates the prevailing forward price of interest rates and the price and volatility of the commodity; and

Long-term debt and other long-term liabilities – The Company considers fair value to equal carrying value which is equivalent to the amount payable on the consolidated balance sheet dates.

CICA Handbook Section 3862 requires disclosure of a three level hierarchy for fair value measurements based upon transparency of inputs to the valuation of a financial asset or liability as of the measurement date. The three levels are defined as follows:

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. as prices) or indirectly (i.e. derived from prices)
Level 3 – Inputs for the assets or liabilities that are not based on observable market data

	Level 1	Level 2	Level 3
Embedded derivatives in trade receivables	$ 23,734	$ -	$ -
AFS securities	39,539	-	-
Derivative contracts	-	(40,557)	-
	$ 63,273	$ (40,557)	$ -

The carrying values of the financial instruments approximate their fair values.

24. 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.

Concentration of 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, 2009 is the carrying value of its trade receivables.

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

Concentrate produced at the Company's Neves-Corvo, Zinkgruvan and Galmoy mines 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 expiring in April 2010. The payment terms vary and provisional payments are normally received within 2-4 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. 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, 2009, the Company derives approximately 52% (2008 - 60%) of its revenue from five (2008 - three) major customers.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities and other contractual obligations.

The Company has in place a planning and budgeting 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 in place a three-year, fully revolving credit facility to meet its cash flow needs (Note 13).

The maturities of the Company's financial liabilities are as follows:

	Within 1 year	1 to 5 years
Accounts payable and accrued liabilities	$ 107,708	$ -
Derivative contracts	40,557	-
Long-term debt	1,255	184,940
Outstanding, December 31, 2009	$ 149,520	$ 184,940

Foreign exchange risk

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

The Company's risk management objective is to reduce 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 and certain debt 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 income and on other comprehensive income.

As at December 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars but held by group companies that report in Euros, Swedish Krona and Canadian dollars:

	US Dollar
Cash and cash equivalents	$ 77,615
Other working capital items	$ 168,752
Long-term debt	$ (145,200)

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

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. As at December 31, 2009, the Company has outstanding contractual obligations for 22,577 tonnes of copper which expire monthly until July 2010 (Note 16). The Company is also subject to price risk on its derivatives profile and on the final settlement of its trade receivables.

The sensitivity of the Company's financial instruments recorded as at December 31, 2009 before considering the effect of increased metal prices on smelter treatment charges is as follows:

	Price on December 31, 2009 ($US/tonne)	Change	Effect on pre-tax earnings ($ millions)
Copper	7,346	+10%	16.1
Zinc	2,570	+10%	4.5
Lead	2,395	+10%	2.9
Nickel	18,480	+10%	6.6

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk arises both from the 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. The Company does not own any asset-backed commercial paper.

As at December 31, 2009, holding all other variables constant and considering the Company's outstanding debt of $190.9 million, a 1% change in the interest rate would result in an approximate $1.8 million interest expense on an annualized basis.

25. 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: 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, or make changes to its portfolio of strategic investments. The Company's current policy is to not pay out dividends but to reinvest its earnings in the business.

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

Planning, including life-of-mine plans, annual budgeting and controls over major investment decisions are the primary tool 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 net debt to shareholders' equity as at December 31, 2009 and 2008 is calculated as follows:

	2009	2008
Debt and capital leases - current and long-term	$ 190,888	$ 315,216
Less: Cash and cash equivalents	(141,575)	(169,698)
	49,313	145,518
Shareholders' Equity	$ 2,915,242	$ 2,603,724
Net debt to Shareholders' Equity	1.7%	5.6%

26. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
Changes in non-cash working capital items consist of:		
Accounts receivable and other current assets	$ (34,839)	$ 41,846
Accounts payable and other current liabilities	(64,417)	(92,495)
	$ (99,256)	$ (50,649)
Operating activities included the following cash payments		
Interest paid	$ 15,487	$ 11,464
Income taxes paid	$ 37,794	$ 142,501

27. SUBSEQUENT EVENTS

On February 10, 2010, the Company announced that it entered into an agreement for the sale of the Salave gold project in northern Spain. Upon closing the Company will receive an up-front payment of €500,000 and 5,296,688 shares in the purchaser, Dagilev Capital Corp ("DCC") representing 19.99% of the issued and outstanding shares of DCC immediately following the completion of the transaction. The Company is also entitled to contingent consideration of €20 million, to be received upon the receipt by DCC of all necessary approvals to construct and operate an open pit mining operation to produce a minimum of 800,000 ounces of gold. The sale is conditional on several factors being satisfied in addition to regulatory approvals. If underlying conditions are satisfied, the sale is expected to close on or about March 17, 2010.

The project was acquired by the Company in August 2007 through its purchase of Rio Narcea and assessed a fair value of €35 million at that time. The Company has assessed the carrying value in relation to an estimate of the fair value of the proceeds to be received at the date of closing and has recorded a write-down of $53.0 million ($37.1 million after tax) to reflect the estimated impairment as at December 31, 2009.

SUPPLEMENTARY INFORMATION

Significant differences between Canadian Generally Accepted Accounting Principles ("Canadian GAAP") and International Financial Reporting Standards ("IFRS")

The shares of Lundin Mining Corporation ("Lundin Mining" or "the Company") trade on the Toronto Stock Exchange and Lundin Mining's Swedish Depository Receipts trade on the OMX Nordic Exchange ("OMX") in Stockholm. Most companies that trade on the OMX are required to report in accordance with IFRS. However, as a Canadian company, Lundin Mining is required to report according to Canadian GAAP. The Company has reviewed the main differences between Canadian GAAP and IFRS and has identified the following items which would, or may, have a significant impact on the financial statements of Lundin Mining.

Under IFRS 3, future costs such as restructuring charges, which are expected to occur subsequent to an acquisition, should not be provided for in the purchase price allocation. Instead, these costs should be realized in the income statement when the costs actually occur. However, under Canadian GAAP, restructuring costs that are expected to occur as a result of an acquisition should be provided for in the purchase price allocation. Restructuring costs that arose during 2007, as a result of the acquisition of Rio Narcea, in the amount of $3 million, were provided for in the purchase price allocation.

According to Canadian GAAP, an impairment test of long-lived assets should be carried out by comparing the future cash flows of the assets to their carrying values. Future cash flows are dependent on a number of assumptions, including, among other things, future metal prices, exchange rates and discount rates.

Under Canadian GAAP, a two step process is used to determine impairment. The first step, using undiscounted cash flows, is undertaken to determine if impairment exists. If the carrying values exceed the undiscounted cash flows, the second step measures the impairment using discounted cash flows. Under IAS 36, the test for impairment is not a two step process and impairment tests are undertaken using discounted cash flows only. This analysis may result in differing outcomes. The Company recorded impairment charges of $904.3 million and $350.0 million for the years ended December 31, 2008 and 2007 respectively. Additionally, under Canadian GAAP, any impairments recognized are not permitted to be reversed at a future date, whereas under IFRS, there is a requirement to periodically review for reverse impairment indicators.

Under Canadian GAAP, when an asset is acquired other than in a business combination and the tax value is less than cost, the related future income tax liability is recognized on acquisition and added to the asset carrying value. Accordingly, under Canadian GAAP, the Company recognized future income tax liabilities of $5 million on the Tenke acquisition. Under IAS 12, temporary tax differences on an asset purchase are not recognized.

Under IAS 39, once an available for sale equity investment is impaired, subsequent recoveries may be possible and would be recognized in equity. Under Canadian GAAP recoveries are not permitted.

Lundin Mining will be adopting IFRS effective January 1, 2011. As part of this conversion, the Company is performing detailed review of the conversion differences to IFRS and will continue to report these differences.

lundin mining

Annual Information Form

For the Year Ended December 31, 2009

Dated: March 31, 2010

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

Arrangement Agreement means the agreement entered into on November 21, 2008 and terminated on February 23, 2009, which contemplated the acquisition of all of the outstanding shares of Lundin Mining by HudBay by the issuance of 0.3919 HudBay common shares for every Lundin Mining common share

C$ means Canadian dollars

CIM means the Canadian Institute of Mining, Metallurgy and Petroleum

CIM Guidelines means the "CIM Standards on Mineral Resources and Reserves - Definitions and Guidelines" adopted on August 20, 2000 and amended December 11, 2005

Co means cobalt

Cu means copper

DRC means the Democratic Republic of the Congo

dollars or **$** means United States dollars

€ means the Euro

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 means Freeport-McMoRan Copper & Gold Inc., a large diversified mining company with headquarters in Phoenix, Arizona, that owns 70% of TF Holdings

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

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

GDRC means the Government of the DRC

HSEC means Health, Safety, Environment and Community

HudBay means HudBay Minerals Inc., a publicly traded Canadian mining company

IFC means the International Finance Corporation

LOM means Life of Mine

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

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, 2009 dated February 24, 2010

mtpa means million tonnes per annum

NAN means North Atlantic Natural Resources AB (Sweden), a wholly-owned indirect subsidiary of the Company that owns the Storliden mine

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

Ni means nickel

NSR means Net Smelter Return

NYSE means the New York Stock Exchange

OMX means the NASDAQ OMX Nordic Exchange, Stockholm

Oz means ounces

OECD means Organisation for Economic Cooperation and Development

Pb means lead

Qualified Person means a qualified person within the meaning of National Instrument 43-101, being an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation and/or mineral project assessment, has experience relevant to the subject matter of the disclosure and is a member in good standing of a professional association

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

SEC means the United States Securities Exchange Commission and includes any successor thereto

SEDAR means the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval

SEK means Swedish Kroner

Silverstone means Silverstone Resources Corp.

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

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

Tenke Holdings means Tenke Holdings Ltd. (Bermuda), a wholly-owned subsidiary of the Company that owns 30% of TF Holdings and a 24.75% 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 Ltd. (formerly, Lundin Holdings Ltd.), a Bermuda company owned 30% by Tenke Holdings and 70% by FCX that owns 82.5% of TFM

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

Tenke Fungurume Project 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

Zn means zinc

NOTE TO U.S. READERS

Reserve and Resource Estimates

In accordance with applicable Canadian securities regulatory requirements, all mineral reserve and mineral resource estimates of the Company disclosed or incorporated by reference in this AIF have been prepared in accordance with National Instrument 43-101, classified in accordance with the CIM Guidelines. The definitions of mineral reserves and mineral resources are set out in our disclosure of our mineral reserve and mineral resource estimates that are disclosed or incorporated by reference in this AIF.

The Company uses the terms “mineral resources”, “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources”. While those terms are recognized by Canadian securities regulatory authorities, they are not recognized by the SEC and the SEC does not permit U.S. companies to disclose resources in their filings with the SEC.

Pursuant to the CIM Guidelines, mineral resources have a higher degree of uncertainty than mineral reserves as to their existence as well as their economic and legal feasibility. Inferred mineral resources, when compared with measured or indicated mineral resources, have the least certainty as to their existence, and it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration. Pursuant to National Instrument 43-101, inferred mineral resources may not form the basis of any economic analysis, including any feasibility study. **Accordingly, readers are cautioned not to assume that all or any part of a mineral resource exists, will ever be converted into a mineral reserve, or is or will ever be economically or legally mineable or recovered.**

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained herein is “forward-looking information” within the meaning of the Ontario Securities Act or “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 of the United States. 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 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, 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 forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

ITEM 1 INTRODUCTION

1.1. Incorporation by Reference and Date of Information

Specifically incorporated by reference and forming a part of this AIF are the Company's material change reports from January 1, 2009 to the date of this AIF, copies of which have been filed with the Canadian Securities Administrators in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundlandand and can be found on the SEDAR website at www.sedar.com under the Company's profile.

All information in this AIF is as of December 31, 2009 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 exchange rates for the Company's principal operating currencies and for the Canadian dollar are as follows:

As at December 31	2009	2008	2007
Canadian dollar (C$)	1.0525	1.2240	0.9913
EURO (€)	0.6974	0.7184	0.6858
Swedish Krona (SEK)	7.2125	7.8770	6.4706

1.3. Accounting Policies and Financial Information

Financial information is presented in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Unless otherwise indicated, financial information contained in this AIF is presented in accordance with Canadian GAAP.

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 Annual Information Form, metric units are 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)

1.5. Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable mineral reserves and measured, indicated and inferred resources are those used by Canadian provincial securities regulatory authorities and conform to the definitions utilized by the CIM in the CIM Guidelines. Where resources are stated alongside mineral reserves, those resources are inclusive of, not in addition to, the stated reserves.

ITEM 2 CORPORATE STRUCTURE

2.1. Incorporation and Registered Office

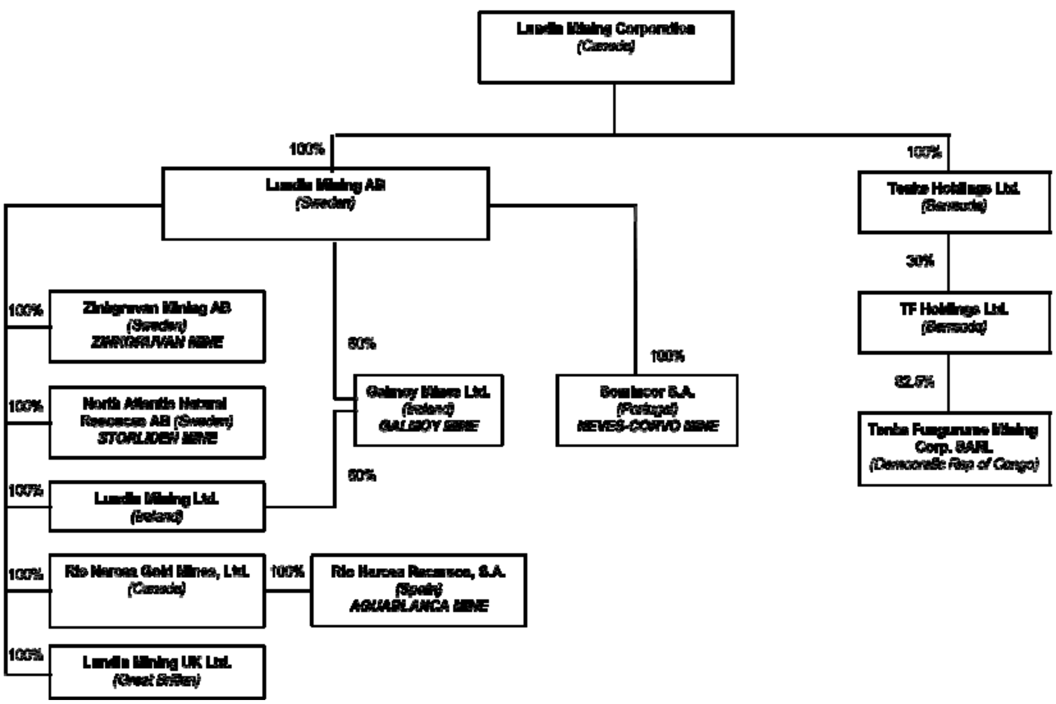
Lundin Mining was incorporated by Articles of Incorporation on September 9, 1994, under the Canada Business Corporations Act as South Atlantic Diamonds Corp. and subsequently changed its name to South Atlantic Resources Ltd. on July 30, 1996, and to South Atlantic Ventures Ltd. on March 25, 2002. The 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, 2009, the Company's registered and records office was located at Suite 1100, 888 Dunsmuir Street, Vancouver, British Columbia, V6C 3K4. The Company's business office is located at 150 King Street West, Suite 1500, Toronto ON 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, 2009, 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 BUSINESS OF THE ISSUER

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 a development project pipeline which includes expansion projects at its Zinkgruvan and Neves-Corvo mines along with its equity stake in the world class Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo.

3.1. Three Year History

2007

a) In January, the Company announced a three-for-one split of its common shares to be effected on February 8, 2007 to shareholders of record at the close of business on February 5, 2007.

b) On April 4, the Company announced an all-cash offer to acquire all of the outstanding common shares and warrants of Rio Narcea for C$5.00 per share and C$1.04 per warrant. On June 29, 2007, the offer was amended to increase the offer price for the common shares to C$5.50 for each share, The Company acquired control in July, taking up over 85% of the outstanding shares and in October acquired 100% of the shares through compulsory acquisition. The total of the cash consideration amounted to $918 million.

c) On April 11, the Company announced a business combination with Tenke Mining, whereby each common share of Tenke Mining would be exchanged for 1.73 Lundin Mining common shares plus C$0.001. The transaction was completed on July 3, 2007. The total value of the share and cash consideration amounted to $1.3 billion.

d) In June, the Company entered into an agreement with Silverstone (now Silver Wheaton) to deliver its silver production from the Neves-Corvo and Aljustrel mines to Silverstone. The transaction was completed on October 1, and the Company received an up-front cash payment from Silverstone of $42.5 million, together with 19,656,250 Silverstone common shares for total consideration of $89.1 million. Under the agreement, the Company receives cash payments upon delivery of silver in an amount equal to the lesser of (a) $3.90 per ounce of silver (subject to a 1% annual inflationary adjustment after three years and yearly thereafter) and (b) the then prevailing market price per ounce of silver.

e) On August 3, the Company completed the sale of the Tasiast gold mine to Red Back Mining Inc. (“Red Back”). Red Back paid $225 million in cash for the Tasiast project. Red Back also paid out an additional $52.9 million to retire debt related to the Tasiast project and unwind existing hedge contracts. Lundin Mining had acquired the Tasiast gold mine, located in Mauritania, through the acquisition of Rio Narcea.

f) In October the Company announced expansion plans to quadruple zinc production at Neves-Corvo and commence copper production at Zinkgruvan.

   Lombador Zinc Expansion: Zinc production from the Lombador massive sulphide zone at the Neves-Corvo mine, planned to start in 2013, has the potential to add at least 1.0 mtpa of zinc ore production. Funds were approved to commence a pre-feasibility study. Work was temporarily suspended on the pre-feasibility in late 2008 but was recommenced and continued during 2009.

   Zinkgruvan Copper Expansion: The project includes the introduction of copper production in parallel with the existing zinc-lead production. First production of copper in concentrate is expected in late 2010. At full capacity, the annual copper production is intended to be approximately 7,200 tonnes contained in concentrate for at least 12 years. The plan includes a resource definition drilling program, construction of a ramp from surface to the 350m level, a dedicated underground ore bin and crusher infrastructure system for copper ore and a copper processing line in the mill. The capital expenditure for the project is expected to be SEK280 million.

g) In December, the first zinc concentrates were produced from the restart of the Aljustrel mine. The mine had previously been on a care and maintenance program for fourteen years. The development plan anticipated annual production of 80,000 tonnes of contained zinc, 17,000 tonnes of contained lead and 1.25 million Oz of silver.

2008

a) In January, the Company announced that a misinterpretation of applicable tax legislation relating to certain tax rate reductions in Portugal would require the Company to restate and re-file its financial statements for the year ended December 31, 2006, primarily to reflect amendments to the original allocation of the purchase price for the acquisition of EuroZinc Mining Corporation.

   The Company also restated and re-filed its financial statements for each of the interim periods in 2007 to reflect changes primarily relating to the tax rate.

b) In February, the Company received notice that the Ministry of Mines, GDRC, was commencing discussions regarding TFM's mining contract and the relationship with Gécamines, the DRC state-owned mining company, which holds a 17.5% carried interest in TFM. FCX, who is the operator in accordance with the project's agreements and who holds a 57.75% interest in the project, is leading the discussions on behalf of TFM.

c) In April, FCX advised the Company of a capital cost increase on the Tenke Fungurume Project to approximately $1.75 billion from the previous estimates of $900 million. The increase included: provision for expanded housing and support facilities for the project work force; enhancements to national roads and bridges; extended social and training initiatives as well as substantial industry-wide escalation in construction costs and the incremental costs to develop the project in Central Africa, where infrastructure and logistics are challenging. The Company contributed $264.1 million to the project during 2008. As of December 2008, on behalf of the Company, Freeport began sole funding the balance of costs to complete construction of Phase I production facilities as part of a budget overrun protection commitment in the underlying FCX/Lundin Mining shareholder's agreement.

d) In May, the Company announced the expansion of the copper plant at the Neves-Corvo mine through the construction of an additional circuit within the existing copper plant to recover copper and zinc that had been previously lost to tailings. The project was expected to be completed in the second half of 2009 at a cost of €9.4 million ($13.2 million).

e) In July, the Company announced the discovery of a new zinc-copper zone at Neves-Corvo. Eight drill holes defined the deposit. All eight holes contained thick sections of massive sulphide zinc mineralization with four of the eight holes intercepting greater than 65m of >8% Zn, including wide intervals of >10%Zn.

f) In November, following a decline in metal prices, the Company announced that the Aljustrel mine would be placed back on care and maintenance and zinc production from Neves-Corvo would be suspended until zinc prices recover. In December, the Company entered into an agreement for the sale of Pirites Alentejanas, S.A. (Portugal), which was a wholly-owned indirect subsidiary of the Company, that owned the Aljustrel mine to MTO SGPS, SA. The sale was completed on February 5, 2009.

g) On November 21, 2008, the Company announced that it had entered into an Arrangement Agreement with HudBay to complete a business combination through a plan of arrangement under the Canada Business Corporations Act. The Arrangement Agreement provided for each Lundin Mining common share to be exchanged for 0.3919 of a HudBay common share. In connection with the transaction, HudBay and Lundin Mining entered into a loan agreement providing for a loan to the Company by HudBay of C$135.8 million on a subordinated basis and a share purchase agreement under which HudBay would acquire approximately 97.0 million common shares of Lundin Mining at a price of C$1.40 per share in a private placement, the proceeds of which would be used to repay the loan. The loan agreement was not completed and no funds were advanced under the loan agreement.

h) In December, the Company announced the completion of the private placement transaction with HudBay that was announced in November in connection with the business combination. HudBay subscribed for 96,997,492 common shares (the "Subscription Shares") of the Company, representing approximately 19.9% of the Company's outstanding common shares after issuance, at a price of C$1.40 per share, for aggregate gross proceeds of approximately C$135.8 million ($111.4 million).

2009

a) In January, the Company announced that the Galmoy zinc/lead/silver mine in Ireland would permanently cease production in May 2009.

b) On February 23, the Company entered into an agreement with HudBay to terminate the Arrangement Agreement dated November 21, 2008 that provided for, among other things, a mutual release in respect of any and all rights in connection with or arising from the Arrangement Agreement.

c) In March, the Company announced the intention to voluntarily delist its common shares from the NYSE and at a future date, when permitted under SEC rules, to terminate its registration of its common shares with the SEC. The delisting of the Company's common shares from the NYSE did not affect the listing of the Company's common shares on the TSX or the Swedish Depository Receipts on the OMX.

d) In March, the first copper cathode was produced by the Tenke Fungurume mine in the DRC. Initial high-grade oxide ore facilities at the Tenke Fungurume mine have been designed to produce approximately 115,000 metric tonnes of copper cathode and 8,000 tonnes of cobalt per annum.

e) During April, the Company entered into multiple option collar arrangements to protect against near-term decreases in the price of copper. The contracts established a weighted average floor price of $1.87 per pound and a weighted average maximum price cap of $2.39 per pound. The contracts, due over 12 months ended April 2010, were for approximately 40,000 tonnes of copper. No cash premiums were paid or received under the net zero cost structures. Monthly cash settlements are made where necessary for the contracts. Subsequently, the Company extended the copper price protection for a further three months by entering into additional collars for the months of May, June and July 2010. The contracts, for 3,000 tonnes of copper per month, established a weighted average floor price of $1.89 per pound and a weighted average price cap of $2.89 per pound.

f) On April 27, 2009, the Company closed a bought-deal public offering for total gross proceeds of C$188.6 million ($155.8 million). The Company issued 92 million common shares of the Company at a price of C$2.05 per share.

g) On May 11, 2009, the Company entered into an agreement with HudBay consenting to the sale by HudBay of all of its shares in the Company. Pursuant to the agreement, the Company and HudBay have terminated all continuing rights and obligations under the termination agreement dated February 23, 2009 and agreed to a mutual release in respect of any and all claims connected with or arising from the subscription agreement.

h) On July 6, 2009, the Company completed the restructuring of its credit facility. The revised terms incorporated in the Third Amending Agreement provide for a three year fully-revolving credit facility of $225 million, and:

i. Interest at LIBOR plus 4.5% until March 2010 and from April 2010 at LIBOR plus 3.5% to 4.5% depending upon the leverage ratio at the Company; and

ii. Financial covenants customarily required for a revolving–term facility, including minimum tangible net worth, interest coverage ratio and leverage ratio.

The Third Amending Agreement removes the prohibitions on acquisitions and disposals that were imposed by the Second Amending Agreement and Waiver. Instead, it establishes that security will be extended to material assets acquired and specifies reductions in the facility if the Company's principal mining assets are disposed of in whole or in part.

i) On September 18, 2009, the Company completed the sale of its 49% interest in the Ozernoe zinc project in Russia for gross proceeds of $35 million. Proceeds of $3.5 million were received upon closing, with the balance of $31.5 million payable over 10 months. This sale terminates all of the Company's rights and obligations related to the project.

2010

a) On February 11, the Company announced an agreement with Dagilev Capital Corp. for the sale of the Salave gold project in northern Spain. The sale, which is conditional upon several factors being satisfied, including requisite regulatory approvals, is expected to close by the end of April 2010.

ITEM 4 NARRATIVE DESCRIPTION OF THE BUSINESS

4.1. Principal Products and Operations

Lundin Mining's principal products and sources of sales are copper, zinc, lead and nickel concentrates from the Neves-Corvo, Zinkgruvan and Aguablanca mines. Lundin Mining also holds a 24.75% interest in the TFM. Information related to Lundin Mining's segmented information is set forth in Note 21 to the consolidated annual financial statements for the year ended December 31, 2009. The MD&A discusses each operation that is separately defined as a segment.

Production from operations was as follows:

	2009	2008[1]	2007[1]	2006
Copper (tonnes)	93,451	97,944	97,120	24,091
Zinc (tonnes)	101,401	151,157	151,830	167,422
Lead (tonnes)	43,852	44,799	44,560	45,106
Nickel (tonnes)	8,029	8,136	3,270	-
Copper (tonnes) Tenke attributable (24.75%)	17,325	-	-	-

[1] Excluding Aljustrel production: 2008 – 16,687 tonnes zinc and 204 tonnes copper; 2007 – 190 tonnes zinc.

4.2. Employees

At the end of 2009, Lundin Mining has a total of approximately 1,400 employees and 900 contract employees located in Canada, UK, 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 our 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 we work. These commitments are described in the Company's HSEC Policy.

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

HSEC planning is part of the Company's business planning processes to assess the potential safety, health and environmental effects of our activities and integrate these considerations into our 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 rehabilite areas no longer required for ongoing operations using environmentally sound methods.

Lundin Mining has a company-wide Health, Safety, Environment and Community Management 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 the commitments.

The 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 Management 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 our 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 operations establish clear accountabilities for employees, and especially managers, respecting their HSEC performance.

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

4.4. Description of Properties

The following descriptions of Lundin Mining's material properties being Neves-Corvo, Zinkgruvan, Aguablanca and Tenke Fungurume are based on filed technical reports, the 2009 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

4.4.1.1.1. Project Description and Location

The Neves-Corvo mine, operated by the local Portuguese company Somincor, is situated approximately 220km southeast of Lisbon in the Alentejo district of southern Portugal. The mine site lies some 15km south east 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 in the Cerro de Lobo impoundment some 3km 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 13.5km^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 24 November 1994) with two further extensions of twenty years each.

This Mining Concession is in turn surrounded by an Exploration Concession, signed in 2006, covering an area of 549km^2. The Exploration Concession has an initial period of 5 years, with a provision for 3 one-year extensions subject to a 50% reduction in area each time. Somincor currently controls exploration concessions totaling 2,179km^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 on 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 do 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 426mm, 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 210m 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 400mm diameter pipeline from the Santa Clara reservoir, approximately 40km west of the mine. The mine is connected to the national grid by a single 150kV, 50MVA rated, overhead power line 22.5km long.

The Mining Concession provides sufficient surface rights to accommodate the existing mine infrastructure and allow expansion if required.

4.4.1.1.3. History

The Neves-Corvo orebodies 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 1.5km x 2km. 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 mineralisation, which led to the rapid construction of a tin plant that was commissioned in 1990.

The railway link through to Setúbal was constructed between 1990-1992 to allow shipment of concentrates and the back-haul of sand for backfill. This was followed between 1992-1994 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 agreed to acquire 100% of the life-of-mine payable silver production from the mine, as the mine produces circa 0.5m Oz per year in the 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 €43m, to a design capacity of 50,000tpa with first production expected in 2011.

In mid-2009 a copper tailings retreatment circuit was commissioned to recover both copper and zinc.

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 mineralisation, 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 License has concentrated primarily on the extension of known orebodies by both underground and surface drilling. Some of the Neves-Corvo orebodies remain open. Drilling from both surface and underground in the last few years has identified significant new zinc and copper mineralisation within the Lombador massive sulphide lens and associated stockworks, as well as important bridge fissural copper mineralisation between the Lower Corvo, Neves and Lombador orebodies.

4.4.1.1.6. Mineralisation

Five massive sulphide lenses have been defined at Neves-Corvo comprising Neves (divided into North and South), Corvo, Graça, Zambujal and Lombador (recently divided North, South and East). The base metal grades are segregated by the strong metal zoning into copper, tin and zinc zones, as well as barren massive pyrite.

4.4.1.1.7. Drilling

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

In 2009, 42,600m of drilling was completed from surface and 15,900m from underground.

4.4.1.1.8. Sampling and Analysis

Industry standard exploration drill core splitting, sampling 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 drift-and-fill mined areas and short diamond drill holes in the bench-and-fill areas. Samples are prepared on site and analysed at the mine's fully accredited assay laboratory facility.

4.4.1.1.9. Security of Samples

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

4.4.1.1.10. Mineral Resource and Reserve Estimates

Mineral resources at Neves-Corvo are estimated using three dimensional modelling methods and specialised software (Vulcan® 3D). The Ordinary Kriging method of interpolation is used to estimate metal grades and a multiple regression formula is used for the density.

Mineral reserves are developed by the mine planning department at Neves-Corvo. Stoping volumes are determined according to access, cut-off grade, planned and un-planned dilution and ore loss. An effective minimum mining width of 5m is applied. The reserve statement, produced annually, is based on Measured and Indicated resources only, and the principal tool used is Vulcan® 3D software.

Details of the December 2009 Resource and Reserve estimate for Neves Corvo are included in Schedule A attached to this AIF.

4.4.1.1.11. Mining Operations

Neves-Corvo is a major underground mine. The mine access is provided by one vertical 5m diameter shaft, hoisting ore from the 700m level (mine datum is 1,000m below sea level), and a ramp from surface. A conveyor decline descends from the 700m level to the 550m level and provides ore hoisting from the deeper levels of the mine. The mine is highly mechanised and a number of different stoping methods are employed but the most prominent are bench-and-fill and drift-and-fill. Backfill is provided by hydraulically placed sand, paste tailings and internally generated waste rock.

Two processing plants are established at Neves-Corvo. The copper plant treats copper ores and has a maximum capacity of approximately 2.4mtpa and the zinc plant (the former tin plant) which treats zinc or copper ores with a current capacity of 0.5mtpa (note: zinc production was suspended in November 2008). 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 from where they are shipped to smelter customers. Tailings are stored sub-aqueously in the Cerro de Lobo tailings impoundment located 3km from the mine site. Approvals to convert the tailings disposal to a paste system have been received and installation of the facilities is currently underway.

Copper ore production from the Neves-Corvo mine is forecast to continue at 2009 levels. Zinc production is expected to re-start in 2011 at the rate of 50,000tpa from an expanded zinc plant.

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 25%, and a local tax of 1.5% is also payable. 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 reserves at Neves-Corvo will support a mine life of around 10 years with copper production, based on currently known reserves, gradually decreasing, and planned zinc production increasing. Exploration efforts will continue to be focused on discovering new high grade copper resources. A pre-feasibility study on further increases in zinc production based on the large zinc resources contained within the Lombador orebody is underway. The mine is able to fund all currently planned capital programmes through cash flow.

4.4.1.1.12. Exploration and Development

In 2010, over 31,000m of surface drilling are planned with 20,000 m of underground drilling targeting principally Lombador North and South, Neves North and South, Zambujal and Corvo orebodies.

Exploration drilling will also be conducted in the surrounding exploration license areas through the follow-up of geophysical anomalies.

Further information on the Neves-Corvo mine can be obtained by referencing the following Technical Reports filed on SEDAR:

1. Reserves and Resource Update, Neves-Corvo, Portugal dated May 2008 and prepared by Neil Burns.
2. Technical Report on the Neves-Corvo Mine, Southern Portugal dated October 2007 and prepared by Mark Owen and Owen Mihalop of Wardell Armstrong International Ltd.

4.4.1.2. ZINKGRUVAN MINE

4.4.1.2.1. Project Description and Location

The Zinkgruvan mine is located approximately 200km west of Stockholm in south-central Sweden. The mine site is some 15km 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 254ha and is valid until 2025. The neighboring "Klara Concession" was granted in 2002, has an area of 355ha 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 10,096ha. 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.

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 35km distant. Lake Vänern, the largest lake in Sweden, is some 50km 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 750mm with modest snowfalls during the winter months.

The topography around the mine comprises gently rolling terrain approximately 175m 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 circa 5km from the mine site by narrow gauge railway.

In the mid-1970s, a decision was made to significantly expand production to 600,000tpa. 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 Union Miniere. 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 that has plans to increase ore production by 300,000 tpa through the addition of copper to the current zinc-lead production.

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 metavolanics.

The Zinkgruvan deposit is situated in a east-west striking synclinal structure. The tabular shaped Zn-Pb-Ag orebodies occur in a 5 to 25 m thick stratiform zone in the upper part of the metavolcanic-sedimentary group. The orebody is 5km long and is proven to a depth of 1,500m 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 Nygruvan area at depth and more recently in the Knalla area to the west. Limited exploration by drilling takes place from surface and the majority is carried out from underground, where dedicated exploration drifts are developed for the purpose.

Recent drilling has been targeted at mineralisation to the west of the main mine area and is aimed at orebodies known as Mellanby, Cecilia and Dalby.

4.4.1.2.6. Mineralisation

The Zinkgruvan ore bodies are dominated by sphalerite and galena and are generally massive, well banded and stratiform. Re-mobilisation 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 mineralisation has been identified in the structural hangingwall 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

Surface and underground exploration, resource and stope definition drilling is carried out on an on-going basis. Surface exploration holes can be up to 1,200m long, while stope definition holes are drilled from underground with intersections typically on 15 by 20m centres. All drill holes are surveyed at 3m intervals using Maxibore surveying equipment which provides an accurate location of the drill intersections. In 2009, 14,600m of drilling was completed from underground.

4.4.1.2.8. Sampling and Analysis

Industry standard exploration drill core splitting, sampling 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 with 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 new purpose built facility at the mine site. Traceability records prevent errors of identification and insure 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, Cecilia, Mellanby, Borta Bakom and Sävsjön. The remaining areas of Nygruvan and all of Burkland are estimated using block modelling with Microstation® AutoCad and Prorok® software. Ordiniary Kriging is used for grade estimation and density estimation uses a regression formula.

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

Details of the 2009 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 900m level. A ramp connecting the underground workings with surface is being excavated and will provide flexible access to the mine. A system of ramps is employed to exploit resources below the shaft and the deepest mine level is now at 1,130m. The mine is highly mechanised and uses primary secondary panel stoping in the Burkland area of the mine and sublevel benching in the Nygruvan area. All stopes are backfilled with paste tailings and cement.

The processing plant is located adjacent to 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 4km to a dedicated tailings impoundment from which decant water is returned to the process.

A separate 0.3mtpa copper treatment line is currently being installed in the processing plant scheduled to produce its first copper concentrate by mid-2010.

Zinc-lead ore production from Zinkgruvan is expected to continue at 2009 levels while copper ore production is forecast to build up to 0.3mtpa by 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 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 is 26.3% and Zinkgruvan does not pay mining royalties.

4.4.1.2.12. Exploration and Development

Exploration activities in 2010 focus on converting inferred resources to indicated resources. The planned drill programme for 2010 comprises 2,500m of underground drilling in the Nygruvan area.

Further information on Zingruvan mine can be obtained by referencing the following Technical Report filed on SEDAR:

1. Mineral Reserves and Mineral Resources of the Zinkgruvan Mine in South-Central Sweden dated March 2009 and prepared by Per Hedström, Lars Malmström and Doug Syme, current or former employees of Zinkgruvan Mining AB.

4.4.1.3. AGUABLANCA MINE

4.4.1.3.1. Project Description and Location

The Aguablanca mine is located approximately 100km north of Seville in the Extremadura region of southern Spain. The mine lies some 30km 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.

The mining rights for Aguablanca are covered under a *Reserva Definitiva a Favor del Estado* called La Moneguera which consists of 95 contiguous claims covering an area of 2,862 ha. The *Reserva Definitiva* 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 and 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 N630 national highway which runs northwards from Seville and connects by a further national highway to the port of Huelva. The mine site lies approximately 10km 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 water 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 500m 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 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 mineralisation 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 mineralisation beneath the planned open pit.

The Aguablanca mine was acquired by Lundin Mining in July 2007 through its purchase of Rio Narcea.

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 Hercynian age. The AS is a small gabbroic intrusion (approximately 2.3km^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 mineralisation. 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 2,521km^2, largely to the north and west of Aguablanca, known as the Ossa Morena. Additional exploration potential exists for nickel-copper and copper-gold mineralisation within this area.

4.4.1.3.6. Mineralization

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

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

4.4.1.3.7. Drilling

A total of approximately 3,400m of drilling was compelted in late 2009 – early 2010 in order to increase the data density between the 250 and the 350 mine levels. No other exploration drilling is planned for 2010.

In 2009, a total of 1,070m of infill drilling was completed from underground.

4.4.1.3.8. Sampling and Analysis

Grade control sampling is carried out using open hole percussion rigs drilling 8m 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 has been 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 31 December 2008 by Juan Alvarez and Sia Khosrowshahi of Golder Associates Global Iberica, S.L.U., using three dimensional geological block modelling methods and specialised software (Vulcan® 3D). 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.

In order to generate mineral reserves at Aguablanca an open pit optimisation was carried out by Juan Pablo Gonzalez of Golder Associates Global Iberica, S.L.U., using the specialised software Whittle® Four-X. Vulcan mine design software was then used to check the pit layout and to optimise the scheduling of the pit for maximum Net Present Value. The resultant pit is scheduled to produce until 2014 with an average strip ratio of 7:1.

Golder Associates Global Iberica, S.L.U. has updated the mineral resource and mineral reserve at 31 December 2009 by depleting the current model using the mined out surface at 31 December 2009 provided by Aguablanca. Details of the December 2009 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 currently operates a single open pit mine. The pit is mined with 8m benches and the final slopes are designed with a double bench configuration. The open pit is operated by contractor using a conventional drill and blast, and truck and shovel fleet. Waste rock is stacked to the immediate northwest of the open pit and the waste dumps form the downstream wall of the tailings impoundment.

Run-of-mine ore is stockpiled, blended and then 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 125km 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.

Significant mineral resources remain below the bottom of the planned open pit. In 2010, further studies will be carried out on an underground operation producing in parallel with the open pit. Access to the underground mine would be via the existing exploration decline, stoping by longhole methods and operation by contractor.

All bulk nickel-copper concentrate produced from the Aguablanca operation is sold under a contract that expires in 2010. Principle payable metals are nickel and copper with by-product payments made platinum, palladium and cobalt, 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

Although exploration activities both at Aguablanca and regionally in the area were suspended as a result of the 2008/9 down turn in metal prices, additional underground drilling is warranted in order to expand the existing resources and test for high grade massive sulphide deposits. Studies will continue on further open pit optimisations in light of future metal price movements.

Further information on Aguablanca mine can be obtained by referencing the following Technical Report filed on SEDAR:

1. Technical Report on the Aguablanca Ni-Cu deposit, Extremadura Region, Spain for Lundin Mining Corporation dated March 2009 and prepared by Juan Alvarez, Sia Khosrowshahi and Juan Pablo Gonzalez of Golder Associates Global Iberica, S.L.U.

4.4.1.4. GALMOY MINE

The Galmoy zinc-lead mine is located in south-central Ireland in County Kilkenny. The merger of the Company and ARCON International Resources p.l.c., the principal asset of which was the Galmoy mine, was completed in April 2005.

Galmoy is an underground mine with most of the workings between 100m and 160m 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 flowsheet 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 ceased production at the end of the second quarter 2009. The concentrator closure and rehabilitation is progressing as planned and the restricted cash closure fund accumulated during the mine life has been assessed as sufficient to meet the closure obligations.

In late 2009, following approval from the relevant Irish authorities, a test batch of 18,000 tonnes of high grade ore was mined and trucked to an adjacent mine for treatment. Negotiations with the adjacent mine for the mining and treatment of additional larger quantities of high grade ore are currently underway with an expectation that further deliveries will be made in 2010 and 2011.

Details of the December 2009 Resource and Reserve estimate for Galmoy are included in Schedule A attached to this AIF.

4.4.1.5. TENKE FUNGURUME MINE (24.75% EQUITY INTEREST)

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 1,437 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, full name plate capacities for both products were being achieved.

The first phase of production is one of several stages of development contemplated with the objective of ultimately producing in excess of 400,000 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 the main power line connecting Kolwezi and Likasi with Lubumbashi pass through the concessions. Scheduled air service is available between Lubumbashi and the capital at 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 shipped 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 sufficient for the first two years have been constructed and the next tailing dam raise is in progress. 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 have 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 15km long and 3km 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 170m above adjacent valleys. The plant site elevation is 1,200m 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. 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 Exploration Corporation ("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 created effective November 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 FCX 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 results in FCX indirectly holding 57.75% of TFM, and Lundin Mining indirectly holding 24.75% of TFM. Gécamines holds 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.

As part of a GDRC initiative, approximately 60 mineral rights contracts have been subject to a review process with the Tenke Fungurume agreements being part of this process. While certain parts of the GDRC and Gécamines have proposed adjustments to portions of the TFM Amended Agreements, Lundin Mining and FCX maintain that their mineral contracts are legally binding, enforceable, not subject to unilateral change and are fair to all parties. However, Lundin Mining and FCX respect the process that the GDRC has embarked upon related to contract review and are cooperating in this dialogue.

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 (650-1050 Ma).

The older rocks of the basement complex belonging to the Kibara Supergroup, 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.

1 Renumbered nº 123 by the *Cadastre Minier Certificat d'Exploitation* nº CAMI/CE/940/2004 dated November 3, 2004; pending division, renewal and renumbering by the *Ministère des Mines*.
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.

4.4.1.5.5. Exploration and Concession Potential

The mineral concessions have been subject to multiple phases of exploration over time. Most recently, exploration during 2009 under the direction of FCX through TFM focussed on 8 different deposits. A total of 55,000m of diamond drilling was completed in 306 individual holes.

Geophysical (IP) and seismic surveys were carried out in 2009 and will be continuing in 2010. Both exploration techniques show promising results in the detection of sulphide mineralization and deep definition of structure/stratigraphy. The bedrock drilling/sampling program which started in 2008 as a rapid and efficient exploration method in areas of overburden was continued in 2009.

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 to 15m, separated by 20m 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 186,376m of drilling plus mapping, trenching and exploration adits. Exploration core drilling carried out by PD/FCX between 2006 and the end of 2009 comprised 1,574 core holes totaling circa 244,000 metres. Reverse circulation drilling was used locally to drill through unmineralized waste. The 2009 exploration drilling took place on primarily Fungurume, Fwaulu, Pumpi North, Mambilima, Mudilandima, Mwandikoma and Tenke.

4.4.1.5.8. Sampling and Analysis

Industry standard exploration drill core splitting, sampling, and density measurement protocols have been followed by Phelps Dodge and subsequently by FCX. An independent audit to review sampling activities with respect to quality assurance, quality control and sample security was completed in the first quarter 2009. 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 analysed at the mine's assay laboratory facility. Strict QA/QC protocols are in place including placement and assaying of duplicates, blanks and check samples. 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 core is 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 come from a total of 8 deposits across the concessions: Kwatebala, Tenke, Fwaulu, Mwadinkomba, Kansalawile, Fungurume, Mambilima and Pumpi North.

Mineral resources have been estimated using three dimensional modelling methods. Minesight® software has been used for database development and geological modeling. Grade estimation has been carried out using either Inverse Distance Weighting (IDW) or Local Anisotropy Kriging (LAK) techniques.

Open pit optimization has been carried out on all the eight deposits listed above. Datamine NPV Scheduler was used for seven of the deposits, with Tenke using a rotated model which was evaluated using Minesight®. 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 5m benches to 10m interval between berms. Input parameters to the open pit optimisations have been updated in 2009 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 (6m to 15m wide), faulted and folded and contacts are relatively sharp. To address this issue block dimensions have been selected at 5m x 2.5m x 2.5, the ore mining fleet uses small equipment and ore cuts broken by the surface miners are 0.625m deep. For mine planning purposes resource grades are reduced by 5% to account for anticipated grade dilution during operations.

Details of the December 2009 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 Project includes the development of mining, processing and general infrastructure for exploitation of oxide ore initially from Kwatebala, supplemented by other ore bodies over time. Nominal daily mill feed of oxide ore is 8,000 tpd. Current proven/probable reserves support an initial facility life of more than 40 years of oxide ore feed. Total waste mined corresponding to the above reserves will be 645 million tonnes. Ore is mined from the open pits and trucked to stockpiles located near the crusher.

Capital investment of approximately $2.0 billion was made for the initial facilities, which includes aspects to support major future expansions. This includes a $US140 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 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 electrowinning to produce a 99.9% pure 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.

4.4.1.5.12. 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 is subject to a number of DRC laws, regulations, 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, stimulation of both direct and indirect employment – during construction, employment peaked at more than 8,000 DRC nationals and during operations, direct employment is expected in the range of 2,000 personnel. 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.

4.4.1.5.13. Reference Reports

Further information on the Tenke Fungurume Project can be obtained by referencing the following report:

1. Technical Report for the Tenke Fungurume Project dated March 31, 2009 prepared by John Nilsson P.Eng. of Nilsson Mine Services Ltd., Ronald G. Simpson P.Geo. of GeoSim Services Inc, and William C. McKenzie, P.Eng., M.B.A. of Global Project Management Corporation, which is available on SEDAR.

4.4.2 MINE CLOSURES

Lundin Mining acquired the El Valle and Carlés gold mine in Spain, and the Vueltas del Rio mine in Honduras, as part of the acquisition of Rio Narcea. Reclamation of both properties is ongoing. Underground production ceased in July 2008 at the Storliden zinc-copper mine in northern Sweden. A rehabilitation programme is continuing in accordance with the approved closure plan.

ITEM 5 RISKS AND UNCERTAINTIES

The Company's projects are subject to various risks and uncertainties, including but not limited to, those listed below. Unless the context indicates or implies otherwise, references in this section to the "Company" include the Company and its subsidiaries:

Metal Prices

Metal prices, of copper, nickel, 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 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 of copper and lead 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, employ provisional payment arrangements and the use of letters of credit, where appropriate, but cannot always be assured of the solvency of its customers and at times will sell to parties whose credit worthiness is not determinable. 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 for regularly occurring operational transactions.

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, 2009, the Company had $60.3 million in a number of reclamation funds that will be used to fund future site restoration and mine closure costs at the Company's various mine sites. The Company will continue to contribute annually to these funds as required, based on an estimate of the future site restoration 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 ceased production at its Galmoy mine during the first half of 2009 but resumed limited mining of ore in late 2009 for treatment at an adjacent mine. Current mining activity does not have a significant effect on closure activities which continue to be carried out.

Rehabilitation programs will be completed at the Storliden mine during 2010 following production shutdown in 2008 and the site will be subject to ongoing monitoring for several years following the completion of closure activities. The Company also has ongoing long-term monitoring programs in place associated with legacy mining operations previously carried on in Honduras and Spain 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: 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. 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, precious metals 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.

Mine Development Risks

The Company's ability to maintain, or increase, its annual production of zinc, silver, copper, 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 development projects.

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 charges 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. Although the Company currently has all the required permits for its operations as currently conducted, 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 from each property.

Factors which may affect carrying values include, but are not limited to, metal prices, 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 additional 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 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 the 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, 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 funding partner and the operator at the Tenke Fungurume copper/cobalt project is FCX. There may be risks associated with an operating partner, including its financial condition or the making of less than optimal operating decisions, of which the Company is not aware and which could adversely affect the Company's financial position and financial results.

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 the withholding tax rates in the countries where the operations are carried out.

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 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 licences required to satisfy all of its supply requirements.

Key Personnel
The Company is depending on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company does not have key person insurance on these individuals.

Share Price Volatility
In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities.

ITEM 6 DESCRIPTION OF SHARE CAPITAL

6.1 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, and one special share (a "Special Share") without nominal or par value. The Special Share is not outstanding.

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.

6.2 Dividends

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 MARKET FOR SECURITIES

7.1 Exchange Listing

The Common Shares of the Company are traded 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".

7.2 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 ($)	Low($)	Volume
January	1.53	0.90	85,694,900
February	0.92	0.72	59,718,800
March	2.00	0.75	124,702,500
April	2.28	1.97	133,928,200
May	2.93	2.34	259,109,600
June	3.40	2.80	141,031,900
July	3.47	2.80	79,383,200
August	4.02	3.63	102,526,500
September	4.17	3.50	109,107,500
October	4.67	3.31	151,310,400
November	4.92	4.25	67,293,100
December	4.83	3.97	38,856,200

7.3 Escrowed Securities

There are no Lundin Mining securities in escrow.

ITEM 8 DIRECTORS AND OFFICERS

8.1 Name, Address, Occupation and Security Holding of Directors and Officers

The Board of Directors of the Company is currently comprised of ten directors who are elected annually and whose term of office will expire at the Company's annual meeting scheduled to be held on May 7, 2010. 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 March 31, 2010, 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; Director and Officer of a number of publicly traded resource-based companies	September 9, 1994	1,271,449 common shares
Philip J. Wright United Kingdom *President, Chief Executive Officer and Director*	Private investor; President and Chief Executive Officer of the Company since January 16, 2008	January 16, 2008	103,000 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)]
Colin K. Benner British Columbia, Canada *Director*	President and director of CKB Mining Inc.; Director of a number of publically traded companies; Interim CEO of HudBay Minerals Inc. from March 9, 2009 to March 23, 2009; Vice Chairman and Chief Executive Officer of Skye Resources Inc. from March to August 2008; Vice Chairman, Chief Executive Officer and Director of the Company from October 31, 2006 to April 1, 2007; Vice Chairman, Chief Executive Officer and a director of EuroZinc Mining Corporation from December 21, 2004 to October 31, 2006.	October 31, 2006	116,668 common shares
Donald K. Charter Ontario, Canada *Director*	Corporate Director and President 3C's Corporation; prior to December 2005, Chairman, President and Chief Executive Officer of Dundee Securities Corporation; Executive Vice President of Dundee Corporation and Dundee Wealth Management; partner in a law firm prior to 1996	October 31, 2006	11,424 common shares
John H. Craig Ontario, Canada *Director*	Lawyer, partner of Cassels Brock & Blackwell LLP	June 11, 2003	186,849 common shares
Brian D. Edgar British Columbia, Canada *Director*	President, Chief Executive Officer and Director of Dome Ventures Corporation; Director of a number of publicly traded companies	September 9, 1994	230,000 common shares
David F. Mullen British Columbia, Canada *Director*	Chief Executive Officer and Head HSBC Private Equity North America; Director of a number of companies, including publicly traded companies	October 31, 2006	53,000 common shares
Anthony O'Reilly, Jr. Ireland *Director*	Chief Executive of Providence Resources Plc.; formerly Chairman of Arcon International Resources Plc. and former Chief Executive of Josiah Wedgwood & Sons Limited; Director of a number of publicly traded companies	May 25, 2005	65,634 common shares
Dale C. Peniuk C.A. British Columbia, Canada *Director*	Chartered Accountant; financial consultant to the mining industry; formerly an Assurance partner with KPMG LLP, Chartered Accountants; Director of a number of publicly traded companies	October 31, 2006	17,600 common shares[(2)]
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

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)]
João Carrêlo United Kingdom *Executive Vice President and Chief Operating Officer*	Executive Vice President and Chief Operating Officer of the Company since April 2007; Chief Operating Officer of the Company in Iberia from October 2006 to March 2007. Chief Operating Officer for EuroZinc from June 2005 to October 2006; Managing Director of Iberpotash S.A. (Spain) and Director of Cleveland Potash (UK) from February 2003 to June 2005.	N/A	Nil common shares
Paul K. Conibear British Columbia, Canada *Senior Vice President, Corporate Development*	Senior Vice President – Corporate Development since October 2009; Senior Vice President - Projects, of the Company from July 3, 2007 to October 2009; President and Chief Executive Officer of Suramina Resources Inc. from June 11, 2007 – September 30, 2007; President and Chief Executive Officer of Tenke Mining Corporation from November 26, 2002 to July 13, 2007	N/A	559,904 common shares[(3)]
James A. Ingram Ontario, Canada *Corporate Secretary*	Corporate Secretary of the Company since February 17, 2010; previously, Vice President, Secretary and General Counsel with Hudson's Bay Company from 1998 – 2009.	N/A	Nil
Marie Inkster Ontario, Canada *Chief Financial Officer*	Chief Financial Officer of the Company since May 1, 2009; Vice President Finance of the Company from September 2008 – April 30, 2009; Vice President – Finance, GBS Gold International Inc.; from September 2007 to June 2008; from 2002 to 2007, LionOre Mining International Ltd., last position held being that of Vice President/ Controller	N/A	5,000
Jinhee Magie Ontario, Canada *Vice President, Finance*	Vice President Finance of the Company since May 1, 2009; Director of Finance of the Company from September 2008 – April 30, 2009; formerly, Director of Corporate Compliance, LionOre Mining International Ltd.	N/A	5,000 common shares
Josephine McCabe United Kingdom *Vice President, Human Resources*	Vice President Human Resources of the Company since January 2009; Head of Human Resources for the British Petroleum LPG Global Business Unit from January 2003 to November 2008;	N/A	Nil

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)]
Peter Nicoll Ontario, Canada *Vice President Health, Safety, Environment and Community*	Vice President of HSEC of Lundin Mining 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 - August 2007; Director, Safety, Health and Environment with Centerra Gold, February 2005 - February 2006; Principal, Stantec Consulting, 2001 - 2005	N/A	Nil
Neil O'Brien Ontario, Canada *Senior Vice President, Exploration and Business Development*	Senior Vice President, Exploration and Business Development of the Company since March, 2007; Vice President of Exploration of the Company since September 2005; formerly General Manager, Minera Teck Cominco (Mexico) and Senior Geologist, Teck Cominco Ltd.	N/A	49,500 common shares
Mikael Schauman Sweden *Vice President, Marketing*	Vice President, Marketing of the Company since February 2007; formerly Senior Non-Ferrous Concentrates Trader at Mitsui & Co. Metals (USA), Inc.	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 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.

(3) Includes 80,850 common shares registered in the name of Mr. Conibear's spouse.

Certain directors and officers 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 2,948,452 common shares, representing 0.05% 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; namely, the Audit Committee, the Human Resources and Compensation Committee, the Corporate Governance and Nominating Committee and the Healthy, Safety, Environment and Community 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) William A. Rand Donald K. Charter	Donald K. Charter (Chair) William A. Rand David F. Mullen	Brian D. Edgar (Chair) John H. Craig David F. Mullen	Colin K. Benner (Chair) Brian D. Edgar Philip J. Wright

8.2 Corporate Cease Trade Orders or Bankruptcies

Except as noted below, no director, officer of the Company, or shareholder holding a sufficient number of shares of the Company to materially affect control of the Company, is, or within the ten years before the date of this

Annual Information Form has been, a director or officer of any other corporation that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied such corporation access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; or
(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of such corporation.

Messrs. Rand and Edgar 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.

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.

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 control shareholder of the Company individually.

8.3 Penalties or Sanctions

No director, officer of the Company, or shareholder holding a sufficient number of shares of the Company to materially affect control of the Company, has been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

8.4 Personal Bankruptcies

During the ten years preceding the date of this Annual Information Form, no director, officer or shareholder holding a sufficient number of shares of the Company to affect materially the control of the Company, or a personal holding company of any such person, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold his or her assets.
The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any control shareholder of the Company individually.

8.5 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 or 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 9 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

9.1 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.

9.2 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 10 AUDIT COMMITTEE

10.1 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 general meeting 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.

10.2 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.

10.3 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 – Audit Committees ("NI 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 14, 2009 prepared in connection with the Company's annual meeting of shareholders held on May 15, 2009, 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 Ltd., Capstone Mining Corp., Corriente Resources Inc., Quest Capital Corp., Rainy River Resources Ltd., Reservoir Capital Corp., and Q2 Gold Resources Ltd.
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 sat on 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.
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 Corporate Director 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.

Notes:

(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 under 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.

10.4 Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year the Company has not relied on the exemption in Section 2.4 (De Minimis Non-Audit Services), Section 3.2 (Initial Public Offerings), Section 3.4 (Events Outside Control of Members), Section 3.5 (Death, Disability or Resignation of Audit Committee Members) of NI 52-110 or an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions) of NI 52-110.

10.5 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 internal auditor which was not adopted by the Company's Board.

10.6 Pre-Approval Policies and Procedures

All audit and non-audit services performed by the external auditor are pre-approved by the Audit Committee.

10.7 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, 2009. Services billed in C$, SEK or € were translated using average exchange rates that prevailed during 2009.

Fiscal Year Ending	Audit Fees(1)	Audit-Related Fees(2)	Tax Fees(3)	All other Fees(4)
December 31, 2009	$1,268,204	$55,434	$79,756	-
December 31, 2008	$2,842,307	$120,367	$153,349	$113,558

(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, have prepared the Independent Auditors' Report dated February 24, 2010 in respect of the Company's consolidated audited financial statements as at and for the years ended December 31, 2009 and 2008. PricewaterhouseCoopers LLP have advised the Company that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ITEM 11 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 other than as follows:

(a) the business combination between Tenke Mining and Lundin Mining which was effected by way of statutory plan of arrangement pursuant to which each common share of Tenke Mining was exchanged for 1.73 Lundin Mining common shares plus C$0.001. This transaction was completed on July 3, 2007. In this connection, Messrs. Lukas H. Lundin, William A. Rand and John H. Craig, all of whom were directors of Lundin Mining at the time were also directors of Tenke Mining; and

(b) the Arrangement Agreement entered into between the Company and HudBay Minerals Inc. ("HudBay") dated November 21, 2008 which was terminated pursuant to a Termination Agreement between the Company and HudBay dated February 23, 2009. In this connection, Messrs. Colin K. Benner and Donald K. Charter, both of whom are directors of the Company, were also directors of HudBay. Mr. Benner formerly served as Chief Executive Officer of the Company from October 2006 to March 2007 and as the Chief Executive Officer of Skye Resources Inc. prior to its acquisition by HudBay in August 2008 and as interim CEO of HudBay from March 9, 2009 to March 23. Mr. Benner also served as Vice Chairman of the

Company from October 2006 to January 2008. Mr. John Craig, a director of the Company, is a partner of Cassels Brock & Blackwell, LLP, Canadian legal advisor to HudBay in connection with the Arrangement.

ITEM 12 TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

ITEM 13 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, 2009 and up to the date of this AIF or that were entered into prior to January 1, 2002 and remain in effect during 2009, other than as follows:

(a) Credit Agreement dated May 28, 2007 and First Amending Agreement and Second Amending Agreement and Waiver dated May 15, 2008 and March 6, 2009, respectively, among 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) Third Amending Agreement dated July 6, 2009 the Company completed the restructuring of its credit facility. The revised terms incorporated in the Third Amending Agreement provide for a three year fully-revolving credit facility of US$225 million, and (i) interest at LIBOR plus 4.5% until March 2010 and from April 2010 at LIBOR plus 3.5% to 4.5% depending upon the leverage ratio at the Company; and (ii) financial covenants customarily required for a revolving–term facility, including minimum tangible net worth, interest coverage ratio and leverage ratio. The Third Amending Agreement removed the prohibitions on acquisitions and disposals that were imposed by the Second Amending Agreement and Waiver. Instead, it establishes that security will be extended to material assets acquired and specifies reductions in the facility if the Company’s principal mining assets are disposed of in whole or in part.

(c) On May 11, 2009, the Company entered into an agreement with HudBay consenting to the sale by HudBay of all of its shares in the Company. Pursuant to the agreement, the Company and HudBay have terminated all continuing rights and obligations under the previously announced termination agreement dated February 23, 2009 and agreed to a mutual release in respect of any and all claims connected with or arising from the subscription agreement.

ITEM 14 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 as at December 31, 2009 or authored portions of the technical reports disclosed in this AIF are as follows:

- Messrs. John Nilsson, P.Eng., Nilsson Mine Services Ltd., Ronald G. Simpson, P.Geo., GeoSim Services Inc. and William C. McKenzie, P.Eng., M.B.A., Global Project Management Corporation, in respect of the Tenke Fungurume Project;
- Messrs. Juan Alvarez, Sia Khosrowshahi and Juan Pablo Gonzalez of Golder Associates Global Iberica, S.L.U., with respect to reserve and mineral resource estimates, and Mr. Stephen Gatley, an employee of the Company, with respect to the section entitled "Additional Requirements for Development and

Production Properties", in each case relating to the technical report concerning the Aguablanca Ni-Cu deposit, Extremadura Region, Spain;
- Messrs. Per Hedström, Lars Malmström and Doug Syme, employees of Zinkgruvan Mining AB, in respect of the Zinkgruvan Mine in South-Central Sweden; and
- Mr. Neil Burns and Messrs. Mark Owen and Owen Mihalop of Wardell Armstrong International Ltd. , in respect of the Neves-Corvo Mine, Portugal.

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 15 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 14, 2009 prepared in connection with the annual and special meeting of shareholders of the Company held on May 15, 2009. Additional financial information is provided in the audited consolidated financial statements of the Company as at December 31, 2009 and 2008, together with auditors' report thereon and the notes thereto, and MD&A for the year ended December 31, 2009.

SCHEDULE A

RESOURCE AND RESERVE ESTIMATE 2009

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	18,541	3.8	1.0	0.3	43			699	178	57	26			*100%*
	Probable	1,993	2.7	0.6	0.5	54			54	12	11	3			*100%*
	Total	**20,534**	**3.7**	**0.9**	**0.3**	**44**			**753**	**190**	**68**	**29**			***100%***
Zinkgruvan	Proven	2,787	2.6	0.3		30			72	8		3			*100%*
	Probable	92	2.6	0.4		30			2	0		0			*100%*
	Total	**2,879**	**2.6**	**0.3**		**30**			**75**	**9**		**3**			***100%***
Tenke	Proven	49,755	3.4					0.4	1,675					199	*24.75%*
Fungurume	Probable	84,869	3.0					0.3	2,538					245	*24.75%*
	Total	**134,624**	**3.1**					**0.3**	**4,213**					**444**	***24.75%***
Zinc															
Neves-Corvo	Proven	39,335	0.4	6.5	1.5	61			154	2,550	585	77			*100%*
	Probable	14,848	0.3	7.1	1.9	55			48	1,053	278	26			*100%*
	Total	**54,182**	**0.4**	**6.7**	**1.6**	**59**			**202**	**3,603**	**863**	**103**			***100%***
Zinkgruvan	Proven	8,655		9.2	4.8	102				796	415	28			*100%*
	Probable	2,419		8.7	2.5	56				210	60	4			*100%*
	Total	**11,074**		**9.1**	**4.3**	**92**				**1,007**	**476**	**33**			***100%***
Galmoy	Proven	488		19.1	6.7	54				93	33	1			*100%*
	Probable	4		10.0	1.3	11				0	0	0			*100%*
	Total	**492**		**19.0**	**6.7**	**53**				**94**	**33**	**1**			***100%***
Nickel															
Aguablanca	Proven	7,112	0.5				0.7		35				47		*100%*
	Probable	336	0.3				0.3		1				1		*100%*
	Total	**7,448**	**0.5**				**0.6**		**36**				**48**		***100%***
								Lundin's share	**2,109**	**4,902**	**1,439**	**169**	**48**	**110**	

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	31,356	3.5	1.1	0.4	50			1,087	341	117	51			*100%*
	Indicated	3,696	2.5	0.8	0.6	58			92	28	21	7			*100%*
	Inferred	26,446	1.9	0.7	0.3	35			503	195	75	30			*100%*
Zinkgruvan	Measured	4,093	2.6	0.4		30			106	16		4			*100%*
	Indicated	203	2.3	0.3		27			5	1		0			*100%*
	Inferred	1,166	2.0	0.3		30			23	3		1			*100%*
Tenke	Measured	79,865	3.0					0.4	2,434					293	*24.75%*
	Indicated	271,058	2.5					0.2	6,672					641	*24.75%*
	Inferred	200,412	2.0					0.2	3,969					457	*24.75%*
Zinc															
Neves-Corvo	Measured	60,727	0.4	6.1	1.4	61			237	3,725	834	119			*100%*
	Indicated	15,941	0.3	7.1	1.8	57			55	1,124	281	29			*100%*
	Inferred	20,441	0.4	5.0	1.2	56			74	1,023	251	37			*100%*
Zinkgruvan	Measured	9,517		10.6	5.4	113				1,009	514	35			*100%*
	Indicated	4,997		9.6	4.2	99				480	210	16			*100%*
	Inferred	4,295		9.6	3.1	67				412	133	9			*100%*
Galmoy	Measured	997		18.2	4.7	37				181	47	1			*100%*
	Indicated	132		10.5	0.8	7				14	1	0			*100%*
	Inferred	8		9.5	1.3	19				1	0	0			*100%*
Nickel															
Aguablanca	Measured	12,972	0.5				0.6		61				71		*100%*
	Indicated	1,464	0.2				0.3		3				4		*100%*
	Inferred	506	0.2				0.3		1				1		*100%*
								Lundin's share not including Inferred Resources	**3,901**	**6,918**	**2,024**	**261**	**75**	**231**	

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 and all estimates are prepared as at December 31, 2009.

Estimates for all 100% owned operations are prepared by or under the supervision of a Qualified Person as defined in National Instrument 43-101. Tenke Proven and Probable Reserves are estimated by the operator Freeport-McMoRan Copper & Gold Inc. ("Freeport"), and are prepared to SEC standards and are reviewed by Lundin Mining's independent Qualified Persons.

Neves Corvo

The Mineral Resources are reported above cut-off grades of 1.0% for copper and 3.0% for zinc and the Mineral Reserves at a cut-off of 1.6% for copper and 4.3% for zinc. Mineral Reserves and Resources for Neves-Corvo were estimated by the mine's geology and engineering department under the guidance of Nelson Pacheco, Chief Geologist and Fernando Cartaxo, Mine Planning Engineer, and audited by consultants Wardell Armstrong International (WAI). Qualified Persons are WAI personnel Mark Owen, Principle Geologist and Owen Mihalop, Senior Mining Engineer.

Zinkgruvan

The Zinc Mineral Resources and Mineral Reserves are reported above a 3.1% zinc equivalent cut off. The Copper Mineral Resources and Reserves are reported above cut-off grades of 1.5% copper and 2.0% copper respectively. The Qualified Persons responsible for the 2009 Zinkgruvan Mineral Resource and Reserve estimate are Per Hedström, Senior Geologist, and Lars Malmström, Chief Geologist, who are employed by the Zinkgruvan mine.

Aguablanca

The Mineral Resources are reported above a 0.2% nickel cut off and the Mineral Reserves above a 0.25% nickel cut off. Reserves and Resources for Aguablanca were estimated by Golder Associates Global Ibérica, S.L.U. Qualified Persons are Golder personnel Juan Alverez, Senior Mining Geologist, Sia Khosrowshahi, Principal Geostatistician, and Juan Pablo Gonzalez, Senior Mining Engineer.

Galmoy

The Mineral Resources are reported above a cut-off of 4.5% zinc equivalent. The Mineral Reserves are those tonnes above a 6% zinc equivalent cut off that are amenable to mining and treatment at an adjacent mine. The Qualified Person responsible for the Galmoy Resource and Reserve estimate is Paul McDermott, Technical Services Superintendent who is an employee of Galmoy mine.

Tenke Fungurume

The Mineral Reserves and Resources use long term prices of $1.60/lb for copper and $10.00/lb for cobalt. The Mineral Resources are based on a cut off of 1.30% copper equivalent and a cobalt to copper equivalency factor of 4.00. The 2009 Mineral Reserves are based on pit limits defined in the current mine plan, use a cut off grade of 1.52% (acid soluble) copper equivalent and a cobalt to copper equivalency factor of 4.4. The Mineral Reserve estimates for Tenke have been reviewed by John Nilsson, P.Eng. of Nilsson Mine Services Ltd on behalf of Lundin Mining. The Mineral Resource estimates have been prepared by John Nilsson, P.Eng., and Ron Simpson P.Geo. of GeoSim Services Inc. who are independent consultants and Qualified Persons.

LUNDIN MINING CORPORATION

AUDIT COMMITTEE MANDATE SCHEDULE B

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 approve 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.

2010

Notice of Annual and Special Meeting
and
Management Information Circular

lundin mining

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that an annual and special meeting (the "Meeting") of the shareholders of **LUNDIN MINING CORPORATION** (the "Corporation") will be held at the Ontario Bar Association Conference Centre, 2nd Floor, 20 Toronto Street, (Yonge/King Street) Toronto, Ontario, on Friday, May 7, 2010 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, 2009 and the report of the auditor thereon;

2. To elect directors for the ensuing year; **(Resolution 1)**

3. To appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors for the ensuing year, and to authorize the directors to fix the remuneration to be paid to the auditors; **(Resolution 2)**

4. To pass a resolution, the text of which is set out in Appendix B to the accompanying Management Information Circular, authorizing the Corporation to amend the Articles of Amalgamation of the Corporation for the purpose as described in the accompanying Management Information Circular; and **(Resolution 3)**

5. To transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

This Notice is accompanied by a Management Information Circular and form of proxy.

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 5, 2010 (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 26, 2010. Accordingly, shareholders registered on the books of the Corporation at the close of business on the March 26, 2010 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, 2010

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Philip J. Wright,
President and CEO

VOTING INFORMATION

Solicitation of Proxies

This Management Information Circular (the "Circular") is furnished in connection with the solicitation of proxies being made by the management of Lundin Mining Corporation (the "Corporation") for use at the annual and special meeting of the Corporation's shareholders to be held on Friday, May 7, 2010 at the time and place and for the purposes set forth in the accompanying notice of meeting or at any adjournment thereof (the "Meeting"). 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 special compensation, by directors, officers and employees of the Corporation. The cost of solicitation by management will be borne by the Corporation. The Corporation may retain other persons or companies to solicit proxies on behalf of management of the Corporation, in which event customary fees for such services will be paid.

It is anticipated that this Circular, together with the accompanying notice of meeting and form of proxy will first be mailed to shareholders of the Corporation on or about April 12, 2010.

Unless otherwise indicated, all monetary amounts referred to herein are stated in United States currency.

Appointment of Proxyholder

The persons named in the enclosed form of proxy are directors and/or officers of the Corporation (the "Management Proxyholders"). **A registered shareholder has the right to appoint a person 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 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 all proposals set out in the enclosed proxy form and FOR the election of the directors, the appointment of the auditors and the amendment of the Articles of Amalgamation all as set out in this Circular.**

The instrument appointing a proxyholder must be signed in writing by the registered shareholder, or such 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., Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 by 10:00 a.m. (Toronto, Ontario time) on Wednesday, May 5, 2010 (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 Investor Services Inc. by telephone (toll free) at 1-800-564-6253 or by e-mail at service@computershare.com.

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.**

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 Meeting 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 Meeting 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.

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 Proxy 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 shareholders' meetings. 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.**

Non-registered holders should follow the instruction on the forms that they receive and contact their intermediaries promptly if they need assistance.

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.**

Record Date

Shareholders registered as at March 26, 2010 (the "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 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 substantial or 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 579,776,573 common shares are issued and outstanding as of March 24, 2010. Each common share is entitled to one vote.

The following table sets forth those persons who, to the knowledge of the directors and officers of the Corporation, beneficially own or exercise control or direction over common shares carrying more than 10% of the voting rights attached to all common shares of the Corporation:

Voting Rights

Name and Address	Number of Shares	Percentage
Lorito Holdings S.à.r.l. ("Lorito")[1] Luxembourg	35,894,790	6.2%
Zebra Holdings and Investments S.à.r.l. ("Zebra")[1] Luxembourg	27,320,064	4.7%

(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, 2009 have been provided to shareholders separately and are available on SEDAR at www.sedar.com.

Election of Directors

Nominees

Directors are elected annually. The board of directors of the Corporation (the "Board of Directors" or the "Board") has accepted a recommendation of the Corporate Governance and Nominating Committee for a simplified corporate structure and has determined that the size of the Board should be reduced from 10 to 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 of Directors 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.

Nominees

Name, residence and current position(s) held in the Company	**Principal occupations for last five years**	**Served as director since**	**Number of voting securities owned (directly or indirectly) or controlled at present[1]**
Lukas H. Lundin British Columbia, Canada ***Chairman***	Chairman and a Director of the Corporation; Director and Officer of a number of publicly traded resource-based companies	September 9, 1994	1,271,449 common shares
Philip J. Wright [5] United Kingdom ***President & Chief Executive Officer***	Private investor; President and Chief Executive Officer of the Corporation since January 16, 2008	January 16, 2008	103,000 common shares
Colin K. Benner [5] British Columbia, Canada	President and director of CKB Mining Inc.; Director of a number of publically traded companies; Interim CEO of HudBay Minerals Inc. from March 9, 2009 to March 23, 2009; Vice Chairman and Chief Executive Officer of Skye Resources Inc. from March to August 2008; Vice Chairman, Chief Executive Officer and Director of the Corporation from October 31, 2006 to April 1, 2007; and Vice Chairman, Chief Executive Officer and a Director of EuroZinc Mining Corporation from December 21, 2004 to October 31, 2006.	October 31, 2006	116,668 common shares
Donald K. Charter [2] [4] Ontario, Canada	Corporate Director and President 3C's Corporation; prior to December 2005, Chairman, President and Chief Executive Officer of Dundee Securities Corporation; Executive Vice President of Dundee Corporation and Dundee Wealth Management	October 31, 2006	11,424 common shares
John H. Craig [3] Ontario, Canada	Lawyer, partner of Cassels Brock & Blackwell LLP	June 11, 2003	186,849 common shares
Brian D. Edgar [3] [5] British Columbia, Canada	President, Chief Executive Officer and Director of Dome Ventures Corporation; Director of a number of publicly traded companies	September 9, 1994	230,000 common shares
Dale C. Peniuk [2] British Columbia, Canada	Chartered Accountant; financial consultant to the mining industry; formerly an Assurance partner with KPMG LLP, Chartered Accountants; Director of a number of publicly traded companies	October 31, 2006	17,600 common shares[6]
William A. Rand [2] [4] British Columbia, Canada	President and Director of Rand Edgar Investment Corp.; Director of a number of publicly traded companies	September 9, 1994	223,424 common shares

Notes:
(1) The information as to common shares beneficially owned has been provided by the directors themselves.
(2) Members of the Audit Committee
(3) Members of the Corporate Governance and Nominating Committee
(4) Members of the Human Resources/Compensation Committee
(5) Members of the Health, Safety, Environment and Community Committee
(6) 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, to the best of management's knowledge, no proposed director is, or has been within the last 10 years of the date hereof, a director or executive officer of any company that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
(c) 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.

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.

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 remains under CCAA protection.

Individual Bankruptcies

No director of the Corporation has, within the ten years prior to the date of this Circular, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or been 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.

Penalties or Sanctions

No person proposed for election as a director of the Corporation has been subject to 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 has had 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 directors of the Corporation recommend the re-appointment of PricewaterhouseCoopers LLP ("PwC"), Chartered Accountants, Toronto, Ontario, as auditors of the Corporation to hold office until the termination of the next annual meeting 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 31, 2010 as filed on SEDAR at www.sedar.com.

STATEMENT OF EXECUTIVE COMPENSATION

Introduction

In the following pages we describe:

- The Corporation's policies and practices with respect to the compensation of senior managers.
- The role and structure of the Human Resources/Compensation Committee.
- The detailed disclosure of the remuneration of the Named Executive Officers ("NEOs"), namely the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the three other most highly compensated executives (the "NEOs"*).*

Overview of Compensation Philosophy

The Corporation's aim is to provide market competitive remuneration to attract, retain and motivate the talent required to allow the Corporation to achieve its potential. The total reward package is designed to remunerate on the basis of an individual's personal effectiveness in their role and thereby link their performance to the Corporation's. An underlying principle of the reward package is that good performance will be recognized, and poor performance will not be tolerated or rewarded.

Executive packages are determined on a Total Employment Cost ("TEC") basis and include an appropriate balance of base salary, benefits and at-risk remuneration (in the form of short-term incentive and long-term incentive). They are set in the context of the relevant industrial and geographic norms that the Corporation operates within and at a level which will make the organisation competitive in its chosen mining and mineral exploration markets.

2009 Approach

No significant change to the structure of the remuneration package has been made in 2009. The current approach, which is based on TEC (as indicated above), remains generally as follows:

- Balanced across the short, medium and longer term
- Market competitive
- Base pay is broadly targeted at a median level
- Short-term incentive (annual cash payment), is based on individual targets which are a subset of the corporate targets, and provides above median remuneration for individuals who demonstrate effectiveness in their roles and in achieving their objectives
- Longer term reward (share option grants), provides the opportunity to build ownership in the business and increase personal wealth in the medium term in line with the opportunities for success afforded to the shareholders

Recruiting and Retention

Lundin Mining's management team has strengthened considerably over the last couple of years. We are satisfied with our ability to attract and retain high calibre individuals capable of working within, and contributing to, the management team.

Aligning Management and Shareholders

The Corporation seeks to align management with shareholders' interests as follows:

- The short-term incentive plan incorporates 'pay-for-performance' into the annual cash remuneration
- The long-term incentive plan represents a potentially significant portion of an executive's total remuneration and provides a longer-term focussed reward that is subject to the same external market conditions as shareholders, which has been particularly relevant in the tumultuous market conditions which have prevailed in 2009.

Human Resource/Compensation Committee Mandate

The Human Resources/Compensation Committee (the "Committee" or 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 for the Corporation's other executive officers, after considering the recommendations of the CEO
- Approving other human resources and compensation policies and guidelines within their remit
- Ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre.

Please review the section in this Management Information circular titled "Statement of Corporate Governance Practice" for further information about the duties and responsibilities of the HRCC.

The HRCC currently consists of 3 directors, Messrs. Donald K. Charter (Chair), David F. Mullen and William A. Rand, all of whom are independent. The HRCC met 4 times in 2009.

Towards the end of each fiscal year (or as appropriate) the HRCC reviews the performance of the executive officers. The Committee considers a variety of factors when determining compensation policies and individual compensation levels, including:

- The long-term interests of the Corporation and its shareholders
- The performance of the Corporation
- Each officer's personal effectiveness in his or her role
- Each officer's contractual terms
- External market conditions and movements

The CEO's compensation is assessed taking into account similar factors.

The Corporation sets group and individual performance targets across all facets of the business based on individual (but linked) one page plans covering all managers, and providing a sound basis for determining short-term incentive payments.

In 2009, the HRCC continued to apply the structured methodology for awarding share option grants, under the Long Term Incentive Program (the "LTIP"), which was established after a wide-ranging review in 2008.

The HRCC believes that the salary paid to the CEO and each executive officer during the last fiscal year was consistent with the requirements of the position and the incumbent's experience, when considering the salary component as part of TEC. The Committee used 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 of the Corporation; the market capitalization of the Corporation; and the responsibilities of the particular executive officer. Given the multiple jurisdictions in which the senior management team of the Corporation operates, it was not considered appropriate to set a fixed comparator group of Canadian companies, for the purposes of salary comparison.

In view of the economic environment in which the Corporation was operating in 2009, and taking account of the significant relevant experience of the Committee members, the HRCC decided not to engage an independent compensation consultant on this occasion. The Committee was provided the information it required by management and it referred as appropriate, to independent market data from a number of service providers, including PwC.

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 Committee as required by the Committee. The CEO and other senior members of his leadership team (including the Vice President, Human Resources) assist with the provision of both external data and analysis. They also give the Committee the results of performance evaluations for the management team to assist the Committee 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.

Elements of Compensation

The compensation of the Corporation's NEOs for the fiscal year ended December 31, 2009 comprised the following components which, in aggregate, constitute the TEC:

- Base salary
- Short-term incentive (cash award)
- Long-term incentive (stock option grants)
- Retirement benefits
- Other executive benefits

The following describes these components in greater detail.

1. <u>Base Salary</u>

Base salaries for NEOs are set at a level that is required to attract and retain candidates with the required levels of expertise and experience and take into account competitive rates for the relevant position and location. The Coopers Mining Survey (by PwC), which gives comparisons with companies of comparable size and complexity in the mining industry, is one source of relevant external market data which helps to inform that judgment.

In January 2009, no general increase of base salaries was granted to the executive and management group. Modest adjustments were made for a few individuals based on special reasons (for example, to recognise promotion, or to address misalignment with the market).

The base salaries of the Corporation's NEOs as at December 31, 2009, and adjustments thereto, are shown in the table below (where an appointment was made during 2009, the new annualized salary is shown).

Base Salaries

Name	Title	2009 Base Salary (US$)(3)	Increase to base salary in 2009
Philip Wright	President and Chief Executive Officer	505,917	-
Marie Inkster(1)	Chief Financial Officer(2)	263,957	20%
Joao Carrelo	Exec. Vice President and Chief Operating Officer	463,707	-
Paul Conibear	Sr. Vice President Corporate Development	329,418	-
Neil O'Brien	Sr. Vice President Exploration and Business Development	263,957	2%

Notes:
(1) Ms. Inkster was promoted from Vice President, Finance to CFO effective May 1, 2009.
(2) Mr. Mayers, former CFO, earned $131,978 in base salary for the period January 1 to April 30, 2009.
(3) Average 2009 exchange rates were used in this and the following tables (US$ 0.8799:C$1.00; US$1.3934:€1.00; US$1.5646:UK£1.00) with the exception of references to 2008/2009 STI payments, for which appropriate monthly rates were used relevant to the dates of the 2 awards.

2. ***Short-Term Incentive ("STI")***

Context and Process

The Corporation's STI plan 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. The STI 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, using the elements described below:

- **One Page Plans** ("OPPs") – These plans are in place for all executives and managers, and, in aggregate, they encompass the overall goals and targets of the Corporation. The 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 are not rigid documents but are modified as circumstances dictate.
- **Job Results Descriptors** (''JRDs'') – Set out the results to be achieved in each role, and weight the results to be achieved taking into account the deliverables for the position.
- **Personal Effectiveness Reviews** (''PERs'') - PER is an individual performance management process which provides a single, holistic methodology for reviewing individual performance in a disciplined, fair and consistent manner . Together, the following two factors form the basis of measuring each manager's overall personal effectiveness, which will, in turn, be the primary determining factor in the payment of short-term incentives, overall reward and retention:
    - **Personal effectiveness** - Measured by achievement of financial and budgetary results, and against the assessment of performance against the objectives set out in the individual's OPP (75% weighting)
    - **Management Behaviours** – Measured by an evaluation of 24 selected management behaviours covering: business skills including planning abilities; leadership and management; problem solving and decision making; teamwork: and personal behaviours and abilities including integrity (25% weighting). The selected behaviours are those which are broadly deemed to be of greatest value and influence in driving superior performance in the organisation.

For the NEOs, other than the Chief Executive whose compensation is discussed later in this circular, the following provides details of the basis of evaluation for the 2009 performance year, with an approximate weighting indicated against each:

Basis of Evaluation

NEO	Key Deliverables		Management Behaviours
Marie Inkster, Chief Financial Officer	• Amended and renegotiated credit agreements • Significant improvements in external reporting • Restructured finance team • All key budget deliverables met • Key strategic initiatives met	*75%*	*25%*
João Carrêlo, Executive Vice President & Chief Operating Officer	• All key budget deliverables met • Improvement in HSEC performance • Key strategic initiatives met	*75%*	*25%*
Paul Conibear, Sr. Vice President, Corporate Development	• Advanced Tenke investment through start-up and into production and met HSEC goals • Key strategic initiatives met	*75%*	*25%*
Neil O'Brien, Sr. Vice President, Exploration & Business Development	• Upgraded and expanded near-mine resources • Disposal and farm-out of non-core assets • Improvement in HSEC performance • All key budget deliverables met • Key strategic initiatives met	*75%*	*25%*

Note – All figures above are expressed as a % of the relevant STI target. The STI target level which applies for each NEO is included in the table below.

The key strategic initiatives included: human resources initiatives; process standardisation and improvement; operational improvement; customer and revenue growth; financial management; investor relations; HSEC performance, including implementation of a new HSEC management system; and business growth and development initiatives. In aggregate these, along with the key budgetary deliverables, were designed to improve overall performance, improve financial strength and grow the business.

2008 Performance

As previously reported, the Corporation delayed consideration of bonuses for 2008 performance until after the financial restructuring process was complete. This unusual step was taken to recognise that, whilst there had been many examples of superior and exceptional individual performance (despite highly adverse market conditions) the Corporation's ability to pay remained paramount. Awards were approved retrospectively in May 2009 by the Board, for 2008 performance achieved at approximately 70% of the target level (although individual STI payments ranged from zero to 100%, in line with a rigorous assessment of individual performance and contribution) taking into account the challenging conditions faced by the Corporation, balanced against some excellent individual performances in difficult circumstances. The 2008 STI awards are included in the table below.

2009 Performance

2009 was a year of recovery, significant improvement in liquidity and all production targets were met. After an exceptionally difficult start to the year, metal prices strengthened, particularly in the fourth quarter. The end results – including generating net income (before impairment) of $105.2 million, meeting production targets on all metals, and growing mineral reserves to replace record ore tonnages mined - were underpinned by continued good performance by the whole organization. The Board decided that the performance by the entire corporation's leadership merited payment of 86.9% of the relevant individual target STI levels. Individual incentive award decisions were made taking full account of individual performance and behavioral factors (as described in detail above) and ranged from 50% to 100% of target. Details of 2009 STI awards to the NEOs are included in the table below.

Summary

The following table records STI target for each NEO as a percentage of base salary as well as their awards for 2008 and 2009.

STI Target

Name	Target STI as a Percentage of Base Salary	2008 STI paid	2009 STI paid
Philip Wright	60%	-	-
Marie Inkster	50%	36,129	143,825
João Carrêlo	60%	169,608	285,442
Paul Conibear	40%	103,226	143,825
Neil O'Brien	40%	71,398	115,060

Note – in respect of other NEOs who were in place in 2008/2009 at the time of last year's report, Ted Mayers, former CFO, received a bonus of $86,022 in respect of his 2008 part-year performance.

3. Long-Term Incentive

Purpose of Long-Term Incentives

The Corporation provides long-term incentives through option grants under its stock option plan.

2009 Option Grants

A one-off grant of options was made in May 2009 to a select group of executives and senior managers to recognize and reward on-going performance against a background of frozen salaries and reduced STIs and, as a way of retaining and engaging those individuals who were considered key to the organization's future success. Taking into account these grants, detailed below, the Corporation's level of options outstanding is modest by comparison to peers.

The only other grants made during the year were to a limited number of new appointees at executive and senior management level, at levels consistent with the existing structure. These were under the LTIP (i.e. the option awards were made in 3 equal annual tranches 2009, 2010 and 2011) with expiry dates in 3, 4, and 5 years, respectively.

The following table sets out the details of incentive stock options granted during the most recently completed financial year to the Corporation's NEO's:

Incentive Stock Options

Name of Executive Officers	Securities Under Options Granted (#)	% of Total Options Granted to All Employees in the Financial Year[(1)]	Exercise or Base Price ($CAD/Security)	Market Value of Securities Underlying Options on the Date of Grant ($CAD/Security)	Date of Grant	Expiration Date
Philip Wright	-	-	-	-	-	-
João Carrêlo	100,000[(2)]	6.9%	2.67	2.67	May 20/09	May 19/12
Marie Inkster	50,000[(2)]	3.5%	2.67	2.67	May 20/09	May 19/12
	50,000[(3)]	3.5%	3.77	3.77	Sept 23/09	Sept 22/12
Paul Conibear	90,000[(2)]	6.2%	2.67	2.67	May 20/09	May 19/12
Neil O'Brien	90,000[(2)]	6.2%	2.67	2.67	May 20/09	May 19/12

(1) Based on an aggregate total of 1,443,333 stock options granted during the year.

(2) These grants were awarded as part of a one-off option grant made in May 2009 to a select group of executives and senior managers to recognize and reward on-going performance against a background of frozen salaries and reduced STIs and, as a way of retaining and engaging those individuals who were considered key to the organization's future success. These grants all vest over a period of three years and expire on May 19, 2012.

(3) This grant was made to Ms. Inkster as part of her initial employment contract, vests immediately and is exercisable over a period of three years from the date of grant.

4. <u>Retirement Benefits</u>

In the year ended December 31, 2009, the Corporation provided retirement or pension benefits for executive officers in a manner which was appropriate to their personal contractual arrangements in the country in which they were based for employment purposes. All retirement or pension plans for the NEOs are based on defined contributions.

For NEOs employed by the Corporation in Canada (Messrs. Wright, Conibear and O'Brien, and Ms. Inkster) a retirement savings plan is in place, to which the Corporation contributed 6% up to a maximum of C$21,000 per annum (or $17,600). The pension benefit covers old age pension, survivor's pension and long-term disability.

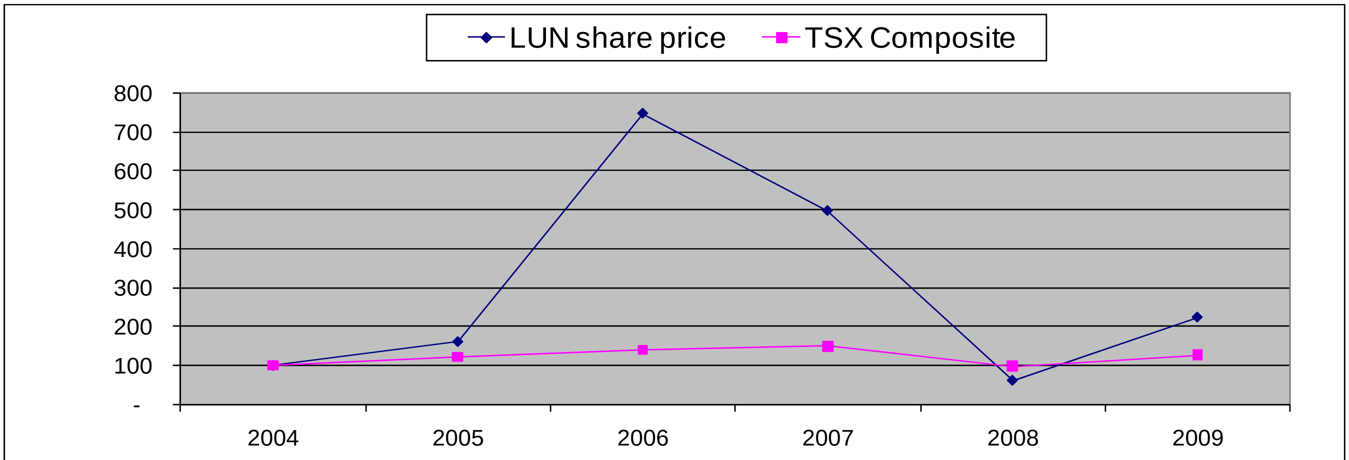
Mr. Carrêlo, who is employed in the UK, has not as yet taken membership of the contributory retirement savings plan offered in the UK, which has a potential company matched contribution of 10% in his case.

5. <u>Other Executive Benefits</u>

'Other benefits' do not form a significant part of the remuneration package of any of our NEOs. In most cases, retirement benefits, health care and life insurance are provided in a manner which is appropriate to the country of employment.

Performance Graph

The following graph compares the yearly percentage change in the cumulative total shareholder return on the Toronto Stock Exchange for C$100 invested in common shares of the Corporation on December 31, 2004 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-04	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09
LUN share price	100	161	746	497	62	224
TSX Composite	100	122	140	150	97	127

Compensation of Chief Executive Officer

As previously disclosed, an Executive Employment Agreement with Mr. Philip J. Wright was made as of 16th January 2008 and subsequently amended by further agreement to allow for the secondment of Mr. Wright to the UK subsidiary (collectively, "Employment Agreements"). The amendment was made by mutual consent in order to better serve the Corporation's global operations by having Mr. Wright spend more time in Europe, while still retaining his executive responsibilities in Canada. Under the Employment Agreements, Mr. Wright agreed to serve the Corporation as President and Chief Executive Officer for an initial term of 2 years with the option to extend beyond that for a further 1 or 2 years (first year extension: Corporation's option; second year extension: has to be agreed by both the Corporation and Mr. Wright), in consideration of an annual base salary equivalent to C$575,000 ($505,917), payable monthly by the Corporation and its subsidiaries, a comprehensive package of medical, dental and pension benefits, participation in the Corporation's stock option plan, 30 days paid annual vacation, and 4 return airfares to Australia per annum provided by the Corporation.

The Employment Agreements allow for a payment, in addition to salary ("Additional Payment"), calculated net of any gains under the Corporation's short-term and long-term incentive plans. During the initial term, the Additional Payment is equal to C$3,000,000, net of any relevant income taxes. Further payments are prescribed for each extension. In 2009, the Company made a one-off payment of C$1,500,000 (net of tax) as a pro-rated partial settlement of the total Additional Payment of C$3,000,000 due for the first 2 year initial term, with the balance of C$1,500,000 (net of tax) due in 2010. If applicable, in Years 3 and 4 (the first and second extension periods) the total Additional Payment which is applied across the whole contractual period is C$4,500,000 and C$5,500,000 respectively (inclusive of amounts already paid).

In the event of termination without cause, or terminated by Mr. Wright for (i) Good Reason, which includes a material change in the terms of Mr. Wright's employment, or (ii) at any time between 6 and 12 months after the change of control, then Mr. Wright is entitled to: payment of salary to the date he ceases work, repatriation to Australia, and the Additional Payment relevant to the term of his contract.

Mr Wright's agreement has been extended for a third year, as per the process defined above. The terms of the extended contract are as defined in the original Employment Agreements.

The Board assessed the Chief Executive's performance against the overall performance of the business, achievement of budgetary results and the achievement of the key strategic initiatives. The Board assessed the Chief Executive to have exceeded expectations. Had the Chief Executive been paid 100% of target STI award the amount would not have exceeded the Additional Payment due in terms of his Employment Agreement and, as no gain was realised under the long-term incentive plan, the Additional Payment was made and has been recorded in the tables under "all other compensation".

Summary Compensation Table

Thee following table provides information regarding compensation received in or in respect of the financial year ended December 31, 2009 by each of the Corporation's NEOs, who are the following executive officers of the Corporation: (i) the Chief Executive Officer, (ii) the Chief Financial Officer, and (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, 2009 and whose total salary and bonus exceeds C$150,000; and (iv) any additional individuals for whom disclosure would have been provided under (iii) but for the fact that the individual was not serving as an executive officer of the Corporation as at December 31, 2009.

Summary Compensation

Name and principal position	Year	Salary ($)	Option awards ($)[(1)]	Non-equity incentive plan compensation ($)		All other compensation ($)[(4)]	Total compensation ($)
				Annual incentive plans[(2)]	Long-term incentive plans[(3)]		
Philip Wright, President and Chief Executive Officer	2009 2008	505,917 523,124	- 2,260,695	- -	n/a	1,539,559[(5)] 13,358	2,045,476 2,797,187
Marie Inkster [(6)], Chief Financial Officer	2009 2008	249,293 78,108	134,618 121,099	143,825 36,129	n/a	21,354 5,603	585,219 240,939
João Carrêlo, Executive Vice President and Chief Operating Officer	2009 2008	463,707 489,153	113,501 478,289	285,442 169,608	n/a	39,776 16,491	1,072,034 1,153,541
Paul Conibear, Sr. Vice President, Corporate Development	2009 2008	329,418 350,914	102,151 430,460	143,825 103,226	n/a	27,343 25,253	705,963 909,853
Neil O'Brien, Sr. Vice President, Exploration & Business Development	2009 2008	263,957 274,510	102,151 398,585	115,060 71,398	n/a	25,286 20,907	577,852 765,400
Ted Mayers [(7)], former Chief Financial Officer	2009 2008	131,978 140,591	- 242,191	- 86,022	n/a	10,403 6,432	228,403 475,236

Notes:

(1) This amount represents the fair value, on the date of grant, of awards made under the Corporation's stock option plan. See "Long-Term Incentives" herein for details. The grant date fair value has been calculated using the Black-Scholes model according to Section 3870 of the CICA Handbook 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 19 in the consolidated audited financial statements for the year ended December 31, 2009 available on the SEDAR website at www.sedar.com.

(2) Represents incentive awards in respect of the corresponding year's performance but are paid the following year

(3) There are no cash based long term incentive plans.

(4) Except as described below, amounts in this column typically consist of, but are not limited to, benefits such as retirement savings benefits, life insurance premiums, parking benefits, pension contribution and medical/dental plans**.** There are no defined benefit or actuarial plans in place

(5) This total includes $1,528,258, which was Mr Wright's 'Additional Payment' described earlier under 'Compensation of Chief Executive Officer', and $11,301 of standard benefits

(6) Ms Inkster was appointed to her role as Chief Financial Officer of the Corporation on May 1, 2009.

(7) Mr. Mayers employment with the Corporation terminated on April 30, 2009 by reason of resignation. No termination payments were made to Mr Mayers (other than the partial 2008 performance bonus referred to above).

Incentive Plan Awards

The following table provides information regarding the equity incentive plan awards for each NEO outstanding as of December 31, 2009:

Outstanding Option Awards

Name	Grant Date	Number of securities underlying options at the time of grant (#)	Number of securities underlying unexercised options (#)	Option Awards		Value of vested unexercised in-the-money options (C$)
				Option exercise price (C$)	Option expiration date	
Philip Wright	Sept 4/08	600,000	600,000	4.42	Dec 31/11- Dec 31/13[1]	-
Marie Inkster	Sept 2/08 May 20/09 Sept 23/09	100,000 50,000 50,000	100,000 50,000 50,000	4.82 2.67 3.77	Sept 1/11 May 19/12 Sept 22/12	53,666
João Carrêlo	May 11/06 Nov 14/07 Dec 6/07 Sept 4/08 May20/09	171,360[2] 100,000 200,000 300,000 100,000	171,360 100,000 200,000 300,000 100,000	10.15 10.58 9.63 4.42 2.67	May 11/11 Nov 13/12 Dec 5/12 Dec 31/11- Dec 31/13[1] May 19/12	54,333
Paul Conibear	Sept 4/08 May 20/09	270,000 90,000	270,000 90,000	4.42 2.67	Dec 31/11- Dec 31/13[1] May 19/12	48,900
Neil O'Brien	Sept 24/07 Sept 4/08 May 20/09	240,000 250,000 90,000	240,000 250,000 90,000	12.74 4.42 2.67	Sept 24/12 Dec 31/11- Dec 31/13[1] May 19/12	48,900

Notes:
(1) One-third of the options granted on September 4, 2008, if unexercised, expire each year on December 31, 2011 to December 31, 2013.
(2) These represent stock appreciation rights (SARs). During fiscal 2009, Mr. Carrêlo exercised 135,360 SARs at an exercise price of C$2.31.

The following table provides information regarding the value on vesting of incentive plan awards for the financial year ended December 31, 2009, plus a summary of cash awards made under the STI plan for 2008 and 2009 performance.

Incentive Plan Awards Vested or Earned in 2009

Name	Option-based awards – Value vested during the year ($)[1]	Non-equity incentive plan compensation – STI amount earned for 2008 ($)	Non-equity incentive plan compensation – STI amount earned for 2009 ($)
Philip Wright	-	-	-
Marie Inkster	-	36,129	143,825
João Carrêlo	-	169,608	285,442
Paul Conibear	-	103,226	143,825
Neil O'Brien	-	71,398	115,060

Notes:
(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. In all cases shown above, when shares vested during 2009, the option exercise price was higher than the market price of the share at the time of vesting; accordingly, the value of the options at time of vesting was zero.

Pension Plan Benefits

The Corporation does not have any defined benefit or actuarial plans for the NEOs.

Termination and Change of Control Benefits

Each of the Corporation's NEOs as of December 31, 2009 is a party to an employment agreement with the Corporation that sets forth certain instances where payments and other obligations arise on the termination of their employment. See "Payments on Change of Control or Termination" below.

The employment agreements for each of Messrs. Wright, Carrêlo, Conibear and O'Brien, and Ms. Inkster provide for the following payments and benefits following their involuntary termination without just cause:

- Under the terms of his employment agreement, the CEO, Mr. Philip J. Wright, is entitled to payment of salary to the date he ceases work, repatriation to Australia and the Additional Payment relevant to the term of his contract. This Additional Payment is calculated as an after-tax payment, net of any gains under the Corporation's short-term and long-term incentive plans. For the initial 2-year term of his contract, the maximum Additional Payment payable to Mr. Wright is C$3,000,000 in total, before offset of any incentives. As indicated previously, in Years 3 and 4 (the first and second extension periods) the maximum Additional Payment which is applied across the whole contractual period is C$4,500,000 and C$5,500,000 respectively.

- All other NEOs have indefinite term employment agreements with notice periods of 12 or 24 months. If those agreements are terminated by the Corporation without cause, or if the agreement is terminated by the NEO for Good Reason (which includes a material change in the terms of the NEO's contract, or at any time between 6 and 12 months after a change of control) then payment of salary and, in some cases, benefits will be due for the appropriate notice period as provided in the NEO's respective contract. See "Payments on Change of Control or Termination" below for details.

Other than as set forth above, the Corporation and its subsidiaries have no compensatory plan, contract or arrangement where a Named Executive Officer is entitled to receive more than C$100,000 (including periodic payments or instalments) to compensate such executive officer in the event of resignation, retirement or other termination of the Named Executive Officer's employment with the Corporation or its subsidiaries, a change of control of the Corporation or its subsidiaries, or a change in responsibilities of the Named Executive Officer, with or without a change in control.

Payments on Change of Control or Termination

The following table provides details regarding the estimated incremental payments from the Corporation to the NEOs assuming termination on December 31, 2009.

For clarity, in the case of Change of Control, each of the NEOs has, under the terms of their employment agreements, a commitment that they may not terminate their employment for Good Reason until the expiry of a six month period following it, 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 their employment with the Corporation for Good Reason, in which case the termination payments below would apply. In addition, in some cases (viz. Messrs Carrêlo, Conibear and O'Brien) any unvested outstanding stock options would become vested, and exercisable within the termination period (or by their normal expiry date, whichever is the sooner).

Payments on Change of Control or Termination

Name	Severance: Base Salary ($)(1)	Severance: STI ($)(2)	Severance: Value of Benefits ($)(3)	Total ($)
Philip Wright (4)	-	-	1,666,500	1,666,500
Marie Inkster	263,957	-	-	263,957
João Carrêlo	927,414	455,050	79,552	1,462,016
Paul Conibear	658,836	247,051	54,686	960,573
Neil O'Brien	527,914	186,458	50,572	764,944

Notes:
(1) Based on 12-24 months' salary, as set out in the individual employment contract, using the average exchange rates in 2009 of C$1.00: US$0.88 and EUR 1.00: US$1.39.
(2) Where applicable, bonus on termination would be based on the average bonus paid over the 2 preceding fiscal years (2008 and 2009).
(3) Assumes benefits paid at the 2009 rate for the duration of the severance period.
(4) Represents contractual amount to be paid of C$1,500,000 ($1,320,000) net of tax, plus estimated tax of $346,500.

COMPENSATION OF DIRECTORS

Introduction

The Chairman of the Board receives annual remuneration in the amount of C$200,000 (paid in monthly installments). Each non-executive director receives annual remuneration of C$75,000 (paid in monthly installments) but does not receive any stock options. Non-executive Board members who are also members of a Board Committee receive C$1,000 per committee meeting. The Chairman of the Audit Committee receives annual remuneration of C$10,000, plus C$1,500 for each committee meeting attended and the Chairman of each of the other Board Committees receives annual remuneration of C$5,000, plus C$1,500 for each committee meeting attended.

Compensation for Services

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 sum of $293,000 during the fiscal year ended December 31, 2009, plus reimbursement of out-of-pocket expenses at cost. Namdo has approximately 15 employees and provides administrative and, in some cases, financial services to a number of public companies in exchange for management fees in varying amounts. 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 $617,000 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 Compensation Table

The following table provides information regarding compensation earned by the Corporation's non-executive directors during the financial year ended December 31, 2009:

Director Compensation Table

Name	Fees earned (US$)	Option awards (US$)	All other Compensation (US$)	Total (US$)
Lukas H. Lundin	183,239	-	-	183,239
Colin K. Benner	76,111	-	33,121	109,232
Donald K. Charter	73,912	-	-	73,912
John H. Craig	68,632	-	-	68,632
Brian D. Edgar	76,991	-	-	76,991
Anthony O'Reilly Jr.	68,632	-	-	68,632
David F. Mullen	72,152	-	-	72,152
Dale C. Peniuk	81,391	-	-	81,391
William A. Rand	71,712	-	-	71,712

Notes:
(1) As part of Mr. Benner's termination agreement upon resignation as CEO, he receives continuation of RRSP and medical benefits. These benefits cease on March 31, 2010.

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 Stock Option Plan, described below, is the only compensation plan under which equity securities of the Corporation are authorized for issuance.

The information in the following table is as of December 31, 2009:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (C$) (b)	Number of securities remaining available for future issuance under the plan (excluding securities reflected in column (a)) (c)
Equity Compensation Plans approved by security holders	9,171,270	6.97	11,828,630
Equity Compensation Plans not approved by security holders	-	-	-
Total	9,171,370	6.97	11,828,630

The Corporation's Stock Option Plan

The Stock Option Plan 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 Plan can be summarized 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 Stock Option Plan 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. Notwithstanding the provisions of the plan which permit directors of the Corporation to receive options, OMX Nordic Stock Exchange discourages this practice; accordingly, the Corporation does not grant directors of the Corporation stock options.

- The maximum number of common shares that may be reserved for issuance for all purposes under the Stock Option Plan shall not exceed ten percent of the issued and outstanding shares of the Corporation at the time of grant subject to a maximum of 21,000,000 shares or such additional amount as the Corporation's shareholders may approve from time to time. 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 Stock Option Plan. The maximum number of common shares that may be reserved for issuance to insiders of the Corporation under the Stock Option Plan and under any other share compensation arrangement is limited to 10% of the common shares outstanding at the time of grant (on a non-diluted basis).

- The Board has the authority under the Stock Option Plan to establish the option price at the time each share option is granted. The option price may not be lower than the market price, for example, the closing price of the common shares as traded on the TSX on the last trading day preceding the date on which the option is approved by the Board.

Options granted under the Stock Option Plan must be exercised no later than 10 years after the date of grant or as otherwise determined by the Board, and 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 Person). 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 Corporation provides no financial assistance to facilitate the purchase of common shares by Eligible Personnel who hold options granted under the Stock Option Plan.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During 2009 the Corporation maintained liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of €40,000,000 ($55,700,000) 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 bests interests of the Corporation. The annual premium paid by the Corporation for this insurance in respect of the directors and officers as a group is €410,000 ($571,300). No premium for this insurance is 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 PRACTICE

(presented by the Corporate Governance and Nominating Committee)

Introduction

This statement of corporate governance practices is made with reference to National Policy 58-201, *Corporate Governance Guidelines* and National Instrument 58-101, *Disclosure of Corporate Governance Practices* (hereinafter collectively the "Governance Guidelines") which are initiatives of the Canadian Securities Administrators ("CSA").

Major securities regulatory changes in the United States affecting the Corporation have come into effect over the last several years. Many of these changes arise from SOX and subsequent rules and regulations issued by the United States Securities and Exchange Commission. The Corporate Governance and Nominating Committee has closely monitored the various changes and proposed changes in the regulatory environment and, where applicable, amended its governance practices to align with these changes that are currently in effect.

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 now in force.

Board Governance

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, 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 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 Chief Executive Officer, 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 Chair 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.

The full text of the Board's mandate is attached hereto as Appendix A.

To assist the Board in its responsibilities, the Board has established four standing committees: the Audit Committee, the Human Resources/Compensation Committee, the Corporate Governance and Nominating Committee and the Health, Safety, Environment and Community Committee. Each committee has a written mandate and reviews its mandate annually.

Composition of the Board

The Board has considered the relationship and status of each director. As of the date hereof, the Board currently consists of 10 directors, a majority of whom are independent.

Mr. Wright and Mr. Benner are not independent because of their current or past roles as executive officers (effective June 18, 2010 Mr. Benner will be considered independent as a result of a change in his employment status). Mr. Lundin, Chairman of the Board, may not be considered independent due to his direct involvement with management of the Corporation. The remaining directors, Messrs. Charter, Edgar, Mullen, O'Reilly Jr., Peniuk and Rand 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. Mr. 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 National Instrument NI 52-110.

The Board regularly sets aside a portion of each meeting to meet 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.

Board and Committee Meetings – Attendance Record

Below is the attendance record of each director for all Board and Committee meetings held during the period from January 1, 2009 to December 31, 2009:

Directors Attendance Record

			Board Committees							
	Board		Audit		Human Resources/ Compensation		Corporate Governance/ Nominating		Health, Safety, Environment and Community	
Directors	# 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)
Lukas H. Lundin	11	11	-	-	3	3	-	-	-	-
Philip J. Wright	11	11	-	-	-	-	-	-	3	3
Colin K. Benner	11	11	-	-	-	-	-	-	3	3
Donald K. Charter	11	11	5	5	4	4	-	-	-	-
John H. Craig	11	11	-	-	-	-	3	3	-	-
Brian D. Edgar	11	11	-	-	-	-	3	3	3	3
Anthony O'Reilly Jr.	9	11	-	-	-	-	-	-	-	-
David F. Mullen	11	11	-	-	4	4	3	3	-	-
Dale C. Peniuk	11	11	5	5	-	-	-	-	-	-
William A. Rand	11	11	5	5	1	1	-	-	-	-

Notes:
(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 public companies as listed below:

Directors Other Board Memberships

Director	Public Company Board Membership
Lukas H. Lundin	Atacama Minerals Corp. (TSX-V), NGEx Resources Inc. (formerly, Canadian Gold Hunter Corp.) (TSX), Fortress Minerals Corp. (TSX-V), Black Pearl Resources Inc. (formerly, Pearl Exploration and Production Ltd.) (TSX), Lucara Diamond Corp. (CNQ), Denison Mines Corp. (TSX/AMEX); Red Back Mining Inc. (TSX), Lundin Petroleum AB (OMX-Nordic), Vostok Nafta Investment Ltd. (OMX-Nordic)
Philip J. Wright	Nil
Colin K. Benner	Adriana Resources Inc. (TSX-V), Capstone Mining Corp. (TSX), Corsa Capital Ltd. (TSX-V),Troon Ventures Ltd. (TSX-V), Polaris Minerals Inc. (TSX), Creston Moly Corp. (TSX-V)
Donald K. Charter	Adriana Resources Inc. (TSX-V), Corsa Capital Ltd. (TSX-V), IAMGOLD Corporation (TSX/NYSE), Dundee REIT (TSX), Great Plains Exploration Inc. (TSX)
John H. Craig	Atacama Minerals Corp. (TSX-V), Africa Oil Corp. (TSX-V), Black Pearl Resources Inc. (TSX), Consolidated HCI Holdings Corp. (TSX), Denison Mines Corp. (TSX/AMEX), Etrion Corporation (TSX)
Brian D. Edgar	Black Pearl Resources Inc. (formerly, Pearl Exploration and Production Ltd.) (TSX), Denison Mines Corp. (TSX/AMEX), Dome Ventures Corp.(TSX-V), Red Back Mining Inc.(TSX), Lucara Diamond Corp. (CNQ), Shamaran Petroleum Ltd. (formerly, Bayou Bend Petroleum Ltd.) (TSX-V)
David F. Mullen	Gold-Ore Resources Ltd. (TSX-V), Transformative Ventures Ltd.(TSX-V)
Anthony O'Reilly Jr.	Independent News & Media PLC (ISE/LSE), Fitzwilton Ltd., Providence Resources Plc. (ISE/AIM), Zenergy Power Plc. (AIM)
Dale C. Peniuk	Argonaut Gold Ltd. (TSX), Capstone Mining Corp. (TSX), Corriente Resources Inc. (TSX/AMEX), Quest Capital Corp. (TSX/AMEX), Rainy River Resources Ltd. (TSX-V), Reservoir Capital Corp. (TSX-V),
William A. Rand	NGEx Resources Inc. (formerly, Canadian Gold Hunter Corp.) (TSX), Dome Ventures Corporation (TSX-V), Denison Mines Corp. (TSX/AMEX); New West Energy Services Inc. (TSX-V), Vostok Nafta Investment Ltd. (OMX-Nordic); Lundin Petroleum AB (OMX-Nordic)

Legend:

CNQ	=	Canada's New Stock Exchange	TSX	=	Toronto Stock Exchange
TSX-V	=	Toronto Stock Exchange Venture Exchange	NYSE	=	New York Stock Exchange
AMEX	=	New York Stock Exchange Amex Equities	ISE	=	Irish Stock Exchange
LSE	=	London Stock Exchange	AIM	=	London Stock Exchange's AIM market
OMX-Nordic	=	OMX Nordic Stock Exchange (previously, the Stockholm Stock Exchange)			

Position Descriptions

The Board has adopted a written position description for each of the Chairman, Lead Director, Chief Executive Officer, Chief Financial Officer and the chair of each Board committee.

Orientation and Education

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 Company's operations and ensure that their knowledge and understanding of the Company's business remains current.

Board members are encouraged to communicate with management and auditors, 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. 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.

Board Diversity

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.

Ethical Business Conduct

The Board has adopted a formal written Code of Conduct and Ethical Values Policy (the "Code of Conduct") for its directors, officers and employees.

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 might 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, in accordance with the complaints procedure set out in the Code of Conduct or the Corporation's whistleblower procedures. The Audit Committee may request special treatment for any complaint, including the involvement of the Corporation's external auditors or outside 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 Chair of the Audit Committee. On an annual basis, or otherwise upon request from the Board of Directors, the Code of Conduct requires the Chair 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 (the "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.

Board Committees

The Board has established four standing committees; namely, the Audit Committee, the Human Resources/Compensation Committee, the Corporate Governance and Nominating Committee and the Health, Safety, Environment and Community Committee.

Audit Committee

The Audit Committee is comprised of 3 directors. The current members of the Committee are: Messrs. Dale C. Peniuk (Chair), Donald K. Charter and William A. Rand, all of whom are independent and financially literate for the purposes of National Instrument NI 52-110.

The Audit Committee 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 Audit Committee. The Audit Committee reviews, on a continuous 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 Audit Committee is also responsible for examining 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 Audit Committee 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 Audit Committee recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders. The Audit Committee meets a minimum of 4 times a year.

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, 2009, a copy of which is available on the SEDAR website at www.sedar.com.

Human Resources/Compensation Committee

The Human Resources/Compensation Committee (the "HRCC") consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The HRCC currently includes: Messrs. Donald K. Charter (Chair), David F. Mullen and William A. Rand. The Board has adopted a formal written mandate for the HRCC.

The principal purpose of the HRCC is to implement and oversee human resources and compensation policies approved by the Board of Directors of the Corporation. The duties and responsibilities of the committee include, without limitation, the following:

- to recommend to the Board human resources and compensation policies and guidelines for application to the Corporation;

- to ensure that the Corporation has in place programs to attract and develop management of the highest caliber and a process to provide for the orderly succession of management;

- to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer and, in light of those goals and objectives, to recommend to the Board the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer and to approve compensation for all other designated officers of the Corporation, after considering the recommendations of the Chief Executive Officer, all within the human resources and compensation policies and guidelines approved by the Board.

The HRCC meets regularly each year on such dates and at such locations as the Chair of the committee determines. The committee 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 (the "CGNC") consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The CGNC currently consists of Messrs. Brian D. Edgar (Chair), John H. Craig and David F. Mullen. The Board has adopted a formal written mandate for the CGNC.

The principal purposes of the CGNC is to provide a focus on corporate governance that will enhance corporate 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, without limitation, the following:

- to develop and monitor the Corporation's overall approach to corporate governance issues and, subject to approval by the Board, to implement and administer a system of corporate governance which reflects superior standards of corporate governance practices;
- to report annually to the Corporation's shareholders, through the Corporation's annual management proxy circular or annual report to shareholders, on the Corporation's system of corporate governance and the operation of its system of governance;
- to analyze and report annually to the Board the relationship of each director to the Corporation as to whether such director is a related director or an unrelated director; and
- to advise 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 committee 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 committee and may fill any vacancy in the committee.

The CGNC meets regularly each year on such dates and at such locations as the Chair of the committee determines. The committee 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 (the "HSEC Committee") consists of 3 directors. The HSEC Committee currently consists of Messrs. Colin K. Benner (Chair), Brian D. Edgar and Philip J. Wright. The Board has adopted a formal written mandate for the HSEC Committee.

The principal purpose of the HSEC Committee 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; and
- external annual reporting in relation to health, safety, environmental and community matters.

The Board appoints the members of the committee 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 committee and may fill any vacancy in the committee.

The HSEC Committee meets regularly each year on such dates and at such locations as the Chair of the committee determines. The committee 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.

Assessment of the Board

In accordance with the Board's mandate, the Board, through the CGNC, undertakes assessments of itself, its committees and each individual director's effectiveness and contribution on an annual basis.

The CGNC prepares and delivers an Annual Board Effective 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. 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 Board member elections at the Corporation's annual meeting each year.

Review of Adequacy and Form of Compensation of Directors

The extent and level of directors' compensation is determined by the Board, as a whole, after considering the recommendations of the HRCC, which has been mandated to review the adequacy and form of the compensation of directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director.

Shareholder Communications

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. 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.

Under its mandate, the Board is required to oversee the Corporation's communications 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.

Presented by the Corporate Governance and Nominating Committee:

Brian D. Edgar (Chair)
John H. Craig
David F. Mullen

MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by directors, executive officers or senior 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, none of the directors, officers or principal shareholders of the Corporation, and no associate or affiliate of any of them, has or has had any material interest in any transaction within the 3 most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation other than as follows:

- the business combination between Tenke Mining and Lundin Mining which was effected by way of statutory plan of arrangement pursuant to which each common share of Tenke Mining was exchanged for 1.73 Lundin Mining common shares plus C$0.001. This transaction was completed on July 3, 2007. In this connection, Messrs. Lukas H. Lundin, William A. Rand and John H. Craig, all of whom were directors of Lundin Mining at the time, were also directors of Tenke Mining; and
- the Arrangement Agreement entered into between the Corporation and HudBay Minerals Inc. ("HudBay") dated November 21, 2008 which was terminated pursuant to a Termination Agreement between the Corporation and HudBay dated February 23, 2009. In this connection, Messrs. Colin K. Benner and Donald K. Charter, both of whom are directors of the Corporation, were also directors of HudBay. Mr. Benner formerly served as Chief Executive Officer of the Corporation from October 2006 to March 2007 and as the Chief Executive Officer of Skye Resources Inc. prior to its acquisition by HudBay in August 2008 and as interim CEO of HudBay from March 9, 2009 to March 23, 2009. Mr. Benner also served as Vice Chairman of the Corporation from October 2006 to January 2008. Mr. John Craig, a director of the Corporation, is a partner of Cassels Brock & Blackwell, LLP, Canadian legal advisor to HudBay in connection with the Arrangement.

SPECIAL BUSINESS

Amendment to the Articles to Change the Provincial Location of the Registered Office of the Corporation

At a meeting of the Board of Directors held February 24, 2010, the directors of the Corporation recommended that the shareholders of the Corporation be asked to approve an amendment to the Articles of Amalgamation of the Corporation to change the provincial location of the registered office of the Corporation. The Articles of Amalgamation currently provide that the registered office of the Corporation is to be located in British Columbia. For many years, the corporate secretarial duties for the Corporation were carried out at the Corporation's office in British Columbia. A decision has now been made to have the corporate secretarial duties carried out at the Corporations head office in Ontario. In conjunction with this decision, it has been determined that for purposes of efficiency and better management of the secretarial affairs of the Corporation it is necessary to locate the registered office of the Corporation with the corporate secretarial function. The shareholders are therefore being asked to amend the Articles of Amalgamation to provide that the registered office of the Corporation be located in the province of Ontario together with the corporate secretarial function.

The text of the special resolution to authorize this amendment is set forth in Appendix B to this Circular. It must be passed by a majority of not less than two-thirds of the votes cast at the Meeting.

The persons named in the enclosed form of proxy, if named as proxy, intend to vote FOR the special resolution regarding the amendment to the Articles of Amalgamation unless a shareholder has specified in their proxy that their shares are to be voted against such resolution.

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, 2009 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

The contents and the distribution of this Circular have been approved by the Board.

DATED at Toronto, Ontario this 1st day of April, 2010.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) Philip J. Wright,
President and CEO

APPENDIX A

LUNDIN MINING CORPORATION

MANDATE OF THE BOARD OF DIRECTORS

A. INTRODUCTION

The Board of Directors (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, 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 "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 and Vice-Chairman of the Board;
- (iii) the Chair of each Board Committee;
- (iv) the Chief Executive Officer;
- (v) the Chief Financial Officer;
- (vi) the Chief Operating Officer; and
- (vii) the President.

(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 Human Resources/Compensation Committee, the Corporate Governance and Nominating Committee and the Environment, Safety and Health 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 for the orderly succession of 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

SPECIAL RESOLUTION OF THE SHAREHOLDERS

OF

LUNDIN MINING CORPORATION

RESOLUTION 3

To approve an Amendment to the Corporation's Articles of Amalgamation, as follows:

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Articles of Amalgamation of the Corporation are hereby amended to change the provincial location of the registered office of the Corporation to Ontario; and

2. The directors and proper officers of the Corporation be and they are hereby authorized to do all things and execute all instruments and documents necessary or desirable to carry out the foregoing.

OTHER SUPPLEMENTARY INFORMATION

1. List of directors and officers at February 24, 2010:

(a) **Directors:**

Lukas H. Lundin, *Chairman*
William A. Rand, *Lead Director*
Philip J. Wright
Colin K. Benner
Brian D. Edgar
Dale C. Peniuk
David F. Mullen
Donald K. Charter
John H. Craig
Tony O'Reilly Jnr.

(b) **Officers:**

Lukas H. Lundin, *Chairman*
Philip Wright, *President and Chief Executive Officer*
João Carrêlo, *Executive Vice President and Chief Operating Officer*
Marie Inkster, *Chief Financial Officer*
Neil O'Brien, *Senior Vice President, Exploration and Business Development*
Paul Conibear, *Senior Vice President, Corporate Development*
Peter Nicoll, *Vice President Health, Safety, Environment and Community*
Mikael Schauman, *Vice President, Marketing*
Josephine McCabe, *Vice President, Human Resources*
Jinhee Magie, *Vice President, Finance*
James Ingram, *Corporate Secretary*

2. Financial Information

The report for the first quarter 2010 will be published on or before May 14, 2010.

3. Other information

Address (Corporate office):
Lundin Mining Corporation
Suite 1500 – 150 King Street West
P.O. Box 38
Toronto, ON M5H 1J9
Canada
Telephone: +1 416 342 5560
Fax: +1 416 348 0303

Address (Operational office):
Lundin Mining – UK
70 Oathall Road
West Sussex
RH16 3EL
United Kingdom
Telephone: +44 1 444 411 900
Fax: +44 1 444 456 901

Website: www.lundinmining.com.
The corporate number of the Company is 306723-8.

For further information, please contact:

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