lundin mining

Management's Discussion and Analysis
For the year ended December 31, 2014

This management's discussion and analysis ("MD&A") has been prepared as of February 18, 2015 and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of $ is to United States dollars, C$ is to Canadian dollars, CLP is to Chilean pesos, 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 Chile, Portugal, Sweden, Spain, and the USA, producing copper, zinc, lead and nickel. In addition, Lundin Mining holds a 24% equity stake in the world-class Tenke Fungurume ("Tenke") copper/cobalt mine in the Democratic Republic of Congo ("DRC") and in the Freeport Cobalt Oy business, which includes a cobalt refinery located in Kokkola, Finland.

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. This report includes, but is not limited to, forward looking statements with respect to the Company's estimated annual metal production, cash costs, exploration expenditures, and capital expenditures, as noted in the Outlook section and elsewhere in this document. These estimates and other forward-looking statements are based on a number of assumptions and 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 estimated operating and cash costs, foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; including 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; inability to successfully integrate the Candelaria operations or realize its anticipated benefits; 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. 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, nickel, lead 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.

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Highlights

Operational Performance

For 2014, all of the Company's operations substantially met or performed better than guided on production. Aggregate capital spending was below guidance.

Candelaria (80%): On November 3, 2014, the Company announced the closing of its acquisition of an 80% ownership stake in the Candelaria/Ojos del Salado copper mining operations and supporting infrastructure (together, "Candelaria") from Freeport-McMoRan Inc. ("Freeport"). For the period from November 3, 2014 to December 31, 2014, the Candelaria processing plants collectively produced, on a 100% basis, 28,590 tonnes of copper, 318,000 ounces of silver, and 16,200 ounces of gold in concentrate.

Eagle (100%): Eagle production ramped-up sooner than expected and production of both nickel (4,300 tonnes) and copper (3,905 tonnes) exceeded expectations for the year. Commercial production was achieved in November 2014 and Eagle finished the year with higher than expected throughput, grades and recoveries. By year end, both copper and nickel concentrate quality were respectively at, and above, steady state product specifications. Total project spend for 2014 was $280 million, including capitalized interest, below guidance of $300 million due to under budget performance and timing of payments.

Neves-Corvo (100%): Neves-Corvo produced 51,369 tonnes of copper and 67,378 tonnes of zinc for the year ended December 31, 2014. Production from the Lombador ore body helped contribute to a 26% increase in zinc production over the prior year, and an annual zinc production record. Copper production met guidance, but lower copper head grades, metallurgical recoveries and ore throughput resulted in lower copper production compared to the year ended December 31, 2013. Copper cash costs[1] of $1.85/lb for the year were in-line with our latest full-year guidance ($1.85/lb).

Zinkgruvan (100%): Zinc production of 77,713 tonnes at Zinkgruvan met expectations and was higher than the year ended December 31, 2013 due primarily to record tonnages of ore mined and milled. Lead production of 32,363 tonnes slightly exceeded expectations and was in-line with 2013. Cash costs for zinc of $0.37/lb were largely in-line with guidance ($0.35/lb).

Aguablanca (100%): Aguablanca had a strong year of operational performance, with annual production of 8,631 tonnes of nickel and 7,390 tonnes of copper. Both metals exceeded production expectations for the year ended December 31, 2014 as well as the prior year. Cash costs of $4.38/lb of nickel for the year were slightly higher than full year guidance ($4.25/lb) due to the lower price of by-product credits.

Tenke and Freeport Cobalt (24%): Tenke operations continue to perform well and the Kokkola cobalt business performed in accordance with expectations.

- Lundin's attributable share of annual Tenke production included 48,636 tonnes of copper cathode and 3,200 tonnes of cobalt in hydroxide. The Company's attributable share of Tenke's sales included 46,306 tonnes of copper at an average realized price of $3.06/lb and 3,214 tonnes of cobalt at an average realized price of $9.66/lb.
- Attributable operating cash flow from Tenke for the year ended December 31, 2014 was $158.5 million. Cash distributions received by Lundin Mining in the year were $85.8 million from Tenke and $8.6 million from Freeport Cobalt for aggregate cash distributions to the Company of $94.4 million.
- Tenke cash costs for the year ended December 31, 2014 were $1.15/lb of copper sold, better than the latest 2014 full-year guidance of $1.16/lb.

[1] Cash costs per pound is a non-GAAP measure – see page 42 of this MD&A for discussion of non-GAAP measures.

Production Summary:

Total 2014 production, compared to the latest guidance and prior years, was as follows:

Years ended December 31 (contained tonnes)		2014 Actual	2014 Guidance[a]	2013 Actual	2012 Actual	2011 Actual
Copper	Candelaria (80%)	**22,872**	*n/a*	nil	nil	nil
	Eagle	**3,905**	*2,000 - 3,000*	nil	nil	nil
	Neves-Corvo	**51,369**	*50,000 - 55,000*	56,544	58,559	74,109
	Zinkgruvan	**3,464**	*3,000 - 4,000*	3,460	3,059	1,768
	Aguablanca	**7,390**	*6,000 - 7,000*	6,242	2,260	nil
	Tenke (24%)[b]	**48,636**	*48,400*	50,346	38,105	31,523
	Total attributable	**137,636**	*109,400 - 117,400*	116,592	101,983	107,400
Zinc	Neves-Corvo	**67,378**	*60,000 - 65,000*	53,382	30,006	4,227
	Zinkgruvan	**77,713**	*75,000 - 80,000*	71,366	83,209	75,147
	Galmoy (in ore)	**nil**	*nil*	nil	8,989	32,071
	Total	**145,091**	*135,000 - 145,000*	124,748	122,204	111,445
Nickel	Eagle	**4,300**	*2,000 - 3,000*	nil	nil	nil
	Aguablanca	**8,631**	*7,500 - 8,500*	7,574	2,398	nil
	Total	**12,931**	*9,500 - 11,500*	7,574	2,398	nil
Lead	Neves-Corvo	**3,192**	*3,500 - 4,500*	1,496	87	nil
	Zinkgruvan	**32,363**	*29,000 - 32,000*	32,874	37,246	32,339
	Galmoy (in ore)	**nil**	*nil*	nil	1,131	8,791
	Total	**35,555**	*32,500 - 36,500*	34,370	38,464	41,130

a - Revised guidance as disclosed in the Company's MD&A for the three and nine months ended September 30, 2014.

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

- Operating earnings[1] for the year ended December 31, 2014 were $304.3 million, an increase of $61.2 million from the $243.1 million reported in 2013. The increase was due to the inclusion of Candelaria's results from November 3, 2014 ($67.8 million), start of commercial production at Eagle in the fourth quarter of 2014 ($28.5 million) and the impact of higher net metal prices in 2014 ($11.5 million), partially offset by the closure of our Galmoy operations in 2013 ($11.2 million), lower sales volumes, primarily copper, at our other operating sites ($24.2 million) and higher treatment and refining charges ($17.1 million).

- For the year ended December 31, 2014, sales of $951.3 million increased $223.5 million from the prior year ($727.8 million). The increase is due to incremental sales from Candelaria and Eagle of $215.2 million and $47.3 million, respectively, partially offset by the impact from the closure of Galmoy ($18.3 million) and higher treatment and refining costs ($17.1 million).

- Average London Metal Exchange ("LME") metal prices for nickel and zinc for the year ended December 31, 2014 were higher (12% - 13%) than that of the prior year, while lead and copper prices were lower (2% - 6%) in 2014 (see page 26 of this MD&A for details).

- Operating costs (excluding depreciation) of $619.7 million in the current year were $158.5 million higher than the $461.2 million in the prior year. Excluding the incremental impact on operating costs from Candelaria of $147.4 million, operating costs of $472.3 million for the year were $11.1 million higher than prior year operating costs. The increase was primarily attributable to the incremental operating costs from Eagle ($18.8 million) partly offset by the closure of our Galmoy operations ($7.2 million).

[1] Operating earnings is a non-GAAP measure – see page 42 of this MD&A for discussion of non-GAAP measures.

- Net earnings of $123.4 million ($0.19 per share) in the current year were $13.3 million lower than the $136.7 million ($0.23 per share) reported in 2013.

  Excluding the after-tax impairment of $32.3 million related to the Company's Portuguese exploration concessions, net earnings in 2014 were $19.0 million higher than 2013. The increase is attributable to earnings generated by Candelaria and Eagle.

- Cash flow from operations for the year was $187.4 million compared to $154.3 million for 2013. The comparative increase in cash flow of $33.1 million is mostly attributable to higher operating earnings ($61.2 million), partially offset by changes in non-cash working capital and long-term inventory of $18.9 million. In addition, the Company benefited from the receipt of insurance proceeds in both 2013 and 2014 for business interruption at the Aguablanca mine from an open pit ramp failure which occurred in late-2010; however, amounts received in 2013 were $11.4 million more than that received in 2014 (2013 - $15.1 million; 2014 - $3.7 million).

Corporate Highlights

- On November 3, 2014, the Company announced the closing of its acquisition of an 80% ownership stake in the Candelaria/Ojos del Salado copper mining operations and supporting infrastructure from Freeport. Total cash consideration of $1,852 million was paid, consisting of a $1,800 million base purchase price plus $52 million for cash and non-cash working capital and other agreed adjustments. In addition, contingent consideration of up to $200 million will also be payable, calculated as 5% of net copper revenue in any annual period over the next five years, if the realized average copper price exceeds $4.00 per pound.

  The acquisition was funded by $1,000 million in senior secured note financing, C$674 million ($601.5 million) in subscription receipt equity financing and an upfront payment of $648 million under a stream agreement with a subsidiary of Franco-Nevada Corporation. The Company also repaid its $250 million term loan with the proceeds from the financings and executed an amendment to its $350 million revolving credit facility which remains in place under pre-existing terms. The remaining 20% ownership stake continues to be held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation (collectively "Sumitomo").

- On November 24, 2014, the Company announced the achievement of commercial production at its Eagle Mine. The milestone was reached within two months of start-up and well before the target of the first quarter of 2015.

Financial Position and Financing

- Net debt[1] position at December 31, 2014 was $829.2 million compared to $119.3 million at December 31, 2013. Net debt as of February 17, 2015 was approximately $710.0 million.

- The $709.9 million increase in net debt during the year was attributable to:

  - additional net debt acquired in connection with the acquisition of the Candelaria Mining Complex of approximately $833.5 million (which represents $1,000 million of senior secured notes, less cash acquired of $104.4 million and excess cash raised for general corporate purposes of $62.1 million);
  - investments in mineral properties, plant and equipment of $414.0 million, $272.2 million of which was related to the completion of the construction of the Eagle mine; offset by
  - operating cash flows of $187.4 million;
  - repayment of a term loan of $250.0 million; and
  - distributions received from Tenke and Freeport Cobalt of $85.8 million and $8.6 million, respectively.

[1] Net cash/debt is a non-GAAP measure – see page 42 of this MD&A for discussion of non-GAAP measures.

- The Company has a revolving debt facility available for borrowing up to $350 million. As at December 31, 2014, the Company had no amount drawn on the credit facility, only a letter of credit in the amount of $10.2 million (SEK 80 million).

Outlook

Market Conditions

Metal prices have declined significantly from our expected base case values set in December 2014. Consequently, the Company has performed an analysis to determine the impact on the 2015 plan and we are progressing immediately with initiatives to protect earnings and cash flows in the event the current price environment continues for a prolonged period or weakens further. The Company is advancing production optimizations, cost savings and cost deferrals that are expected to protect cash flows and profits in 2015. These are reflected in the updated capital expenditure and exploration investment guidance below. To the extent that base metals markets improve, spending restraint plans will be re-assessed as certain expenditures and deferrals would be reconsidered in a moderately stronger metal price environment.

2015 Production and Cost Guidance

- Production and cash costs guidance was provided on December 4, 2014 (see news release entitled "Lundin Mining Provides Operating Outlook for 2015-2017").
- Guidance on Tenke's copper production and cash costs have been updated to reflect the most recent guidance provided by Freeport.
- The Company has identified possible savings in operating costs and is assessing the impact on cash costs. Updated guidance taking into account revised metal prices, currency exchange rates and other input cost assumptions will be issued with results for the quarter ended March 31, 2015.
- As per our December 2014 disclosure, current production and cash cost guidance for 2015 is:

(contained tonnes)		Tonnes	Cash Costs[a]
Copper	*Candelaria (80%)*	*130,000 - 135,000*	*$1.55/lb*[c]
	Eagle	*20,000 - 23,000*	
	Neves-Corvo	*50,000 - 55,000*	*$1.80/lb*
	Zinkgruvan	*3,500 - 4,000*	
	Aguablanca	*4,500 - 5,000*	
	Tenke (24%)[b]	*48,400*	*$1.31/lb*
	Total attributable	*256,400 - 270,400*	
Zinc	*Neves-Corvo*	*68,000 - 73,000*	
	Zinkgruvan	*78,000 - 82,000*	*$0.38/lb*
	Total	*146,000 - 155,000*	
Nickel	*Aguablanca*	*5,800 - 6,500*	*$5.00/lb*
	Eagle	*25,000 - 28,000*	*$2.00/lb*
	Total	*30,800 - 34,500*	
Lead	*Neves-Corvo*	*4,000 - 5,000*	
	Zinkgruvan	*27,000 - 30,000*	
	Total	*31,000 - 35,000*	

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.30, USD/SEK:7.00, USD/CLP:575) and metal prices (forecast at Cu: $3.00/lb, Zn: $1.05/lb, Pb: $1.00/lb, Ni: $8.00/lb, Co: $13.00/lb).

b. Freeport has provided 2015 sales and cash costs guidance. Tenke's 2015 production is assumed to approximate sales guidance.

c. Cash costs exclude capital expenditures for deferred stripping and by-product credits have been adjusted for the terms of the streaming agreement but exclude any allocation of upfront cash received.

Commentary on 2015 Production Guidance by Mine

- **Candelaria:** Attributable share of Candelaria production is expected to be more than double our current copper production levels. A five year mine plan optimization is underway with results expected in the second half of the year.
- **Eagle:** Full production rates of 2,000 tonnes/day mill feed are expected to be achieved in the first quarter of 2015.
- **Neves-Corvo:** Copper production is expected to be maintained above 50,000 tonnes per annum with a significant zinc by-product credit. Overall average mill feed copper grade and recovery have been reassessed for this year's guidance to reflect 2014 performance and the ongoing effects of out of reserve material. Zinc production assumes plant capacity continues at current levels of 1.16 million tonnes per annum throughput with no additional debottlenecking or zinc expansion investments. Lead by-product increases as greater percentages of Lombador zinc ore is mined.
- **Zinkgruvan:** Zinc production is expected to be between 78,000 - 82,000 tonnes of zinc per annum consistent with recent years. Lead production varies with head grade according to mine plan.
- **Aguablanca:** Open pit mining has been extended into Q1 2015. Production from underground mining will ramp up in the second quarter of 2015 and continue until at least 2018. Production in the first half of 2015 will be predominantly drawn from a 500,000 tonne stockpile accumulated in the last few months of open pit mining, with increasing contribution from underground mining as production volumes increase as the year progresses. Production is expected to dip in the second and third quarter of 2015 as the stockpile is consumed and underground mining ramps up.
- **Tenke:** Freeport expects modest increases in sales in 2015 over 2014, with sales of copper cathode forecast at approximately 201,800 tonnes and cobalt sales of 14,500 tonnes.

2015 Capital Expenditure Guidance

The Company has initiated action plans to respond to the lower metal price environment. As a result, capital expenditures are expected to be less than the $470 million previously guided. The Company has identified $70 million of savings opportunities that can be achieved in 2015 through cancellation or deferral of certain capital expenditures.

Revised Capital Expenditure Guidance

($ millions)	Original Guidance	Reductions	Revised Guidance
by Mine			
Candelaria	$ 300	$ 55	$ 245
Eagle	15	-	15
Neves-Corvo	95	10	85
Zinkgruvan	45	5	40
Aguablanca	15	-	15
	$ 470	$ 70	$ 400

- **New investment in Tenke** - $90 million (2014: $47 million), estimated by the Company as its share of expansion related initiatives, such as a second acid plant, and sustaining capital funding for 2015. All of the Tenke capital expenditures and exploration programs are expected to be self-funded by cash flow from Tenke operations.

  Assuming forecast metal prices and operating conditions are met, the Company now believes it is reasonable to expect Lundin Mining's attributable cash distributions from Tenke to be in the range of $30 to $40 million in 2015, taking into account self-funding of the new acid plant project, and other expenditures such as exploration, small projects and routine sustaining capital. The Tenke cash distribution guidance will be reviewed by Lundin Mining quarterly with respect to market price conditions. Final decisions on capital investments and the amounts and timing of any cash distributions for 2015 are ultimately made by Freeport, the mine's operator.

Exploration Investment

- The Company has reviewed its exploration spending in response to current market conditions and has planned to cancel or defer $15 million of expenditures from an original budget of $75 million. Total exploration expenses for 2015 (excluding Tenke) are now expected to be in the range of $60 million (2014: $36 million). Approximately $35 million is expected to be directed toward near mine targets at Candelaria, with the remainder being invested to advance exploration activities at our existing mines and for existing South American and Eastern European exploration projects.

Selected Quarterly and Annual Financial Information

($ millions, except per share amounts)	Years ended December 31,[1] 2014	2013	2012
Sales	**951.3**	727.8	721.1
Operating costs	**(619.7)**	(461.2)	(385.0)
General and administrative expenses	**(27.3)**	(23.5)	(27.4)
Operating earnings	**304.3**	243.1	308.7
Depreciation, depletion and amortization	**(208.7)**	(148.1)	(122.4)
General exploration and business development	**(74.7)**	(43.7)	(66.1)
Income from equity investment in associates	**89.8**	94.0	101.5
Finance income and costs, net	**(28.1)**	(12.8)	(7.5)
Other income and expenses, net	**19.1**	(1.5)	(0.3)
Asset impairment	**(47.1)**	-	(67.3)
Earnings before income taxes	**54.6**	131.0	146.6
Income tax recovery / (expense)	**68.8**	5.7	(23.4)
Net earnings	**123.4**	136.7	123.2
Attributable to:			
Lundin Mining Corporation shareholders	**112.6**	136.7	123.2
Non-controlling interests	**10.8**	-	-
Net earnings	**123.4**	136.7	123.2
Shareholders' equity[2]	**4,638.7**	3,669.6	3,473.1
Cash flow from operations	**187.4**	154.3	194.0
Capital expenditures (including advances to Tenke)	**414.0**	240.6	174.4
Total assets	**7,326.7**	4,432.0	3,990.5
Long-term debt & finance leases	**980.9**	225.4	7.0
Net (debt) / cash	**(829.2)**	(119.3)	265.1
Key Financial Data:			
Basic and diluted earnings per share attributable to shareholders	**0.19**	0.23	0.21
Operating cash flow per share[3]	**0.38**	0.31	0.33
Dividends	**-**	-	-
Shares outstanding:			
Basic weighted average	**600,442,231**	584,276,739	582,942,459
Diluted weighted average	**602,357,872**	584,938,925	584,013,588
End of period	**718,168,173**	584,643,063	584,005,006

1. Except where otherwise noted, financial data has been prepared in accordance with IFRS as issued by the International Accounting Standards Board.
2. Adoption of IAS 19, *Employee benefits*, effective January 1, 2013, resulted in cessation of use of the corridor method for provision of pension obligations. Accordingly, the Company revised all applicable comparative figures.
3. Operating cash flow per share is a non-GAAP measure – see page 42 of this MD&A for discussion of non-GAAP measures.

($ millions, except per share data)	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13
Sales	443.0	166.6	191.8	149.9	186.9	176.4	176.3	188.2
Operating earnings	144.1	42.9	74.2	43.1	66.9	58.9	49.2	68.1
Net earnings	36.6	33.7	39.7	13.3	42.1	27.9	16.6	50.1
Attributable to shareholders	25.8	33.7	39.7	13.3	42.1	27.9	16.6	50.1
Earnings per share attributable to shareholders:[2]								
Basic and Diluted	0.04	0.06	0.07	0.02	0.07	0.05	0.03	0.09
Cash flow from operations	68.4	57.7	33.8	27.6	55.2	26.5	26.7	45.9
Capital expenditures	100.3	126.1	97.2	90.4	114.6	52.4	37.0	36.6
Net (debt) / cash	(829.2)	(214.7)	(174.4)	(155.0)	(119.3)	(72.8)	221.1	199.4

1. The sum of quarterly amounts may differ from year-to-date results due to rounding.
2. Earnings per share is determined for each quarter. As a result of using different weighted average number of shares outstanding, the sum of the quarterly amounts may differ from the year-to-date amount.

Sales Overview

Sales Volumes by Payable Metal

	2014					2013				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)										
Candelaria (80%)	**27,709**	27,709	-	-	-	-	-	-	-	-
Eagle	**2,114**	2,114	-	-	-	-	-	-	-	-
Neves-Corvo	**48,007**	14,527	12,136	11,009	10,335	53,394	14,197	11,469	14,102	13,626
Zinkgruvan	**3,427**	966	714	881	866	3,269	890	892	693	794
Aguablanca	**2,634**	689	683	626	636	2,795	647	615	573	960
	83,891	46,005	13,533	12,516	11,837	59,458	15,734	12,976	15,368	15,380
Zinc (tonnes)										
Neves-Corvo	**54,849**	15,629	12,967	15,978	10,275	43,199	11,254	11,971	12,981	6,993
Zinkgruvan	**65,802**	16,429	17,915	15,109	16,349	59,486	15,216	14,763	16,960	12,547
Galmoy	**189**	-	-	-	189	9,151	2,029	2,777	3,513	832
	120,840	32,058	30,882	31,087	26,813	111,836	28,499	29,511	33,454	20,372
Nickel (tonnes)										
Eagle	**2,356**	2,356	-	-	-	-	-	-	-	-
Aguablanca	**5,233**	1,462	1,187	1,342	1,242	5,472	1,346	1,180	1,157	1,789
	7,589	3,818	1,187	1,342	1,242	5,472	1,346	1,180	1,157	1,789
Lead (tonnes)										
Neves-Corvo	**3,182**	279	873	1,081	949	980	539	304	99	38
Zinkgruvan	**30,486**	7,541	5,014	11,260	6,671	29,785	6,438	10,397	8,113	4,837
Galmoy	**99**	-	-	-	99	3,394	983	1,002	1,285	124
	33,767	7,820	5,887	12,341	7,719	34,159	7,960	11,703	9,497	4,999

Sales Analysis

	Year ended December 31,				
	2014		2013		Change
($ thousands)	$	%	$	%	$
by Mine					
Candelaria	**215,192**	23	-	-	215,192
Eagle	**47,280**	5	-	-	47,280
Neves-Corvo	**373,148**	39	420,308	58	(47,160)
Zinkgruvan	**194,009**	20	173,836	24	20,173
Aguablanca	**120,421**	13	114,027	16	6,394
Galmoy	**1,264**	-	19,611	2	(18,347)
	951,314		727,782		223,532
by Metal					
Copper	**518,205**	54	398,246	55	119,959
Zinc	**192,525**	20	158,009	22	34,516
Nickel	**124,608**	13	77,423	11	47,185
Lead	**59,696**	7	62,464	9	(2,768)
Other	**56,280**	6	31,640	3	24,640
	951,314		727,782		223,532

Sales for the current year were $223.5 million higher compared to the year ended December 31, 2013, as a result of incremental sales from Candelaria ($215.2 million) and Eagle ($47.3 million), partially offset by lost sales on the closure of Galmoy ($18.3 million) and higher treatment and refining charges ($17.1 million).

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

Year to Date Reconciliation of Realized Prices

2014	Twelve months ended December 31, 2014				
($ thousands, except per pound amounts)	Copper	Zinc	Nickel	Lead	Total
Current period sales[1]	596,191	264,898	128,543	70,093	1,059,725
Prior period price adjustments	(24,334)	(1,062)	(218)	(34)	(25,648)
Sales before other metals and TC/RC	571,857	263,836	128,325	70,059	1,034,077
Other metal sales					56,280
Less: TC/RC					(139,043)
Total Sales					**951,314**
Payable Metal (tonnes) - 100% basis	**90,818**	**120,840**	**7,589**	**33,767**	
Current period sales ($/lb)[1]	$ 2.98	$ 0.99	$ 7.68	$ 0.94	
Prior period price adjustments ($/lb)	(0.12)	-	(0.01)	-	
Realized prices ($/lb)	**$ 2.86**	**$ 0.99**	**$ 7.67**	**$ 0.94**	

2013	Twelve months ended December 31, 2013				
($ thousands, except per pound amounts)	Copper	Zinc	Nickel	Lead	Total
Current period sales[1]	440,181	214,706	76,945	72,439	804,271
Prior period price adjustments	(8,689)	(2,364)	529	(276)	(10,800)
Sales before other metals and TC/RC	431,492	212,342	77,474	72,163	793,471
Other metal sales					31,640
Less: TC/RC					(97,329)
Total Sales					**727,782**
Payable Metal (tonnes)	**59,458**	**111,836**	**5,472**	**34,159**	
Current period sales ($/lb)[1]	$ 3.36	$ 0.87	$ 6.38	$ 0.96	
Prior period price adjustments ($/lb)	(0.07)	(0.01)	0.04	-	
Realized prices ($/lb)	$ **3.29**	**$ 0.86**	**$ 6.42**	**$ 0.96**	

1. Includes provisional price adjustments on current period sales.

Provisionally valued sales for the year ended December 31, 2014

Metal	Tonnes Payable	Valued at $ per lb	Valued at $ per tonne
Copper	75,841	2.87	6,318
Zinc	16,673	0.98	2,169
Nickel	3,699	6.86	15,118
Lead	5,453	0.84	1,860

Annual Financial Results

Operating Costs

Operating costs of $619.7 million for the year ended December 31, 2014 were $158.5 million higher than the year ended December 31, 2013. Excluding the incremental impact on operating costs from Candelaria of $147.4 million, operating costs were $11.1 million higher than prior year operating costs. The increase was primarily attributable to the incremental operating costs on start-up of Eagle ($18.8 million) partly offset by closure of our Galmoy operations ($7.2 million).

General and Administrative Expenses

General and administrative expenses of $27.3 million for the year ended December 31, 2014 were $3.8 million higher than the year ended December 31, 2013, mostly due to higher personnel costs.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense for the year ended December 31, 2014 increased $60.6 million from the previous year. The increase was primarily due to the acquisition of Candelaria ($49.2 million) and the start of commercial production at Eagle ($22.9 million), partially offset by the impact of an extension of the mine life, as part of the development of the underground mine, at Aguablanca ($13.5 million).

Depreciation by operation	**Year ended December 31,**		
($ thousands)	**2014**	2013	Change
Candelaria	**49,244**	-	49,244
Eagle	**24,250**	1,324	22,926
Neves-Corvo	**96,551**	98,047	(1,496)
Zinkgruvan	**29,521**	26,498	3,023
Aguablanca	**8,409**	21,890	(13,481)
Other	**728**	390	338
	208,703	148,149	60,554

General Exploration and Business Development

General exploration and business development costs increased from $43.7 million in 2013 to $74.7 million for the year ended December 31, 2014. The increase is attributable to higher corporate development ($25.1 million) and project development expenditures ($4.5 million) in the current year period. Most of the corporate development expenses relate to transaction costs incurred in connection with the acquisition of Candelaria. Project development expenses include pre-feasibility costs and indirect costs for the Eagle project.

Income from Equity Investment in Associates

Income from equity investments includes earnings from a 24% interest in each of Tenke Fungurume and Freeport Cobalt. For Tenke, equity earnings of $88.0 million were recognized for the year ended December 31, 2014 (2013 - $97.8 million). Refer to the section titled "Tenke Fungurume" contained in this MD&A for further discussion.

Finance Income and Costs

For the year ended December 31, 2014, net finance costs increased $15.3 million from the prior year. The increase was primarily attributable to interest expenses ($13.9 million) associated with the senior secured notes, write off of deferred financing fees ($3.2 million) associated with the Company's $250 million term loan, and a loss on the disposal of marketable securities of $4.9 million in the current year, partially offset by lower revaluation losses on marketable securities ($7.9 million).

Other Income and Expense

Net other income and expense is comprised of foreign exchange gains and losses and other incidental items. Net other income for the year ended December 31, 2014 was $19.1 million compared to net other expenses of $1.5 million for the year ended December 31, 2013. The increase in net other income relates primarily to foreign exchange gains which increased from a loss of $13.8 million in 2013 to a gain of $20.3 million in 2014. This was offset by insurance proceeds of $3.7 million received in 2014, compared to $15.1 million received in 2013, relating to the 2010 slope failure at the Aguablanca mine.

A foreign exchange gain of $20.3 million in the current year and foreign exchange loss of $13.8 million for the year ended December 31, 2013, relates to cash and trade receivables denominated in foreign currencies that were held in the Company's various entities. Period end exchange rates at December 31, 2014 were $1.21:€1.00 (December 31, 2013 – $1.33:€1.00) and $1.00:SEK7.81 (December 31, 2013 - $1.00:SEK6.51).

Asset Impairment

During 2014, the Company recognized an impairment of $47.1 million ($32.3 million net of tax) related to its Portuguese exploration concessions. This impairment was recognized to reflect the finalization and cessation of the exploration program; there are no future plans for further exploration work in the area.

Income Taxes

Income taxes by mine

Income tax expense (recovery)	**Year ended December 31,**		
($ thousands)	**2014**	2013	Change
Candelaria	**2,376**	-	2,376
Eagle	**(20,132)**	(2,789)	(17,343)
Neves-Corvo	**(34,173)**	(5,616)	(28,557)
Zinkgruvan	**(7,143)**	7,910	(15,053)
Aguablanca	**10,265**	(2,014)	12,279
Other	**(19,929)**	(3,276)	(16,653)
	(68,736)	(5,785)	(62,951)

Income taxes by classification

Income tax expense (recovery)	**Year ended December 31,**		
($ thousands)	**2014**	2013	Change
Current income tax	**5,300**	12,471	(7,171)
Deferred income tax	**(74,036)**	(18,256)	(55,780)
	(68,736)	(5,785)	(62,951)

Income tax recovery of $68.7 million for the year ended December 31, 2014 was $62.9 million higher than the $5.8 million recovery recorded in the prior year.

Neves-Corvo received tax credits of $20.7 million relating to 2014 and prior periods to offset current taxes payable. A $6.4 million deferred tax recovery was also recorded to reflect a change in future tax rates. The tax rate in Portugal has decreased from 29.5% to 27.5% commencing in 2015.

The decrease of $15.1 million in Zinkgruvan is largely due to the utilization of losses of related companies, which had a tax impact of $13.2 million, in the current year and a prior period adjustment of $4.9 million.

Aguablanca's net income increased significantly in 2014 when compared to 2013 which resulted in an increase in the tax expense, partially offset by a decrease in future taxes of $3.2 million. The tax rate in Spain has decreased from 30% in 2014 to 28% for 2015 and 25% for 2016.

Eagle incurred taxable losses while in the development stage, increasing deferred tax assets by $17.3 million for the year. The Company expects Eagle to have taxable profits to fully recover the deferred tax assets by the end of 2016.

Other significant factors affecting the year-over-year increase was the recognition of a deferred tax asset of $23.6 million on losses in Canada that were not previously recognized. The Company has determined that it is probable that there will be future taxable profits that will allow the deferred tax to be recovered. The deferred tax recovery of $23.6 million was partially offset by $5.4 million payable as a prior period adjustment in Sweden.

Fourth Quarter Financial Results

Sales

Sales of $443.0 million for the three months ended December 31, 2014 were $256.1 million higher than the comparable period in 2013. Excluding the incremental impact on sales from Candelaria of $215.2 million, sales were $40.9 million higher than prior year comparable period. The increase was attributable to the incremental sales from Eagle of $47.3 million.

Fourth Quarter Reconciliation of Realized Prices

2014	Three months ended December 31, 2014				
($ thousands, except per pound amounts)	Copper	Zinc	Nickel	Lead	Total
Current period sales[1]	334,673	70,954	58,930	14,794	479,351
Prior period provisional adjustments	(15,536)	(357)	(1,083)	(34)	(17,010)
Sales before other metals and TC/RC	319,137	70,597	57,847	14,760	462,341
Other metal sales					36,447
Less: TC/RC					(55,757)
Total Sales					**443,031**
Payable Metal (tonnes) - 100% basis	**52,932**	**32,058**	**3,818**	**7,820**	
Current period sales ($/lb)[1]	$ 2.87	$ 1.00	$ 7.00	$ 0.86	
Prior period provisional adjustments ($/lb)	(0.14)	-	(0.13)	-	
Realized prices ($/lb)	**$ 2.73**	**$ 1.00**	**$ 6.87**	**$ 0.86**	

2013	Three months ended December 31, 2013				
($ thousands, except per pound amounts)	Copper	Zinc	Nickel	Lead	Total
Current period sales[1]	115,811	56,998	18,688	17,011	208,508
Prior period provisional adjustments	(1,483)	(651)	(570)	87	(2,617)
Sales before other metals and TC/RC	114,328	56,347	18,118	17,098	205,891
Other metal sales					7,143
Less: TC/RC					(26,113)
Total Sales					**186,921**
Payable Metal (tonnes)	**15,734**	**28,499**	**1,346**	**7,960**	
Current period sales ($/lb)[1]	$ 3.34	$ 0.91	$ 6.30	$ 0.97	
Prior period provisional adjustments ($/lb)	(0.04)	(0.01)	(0.19)	-	
Realized prices ($/lb)	$ **3.30**	**$ 0.90**	**$ 6.11**	**$ 0.97**	

1. Includes provisional price adjustments on current period sales.

Operating Earnings

For the three months ended December 31, 2014, operating earnings of $144.1 million were $77.2 million higher than the comparable period in 2013. Excluding the incremental impact on operating earnings from Candelaria of $67.8 million, operating earnings were $9.4 million higher than prior year comparable period operating earnings. Incremental operating earnings from Eagle ($28.5 million) were partially offset by lower metal prices and prior

period price adjustments ($9.8 million), higher treatment costs ($4.9 million), additional closure provisions at our operating locations ($3.4 million) and the closure of Galmoy ($3.2 million).

Net Earnings

Net earnings of $36.6 million ($0.04 per share) in the current quarter were $5.5 million lower than the $42.1 million ($0.07 per share) reported in 2013.

Excluding the after-tax impairment of $32.3 million ($0.05 per share) related to the Company's Portuguese exploration concessions, net earnings for the fourth quarter of 2014 were $26.8 million higher than the comparable period in 2013. The increase is attributable to earnings generated by Candelaria and Eagle.

Cash Flow from Operations

For the three months ended December 31, 2014, cash flow from operations was $68.4 million, compared to $55.2 million for the three months ended December 31, 2013. The increase of $13.2 million in cash flow is mostly attributable to an increase in operating earnings ($77.2 million), offset by changes in non-cash working capital and long-term inventory ($25.5 million), Candelaria transaction fees ($20.6 million) and higher current income tax expense ($14.9 million).

Mining Operations

Production Overview

	2014					2013				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)										
Candelaria (80%)[1]	**22,872**	22,872	-	-	-	-	-	-	-	-
Eagle	**3,905**	3,606	299	-	-	-	-	-	-	-
Neves-Corvo	**51,369**	14,220	10,904	13,480	12,765	56,544	15,499	12,629	14,102	14,314
Zinkgruvan	**3,464**	1,034	544	903	983	3,460	894	973	447	1,146
Aguablanca	**7,390**	2,020	1,919	1,799	1,652	6,242	1,685	1,485	1,516	1,556
	89,000	43,752	13,666	16,182	15,400	66,246	18,078	15,087	16,065	17,016
Zinc (tonnes)										
Neves-Corvo	**67,378**	17,333	17,908	17,909	14,228	53,382	14,456	14,723	13,940	10,263
Zinkgruvan	**77,713**	19,131	20,050	19,293	19,239	71,366	18,340	18,743	18,599	15,684
	145,091	36,464	37,958	37,202	33,467	124,748	32,796	33,466	32,539	25,947
Nickel (tonnes)										
Eagle	**4,300**	4,093	207	-	-	-	-	-	-	-
Aguablanca	**8,631**	2,481	1,958	2,212	1,980	7,574	2,113	1,788	1,876	1,797
	12,931	6,574	2,165	2,212	1,980	7,574	2,113	1,788	1,876	1,797
Lead (tonnes)										
Neves-Corvo	**3,192**	467	866	1,054	805	1,496	849	416	231	-
Zinkgruvan	**32,363**	7,503	6,531	9,196	9,133	32,874	7,119	8,703	10,461	6,591
	35,555	7,970	7,397	10,250	9,938	34,370	7,968	9,119	10,692	6,591

1. Production results are for the period of Lundin Mining's ownership, commencing November 3, 2014.

Cash Cost Overview

	Cash cost/lb (US dollars)			
	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Candelaria [1]				
Gross cost	**1.70**	n/a	**1.70**	n/a
By-product[2]	**(0.21)**	n/a	**(0.21)**	n/a
Net Cost - cost/lb Cu	**1.49**	n/a	**1.49**	n/a
Eagle				
Gross cost	**5.50**	n/a	**5.50**	n/a
By-product[2]	**(2.71)**	n/a	**(2.71)**	n/a
Net Cost - cost/lb Ni	**2.79**	n/a	**2.79**	n/a
Neves-Corvo				
Gross cost	**2.52**	2.30	**2.72**	2.44
By-product[2]	**(0.77)**	(0.55)	**(0.87)**	(0.54)
Net Cost - cost/lb Cu	**1.75**	1.75	**1.85**	1.90
Zinkgruvan				
Gross cost	**0.92**	0.99	**0.95**	0.98
By-product[2]	**(0.55)**	(0.62)	**(0.58)**	(0.66)
Net Cost - cost/lb Zn	**0.37**	0.37	**0.37**	0.32
Aguablanca				
Gross cost	**6.00**	5.66	**6.90**	6.81
By-product[2]	**(2.26)**	(2.71)	**(2.52)**	(3.03)
Net Cost - cost/lb Ni	**3.74**	2.95	**4.38**	3.78

1. Cash cost results are for the period of Lundin Mining's ownership, commencing November 3, 2014.

2. By-product is after related TC/RC.

Capital Expenditures

	Year ended December 31,					
	2014			2013		
($ thousands)	Sustaining	Expansionary	**Total**	Sustaining	Expansionary	Total
by Mine						
Candelaria	18,320	-	**18,320**	-	-	-
Eagle	5,727	272,224	**277,951**	-	95,085	95,085
Neves-Corvo	52,574	21,629	**74,203**	65,299	35,000	100,299
Zinkgruvan	28,063	-	**28,063**	32,903	-	32,903
Aguablanca	985	13,894	**14,879**	1,526	10,261	11,787
Other	568	-	**568**	553	-	553
	106,237	307,747	**413,984**	100,281	140,346	240,627

Commentary on production and cash costs is included under the following individual mine operational discussions.

Candelaria

Compañia Contractual Minera Candelaria ("CCMC") and Compañia Contractual Minera Ojos del Salado ("CCMO", collectively "Candelaria") produce copper concentrates from one open pit and three underground mines located near Copiapó in the Atacama Province, Region III of Chile. CCMC consists of an open pit mine and an underground mine, Candelaria Norte, providing copper ore to an on-site concentrator with a capacity of 75,000 tonnes per day. CCMO comprises two underground mines, Santos and Alcaparrosa. The Santos mine provides copper ore to an on-site concentrator with a capacity of 3,800 tonnes per day, while ore from the Alcaparrosa mine is treated at the CCMC concentrator. The Company holds an 80 percent ownership interest in Candelaria with the remaining 20 percent interest held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation.

Operating Statistics

		2014			
(100% Basis)[1]	**Total**	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**4,855**	4,855	n/a	n/a	n/a
Ore milled (000s tonnes)	**4,347**	4,347	n/a	n/a	n/a
Grade					
Copper (%)	**0.7**	0.7	n/a	n/a	n/a
Gold (g/t)	**0.2**	0.2	n/a	n/a	n/a
Silver (g/t)	**2.6**	2.6	n/a	n/a	n/a
Recovery					
Copper (%)	**91.8**	91.8	n/a	n/a	n/a
Gold (%)	**71.8**	71.8	n/a	n/a	n/a
Silver (%)	**89.3**	89.3	n/a	n/a	n/a
Production (contained metal)					
Copper (tonnes)	**28,590**	28,590	n/a	n/a	n/a
Gold (000 oz)	**16**	16	n/a	n/a	n/a
Silver (000 oz)	**318**	318	n/a	n/a	n/a
Sales ($000s)	**215,192**	215,192	n/a	n/a	n/a
Operating earnings ($000s)	**67,801**	67,801	n/a	n/a	n/a
Cash cost ($ per pound) [2]	**1.49**	1.49	n/a	n/a	n/a

1. Operating results are for the period of Lundin Mining's ownership, commencing November 3, 2014.
2. Includes the impact of the streaming agreement but excludes any allocation of upfront cash received and capitalized stripping costs.

Operating Earnings

Sales for the period from November 3, 2014 to December 31, 2014 were $215.2 million with $187.1 million from copper, and $21.9 million, $5.5 million and $0.7 million coming from gold, silver and magnetite, respectively. Operating earnings for the period were $67.8 million, in-line with expectations.

Production

The Candelaria mill benefited from favourable rock quality during November and December, generating better than average throughput in the period.

Cash Costs

Copper cash costs for the period from November 3, 2014 to December 31, 2014 of $1.49/lb excluded $13.6 million in deferred stripping costs from Phase 10 of the Candelaria open pit. Approximately 13,000 oz of gold and 240,000 oz of silver were subject to terms of a streaming agreement in which $400/oz and $4.00/oz were received for gold and silver, respectively.

Projects

Candelaria has applied to the Chilean mining authorities for an extension of mining licenses until 2030. A part of this application includes a project to construct a new tailings management facility as the existing facility will reach capacity at the end of 2017. This project is in the detailed engineering phase and construction is expected to start in the second half of 2015 following receipt of applicable permits.

Eagle Mine

The Eagle Mine consists of the Eagle underground mine, located approximately 55 km northwest of Marquette, Michigan, U.S.A. and the Humboldt mill, located 45 km west of Marquette in Champion, Michigan. The mine and mill were commissioned in the third quarter of 2014, with concentrate production commencing at the end of September 2014. Commercial production commenced in November 2014 and is expected to produce an average of 17ktpa each of nickel and copper over the current mine life of 8 years.

Operating Statistics

		2014			
	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**198**	126	72	nil	nil
Ore milled (000s tonnes)	**174**	138	36	nil	nil
Grade					
Nickel (%)	**3.2**	3.6	1.3	nil	nil
Copper (%)	**2.4**	2.8	1.0	nil	nil
Recovery					
Nickel (%)	**78.5**	81.8	43.7	nil	nil
Copper (%)	**93.9**	94.9	83.2	nil	nil
Production (contained metal)					
Nickel (tonnes)	**4,300**	4,093	207	nil	nil
Copper (tonnes)	**3,905**	3,606	299	nil	nil
Sales ($000s)	**47,280**	47,280	nil	nil	nil
Operating earnings / (loss) ($000s)	**28,484**	28,597	(32)	(43)	(38)
Cash cost ($ per pound)	**2.79**	2.79	nil	nil	nil

Operating Earnings

November marked the first month of sales at Eagle, with sales and operating earnings for the year ended December 31, 2014 exceeding expectations.

Production

Commercial production was achieved in November 2014, well ahead of the first quarter of 2015 target. Commercial production was defined as the ability to maintain average production metrics of 75% of designed throughput, 75% nickel recovery, and 11%-16% nickel grade in concentrate for a period of 30 days.

Mine development and stope production significantly exceeded expectations for 2014. Processing of ore in the mill also significantly exceeded expectations. For the year ended December 31, 2014, mill production exceeded both nickel and copper production guidance. The mill continued to focus on improving the stability of concentrate grades and recoveries.

Project

Excellent project safety performance continued into the ramp up phase, having completed the year with 1.38 million man hours without a lost time injury. Wrap up activities on the project continue and are expected to be completed in early 2015. Total project spend for 2014 was $280 million, including capitalized interest, below guidance of $300 million due to timing of payments and overall lower than expected project costs. Total cumulative spend since acquisition of Eagle of $378 million remains on track to be finalized well under the original $400 million budget established at the time of acquisition in July 2013.

Transportation

County road upgrade work over the haul route between the mine and mill continues with only one bridge remaining to be completed in the spring of 2015. As indicated above, concentrate production has been better than expected and as a consequence, Eagle has entered into a number of short term rail car leases to transport the additional production.

Neves-Corvo Mine

Neves-Corvo is an underground mine, located 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The mine has been a significant producer of copper since 1989 and in 2006 commenced treating zinc ores. The facilities include a shaft with a total hoisting capacity of up to 4.7 mtpa, a copper plant with 2.5 mtpa processing capacity and a zinc plant with 1.2 mtpa processing capacity. The zinc plant has the flexibility to process zinc or copper ores.

Operating Statistics

	2014					2013				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	**2,540**	647	619	636	638	2,535	674	618	648	595
Ore mined, zinc (000 tonnes)	**1,119**	282	268	298	271	968	236	255	266	211
Ore milled, copper (000 tonnes)	**2,503**	604	623	631	645	2,525	664	628	654	579
Ore milled, zinc (000 tonnes)	**1,102**	266	269	296	271	974	232	265	264	213
Grade										
Copper (%)	**2.5**	3.0	2.3	2.5	2.3	2.6	2.8	2.4	2.5	2.7
Zinc (%)	**8.0**	8.4	8.8	7.6	7.0	7.1	8.1	7.3	6.6	6.2
Recovery										
Copper (%)	**80.2**	78.7	77.6	81.6	81.9	84.5	80.7	81.1	86.0	90.8
Zinc (%)	**74.0**	75.0	73.1	74.6	72.7	74.1	74.0	73.2	76.1	73.2
Production (contained metal)										
Copper (tonnes)	**51,369**	14,220	10,904	13,480	12,765	56,544	15,499	12,629	14,102	14,314
Zinc (tonnes)	**67,378**	17,333	17,908	17,909	14,228	53,382	14,456	14,723	13,940	10,263
Lead (tonnes)	**3,192**	467	866	1,054	805	1,496	849	416	231	-
Silver (000 oz)	**1,388**	321	322	407	338	1,306	402	263	314	327
Sales ($000s)	**373,148**	104,640	94,875	97,361	76,272	420,308	111,818	96,076	104,407	108,007
Operating earnings ($000s)	**109,394**	25,853	24,527	39,035	19,979	158,546	46,136	29,214	35,338	47,858
Cash cost (€ per pound)	**1.40**	1.41	1.48	1.19	1.53	1.43	1.28	1.68	1.41	1.39
Cash cost ($ per pound)	**1.85**	1.75	1.96	1.62	2.10	1.90	1.75	2.23	1.85	1.83

Operating Earnings

Operating earnings of $109.4 million for the year ended December 31, 2014 were $49.1 million lower than 2013. The decrease is mainly attributable to lower copper metal prices and prior period price adjustments, partially offset by higher zinc prices ($19.7 million), lower net sales volumes (lower copper sales, partially offset by higher zinc and lead sales - $22.1 million) and higher copper and zinc treatment and refining charges ($10.4 million).

Production

Copper production for the year ended December 31, 2014 was lower than the comparable period in 2013 by 5,175 tonnes (or 9%). Copper head grades, metallurgical recoveries and mill throughput were all lower in the current year resulting in lower copper production. There was strong production in the fourth quarter which only partially addressed some lower than anticipated copper grades from Lower Corvo earlier in the year. High grade, more complex ore from Zambujal was the basis for the higher production towards the end of the year, albeit at slightly reduced recovery.

Zinc production for the year ended December 31, 2014 was higher than the comparable period in 2013 by 13,996 tonnes (or 26%). The increase is largely a consequence of an increased proportion of zinc ore being derived from bulk stopes in the higher grade Lombador deposit. Over 50% of the zinc ore is now being sourced from this area.

Production of 3,192 tonnes of lead in concentrate during the year was derived as a by-product from the zinc circuit.

Cash Costs

Copper cash costs of $1.85/lb for the year ended December 31, 2014 were in-line with our latest guidance but

lower than 2013 cash costs of $1.90/lb. The decrease from the prior period was a result of higher zinc and lead by-product credits, net of treatment charges.

Projects

The Lombador Phase One construction project was successfully handed over to operations during the year, and mine production from the new area is progressing very well. Grades of Lombador zinc mined in 2014 were higher than originally modelled, leading to better than expected production.

A zinc expansion feasibility study at Neves-Corvo is progressing, targeting the possibility of doubling zinc production at the mine. A new crusher and conveyor option was adopted for the underground materials handling solution, along with an expansion to the existing Santa Barbara hoisting shaft. Mine layouts and designs are completed, and life of mine production schedules are currently being refined based on the most recent Neves-Corvo copper and zinc Mineral Reserves. Additional metallurgical test work has been commissioned to further strengthen definition of ore variability, and an updated comprehensive flotation model prepared. Work on associated surface infrastructure components is also well advanced. An environmental impact assessment report for the zinc expansion is under preparation. Completion of the study is now scheduled for mid-year 2015.

Zinkgruvan Mine

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

Operating Statistics

	2014					2013				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	**1,063**	265	279	262	257	911	216	230	222	243
Ore mined, copper (000 tonnes)	**167**	42	36	55	34	214	61	58	43	52
Ore milled, zinc (000 tonnes)	**1,054**	270	264	272	248	924	217	229	248	230
Ore milled, copper (000 tonnes)	**167**	43	42	47	35	222	59	58	49	56
Grade										
Zinc (%)	**8.2**	7.7	8.4	8.0	8.6	8.5	9.1	9.0	8.5	7.5
Lead (%)	**3.7**	3.4	3.1	4.1	4.4	4.2	3.9	4.5	4.9	3.4
Copper (%)	**2.3**	2.6	1.5	2.2	2.9	1.7	1.6	1.9	1.1	2.2
Recovery										
Zinc (%)	**90.4**	92.7	90.6	88.6	89.9	90.7	92.7	90.9	88.5	90.6
Lead (%)	**82.5**	82.1	80.0	83.3	84.0	84.8	83.6	84.5	85.5	85.2
Copper (%)	**90.7**	92.6	85.7	88.2	94.2	89.8	91.7	88.2	82.6	92.9
Production (contained metal)										
Zinc (tonnes)	**77,713**	19,131	20,050	19,293	19,239	71,366	18,340	18,743	18,599	15,684
Lead (tonnes)	**32,363**	7,503	6,531	9,196	9,133	32,874	7,119	8,703	10,461	6,591
Copper (tonnes)	**3,464**	1,034	544	903	983	3,460	894	973	447	1,146
Silver (000 oz)	**2,433**	603	550	631	649	2,468	558	668	728	514
Sales ($000s)	**194,009**	47,554	48,233	55,144	43,078	173,836	43,875	49,288	44,811	35,862
Operating earnings ($000s)	**89,591**	22,892	22,861	27,299	16,539	71,486	17,818	25,634	13,664	14,370
Cash cost (SEK per pound)	**2.55**	2.71	3.33	1.10	2.89	2.10	2.44	0.40	2.83	2.72
Cash cost ($ per pound)	**0.37**	0.37	0.48	0.17	0.45	0.32	0.37	0.06	0.43	0.42

Operating Earnings

Operating earnings for the year of $89.6 million were $18.1 million higher than the $71.5 million reported in 2013. Higher net metal prices and prior period price adjustments ($15.5 million) in combination with a stronger US dollar ($5.2 million), were partially offset by higher treatment and refining charges ($6.6 million).

Production

Zinkgruvan achieved a historic new milestone this year with record tonnage of ore mined and milled. As a result, zinc production for the full year was 9% higher than 2013 levels. Lead production for the year was in-line with 2013 levels as mining took place in areas with lower lead grades.

Copper production for the year was consistent with 2013 copper production. Higher head grades were offset by lower throughput as mining and milling of zinc ore was prioritized.

Cash Costs

Zinc cash costs of $0.37/lb for the year were in-line with guidance of $0.35/lb. Cash costs were higher than prior year ($0.32/lb) largely as a result of lower prices of by-product metals ($0.08/lb).

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. Current operations consist of an open pit mine, an underground mine in development, and an on-site processing facility (milling and flotation) with a production capacity of 1.9 million tonnes per annum. The underground mine will commence production in the second quarter of 2015 and is expected to extend mine production until at least 2018.

Operating Statistics

	2014					2013				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**1,755**	600	606	365	184	1,785	459	539	409	378
Ore milled (000s tonnes)	**1,660**	432	384	426	418	1,606	438	378	387	403
Grade										
Nickel (%)	**0.6**	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5
Copper (%)	**0.5**	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Recovery										
Nickel (%)	**82.5**	83.3	82.0	82.5	82.0	82.8	81.8	82.6	83.8	82.4
Copper (%)	**93.9**	93.4	94.0	94.0	94.2	93.8	94.2	94.2	93.9	93.2
Production (contained metal)										
Nickel (tonnes)	**8,631**	2,481	1,958	2,212	1,980	7,574	2,113	1,788	1,876	1,797
Copper (tonnes)	**7,390**	2,020	1,919	1,799	1,652	6,242	1,685	1,485	1,516	1,556
Sales ($000s)	**120,421**	28,365	23,509	39,258	29,289	114,027	26,162	25,278	19,787	42,800
Operating earnings ($000s)	**38,072**	7,681	2,264	15,117	13,010	27,559	7,529	6,397	787	12,846
Cash cost (€ per pound)	**3.32**	2.99	4.48	3.70	2.18	2.85	2.16	2.78	2.69	3.53
Cash cost ($ per pound)	**4.38**	3.74	5.89	5.05	2.98	3.78	2.95	3.67	3.50	4.66

Operating Earnings

Operating earnings for the year were $38.1 million compared to $27.6 million in 2013. The increase is a result of higher net metal prices and prior period price adjustments ($15.6 million).

Production

Nickel production for the year ended December 31, 2014 was higher than the comparable period in 2013 by 1,057 tonnes (or 14%). Higher head grades from the bottom of the open pit and higher mill throughput contributed to the increase.

Copper production for the year was higher than the comparable period in 2013 by 1,148 tonnes (or 18%). Again, higher head grades and mill throughput contributed to the increase.

Open pit mining is expected to be completed in the first quarter of 2015, with subsequent stope production from the underground mine ramping up as the year progresses. Processing will continue with stockpiled ore from the open pit during the first half of 2015 pending full scale underground mining rates being achieved towards year end.

Cash Costs

Nickel cash costs of $4.38/lb for the year ended December 31, 2014 were slightly higher than guidance and the prior year comparable period primarily due to the lower price of by-product credits, net of treatment charges.

Underground Project

Underground development is advancing with the first extraction sub-level beneath the open pit now in progress. Underground stope production is scheduled for the second quarter of 2015. Exploration drilling will take place in 2015 that may potentially increase Mineral Reserves and improve the return of the overall underground project.

Tenke Fungurume

Tenke Fungurume is a copper-cobalt mine located in the southern part of Katanga Province, Democratic Republic of Congo. Lundin Mining holds a 24% equity interest in the mine. Freeport-McMoRan Inc. ("Freeport") is the operating partner and holds a 56% interest in the mine. Gécamines, the Congolese state mining company, holds a 20% carried interest in the mine. With the completion of the Phase II expansion, Tenke now has a nameplate annual production capacity of 195,000 tonnes of copper cathode and 15,000 tonnes of cobalt hydroxide.

Operating Statistics

	2014					2013				
100% Basis	**Total**	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000 tonnes)	**13,073**	2,531	3,106	3,485	3,951	13,231	3,739	3,347	2,763	3,382
Ore milled (000 tonnes)	**5,372**	1,262	1,424	1,380	1,306	5,428	1,409	1,338	1,364	1,317
Grade										
Copper (%)	**4.1**	4.0	4.1	4.1	4.1	4.2	3.9	3.9	4.6	4.4
Recovery										
Copper (%)	**92.6**	91.8	91.3	92.7	94.7	91.4	90.6	91.6	89.9	93.7
Production (contained metal)										
Copper (tonnes)	**202,648**	48,421	52,893	51,870	49,464	209,774	50,645	49,541	55,126	54,462
Cobalt (tonnes)	**13,334**	3,401	3,545	3,418	2,970	12,751	4,247	3,659	2,305	2,540
Income from equity investment ($000s) [1]	**88,016**	18,237	25,939	24,853	18,987	97,769	22,425	24,185	19,276	31,883
Attributable share of operating cash flows ($000s)	**158,483**	44,625	48,373	37,802	27,683	168,385	50,091	42,219	32,436	43,639
Cash cost ($ per pound) [2]	**1.15**	1.37	1.10	1.18	0.89	1.21	1.14	1.23	1.23	1.23

[1] Lundin Mining's share of equity earnings includes adjustments for GAAP harmonization differences and purchase price allocations.

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

Income from Equity Investment

Income of $88.0 million in the current year was $9.8 million lower than the prior year due to lower realized copper metal prices and lower copper sales volumes. Volume of copper cathode sold during the year, on a 100% basis, was 192,941 tonnes, lower than the 205,851 tonnes sold in the comparable period of last year, due to timing of sales.

The average price realized for copper sales during the year was $3.06/lb, compared to $3.21/lb in 2013. The average realized price for cobalt sold during the year was $9.66/lb (2013: $8.02/lb).

Production

Tenke produced 202,648 tonnes of copper for the year ended December 31, 2014, lower than the prior year production of 209,774 tonnes due primarily to slightly lower grades and throughput. Cobalt production for the year was 13,334 tonnes, 5% higher than the prior year of 12,751 tonnes due to improved recoveries.

The expanded milling facilities at Tenke continue to exceed original design capacity with throughput averaging 14,700 metric tonnes of ore per day ("mtpd") for the year ended December 31, 2014. Mining rate during the year was approximately 141,273 mtpd, slightly lower than expectations due to the start of mining in new areas.

Construction of the new acid plant is advancing with civil works progressing on site. The acid plant is scheduled to be completed in 2016 and, with the current acid production from the existing acid plant, will significantly reduce the need to import third party acid as well as support future expansion initiatives.

Freeport is expecting annual sales volumes to be approximately 201,800 tonnes of copper and 14,500 tonnes of cobalt in 2015.

Cash Costs

Cash costs for copper, net of cobalt by-product credits, were $1.15/lb for the year. This is a decrease from the prior year of $1.21/lb due to significant cobalt by-product credits. Freeport projects 2015 cash costs to approximate $1.31/lb of copper, based on current sales volume and cost estimates and assuming an average cobalt price of $13.00/lb.

Tenke Cash Flow

Lundin's attributable share of operating cash flow at Tenke for the year was $158.5 million, lower than the $168.4 million recognized in 2013, with the decrease largely attributable to lower copper prices and sales.

Lundin Mining's share of 2014 capital investment for Tenke was $47.3 million, which was fully funded by cash flow from Tenke operations. The Company's estimated share of 2015 capital investment, which is also expected to be self-funded by cash flow from Tenke operations, is expected to be $90 million. Key capital spending areas in 2015 include a second acid plant and a tailings management facility expansion.

The Company received cash distributions of $85.8 million for the year ended December 31, 2014. In addition, the Company received cash distributions from the Freeport Cobalt business of $8.6 million, resulting in total cash distributions from Tenke related investments of $94.4 million, in line with the Company's most recent guidance.

Exploration

Eagle Resource Exploration, USA (Nickel, Copper)
A 3D seismic survey was completed over Eagle and Eagle East deposits. Data processing and target modelling is in progress for definition of new drill targets. To support seismic interpretation, borehole geophysical property measurements were completed on 9 holes. Surface drilling with one rig resumed in the fourth quarter after completion of the seismic survey targeting the down-plunge extension of the Eagle East feeder dike using directional drilling. Two successive step-outs intersected rocks interpreted to be the Eagle East feeder with elevated levels of nickel-copper mineralization, some of which contained semi-massive sulphides and strongly mineralized intrusive breccia. This supports the model tracing the feeder dyke to a deeper, massive sulphide bearing staging chamber. A total of 2,579 meters were drilled from surface in the year, and a total of 7,536 meters were drilled from underground.

Los Rulos Exploration, Chile (Copper, Gold)
An agreement with Southern Hemisphere Mining was executed in late 2013 to explore copper-gold prospects across an extensive package of low altitude mineral properties in the Coquimbo region of the Chilean coastal copper belt. Fieldwork completed, including trenching, mapping and geophysics, resulted in two targets. Drill testing was completed at the Armandino target during the third quarter of 2014. While a notable mineralized system was encountered, results were less than anticipated. A decision was made to exit the agreement in December 2014.

Peru (Copper)
Work in Peru focused on new copper project evaluations, principally on the Elida Project, an undrilled porphyry copper prospect located close to the coast in central Peru. Initial targeting and permitting work on the Elida Project was completed in the third quarter of 2014. Mobilization for an initial drill program started in September and drilling commenced in October, with drilling continuing into 2015.

Eastern Europe (Copper, Gold)
Project evaluation work is continuing on new copper and zinc-lead opportunities in favourable parts of Eastern Europe and Near East regions. An exploration program was initiated at a porphyry copper property located in Central Turkey which was optioned in the second quarter of 2014. Drill target definition work was completed, including mapping, grid soil sampling, rock geochemical sampling, trenching and induced polarization geophysics, which outlined a large copper geochemical anomaly associated with outcropping porphyry copper mineralization and coincident geophysical anomalies. Defined drill targets will be tested in the first quarter of 2015.

Candelaria Regional Exploration (Copper, Gold)
Immediately after the acquisition of Candelaria in early November, steps were taken to commence a large property wide exploration program. A significant underground drill campaign was initiated, and 8 drill rigs have been mobilized as the first phase of a larger 2015 exploration program to expand Candelaria asset reserves and resources.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper and lead were lower in 2014 compared to the average prices for 2013, while the prices for zinc and nickel were higher in the current year. After declining on worries over the Chinese economy and Chinese credit issues during the first quarter of 2014, the prices for copper and lead remained stable during the second and third quarter, while the prices of zinc and nickel increased substantially over the same period. Zinc and nickel increases have been based on strong fundamentals and the anticipation of a shortage of both metals in 2015 and forward. However, the collapse of the oil price combined with a stronger US dollar resulted in all metal prices falling during the fourth quarter of 2014. Zinc and nickel fell less relative to copper and lead and managed to end the year with higher prices than at the end of 2013.

		Three months ended December 31,			**Twelve months ended December 31,**		
(Average LME Price)		**2014**	2013	Change	**2014**	2013	Change
Copper	US$/pound	3.00	3.24	-7%	3.11	3.32	-6%
	US$/tonne	6,624	7,153		6,862	7,322	
Zinc	US$/pound	1.01	0.86	17%	0.98	0.87	13%
	US$/tonne	2,235	1,907		2,164	1,909	
Nickel	US$/pound	7.17	6.31	14%	7.65	6.81	12%
	US$/tonne	15,799	13,909		16,867	15,004	
Lead	US$/pound	0.91	0.96	-5%	0.95	0.97	-2%
	US$/tonne	2,000	2,111		2,096	2,141	

The LME inventory for lead and nickel increased during 2014 and ended the year 4% and 58% higher, respectively, than the closing levels of 2013. The LME inventory for copper and zinc decreased during 2014 and ended the year 52% and 26% lower, respectively, than the closing levels of 2013.

During the first half of 2014, the treatment charges (“TC”) and refining charges (“RC”) in the spot market for copper concentrates dropped from a spot TC in January of $100 per dmt of concentrate and a spot RC of $0.10 per lb of payable copper to a TC of $86 per dmt of concentrate and a spot RC of $0.086 per lb of payable copper in July. In January 2014, Indonesia introduced a progressive export tax for copper concentrates and the two major Indonesian copper mines, Grasberg and Batu Hijau, stopped exporting copper concentrates and started to accumulate inventory. This removed substantial quantities of copper concentrates from the market. In August, the two Indonesian copper mines negotiated a reduced export tax in return for committing to study the construction of new smelting capacity in the country. As a consequence, exports of copper concentrates from Indonesia resumed, along with the accumulated inventory, which led to an increase in the spot TC in August to $105 per dmt of concentrate with a RC of $0.105 per lb of payable copper. During the second half of the year, the spot TC was trading in a range of $96-$107 per dmt with a RC of $0.096-$0.107 per lb of payable copper which was above the 2014 benchmark for long term contracts set at a TC of $92 per dmt and a RC of $0.092 per payable lb. The increase in the spot market led to an increase in the annual benchmark for 2015 of a TC of $107 per dmt with a RC of $0.107 per lb of payable copper.

The spot TC for zinc concentrates during the first quarter of 2014 traded at $133-$149 per dmt, flat. During the second quarter, the arbitrage between the SHFE (Shanghai Futures Exchange) price for zinc and the zinc price on the LME (London Metal Exchange) narrowed and during the third quarter the arbitrage turned negative. This made imports of zinc concentrates to China less profitable which in turn put upward pressure on the TC. In August, the spot TC had increased to $175 per dmt, flat. During the fourth quarter of 2014, the arbitrage recovered but the spot TC continued on an upward trend because the arctic shipping season, which ends in October, made more zinc concentrates available to the market. The spot TC for zinc concentrates ended the year at $200 per dmt, flat.

During the year there was very little spot activity in the markets outside of China. The annual negotiations for TC under long term contracts between miners and smelters for 2015 have begun but very little progress has been made to-date. The Company expects that there will be a settlement for the 2015 annual TC in March at the earliest.

Imports of lead concentrates to China were estimated to be around 15%-20% higher in 2014 compared to 2013 despite the negative arbitrage between the lead price of the SHFE and the LME, which ranged from $130-$235 per mt lead during 2014. The spot TC for the first seven months of the year was trading between $130 and $140 per dmt of lead concentrates, flat. In August, the spot TC increased to $160 per dmt, flat, and have been trading between $160 and $170 per dmt, flat, for the balance of the year. Lead concentrates are less of a homogenous product than copper and zinc concentrates, there is no single benchmark TC. The qualities differ in the content of lead, precious metals and impurities and each quality is priced on its own merits. In December 2014, the Company concluded terms for the majority of its long-term contracts for Zinkgruvan lead concentrates. The TC agreed for 2015 has improved, in favour of the Company, compared to the annual TC for 2014. In December 2014, the company also entered into a one year contract for 100% of the 2015 lead concentrate production of the Neves-Corvo mine, also at improved terms compared to 2014.

During 2014, the Company entered into several long-term contracts for the sale of the nickel and copper concentrates from the Eagle mine. The concentrates will be partly railed to North American destinations with the balance shipped overseas. Deliveries under the contracts commenced in October 2014 and the first overseas shipment was executed in December 2014. The contracts are based on current market terms and conditions.

The Company's nickel concentrate production from Aguablanca is sold under a long-term contract at terms which are in-line with recent market conditions. The contract provides for regular monthly delivery and pricing of the concentrates which ensures that nickel realizations correlate closely with LME averages over the year.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents increased by $58.2 million to $174.8 million as at December 31, 2014, from $116.6 million at December 31, 2013. Cash inflows for the year ended December 31, 2014 included proceeds from: senior secured notes of $978.3 million, common shares issued of $584.3 million, upfront payment from a stream agreement of $632.1 million, operating cash flows of $187.4 million, and receipt of distributions from associates of $94.4 million. Use of cash was primarily directed towards the acquisition of Candelaria ($1,747.4 million, net), investments in mineral properties, plant and equipment ($414.0 million), and repayment of the term loan ($250.0 million).

Working Capital

Working capital of $510.5 million as at December 31, 2014 increased significantly from the $143.0 million reported for December 31, 2013. The increase from the prior period is due to the acquisition of Candelaria.

Long-Term Debt

As at December 31, 2014, the Company had outstanding $550 million of 7.5% Senior Secured Notes due 2020 and $450 million of 7.875% Senior Secured Notes due 2022.

In addition, the Company has an undrawn $350 million revolving credit facility, expiring in October 2017. A letter of credit has been issued in the amount of SEK 80 million ($10.2 million).

Subject to various risks and uncertainties (*see Managing Risks section, page 34*), the Company believes it will generate sufficient cash flow and has adequate cash and debt facilities to finance on-going operations and planned capital and exploration investment programs.

Shareholders’ Equity

Shareholders’ equity was $4,638.7 million at December 31, 2014, compared to $3,669.6 million at December 31, 2013. Shareholders’ equity increased primarily as a result of the issuance of shares ($582.2 million) in relation to the Candelaria acquisition, and net earnings of $123.4 million, partly offset by foreign currency translation adjustments of $170.6 million in other comprehensive income. Also included in the equity section of the balance sheet is the non-controlling interest representing the 20% of Candelaria that is owned by Sumitomo.

Sensitivities

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

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

Metal	Tonnes Payable	Provisional price on December 31, 2014 ($US/tonne)	Change	Effect on operating earnings ($millions)
Copper	75,841	6,318	+/-10%	+/-$47.9
Zinc	16,673	2,169	+/-10%	+/-$3.6
Nickel	3,699	15,118	+/-10%	+/-$5.6
Lead	5,453	1,860	+/-10%	+/-$1.0

The following table presents the Company's sensitivity to certain currencies and the impact of exchange rates, against the US dollar, on operating earnings:

Currency	Change	For the twelve months ended December 31, 2014 ($millions)
Chilean peso	+/-10%	+/-$22.9
Euro	+/-10%	+/-$34.3
Swedish krona	+/-10%	+/-$10.9
British pound	+/-10%	+/-$0.9
Canadian dollar	+/-10%	+/-$2.4

Contractual Obligations and Commitments

The Company has the following contractual obligations and capital commitments as at December 31, 2014:

	Payments due by period				
US$ thousands	<1 years	1-3 years	4-5 years	> 5 years	Total
Long-term debt	607	1,207	-	1,000,000	1,001,814
Finance leases	1,325	628	218	-	2,171
Reclamation and closure provisions[1]	8,995	22,730	32,848	198,883	263,456
Capital commitments	40,804	-	-	-	40,804
Operating leases and other	19,274	7,715	3,996	4,733	35,718
	71,005	32,280	37,062	1,203,616	1,343,963

1. Reclamation and closure provisions are reported on a discounted basis, after inflation.

Financial Instruments

Summary of financial instruments:

	Fair value at December 31, 2014 ($ thousands)	Basis of measurement	Associated risks
Trade and other receivables	82,837	Carrying value	Credit/Market/Exchange
Trade receivables	322,130	FVTPL	Credit/Market/Exchange
Marketable securities and restricted funds	35,109	FVTPL	Market/Liquidity
Marketable securities	698	Fair value through OCI	Market/Liquidity
Trade and other payables	227,450	Carrying value	Exchange
Long-term debt and finance leases	982,820	Amortized cost	Interest
Other long-term liabilities	10,001	Amortized cost	Interest

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

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

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

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

For the year ended December 31, 2014, the Company recognized decreased sales of $25.6 million (2013: $10.8 million) on final settlement of provisionally priced transactions from the prior year, a revaluation loss and a realized loss on FVTPL securities totalling $6.4 million (2013: $9.4 million) and a revaluation loss of $0.1 million on AFS securities (2013: $9.0 million). In addition, a foreign exchange gain of $20.3 million (2013: loss of $13.8 million) was realized in the year on cash and trade receivables denominated in foreign currencies that were held in the Company's various entities.

Related Party Transactions

Tenke Fungurume

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

During the year ended December 31, 2014, the Company received $85.8 million of cash distributions from Tenke.

Freeport Cobalt

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

The Company received $8.6 million of cash distributions from Freeport Cobalt during the year ended December 31, 2014.

Key Management Personnel

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

		2014		2013
Wages and salaries	**$**	**6,765**	$	6,283
Pension benefits		**133**		135
Share-based compensation		**2,713**		1,805
	$	**9,611**	$	8,223

During the year ended December 31, 2014, the Company paid $0.2 million (2013: $0.3 million) for management services provided by a company owned by the Chairman of the Company and paid $0.7 million (2013: $0.8 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

Changes in Accounting Policies

New Accounting Policies Adopted During the Year

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IFRIC 21, Accounting for Levies Imposed by Governments, clarifies the obligating event giving rise to a liability to pay a levy. The obligating event is the activity described in the relevant legislation that triggers payment of the levy. This standard is effective for annual periods beginning on or after January 1, 2014. The Company has concluded there was no significant impact of adopting this standard.

New Accounting Pronouncements

IFRS 15, Revenue from Contracts with Customers, provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, cost of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. This standard is effective for annual periods beginning on or after January 1, 2017. The Company is still assessing the impact of this standard.

The final version of *IFRS 9, Financial Instruments*, was issued by the IASB in July 2014 and will replace *IAS 39, Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. The Company is yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

Critical Accounting Estimates and Assumptions

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

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

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

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

A change in the original estimate of reserves would result in a change in the rate of depreciation, depletion and amortization of the related mining assets. The effect of a change in the estimates of reserves would have a relatively greater effect on the amortization of the current mining operations at Eagle and Aguablanca because of the relatively short mine life of these operations. 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 Candelaria, Neves-Corvo and Zinkgruvan mines have longer mine lives and would be less affected by a change in the reserve estimate.

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

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

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

Valuation of Investment in Tenke Fungurume and Freeport Cobalt - The Company carries its investment at cost and adjusts for its share of earnings and capital transactions of the investee. The Company reviews the carrying value of the investment whenever events or changes in circumstances indicate that impairment may be present. In undertaking this review, the Company makes reference to future operating results and cash flows. For the investment in Tenke Fungurume, this requires making significant estimates of, amongst other things, reserve and resource quantities, and future production and sale volumes, metal prices and future operating and capital costs to the end of the mine's life. For the investment in Freeport Cobalt, critical assumptions are made related to future sale volumes, operating and capital costs and metal prices. 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 investments.

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

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

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

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

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

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

Critical Accounting Judgments

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

Income taxes

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

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

Managing Risks

Risks and Uncertainties

Metal Prices

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

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

Foreign Exchange Risk

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

Credit Risk

The Company is exposed to various counterparty risks, particularly credit risk, associated with trade receivables. The Company manages this risk through evaluation and monitoring of industry and economic conditions and assessment of customers' financial reports. The Company transacts with credit worthy customers to minimize credit risk and if necessary, employs pre-payment arrangements and the use of letters of credit, where appropriate, but cannot always be assured of the solvency of its customers.

Derivative Instruments

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

Reclamation Funds and Mine Closure Costs

As at December 31, 2014, the Company had $48.5 million in a number of reclamation funds that will be used to fund future site reclamation and mine closure costs at the Company's various mine sites. The Company will continue to contribute to these funds as required, based on an estimate of the future site reclamation and mine closure costs as detailed in the closure plans. Changes in environmental laws, regulations and standards can create uncertainty with regards to future reclamation costs and affect the funding requirements.

Closing a mine can have significant impact on local communities and site remediation activities may not be supported by local stakeholders. The Company endeavours to mitigate this risk by reviewing and updating closure

plans regularly with external stakeholders over the life of the mine and considering where post-mining land use for mining affected areas has potential benefits to the communities.

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

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

The Company has received regulatory approval for closure at its Galmoy mine and closure activities are nearing completion. Active mine closure will be followed by a 30 year aftercare program. From time to time Galmoy may need to seek regulatory approval for amendments to its mine closure plan and its environmental licenses. Mining activity at Galmoy ceased in the fourth quarter of 2012 and all remnant high grade ore was transported to an adjacent mine for treatment during 2013 and 2014.

Rehabilitation programs at the Storliden mine were substantially completed in 2012. The Company has recently carried out further work on the surface water management system and additional re-vegetation. The site remains subject to an ongoing aftercare monitoring program until 2020. The Company also has closure programs in place associated with legacy mining operations previously carried on in Honduras. The active closure phase at this former gold mine was completed in early 2014 and has moved to a three year aftercare monitoring program.

The Company also retains responsibility for a legacy processing and tailing site at Ammeberg that was a part of the historic Zinkgruvan operations which date from 1857. The area has been rehabilitated and is currently used as a golf course and marina facility. A human and environmental risk assessment was submitted to the Swedish authorities in 2013 following the identification of locally elevated zinc concentrations near the old mill site. It is anticipated that a final remediation target will be set by the local authority in the near future.

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 has operations in Chile, the US, Portugal, Sweden and Spain and exploration properties in various countries, including Chile and Peru. Accordingly these operations are subject to political, economic and social uncertainties and various laws and environmental regulations. The implementation of new or the modification of existing laws and regulations affecting the mining and metals industry could have a material adverse impact on the Company.

The Company has a significant investment in mining operations located in the DRC. The carrying value of this investment and the Company's ability to advance development plans may be adversely affected by political instability and legal and economic uncertainty. The risks by which the Company's interest in the DRC may be adversely affected include, but are not limited to: political unrest; labour disputes; invalidation of governmental orders, permits, agreements or property rights; risk of corruption including violations under applicable foreign corrupt practices statutes; military repression; war; rebel group and civil disturbances; criminal and terrorist

actions; arbitrary changes in laws, regulations, policies, taxation, price controls and exchange controls; delays in obtaining or the inability to obtain necessary permits; opposition to mining from environmental or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitations on mineral exports; and high rates of inflation and increased financing costs. These risks may limit or disrupt the Company's operations and 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.

Business Arrangements

We have entered into a number of business arrangements where we do not have full control, such as Candelaria, Tenke Fungurume and Freeport Cobalt and a number of exploration projects. There may be risks associated with our partners in these arrangements which include, but are not limited to: disagreement on how to develop, operate or finance projects; differences between partners in economic or business goals; lack of compliance with agreements; insolvency of a partner; limits placed on our power to control decision-making and possible limitations in our ability to sell our interest in a particular project.

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 rock or ramp collapses, accidents, labour force disruptions, force majeure factors, unanticipated transportation costs, and weather conditions, any of which can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures and production commencement dates.

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

The Company periodically reviews mining schedules, production levels and asset lives in its life of mine ("LOM") planning for all of its operating and development properties. Significant changes in the LOM plans can occur as a

result of experience obtained in the course of carrying out mining activities, new ore discoveries, changes in mining methods and rates, process changes, investments in new equipment and technology, foreign exchange and metal price assumptions, and other factors. Based on this analysis, the Company reviews its accounting estimates and in the event of an impairment, may be required to write-down the carrying value of a mine or development property. This complex process continues for the economic life of every mine and development property in which the Company has an interest.

Price and Availability of Energy and Key Operating Supplies/Services

The Company's mining operations and facilities are intensive users of electricity and carbon based fuels. Energy prices can be affected by numerous factors beyond the Company's control, including global and regional supply and demand, political and economic conditions and applicable regulatory regimes. The availability of energy may be negatively impacted due to a variety of reasons including, fluctuations in climate, severe weather conditions, inadequate infrastructure capacity, equipment failure or the ability to extend supply contracts on economical terms. The prices and various sources of energy the Company relies on may be negatively impacted and any such change could have an adverse effect on profitability.

Key operating supplies, such as: explosives, reagents, tires and spare parts are necessary for the ongoing operations of our mines and mills. If these supplies become unavailable or their costs increases significantly, the profitability of the Company's operations would be negatively impacted.

Concentrate treatment and transportation costs are also a significant component of costs. Transportation costs have been volatile in recent years due to a number of factors, including changes in fuel prices, changes in the global economy and a shortage of ocean vessels or rail cars available to ship concentrate. Treatment and refining costs have also been volatile in recent years. Increases in these rates or lack of available ocean vessels or rail cars may have a significant adverse impact on results of operations, cash flows and financial position.

Mine Development Risks

The Company's ability to maintain, or increase, its annual production of copper, zinc, lead, nickel and other metals will be dependent in significant part on its ability to bring new mines into production and to expand existing mines. Although the Company utilizes the operating history of its existing mines to derive estimates of future operating costs and capital requirements, such estimates may differ materially from actual operating results at new mines or at expansions of existing mines. The economic feasibility analysis with respect to any individual project is based upon, among other things, the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed), and base metals price assumptions, the configuration of the orebody, expected recovery rates of metals from the ore, comparable facility and equipment costs, anticipated climatic conditions, estimates of labour, productivity, royalty or other ownership requirements and other factors. Some of the Company's development projects are also subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals, sourcing suitable power and water requirements, confirming the availability of appropriate local area infrastructure, receipt of adequate financing and addressing local stakeholder concerns

The capital expenditures and timeline needed to develop a new mine or expansion are considerable and the economics of and the ability to complete a project can be affected by many factors, including; inability to complete construction and related infrastructure in a timely manner; changes in the legal and regulatory environment; currency fluctuations; industrial disputes, availability of parts, machinery or operators; delays in the delivery of major process plant equipment; inability to obtain, renew or maintain the necessary permits, licenses or approvals; unforeseen natural events and political and other factors. Factors such as changes to technical

specifications, failure to enter into agreements with contractors or suppliers in a timely manner, and shortage of capital may also delay the completion of construction or commencement of production or require the expenditure of additional funds. Although the Company's feasibility studies are generally completed with the Company's knowledge of the operating history of similar orebodies in the region, the actual operating results of its development projects may differ materially from those anticipated, and uncertainties related to operations are even greater in the case of development projects. Many major mining projects constructed in the last several years, or under construction currently, have experienced cost overruns that substantially exceeded the capital cost estimated during the basic engineering phase of those projects. There can be no assurance that the Company's development projects will be able to be developed successfully or economically or that they will not be subject to the other risks described in this section.

Exploration Risk

Exploration of mineral properties involves significant financial risk. Very few properties that are explored are later developed into operating mines. Whether a mineral deposit will be commercially viable depends on a number of factors, including; the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulation, including regulations relating to prices, taxes, royalties land tenure, land use, importing and exporting of minerals and environment protection. As a result, the Company cannot provide assurance that its exploration efforts will result in any new commercial mining operations or yield new mineral reserves.

Community Relations

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to us, the Company's operations, or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts, in this respect, will mitigate this potential risk.

Environmental Laws and Regulations

All phases of mining and exploration operations are subject to extensive environmental regulation. These regulations mandate, among other things, the preparation of environmental assessments before commencing certain operations, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Some laws and regulations may impose strict as well as joint and several liability for environmental contamination, which could subject the Company to liability for the conduct of others or for its own actions that were in compliance with all applicable laws at the time such actions were taken. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Any future changes in environmental regulation could adversely affect the Company's ability to conduct its operations. Moreover, public interest in environmental protection has increased over the years and environmental organizations have opposed, with some degree of success, certain mining operations.

In addition, environmental conditions may exist on properties in which the Company holds or will hold an interest that are unknown and/or have been caused by previous or existing owners or operators of such properties, but the remediation of which may be the Company's responsibility. The Company may also acquire properties with

environmental risks, and indemnification proceeds, if any, may not be adequate to pay all the fines, penalties and costs (such as clean-up and restoration costs) incurred related to such properties. Some of the Company's properties also have been used for mining and related operations for many years before they were acquired and were acquired as is or with assumed environmental liabilities from previous owners or operators. The Company has been required to address contamination at its properties in the past and may need to address contamination at its properties in the future, either for existing environmental conditions or for leaks or discharges that may arise from ongoing operations or other contingencies. Contamination from hazardous substances, either at the Company's properties or other locations for which the Company may be responsible, may subject it to liability for the investigation or remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources. The occurrence of any of these adverse events could have a material adverse effect on the Company's future growth, results of operations, cash flows and financial position.

Production at certain of our mines involves the use of various chemicals, including certain chemicals that are designated as hazardous substances. Should such chemicals leak or otherwise be discharged from the containment system, the Company may become subject to liability for cleanup work that may not be insured.

The failure of the Company to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed or causing the withdrawal of mining licenses, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Compensation may be required for those suffering loss or damage and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Government Approvals, Licenses and Permits

The Company's mining and exploration activities require a number of licenses, permits and approvals from various governmental authorities. With the exception of certain of Aguablanca's water licenses (see *Infrastructure*), the Company is presently complying in all material respects with all necessary licenses and permits under applicable laws and regulations to conduct our current operations. However, such licenses and permits are subject to change in various circumstances, and certain permits and approvals are required to be renewed from time to time. Additional permits or permit renewals will need to be obtained in the future. The granting, renewal and continued effectiveness of these permits and approvals are, in most cases, subject to some level of discretion by the applicable regulatory authority. Certain governmental approval and permitting processes are subject to public comment and can be appealed by project opponents, which may result in significant delays or in approvals being withheld or withdrawn. There can be no assurance that the Company will be able to obtain or maintain all necessary licenses and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost. Any of these factors could have a material adverse effect on the Company's results of operations and financial position.

Mineral Resource and Reserve Estimates

The Company's reported Mineral Resources and Mineral Reserves are only estimates. No assurance can be given that the estimated Mineral Resources and Mineral Reserves will be recovered or that they will be recovered at the rates estimated. Mineral Resource and Mineral Reserve estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral Resource and Mineral Reserve estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain Mineral Resources and Mineral Reserves uneconomic and may ultimately result in a restatement of

estimated resources and/or reserves. Moreover, short-term operating factors relating to the Mineral Resources and Mineral Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades or types, may adversely affect the Company's profitability in any particular accounting period.

Estimation of Asset Carrying Values

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

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

Funding Requirements and Economic Volatility

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

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

The Company's access to funds under its credit facilities is dependent on the ability of the financial institutions that are parties to the facilities 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 credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others. Such disruptions could require the Company to take measures to conserve cash until the markets stabilize or until alternative credit or other funding arrangements for the Company's business needs can be obtained.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, work force health issues, contaminations, labour disputes, changes in regulatory environment, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In addition, it is not always possible to obtain insurance against all such risks. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the mining companies. The Company may decide not to insure against certain risks because of high premiums compared to the benefit offered by such insurance or other reasons and 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. Title insurance is generally not available for mineral properties.

Market Price of Common Shares

The Company's share price may be significantly affected by short-term changes in commodity prices or in the Company's financial condition or results of operations. Other factors unrelated to the Company's performance may also have an effect on the price of the Company's common shares. The market price of the Company's common shares, at any given point in time, may not accurately reflect its long-term value.

Litigation

The Company is subject, from time to time, to litigation and may be involved in disputes with other parties in the future, which may result in litigation. The Company cannot accurately predict the outcome of any litigation. If the Company cannot resolve these disputes favourably, the Company's activities, financial condition, results of operations, future prospects and share price may be materially adversely affected.

Tax

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. By this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Any such changes in taxation laws or reviews and assessments could result in higher taxes being payable by the Company which could adversely affect the Company's profitability. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over changes in tax regulations and withholding tax rates.

Employee Relations

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

Infrastructure

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

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

Acquisition and Integration

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

The Company's recent acquisition of Candelaria is subject to the acquisition and integration risks, as noted above, in addition to many, if not all, of the other risk factors identified in this section.

Key Personnel

It is crucial that that the Company motivates, retains and attracts highly skilled employees, but there can be no assurance that the Company will successfully retain current key personnel or attract additional qualified personnel to manage the Company's current or future needs.

Outstanding Share Data

As at February 18, 2015, the Company has 718,228,173 common shares issued and outstanding and 12,636,984 stock options outstanding under its incentive stock option plans.

Non-GAAP Performance Measures

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

Net Cash/Debt

Net cash/debt is a performance measure used by the Company to assess its financial position. Net cash/debt is defined as cash and cash equivalents, less long-term debt and finance leases, excluding deferred financing fees and can be reconciled as follows:

($thousands)	**December 31, 2014**	December 31, 2013
Current portion of long-term debt and finance leases	**(1,932)**	(3,341)
Long-term debt and finance leases	**(980,888)**	(225,435)
	(982,820)	(228,776)
Deferred financing fees (included in above)	**(21,165)**	(7,182)
	(1,003,985)	(235,958)
Cash and cash equivalents	**174,792**	116,640
Net debt	**(829,193)**	(119,318)

Operating Earnings

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

Operating Cash Flow per Share

"Operating cash flow per share" is a performance measure used by the Company to assess its ability to generate cash from its operations, while also taking into consideration changes in the number of outstanding shares of the Company. Operating cash flow per share is defined as cash provided by operating activities, less changes in non-cash working capital items, divided by the basic weighted average number of shares outstanding.

Operating cash flow per share can be reconciled to the Company's cash provided by operating activities as

	Year ended December 31,	
($thousands, except share and per share amounts)	**2014**	2013
Cash provided by operating activities	187,366	154,322
Add: Changes in non-cash working capital items	37,873	25,785
Operating cash flow before changes in non-cash working capital items	225,239	180,107
Basic weighted average common shares outstanding	600,442,231	584,276,739
Operating cash flow per share	**0.38**	0.31

Cash Cost per Pound

Copper, zinc and nickel cash costs per pound are key performance measures that management uses to monitor performance. Management uses these statistics to assess how well the Company's producing mines are performing and to assess overall efficiency and effectiveness of the mining operations. Cash cost is not an IFRS measure and, although it is calculated according to accepted industry practice, the Company's disclosed cash costs may not be directly comparable to other base metal producers.

- **Cash cost per pound, gross** - Total cash costs directly attributable to mining operations are divided by the sales volume of the primary metal to arrive at gross cash cost per pound. As this measure is not impacted by fluctuations in sales of by-product metals, it is generally more consistent across periods.
- **Cash cost per pound, net of by-products –** Credits for by-products sales are deducted from total cash costs directly attributable to mining operations. The net cash costs are divided by the sales volume of the primary metal to arrive at net cash cost per pound. The inclusion of by-product credits provides a broader economic measurement, incorporating the benefit of other metals extracted in the production of the primary metal.

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

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

	Three months ended December 31, 2014				Three months ended December 31, 2013			
	Total Tonnes Sold	Pounds (000s)	Cash Costs $/lb	Operating Costs ($000s)	Total Tonnes Sold	Pounds (000s)	Cash Costs $/lb	Operating Costs ($000s)
Operation								
Candelaria (Cu)	34,636	76,359	1.49	113,775	-	-	-	-
Eagle (Ni)	2,356	5,194	2.79	14,491	-	-	-	-
Neves-Corvo (Cu)	14,527	32,027	1.75	56,047	14,197	31,299	1.75	54,773
Zinkgruvan (Zn)	16,429	36,220	0.37	13,401	15,216	33,546	0.37	12,412
Aguablanca (Ni)	1,462	3,223	3.74	12,054	1,346	2,967	2.95	8,753
Galmoy (Zn) [2]				-				1,276
				209,768				77,214
Add: By-product credits, net of treatment costs				81,784				47,728
Treatment costs				(40,417)				(16,621)
Non-cash inventory				24,762				(695)
Royalties and other				15,040				5,743
Total Operating Costs				**290,937**				**113,369**

	Twelve months ended December 31, 2014				Twelve months ended December 31, 2013			
	Total Tonnes Sold	Pounds (000s)	Cash Costs $/lb	Operating Costs ($000s)	Total Tonnes Sold	Pounds (000s)	Cash Costs $/lb	Operating Costs ($000s)
Operation								
Candelaria (Cu)	34,636	76,359	1.49	113,775	-	-	-	-
Eagle (Ni)	2,356	5,194	2.79	14,491	-	-	-	-
Neves-Corvo (Cu)	48,007	105,837	1.85	195,798	53,394	117,714	1.90	223,657
Zinkgruvan (Zn)	65,802	145,069	0.37	53,676	59,486	131,144	0.32	41,966
Aguablanca (Ni) [1]	5,233	11,537	4.38	50,532	5,472	12,064	3.78	45,602
Galmoy (Zn) [2]				-				5,105
				428,272				316,330
Add: By-product credits, net of treatment costs				236,062				193,413
Treatment costs				(89,225)				(62,663)
Non-cash inventory				25,003				3,995
Royalties and other				19,629				10,080
Total Operating Costs				**619,741**				**461,155**

1. 2013 cash costs includes an adjustment to account for the write-down of concentrate inventory to net realizable value in 2012.

2. Operating costs for Galmoy include shipment and processing of ore by an adjacent mine.

Management’s Report on Internal Controls

Disclosure controls and procedures

Disclosure controls and procedures ("DCP") have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures and has evaluated the effectiveness of the Company’s disclosure controls and procedures and has concluded that they were effective as at December 31, 2014.

Internal control over financial reporting

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

Control Framework

Management has used the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (‘COSO’) in order to assess the effectiveness of the Company’s internal control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting and concluded that it was effective as at December 31, 2014.

Limitations on scope of design

During the year, the Company acquired Candelaria, however the Company has not had sufficient time to fully assess the design of DCP and ICFR inherent in the organization and accordingly has limited the scope of the above assessment on the design of DCP and ICFR to exclude this operation.

Changes in internal control over financial reporting

There have been no changes in the Company’s internal control over financial reporting during the three month period ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Other Information

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

Other Supplementary Information

1. ***List of directors and officers at February 18, 2015:***

   (a) **Directors:**

   Donald K. Charter

   Paul K. Conibear

   John H. Craig

   Brian D. Edgar

   Peter C. Jones

   Lukas H. Lundin

   Dale C. Peniuk

   William A. Rand

   (b) **Officers:**

   Lukas H. Lundin, *Chairman*

   Paul K. Conibear, *President and Chief Executive Officer*

   Marie Inkster, *Senior Vice President and Chief Financial Officer*

   Julie A. Lee Harrs, *Senior Vice President, Corporate Development*

   Paul M. McRae, *Senior Vice President, Projects*

   Neil P. M. O'Brien, *Senior Vice President, Exploration and New Business Development*

   Stephen T. Gatley, *Vice President, Technical Services*

   Susan J. Boxall, *Vice President, Human Resources*

   Jinhee Magie, *Vice President, Finance*

   J. Mikael Schauman, *Vice President, Marketing*

   Derek Riehm, *Vice President, Environment*

   Lesley Duncan, *Interim Corporate Secretary*

2. **Financial Information**

   The report for the first quarter of 2015 is expected to be published by April 29, 2015.

3. **Other information**

Address (Corporate head office):
Lundin Mining Corporation
Suite 1500, 150 King Street West
P.O. Box 38
Toronto, Ontario M5H 1J9
Canada
Telephone: +1-416-342-5560
Fax: +1-416-348-0303
Website: www.lundinmining.com

Address (UK office):
Lundin Mining UK Limited
Hayworthe House, 2 Market Place
Haywards Heath, West Sussex
RH16 1DB
United Kingdom
Telephone: +44-1-444-411-900
Fax: +44-1-444-456-901

The Canadian federal corporation number for the Company is 443736-5.

For further information, please contact:

Sophia Shane, *Investor Relations, North America*: +1-604-689-7842, sophias@namdo.com
Robert Eriksson, *Investor Relations, Sweden*: +46-(0)8-440-54-50, robert.eriksson@lundin-petroleum.se
John Miniotis, *Senior Manager, Corporate Development and Investor Relations*: +1-416-342-5560, john.miniotis@lundinmining.com

Consolidated Financial Statements of

Lundin Mining Corporation

December 31, 2014

Management's Report

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

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

(Signed) Paul K. Conibear

President and Chief Executive Officer

(Signed) Marie Inkster

Senior Vice President and Chief Financial Officer

Toronto, Ontario, Canada
February 18, 2015

February 18, 2015

Independent Auditor's Report

To the Shareholders of
Lundin Mining Corporation

We have audited the accompanying consolidated financial statements of Lundin Mining Corporation, which comprise the consolidated balance sheets as at December 31, 2014 and 2013 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F:+1 416 365 8215, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lundin Mining Corporation as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

LUNDIN MINING CORPORATION

CONSOLIDATED BALANCE SHEETS (in thousands of US dollars)		**December 31, 2014**		December 31, 2013
ASSETS				
Current				
Cash and cash equivalents (Note 4)	**$**	**174,792**	$	116,640
Trade and other receivables (Note 5)		**404,967**		114,196
Income taxes receivable		**49,241**		24,909
Inventories (Note 6)		**162,074**		44,651
		791,074		300,396
Non-Current				
Restricted funds (Note 7)		**57,007**		63,869
Long-term inventory (Note 6)		**154,725**		-
Marketable securities and other assets (Note 8)		**18,226**		21,617
Mineral properties, plant and equipment (Note 9)		**3,927,291**		1,784,868
Investment in associates (Note 10)		**2,059,199**		2,063,846
Deferred tax assets (Note 11)		**57,671**		24,031
Goodwill (Note 12)		**261,482**		173,383
		6,535,601		4,131,614
	$	**7,326,675**	$	4,432,010
LIABILITIES				
Current				
Trade and other payables (Note 13)	**$**	**274,213**	$	155,500
Income taxes payable		**6,380**		1,903
Current portion of deferred revenue (Note 14)		**65,098**		4,849
Current portion of long-term debt and finance leases (Note 15)		**1,932**		3,341
Current portion of reclamation and other closure provisions (Note 16)		**8,995**		8,712
		356,618		174,305
Non-Current				
Deferred revenue (Note 14)		**602,244**		56,163
Long-term debt and finance leases (Note 15)		**980,888**		225,435
Reclamation and other closure provisions (Note 16)		**254,461**		142,958
Other long-term liabilities		**10,001**		3,234
Provision for pension obligations (Note 19)		**17,030**		20,752
Deferred tax liabilities (Note 11)		**466,759**		139,558
		2,331,383		588,100
		2,688,001		762,405
SHAREHOLDERS' EQUITY				
Share capital		**4,099,038**		3,509,343
Contributed surplus		**45,021**		40,379
Accumulated other comprehensive loss		**(199,023)**		(27,620)
Retained earnings		**260,109**		147,503
Equity attributable to Lundin Mining Corporation shareholders		**4,205,145**		3,669,605
Non-controlling interests		**433,529**		-
		4,638,674		3,669,605
	$	**7,326,675**	$	4,432,010

Commitments and contingencies (Note 23)

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

APPROVED BY THE BOARD OF DIRECTORS

(Signed) Lukas H. Lundin (Signed) Dale C. Peniuk

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS
For the years ended December 31, 2014 and 2013
(in thousands of US dollars, except for shares and per share amounts)

		2014		2013
Sales	$	951,314	$	727,782
Operating costs (Note 18)		(619,741)		(461,155)
Depreciation, depletion and amortization (Note 9)		(208,703)		(148,149)
General and administrative expenses		(27,238)		(23,570)
General exploration and business development (Note 20)		(74,685)		(43,668)
Income from equity investment in associates (Note 10)		89,796		93,967
Finance income (Note 21)		3,527		1,945
Finance costs (Note 21)		(31,635)		(14,745)
Other income (Note 22)		29,859		17,506
Other expenses (Note 22)		(10,785)		(18,949)
Asset impairment (Note 9)		(47,064)		-
Earnings before income taxes		54,645		130,964
Current tax expense (Note 11)		(5,300)		(12,471)
Deferred tax recovery (Note 11)		74,036		18,256
Net earnings	$	123,381	$	136,749
Net earnings attributable to:				
Lundin Mining Corporation shareholders	$	112,606	$	136,749
Non-controlling interests		10,775		-
Net earnings	$	123,381	$	136,749
Basic and diluted earnings per share attributable to Lundin Mining Corporation shareholders	$	0.19	$	0.23
Weighted average number of shares outstanding (Note 17)				
Basic		600,442,231		584,276,739
Diluted		602,357,872		584,938,925

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2014 and 2013
(in thousands of US dollars)

		2014		2013
Net earnings	**$**	**123,381**	$	136,749
Other comprehensive (loss) income, net of taxes				
Items that may be reclassified to net earnings:				
Unrealized loss on marketable securities		**(91)**		(8,989)
Impairment losses on marketable securities reclassified to net earnings (Note 21)		**-**		5,221
Effects of foreign currency translation		**(170,643)**		53,548
Items that will not be reclassified to net earnings:				
Remeasurements for post-employment benefit plans		**(669)**		(187)
Other comprehensive (loss) income		**(171,403)**		49,593
Comprehensive (loss) income	**$**	**(48,022)**	$	186,342
Comprehensive (loss) income attributable to:				
Lundin Mining Corporation shareholders	**$**	**(58,797)**	$	186,342
Non-controlling interests		**10,775**		-
Comprehensive (loss) income	**$**	**(48,022)**	$	186,342

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2014 and 2013
(in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Non-controlling interests	Total
Balance, December 31, 2013	584,643,063	$ 3,509,343	$ 40,379	$ (27,620)	$ 147,503	$ -	$ 3,669,605
Non-controlling interest arising on business combination	-	-	-	-	-	437,754	437,754
Distributions	-	-	-	-	-	(15,000)	(15,000)
Exercise of stock options	1,368,110	7,490	(2,457)	-	-	-	5,033
Share issuance (Note 17)	132,157,000	582,205	-	-	-	-	582,205
Share-based compensation	-	-	7,099	-	-	-	7,099
Net earnings	-	-	-	-	112,606	10,775	123,381
Other comprehensive loss	-	-	-	(171,403)	-	-	(171,403)
Total comprehensive loss	-	-	-	(171,403)	112,606	10,775	(48,022)
Balance, December 31, 2014	**718,168,173**	**$ 4,099,038**	**$ 45,021**	**$ (199,023)**	**$ 260,109**	**$ 433,529**	**$ 4,638,674**
Balance, December 31, 2012	584,005,006	$ 3,505,398	$ 34,140	$ (77,213)	$ 10,754	$ -	$ 3,473,079
Net earnings	-	-	-	-	136,749	-	136,749
Other comprehensive income	-	-	-	49,593	-	-	49,593
Total comprehensive income	-	-	-	49,593	136,749	-	186,342
Exercise of stock options	588,057	3,684	(1,290)	-	-	-	2,394
Share issuance	50,000	261	-	-	-	-	261
Share-based compensation		-	7,529	-	-	-	7,529
Balance, December 31, 2013	584,643,063	$ 3,509,343	$ 40,379	$ (27,620)	$ 147,503	$ -	$ 3,669,605

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

(in thousands of US dollars)

	2014	2013
Cash provided by (used in)		
Operating activities		
Net earnings	**$ 123,381**	$ 136,749
Items not involving cash and other adjustments		
Depreciation, depletion and amortization	**208,703**	148,149
Share-based compensation	**7,168**	7,301
Income from equity investment in associates	**(89,796)**	(93,967)
Unrealized foreign exchange (gain) loss	**(7,465)**	7,812
Deferred tax recovery	**(74,036)**	(18,256)
Recognition of deferred revenue (Note 14)	**(16,885)**	(16,660)
Reclamation and closure provisions	**15,581**	2,451
Finance income and costs	**28,108**	12,800
Asset impairment	**47,064**	-
Other	**68**	2,284
Reclamation payments	**(8,202)**	(6,881)
Pension payments	**(1,659)**	(1,675)
Changes in long-term inventory	**(6,791)**	-
Changes in non-cash working capital items (Note 29)	**(37,873)**	(25,785)
	187,366	154,322
Investing activities		
Investment in mineral properties, plant and equipment	**(413,984)**	(240,627)
Capitalized interest expense	**(7,573)**	(3,047)
Acquisition of Candelaria, net of cash acquired (Note 3)	**(1,747,373)**	-
Acquisition of Eagle Project (Note 3)	**-**	(317,955)
Acquisition of Freeport Cobalt (Note 10)	**-**	(116,253)
Distributions from associates (Note 10)	**94,443**	149,427
Restricted funds withdrawal (contribution), net	**3,164**	(9,415)
Proceeds from sale of marketable securities, net	**4,302**	1,178
Other	**1,252**	(50)
	(2,065,769)	(536,742)
Financing activities		
Proceeds from common shares issued, acquisition financing (Note 17)	**579,293**	261
Proceeds from common shares issued, stock option exercise	**5,033**	1,301
Proceeds from senior secured notes, net (Note 15)	**978,302**	-
Proceeds received from stream agreement, net (Note 14)	**632,064**	-
Proceeds from other long-term debt, net (Note 15)	**132,481**	306,581
Long-term debt repayments (Note 15)	**(362,696)**	(87,490)
Distributions to non-controlling interests	**(15,000)**	-
Interest paid, net	**(1,511)**	(578)
	1,947,966	220,075
Effect of foreign exchange on cash balances	**(11,411)**	3,881
Increase (decrease) in cash and cash equivalents during the year	**58,152**	(158,464)
Cash and cash equivalents, beginning of year	**116,640**	275,104
Cash and cash equivalents, end of year	**$ 174,792**	$ 116,640

Supplemental cash flow information (Note 29)

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

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company. The Company's wholly-owned operating assets include the Neves-Corvo copper/zinc mine located in Portugal, the Zinkgruvan zinc/lead mine located in Sweden, the Aguablanca nickel/copper mine located in Spain and the Eagle nickel/copper mine located in the United States ("US"). The Company also owns 80% of the Candelaria and Ojos del Salado copper/gold mining complex located in Chile ("Candelaria"), and 24% equity accounted interests in the Tenke Fungurume copper/cobalt mine located in the Democratic Republic of Congo ("DRC") and the Freeport Cobalt Oy business ("Freeport Cobalt"), which includes a cobalt refinery located in Kokkola, Finland.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting.

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

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

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

These consolidated financial statements were approved by the Board of Directors of the Company for issue on February 18, 2015.

(ii) Significant accounting policies

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

(a) Basis of consolidation

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

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

date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

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

For non wholly-owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as “non-controlling interests” in the equity section of the consolidated balance sheet. Net earnings for the period that is attributable to non-controlling interests are calculated based on the ownership of the minority shareholders in the subsidiary. The Company’s non-controlling interests are related to the remaining 20% ownership stake of Candelaria held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation (“non-controlling interests”).

(b) Investments in associates

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

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

(c) Translation of foreign currencies

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

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

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

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

(d) Cash and cash equivalents

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

(e) Reclamation funds

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

(f) Inventories

Ore and concentrate stockpiles are valued at the lower of production cost and net realizable value. Production costs include direct costs of materials and labour related directly to mining and processing activities, including production phase stripping costs, depreciation and amortization of mineral property, plant and equipment directly involved in the related mining and production process, amortization of any stripping costs previously capitalized and directly attributable overhead costs.

Materials and supplies inventories are valued at the lower of average cost less allowances for obsolescence or net realizable value.

If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

(g) Mineral properties

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

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

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

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

iv. 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.

Incidental pre-production expenditures net of the proceeds from sales generated, if any, are recognized in the consolidated statement of earnings. Once a mining operation has achieved commercial production, capitalized mineral property expenditures for each area of interest are depleted on a unit-of-production basis using proven and probable reserves.

(h) Plant and equipment

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

Useful lives are as follows:

	Number of years
Buildings	20 - 30
Plant and machinery	3 - 20
Equipment	5 - 7

(i) Mining equipment under finance lease

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

(j) Impairment

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

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

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

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

(k) Borrowing costs

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

(l) Business combinations and goodwill

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

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

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

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

(m) Derivatives

The Company may enter into derivative instruments to mitigate exposures to commodity price and currency exchange rate fluctuations, among other exposures. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as held-for-trading and recorded at their fair value with realized and unrealized gains or losses arising from changes in the fair value recorded in the consolidated statement of earnings in the period they occur. Fair values for derivative instruments classified as

held-for-trading are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date. Realized gains and losses are recorded as a component of operating cash flows.

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

(n) Deferred revenue

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

(o) Provision for pension obligations

The Company's Zinkgruvan mine has an unfunded defined benefit pension plan based on employee pensionable remuneration and length of service. The cost of the defined benefit pension plan is determined annually by independent actuaries. The actuarial valuation is based on the projected benefit method pro-rated on service which incorporates management's best estimate of future salary levels, retirement ages of employees and other actuarial factors. Actuarial gains and losses are recorded in other comprehensive income.

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

(p) Reclamation and other closure provisions

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

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

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

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

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

(q) Revenue recognition

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

(r) Share-based compensation

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

(s) Current and deferred income taxes

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

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

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

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

(t) Earnings per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during each reporting period. Diluted earnings per share is calculated assuming the proceeds from the exercise of vested exercisable in-the-money stock options are used to purchase common shares at the average market price during the period and cancelled. If the calculated result is dilutive, it is included in the diluted earnings per share calculation.

(u) Financial instruments

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

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

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

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

Transaction costs for FVTPL assets are expensed.

Available for sale (“AFS”)

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

AFS assets are measured at fair value with changes in fair values recognized in other comprehensive income. When an AFS asset has sustained a loss in value which is significant or prolonged, the loss is recognized in the consolidated statement of earnings. Subsequent losses related to impaired AFS investments will also be recognized in the consolidated statement of earnings and subsequent gains will be recognized in OCI.

Loans and receivables

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

Financial liabilities at amortized cost

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

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

(v) Government grants

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

(iii) **New accounting policies adopted during the year**

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IFRIC 21, Accounting for Levies Imposed by Governments, clarifies the obligating event giving rise to a liability to pay a levy. This obligating event is the activity described in the relevant legislation that triggers payment of the levy. This standard is effective for annual periods beginning on or after January 1, 2014. The Company has concluded there was no significant impact of adopting this standard.

(iv) **New accounting pronouncements**

IFRS 15, *Revenue from Contracts with Customers,* provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, cost of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. This standard is effective for annual periods beginning on or after January 1, 2017. The Company is still assessing the impact of this standard.

The final version of IFRS 9, *Financial Instruments,* was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed

approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. The Company is yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

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

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

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

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

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

A change in the original estimate of reserves would result in a change in the rate of depreciation, depletion and amortization of the related mining assets. The effect of a change in the estimates of reserves would have a relatively greater effect on the amortization of the current mining operations at Aguablanca and Eagle because of the relatively 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, the Zinkgruvan mine and Candelaria have longer mine lives and would be less affected by a change in the reserve estimate.

Valuation of long-term inventory - The Company carries its long-term inventory at lower of production cost and net realizable value ("NRV"). If carrying value exceeds, net realizable amount, a write-down is required. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

The Company reviews the NRV periodically. In particular, for the NRV of the long-term inventory the Company makes significant estimates related to future production and sales volumes, metal prices, foreign exchange rates, reserve and resource quantities, future operating and capital costs. These estimates are subject to various

risks and uncertainties and may have an effect on the NRV estimate and the carrying value of the long-term inventory.

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

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

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

Valuation of Investment in Tenke Fungurume and Freeport Cobalt - The Company carries its investment at cost and adjusts for its share of earnings and capital transactions of the investee. The Company reviews the carrying value of the investment whenever events or changes in circumstances indicate that impairment may be present. In undertaking this review, the Company makes reference to future operating results and cash flows. For the investment in Tenke Fungurume, this requires making significant estimates of, amongst other things, reserve and resource quantities, and future production and sale volumes, metal prices and future operating and capital costs to the end of the mine's life. For the investment in Freeport Cobalt, critical assumptions are made related to future sale volumes, operating and capital costs and metal prices. 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 investments.

Goodwill - The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired is recorded as goodwill. Goodwill is allocated to the CGUs acquired based on the assessment of which CGU would be expected to benefit from the synergies of the acquisition. Estimates of recoverable value may be impacted by changes in metal prices, foreign exchange rates, discount rates, level of capital expenditures, operating costs and other factors that may be different from those used in determining fair value. Changes in estimates could have a material impact on the carrying value of the goodwill. Refer to Note 12 for sensitivities.

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

Reclamation and other closure provisions - The Company has obligations for reclamation and other closure activities related to its mining properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried

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

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

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

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

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

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

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

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

3. BUSINESS COMBINATIONS

a) Candelaria acquisition

On November 3, 2014 the Company acquired 80% of Compañia Contractual Minera Candelaria S.A. and Compañia Contractual Minera Ojos del Salado S.A. copper mining operations and supporting infrastructure ("Candelaria Acquisition") from Freeport-McMoRan Inc. ("Freeport" or "FCX"). Total cash consideration paid was $1,852 million, consisting of a $1,800 million base purchase price plus $52 million for cash and non-cash working capital and other agreed adjustments. In addition, contingent consideration of up to $200 million is also payable and calculated as 5% of net copper revenue in any annual period over the next five years if the realized average

copper price exceeds $4.00 per pound. The remaining 20% ownership stake continues to be held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation.

The Candelaria Acquisition was funded by a $1,000 million senior secured note financing, a US$601.5 million (C$674 million) subscription receipt equity financing and a $648 million upfront payment under the stream agreement with a subsidiary of Franco-Nevada Corporation ("Franco Nevada") (Note 14). The Company also repaid its existing $250 million term loan with the proceeds from the financings.

The purchase price is as follows:

Cash consideration	$	1,851,759
Cash acquired		(104,386)
Contingent consideration		8,100
Purchase price	**$**	**1,755,473**

The fair value of the contingent consideration was calculated using a valuation method technique which involved determining probabilities for future copper prices. This liability has been recorded in other long-term liabilities.

Assets acquired and liabilities assumed

Trade and other receivables	$	207,741
Income taxes receivable		8,549
Inventories		156,996
Long-term inventory		147,934
Other assets		6,485
Deferred tax assets		2,611
Mineral properties, plant and equipment		2,159,828
Goodwill		108,845
Total assets	$	2,798,989
Trade and other payables	$	117,633
Current portion of reclamation and other closure provisions		5,482
Reclamation and other closure provisions		94,629
Deferred tax liabilities		388,018
Total liabilities	$	605,762
Non-controlling interests		437,754
Total assets acquired and liabilities assumed, net	**$**	**1,755,473**

In accordance with the acquisition method of accounting, the purchase price has been allocated to the underlying assets acquired and liabilities assumed, based primarily upon their estimated fair values at the date of acquisition. The purchase price allocation is preliminary subject to final tax analysis.

We primarily used a discounted cash flow model (net present value of expected future cash flows) to determine the fair value of the mineral interests and long-term inventory, and used a replacement cost approach in determining the fair values of real property, plant and equipment. Expected future cash flows are based on estimates of projected revenues, production costs, capital expenditures and expected conversions of resources to reserves based on the life of mine plan as at the acquisition date.

The excess of the purchase price over the net identifiable assets acquired represents goodwill. The goodwill recognized primarily represents future mineral resource development potential. The goodwill is not expected to be deductible for income tax purposes.

The Company used the proportionate method in measuring non-controlling interest at the acquisition date.

Total proceeds received and funds used:

Common share issuance, net proceeds	$	579,293
Senior secured notes, net proceeds		978,302
Stream agreement, net proceeds		632,064
Total proceeds received	**$**	**2,189,659**
Purchase price	$	1,851,759
Term loan repayment, including accrued interest		250,101
Acquisition related fees		25,706
General corporate purposes		62,093
Total funds used	**$**	**2,189,659**

Acquisition related fees are recorded in the consolidated statement of earnings as a business development cost (Note 20).

The revenue included in the consolidated statement of earnings since November 3, 2014 contributed by Candelaria was $215.2 million. The net earnings was $17.1 million for the same period.

If Candelaria had been consolidated from January 1, 2014, the consolidated statement of earnings would show pro forma sales of $1,767.5 million and net earnings of $235.6 million.

b) Eagle acquisition

On July 17, 2013 the Company acquired 100% of Eagle Mine LLC, which owns a nickel/copper underground mine and an associated mill that were under development ("Eagle Project" or "Eagle") located in the Upper Peninsula of Michigan, USA. Total cash consideration paid was $314.9 million, including project expenditures from January 1, 2013 until transaction closing, July 17, 2013 of $64.9 million. On acquisition, the Company drew down $200 million on its credit facility to fund a portion of the acquisition price of the Eagle Project. The remaining amounts were funded using cash on hand.

Based on management's judgment, this project did not meet the definition of a business as key processes and infrastructure were not present nor readily obtainable at the date of acquisition. Accordingly, the Company has accounted for the Eagle Project as an asset acquisition. The identifiable assets were measured at cost and then assigned a carrying amount based on their relative fair values.

The purchase price is as follows:

Cash consideration	$	314,908
Acquisition costs		3,047
Purchase price	**$**	**317,955**

Assets acquired and liabilities assumed:

Mineral properties, plant and equipment	$	341,829
Inventories		30
Trade and other payables		(16,946)
Reclamation and other provisions		(6,958)
Total assets acquired and liabilities assumed, net	**$**	**317,955**

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	December 31, 2014	December 31, 2013
Cash	**$ 114,751**	$ 116,603
Short-term deposits	**60,041**	37
	$ 174,792	$ 116,640

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	December 31, 2014	December 31, 2013
Trade receivables	**$ 360,909**	$ 85,435
Value added tax	**17,522**	15,432
Other receivables	**11,085**	9,246
Prepaid expenses	**15,451**	4,083
	$ 404,967	$ 114,196

The Company does not have any significant balances that are past due nor any allowance for doubtful accounts. The Company's credit risk is discussed in Note 27.

The fair value of trade and other receivables, including the embedded derivative arising from provisionally priced trade receivables, is disclosed in Note 26.

The carrying amounts of trade and other receivables are denominated as follows: $364.0 million, €14.7 million, CLP 8.4 billion, SEK 33.4 million and C$3.7 million as at December 31, 2014 (2013 - $84.8 million, €17.6 million, SEK 19.1 million and C$1.3 million).

6. INVENTORIES

Inventories are comprised of the following:

	December 31, 2014	December 31, 2013
Ore stockpiles	**$ 22,261**	$ 12,227
Concentrate stockpiles	**40,656**	14,470
Materials and supplies	**99,157**	17,954
	$ 162,074	$ 44,651

Long-term inventory is comprised of ore stockpiles of $154,725 as at December 31, 2014 (2013 - $nil).

The cost of inventories expensed and included in total operating costs for the year was $780.8 million (2013 - $575.4 million).

7. RESTRICTED FUNDS

Restricted funds are comprised of the following:

	December 31, 2014	December 31, 2013
Reclamation funds	**$ 48,465**	$ 53,136
Restricted cash	**8,542**	10,733
	$ 57,007	$ 63,869

8. MARKETABLE SECURITIES AND OTHER ASSETS

Marketable securities and other assets comprise the following:

	December 31, 2014	December 31, 2013
Marketable securities (a)	**$ 6,181**	$ 17,347
Other assets (b)	**12,045**	4,270
	$ 18,226	$ 21,617

a) Marketable securities

Marketable securities include fair value through profit and loss (“FVTPL”) and available for sale (“AFS”) investments. The Company has investments in companies holding exploration projects considered to have development potential. These investments are classified as AFS investments and revaluations related to these investments are recorded in OCI. In 2013, certain AFS investments were impaired and gains and losses related to these investments are recognized in finance income and costs (Note 21).

Revaluation on and loss on disposal of marketable securities designated as FVTPL are recorded in finance income and costs (Note 21).

During 2014, the Company received cash proceeds of $4.3 million (2013 - $2.5 million) from disposals of marketable securities and a loss on disposal of $4.9 million (2013 - $nil) was recorded.

b) Other assets

Included in other assets are employee related receivables of $5.2 million (2013 - $nil).

9. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment comprise the following:

Cost	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2012	$ 1,646,431	$ 654,878	$ 60,590	$ 20,420	$ 2,382,319
Acquisition of Eagle Project	10,369	15,397	-	316,063	341,829
Additions	63,760	3,438	501	209,274	276,973
Disposals and transfers	1,891	57,873	(721)	(72,816)	(13,773)
Effects of foreign exchange	56,553	26,881	2,860	1,874	88,168
As at December 31, 2013	1,779,004	758,467	63,230	474,815	3,075,516
Candelaria Acquisition	1,217,348	904,909	-	37,571	2,159,828
Additions	82,840	1,333	-	320,753	404,926
Impairment	-	-	(47,064)	-	(47,064)
Disposals and transfers	248,719	466,549	(501)	(725,422)	(10,655)
Effects of foreign exchange	(240,763)	(99,756)	(6,978)	(8,624)	(356,121)
As at December 31, 2014	**$ 3,087,148**	**$ 2,031,502**	**$ 8,687**	**$ 99,093**	**$ 5,226,430**

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2012	$ 831,694	$ 279,812	$ -	$ -	$ 1,111,506
Depreciation	103,822	44,327	-	-	148,149
Disposals and transfers	(2,810)	(8,324)	-	-	(11,134)
Effects of foreign exchange	28,650	13,477	-	-	42,127
As at December 31, 2013	961,356	329,292	-	-	1,290,648
Depreciation	127,345	81,358	-	-	208,703
Disposals and transfers	(1,421)	(7,346)	-	-	(8,767)
Effects of foreign exchange	(141,967)	(49,478)	-	-	(191,445)
As at December 31, 2014	**$ 945,313**	**$ 353,826**	**$ -**	**$ -**	**$ 1,299,139**

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2013	$ 817,648	$ 429,175	$ 63,230	$ 474,815	$ 1,784,868
As at December 31, 2014	**$ 2,141,835**	**$ 1,677,676**	**$ 8,687**	**$ 99,093**	**$ 3,927,291**

During the quarter ended December 31, 2014, the Company completed the Candelaria Acquisition, thus acquiring $2.2 billion of mineral properties, plant and equipment. During 2014, the Company capitalized $13.6 million of deferred stripping costs to mineral properties.

Included in the mineral properties balance at December 31, 2014 is $394.5 million (2013 - $nil) which is non-depreciable.

Also during 2014, the Company capitalized $7.6 million (2013 - $3.0 million) of borrowing costs related to the credit facility drawn for the acquisition and development of the Eagle Project.

The Eagle Project entered commercial production effective November 2014, at which time capitalization of interest was ceased and depreciation was commenced. Commercial production was defined as the ability to maintain average production metric of 75% of designed throughput, 75% nickel recovery, and 11% - 16% nickel

grade in concentrate for a period of 30 days. As a result of commercial production, $650.0 million of assets under construction were reclassified into mineral properties and plant and equipment.

The net carrying amount of equipment under finance leases is $2.2 million (2013 - $4.9 million).

During 2014, the Company recognized an exploration property impairment of $47.1 million ($32.3 million net of tax) related to its Portuguese regional exploration concessions. This impairment was recognized to reflect the cessation of the exploration program; there are no current plans for further exploration work in the area.

Depreciation, depletion and amortization is comprised of:

		2014		2013
Operating costs	**$**	**208,334**	$	147,839
General and administrative expenses		**369**		310
Depreciation, depletion and amortization	**$**	**208,703**	$	148,149

10. INVESTMENT IN ASSOCIATES

		Tenke Fungurume		**Freeport Cobalt**		**Total**
As at December 31, 2012	$	2,003,053	$	-	$	2,003,053
Acquisition		-		116,253		116,253
Distributions		(141,810)		(7,617)		(149,427)
Share of equity income (loss)		97,769		(3,802)		93,967
As at December 31, 2013		1,959,012		104,834		2,063,846
Distributions		(85,828)		(8,615)		(94,443)
Share of equity income		88,016		1,780		89,796
As at December 31, 2014	**$**	**1,961,200**	**$**	**97,999**	**$**	**2,059,199**

a) Investment in Tenke Fungurume

The Company holds a 30% interest in TF Holdings Limited (“TFH”), a Bermuda company, which in turn holds an 80% interest in a Congolese subsidiary company, Tenke Fungurume Mining Corp S.A.R.L (“TFM”). 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 interests in TFM are 24% and 56%, respectively. La Générale des Carrières et des Mines (“Gécamines”), a DRC Government-owned corporation, owns a free-carried 20% interest.

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

The Company received cash distributions of $85.8 million in 2014 (2013 - $141.8 million).

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

		December 31, 2014		December 31, 2013
Total current assets	**$**	**828,368**	$	648,488
Total non-current assets	**$**	**3,968,766**	$	3,884,643
Total current liabilities	**$**	**198,039**	$	99,144
Total non-current liabilities	**$**	**497,475**	$	559,085

		2014		2013
Total sales	**$**	**1,586,753**	$	1,666,725
Net earnings attributable to TFHL's shareholders	**$**	**293,388**	$	325,897
Reconciliation of summarized financial information				
Net earnings attributable to TFHL's shareholders	**$**	**293,388**	$	325,897
Effective ownership interest		**30%**		30%
Share of equity income	**$**	**88,016**	$	97,769

b) Investment in Freeport Cobalt

In 2013, the Company acquired a 24% ownership interest in Freeport Cobalt, a cobalt refinery in Finland, and its related sales and marketing business for a purchase price of $116.3 million. FCX holds a 56% ownership interest and Gécamines owns the remaining 20% interest in Freeport Cobalt. The Company received cash distributions of $8.6 million in 2014 (2013 - $7.6 million).

11. CURRENT AND DEFERRED INCOME TAXES

		2014		2013
Current tax expense (recovery):				
Current tax on net earnings	**$**	**17,748**	$	10,220
Adjustments in respect of prior years		**(12,448)**		2,251
		5,300		12,471
Deferred tax (recovery) expense:				
Origination and reversal of temporary differences		**(50,888)**		(17,664)
Change in tax rates		**(9,594)**		1,898
Utilization of previously unrecognized tax losses and temporary differences		**(13,554)**		(7,823)
Tax losses for which no deferred income tax asset was recognized		**-**		5,333
		(74,036)		(18,256)
Total tax recovery	**$**	**(68,736)**	$	(5,785)

Current tax of $17.7 million reflects tax on net taxable earnings of $31.3 million offset by tax credits of $13.6 million in Portugal. Included in the adjustments in respect of prior years in 2014 are Portuguese tax credits received for the years 2012 and 2013 of $11.4 million.

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

		2014		2013
Earnings before income tax	**$**	**54,645**	$	130,964
Combined basic federal and provincial rates		**26.5%**		26.5%
Income taxes based on Canadian statutory income tax rates	**$**	**14,481**	$	34,705
Effect of lower tax rates in foreign jurisdictions		**(15,322)**		(28,524)
Tax calculated at domestic tax rates applicable to earnings in the respective countries		**(841)**		6,181
Tax effects of:				
Non-deductible and non-taxable items		**(20,564)**		4,454
Change in tax rates		**(9,594)**		1,898
Adjustments in respect of prior years		**(17,181)**		(1,848)
Tax losses for which no deferred income tax asset was recognized		**-**		5,333
Utilization of previously unrecognized tax losses and temporary differences		**(9,301)**		(7,823)
Tax recovery associated with government grants and other tax credits		**(9,861)**		(14,309)
Other		**(1,394)**		329
Total tax recovery	**$**	**(68,736)**	$	(5,785)

The weighted average applicable tax rate for 2014 was -1.54% (2013 – 4.7%). The decrease in the tax rate is caused by an increase in the ratio of income from the equity investment in Tenke Fungurume (held through a subsidiary with a zero tax rate) to consolidated net earnings and also due to the change of profitability of the Company's subsidiaries in the respective countries that have tax rates ranging from 21% to 35%.

In November 2014, Portugal and Spain both substantively enacted lower tax rates, resulting in a $9.6 million in deferred tax recovery from the re-measurement of deferred tax balances. In Portugal, the tax rate decreased from 29.5% to 27.5% commencing 2015 and in Spain, the tax rate decreased from 30% to 28% effective 2015 and to 25% effective 2016.

During 2013, Neves-Corvo received tax credits of $14.3 million to offset 2013 taxes payable. Aguablanca and Galmoy mines utilized deferred tax assets and tax losses which had not been recognized in prior periods to offset 2013 taxable income resulting in a tax recovery of $7.8 million.

Deferred tax assets (liabilities), net

		December 31, 2014		December 31, 2013
Deferred tax liabilities:				
Deferred tax liabilities to be settled after more than 12 months		**(394,064)**		(122,685)
Deferred tax liabilities to be settled within 12 months		**(15,024)**		7,158
Deferred tax liabilities, net	**$**	**(409,088)**	$	(115,527)

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

	As at December 31, 2013	(Expensed)/ recovered	Credited to equity	Acquisition of Candelaria	Effects of foreign exchange	As at December 31, 2014
Deferred tax assets:						
Loss carryforwards	$ 38,203	$ 97,913	$ -	$ -	$ (236)	$ 135,880
Reclamation and other closure provisions	28,495	15,286	-	17,901	(2,385)	59,297
Pension obligations	2,779	1,133	-	157	(464)	3,605
Future tax credits	11,144	(6,364)	-	-	(823)	3,957
Long-term inventory	-	1,643	-	14,220	-	15,863
Share issuance costs	-	-	2,912	-	-	2,912
Fair value gains	-	3,643	-	2,277	-	5,920
Other	2,516	622	-	193	622	3,953
Deferred tax liabilities:						
Mineral properties, plant & equipment	(179,559)	(45,890)	-	(398,002)	16,626	(606,825)
Reserves	(19,105)	5,928	-	-	2,163	(11,014)
Mining royalty taxes	-	(483)	-	(22,153)	-	(22,636)
Cumulative translation adjustments	-	605	-	-	(605)	-
	$ (115,527)	$ 74,036	$ 2,912	$ (385,407)	$ 14,898	$ (409,088)

	As at December 31, 2012	(Expensed)/ recovered	Effects of foreign exchange	As at December 31, 2013
Deferred tax assets:				
Loss carryforwards	$ 8,745	$ 29,311	$ 147	$ 38,203
Reclamation and other closure provisions	21,801	5,680	1,014	28,495
Pension obligations	2,760	16	3	2,779
Future tax credits	-	10,734	410	11,144
Other	5,280	(2,624)	(140)	2,516
Deferred tax liabilities:				
Mineral properties, plant & equipment	(151,417)	(22,461)	(5,681)	(179,559)
Reserves	(16,953)	(1,823)	(329)	(19,105)
	$ (129,784)	$ 18,833	$ (4,576)	$ (115,527)

The Company did not recognize deductible temporary differences of $67.2 million (2013 - $55.5 million) in respect of mineral properties, plant and equipment, marketable securities and other assets.

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Due to the business combination in 2014 and expected future profits, the Company recognized $26.5 million in deferred tax assets that were unrecognized in prior periods. In total, $49.4 million in deferred tax assets in respect of tax losses have been recognized as it is probable that there will be future taxable profit to recover the deferred tax assets.

The Company, however, did not recognize deferred tax assets of $41.2 million (2013 - $67.9 million) in respect of tax losses amounting to $159.0 million (2013 - $259.9 million) that can be carried forward against future taxable income, as indicated below:

Year of expiry	Canada	Ireland	Total
2015	$ 6,395	$ -	$ 6,395
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019 and thereafter	91,284	61,275	152,559
	$ 97,679	$ 61,275	$ 158,954

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

The aggregate amount of temporary differences related to investments in subsidiaries and associates for which deferred tax liabilities have not been recognized is $401.6 million as at December 31, 2014 (2013 - $413.7 million).

12. GOODWILL

The Company recognizes goodwill resulting from the acquisition of the Neves-Corvo mine and through the Candelaria Acquisition.

Goodwill is allocated to the CGUs as follows:

	Candelaria	**Ojos**	**Neves-Corvo**	**Total**
Balance at December 31, 2012	$ -	$ -	$ 165,877	$ 165,877
Effects of foreign exchange	-	-	7,506	7,506
Balance at December 31, 2013	-	-	173,383	173,383
Candelaria Acquisition	98,132	10,713	-	108,845
Effects of foreign exchange	-	-	(20,746)	(20,746)
Balance at December 31, 2014	**$ 98,132**	**$ 10,713**	**$ 152,637**	**$ 261,482**

Impairment Testing

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

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

Commodity prices used in the cash flow projections are within the range of current market consensus observed during the fourth quarter of 2014. The valuation for the recoverable amount is most sensitive to long-term copper and zinc prices, as well as Euro, CLP and US dollar exchange rates.

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

Candelaria

Candelaria's purchase price allocation was performed as at November 3, 2014 at which time fair values were assigned for assets acquired and liabilities assumed (Note 3). The goodwill from the Candelaria business combination has been allocated entirely to the Candelaria segment. As at December 31, 2014, the recoverable amount of the Candelaria CGU was assessed using fair value less costs of disposal, based on the observable transaction price of the acquisition (a level 2 measurement) and no significant costs of disposal. In assessing recoverable amount Management considered whether there were changes in observable market condition since the acquisition date.

Neves-Corvo

For the Neves-Corvo CGU impairment review, the Company used a FVLCD model. An after-tax discount rate of 9% per annum (2013 – 9%) was assumed. For metal prices, the Company assumed a copper price of $3.00/lb (2013 - $3.00/lb to $3.50/lb) and for zinc a range of $1.05/lb to $1.10/lb (2013 - $1.00/lb to $1.15/lb), in order to calculate the present values of cash flows over the economic years of the Company's life-of-mine plan. Foreign exchange assumptions applied to the impairment test for €/$ was forecasted at 1.25 (2013 – 1.30). The reserves and resources were based on the Company's last published statement dated June 30, 2014. Incorporated in the FVLCD, the Company developed fair value estimates for resources not captured in the cash flow model. These estimates were benchmarked using third-party market information. Since the recoverable amount of the CGU was determined to be higher than the carrying value, no impairment was recognized.

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

13. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	December 31, 2014	December 31, 2013
Trade payables	**$ 137,352**	$ 101,147
Unbilled goods and services	**81,511**	16,328
Payroll obligations	**46,763**	27,886
Royalty payable	**8,587**	10,139
	$ 274,213	$ 155,500

14. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2012	$	77,662
Recognition of revenue		(16,660)
Effects of foreign exchange		10
As at December 31, 2013		61,012
Stream agreement, net (a)		632,064
Recognition of revenue		(16,885)
Effects of foreign exchange		(8,849)
		667,342
Less: current portion		65,098
As at December 31, 2014	**$**	**602,244**

a) Candelaria

As part of the Candelaria Acquisition, the Company entered into a stream agreement with Franco-Nevada (Barbados) Corporation, a subsidiary of Franco Nevada, whereby the Company has agreed to sell 68% of all the gold and silver contained in production from Candelaria until 720,000 oz of gold and 12 million oz of silver have been delivered. Thereafter, Franco-Nevada will be entitled to receive 40% of gold and silver production from Candelaria. The Company received an up-front payment of $648 million. Including the impact of certain acquisition date adjustments, an amount equal to $632.1 million has been recorded as deferred revenue and is being recognized as gold and silver are delivered to Franco Nevada under the contract.

For each ounce of gold and silver delivered, Franco-Nevada makes payments equal to the lesser of the prevailing market prices and $400/oz of gold and $4.00/oz of silver. After three years, the on-going payments for gold and silver will be subject to a 1% annual inflationary adjustment (Note 23h).

b) Neves-Corvo mine

The Company has an agreement to deliver all of the silver contained in concentrate produced from its Neves-Corvo mine to Silver Wheaton Corp (“Silver Wheaton”). The Company received an up-front payment which was deferred and is being recognized in sales as silver is delivered under the contract. The Company receives the lesser of a fixed payment (subject to annual adjustments) and the market price per ounce of silver. During 2014, the Company received approximately $4.08 per ounce of silver. The agreement extends to the earlier of September 2057 and the end of mine life of the Neves-Corvo mine.

c) Zinkgruvan mine

The Company has an agreement with Silver Wheaton to deliver silver contained in concentrate from the Zinkgruvan mine. The Company received an up-front payment which was deferred and is being recognized in sales as silver is delivered under the contract and receives the lesser of a fixed payment (subject to annual adjustments) and the market price per ounce of silver (Note 23f). During 2014, the Company received approximately $4.18 per ounce of silver.

15. LONG-TERM DEBT AND FINANCE LEASES

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

	December 31, 2014	December 31, 2013
Senior secured notes (a)	**$ 978,835**	$ -
Credit facilities (b)	**-**	220,818
Finance lease obligations (d)	**2,171**	5,267
Rio Narcea debt (e)	**1,814**	2,691
	982,820	228,776
Less: current portion	**1,932**	3,341
	$ 980,888	$ 225,435

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

As at December 31, 2012	$ 10,022
Additions	306,581
Repayments	(87,490)
Revaluations	16
Effects of foreign exchange	(353)
As at December 31, 2013	228,776
Issuance of senior secured notes, net	978,302
Additions	132,481
Repayments	(362,696)
Deferred financing fees	7,715
Revaluations	48
Effects of foreign exchange	(1,806)
As at December 31, 2014	**$ 982,820**

a) In connection with the Candelaria Acquisition, on October 27, 2014, the Company completed the issuance of $1,000 million senior secured notes in two tranches, $550 million of 7.5% Senior Secured Notes due 2020 (the "2020 Notes") and $450 million of 7.875% Senior Secured Notes due 2022 (the "2022 Notes" and, together with the 2020 Notes, the "Notes"). The 2020 Notes accrue interest at a rate of 7.5% per annum and will mature on November 1, 2020. The 2022 Notes accrue interest at a rate of 7.875% per annum, and will mature on November 1, 2022.

   The Notes are guaranteed on a senior secured basis by certain of the Company's subsidiaries that are guarantors under the existing credit facility and certain of the Company's subsidiaries that became guarantors under the streaming purchase agreement ("streaming subsidiaries"). The Notes and the guarantees are secured on a first priority basis by a pledge of the shares of certain streaming subsidiaries and on a second priority basis by a pledge of the shares of certain of the Company's subsidiaries that are also pledged to secure the Company's existing credit facility.

   The Company incurred $21.7 million in financing fees related to the arranging of the Notes.

b) On November 3, 2014, the Company repaid its existing $250 million term loan with the proceeds from the Notes. The Company also amended its $350 million revolving credit facility which remained in place under pre-existing terms. The terms provide for interest rates on drawn funds from LIBOR + 2.75% to LIBOR + 3.75%, depending on the Company’s leverage ratio. Certain assets and shares of the Company’s material subsidiaries are pledged as security for the credit facility. The credit facility matures in October 2017. As at December 31, 2014, the Company had no amount drawn on the credit facility, and a letter of credit in the amount of $10.2 million (SEK 80 million).

The Company has deferred financing costs of $2.4 million related to the revolving credit facility. All deferred financing fees related to the term loan were expensed on repayment of the term loan (Note 21).

c) The Sociedade Mineira de Neves-Corvo, S.A., a subsidiary of the Company which owns the Neves-Corvo mine, established a new commercial paper program replacing the previous program which expired in December 2012. The new €30 million program bears interest at LIBOR plus 3.6%. The program matures in December 2015. As at December 31, 2014, no amounts were drawn.

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

e) The Rio Narcea debt is an interest free loan extended by the Spanish Department of Trade, Industry and Commerce. The debt is recorded using an imputed interest rate of 0.6% (2013 – 1.0%) and is repayable annually until 2017.

The schedule of principal repayment obligations are as follows:

	Debt	Finance leases	Total
2015	$ 607	$ 1,325	$ 1,932
2016	603	414	1,017
2017	604	214	818
2018	-	218	218
2019 and thereafter	1,000,000	-	1,000,000
Total	**$ 1,001,814**	**$ 2,171**	**$ 1,003,985**

16. RECLAMATION AND OTHER CLOSURE PROVISIONS

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

	Reclamation provisions	Other closure provisions	Total
Balance, December 31, 2012	$ 112,094	$ 18,636	$ 130,730
Acquisition of the Eagle Project	6,958	-	6,958
Accretion	1,919	-	1,919
Accruals for services	-	2,451	2,451
Changes in estimates	11,237	-	11,237
Payments	(6,064)	(817)	(6,881)
Effects of foreign exchange	4,336	920	5,256
Balance, December 31, 2013	130,480	21,190	151,670
Acquisition of Candelaria	63,850	36,261	100,111
Accretion	2,354	-	2,354
Accruals for services	-	7,151	7,151
Changes in estimates	26,943	-	26,943
Payments	(7,484)	(718)	(8,202)
Effects of foreign exchange	(13,931)	(2,640)	(16,571)
Balance, December 31, 2014	202,212	61,244	263,456
Less: current portion	8,920	75	8,995
	$ 193,292	$ 61,169	$ 254,461

The reclamation and other closure provisions for Candelaria as at December 31, 2014 were $102.4 million. The

Company expects the payments to be settled between 2015 and 2026. An increase in estimate of $2.1 million, from the acquisition date, was recorded during 2014 in other closure provisions related to severance costs.

At December 31, 2014, the reclamation and other closure provision for the Neves-Corvo mine was $79.9 million (2013 - $83.4 million). The Company expects the payments for site restoration costs at Neves-Corvo to be incurred between 2015 and 2028. An increase in estimate of $4.4 million was recorded during 2014 in other closure provisions related to severance costs.

The reclamation provision at the Zinkgruvan mine at December 31, 2014 was $13.3 million (2013 - $11.9 million). This provision is based on future reclamation costs being paid primarily during 2018. The Company has posted environmental bonds related to its site restoration provision (Note 23).

The reclamation and other closure provisions, including severance, for the Aguablanca mine at December 31, 2014 totaled $25.7 million (2013 - $28.8 million). The majority of payments are expected to be settled between 2015 and 2018.

The reclamation and other closure provisions for the Eagle mine as at December 31, 2014 was $38.0 million (2013 - $22.5 million). There was an increase in estimate of $15.4 million recorded to reflect the completion of the construction of the mine and mill infrastructure at Eagle and the commencement of operations. The Company expects the payments to be settled between 2022 and 2024.

The reclamation and other closure provisions at the Galmoy mine as at December 31, 2014 was $2.4 million (2013 - $2.2 million). During 2014, $5.6 million (2013 - $5.0 million) was spent on closure activities. It is expected that $1.2 million will be settled in 2015 with the remaining provision being allocated for post closure monitoring.

17. SHARE CAPITAL

(a) Authorized and issued shares

Authorized share capital consists of an unlimited number of voting common shares with no par value and one special non-voting share with no par value. As at December 31, 2014, there were 718,168,173 fully paid voting common shares issued (2013 - 584,643,063).

In connection with the Candelaria Acquisition, on October 23, 2014, the Company completed a bought-deal financing. In total 132,157,000 subscription receipts, each representing one common share, were issued at a price of C$5.10 per subscription receipt for gross proceeds of $601.5 million (C$674 million). The proceeds from the sale of the subscription receipts were placed in escrow pending closing of the Candelaria Acquisition, a condition for release. On November 3, 2014, the proceeds and subscription receipts were released from escrow. On November 20, 2014, the subscription receipts were converted to common shares.

The Company incurred $22.2 million ($19.3 million, net of tax) in fees related to the above issuance.

(b) Restricted share units

On May 9, 2014, the Company adopted a new Share Unit Plan (the “SU Plan”). The SU Plan provides for share unit awards (the “SUs”) to be granted by the Board of Directors to certain employees of the Company. The maximum number of SUs that are issuable under the SU Plan is 6,000,000.

An SU is a unit representing the right to receive one common share (subject to adjustments) issued from treasury.

The number of SUs awarded will be determined based on the market price on the date of grant, as approved by the Board of Directors. The market price shall be calculated at the closing market price on the Toronto Stock Exchange of the common shares on the date of the grant. The vesting requirements are established from time to time by the Board of Directors.

No SUs were issued as at December 31, 2014.

(c) Stock options

On May 9, 2014, the Company adopted a new Incentive Stock Option Plan (the "2014 Option Plan") which replaced the Company's former stock option plan (the "Former Option Plan"). No further awards shall be granted under the Former Option Plan. However, any outstanding awards granted under the Former Option Plan shall remain outstanding and shall continue to be governed by the provisions of the Former Option Plan. The 2014 Option Plan provides for stock option awards (the "options") to be granted by the Board of Directors to certain employees of the Company. The term of any options granted under the 2014 Option Plan may not exceed five years from the date of grant. The maximum number of options that are issuable under the 2014 Option Plan is 30,000,000. The vesting requirements are established from time to time by the Board of Directors.

The Company uses the fair value method of accounting for the recording of stock option grants to employees and officers. Under this method, the Company recorded a share-based compensation expense of $7.7 million for 2014 (2013 - $7.5 million) with a corresponding credit to contributed surplus.

During 2014, the Company granted 3.7 million incentive stock options to employees and officers that expire in 2019. The options vest over three years from the grant date. The fair value of the stock options at the date of the grant using the Black-Scholes pricing model assumes risk-free interest rate of 1.3% to 1.6% (2013 - 1.1% to 1.6%), no dividend yield, expected life of 4.2 years (2013 - 3.5 years) with an expected price volatility of 46% to 55% (2013 - 52% to 70%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of approximately 13% is applied (2013 - 18%). The weighted average fair value per option granted during 2014 was $1.99 (2013 - $2.09). As at December 31, 2014, there was $3.8 million of unamortized stock compensation expense (2013 - $4.2 million).

During 2014, 1,368,110 common shares (2013 - 588,057) were issued as a result of options being exercised.

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

	Number of options	Weighted average exercise price (C$)
Outstanding, January 1, 2013	10,149,089	$ 4.48
Granted	1,170,000	4.27
Forfeited	(410,000)	4.71
Expired	(440,254)	6.40
Exercised	(679,169)	4.24
Outstanding, December 31, 2013	9,789,666	4.38
Granted	3,742,200	5.16
Forfeited	(319,884)	4.45
Exercised	(1,276,998)	4.00
Outstanding, December 31, 2014	**11,934,984**	**$ 4.66**

The following table summarizes options outstanding as at December 31, 2014, as follows:

	Outstanding Options			Exercisable Options		
Range of exercise prices (C$)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)
$3.89 to $4.2	4,178,334	2.2	$ 3.94	3,432,666	2.1	$ 3.92
$4.21 to $4.5	220,000	2.7	4.27	120,000	2.6	4.28
$4.51 to $4.8	624,000	2.9	4.71	268,000	2.5	4.75
$4.81 to $5.20	6,780,650	3.6	5.10	2,193,166	3.1	5.01
$5.21 to $5.35	132,000	4.0	5.31	20,000	3.0	5.27
	11,934,984	3.1	$ 4.66	6,033,832	2.5	$ 4.36

(d) Diluted weighted average number of shares

The basic weighted average number of common shares outstanding for the year ended December 31, 2014 was 600,442,231 (2013 – 584,276,739).

The total incremental shares added to the basic weighted average number of common shares to arrive at the fully diluted number of shares for the year ended December 31, 2014 is 1,915,641 shares (2013 – 662,186 shares) which relate to exercisable “in-the-money” outstanding stock options.

18. OPERATING COSTS

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

		2014		2013
Direct mine and mill costs	**$**	**572,101**	$	426,943
Transportation		**38,274**		24,207
Royalties		**9,366**		10,005
		619,741		461,155
Depreciation, depletion and amortization (Note 9)		**208,334**		147,839
Total operating costs	**$**	**828,075**	$	608,994

19. EMPLOYEE BENEFITS

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

	2014	2013
Operating costs		
Wages and benefits	**$ 119,107**	$ 116,308
Pension benefits	**1,659**	2,307
Share-based compensation	**2,733**	2,953
	123,499	121,568
General and administrative expenses		
Wages and benefits	**12,265**	9,677
Pension benefits	**510**	385
Share-based compensation	**4,717**	4,134
	17,492	14,196
General exploration and business development		
Wages and benefits	**7,773**	5,484
Pension benefits	**49**	50
Share-based compensation	**220**	214
	8,042	5,748
Total employee benefits	**$ 149,033**	$ 141,512

Provision for pension obligations

The Company has calculated its liability relating to the defined benefit plan at the Zinkgruvan mine using the accrued benefit pro-rated on services method.

Actuarial assumptions, based on the most recent actuarial valuation dated December 31, 2014, used to determine benefit obligations as at December 31, 2014 and 2013 were as follows:

	2014	2013
Discount rate	**2.6%**	3.1%
Rate of salary increase	**2.5%**	2.5%

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

Information about Zinkgruvan's pension obligations is as follows:

	2014	2013
Accrued benefit obligation		
Balance, beginning of the year	**$ 15,587**	**$** 16,396
Current service costs	**164**	272
Interest costs	**537**	520
Actuarial losses	**768**	262
Benefits paid	**(1,699)**	(1,657)
Effects of foreign exchange	**(2,568)**	(206)
Balance, end of the year	**12,789**	15,587
Other pension accruals	**4,241**	5,165
Total provision for pension obligations	**$ 17,030**	**$** 20,752

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 and recorded within operating costs is as follows:

		2014		2013
Current service costs	**$**	**164**	$	272
Interest costs		**537**		520
Payroll taxes		**532**		736
Pension expense	**$**	**1,233**	$	1,528

A 1% change in the discount rate assumption would have an insignificant impact on the pension obligation or the pension expense for 2014.

The Company expects to make payments of $1.5 million under the defined benefit plan during the next financial year.

Defined contribution plans

The Company recorded a pension expense in operating costs in the amount of $1.7 million (2013 - $0.8 million) and in general and administrative expenses in the amount of $0.5 million (2013 - $0.5 million) relating to defined contribution plans.

20. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

		2014		2013
General exploration	**$**	**35,522**	$	34,076
Corporate development		**25,790**		690
Project development		**13,373**		8,902
	$	**74,685**	$	43,668

During 2014, the Company recorded $25.7 million in corporate development expenses related to the Candelaria Acquisition (Note 3a). Project development expenses consist primarily of indirect costs for the Eagle Project. In 2013, these costs also included expenditures to develop an exploration ramp at the Neves-Corvo mine.

21. FINANCE INCOME AND COSTS

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

		2014		2013
Interest income	**$**	**1,857**	$	1,423
Interest expense and bank fees		**(23,035)**		(3,465)
Accretion expense on reclamation provisions		**(2,237)**		(1,919)
Revaluation losses on marketable securities		**(1,438)**		(9,361)
Loss on disposal of marketable securities (Note 8)		**(4,925)**		-
Other		**1,670**		522
Total finance costs, net	**$**	**(28,108)**	$	(12,800)

Finance income	**$**	**3,527**	$	1,945
Finance costs		**(31,635)**		(14,745)
Total finance costs, net	**$**	**(28,108)**	$	(12,800)

Deferred financing fees of $3.2 million related to the Company's $250 million term loan were recorded in interest expense and bank fees upon repayment of the loan (Note 15b).

During 2013, the Company identified AFS investments which had experienced significant declines in value (Note 8a). Accordingly, losses of $5.2 million were recorded as revaluation losses on marketable securities. These losses had previously been recorded in accumulated other comprehensive income.

22. OTHER INCOME AND EXPENSES

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

		2014		2013
Foreign exchange gain (loss)	**$**	**20,335**	$	(13,755)
Other income		**9,524**		17,506
Other expenses		**(10,785)**		(5,194)
Total other income, net	**$**	**19,074**	$	(1,443)

Other income	**$**	**29,859**	$	17,506
Other expenses		**(10,785)**		(18,949)
Total other income, net	**$**	**19,074**	$	(1,443)

During 2014, $7.0 million (2013 - $1.3 million) was recorded in other expense relating to the closure activities at the Galmoy mine.

For 2014, the Company recorded $3.7 million (2013 - $15.1 million) in other income related to insurance proceeds for business interruption at the Aguablanca mine from a ramp failure which occurred in late-2010.

Other income and other expenses include ancillary activities of the Company.

23. COMMITMENTS AND CONTINGENCIES

a) The Company's wholly-owned subsidiary, Somincor, has entered into a fifty year concession royalty agreement with the Portuguese government to pay the greater of 10% of prescribed net earnings or 1% of mine-gate production revenue. Royalty costs for 2014 in the amount of $5.8 million (2013 - $7.5 million) were included in operating costs.

b) Royalty payments relating to the Aguablanca mine are 2% of net sales. Royalty costs for 2014 of $2.4 million (2013 - $2.3 million) were included in operating costs.

c) Eagle mine has obligations under state and private royalty agreements ranging from 1.0% to 7.0%. In addition, the operation is subject to a severance tax of 2.75% of net sales owed to the state of Michigan. Combined, for 2014, $2.3 million (2013 - $nil) was recorded in operating costs under these agreements.

d) Royalties of 4% of mining income ($2.6 million) have been reported as a tax expense in Candelaria for the period November 3 to December 31, 2014. Commencing in 2018, a sliding scale royalty of between 5% - 14% will be imposed.

e) A bank has issued a bank guarantee to the Swedish authorities in the amount of $10.2 million (SEK 80.0 million) relating to the future reclamation costs at the Zinkgruvan mine. The Company has agreed to indemnify the bank for this guarantee.

f) Under an agreement with Silver Wheaton, the Company has agreed to deliver all future production of silver contained in concentrate produced from the Zinkgruvan mine. The Silver Wheaton agreement with the Zinkgruvan mine includes a guaranteed minimum delivery of 40 million ounces of silver over an initial 25 year term. If at the end of the initial term the Company has not met its minimum obligation, it must pay Silver Wheaton $1.00 for each ounce of silver not delivered. An aggregate total of approximately 17.8 million ounces has been delivered since the inception of the contract in 2004.

g) The Company has transportation agreements with minimum tonnage requirements. The committed minimum amounts are $15.0 million for 2015 and $14.0 million for 2016.

h) As part of the Company's acquisition of Candelaria in 2014, the Company entered into a gold and silver purchase and sale agreement with Franco Nevada. The agreement requires the Company to prepare a National Instrument 43-101 compliant reserve statement for certain ore bodies on or before March 31, 2015. If the reserve statement contains less than the specified target of contained gold and silver or the reserve statement is not completed and provided to Franco Nevada by March 31, 2015, the Company is obligated to pay Franco Nevada up to $40 million. However, if the reserve statement contains more than the specified target of contained gold and silver, Franco Nevada is obligated to pay the Company up to $40 million.

i) The Company is a party to certain contracts relating to operating leases and service and supply agreements. Future minimum payments under these agreements as at December 31, 2014 are as follows:

2015	$	19,274
2016		4,315
2017		3,400
2018		2,416
2019		1,580
2020 and thereafter		4,733
Total commitments	**$**	**35,718**

j) The Company has capital commitments of $40.8 million, on various initiatives, to be paid during 2015.

24. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Chile, Portugal, Spain, Sweden, USA and the DRC. The segments presented reflect the way in which the Company's management reviews its business performance. Operating segments are reported in a manner consistent with the internal reporting provided to executive management who act as the chief operating decision-maker. Executive management is responsible for allocating resources and assessing performance of the operating segments. Galmoy mine is grouped in the other segment. Prior year comparatives have been reclassified accordingly.

For the year ended December 31, 2014

	Candelaria Chile	Neves-Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Eagle USA	Tenke Fungurume DRC	Other	Total
Sales	$ 215,192	$ 373,148	$ 194,009	$ 120,421	$ 47,280	$ -	$ 1,264	$ 951,314
Operating costs	(147,391)	(263,754)	(104,418)	(82,349)	(18,796)	-	(3,033)	(619,741)
General and administrative expenses	-	-	-	-	-	-	(27,238)	(27,238)
Operating earnings (loss)[1]	67,801	109,394	89,591	38,072	28,484	-	(29,007)	304,335
Depreciation, depletion and amortization	(49,244)	(96,551)	(29,521)	(8,409)	(24,250)	-	(728)	(208,703)
General exploration and business development	(4,251)	(5,244)	(7,488)	-	(21,039)	-	(36,663)	(74,685)
Income from equity investment in associates	-	-	-	-	-	88,016	1,780	89,796
Finance income and costs, net	(269)	19	692	62	(106)	-	(28,506)	(28,108)
Asset impairment	-	(47,064)	-	-	-	-	-	(47,064)
Other income and expenses, net	5,395	12,661	3,803	6,283	(22)	-	(9,046)	19,074
Income tax (expense) recovery	(2,376)	34,173	7,143	(10,265)	20,132	-	19,929	68,736
Net earnings (loss)	$ 17,056	$ 7,388	$ 64,220	$ 25,743	$ 3,199	$ 88,016	$ (82,241)	$ 123,381
Capital expenditures	$ 18,320	$ 74,203	$ 28,063	$ 14,879	$ 285,524	$ -	$ 568	$ 421,557
Total non-current assets[2]	$ 2,395,598	$ 963,586	$ 209,386	$ 40,953	$ 719,512	$ 1,961,202	$ 112,461	$ 6,402,698

1. Operating earnings (loss) is a non-GAAP measure.
2. Non-current assets include long-term inventory, mineral properties, plant and equipment, investment in associates and goodwill.

For the year ended December 31, 2013

	Neves-Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Eagle USA	Tenke Fungurume DRC	Other	Total
Sales	$ 420,308	$ 173,836	$ 114,027	$ -	$ -	$ 19,611	$ 727,782
Operating costs	(261,762)	(102,350)	(86,468)	-	-	(10,575)	(461,155)
General and administrative expenses	-	-	-	-	-	(23,570)	(23,570)
Operating earnings (loss)[1]	158,546	71,486	27,559	-	-	(14,534)	243,057
Depreciation, depletion and amortization	(98,047)	(26,498)	(21,890)	(1,324)	-	(390)	(148,149)
General exploration and business development	(18,912)	(8,416)	-	(5,203)	-	(11,137)	(43,668)
Income (loss) from equity investment in associates	-	-	-	-	97,769	(3,802)	93,967
Finance income and costs, net	(490)	(33)	(249)	-	-	(12,028)	(12,800)
Other income and expenses, net	(5,221)	2,633	14,711	-	-	(13,566)	(1,443)
Income tax recovery (expense)	5,616	(7,910)	2,014	2,789	-	3,276	5,785
Net earnings (loss)	$ 41,492	$ 31,262	$ 22,145	$ (3,738)	$ 97,769	$ (52,181)	$ 136,749
Capital expenditures	$ 100,299	$ 32,903	$ 11,787	$ 98,132	$ -	$ 553	$ 243,674
Total non-current assets[2]	$ 1,172,887	$ 248,731	$ 39,197	$ 477,187	$ 1,959,014	$ 125,081	$ 4,022,097

1. Operating earnings (loss) is a non-GAAP measure.
2. Non-current assets include long-term inventory, mineral properties, plant and equipment, investment in associates and goodwill.

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

		2014		2013
Copper	**$**	**518,205**	$	398,246
Zinc		**192,525**		158,009
Nickel		**124,608**		77,423
Lead		**59,696**		62,464
Other		**56,280**		31,640
	$	**951,314**	$	727,782

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

		2014		2013
Europe	**$**	**547,079**	$	591,218
Asia		**347,336**		116,502
South America		**35,965**		20,062
North America		**20,934**		-
	$	**951,314**	$	727,782

25. RELATED PARTY TRANSACTIONS

a) **Transactions with associates** - The Company enters into transactions related to its investment in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Note 10).

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

		2014		2013
Wages and salaries	**$**	**6,765**	$	6,283
Pension benefits		**133**		135
Share-based compensation		**2,713**		1,805
	$	**9,611**	$	8,223

c) **Other related parties** - For 2014, the Company paid $0.2 million (2013 - $0.3 million) for services provided by a company owned by the Chairman of the Company. The Company also paid $0.7 million for 2014 (2013 - $0.8 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

26. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at December 31, 2014 and December 31, 2013:

		December 31, 2014		December 31, 2013	
	Level	Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Trade receivables	2	$ 322,130	$ 322,130	$ 62,945	$ 62,945
Marketable securities - shares	1	5,483	5,483	7,406	7,406
Marketable securities - warrants	2	-	-	12	12
Restricted funds - shares	1	29,626	29,626	18,183	18,183
		$ 357,239	$ 357,239	$ 88,546	$ 88,546
Available for sale					
Marketable securities - shares	1	$ 698	$ 698	$ 9,778	$ 9,778
Marketable securities - warrants	2	-	-	151	151
		$ 698	$ 698	$ 9,929	$ 9,929
Financial liabilities					
Amortized cost					
Long-term debt and finance leases	2	$ 982,820	$ 982,820	$ 228,776	$ 228,776
Other long-term liabilities	2	10,001	10,001	3,234	3,234
		$ 992,821	$ 992,821	$ 232,010	$ 232,010

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

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

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

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

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

Trade receivables – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized negative pricing adjustments of $45.0 million in sales during the year ended December 31, 2014 (2013 - $16.9 million negative price adjustment).

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

Long-term debt and other long-term liabilities – The fair value of the Company's long-term debt approximates

its carrying value as the interest rates are comparable to current market rates.

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

27. MANAGEMENT OF FINANCIAL RISK

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

a) Credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes that its maximum exposure to credit risk as at December 31, 2014 is the carrying value of its trade receivables.

Concentrate produced at the Company's Candelaria, Eagle, Neves-Corvo and Zinkgruvan mines are sold to a number of strategic customers with whom the Company has established long-term relationships. Limited amounts are occasionally sold to commodity traders on an ad hoc basis. Production from the Aguablanca mine is sold to a trading company under a long-term contract. The payment terms vary and provisional payments are normally received within one to four weeks of shipment, in accordance with industry practice, with final settlement up to four months following the date of shipment. Sales to commodity traders are made on a cash up-front basis. Credit worthiness of customers are reviewed by the Company on an annual basis or more frequently, if warranted, and those not meeting certain credit criteria are required to make 100% provisional payment up-front or by an acceptable payment instrument such as a letter of credit. The failure of any of the Company's strategic customers could have a material adverse effect on the Company's financial position. For the year ended December 31, 2014, the Company has three customers that individually account for more than 10% of the Company's total sales. These customers represent approximately 35%, 12% and 12% of total sales and relate primarily to Neves-Corvo, Zinkgruvan and Candelaria.

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

b) Liquidity risk

The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient available capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company has a revolving credit facility in place to assist with meeting its cash flow needs as required (Note 15).

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

c) Foreign exchange risk

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

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

The impact of a US dollar change against the EUR by 10% at December 31, 2014 would have a $9.8 million (2013 - $8.4 million) impact on pre-tax earnings. The impact of a US dollar change against CLP by 10% would have a $6.1 million (2013 - $nil) impact on pre-tax earnings, with all other variables held constant.

The impact of a US dollar change against the EUR and SEK by 10% at December 31, 2014 would have a $102.4 million (2013 - $120.6 million) impact on OCI.

d) Commodity price risk

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

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

The sensitivity of the Company's financial instruments recorded as at December 31, 2014 excluding the effect of the changes in metal prices on smelter treatment charges is as follows:

	Tonnes Payable	Provisional price on December 31, 2014 ($/tonne)	Change	Effect on pre-tax earnings ($ millions)
Copper	75,841	6,318	+/- 10%	+/-$47.9
Zinc	16,673	2,169	+/- 10%	+/-$3.6
Nickel	3,699	15,118	+/- 10%	+/-$5.6
Lead	5,453	1,860	+/- 10%	+/-$1.0

e) Interest rate risk

The Company's exposure to interest rate risk arises from the both interest rate impact on its cash and cash equivalents as well as on its debt facilities. As at December 31, 2014, the Company's long-term debt is comprised of mainly fixed rate debt. As such changes in interest rate will have no impact on interest expense.

28. MANAGEMENT OF CAPITAL RISK

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

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

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

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

		December 31, 2014		December 31, 2013
Long-term debt and finance leases	**$**	**(982,820)**	$	(228,776)
Deferred financing fees included above		**(21,165)**		(7,182)
		(1,003,985)		(235,958)
Cash and cash equivalents		**174,792**		116,640
Net debt	**$**	**(829,193)**	$	(119,318)

29. SUPPLEMENTARY CASH FLOW INFORMATION

		2014		2013
Changes in non-cash working capital items consist of:				
Trade receivables, inventories and other current assets	**$**	**(79,139)**	$	(12,946)
Trade payables and other current liabilities		**41,266**		(12,839)
	$	**(37,873)**	$	(25,785)
Operating activities included the following cash payments:				
Income taxes paid	**$**	**24,543**	$	29,016

The Company reclassified its interest expense from operating activities to financing activities to better reflect the nature of the expense. Comparative periods have been reclassified for conformity.