Consolidated Financial Statements of

Lundin Mining Corporation

December 31, 2013

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	*(Signed) Marie Inkster*
President and Chief Executive Officer	Senior Vice President and Chief Financial Officer

Toronto, Ontario, Canada
February 20, 2014

February 20, 2014

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, 2013 and 2012 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.

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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, 2013 and 2012 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, 2013**	December 31, 2012
ASSETS		
Current		
Cash and cash equivalents (Note 4)	**$ 116,640**	$ 275,104
Trade and other receivables (Note 5)	**114,196**	110,808
Income taxes receivable	**24,909**	6,494
Inventories (Note 6)	**44,651**	48,740
	300,396	441,146
Non-Current		
Restricted funds (Note 7)	**63,869**	51,617
Marketable securities and other assets (Note 8)	**21,617**	39,052
Mineral properties, plant and equipment (Note 9)	**1,784,868**	1,270,813
Investment in associates (Note 10)	**2,063,846**	2,003,053
Deferred tax assets (Note 11)	**24,031**	18,893
Goodwill (Note 12)	**173,383**	165,877
	4,131,614	3,549,305
	$ 4,432,010	$ 3,990,451
LIABILITIES		
Current		
Trade and other payables (Note 13)	**$ 155,500**	$ 119,714
Income taxes payable	**1,903**	5,726
Current portion of deferred revenue (Note 14)	**4,849**	17,683
Current portion of long-term debt and finance leases (Note 15)	**3,341**	3,037
Current portion of reclamation and other closure provisions (Note 17)	**8,712**	6,486
	174,305	152,646
Non-Current		
Deferred revenue (Note 14)	**56,163**	59,979
Long-term debt and finance leases (Note 15)	**225,435**	6,985
Reclamation and other closure provisions (Note 17)	**142,958**	124,244
Other long-term liabilities	**3,234**	3,625
Provision for pension obligations (Note 19)	**20,752**	21,216
Deferred tax liabilities (Note 11)	**139,558**	148,677
	588,100	364,726
	762,405	517,372
SHAREHOLDERS' EQUITY		
Share capital	**3,509,343**	3,505,398
Contributed surplus	**40,379**	34,140
Accumulated other comprehensive loss	**(27,620)**	(77,213)
Retained earnings	**147,503**	10,754
	3,669,605	3,473,079
	$ 4,432,010	$ 3,990,451

Commitments and contingencies (Note 23)

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

APPROVED BY THE BOARD

(Signed) Lukas H. Lundin
Director

(Signed) Dale C. Peniuk
Director

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31, 2013 and 2012

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

		2013		2012
Sales	$	**727,782**	$	721,106
Operating costs (Note 18)		**(461,155)**		(384,997)
Depreciation, depletion and amortization (Note 9)		**(148,149)**		(122,379)
General and administrative expenses		**(23,570)**		(27,445)
General exploration and business development (Note 20)		**(43,668)**		(66,064)
Income from equity investment in associates (Note 10)		**93,967**		101,516
Finance income (Note 21)		**1,945**		2,983
Finance costs (Note 21)		**(14,745)**		(10,441)
Other income (Note 22)		**17,506**		9,311
Other expenses (Note 22)		**(18,949)**		(9,708)
Asset impairment (Notes 9 and 12)		**-**		(67,252)
Earnings before income taxes		**130,964**		146,630
Current tax expense (Note 11)		**(12,471)**		(51,983)
Deferred tax recovery (Note 11)		**18,256**		28,533
Net earnings	$	**136,749**	$	123,180

Basic and diluted earnings per share	$	**0.23**	$	0.21
Weighted average number of shares outstanding (Note 16)				
Basic		**584,276,739**		582,942,459
Diluted		**584,938,925**		584,013,588

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, 2013 and 2012
(in thousands of US dollars)

		2013		2012
Net earnings	**$**	**136,749**	$	123,180
Other comprehensive income, net of taxes				
Items that may be reclassified subsequently to net earnings:				
Unrealized (loss) gain on marketable securities		**(8,989)**		3,952
Impairment losses on marketable securities reclassified to net earnings (Note 21)		**5,221**		-
Effects of foreign currency translation		**53,548**		37,094
Items that will not be reclassified to net earnings:				
Remeasurements for post-employment benefit plans		**(187)**		(1,755)
Other comprehensive income		**49,593**		39,291
Comprehensive income	**$**	**186,342**	$	162,471

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2013 and 2012
(in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss (Note 19)	Retained earnings (deficit)	Total
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**
Balance, December 31, 2011	582,475,287	$ 3,497,006	$ 29,450	$ (116,504)	$ (112,426)	$ 3,297,526
Net earnings	-	-	-	-	123,180	123,180
Other comprehensive income	-	-	-	39,291	-	39,291
Total comprehensive income	-	-	-	39,291	123,180	162,471
Exercise of stock options	1,529,719	8,392	(2,545)	-	-	5,847
Share-based compensation	-	-	7,235	-	-	7,235
Balance, December 31, 2012	584,005,006	$ 3,505,398	$ 34,140	$ (77,213)	$ 10,754	$ 3,473,079

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, 2013 and 2012

(in thousands of US dollars)

		2013		2012
Cash provided by (used in)				
Operating activities				
Net earnings	**$**	**136,749**	$	123,180
Items not involving cash				
Depreciation, depletion and amortization		**148,149**		122,379
Share-based compensation		**7,301**		7,739
Income from equity investment in associates		**(93,967)**		(101,516)
Foreign exchange loss (gain)		**7,812**		(581)
Deferred tax recovery		**(18,256)**		(28,533)
Recognition of deferred revenue		**(16,660)**		(22,020)
Reclamation and closure provisions		**2,451**		5,027
Finance income and costs		**11,816**		5,979
Asset impairment		**-**		67,252
Other		**2,284**		2,467
Reclamation payments		**(6,881)**		(3,221)
Pension payments		**(1,675)**		(1,186)
Prepayments received (Note 14)		**-**		14,514
Changes in non-cash working capital items (Note 29)		**(25,379)**		2,568
		153,744		194,048
Investing activities				
Investment in mineral properties, plant and equipment		**(243,674)**		(159,371)
Acquisition of Eagle Project (Note 3)		**(317,955)**		-
Acquisition of Freeport Cobalt (Note 10)		**(116,253)**		-
Investment in associates		**-**		(15,000)
Distributions from associates		**149,427**		-
Restricted funds (contribution) withdrawn, net		**(9,415)**		5,534
Proceeds from sale (acquisition) of marketable securities, net		**1,178**		(18,379)
Other		**(50)**		153
		(536,742)		(187,063)
Financing activities				
Common shares issued		**1,562**		5,847
Proceeds from credit facilities		**313,000**		-
Long-term debt repayments		**(87,490)**		(21,644)
Proceeds from government grants		**-**		15,107
Repayments of government grants		**-**		(3,220)
Financing fees paid		**(6,419)**		(1,731)
		220,653		(5,641)
Effect of foreign exchange on cash balances		**3,881**		8,360
(Decrease) increase in cash and cash equivalents during the year		**(158,464)**		9,704
Cash and cash equivalents, beginning of year		**275,104**		265,400
Cash and cash equivalents, end of year	**$**	**116,640**	$	275,104

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, and the Aguablanca nickel/copper mine located in Spain. The Company also owns the high grade nickel/copper Eagle project in the United States ("US"), 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 and € refers to the Euro.

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

These consolidated financial statements were approved by the Board of Directors of the Company for issue on February 20, 2014.

(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.

(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 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.

v. Incidental pre-production expenditures net of the proceeds from sales generated, if any, are recognized in the consolidated statement of earnings.

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

(h) Plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment charges. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset or over the estimated remaining life of the mine, if shorter. Residual values and useful lives are reviewed annually. Gains and losses on disposals are 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	5 - 20
Equipment	5

(i) Mining equipment under finance lease

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

(j) Impairment

The Company assesses at each reporting period whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the asset and 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 will be required. For purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGUs, or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the CGU may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the CGU is less than the carrying amount of that CGU, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to that CGU first, and then to the other assets of that CGU pro rata on the basis of the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognized directly in the 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 risk and rewards have been transferred.

(o) Provision for pension obligations

The Company's Zinkgruvan mine has an unfunded defined benefit pension plan based on employee pensionable remuneration and length of service. The cost of the defined benefit pension plan is determined annually by independent actuaries. The actuarial valuation is based on the projected benefit method pro-rated on service which incorporates management's best estimate of future salary levels, retirement ages of employees and other actuarial factors. Actuarial gains and losses are recorded immediately 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. The related reclamation and other closure provision is recorded as part of the mineral property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the 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 from certain employees and officers. The share options are equity-settled awards. The Company determines the fair value of the awards on the date of grant. This fair value is charged to the 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 adjust the total expense to be recognized over the vesting period.

(s) Deferred and current income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable earnings for the year. Taxable 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 also dealt with in equity.

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

(t) Earnings per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during each reporting period. Diluted earnings per share is calculated assuming the proceeds 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 a reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants relating to costs are deferred and recognized in the 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, 2013. These changes were made in accordance with the applicable transitional provisions.

IAS 19 Employee benefits amendments effective January 1, 2013. The changes in this standard resulted in the cessation of the use of the "corridor method" where actuarial gains and losses within a specified threshold were previously unrecognized. In adopting this standard, the Company revised all applicable comparative figures. Refer to Note 19 for the effects of the accounting policy change.

IFRS 10, *Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11, *Joint Arrangements*, supersedes IAS 31, *Interests in Joint Ventures*, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, *Investments in Associates and Joint Ventures (amended in 2011)*. The other amendments to IAS 28 did not affect the Company. The Company has classified its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

IFRS 13, *Fair Value Measurement*, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

The Company has adopted the amendments to IAS 1, *Presentation of Financial Statements*, effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be subsequently reclassified to the consolidated statement of earnings and those that will not be reclassified. These changes did not result in any adjustments to comprehensive income.

IAS 36, *Impairment of Assets,* was amended to limit the scope of required disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014 and will be applied retrospectively. Earlier application is permitted. The Company has early adopted these amendments.

(iv) **New accounting pronouncements**

IFRS 9, *Financial Instruments,* addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the impairment. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board. The IASB has deferred the mandatory effective date for annual periods beginning on or after January 1, 2015 and has left it open pending the finalization of the impairment and classification and measurement requirements.

IFRIC 21, *Accounting for Levies Imposed by Governments,* clarifies that obligating event giving rise to a liability to pay a levy 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 is still assessing the impact of this 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 materially differ from the amounts included in the financial statements.

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

Depreciation, depletion and amortization of mineral properties, plant and equipment - Mineral properties, plant and equipment comprise a large component of the Company's assets and as such, the depreciation, depletion and amortization of these assets have a significant effect on the Company's financial statements.

Upon commencement of commercial production, the Company depletes mineral property over the life of the mine based on the depletion of the mine's proven and probable reserves. In the case of mining equipment or other assets, if the useful life of the asset is shorter than the life of the mine, the asset is amortized over its expected useful life.

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

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

Valuation of mineral properties and exploration properties - The Company carries its mineral properties at cost less any provision for impairment. The Company expenses exploration costs which are related to specific projects until the commercial feasibility of the project is determinable. The costs of each property and related capitalized development expenditures are depleted over the economic life of the property on a units-of-production basis. Costs are charged to the 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 16.

(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.

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

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. ACQUISITION OF EAGLE

On July 17, 2013 the Company acquired 100% of Eagle Mine LLC, which owns a nickel/copper underground mine and an associated mill that are 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 does 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
Total purchase price	$	**317,955**

Assets acquired and liabilities assumed:

Mineral properties, plant and equipment	$	341,829
Inventory		30
Trade and other payables		(16,946)
Reclamation and other provisions		(6,958)
	$	**317,955**

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

		December 31, 2013		December 31, 2012
Cash	**$**	**116,603**	$	243,069
Short-term deposits		**37**		32,035
	$	**116,640**	$	275,104

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

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

		December 31, 2013		December 31, 2012
Trade receivables	**$**	**85,435**	$	78,114
Value added tax		**15,432**		16,748
Other receivables		**9,246**		12,607
Prepaid expenses		**4,083**		3,339
	$	**114,196**	$	110,808

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: $84.8 million, €17.6 million, SEK19.1 million and C$1.3 million as at December 31, 2013 (2012 - $78.0 million, €22.6 million, SEK 13.0 million, C$0.7 million).

6. INVENTORIES

Inventories are comprised of the following:

		December 31, 2013		December 31, 2012
Ore stockpiles	**$**	**12,227**	$	10,933
Concentrate stockpiles		**14,470**		18,954
Materials and supplies		**17,954**		18,853
	$	**44,651**	$	48,740

The cost of inventories expensed and included in total operating costs for the year was $575.4 million (2012 - $471.5 million).

7. RESTRICTED FUNDS

Restricted funds are comprised of the following:

		December 31, 2013		December 31, 2012
Reclamation funds	**$**	**53,136**	$	49,341
Restricted cash		**10,733**		2,276
	$	**63,869**	$	51,617

During 2013, the Company contributed $8.6 million to restricted cash relating to a tax assessment.

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

8. MARKETABLE SECURITIES AND OTHER ASSETS

Marketable securities and other assets comprise the following:

		December 31, 2013		December 31, 2012
Marketable securities (a)	**$**	**17,347**	$	34,330
Other assets		**4,270**		4,722
	$	**21,617**	$	39,052

a) Marketable securities

Marketable securities include FVTPL and AFS investments.

The changes in marketable securities are as follows:

		FVTPL Investments		AFS Investments		Total
As at December 31, 2011	$	15,067	$	-	$	15,067
Additions		4,304		15,875		20,179
Disposals		(2,571)		-		(2,571)
Revaluation		(2,321)		3,952		1,631
Effects of foreign exchange		134		(110)		24
As at December 31, 2012		14,613		19,717		34,330
Additions		-		1,272		1,272
Disposals		(2,450)		-		(2,450)
Revaluation		(4,141)		(8,989)		(13,130)
Effects of foreign exchange		(604)		(2,071)		(2,675)
As at December 31, 2013	**$**	**7,418**	**$**	**9,929**	**$**	**17,347**

The Company has investments in companies holding exploration projects considered to have development potential of specific interest to the Company. These investments are classified as AFS investments and the revaluations related to these investments are recorded in OCI. During the year, the Company's AFS investments experienced significant and prolonged losses, and as a result, an impairment was recognized. Upon impairment, all cumulative gains and losses relating to these investments previously recorded in accumulated other comprehensive income are recognized in finance income and costs (see Note 21).

Revaluation on marketable securities designated as FVTPL is recorded in finance income and costs.

During 2013, the Company received cash proceeds of $2.5 million (2012 - nil) as a result of disposals.

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

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, 2011	$ 1,504,273	$ 617,288	$ 59,746	$ 12,127	$ 2,193,434
Additions	115,559	14,966	-	43,939	174,464
Grants recognized	-	(18,828)	-	-	(18,828)
Impairment	(27,977)	(9,356)	-	(1,835)	(39,168)
Disposals and transfers	2,803	30,249	-	(35,304)	(2,252)
Effects of foreign exchange	51,773	20,559	844	1,493	74,669
As at December 31, 2012	1,646,431	654,878	60,590	20,420	2,382,319
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**

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2011	$ 723,500	$ 227,808	$ -	$ -	$ 951,308
Depreciation	79,149	43,230	-	-	122,379
Disposals and transfers	286	(1,339)	-	-	(1,053)
Effects of foreign exchange	28,759	10,113	-	-	38,872
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**

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2012	$ 814,737	$ 375,066	$ 60,590	$ 20,420	$ 1,270,813
As at December 31, 2013	**$ 817,648**	**$ 429,175**	**$ 63,230**	**$ 474,815**	**$ 1,784,868**

During the year ended December 31, 2013, the Company capitalized $3.0 million of borrowing costs related to the credit facility drawn for the acquisition and development of the Eagle Project (Note 15).

The net carrying amount of equipment under finance leases is $4.9 million (2012 - $5.7 million).

During 2012, the Company recognized a mineral property and plant and equipment impairment of $39.2 million ($34.0 million after-tax) related to its Aguablanca mine. This impairment was as a result of reduced open-pit production over life of mine due to pit instability which occurred during late-2012.

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

Depreciation, depletion and amortization is comprised of:

		2013		2012
Operating costs	**$**	**147,839**	$	121,977
General and administrative expenses		**310**		402
Depreciation, depletion and amortization	**$**	**148,149**	$	122,379

10. INVESTMENT IN ASSOCIATES

		Tenke Fungurume		**Freeport Cobalt**		**Total**
As at December 31,2011	$	1,886,537	$	-	$	1,886,537
Advances		15,000		-		15,000
Share of equity income		101,516		-		101,516
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**

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”). Freeport McMoRan Copper & Gold Inc. (“FCX”) holds the remaining 70% interest in TFH. TFM holds a 100% interest in the Tenke Fungurume copper/cobalt mine. The Company’s and FCX’s effective 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.

On March 26, 2012, the Company’s effective ownership in TFM decreased from 24.75% to 24%. This change did not have a significant impact on the Company's consolidated statement of earnings nor on its consolidated balance sheet position.

The Company received cash distributions of $141.8 million in 2013. In 2012, the Company made cash advances of $15.0 million. Commitments relating to Tenke Fungurume are disclosed in Note 23.

The following is a summary of the consolidated financial information of TFH on a 100% basis:

		December 31, 2013		December 31, 2012
Total current assets	**$**	**648,488**	$	626,781
Total non-current assets	**$**	**2,937,118**	$	2,832,808
Total current liabilities	**$**	**99,144**	$	116,068
Total non-current liabilities	**$**	**559,085**	$	888,862

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

		2013		2012
Total sales	**$**	**1,666,725**	$	1,384,024
Total net earnings	**$**	**409,214**	$	372,917

b) Investment in Freeport Cobalt

On March 29, 2013, the Company completed its acquisition of a 24% ownership interest in Kokkola Chemicals Oy, a cobalt refinery in Finland, and its related sales and marketing business. FCX holds a 56% ownership interest and Gécamines owns the remaining 20% interest in Freeport Cobalt. The acquisition cost was $348 million and the Company funded $116.3 million based on 30%/70% split with FCX. Additional attributable consideration up to $73.3 million (the Company's 30% share, up to $22.0 million) remains potentially payable over a period of two years, contingent upon the achievement of revenue-based performance targets.

11. CURRENT AND DEFERRED INCOME TAXES

		2013		2012
Current tax expense:				
Current tax on net earnings	**$**	**10,220**	$	51,878
Adjustments in respect of prior years		**2,251**		105
		12,471		51,983
Deferred tax (recovery) expense:				
Origination and reversal of temporary differences		**(17,664)**		(39,871)
Change in tax rates		**1,898**		(2,177)
Utilization of previously unrecognized tax losses and temporary differences		**(7,823)**		(4,536)
Tax losses for which no deferred income tax asset was recognized		**5,333**		18,051
		(18,256)		(28,533)
Total tax (recovery) expense	**$**	**(5,785)**	$	23,450

In 2013, the Company recorded adjustments totalling $2.3 million in respect of prior years, including a Portuguese tax assessment of $2.6 million for copper hedging losses in 2010.

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

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

		2013		2012
Earnings before income tax	**$**	**130,964**	$	146,630
Combined basic federal and provincial rates		**26.5%**		26.5%
Income taxes based on Canadian statutory income tax rates	**$**	**34,705**	$	38,857
Effect of lower tax rates in foreign jurisdictions		**(28,524)**		(30,003)
Tax calculated at domestic tax rates applicable to earnings in the respective countries		**6,181**		8,854
Tax effects of:				
Non-deductible and non-taxable items		**4,454**		12,159
Change in tax rates		**1,898**		(2,177)
Adjustments in respect of prior years		**(1,848)**		(1,898)
Tax losses for which no deferred income tax asset was recognized		**5,333**		18,051
Utilization of previously unrecognized tax losses and temporary differences		**(7,823)**		(4,536)
Tax recovery associated with government grants and other tax credits		**(14,309)**		(7,576)
Other		**329**		573
Total tax (recovery) expense	**$**	**(5,785)**	$	23,450

The weighted average applicable tax rate for 2013 was -4.4% (2012 – 6.0%). 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 22% to 31.5%.

During 2013, Neves-Corvo received tax credits of $14.3 million to offset 2013 taxes payable. It is also expecting a future tax credit of $8.6 million in 2014. The future tax rate in Portugal has changed from 29% to 29.5% resulting in additional deferred tax expense of $1.9 million.

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.

During 2012, Sweden reduced its statutory rate from 26.3% to 22% commencing 2013, resulting in a deferred tax recovery of $3.0 million.

Deferred tax assets (liabilities), net

		December 31, 2013		December 31, 2012
Deferred tax liabilities:				
Deferred tax liabilities to be settled after more than 12 months		**(122,685)**		(127,905)
Deferred tax assets (liabilities) to be settled within 12 months		**7,158**		(1,879)
Deferred tax liabilities, net	**$**	**(115,527)**	$	(129,784)

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

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

	As at December 31, 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)

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

The Company did not recognize deferred tax assets of $14.7 million (2012 - $21.4 million) in respect of mineral properties, plant and equipment, marketable securities and other assets.

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred tax assets of $67.9 million (2012 - $65.9 million) in respect of tax losses amounting to $259.9 million (2012 - $252.4 million) that can be carried forward against future taxable income, as indicated below:

Year of expiry	Canada	Ireland	Total
2014	$ 4,082	$ -	$ 4,082
2015	6,975	-	6,975
2016	-	-	-
2017	-	-	-
2018 and thereafter	186,092	62,762	248,854
	$ 197,149	$ 62,762	$ 259,911

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

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

The aggregate amount of temporary differences related to investments in subsidiaries and associates for which deferred tax liabilities have not been recognized is $413.7 million as at December 31, 2013 (2012 - $316.1 million).

12. GOODWILL

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

Goodwill is allocated to the CGU as follows:

	Neves-Corvo	Aguablanca	Total
Balance at December 31, 2011	$ 162,670	$ 27,699	$ 190,369
Impairment	-	(28,084)	(28,084)
Effects of foreign exchange	3,207	385	3,592
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**

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 2013. The valuation for the recoverable amount is most sensitive to long-term copper and zinc prices, as well as Euro and US dollar exchange rates.

The reserves and resources were based on the Company's last published statement dated June 30, 2013.

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.

For the Neves-Corvo CGU impairment review, the Company used a fair value less cost of disposal ("FVLCD") model and assumed an after-tax discount rate of 9% per annum (2012 – 9%) on copper and zinc price ranges of $3.00/lb to $3.50/lb (2012 - $3.00/lb to $3.80/lb) and $1.00/lb to $1.15/lb (2012 - $1.00/lb to $1.20/lb), respectively, to calculate the present values of cash flows over the economic years of the Company's life-of-mine plan. Foreign exchange assumptions applied to the impairment test for €/$ was forecasted at 1.30 (2012 – 1.30). 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.

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

Several scenarios were reviewed where key inputs were changed: metal prices (+/-5%), the foreign exchange (+/-5%) and the discount rate (+/-1%). These changes did not have any impact on the goodwill impairment assessment.

Aguablanca

During 2012, the Company experienced pit wall instability at its Aguablanca mine and determined that the instability would result in a reduced mine life. The shortened mine life had a significant impact on the projected cashflows which resulted in the recoverable amount being lower than the carrying value of the CGU. The goodwill impairment recognized in 2012 was $28.1 million and resulted in no remaining goodwill balance.

13. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

		December 31, 2013		December 31, 2012
Trade payables	**$**	**101,147**	$	71,572
Unbilled goods and services		**16,328**		12,844
Payroll obligations		**27,886**		24,947
Royalty payable		**10,139**		10,351
	$	**155,500**	$	119,714

14. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2011	$	81,037
Prepayment received		14,514
Recognition of revenue		(22,020)
Effects of foreign exchange		4,131
As at December 31, 2012		77,662
Recognition of revenue		(16,660)
Effects of foreign exchange		10
		61,012
Less: current portion		4,849
As at December 31, 2013	**$**	**56,163**

a) Neves-Corvo mine

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

b) Zinkgruvan mine

The Company has an agreement with Silver Wheaton to deliver silver contained in concentrate from the Zinkgruvan mine in Sweden. The Company received an up-front payment which was deferred and is being recognized in sales as silver is delivered under the contract and receives a payment of the lesser of $3.90 per ounce (subject to annual adjustments) and the market price per ounce of silver (Note 23d).

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

15. LONG-TERM DEBT AND FINANCE LEASES

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

		December 31, 2013		December 31, 2012
Credit facilities (a)	**$**	**220,818**	$	-
Finance lease obligations (c)		**5,267**		6,375
Rio Narcea debt (d)		**2,691**		3,647
		228,776		10,022
Less: current portion		**3,341**		3,037
	$	**225,435**	$	6,985

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

As at December 31, 2011	$	29,346
Additions		1,443
Payments		(21,644)
Revaluations		160
Effects of foreign exchange		717
As at December 31, 2012		10,022
Additions		306,972
Payments		(87,490)
Revaluations		16
Effects of foreign exchange		(744)
As at December 31, 2013	**$**	**228,776**

a) On October 7, 2013, the Company completed amendments to its credit agreement which provide for a new term loan of $250 million and an extension on the maturity of the existing $350 million revolving credit facility to October 2017 (together, “the credit facilities”). 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 facilities. As at December 31, 2013, the effective interest rate was 2.9%. Repayments for the new term loan commence in March 2016 and complete in October 2017. This term loan is expected to provide funding required to complete the construction of the Eagle Project. As at December 31, 2013, the Company had $228 million drawn on the credit facilities, as well as a letter of credit in the amount of $12.3 million (SEK 80 million).

The Company has deferred financing costs of $7.2 million.

b) The Sociedade Mineira de Neves-Corvo, S.A. (“Somincor”), 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.

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

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

d) The Rio Narcea debt is an interest free loan extended by the Spanish Department of Trade, Industry and Commerce. The debt is recorded using an imputed interest rate of 1.0% (2012 – 0.8%) and is repayable annually until 2017.

The schedule of principal repayment obligations are as follows:

	Debt	Finance Leases	Total
2014	$ 690	$ 2,651	$ 3,341
2015	690	1,595	2,285
2016	100,690	495	101,185
2017	128,622	259	128,881
2018 and thereafter	-	267	267
Total	**$ 230,692**	**$ 5,267**	**$ 235,959**

16. 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, 2013, there were 584,643,063 fully paid voting common shares issued (2012 - 584,005,006).

(b) Stock options

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

The Company uses the fair value method of accounting for the recording of stock option grants to employees and officers. Under this method, the Company recorded a share-based compensation expense of $7.5 million for 2013 (2012 - $7.2 million) with a corresponding credit to contributed surplus.

During the year ended December 31, 2013, the Company granted 1.2 million incentive stock options to employees and officers that expire in 2018. The fair value of the stock options at the date of the grant using the Black-Scholes pricing model assumes risk-free interest rate of 1.1% to 1.6% (2012 - 1.1% to 1.6%), no dividend yield, expected life of 3.5 years (2012 - 3.5 years) with an expected price volatility of 52% to 70% (2012 - 54% to 79%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of approximately 18% is applied (2012 - 18%). The weighted average fair value per option granted during 2013 was $2.09 (2012 - $2.05). As at December 31, 2013, there was $4.2 million of unamortized stock compensation expense (2012 - $9.6 million).

During the year ended December 31, 2013, 588,057 common shares (2012 - 1,529,719) were issued as a result of options being exercised.

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

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

	Number of options	Weighted average exercise price (C$)
Outstanding, January 1, 2012	9,084,472	$ 5.39
Granted	4,303,000	$ 4.93
Cancelled	(45,000)	$ 3.89
Forfeited	(178,332)	$ 5.65
Expired	(1,485,332)	$ 11.93
Exercised	(1,529,719)	$ 3.79
Outstanding, December 31, 2012	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**

The following table summarizes options outstanding as at December 31, 2013, as follows:

	Outstanding Options			Exercisable Options		
Range of exercise prices (C$)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)
$3.89 to $3.91	4,256,666	2.8	$ 3.89	2,574,439	2.8	$ 3.89
$3.92 to $4.47	1,486,000	4.1	$ 4.10	266,666	3.1	$ 4.06
$4.48 to $5.00	504,000	3.6	$ 4.74	130,000	3.3	$ 4.77
$5.01 to $5.27	3,543,000	3.9	$ 5.02	1,154,333	3.9	$ 5.01
	9,789,666	3.5	$ 4.37	4,125,438	3.2	$ 4.24

(c) Diluted weighted average number of shares

The basic weighted average number of common shares outstanding for the year ended December 31, 2013 was 584,276,739 (2012 – 582,942,459).

The total incremental shares added to the basic weighted average number of common shares to arrive at the fully diluted number of shares for the period ended December 31, 2013 is 662,186 shares (2012 – 1,071,129 shares) which relate to exercisable “in-the-money” outstanding stock options.

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

17. 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, 2011	$ 96,317	$ 13,310	$ 109,627
Accretion	1,832	-	1,832
Accruals for services	-	5,027	5,027
Changes in estimates	14,190	-	14,190
Payments	(2,988)	(233)	(3,221)
Effects of foreign exchange	2,743	532	3,275
Balance, December 31, 2012	112,094	18,636	130,730
Acquisition of 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
Less: current portion	7,858	854	8,712
	$ 122,622	$ 20,336	$ 142,958

At December 31, 2013, the reclamation and other closure provision for the Neves-Corvo mine was $83.4 million (2012 - $85.2 million). The Company expects the payments for site restoration costs at Neves-Corvo to be incurred between 2014 and 2028. A decrease in estimate of $7.0 million was recorded during 2013 due to an increase in discount rate and a revision in the timing of payments.

The reclamation provision at the Zinkgruvan mine at December 31, 2013 was $11.9 million (2012 - $12.0 million). This provision is based on future reclamation costs being paid primarily during 2017. The Company has posted environmental bonds related to its site restoration provision (Note 23c).

The reclamation and other closure provision, including severance, for the Aguablanca mine at December 31, 2013 totaled $28.8 million (2012 - $25.2 million). The payments are expected to be settled between 2014 and 2018. There was a $2.7 million increase during 2013 in the other closure provisions related to severance costs.

The reclamation and other closure obligation for the Eagle Project as at December 31, 2013 was $22.5 million. There was an increase in estimate of $15.5 million, from the acquisition date, recorded to reflect the increased percentage of completion of the mine and mill infrastructure at Eagle. The Company expects the payments to be settled between 2022 and 2047.

The reclamation and other closure obligation at the Galmoy mine as at December 31, 2013 was $2.2 million (2012 - $6.4 million). It is expected that $1.2 million will be settled in 2014.

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

18. OPERATING COSTS

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

		2013		2012
Direct mine and mill costs	**$**	**426,943**	$	354,771
Transportation		**24,207**		19,979
Royalties		**10,005**		10,247
		461,155		384,997
Depreciation, depletion and amortization (Note 9)		**147,839**		121,977
Total operating costs	**$**	**608,994**	$	506,974

19. EMPLOYEE BENEFITS

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

		2013		2012
Operating costs				
Wages and benefits	**$**	**116,308**	$	112,463
Pension benefits		**2,307**		2,324
Share-based compensation		**2,953**		2,543
		121,568		117,330
General and administrative expenses				
Wages and benefits		**9,677**		12,052
Pension benefits		**385**		320
Share-based compensation		**4,134**		4,920
		14,196		17,292
General exploration and business development				
Wages and benefits		**5,484**		4,414
Pension benefits		**50**		44
Share-based compensation		**214**		276
		5,748		4,734
Total employee benefits	**$**	**141,512**	$	139,356

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. The Company adopted IAS 19 which eliminates the corridor method. As a result, a $2.1 million increase to the provision for pension obligations and a reduction to accumulated other comprehensive income were recorded as at December 31, 2012.

Actuarial assumptions, based on the most recent actuarial valuation dated December 31, 2013, used to determine benefit obligations as at December 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	**3.1%**	3.7%
Rate of salary increase	**2.5%**	2.5%

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

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:

		2013		2012
Accrued benefit obligation				
Balance, beginning of the year	**$**	**16,396**	**$**	13,863
Current service costs		**272**		385
Interest costs		**520**		548
Actuarial losses		**262**		1,644
Benefits paid		**(1,657)**		(1,186)
Effects of foreign exchange		**(206)**		1,142
Balance, end of the year		**15,587**		16,396
Other pension accruals		**5,165**		4,820
Total provision for pension obligations	**$**	**20,752**	**$**	21,216

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:

		2013		2012
Current service costs	**$**	**272**	$	385
Interest costs		**520**		548
Payroll taxes		**736**		529
Pension expense	**$**	**1,528**	$	1,462

A 1% change in the discount rate assumption would have an insignificant impact on the pension obligation or the pension expense for 2013.

The Company expects to make payments of $1.8 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 $0.8 million (2012 - $0.9 million) and in general and administrative expenses in the amount of $0.5 million (2012 - $0.4 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:

		2013		2012
General exploration	**$**	**34,076**	$	50,851
Corporate development		**690**		7,239
Project development		**8,902**		7,974
	$	**43,668**	$	66,064

Project development expenses include pre-feasibility costs, expenditures to develop an exploration ramp at the Neves-Corvo mine and indirect costs for the Eagle Project.

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

Corporate development costs of $3.0 million were capitalized to the related acquisition of the Eagle Project in 2013.

21. FINANCE INCOME AND COSTS

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

	2013	2012
Interest income	**$ 1,423**	$ 2,070
Interest expense and bank fees	**(3,465)**	(6,288)
Accretion expense on reclamation provisions	**(1,919)**	(1,832)
Revaluation losses on marketable securities	**(9,361)**	(2,321)
Other	**522**	913
Total finance costs, net	**$ (12,800)**	$ (7,458)

Finance income	**$ 1,945**	$ 2,983
Finance costs	**(14,745)**	(10,441)
Total finance costs, net	**$ (12,800)**	$ (7,458)

During the year, the Company identified AFS investments which had experienced significant declines in value. Accordingly, losses of $5.2 million were recorded as finance costs. These losses were previously recorded in accumulated other comprehensive income.

22. OTHER INCOME AND EXPENSES

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

	2013	2012
Foreign exchange loss	**$ (13,755)**	$ (5,067)
Other income	**17,506**	9,311
Other expenses	**(5,194)**	(4,641)
Total other expense, net	**$ (1,443)**	$ (397)

Other income	**$ 17,506**	$ 9,311
Other expenses	**(18,949)**	(9,708)
Total other expense, net	**$ (1,443)**	$ (397)

During the year ended December 31, 2013, the Company recorded $15.1 million in other income related to insurance proceeds for business interruption at the Aguablanca mine from the ramp failure which occurred in late-2010. This is in addition to the $7.9 million which was received and recognized by the Company in 2012.

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

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 the year ended December 31, 2013 in the amount of $7.5 million (2012 - $9.4 million) were included in operating costs.

b) Royalty payments relating to the Aguablanca mine are 2% of net sales. Royalty costs for the year ended December 31, 2013 were $2.3 million (2012 - $0.4 million).

c) A bank has issued a bank guarantee to the Swedish authorities in the amount of $12.3 million (SEK 80.0 million) relating to the future reclamation costs at the Zinkgruvan mine. The Company has agreed to indemnify the bank for this guarantee.

d) Under agreement with Silver Wheaton, the Company has agreed to deliver all future production of silver contained in concentrate produced from the Zinkgruvan mine. The Silver Wheaton agreement with the Zinkgruvan mine includes a guaranteed minimum delivery of 40 million ounces of silver over an initial 25 year term. If at the end of the initial term the Company has not met its minimum obligation, it must pay Silver Wheaton $1.00 for each ounce of silver not delivered. An aggregate total of approximately 16.6 million ounces has been delivered since the inception of the contract in 2004.

e) The Company is committed to spend $4.3 million on exploration expenses during 2014 and 2015.

f) 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, 2013 are as follows:

2014	$	11,406
2015		3,897
2016		3,542
2017		2,678
2018		1,962
2019 and thereafter		3,959
Total commitments	**$**	**27,444**

g) The Company has capital commitments of $114.8 million to be paid during 2014. Included in this total are capital commitments related to the Eagle Project of $99.2 million.

24. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Portugal, Spain, Sweden, Ireland, 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.

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

For the year ended December 31, 2013

	Neves-Corvo	Zinkgruvan	Aguablanca	Galmoy	Eagle	Tenke Fungurume	Other	Total
	Portugal	Sweden	Spain	Ireland	USA	DRC		
Sales	$ 420,308	$ 173,836	$ 114,027	$ 19,611	$ -	$ -	$ -	$ 727,782
Operating costs	(261,762)	(102,350)	(86,468)	(7,351)	-	-	(3,224)	(461,155)
General and administrative expenses	-	-	-	-	-	-	(23,570)	(23,570)
Operating earnings (loss)[1]	158,546	71,486	27,559	12,260	-	-	(26,794)	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 from equity investment in associates	-	-	-	-	-	97,769	(3,802)	93,967
Finance income and costs, net	(490)	(33)	(249)	56	-	-	(12,084)	(12,800)
Other income and expenses, net	(5,221)	2,633	14,711	(1,962)	-	-	(11,604)	(1,443)
Income tax recovery (expense)	5,616	(7,910)	2,014	(101)	2,789	-	3,377	5,785
Net earnings (loss)	$ 41,492	$ 31,262	$ 22,145	$ 10,253	$ (3,738)	$ 97,769	$ (62,434)	$ 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	$ 4,968	$ 477,187	$ 1,959,014	$ 120,113	$ 4,022,097

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

For the year ended December 31, 2012

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

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

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

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

		2013		2012
Copper	$	**398,246**	$	452,742
Zinc		**158,009**		164,144
Lead		**62,464**		71,029
Nickel		**77,423**		15,548
Other		**31,640**		17,643
	$	**727,782**	$	721,106

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

		2013		2012
Europe	$	**591,218**	$	670,781
Asia		**116,502**		22,167
South America		**20,061**		28,158
	$	**727,782**	$	721,106

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:

		2013		2012
Wages and salaries	$	**6,283**	$	6,036
Pension benefits		**135**		109
Share-based compensation		**1,805**		2,662
	$	**8,223**	$	8,807

c) **Other related parties** - During the year ended December 31, 2013, the Company paid $0.3 million (2012 - $0.3 million) for services provided by a company owned by the Chairman of the Company. The Company also paid $0.8 million for the year ended December 31, 2013 (2012 - $0.5 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

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

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, 2013 and December 31, 2012:

		December 31, 2013		December 31, 2012	
	Level	Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Trade receivables	2	$ 62,945	$ 62,945	$ 76,237	$ 76,237
Marketable securities - shares	1	7,406	7,406	14,463	14,463
Marketable securities - warrants	2	12	12	150	150
Restricted funds - shares	1	18,183	18,183	16,779	16,779
		$ 88,546	$ 88,546	$ 107,629	$ 107,629
Available for sale					
Marketable securities - shares	1	$ 9,778	$ 9,778	$ 18,506	$ 18,506
Marketable securities - warrants	2	151	151	1,211	1,211
		$ 9,929	$ 9,929	$ 19,717	$ 19,717
Financial liabilities					
Amortized cost					
Long-term debt and finance leases	2	$ 228,776	$ 228,776	$ 10,022	$ 10,022
Other long-term liabilities	2	3,234	3,234	3,625	3,625
		$ 232,010	$ 232,010	$ 13,647	$ 13,647

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 a negative pricing adjustments of $16.9 million in sales during the year ended December 31, 2013 (2012 - $4.5 million positive 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, which are classified as loans and receivables, and trade and other payables which are classified as amortized cost.

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, 2013 is the carrying value of its trade receivables.

Concentrate produced at the Company's Neves-Corvo and Zinkgruvan mines are sold to a small number of strategic customers with whom the Company has established long-term relationships. Limited amounts are occasionally sold to metals traders on an ad hoc basis. Production from the Aguablanca mine is sold to a trading company under a long-term contract. The payment terms vary and provisional payments are normally received within one to four weeks of shipment, in accordance with industry practice, with final settlement up to four months following the date of shipment. Sales to metals traders are made on a cash up-front basis. Credit worthiness of customers are reviewed by the Company on an annual basis or more frequently, if warranted, and those not meeting certain credit criteria are required to make 100% provisional payment up-front or by an acceptable payment instrument such as a letter of credit. The failure of any of the Company's strategic customers could have a material adverse effect on the Company's financial position. For the year ended December 31, 2013, the Company has two customers that individually account for more than 10% of the Company's total sales. These customers represent approximately 43% and 13% of total sales and relate primarily to the Neves-Corvo and Zinkgruvan mines.

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

b) Liquidity risk

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

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

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

c) Foreign exchange risk

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

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

As at December 31, 2013, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars but held by group companies that have functional currencies in € or SEK:

		US Dollar
Cash and cash equivalents	$	36,613
Other working capital items	$	83,634
Long-term debt	$	60,000

The impact of a US dollar change against the EUR by 10% at December 31, 2013 would have an approximate $8.4 million impact on pre-tax earnings. The impact of a US dollar change against the SEK by 10% would have an approximate $3.0 million impact on pre-tax earnings, with all other variables held constant.

d) Commodity price risk

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

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

The sensitivity of the Company's financial instruments recorded as at December 31, 2013 excluding the effect of the changes in metal prices on smelter treatment charges is as follows:

	Tonnes Payable	Price on December 31, 2013 ($/tonne)	Change	Effect on pre-tax earnings ($ millions)
Copper	10,511	7,363	+/- 10%	+/-$7.7
Zinc	11,009	2,066	+/- 10%	+/-$2.3
Lead	4,194	2,213	+/- 10%	+/-$0.9
Nickel	1,726	13,880	+/- 10%	+/-$2.4

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

e) Interest rate risk

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

As at December 31, 2013, holding all other variables constant and considering the Company's outstanding debt of $228.8 million, a 1% change in the interest rate would result in an approximate $2.2 million interest expense on an annualized basis.

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:

		2013		2012
Cash and cash equivalents	**$**	**116,640**	$	275,104
Long-term debt and finance leases		**(228,776)**		(10,022)
Net (debt) cash	**$**	**(112,136)**	$	265,082

		2013		2012
Shareholders' equity	**$**	**3,669,605**	$	3,473,079
Number of shares outstanding		**584,643,063**		584,005,006
Shareholders' equity per share	**$**	**6.28**	$	5.95

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

29. SUPPLEMENTARY CASH FLOW INFORMATION

		2013		2012
Changes in non-cash working capital items consist of:				
Trade receivables, inventories and other current assets	**$**	**(12,946)**	$	6,139
Trade payables and other current liabilities		**(12,433)**		(3,571)
	$	**(25,379)**	$	2,568
Operating activities included the following cash payments:				
Interest received	**$**	**1,423**	$	2,070
Interest paid	**$**	**5,048**	$	2,724
Income taxes paid	**$**	**29,016**	$	52,076