

lundin mining

Management's Discussion and Analysis For the three and six months ended June 30, 2013

This management's discussion and analysis ("MD&A") has been prepared as of July 30, 2013 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2013. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of \$ is to United States dollars, C\$ is to Canadian dollars, SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

Lundin Mining Corporation ("Lundin", "Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations in Portugal, Sweden and Spain and a development project in the US, producing copper, zinc, lead and nickel. In addition, Lundin Mining holds a 24% equity stake in the world-class Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo ("DRC") and in the Freeport Cobalt Oy business, which includes a cobalt refinery located in Kokkola, Finland.

Cautionary Statement on Forward-Looking Information

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

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Highlights

Operational Performance

Wholly-owned operations: Overall mine performance during the quarter achieved objectives. Copper and lead production for the quarter were largely in-line with expectations while nickel production was higher than anticipated. Zinc production improved from the first quarter of 2013; however, cash costs per pound¹ of zinc continued to be higher than expected. Copper, zinc and lead production guidance for Neves-Corvo and Zinkgruvan has been maintained as originally reported. Nickel and copper production guidance at Aguablanca has been increased reflecting excellent mine performance year-to-date.

- Neves-Corvo produced 14,102 tonnes of copper and a record 13,940 tonnes of zinc in the second quarter of 2013. Copper production was largely on target, assisted by high mining and milling volumes. Cash costs per pound of copper sold were \$1.85/lb for the quarter, slightly higher than guidance of \$1.80/lb.
- At Zinkgruvan, zinc production for the quarter improved to 18,599 tonnes but continued to be negatively impacted by changes in mine sequence resulting in lower head grades and recoveries. Lead production was excellent at 10,461 tonnes produced during the quarter. Cash costs per pound of zinc sold were \$0.43/lb for the quarter, due to lower grades and a stronger SEK.
- At Aguablanca, ore milled, grades and plant recoveries for both nickel and copper were all better than expectations for the quarter with cash costs of \$3.50/lb of nickel sold. Aguablanca produced 1,876 tonnes of nickel and 1,516 tonnes of copper during the quarter.

Tenke: Tenke achieved another quarterly record in mining, milling and copper production volumes and cash distributions to the Company year-to-date have exceeded expectations.

- Second quarter production included 55,126 tonnes of copper cathode and 2,305 tonnes of cobalt in hydroxide. Tenke sold 48,285 tonnes of copper at an average realized price of \$3.10/lb and 2,493 tonnes of cobalt were sold at an average realized price of \$8.48/lb.
- Attributable operating cash flow from Tenke for the second quarter of 2013 was \$32.4 million (\$76.1 million year-to-date).
- Excess operating cash flows of \$27.3 million were distributed to the Company in the second quarter of 2013 (\$72.3 million year-to-date).
- Operating cash costs for the second quarter of 2013 were \$1.23/lb of copper sold, in-line with the \$1.22/lb reported in the prior year comparable quarter.

Total production from the Company's assets including attributable share of Tenke:

	YTD	Q2	Q1	FY	Q4	Q3	Q2	Q1
(tonnes)	2013	2013	2013	2012	2012	2012	2012	2012
Copper	33,081	16,065	17,016	63,878	14,224	15,573	16,936	17,145
Zinc	58,486	32,539	25,947	122,204	29,161	28,452	31,972	32,619
Lead	17,283	10,692	6,591	38,464	8,353	9,365	9,780	10,966
Nickel	3,673	1,876	1,797	2,398	1,705	693	-	-
<i>Tenke attributable</i>								
Copper	26,301	13,230	13,071	38,105	10,602	9,947	8,632	8,924

¹ Cash costs per pound is a non-GAAP measure – see page 29 of this MD&A for discussion of Non-GAAP measures.

Financial Performance

- Operating earnings¹ for the second quarter of 2013 were \$49.2 million, a decrease of \$31.2 million from the \$80.4 million reported in the comparable quarter of 2012. The decrease was largely attributable to higher per unit production costs (\$12.9 million), lower metal prices and prior period price adjustments (\$8.7 million) and sales mix (\$6.1 million), with higher zinc sales and lower copper volumes from our operations for the quarter.

On a year-to-date basis, operating earnings of \$117.2 million were lower than the \$185.8 million reported for the first six months of 2012. The decrease was mainly attributable to lower realized metal prices and prior period price adjustments (\$37.4 million), change in sales mix (\$16.5 million) and lower sales volumes (\$15.6 million), partially offset by operating earnings at Aguablanca (\$18.4 million).

- For the quarter ended June 30, 2013, sales of \$176.3 million increased \$4.0 million over the prior year (\$172.3 million) largely as a result of the restart of operations at Aguablanca (\$19.8 million), partially offset by lower realized metal prices and negative prior period price adjustments (\$8.7 million).

Sales of \$364.4 million for the six months ended June 30, 2013 were \$20.7 million lower than the comparable period in 2012 (\$385.1 million). Lower realized metal prices and prior period price adjustments (\$37.4 million) were partially offset by higher net sales volume (\$16.7 million).

- Cash flow from operations for the current quarter was \$26.6 million compared to \$119.0 million for the same period in 2012. The decrease in the cash flow is mostly attributable to lower operating earnings and changes in non-cash working capital.

For the six months ended June 30, 2013, cash flow from operations was \$72.4 million compared to \$170.3 million for same period in 2012. Lower operating earnings and changes in non-cash working capital were the primary contributors of the decrease.

- Average metal prices for copper, zinc and nickel for the three and six months ended June 30, 2013 were lower (2% - 13%) than the same periods in the prior year, while lead prices improved slightly over the prior comparable period (4% - 7%).
- Operating costs (excluding depreciation) of \$122.6 million in the current quarter were higher than the prior year comparative quarter of \$85.6 million largely as a result of the restart of operations at Aguablanca and higher per unit production costs at Neves-Corvo and Zinkgruvan.

On a year-to-date basis, operating costs (excluding depreciation) for the six months ended June 30, 2013 of \$236.1 million were \$50.7 million higher than the \$185.4 million reported for the first half of 2012. Restart of operations of Aguablanca was the largest contributor to this variance.

- Net earnings of \$16.6 million (\$0.03 per share) in the current quarter were \$27.5 million lower than the \$44.1 million (\$0.08 per share) reported in 2012. Earnings were impacted by:
 - lower operating earnings (\$31.2 million);
 - higher depreciation, depletion and amortization expense (\$7.1 million); and
 - lower net other income (\$25.5 million) from reduced foreign exchange gains; and
 - lower equity earnings from investment in associates (\$8.3 million); offset by
 - higher net tax recovery of \$32.4 million.
- Net earnings of \$66.6 million (\$0.11 per share) year-to-date were \$35.8 million lower than the \$102.4 million (\$0.18 per share) reported in 2012. Earnings were impacted by:

¹ Operating earnings is a non-GAAP measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs. See page 29 of this MD&A for discussion of non-GAAP measures.

- lower operating earnings (\$68.6 million); and
- higher depreciation, depletion and amortization expense (\$17.8 million); offset by
- proceeds from Aguablanca insurance claim (\$15.1 million); and
- higher net tax recovery of \$40.6 million.

Corporate Highlights

- On June 12, 2013, the Company announced that it agreed to acquire a high grade nickel/copper underground project and associated Humboldt mill (“Eagle Mine”) located in the upper peninsula of Michigan, USA, from Rio Tinto. This acquisition was completed on July 17, 2013. Total cash consideration paid was \$315.3 million, which is subject to customary post-closing adjustments.

Construction of the Eagle project is more than 50% complete with initial production expected to commence in the fourth quarter of 2014. Costs to complete are approximately \$400 million. Annual production over the first three years (2015-2017) is expected to average approximately 23,000 tonnes of nickel and 20,000 tonnes of copper per annum, with additional by-product credits of precious metals and cobalt. Due to the high nickel grades and strong by-product credits, C1 cash costs for the first three years are expected to average approximately \$2.00/lb nickel.

- Mr. Colin Benner has stepped down as Director of the Company, effective July 1, 2013, for personal reasons.

Financial Position and Financing

- Net cash¹ position at June 30, 2013 was \$221.1 million compared to \$265.1 million at December 31, 2012 and \$199.4 million at March 31, 2013.
- The \$21.7 million increase in net cash during the quarter was primarily attributable to cash generated from operating activities of \$26.6 million and distributions from Tenke of \$27.3 million, partially offset by investments in mineral properties, plant and equipment (\$37.0 million).
- The \$44.0 million decrease in net cash during the first six months of the year was primarily attributable to the acquisition of Freeport Cobalt (formerly “Kokkola”) for \$116.3 million and investments in mineral properties, plant and equipment (\$73.6 million), partially offset by cash flow from operations of \$72.4 million and distributions from Tenke of \$72.3 million.
- Net debt balance at July 30, 2013 is approximately \$100 million.

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

Outlook

2013 Production and Cost Guidance

- Production and cash costs guidance for 2013 for the Company's wholly-owned operations have been adjusted to reflect excellent performance and improved outlook at Aguablanca, as well as higher cash costs per pound of zinc at Zinkgruvan to account for impacts of higher costs experienced in the first six months of 2013, unfavourable foreign exchange and lower by-product metal prices.
- Guidance on Tenke's production and cash costs have been updated to reflect the most recent guidance provided by Freeport.

2013 Guidance (contained tonnes)		Prior Guidance		Revised Guidance	
		Tonnes	C1 Cost	Tonnes	C1 Cost ^a
Copper	Neves-Corvo	50,000 – 55,000	\$ 1.80	50,000 – 55,000	\$ 1.80
	Zinkgruvan	2,500 – 3,500		2,500 – 3,500	
	Aguablanca	4,500 – 5,000		5,000 – 5,500	
	Wholly-owned	57,000 – 63,500		57,500 – 64,000	
	Tenke (@24%) ^b	47,300	\$ 1.18	49,000	\$ 1.24
Total attributable		104,300 – 110,800		106,500 – 113,000	
Zinc	Neves-Corvo	45,000 – 50,000		45,000 – 50,000	
	Zinkgruvan	73,000 – 78,000	\$ 0.20	73,000 – 78,000	\$ 0.30
	Total	118,000 – 128,000		118,000 – 128,000	
Lead	Zinkgruvan	33,000 – 36,000		33,000 – 36,000	
Nickel	Aguablanca	5,000 – 5,500	\$ 5.00	6,000 – 6,500	\$ 5.00

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.30, USD/SEK:6.60) and metal prices (forecast at Cu: \$3.30, Zn: \$0.85, Pb: \$1.00, Ni: \$6.85, Co: \$12.00).

b. Freeport has provided 2013 sales and cash costs guidance. The sales guidance is assumed to approximate Tenke's production.

2013 Capital Expenditure Guidance

Capital expenditures for 2013 (excluding Eagle Mine) are expected to be \$230 million, a \$55 million reduction from previous guidance. The Company and Freeport have implemented initiatives to reduce or defer capital investments until metal markets improve. Details of estimated 2013 capital expenditures are as described below:

- Sustaining capital in European operations** - \$105 million (from \$110 million), consisting of approximately \$65 million for Neves-Corvo and \$40 million for Zinkgruvan.
- New investment capital in European operations** - \$50 million (from \$60 million), including approximately \$25 million for Lombador Phase I and \$10 million for an industrial water dam at Neves-Corvo. In addition, \$15 million will be invested in additional wall stability measures and pushbacks at Aguablanca to allow for future mining of ore rendered inaccessible by pit stability issues. This will enable on-going production to continue for Aguablanca until the first quarter of 2015. The capital investment in Zinkgruvan's ore dressing plant has been deferred.
- New investment in Tenke** - \$75 million (from \$115 million), estimated by the Company as its share of the remaining Phase II expansion costs, exploration and other expansion related initiatives and sustaining capital funding for 2013. All of the capital expenditures are expected to be self-funded by cash flow from Tenke operations. Assuming current metal prices and operating conditions prevail, the Company expects to continue to receive regular significant distributions from Tenke for the remainder of 2013.

2013 Exploration Guidance

As a result of program restraint, total estimated exploration expenditures for 2013 (excluding Tenke) have been reduced to \$28 million, compared to the original plan of \$38 million.

Selected Quarterly Financial Information

(\$ millions, except per share amounts)	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Sales	176.3	172.3	364.4	385.1
Operating costs	(122.6)	(85.6)	(236.1)	(185.4)
General and administrative expenses	(4.5)	(6.3)	(11.1)	(13.9)
Operating earnings	49.2	80.4	117.2	185.8
Depreciation, depletion and amortization	(36.1)	(29.0)	(76.3)	(58.5)
General exploration and business development	(10.7)	(19.8)	(23.2)	(31.4)
Income from equity investment in associates	16.8	25.1	48.7	50.7
Finance income and costs, net	(3.9)	(7.0)	(6.1)	(9.7)
Other income and expenses, net	(9.8)	15.7	6.0	5.8
Earnings before income taxes	5.5	65.4	66.3	142.7
Income tax recovery (expense)	11.1	(21.3)	0.3	(40.3)
Net earnings	16.6	44.1	66.6	102.4
Shareholders' equity¹	3,527.6	3,373.3	3,527.6	3,373.3
Cash flow from operations	26.6	119.0	72.4	170.3
Capital expenditures	37.0	47.6	73.6	93.1
Total assets	4,009.6	3,934.2	4,009.6	3,934.2
Net cash	221.1	312.7	221.1	312.7
Key Financial Data:				
Shareholders' equity per share ²	6.04	5.79	6.04	5.79
Basic and diluted earnings per share	0.03	0.08	0.11	0.18
Dividends	-	-	-	-
Equity ratio ³	88%	86%	88%	86%
Shares outstanding:				
Basic weighted average	584,228,322	582,710,010	584,189,556	582,601,626
Diluted weighted average	584,522,798	583,249,683	584,899,000	583,572,096
End of period	584,241,673	582,900,010	584,241,673	582,900,010

(\$ millions, except per share data)	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11 ^{4,5}	Q3-11 ^{4,5}
Sales	176.3	188.2	176.4	159.6	172.3	212.8	242.1	146.2
Operating earnings	49.2	68.1	51.8	71.1	80.4	105.4	124.3	53.8
Net earnings (loss)	16.6	50.1	(17.1)	37.9	44.1	58.3	36.1	16.4
Earnings (loss) per share, basic⁶	0.03	0.09	(0.03)	0.07	0.08	0.10	0.06	0.03
Earnings (loss) per share, diluted⁶	0.03	0.09	(0.03)	0.06	0.08	0.10	0.06	0.03
Cash flow from operations	26.6	45.8	49.4	(25.7)	119.0	51.3	113.9	(36.6)
Capital expenditures (incl. Tenke)	37.0	36.6	29.0	52.3	47.6	45.5	84.3	62.8
Net cash	221.1	199.4	265.1	245.0	312.7	242.3	236.1	208.7

- Adoption of IAS 19, *Employee benefits*, effective January 1, 2013, resulted in cessation of use of the corridor method for provision of pension obligations. Accordingly, the Company revised all applicable comparative figures.
- Shareholders' equity per share is a non-GAAP measure defined as shareholders' equity divided by total shares outstanding at the end of the period.
- Equity ratio is a non-GAAP measure defined as shareholders' equity divided by total assets at the end of the period.
- Certain transaction costs related to corporate development activity in prior years have been reclassified from general and administrative expenses to general exploration and business development.
- Adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, in the fourth quarter of 2011 allowed for the capitalization of certain stripping costs, which had previously been expensed, at the Aguablanca mine.
- Earnings per share is determined for each quarter. As a result of using different weighted average number of shares outstanding, the sum of the quarterly amounts may differ from the year-to-date amount.

Sales Overview

Sales Volumes by Payable Metal

	YTD 2013	Q2 2013	Q1 2013	Total 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Copper (tonnes)								
Neves-Corvo	27,728	14,102	13,626	56,497	13,024	11,200	15,869	16,404
Zinkgruvan	1,487	693	794	2,854	640	865	880	469
Aguablanca	1,533	573	960	556	298	258	-	-
	30,748	15,368	15,380	59,907	13,962	12,323	16,749	16,873
Zinc (tonnes)								
Neves-Corvo	19,974	12,981	6,993	25,591	9,488	4,617	5,542	5,944
Zinkgruvan	29,507	16,960	12,547	71,809	16,588	17,623	19,580	18,018
Galmoy ¹	4,345	3,513	832	11,474	1,283	3,768	3,827	2,596
	53,826	33,454	20,372	108,874	27,359	26,008	28,949	26,558
Lead (tonnes)								
Neves-Corvo	137	99	38	31	-	31	-	-
Zinkgruvan	12,950	8,113	4,837	36,128	10,080	7,637	8,176	10,235
Galmoy ¹	1,409	1,285	124	3,023	806	1,099	587	531
	14,496	9,497	4,999	39,182	10,886	8,767	8,763	10,766
Nickel (tonnes)								
Aguablanca	2,946	1,157	1,789	915	508	407	-	-

1. 50% of metal is attributable to Galmoy on sale of ore to third party processing facility (see MD&A page 20).

Sales Analysis

(\$ thousands)	Three months ended June 30					Six months ended June 30				
	2013		2012		Change	2013		2012		Change
	\$	%	\$	%		\$	%	\$	%	
by Mine										
Neves-Corvo	104,407	59	112,274	65	(7,867)	212,414	58	265,185	69	(52,771)
Zinkgruvan	44,811	25	52,934	31	(8,123)	80,673	22	107,976	28	(27,303)
Aguablanca	19,787	11	-	-	19,787	62,587	17	-	-	62,587
Galmoy	7,268	5	7,057	4	211	8,772	3	11,899	3	(3,127)
	176,273		172,265		4,008	364,446		385,060		(20,614)
by Metal										
Copper	94,029	53	110,232	64	(16,203)	203,611	56	257,545	67	(53,934)
Zinc	44,822	25	44,156	26	666	75,379	21	85,911	22	(10,532)
Lead	16,982	10	14,417	8	2,565	26,380	7	34,080	9	(7,700)
Nickel	12,457	7	-	-	12,457	42,636	12	-	-	42,636
Other	7,983	5	3,460	2	4,523	16,440	4	7,524	2	8,916
	176,273		172,265		4,008	364,446		385,060		(20,614)

Sales for the quarter were \$4.0 million higher compared to the comparable period in the prior year. Restart of operations at the Aguablanca mine (\$19.8 million) was partially offset by lower net sales volume (\$7.1 million) as well as lower realized metal prices and prior period price adjustments (\$8.7 million).

Year-to-date sales were \$20.6 million lower than the comparable period in 2012. Lower realized metal prices and prior period price adjustments (\$37.4 million) and lower net sales volume at Neves-Corvo and Zinkgruvan (\$43.1 million), more than offset sales generated from the restart of operations at Aguablanca (\$62.6 million).

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

Quarterly Reconciliation of Realized Prices

2013	Quarter ended June 30, 2013				
(\$ thousands, except per pound amounts)	Copper	Zinc	Lead	Nickel	Total
Current period sales ¹	107,254	61,040	19,629	15,833	203,756
Prior period price adjustments	(4,295)	(607)	23	(3,376)	(8,255)
Sales before other metals and TC/RC	102,959	60,433	19,652	12,457	195,501
Other metal sales					7,983
Less: TC/RC					(27,211)
Total Sales					176,273
Payable Metal (tonnes)	15,368	33,454	9,497	1,157	
Current period sales (\$/lb) ¹	\$ 3.17	\$ 0.83	\$ 0.94	\$ 6.21	
Prior period price adjustments (\$/lb)	(0.13)	(0.01)	-	(1.33)	
Realized prices (\$/lb)	\$ 3.04	\$ 0.82	\$ 0.94	\$ 4.88	

2012	Quarter ended June 30, 2012				
(\$ thousands, except per pound amounts)	Copper	Zinc	Lead	Nickel	Total
Current period sales ¹	127,304	54,883	16,566	-	198,753
Prior period price adjustments	(9,020)	54	487	-	(8,479)
Sales before other metals and TC/RC	118,284	54,937	17,053	-	190,274
Other metal sales					3,460
Less: TC/RC					(21,469)
Total Sales					172,265
Payable Metal (tonnes)	16,749	28,949	8,763	-	
Current period sales (\$/lb) ¹	\$ 3.45	\$ 0.86	\$ 0.86	n/a	
Prior period price adjustments (\$/lb)	(0.25)	-	0.02	n/a	
Realized prices (\$/lb)	\$ 3.20	\$ 0.86	\$ 0.88	n/a	

1. Includes provisional price adjustments on current period sales.

Year to Date Reconciliation of Realized Prices

2013 (\$ thousands, except per pound amounts)	Six months ended June 30, 2013				
	Copper	Zinc	Lead	Nickel	Total
Current period sales ¹	229,022	101,884	30,941	41,726	403,573
Prior period price adjustments	(8,882)	(1,307)	(270)	954	(9,505)
Sales before other metals and TC/RC	220,140	100,577	30,671	42,680	394,068
Other metal sales					16,440
Less: TC/RC					(46,062)
Total Sales					364,446
Payable Metal (tonnes)	30,748	53,826	14,496	2,946	
Current period sales (\$/lb) ¹	\$ 3.38	\$ 0.86	\$ 0.97	\$ 6.42	
Prior period price adjustments (\$/lb)	(0.13)	(0.01)	(0.01)	0.15	
Realized prices (\$/lb)	\$ 3.25	\$ 0.85	\$ 0.96	\$ 6.57	

2012 (\$ thousands, except per pound amounts)	Six months ended June 30, 2012				
	Copper	Zinc	Lead	Nickel	Total
Current period sales ¹	271,229	108,232	38,808	-	418,269
Prior period price adjustments	2,202	1,825	833	-	4,860
Sales before other metals and TC/RC	273,431	110,057	39,641	-	423,129
Other metal sales					7,524
Less: TC/RC					(45,593)
Total Sales					385,060
Payable Metal (tonnes)	33,622	55,507	19,529	-	
Current period sales (\$/lb) ¹	\$ 3.66	\$ 0.88	\$ 0.90	n/a	
Prior period price adjustments (\$/lb)	0.03	0.02	0.02	n/a	
Realized prices (\$/lb)	\$ 3.69	\$ 0.90	\$ 0.92	n/a	

1. Includes provisional price adjustments on current period sales.

Provisionally valued sales as of June 30, 2013

Metal	Tonnes Payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	11,691	3.07	6,774
Zinc	20,309	0.83	1,834
Lead	8,297	0.94	2,082
Nickel	1,617	6.21	13,691

Financial Results

Operating Costs

Operating costs of \$122.6 million for the three months ended June 30, 2013 were \$37.1 million higher than the three months ended June 30, 2012. Total costs increased primarily as a result of the restart of operations at Aguablanca (\$16.5 million), higher production costs (\$14.7 million), primarily at Zinkgruvan, and unfavourable foreign exchange (\$3.0 million).

For six months ended June 30, 2013, operating costs of \$236.1 million were \$50.7 million higher than the same period in the prior year. Restart of operations at Aguablanca (\$44.2 million) was the primary contributor to the increase in total costs, but was also impacted by negative foreign exchange (\$4.1 million).

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased for the three and six months ended June 30, 2013 compared with the same periods in 2012. Increase in expense was attributable to the restart of production at Aguablanca and changes in life of mine estimates at Neves-Corvo.

Depreciation by operation (\$ thousands)	Three months ended June 30			Six months ended June 30		
	2013	2012	Change	2013	2012	Change
Neves-Corvo	25,131	21,339	3,792	50,565	43,103	7,462
Zinkgruvan	6,593	7,343	(750)	13,407	14,784	(1,377)
Aguablanca	4,245	196	4,049	12,132	383	11,749
Other	97	130	(33)	196	248	(52)
	36,066	29,008	7,058	76,300	58,518	17,782

General Exploration and Business Development

General exploration and business development costs of \$10.7 million in the second quarter of 2013 and \$23.2 million year-to-date were lower than the costs incurred over the same comparable periods in 2012. The decrease is as result of reduced comparative exploration activities in the current year and lower corporate development expenditures.

Income from Equity Investment in Associates

Income from equity investments includes earnings from a 24% interest in each of Tenke Fungurume and Freeport Cobalt. For Tenke, equity earnings of \$19.3 million were recognized in the three months ended June 30, 2013 (Q2 2012 - \$25.1 million) and \$51.2 million on a year-to-date basis (2012 - \$50.7 million). Due to lower metal prices, earnings from Tenke in the current year were lower than the comparable prior period, despite higher production generated from Phase II expansion.

Other Income and Expense

Net other income and expense is comprised mainly of foreign exchange gains and losses. In addition, insurance proceeds from the Aguablanca ramp failure (\$15.1 million) which occurred in late-2010 were received in the first quarter of 2013.

A foreign exchange loss of \$8.4 million in the current quarter and \$7.1 million year-to-date relates to US denominated cash and trade receivables that were held in the European group entities. Period end exchange rates at June 30, 2013 were \$1.31:€1.00 (March 31, 2013 – \$1.28:€1.00; December 31, 2012 – \$1.32:€1.00) and \$1.00:SEK6.71 (March 31, 2013 – \$1.00:SEK6.52; December 31, 2012 – \$1.00:SEK6.52).

Current and Deferred Taxes

Current tax expense (\$ thousands)	Three months ended June 30			Six months ended June 30		
	2013	2012	Change	2013	2012	Change
Neves-Corvo	5,100	11,722	(6,622)	13,819	31,328	(17,509)
Zinkgruvan	1,592	7,459	(5,867)	2,426	11,736	(9,310)
Aguablanca	-	6,104	(6,104)	(28)	6,104	(6,132)
Other	(2,163)	(376)	(1,787)	(2,091)	(1,689)	(402)
	4,529	24,909	(20,380)	14,126	47,479	(33,353)

Current income tax expense for the three and six months ended June 30, 2013 of \$4.5 million and \$14.1 million, respectively, reflects lower taxable earnings when compared to the same period in 2012.

Deferred tax recovery (\$ thousands)	Three months ended June 30			Six months ended June 30		
	2013	2012	Change	2013	2012	Change
Neves-Corvo	(5,889)	(2,755)	(3,134)	(9,322)	(5,285)	(4,037)
Zinkgruvan	(201)	(271)	70	(399)	(991)	592
Aguablanca	(8,892)	731	(9,623)	(4,387)	(826)	(3,561)
Other	(644)	(1,310)	666	(366)	(95)	(271)
	(15,626)	(3,605)	(12,021)	(14,474)	(7,197)	(7,277)

Deferred income tax recovery for the three months ended June 30, 2013 was \$15.6 million compared to a recovery of \$3.6 million in the comparative quarter of 2012. The increased recovery reflects reversal of a valuation allowance previously taken on Aguablanca's deferred tax assets as a result of higher projected future income. On a year-to-date basis, deferred income tax recovery of \$14.5 million was \$7.3 million higher than the prior year due to prior period tax adjustments at Neves-Corvo and reversal of Aguablanca's valuation allowance.

Mining Operations

Production Overview

	YTD 2013	Q2 2013	Q1 2013	Total 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Copper (tonnes)								
Neves-Corvo	28,416	14,102	14,314	58,559	11,988	14,012	15,950	16,609
Zinkgruvan	1,593	447	1,146	3,059	673	864	986	536
Aguablanca	3,072	1,516	1,556	2,260	1,563	697	-	-
	33,081	16,065	17,016	63,878	14,224	15,573	16,936	17,145
Zinc (tonnes)								
Neves-Corvo	24,203	13,940	10,263	30,006	9,533	5,834	7,619	7,020
Zinkgruvan	34,283	18,599	15,684	83,209	18,703	20,053	24,022	20,431
Galmoy ¹	-	-	-	8,989	925	2,565	331	5,168
	58,486	32,539	25,947	122,204	29,161	28,452	31,972	32,619
Lead (tonnes)								
Neves-Corvo	231	231	-	87	39	48	-	-
Zinkgruvan	17,052	10,461	6,591	37,246	8,198	8,953	9,747	10,348
Galmoy ¹	-	-	-	1,131	116	364	33	618
	17,283	10,692	6,591	38,464	8,353	9,365	9,780	10,966
Nickel (tonnes)								
Aguablanca	3,673	1,876	1,797	2,398	1,705	693	-	-

1. represents 50% of contained metal attributable to Galmoy on delivery of ore to a third party processing facility (see MD&A page 20)

Cash Cost Overview

	Three months ended June 30			
	2013	2012	2013	2012
	Cash cost/lb (US dollars)		Cash cost/lb (local currency)	
Neves-Corvo (Local in €)				
Gross cost	2.42	1.86	1.85	1.46
By-product ¹	(0.57)	(0.25)	(0.44)	(0.20)
Net Cost - cost/lb Cu	1.85	1.61	1.41	1.26
Zinkgruvan (Local in SEK)				
Gross cost	1.00	0.64	6.58	4.45
By-product ¹	(0.57)	(0.52)	(3.75)	(3.62)
Net Cost - cost/lb Zn	0.43	0.12	2.83	0.83
Aguablanca (Local in €)				
Gross cost	6.37	n/a	4.89	n/a
By-product ¹	(2.87)	n/a	(2.20)	n/a
Net Cost - cost/lb Ni	3.50	n/a	2.69	n/a
	Six months ended June 30			
	2013	2012	2013	2012
Neves-Corvo (Local in €)				
Gross cost	2.31	1.88	1.76	1.45
By-product ¹	(0.47)	(0.26)	(0.36)	(0.20)
Net Cost - cost/lb Cu	1.84	1.62	1.40	1.25
Zinkgruvan (Local in SEK)				
Gross cost	1.01	0.75	6.56	5.13
By-product ¹	(0.58)	(0.58)	(3.78)	(3.98)
Net Cost - cost/lb Zn	0.43	0.17	2.78	1.15
Aguablanca (Local in €)				
Gross cost	7.28	n/a	5.53	n/a
By-product ¹	(3.07)	n/a	(2.33)	n/a
Net Cost - cost/lb Ni	4.21	n/a	3.20	n/a

1. By-product is after related TC/RC

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

Neves-Corvo Mine

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

Operating Statistics

	2013			2012				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	1,243	648	595	2,507	648	577	638	644
Ore mined, zinc (000 tonnes)	477	266	211	530	178	107	132	113
Ore milled, copper (000 tonnes)	1,233	654	579	2,512	648	597	634	633
Ore milled, zinc (000 tonnes)	477	264	213	543	181	104	135	123
Grade per tonne								
Copper (%)	2.5	2.5	2.7	2.6	2.2	2.7	2.8	2.9
Zinc (%)	6.4	6.6	6.2	7.3	7.1	7.2	7.2	7.6
Recovery								
Copper (%)	88.3	86.0	90.8	88.2	85.6	86.0	90.0	91.1
Zinc (%)	74.8	76.1	73.2	71.0	70.5	78.2	78.5	74.6
Concentrate grade								
Copper (%)	23.6	23.5	23.6	23.9	23.6	24.2	23.9	24.0
Zinc (%)	48.1	48.5	47.5	47.3	47.0	46.6	48.1	47.3
Production (contained metal)								
Copper (tonnes)	28,416	14,102	14,314	58,559	11,988	14,012	15,950	16,609
Zinc (tonnes)	24,203	13,940	10,263	30,006	9,533	5,834	7,619	7,020
Lead (tonnes)	231	231	-	87	39	48	-	-
Silver (000 oz)	641	314	327	961	282	178	240	261
Sales (\$000s)	212,414	104,407	108,007	466,174	108,349	92,640	112,274	152,911
Operating earnings (\$000s)	83,196	35,338	47,858	218,564	33,705	45,602	52,467	86,790
Cash cost (€ per pound)	1.40	1.41	1.39	1.39	1.67	1.49	1.26	1.23
Cash cost (\$ per pound)	1.84	1.85	1.83	1.79	2.17	1.87	1.61	1.63

Operating Earnings

Operating earnings of \$35.3 million for the three months ended June 30, 2013 were \$17.1 million lower than 2012. The decrease is attributable to a higher proportion of zinc sales (\$6.1 million) which have lower margins than copper sales, lower metal prices and price adjustments from prior period sales (\$5.6 million), higher production costs (\$1.9 million) and unfavourable foreign exchange (\$2.2 million).

Operating earnings of \$83.2 million for the six months ended June 30, 2013 were \$56.1 million lower than 2012. The decrease is mainly attributable to lower metal prices and prior period price adjustments (\$31.0 million) and change in sales mix (\$16.5 million).

Production

Copper production for the current quarter was lower than the comparable period in 2012 by 1,848 tonnes (or 12%), due to lower head grades and recoveries.

For zinc, even though grades and recovery rates were lower, zinc production in the current quarter was significantly higher than the prior year as ramp up activities continued in the zinc plant and throughput levels were almost double those achieved in the same period in 2012. Zinc recovery has shown consistent improvement during the first six months of the year as zinc circuit modifications take effect. Total zinc metal production was a new quarterly record.

Cash Costs

Cash costs of \$1.85/lb for the quarter ended June 30, 2013 were slightly higher than guidance of \$1.80/lb and that of the corresponding period in 2012 of \$1.61/lb. The increase over the prior period was as a result of higher unit costs, largely associated with the production of zinc (\$0.45/lb) and unfavourable foreign exchange rates (\$0.12/lb), partially offset by higher zinc by-product credits (\$0.33/lb).

On a year-to-date basis, cash costs of \$1.84/lb for the six months ended June 30, 2013 were \$0.22/lb higher than that reported in the same period last year, with higher production costs (\$0.41/lb) associated with zinc production and unfavourable foreign exchange rates (\$0.03/lb) more than offsetting the benefit of higher zinc by-product credits (\$0.22/lb).

Lombador Zinc/Copper Project and Semblana Copper Project

An earlier decision to bring forward high-grade zinc production in Lombador resulted in the commencement of stope blasting in June 2013. It is expected that a series of high-grade primary stopes will be mined in the second half of 2013. As well as contributing to overall zinc production, these initial stopes will help optimize design of subsequent stopes for Lombador Phases 1 and 2.

Construction of Lombador Phase 1 supporting infrastructure remains on track, including significant surface projects such as the main sub-station expansion.

Study of future new mine areas has focused on a standalone assessment of Semblana, its integration into the existing operations, its potential financial contribution and comparative advantages of giving priority to deeper areas of Lombador ("Phase 2"). Further investigations into low cost options for existing shaft capacity increases, improved underground materials handling and optimized mine scheduling are advancing with good results. Preliminary assessment on the potential to expand the existing Santa Barbara hoisting shaft capacity has been favourable which could enable overall future production increases at Neves-Corvo. As well, debottlenecking studies to further examine connected underground material handling infrastructure are being given increased priority, tied to Lombador Phase 2 evaluations. Other business improvement activities include metallurgical test work to further optimize zinc recoveries and concentrate quality.

Zinkgruvan Mine

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

Operating Statistics

	2013			2012				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	465	222	243	954	251	189	251	263
Ore mined, copper (000 tonnes)	95	43	52	157	40	46	44	27
Ore milled, zinc (000 tonnes)	478	248	230	998	254	216	241	287
Ore milled, copper (000 tonnes)	105	49	56	145	29	48	49	19
Grade per tonne								
Zinc (%)	8.0	8.5	7.5	9.1	8.2	10.1	10.7	7.7
Lead (%)	4.2	4.9	3.4	4.4	3.8	4.7	4.8	4.3
Copper (%)	1.7	1.1	2.2	2.3	2.5	2.0	2.2	3.0
Recovery								
Zinc (%)	89.4	88.5	90.6	91.7	89.2	91.9	93.5	91.8
Lead (%)	85.4	85.5	85.2	85.4	84.8	88.0	85.3	83.8
Copper (%)	89.7	82.6	92.9	91.8	92.6	90.6	91.6	93.4
Concentrate grade								
Zinc (%)	53.4	53.1	53.7	54.1	54.5	54.6	54.5	53.0
Lead (%)	72.6	74.1	70.4	74.7	73.4	74.0	76.2	74.9
Copper (%)	25.4	23.8	26.1	25.1	24.7	24.3	25.9	25.7
Production (contained metal)								
Zinc (tonnes)	34,283	18,599	15,684	83,209	18,703	20,053	24,022	20,431
Lead (tonnes)	17,052	10,461	6,591	37,246	8,198	8,953	9,747	10,348
Copper (tonnes)	1,593	447	1,146	3,059	673	864	986	536
Silver (000 oz)	1,242	728	514	2,496	560	621	673	642
Sales (\$000s)	80,673	44,811	35,862	209,621	52,946	48,699	52,934	55,042
Operating earnings (\$000s)	28,034	13,664	14,370	116,143	27,564	28,706	31,616	28,257
Cash cost (SEK per pound)	2.78	2.83	2.72	0.92	0.80	0.55	0.82	1.50
Cash cost (\$ per pound)	0.43	0.43	0.42	0.13	0.12	0.08	0.12	0.22

Operating Earnings

Operating earnings of \$13.7 million were \$17.9 million lower than the \$31.6 million reported in the second quarter of 2012. The decrease in earnings is attributable to lower sales volumes (\$3.5 million), higher unit costs (\$10.4 million), unfavourable exchange rate (\$1.2 million) and lower price and price adjustments from prior period sales (\$2.8 million).

For the six months ended June 30, 2013, operating earnings of \$28.0 million were \$31.8 million lower than the comparable period in 2012. Lower net sales volume (\$11.5 million), higher per unit costs (\$12.0 million), lower price and price adjustments from prior period sales (\$5.9 million) and unfavourable exchange rate (\$2.4 million) resulted in the decrease.

Production

Zinc production in the second quarter of 2013 was lower than the same period in 2012 due to lower head grades and recoveries. Changes in the mine sequence caused by complicated ground conditions in a single stope resulted in the earlier mining of lower grade zinc ores than anticipated. This problem has been resolved and zinc grades and production volumes towards quarter-end were back on track. Lead production reached record levels in the quarter due to high head grades and recoveries and good throughput. Copper production in the quarter

was significantly impacted by lower than expected grades in one stope at the periphery of the mineralization. By the end of the quarter, higher grade copper was being processed.

On a year-to-date basis, zinc and lead production were lower than 2012 levels as earlier delays in paste backfilling and ground control issues resulted in unfavourable stope sequencing in the current year and lower resulting head grades. Full year production guidance is expected to be achieved for all metals.

Cash Costs

Cash costs for zinc in the current quarter were \$0.43/lb. Compared to last year, second quarter 2013 cash costs increased by \$0.31/lb as higher production costs (\$0.36/lb) were partially offset by higher by-product credits (\$0.05/lb), mainly from lead sales. Production costs per pound have increased due to the significant reduction in payable zinc metal and a stronger SEK.

At June 30, 2013, 4,773 tonnes of lead concentrate produced during the quarter remained in inventory due to a delayed shipment. Had this lead production been shipped according to the original shipping schedule, cash costs for the quarter would have been approximately \$0.35/lb. The benefit of this additional lead shipment will be seen in the third quarter.

On a year-to-date basis, cash costs for zinc were \$0.43/lb, compared to \$0.17/lb for the same period in 2012. The increase is mainly due to lower grades and a stronger SEK, resulting in higher per pound production costs.

Projects

The feasibility study for the modernization of the surface crushing and screening circuit advanced during the quarter. Interim measures already taken to reduce dust and noise emissions and to improve plant availability have accomplished measurable improvements. Given continued low zinc prices, the capital investment in the overall modernization of the front-end of the plant has been deferred indefinitely.

Aguablanca Mine

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

Operating Statistics

	2013			2012				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	787	409	378	755	368	198	148	41
Ore milled (000s tonnes)	790	387	403	577	368	209	-	-
Grade per tonne								
Nickel (%)	0.6	0.6	0.5	0.5	0.5	0.4	-	-
Copper (%)	0.4	0.4	0.4	0.4	0.5	0.4	-	-
Recovery								
Nickel (%)	83.4	83.8	82.4	81.3	82.8	78.1	-	-
Copper (%)	93.5	93.9	93.2	91.4	92.9	87.7	-	-
Concentrate grade								
Nickel (%)	6.9	6.9	6.8	6.8	6.8	6.7	-	-
Copper (%)	5.8	5.6	6.0	6.4	6.3	6.8	-	-
Production (contained metal)								
Nickel (tonnes)	3,673	1,876	1,797	2,398	1,705	693	-	-
Copper (tonnes)	3,072	1,516	1,556	2,260	1,563	697	-	-
Sales (\$000s)	62,587	19,787	42,800	22,167	11,582	10,585	-	-
Operating earnings (loss) (\$000s)	13,633	787	12,846	(10,879)	(3,163)	(2,988)	(2,505)	(2,223)
Cash cost (€ per pound)	3.20	2.69	3.53	5.34	4.85	5.94	-	-
Cash cost (\$ per pound)	4.21	3.50	4.66	6.76	6.19	7.47	-	-

Operating Earnings

Operating earnings for the quarter ended June 30, 2013 were \$0.8 million compared to a loss of \$2.5 million for the comparable quarter in 2012. On a year-to-date basis, operating earnings for 2013 were \$13.6 million compared to a loss of \$4.7 million in 2012. Operations were restarted in the third quarter of 2012 and part of the production from the fourth quarter of 2012 was sold in January 2013.

During the year, insurance proceeds of €11.7 million (\$15.1 million) were recorded for claims made in relation to the December 2010 pit slope failure. These proceeds, for which cash payment was received in April 2013, were in addition to the €6.0 million (\$7.9 million) received in 2012 and have been recorded in "other income" in the statement of earnings; they do not form part of operating earnings.

Production

In the current quarter, 1,876 tonnes of nickel and 1,516 tonnes of copper in bulk concentrate were produced, exceeding expectations and consistent with the prior quarter's production.

Year-to-date, 3,673 tonnes of nickel and 3,072 tonnes of copper in concentrate were produced, in-line with pre-shutdown production levels.

Following extensive geotechnical review and assessment of the south wall of the open pit, a number of stability measures have been initiated at the mine including the development of two dewatering tunnels, further pushbacks to the south wall and the installation of shear pins and rock bolts. These measures should allow open pit mining to continue until the first quarter of 2015 when the pit will reach a depth of 186 metres. Production

guidance for 2013 has increased to 6,000 – 6,500 tonnes of nickel and 5,000 – 5,500 tonnes of copper reflecting excellent mine performance year-to-date.

Cash Costs

Cash costs of \$3.50/lb for the quarter ended June 30, 2013 and \$4.21/lb year-to-date were lower than 2013 full year guidance benefiting from higher nickel and by-product copper production volume.

Galmoy Mine

The Galmoy underground zinc mine is located in south-central Ireland in County Kilkenny. Execution of the approved mine closure plan is currently underway. Milling ceased in May 2009 and the mill has been sold. Mining of remnant high grade ore continued until October 2012. All mined ore has been transported to an adjacent mine and stockpiled for treatment during 2013. Ore sold represents 100% of material treated by a neighboring mine of which 50% of the resulting metal production is attributable to Lundin Mining.

Operating Statistics

	2013			2012				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore sold (000 tonnes)	73	53	20	188	19	61	69	39
Sales (\$000s)	8,772	7,268	1,504	23,144	3,582	7,663	7,057	4,842
Operating earnings (\$000s)	4,872	4,449	423	15,022	1,914	6,607	5,692	809

Operating Earnings

Treatment of stockpiled ore for processing by a third party yielded operating earnings of \$4.4 million in the second quarter of 2013 and \$4.9 million on a year-to-date basis, lower than the \$5.7 million reported in the comparable quarter of 2012 and \$6.5 million year-to-date in 2012. Lower metal prices and tonnage milled contributed to the shortfall in earnings compared to the prior year.

An amount of \$5.3 million is reported as deferred revenue at June 30, 2013, representing cash received for ore delivered but not yet processed. As at June 30, 2013, approximately 58,000 dmt of ore were held in inventory at the processing facility, for which final revenue settlement will be recognized as it is milled.

Production

Mining of remnant high grade ore was fully completed in October 2012 and all ore has now been transported to a neighboring mine for processing during 2013.

Closure Activity

Execution of the approved mine closure plan is currently underway. Costs of \$1.3 million were incurred during the second quarter of 2013 for mine closure and rehabilitation work. This included expenditure on land/tailing rehabilitation, dismantling of mine infrastructure, filling of the mine portal, filling and sealing of mine shafts and payroll.

Tenke Fungurume

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

Operating Statistics

100% Basis	2013			2012				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000 tonnes)	6,145	2,763	3,382	12,806	3,909	3,170	2,641	3,086
Ore milled (000 tonnes)	2,681	1,364	1,317	4,748	1,222	1,248	1,172	1,106
Grade per tonne								
Copper (%)	4.5	4.6	4.4	3.6	3.8	3.6	3.5	3.6
Recovery								
Copper (%)	91.7	89.9	93.7	92.4	94.8	92.9	90.6	91.2
Production (contained metal)								
Copper (tonnes)	109,588	55,126	54,462	157,671	44,130	41,446	35,965	36,130
Cobalt (tonnes)	4,845	2,305	2,540	11,669	2,718	3,356	2,868	2,727
Income from equity investment (\$000s)	51,159	19,276	31,883	101,516	25,785	25,060	25,111	25,560
Attributable share of operating cash flows (\$000s)	76,075	32,436	43,639	145,899	39,156	26,069	49,652	31,022
Cash cost (\$ per pound) ^{1,2}	1.23	1.23	1.23	1.23	1.24	1.23	1.22	1.25

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

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

Income from Equity Investment

Income of \$19.3 million in the current quarter was \$5.8 million lower than the second quarter of last year. Higher copper sales volumes were more than offset by lower average realized price on copper sales. Volume of copper cathode sold during the quarter, on a 100% basis, was 48,285 tonnes compared to 37,363 tonnes in the comparable period last year.

Year-to-date, equity income of \$51.2 million was marginally higher than the \$50.7 million reported in the same period in 2012.

The average price realized for copper sales during the quarter was \$3.10/lb, compared to \$3.45/lb in the second quarter of 2012. Average realized price for cobalt sold during the second quarter of 2013 was \$8.48/lb (Q2 2012: \$8.24/lb).

Production

Milling facilities at Tenke continue to perform very well with throughput averaging 15,000 metric tonnes of ore per day during the second quarter of 2013, exceeding the 14,000 metric tonnes of ore per day expanded design capacity. Average throughput for the second quarter was approximately 2,100 metric tonnes of ore per day higher than the comparable quarter from the previous year.

Assisted by higher grades and increased throughput from Phase II expansion, Tenke's copper production for the three months ended June 30, 2013 set a quarterly record.

Freeport has increased copper sales volume guidance for 2013 to 204,000 tonnes, from the previously guided 197,000 tonnes reported in the first quarter of 2013. For cobalt, sales volume guidance has been moderately

decreased to 10,900 tonnes from 12,700 tonnes due to lower recovery associated with low availability of the SO₂ plant.

Cash Costs

Cash costs for copper, including cobalt by-product credits, were \$1.23/lb for the quarter and year-to-date. This is consistent with cash costs of \$1.22/lb in the second quarter of 2012 and \$1.23/lb on a year-to-date basis in 2012. Annual cash cost guidance has been increased to \$1.24/lb, from the previously guided \$1.18/lb.

Future Expansion Studies

The Phase II expansion has now been completed. The addition of a second sulphuric acid plant is expected to be completed in 2015.

Freeport continues to engage in drilling activities, exploration analyses, metallurgical testing and piloting heap leaching on low grade material to evaluate the full potential of the highly prospective minerals district at Tenke. These analyses are being incorporated in the evaluation of opportunities for potential expansion phases.

Tenke Cash Flow

Lundin's attributable share of operating cash flow at Tenke for the second quarter of 2013 was \$32.4 million, lower than the \$50.0 million recognized in the same period in 2012, with the decrease largely attributable to changes in non-cash working capital.

Year-to-date, Lundin's attributable share of operating cash flow was \$76.1 million, \$4.6 million lower than the \$80.7 million generated in the same period in 2012.

Lundin Mining's share of 2013 capital investment for Tenke has been assumed, for internal planning purposes, to be \$75 million, \$40 million lower than the original estimate of \$115 million. This is to fund remaining Phase II expansion costs, exploration drilling, testwork and studies for potential future phased expansions, a tailings dam expansion and other sustaining capital items. During the quarter and six months ended June 30, 2013, \$14.5 million and \$31.5 million, respectively, were spent on our attributable share of capital investments which was funded by cash flow from operations. The Company received cash distributions of \$27.3 million during the current quarter and \$72.3 million year-to-date.

Exploration

The Company has undertaken a review of exploration plans and now expects to spend \$28 million on exploration activities during 2013, compared to the original plan of \$38 million. This does not include exploration at Eagle Mine for the second half of 2013, as those programs are currently under review.

Portugal - Neves-Corvo Resource Exploration (Copper, Zinc)

The 2013 surface exploration program includes a total of 63,000 metres of drilling, with 16,830 metres drilled, using four rigs, in the second quarter of 2013 and 29,047 metres year-to-date. Drilling has been focused on delineating an additional new copper deposit at Monte Branco located approximately 1.2 kilometres to the south of the Semblana copper deposit.

The 2013 program also includes step-out drilling to the north and northwest of Monte Branco, towards the Semblana and Zambujal orebodies in addition to drill-testing of high priority seismic reflectors. Infill and delineation drilling at Semblana has recently been completed. This will help to define the limits and grade distribution of the Semblana deposit, especially to the west and south, and will work towards delineating a silver-rich polymetallic resource that appears to extend beyond the limits of the currently known copper resource.

Romania (Copper, Gold)

Preparations to explore the recently acquired Rozalia copper-gold porphyry prospect, located in western Romania, were carried out in the second quarter, including additional targeting surveys. Rozalia is located within the northern extension of the same metal-rich belt of rocks which host the Bor and Majdanpek copper-gold deposits in Serbia. Drilling is planned to start in mid-July 2013.

Chile Llahuin Exploration (Copper, Gold)

In late 2012, Lundin Mining completed a farm-in type option agreement with Southern Hemisphere Mining on the Llahuin Copper-Gold project located 56 kilometres from the coast near the town of Combarbala in Chile's Region IV. Over 17,000 metres of combined reverse circulation and diamond drilling have been completed since the last resource update was announced in September 2012. Lundin Mining can earn up to 75% in the Llahuin project by investing up to US\$35 million over a six-year period and has invested approximately \$9 million to date.

Ireland (Copper, Zinc, Lead, Silver)

The 2013 exploration program at the Clare Project is focused on the further development of copper-zinc-lead-silver resources at the Kilbricken Deposit which is comprised of two zones. The focus is on expanding the current limits of the Discovery and Copper Zones, as well as exploring for additional new zones of high grade copper-zinc-lead-silver mineralization in the vicinity of the Kilbricken Deposit.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for the second quarter of 2013 were lower than the average prices for the first quarter of the year, with copper, zinc, lead and nickel decreasing by 10%, 9%, 11% and 14%, respectively. Except for the price of lead, the prices also remain lower than the average prices of the second quarter of 2012. Concerns over the end of the third round of quantitative easing, coupled with credit fears in China during the second quarter of 2013 brought down the equity markets and the prices of silver and gold which, in turn, have had a negative effect on the price of base metals.

(Average LME Price)		Three months ended June 30			Six months ended June 30		
		2013	2012	Change	2013	2012	Change
Copper	US\$/pound	3.24	3.57	-9%	3.42	3.67	-7%
	US\$/tonne	7,148	7,869		7,540	8,097	
Zinc	US\$/pound	0.83	0.87	-5%	0.88	0.90	-2%
	US\$/tonne	1,840	1,928		1,937	1,978	
Lead	US\$/pound	0.93	0.90	4%	0.99	0.92	7%
	US\$/tonne	2,053	1,974		2,177	2,035	
Nickel	US\$/pound	6.79	7.78	-13%	7.32	8.36	-12%
	US\$/tonne	14,963	17,146		16,138	18,438	

LME inventory for copper and nickel continued to increase in the second quarter of 2013 and ended the quarter 17% and 13%, respectively, higher than the closing levels from the first quarter of 2013. However, LME inventories for zinc and lead decreased during the quarter with zinc and lead closing balances lower by 10% and 25%, respectively, compared to the previous quarter.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates decreased during the second quarter of 2013. In April, the spot TC was \$71 per dmt of concentrate and the spot RC was \$0.071 per lb of payable copper, while in June the TC had decreased to \$50 per dmt of concentrates with a RC of \$0.05 per payable lb of copper contained. The decrease in TC and RC was caused by two industrial accidents creating concerns about the supply of copper concentrates. In April, a pit wall at Kennecott's Bingham Canyon mine collapsed and in May there was an underground accident at Freeport's Grasberg mine. The Kennecott operation is integrated with the Garfield copper smelter which, as a consequence of the accident, will be forced to source external copper concentrates, while Freeport has declared force majeure, reducing deliveries of copper concentrates to external customers.

The zinc concentrates market has been very soft as low imports to China continued in the quarter due to high inventory levels. TC has remained stable at \$135 per dmt, flat, during the second quarter of 2013.

The spot market for lead concentrates was also very slow in the second quarter of 2013 and the spot TC has been constant at \$130 per dmt, flat, during the quarter. A negative arbitrage between the lead price of the SHFE (Shanghai Futures Exchange) and the LME has made imports of lead concentrates unprofitable for Chinese smelters. However, restart of the La Oroya lead smelter in Peru and the Porto Vesme lead smelter in Italy has absorbed some of the overhanging lead concentrates otherwise destined for China and resulting in a more stable market.

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

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents were \$230.0 million as at June 30, 2013, a decrease of \$45.1 million from \$275.1 million at December 31, 2012 and a decrease of \$62.1 million from \$292.1 million at March 31, 2013.

Cash inflows for the three months ended June 30, 2013 included operating cash flows of \$26.6 million and receipt of distributions from Tenke of \$27.3 million. Use of cash was primarily directed towards repayment of the Company's revolving credit facility (\$85.0 million) and investments in mineral properties, plant and equipment (\$37.0 million). The Company had drawn against its revolving credit facility in the first quarter of 2013 to temporarily finance its share of the acquisition of cobalt operations from the OM Group, which now operates as Freeport Cobalt.

For the six months ended June 30, 2013 cash inflows included operating cash flows of \$72.4 million and receipt of distributions from Tenke of \$72.3 million. Use of cash was primarily directed towards the acquisition of Freeport Cobalt (\$116.3 million) and investments in mineral properties, plant and equipment (\$73.6 million).

Working Capital

Working capital of \$282.1 million as at June 30, 2013 compares to \$315.7 million at December 31, 2012 and \$350.6 million as at March 31, 2013. The decrease compared to prior periods is primarily the result of lower cash balances.

Revolving Credit Facility

The Company has a \$350 million facility which expires in December 2015. \$85.0 million was drawn on this facility as at March 31, 2013, but was subsequently repaid on April 17, 2013. The letter of credit issued in the amount of SEK 80 million (\$11.9 million) remains outstanding.

Shareholders' Equity

Shareholders' equity was \$3,527.6 million at June 30, 2013, compared to \$3,473.1 million at December 31, 2012. Shareholders' equity increased primarily as a result of net earnings of \$66.6 million, partially offset by revaluation on marketable securities of \$8.2 million and translation adjustments of \$8.4 million in other comprehensive income.

Sensitivities

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

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

Metal	Provisional price on June 30, 2013 (\$US/tonne)	Change	Effect on pre- tax earnings (\$millions)
Copper	6,774	+/-10%	+/- \$7.9
Zinc	1,834	+/-10%	+/- \$3.7
Lead	2,082	+/-10%	+/- \$1.7
Nickel	13,691	+/-10%	+/- \$2.2

Financial Instruments

Summary of financial instruments:

	Fair value at June 30, 2013 (\$000s)	Basis of measurement	Associated risks
Cash and cash equivalents	229,966	Carrying value	Interest/Credit/Exchange
Trade and other receivables	34,325	Carrying value	Credit/Market/Exchange
Restricted funds	40,977	Carrying value	Interest/Credit
Trade receivables	74,303	Fair value through profit and loss	Credit/Market/Exchange
Marketable securities and restricted funds	24,573	Fair value through profit and loss	Market/Liquidity
Marketable securities	12,292	Fair value through OCI	Market/Liquidity
Trade and other payables	93,855	Amortized cost	Interest
Long-term debt and finance leases	8,864	Amortized cost	Interest
Other long-term liabilities	3,629	Amortized cost	Interest

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

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

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

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

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

During the quarter ended June 30, 2013, the Company recognized reduced sales of \$8.3 million (2012: \$8.5 million) on final settlement of provisionally priced transactions from the prior year, a revaluation loss on FVPTL securities of \$3.2 million (2012: \$4.6 million) and a revaluation loss on AFS securities of \$5.8 million (2012: \$Nil). In addition, a foreign exchange loss of \$8.4 million (2012: gain of \$15.4 million) was realized in the quarter on US\$-denominated cash and trade receivables that were held in the European group entities.

Over the six months ended June 30, 2013, the Company recognized decreased sales of \$9.5 million (2012: increase of \$4.9 million) on final settlement of provisionally priced transactions from the prior year, a revaluation loss on FVPTL securities of \$4.2 million (2012: \$4.0 million) and a revaluation loss on AFS securities of \$8.2 million (2012: \$Nil). In addition, a foreign exchange loss of \$7.1 million (2012: gain of \$5.9 million) was realized in the quarter on US\$-denominated cash and trade receivables that were held in the European group entities.

Related Party Transactions

Tenke Fungurume

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

During the three months ended June 30, 2013, the Company made no cash advance to fund its portion of Tenke expenditures and received \$27.3 million in cash distributions. For the six months ended June 30, 2013, no cash advances were made by the Company to Tenke and cash distributions of \$72.3 million were received.

Freeport Cobalt

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

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:

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Wages and salaries	1,518	1,403	3,008	3,155
Pension and benefits	34	20	68	40
Share-based compensation	334	1,130	540	1,498
	1,886	2,553	3,616	4,693

During the three months ended June 30, 2013, the Company paid \$0.1 million (Q2 2012 - \$0.1 million) for services provided by a company owned by the Chairman of the Company. The Company also paid \$0.2 million for the three months ended June 30, 2013 (Q2 2012 - nil) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

Changes in Accounting Policies

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. As at December 31, 2012, a \$2.1 million increase to the provision for pension obligations and a reduction to accumulated other comprehensive income were recorded. There were no impacts to the current period. The effects of this standard had an immaterial effect on the opening balance sheet at January 1, 2012.

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 reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or 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.

New Accounting Pronouncements

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 and is not expected to have a significant impact on the Company.

Critical Accounting Estimates and Judgments

The application of certain accounting policies requires the Company to make estimates and judgments based on assumptions. For a complete discussion of accounting estimates and judgments deemed most critical by the Company, refer to the Company's annual 2012 Management's Discussion and Analysis.

Managing Risks

Risks and Uncertainties

The operations of Lundin Mining involve certain significant risks, including but not limited to credit risk, foreign exchange risk and derivative risk. For a complete discussion of the risks, refer to the Company's 2012 Annual Information Form, available on the SEDAR website, www.sedar.com.

Outstanding Share Data

As at July 30, 2013, the Company had 584,241,673 common shares issued and outstanding and 9,934,502 stock options outstanding under its incentive stock option plans.

Non-GAAP Performance Measures

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

- **Operating earnings**

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

- **Cash cost per pound**

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

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

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

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

	Three months ended June 30, 2013				Three months ended June 30, 2012			
	Total Tonnes Sold	Pounds (000s)	Cash Costs \$/lb	Operating Costs (\$000s)	Total Tonnes Sold	Pounds (000s)	Cash Costs \$/lb	Operating Costs (\$000s)
Operation								
Neves-Corvo (Cu)	14,102	31,090	1.85	57,517	15,869	34,985	1.61	56,326
Zinkgruvan (Zn)	16,960	37,390	0.43	16,078	19,580	43,166	0.12	5,180
Aguablanca (Ni) ¹	1,157	2,551	3.50	8,929				2,505
Galmoy (Zn) ²				1,945				1,641
				84,469				65,652
Add: By-product credits				48,871				32,048
Treatment costs				(17,588)				(15,813)
Royalties and other				6,880				3,675
Total Operating Costs				122,632				85,562

	Six months ended June 30, 2013				Six months ended June 30, 2012			
	Total Tonnes Sold	Pounds (000s)	Cash Costs \$/lb	Operating Costs (\$000s)	Total Tonnes Sold	Pounds (000s)	Cash Costs \$/lb	Operating Costs (\$000s)
Operation								
Neves-Corvo (Cu)	27,728	61,130	1.84	112,479	32,273	71,150	1.62	115,263
Zinkgruvan (Zn)	29,507	65,052	0.43	27,972	37,598	82,889	0.17	14,091
Aguablanca (Ni) ¹	2,946	6,495	4.21	26,759				4,728
Galmoy (Zn) ²				3,058				5,504
				170,268				139,586
Add: By-product credits				89,258				68,535
Treatment costs				(30,871)				(33,549)
Royalties and other				7,427				10,796
Total Operating Costs				236,082				185,368

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

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

Management's Report on Internal Controls

Disclosure controls and procedures

Disclosure controls and procedures ("DCP") have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures.

Internal control over financial reporting

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

Control Framework

Management has used the original framework from the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') in order to assess the effectiveness of the Company's internal control over financial reporting.

Limitations on scope of design

In the first quarter of 2013, the Company acquired an equity interest in Freeport Cobalt, however the Company has not had sufficient time to fully assess the design of DCP and ICFR inherent in this organization and accordingly has limited the scope of the above assessment on the design of DCP and ICFR to exclude Freeport Cobalt.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the three month period ended June 30, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

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

Other Supplementary Information

1. *List of directors and officers at July 30, 2013:*

(a) **Directors:**

Donald K. Charter
Paul K. Conibear
John H. Craig
Brian D. Edgar
Lukas H. Lundin
Dale C. Peniuk
William A. Rand

(b) **Officers:**

Lukas H. Lundin, *Chairman*
Paul K. Conibear, *President and Chief Executive Officer*
Marie Inkster, *Senior Vice President and Chief Financial Officer*
Julie A. Lee Harrs, *Senior Vice President, Corporate Development*
Paul M. McRae, *Senior Vice President, Projects*
Neil P. M. O'Brien, *Senior Vice President, Exploration and New Business Development*
Stephen T. Gatley, *Vice President, Technical Services*
Susan J. Boxall, *Vice President, Human Resources*
Jinhee Magie, *Vice President, Finance*
J. Mikael Schauman, *Vice President, Marketing*
James A. Ingram, *Corporate Secretary*

2. **Financial Information**

The report for the third quarter of 2013 is expected to be published on October 31, 2013.

3. **Other information**

Address (Corporate head office):

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Toronto, Ontario M5H 1J9
Canada
Telephone: +1-416-342-5560
Fax: +1-416-348-0303
Website: www.lundinmining.com

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Hayworthe House, Market Place
Haywards Heath, West Sussex
RH16 1DB
United Kingdom
Telephone: +44-1-444-411-900
Fax: +44-1-444-456-901

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

For further information, please contact:

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John Miniotis, Senior Business Analyst: +1-416-342-5560, john.miniotis@lundinmining.com

Condensed Interim Consolidated Financial Statements of

Lundin Mining Corporation

June 30, 2013
(Unaudited)

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands of US dollars)	June 30, 2013	December 31, 2012
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 229,966	\$ 275,104
Trade and other receivables (Note 4)	137,880	110,808
Income taxes receivable	5,753	6,494
Inventories (Note 5)	28,890	48,740
	402,489	441,146
Non-Current		
Restricted funds (Note 6)	58,058	51,617
Marketable securities and other assets (Note 7)	26,742	39,052
Mineral properties, plant and equipment (Note 8)	1,242,896	1,270,813
Investment in associates (Note 9)	2,094,649	2,003,053
Deferred tax assets	20,287	18,893
Goodwill	164,443	165,877
	3,607,075	3,549,305
	\$ 4,009,564	\$ 3,990,451
LIABILITIES		
Current		
Trade and other payables	\$ 116,212	\$ 119,714
Income taxes payable	4,222	5,726
Current portion of deferred revenue (Note 11)	10,205	17,683
Current portion of long-term debt and finance leases	2,965	3,037
Current portion of reclamation and other closure provisions	5,320	6,486
	138,924	152,646
Non-Current		
Deferred revenue (Note 11)	56,187	59,979
Long-term debt and finance leases	5,899	6,985
Reclamation and other closure provisions	123,347	124,244
Other long-term liabilities	3,629	3,625
Provision for pension obligations (Note 2)	20,007	21,216
Deferred tax liabilities	133,947	148,677
	343,016	364,726
	481,940	517,372
SHAREHOLDERS' EQUITY		
Share capital	3,506,771	3,505,398
Contributed surplus	37,285	34,140
Accumulated other comprehensive loss (Note 2)	(93,805)	(77,213)
Retained earnings	77,373	10,754
	3,527,624	3,473,079
	\$ 4,009,564	\$ 3,990,451

Commitments (Note 18)

Subsequent event (Note 23)

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

APPROVED BY THE BOARD

(Signed) Lukas H. Lundin

Director

(Signed) Dale C. Peniuk

Director

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Sales	\$ 176,273	\$ 172,265	\$ 364,446	\$ 385,060
Operating costs (Note 14)	(122,632)	(85,562)	(236,082)	(185,368)
Depreciation, depletion and amortization (Note 8)	(36,066)	(29,008)	(76,300)	(58,518)
General and administrative expenses	(4,468)	(6,336)	(11,140)	(13,942)
General exploration and business development (Note 15)	(10,652)	(19,754)	(23,221)	(31,422)
Income from equity investment in associates (Note 9)	16,777	25,111	48,660	50,671
Finance income (Note 16)	728	513	1,324	956
Finance costs (Note 16)	(4,634)	(7,499)	(7,458)	(10,651)
Other income (Note 17)	401	15,999	15,930	7,027
Other expenses (Note 17)	(10,260)	(324)	(9,888)	(1,116)
Earnings before income taxes	5,467	65,405	66,271	142,697
Current tax expense (Note 10)	(4,529)	(24,909)	(14,126)	(47,479)
Deferred tax recovery	15,626	3,605	14,474	7,197
Net earnings	\$ 16,564	\$ 44,101	\$ 66,619	\$ 102,415
Basic and diluted earnings per share	\$ 0.03	\$ 0.08	\$ 0.11	\$ 0.18
Weighted average number of shares outstanding				
Basic	584,228,322	582,710,010	584,189,556	582,601,626
Diluted (Note 13)	584,522,798	583,249,683	584,899,000	583,572,096

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited - in thousands of US dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Net earnings	\$ 16,564	\$ 44,101	\$ 66,619	\$ 102,415
Other comprehensive income (loss), net of taxes				
Items that may be reclassified subsequently to net earnings:				
Revaluation loss on marketable securities	(5,770)	-	(8,241)	-
Effects of foreign currency translation	21,663	(81,317)	(8,351)	(31,412)
Comprehensive income (loss)	\$ 32,457	\$ (37,216)	\$ 50,027	\$ 71,003

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited - in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings (deficit)	Total
Balance, December 31, 2012	584,005,006	\$ 3,505,398	\$ 34,140	\$ (77,213)	\$ 10,754	\$ 3,473,079
Net earnings	-	-	-	-	66,619	66,619
Other comprehensive loss	-	-	-	(16,592)	-	(16,592)
Total comprehensive income	-	-	-	(16,592)	66,619	50,027
Exercise of stock options	186,667	1,112	(375)	-	-	737
Share issuance	50,000	261	-	-	-	261
Share-based compensation	-	-	3,520	-	-	3,520
Balance, June 30, 2013	584,241,673	\$ 3,506,771	\$ 37,285	\$ (93,805)	\$ 77,373	\$ 3,527,624
Balance, December 31, 2011	582,475,287	\$ 3,497,006	\$ 29,450	\$ (116,504)	\$ (112,426)	\$ 3,297,526
Net earnings	-	-	-	-	102,415	102,415
Other comprehensive loss	-	-	-	(31,412)	-	(31,412)
Total comprehensive income	-	-	-	(31,412)	102,415	71,003
Exercise of stock options	424,723	1,723	(564)	-	-	1,159
Share-based compensation	-	-	3,621	-	-	3,621
Balance, June 30, 2012	582,900,010	\$ 3,498,729	\$ 32,507	\$ (147,916)	\$ (10,011)	\$ 3,373,309

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - in thousands of US dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Cash provided by (used in)				
Operating activities				
Net earnings	\$ 16,564	\$ 44,101	\$ 66,619	\$ 102,415
Items not involving cash				
Depreciation, depletion and amortization	36,066	29,008	76,300	58,518
Share-based compensation	1,422	2,066	3,090	3,868
Income from investment in associates	(16,777)	(25,111)	(48,660)	(50,671)
Foreign exchange loss (gain)	5,805	(3,234)	1,443	(4,259)
Deferred tax recovery	(15,626)	(3,605)	(14,474)	(7,197)
Recognition of deferred revenue (Note 11)	(6,189)	(7,402)	(9,009)	(12,277)
Finance income and costs	3,645	5,364	5,402	5,597
Other	1,233	4	1,967	2,561
Reclamation payments	(1,726)	(693)	(3,411)	(822)
Pension payments	(414)	(161)	(821)	(595)
Prepayments received (Note 11)	-	3,794	-	10,608
Changes in non-cash working capital items (Note 22)	2,600	74,909	(6,086)	62,590
	26,603	119,040	72,360	170,336
Investing activities				
Investment in mineral properties, plant and equipment	(36,989)	(47,631)	(73,630)	(93,136)
Acquisition of Freeport Cobalt (Note 9)	-	-	(116,253)	-
Distributions from associates (Note 9)	28,317	-	73,317	-
Restricted funds (contribution) withdrawn, net	(8)	2,479	(6,719)	6,227
Proceeds from sale (acquisition of) marketable securities, net	-	-	1,178	(2,504)
Other	(2,244)	(86)	(2,484)	(72)
	(10,924)	(45,238)	(124,591)	(89,485)
Financing activities				
Common shares issued	133	1,051	737	1,159
Proceeds from revolving credit facility	-	-	85,000	-
Long-term debt repayments	(85,486)	(20,112)	(85,983)	(20,590)
Other	(123)	(214)	(123)	(214)
	(85,476)	(19,275)	(369)	(19,645)
Effect of foreign exchange on cash balances	7,614	(5,135)	7,462	(3,038)
(Decrease) increase in cash and cash equivalents during the period	(62,183)	49,392	(45,138)	58,168
Cash and cash equivalents, beginning of period	292,149	274,176	275,104	265,400
Cash and cash equivalents, end of period	\$ 229,966	\$ 323,568	\$ 229,966	\$ 323,568

Supplemental cash flow information (Note 22)

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

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2013 and 2012

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

1. NATURE OF OPERATIONS

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

(i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of Canadian Institute of Chartered Accountants including IAS 34 *Interim financial reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012.

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

These condensed interim consolidated financial statements were approved by the board of directors for issue on July 30, 2013.

(ii) Critical accounting estimates and judgments

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2012.

(iii) Accounting principles

The accounting policies followed in these condensed interim financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2012, except as described below.

Changes in accounting policies

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

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2013 and 2012

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

threshold were previously unrecognized. In adopting this standard, the Company revised all applicable comparative figures. As at December 31, 2012, a \$2.1 million increase to the provision for pension obligations and a reduction to accumulated other comprehensive income were recorded. There were no impacts to the current period. The effects of this standard had an immaterial effect on the opening balance sheet at January 1, 2012.

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 reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or 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**

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 and is not expected to have a significant impact on the Company.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2013 and 2012

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	June 30, 2013	December 31, 2012
Cash	\$ 209,930	\$ 243,069
Short-term deposits	20,036	32,035
	\$ 229,966	\$ 275,104

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	June 30, 2013	December 31, 2012
Trade receivables	\$ 93,184	\$ 78,114
Value added tax	24,744	16,748
Other receivables	15,444	12,607
Prepaid expenses	4,508	3,339
	\$ 137,880	\$ 110,808

The Company does not have any significant balances that are past due nor does it have an allowance for doubtful accounts.

5. INVENTORIES

Inventories are comprised of the following:

	June 30, 2013	December 31, 2012
Ore stockpiles	\$ 6,847	\$ 10,933
Concentrate stockpiles	5,535	18,954
Materials and supplies	16,508	18,853
	\$ 28,890	\$ 48,740

6. RESTRICTED FUNDS

Restricted funds are comprised of the following:

	June 30, 2013	December 31, 2012
Reclamation funds	\$ 47,361	\$ 49,341
Restricted cash	10,697	2,276
	\$ 58,058	\$ 51,617

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2013 and 2012

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

7. MARKETABLE SECURITIES AND OTHER ASSETS

Marketable securities and other assets comprise the following:

		June 30, 2013		December 31, 2012
Marketable securities (a)	\$	19,784	\$	34,330
Other assets		6,958		4,722
	\$	26,742	\$	39,052

a) Marketable securities

The changes in marketable securities are as follows:

	FVTPL Investments	AFS Investments	Total
As at December 31, 2011	\$ 15,067	\$ -	\$ 15,067
Additions	2,504	-	2,504
Revaluation	(4,817)	-	(4,817)
Effect of changes in foreign exchange rates	(174)	-	(174)
As at June 30, 2012	12,580	-	12,580
Additions	1,800	15,875	17,675
Disposals	(2,571)	-	(2,571)
Revaluation	2,496	3,952	6,448
Effect of changes in foreign exchange rates	308	(110)	198
As at December 31, 2012	14,613	19,717	34,330
Additions	-	1,272	1,272
Disposals	(2,450)	-	(2,450)
Revaluation	(4,155)	(8,241)	(12,396)
Effect of changes in foreign exchange rates	(516)	(456)	(972)
As at June 30, 2013	\$ 7,492	\$ 12,292	\$ 19,784

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2013 and 2012

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

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment are comprised of 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	68,555	410	-	20,861	89,826
Disposals and transfers	491	6,481	-	(5,584)	1,388
Effects of changes in foreign exchange rates	(34,007)	(14,380)	(1,939)	(527)	(50,853)
As at June 30, 2012	1,539,312	609,799	57,807	26,877	2,233,795
Additions	47,004	14,556	-	23,078	84,638
Grants recognized	-	(18,828)	-	-	(18,828)
Impairment	(27,977)	(9,356)	-	(1,835)	(39,168)
Disposals and transfers	2,312	23,768	-	(29,720)	(3,640)
Effects of changes in foreign exchange rates	85,780	34,939	2,783	2,020	125,522
As at December 31, 2012	1,646,431	654,878	60,590	20,420	2,382,319
Additions	33,281	368	501	30,638	64,788
Disposals and transfers	1,295	9,018	(721)	(11,556)	(1,964)
Effects of changes in foreign exchange rates	(24,513)	(8,477)	(581)	(340)	(33,911)
As at June 30, 2013	\$ 1,656,494	\$ 655,787	\$ 59,789	\$ 39,162	\$ 2,411,232
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	36,437	22,081	-	-	58,518
Disposals and transfers	-	1,922	-	-	1,922
Effects of changes in foreign exchange rates	(15,414)	(6,929)	-	-	(22,343)
As at June 30, 2012	744,523	244,882	-	-	989,405
Depreciation	42,712	21,149	-	-	63,861
Disposals and transfers	286	(3,261)	-	-	(2,975)
Effects of changes in foreign exchange rates	44,173	17,042	-	-	61,215
As at December 31, 2012	831,694	279,812	-	-	1,111,506
Depreciation	54,813	21,487	-	-	76,300
Disposals and transfers	-	(1,430)	-	-	(1,430)
Effects of changes in foreign exchange rates	(14,309)	(3,731)	-	-	(18,040)
As at June 30, 2013	\$ 872,198	\$ 296,138	\$ -	\$ -	\$ 1,168,336

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2013 and 2012

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

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 June 30, 2013	\$ 784,296	\$ 359,649	\$ 59,789	\$ 39,162	\$ 1,242,896

Depreciation, depletion and amortization is comprised of:

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Operating costs	\$ 35,988	\$ 28,906	\$ 76,141	\$ 58,326
General and administrative expenses	78	102	159	192
Depreciation, depletion and amortization	\$ 36,066	\$ 29,008	\$ 76,300	\$ 58,518

9. INVESTMENT IN ASSOCIATES

	Tenke	Freeport	Total
	Fungurume	Cobalt	
As at December 31, 2011	\$ 1,886,537	\$ -	\$ 1,886,537
Share of equity income	50,671	-	50,671
As at June 30, 2012	1,937,208	-	1,937,208
Advances	15,000	-	15,000
Share of equity income	50,845	-	50,845
As at December 31, 2012	2,003,053	-	2,003,053
Acquisition	-	116,253	116,253
Distributions	(72,300)	(1,017)	(73,317)
Share of equity income (loss)	51,159	(2,499)	48,660
As at June 30, 2013	\$ 1,981,912	\$ 112,737	\$ 2,094,649

The Company holds a 30% interest in TF Holdings Limited ("TFH"), which in turn holds an 80% interest in Tenke Fungurume mine. The following is a summary of the financial information of TFH on a 100% basis:

	June 30, 2013	December 31, 2012
Total current assets	\$ 633,861	\$ 626,781
Total non-current assets	\$ 2,985,991	\$ 2,979,099
Total current liabilities	\$ 106,082	\$ 116,086
Total non-current liabilities	\$ 827,082	\$ 1,035,135

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2013 and 2012

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

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Total sales	\$ 370,850	\$ 328,249	\$ 817,248	\$ 638,526
Total earnings	\$ 79,509	\$ 89,319	\$ 201,040	\$ 179,657

10. INCOME TAXES

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

11. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2011	\$ 81,037
Prepayments received	10,608
Recognition of revenue	(12,277)
Effects of changes in foreign exchange rates	(1,318)
As at June 30, 2012	78,050
Prepayments received	3,906
Recognition of revenue	(9,743)
Effects of changes in foreign exchange rates	5,449
As at December 31, 2012	77,662
Recognition of revenue	(9,009)
Effects of changes in foreign exchange rates	(2,261)
	66,392
Less: current portion	10,205
As at June 30, 2013	\$ 56,187

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2013 and 2012

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

12. EMPLOYEE BENEFITS

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

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Operating costs				
Wages and benefits	\$ 27,315	\$ 28,137	\$ 56,525	\$ 56,953
Pension benefits	414	287	821	595
Share-based compensation	556	518	1,287	1,137
	28,285	28,942	58,633	58,685
General and administrative expenses				
Wages and benefits	1,521	2,526	4,208	5,246
Pension benefits	109	37	194	54
Share-based compensation	820	1,486	1,711	2,606
	2,450	4,049	6,113	7,906
General exploration and corporate development costs				
Wages and benefits	1,132	989	2,458	2,342
Pension benefits	12	11	25	21
Share-based compensation	46	62	92	125
	1,190	1,062	2,575	2,488
Total employee benefits	\$ 31,925	\$ 34,053	\$ 67,321	\$ 69,079

13. DILUTED WEIGHTED AVERAGE NUMBER OF SHARES

The total incremental shares added to the basic weighted average number of common shares outstanding to arrive at the fully diluted number of shares is comprised of 294,476 shares for the three months ended June 30, 2013 (2012 - 539,673 shares) and 709,444 shares for the six months ended June 30, 2013 (2012 - 970,470 shares). The incremental shares relate to in-the-money outstanding stock options.

14. OPERATING COSTS

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

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Direct mine and mill costs	\$ 115,076	\$ 78,107	\$ 219,975	\$ 167,724
Transportation	6,029	4,971	11,544	10,582
Royalties	1,527	2,484	4,563	7,062
	122,632	85,562	236,082	185,368
Depreciation, depletion and amortization (Note 8)	35,988	28,906	76,141	58,326
Total operating costs	\$ 158,620	\$ 114,468	\$ 312,223	\$ 243,694

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2013 and 2012

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

15. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
General exploration	\$ 9,390	\$ 16,845	\$ 17,340	\$ 26,902
Corporate development	54	2,909	573	4,520
Project development	1,208	-	5,308	-
	\$ 10,652	\$ 19,754	\$ 23,221	\$ 31,422

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

16. FINANCE INCOME AND COSTS

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

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Interest income	\$ 447	\$ 513	\$ 923	\$ 956
Interest expense and bank fees	(891)	(2,386)	(2,015)	(5,595)
Accretion expense on reclamation provisions	(538)	(532)	(1,288)	(1,072)
Unrealized loss on revaluation of marketable securities	(3,205)	(4,581)	(4,155)	(3,984)
Other	281	-	401	-
Total finance costs, net	\$ (3,906)	\$ (6,986)	\$ (6,134)	\$ (9,695)
Finance income	\$ 728	\$ 513	\$ 1,324	\$ 956
Finance costs	(4,634)	(7,499)	(7,458)	(10,651)
Total finance costs, net	\$ (3,906)	\$ (6,986)	\$ (6,134)	\$ (9,695)

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2013 and 2012

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

17. OTHER INCOME AND EXPENSES

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

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Foreign exchange (loss) gain	\$ (8,428)	\$ 15,373	\$ (7,077)	\$ 5,881
Other income	401	626	15,930	1,146
Other expenses	(1,832)	(324)	(2,811)	(1,116)
Total other (expenses) income, net	\$ (9,859)	\$ 15,675	\$ 6,042	\$ 5,911
<hr/>				
Other income	\$ 401	\$ 15,999	\$ 15,930	\$ 7,027
Other expenses	(10,260)	(324)	(9,888)	(1,116)
Total other (expenses) income, net	\$ (9,859)	\$ 15,675	\$ 6,042	\$ 5,911

During the six months ended June 30, 2013, the Company has recorded an additional \$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. In December 2012, \$7.9 million was received and recognized by the Company.

18. COMMITMENTS

The Company has the following capital commitments as at June 30, 2013:

2013	\$ 55,159
2014	2,700
Total	\$ 57,859

19. SEGMENTED INFORMATION

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

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2013 and 2012

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

For the three months ended June 30, 2013

	Neves-Corvo	Zinkgruvan	Aguablanca	Galmoy	Tenke Fungurume	Other	Total
	Portugal	Sweden	Spain	Ireland	DRC		
Sales	\$ 104,407	\$ 44,811	\$ 19,787	\$ 7,268	\$ -	\$ -	\$ 176,273
Operating costs	(69,069)	(31,147)	(19,000)	(2,819)	-	(597)	(122,632)
General and administrative expenses	-	-	-	-	-	(4,468)	(4,468)
Operating earnings (loss) *	35,338	13,664	787	4,449	-	(5,065)	49,173
Depreciation, depletion and amortization	(25,131)	(6,593)	(4,245)	-	-	(97)	(36,066)
General exploration and business development	(5,802)	(1,953)	(323)	-	-	(2,574)	(10,652)
Income (loss) from equity investment in associates	-	-	-	-	19,276	(2,499)	16,777
Finance income and costs	94	(100)	28	11	-	(3,939)	(3,906)
Other income and expenses	(2,701)	1,917	(1,298)	(1,729)	-	(6,048)	(9,859)
Income tax recovery (expense)	789	(1,391)	8,892	(2)	-	2,809	11,097
Net earnings (loss)	\$ 2,587	\$ 5,544	\$ 3,841	\$ 2,729	\$ 19,276	\$ (17,413)	\$ 16,564
Capital expenditures	\$ 22,532	\$ 7,308	\$ 7,001	\$ -	\$ -	\$ 148	\$ 36,989

For the six months ended June 30, 2013

	Neves-Corvo	Zinkgruvan	Aguablanca	Galmoy	Tenke Fungurume	Other	Total
	Portugal	Sweden	Spain	Ireland	DRC		
Sales	\$ 212,414	\$ 80,673	\$ 62,587	\$ 8,772	\$ -	\$ -	\$ 364,446
Operating costs	(129,218)	(52,639)	(48,954)	(3,900)	-	(1,371)	(236,082)
General and administrative expenses	-	-	-	-	-	(11,140)	(11,140)
Operating earnings (loss) *	83,196	28,034	13,633	4,872	-	(12,511)	117,224
Depreciation, depletion and amortization	(50,565)	(13,407)	(12,132)	-	-	(196)	(76,300)
General exploration and business development	(12,104)	(5,027)	(708)	-	-	(5,382)	(23,221)
Income (loss) from equity investment in associates	-	-	-	-	51,159	(2,499)	48,660
Finance income and costs	(144)	(161)	(110)	28	-	(5,747)	(6,134)
Other income and expenses	673	1,422	14,305	(1,798)	-	(8,560)	6,042
Income tax (expense) recovery	(4,497)	(2,027)	4,415	(10)	-	2,467	348
Net earnings (loss)	\$ 16,559	\$ 8,834	\$ 19,403	\$ 3,092	\$ 51,159	\$ (32,428)	\$ 66,619
Capital expenditures	\$ 49,404	\$ 14,787	\$ 9,155	\$ -	\$ -	\$ 284	\$ 73,630

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

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For the three months ended June 30, 2012

	Neves-Corvo	Zinkgruvan	Aguablanca	Galmoy	Tenke Fungurume	Other	Total
	Portugal	Sweden	Spain	Ireland	DRC		
Sales	\$ 112,274	\$ 52,934	\$ -	\$ 7,057	\$ -	\$ -	\$ 172,265
Operating costs	(59,807)	(21,318)	(2,505)	(1,365)	-	(567)	(85,562)
General and administrative expenses	-	-	-	-	-	(6,336)	(6,336)
Operating earnings (loss) *	52,467	31,616	(2,505)	5,692	-	(6,903)	80,367
Depreciation, depletion and amortization	(21,339)	(7,343)	(196)	(17)	-	(113)	(29,008)
General exploration and business development	(10,132)	(960)	(196)	-	-	(8,466)	(19,754)
Income from equity investment in associates	-	-	-	-	25,111	-	25,111
Finance income and costs	(268)	(117)	(1,375)	37	-	(5,263)	(6,986)
Other income and expenses	8,550	4,646	633	19	-	1,827	15,675
Income tax (expense) recovery	(8,967)	(7,188)	(6,835)	(110)	-	1,796	(21,304)
Net earnings (loss)	\$ 20,311	\$ 20,654	\$ (10,474)	\$ 5,621	\$ 25,111	\$ (17,122)	\$ 44,101
Capital expenditures	\$ 24,735	\$ 5,860	\$ 16,826	\$ 24	\$ -	\$ 186	\$ 47,631

For the six months ended June 30, 2012

	Neves-Corvo	Zinkgruvan	Aguablanca	Galmoy	Tenke Fungurume	Other	Total
	Portugal	Sweden	Spain	Ireland	DRC		
Sales	\$ 265,185	\$ 107,976	\$ -	\$ 11,899	\$ -	\$ -	\$ 385,060
Operating costs	(125,928)	(48,103)	(4,728)	(5,398)	-	(1,211)	(185,368)
General and administrative expenses	-	-	-	-	-	(13,942)	(13,942)
Operating earnings (loss) *	139,257	59,873	(4,728)	6,501	-	(15,153)	185,750
Depreciation, depletion and amortization	(43,103)	(14,784)	(383)	(34)	-	(214)	(58,518)
General exploration and business development	(17,114)	(1,511)	(599)	-	-	(12,198)	(31,422)
Income from equity investment in associates	-	-	-	-	50,671	-	50,671
Finance income and costs	(35)	(2,190)	(1,472)	132	-	(6,130)	(9,695)
Other income and expenses	5,704	1,205	473	34	-	(1,505)	5,911
Income tax (expense) recovery	(26,043)	(10,745)	(5,278)	(238)	-	2,022	(40,282)
Net earnings (loss)	\$ 58,666	\$ 31,848	\$ (11,987)	\$ 6,395	\$ 50,671	\$ (33,178)	\$ 102,415
Capital expenditures	\$ 47,942	\$ 13,862	\$ 30,982	\$ 24	\$ -	\$ 326	\$ 93,136

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

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

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Copper	\$ 94,029	\$ 110,232	\$ 203,611	\$ 257,545
Zinc	44,822	44,156	75,379	85,911
Lead	16,982	14,417	26,380	34,080
Nickel	12,457	-	42,636	-
Other	7,983	3,460	16,440	7,524
	\$ 176,273	\$ 172,265	\$ 364,446	\$ 385,060

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

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Europe	\$ 157,792	\$ 172,265	\$ 281,217	\$ 382,338
South America	(2,472)	-	19,476	2,722
Asia	20,953	-	63,753	-
	\$ 176,273	\$ 172,265	\$ 364,446	\$ 385,060

20. 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 9).
- 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:

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Wages and salaries	\$ 1,518	\$ 1,403	\$ 3,008	\$ 3,155
Pension benefits	34	20	68	40
Share-based compensation	334	1,130	540	1,498
	\$ 1,886	\$ 2,553	\$ 3,616	\$ 4,693

- c) **Other related parties** - During the six months ended June 30, 2013, the Company paid \$0.1 million (2012 - \$0.1 million) for services provided by a company owned by the Chairman of the Company. The Company also paid \$0.4 million for the six months ended June 30, 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.

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21. 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 June 30, 2013 and December 31, 2012:

	Level	June 30, 2013		December 31, 2012	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Fair value through profit or loss ("FVTPL")					
Trade receivables	2	\$ 74,303	\$ 74,303	\$ 76,237	\$ 76,237
Marketable securities - shares	1	7,411	7,411	14,463	14,463
Marketable securities - warrants	2	81	81	150	150
Restricted funds - shares	1	17,081	17,081	16,779	16,779
		\$ 98,876	\$ 98,876	\$ 107,629	\$ 107,629
Available for sale ("AFS")					
Marketable securities - shares	1	\$ 11,973	\$ 11,973	\$ 18,506	\$ 18,506
Marketable securities - warrants	2	319	319	1,211	1,211
		\$ 12,292	\$ 12,292	\$ 19,717	\$ 19,717
Financial liabilities					
Amortized cost					
Long-term debt and finance leases	2	\$ 8,864	8,864	\$ 10,022	10,022
Other long-term liabilities	2	3,629	3,629	3,625	3,625
		\$ 12,493	\$ 12,493	\$ 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 negative pricing adjustments of \$13.8 million in sales during the three months ended June 30, 2013 (2012 - \$14.5 million negative price adjustment) and a negative pricing adjustments of \$22.1 million in sales during the six months ended June 30, 2013 (2012 - \$1.2 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.

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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, other assets, restricted funds, which are classified as loans and receivables, and trade and other payables which are classified as amortized cost.

22. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Changes in non-cash working capital items consist of:				
Trade receivable, inventories and other current assets	\$ (5,313)	\$ 57,467	\$ (9,412)	\$ 28,443
Trade payable and other current liabilities	7,913	17,442	3,326	34,147
	\$ 2,600	\$ 74,909	\$ (6,086)	\$ 62,590

Operating activities included the following cash payments:

Interest received	\$ 447	\$ 484	\$ 923	\$ 927
Interest paid	\$ 553	\$ 761	\$ 1,176	\$ 1,618
Income taxes paid	\$ 9,442	\$ 1,657	\$ 11,457	\$ 7,344

23. SUBSEQUENT EVENT

In July 2013, the Company acquired 100% ownership in Rio Tinto Eagle Mine, LLC, which owns the high grade Eagle nickel/copper underground mine and associated Humboldt mill (“Eagle Mine”) located in the upper peninsula of Michigan, USA. The total consideration paid was \$315.3 million, consisting of a \$250 million purchase amount plus project expenditures from January 1, 2013 until transaction closing of \$65.3 million, subject to customary adjustments. The Company drew down \$200 million on its revolving credit facility to fund the acquisition of Eagle. The facility bears interest at a rate of LIBOR+2.5%.