Management's Discussion and Analysis
For the three months ended March 31, 2013

This management's discussion and analysis ("MD&A") has been prepared as of April 24, 2013 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended March 31, 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. Reference of C$ is to Canadian dollars, reference to SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

Lundin Mining Corporation ("Lundin", "Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations in Portugal, Sweden and Spain, 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 Kokkola cobalt refinery located in 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 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 and Financial Performance

***Wholly-owned operations*:** Production and costs were in line with expectations for copper and nickel for the quarter. Zinc and lead production were lower than expected and Zinkgruvan's cash costs were higher than expected for the quarter; however, the Company expects to make up for this shortfall in the balance of the year.

- Neves-Corvo produced 14,314 tonnes of copper and 10,263 tonnes of zinc in the first quarter of 2013. This was record production for zinc in the quarter. Copper production was on target and excellent plant recoveries were achieved. Cash costs per pound of copper sold were $1.83/lb for the quarter, largely in-line with guidance despite the lower than expected zinc by-product credits.

- At Zinkgruvan, backfill system problems necessitated a change to underground mine sequencing which impacted both the volume of ore mined and head grades for zinc and lead. Backfill system issues have since been resolved. Copper production hit a new quarterly record of 1,146 tonnes. Cash costs per pound of zinc sold were $0.42/lb for the quarter, largely impacted by lower by-product credits and the lower volume of zinc produced and sold.

- At Aguablanca, ore milled, grades and plant recoveries for both nickel and copper were slightly better than expectations. Cash costs per pound of nickel sold were better than guidance, at $4.66/lb.

Tenke: Tenke achieved a quarterly record in mining, milling and copper production.

- First quarter production amounted to 54,462 tonnes of copper cathode aided by record throughput, excellent copper mill feed grades and high plant recoveries.
- Attributable operating cash flow from Tenke for the first quarter of 2013 was $43.6 million.
- Excess operating cash flows of $45.0 million were distributed to the Company in the first quarter of 2013.
- Operating cash costs were $1.23/lb of copper sold.
- Phase II expansion, which included optimizing the current plant and increasing mine, mill and processing capacity, was completed, highlighted by the commissioning of the balance of the expanded electrowinning tankhouse. A second sulphuric acid plant is under development and is expected to be operational by 2015.

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

	2013	2012				
(tonnes)	**Q1**	**FY**	Q4	Q3	Q2	Q1
Copper	**17,016**	**63,878**	14,224	15,573	16,936	17,145
Zinc	**25,947**	**122,204**	29,161	28,452	31,972	32,619
Lead	**6,591**	**38,464**	8,353	9,365	9,780	10,966
Nickel	**1,797**	**2,398**	1,705	693	-	-
Tenke attributable						
Copper	**13,071**	**38,105**	10,602	9,947	8,632	8,924

- Operating earnings[1] for the first quarter of 2013 were $68.1 million, a decrease of $37.3 million from the $105.4 million reported in the comparable quarter of 2012. The decrease was primarily attributable to lower sales volume at Neves-Corvo and Zinkgruvan ($18.3 million) and lower metal prices and price adjustments from prior period sales ($27.0 million), partially offset by earnings at Aguablanca following the restart of operations ($15.1 million).

- For the quarter ended March 31, 2013, sales of $188.2 million decreased $24.6 million from the first quarter of prior year ($212.8 million) mainly due to lower sales volumes at Neves-Corvo and Zinkgruvan, as well as lower realized copper and zinc prices.

- Average London Metal Exchange ("LME") metal prices for copper and nickel for the quarter ended March 31, 2013 were lower (5% and 12%, respectively) than that of the comparable quarter in the prior year, while lead prices increased 10% and zinc prices remained flat (see page 21 of this MD&A for details).

- Operating costs (excluding depreciation) of $113.5 million in the current quarter were higher than the prior year comparative quarter ($99.8 million) reflecting a full quarter of production at Aguablanca. This was partially offset by lower volumes sold at Neves-Corvo, Zinkgruvan and Galmoy.

- Net earnings of $50.1 million ($0.09 per share) for the current quarter were $8.2 million lower than the $58.3 million ($0.10 per share) reported for the quarter ended March 31, 2012. Earnings were impacted by:

    - lower operating earnings primarily due to lower realized metal prices and prior period price adjustments ($37.3 million); and
    - higher depreciation, depletion and amortization expense ($10.7 million), reflecting restart of production at Aguablanca; offset by
    - higher net other income ($25.7 million) representing an increase in foreign exchange gain ($10.8 million) and proceeds from an insurance claim relating to Aguablanca's ramp failure in 2010 ($15.1 million); and
    - higher income from equity investment in Tenke Fungurume ($6.3 million).

- Cash flow from operations for the current quarter was $45.8 million compared to $51.3 million in the first quarter of 2012. The comparative decrease is attributable to lower net earnings in the current quarter.

Tenke Fungurume

- The expanded milling facility increased average daily production, with throughput averaging approximately 14,600 metric tonnes of ore per day during the first quarter of 2013, exceeding the 14,000 metric tonnes of ore per day expanded design capacity. Average throughput for the first quarter was approximately 2,400 metric tonnes of ore per day higher than the comparable quarter from the previous year.

- For the quarter ended March 31, 2013, Tenke produced 54,462 tonnes of copper and sold 53,583 tonnes at an average realized price of $3.40/lb. During the current quarter, 2,540 tonnes of cobalt in hydroxide were produced and 2,555 tonnes were sold at an average realized price of $7.28/lb.

- Cash cost[2] of $1.23/lb of copper for the quarter was slightly lower than the $1.25/lb reported in the prior year comparable quarter, primarily reflecting the benefit of higher sales volumes, partly offset by lower cobalt credits. For 2013, Freeport-McMoRan Copper & Gold Inc. ("Freeport") has revised cash cost guidance to $1.18/lb, from $1.03/lb, due primarily to reduced cobalt by-product credits.

[1] Operating earnings is a non-GAAP measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs. See page 26 of this MD&A for discussion of non-GAAP measures.
[2] Cash cost per pound is a non-GAAP measure – see page 26 of this MD&A for discussion of Non-GAAP measures.

- During the quarter, $17.0 million was spent on the Company's attributable share of Tenke's capital requirements which was funded by the excess cash flow from operations.
- Cash distributions of $45.0 million were received from Tenke during the quarter ended March 31, 2013 (Q1-2012: nil).

Corporate Highlights

- On March 29, 2013, the Company announced completion of the acquisition of 24% of the Kokkola cobalt refinery located in Finland and the related sales and marketing business ("Kokkola" or "joint venture"), which will provide direct-end market access for the cobalt hydroxide production from Tenke.

  The Company holds an effective 24% ownership interest in the joint venture, with Freeport holding a 56% ownership interest and being the operator of the joint venture, and La Générale des Carrières et des Mines, the Congolese state mining company, holding a 20% interest in Kokkola.

  The initial consideration paid was $355 million, which included $34 million of acquired cash. Under the terms of the agreement, there is the potential for additional consideration of up to $110 million over a period of three years, contingent upon the achievement of revenue-based performance targets. Lundin Mining's share of initial acquisition costs, including acquired cash, was $116.3 million based on a 30%/70% split with Freeport, which amounts will be repaid prior to any shareholder advances.

Financial Position and Financing

- Net cash[1] position at March 31, 2013 was $199.4 million compared to $265.1 million at December 31, 2012 and $242.3 million at March 31, 2012.
- The $65.7 million decrease in net cash during the quarter was primarily attributable to the acquisition of Kokkola ($116.3 million) and investments in mineral properties, plant and equipment ($36.6 million), partially offset by cash flow from operations of $45.8 million and distributions from Tenke of $45.0 million.
- Net cash balance at April 24, 2013 is approximately $214 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 cost guidance for 2013 for the Company's wholly-owned operations remains unchanged. Freeport forecasts increased copper production at Tenke, up from 44,650 to 47,300 tonnes of cathode (Lundin Mining's attributable share), along with increased unit costs, as noted herein.

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

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.30, USD/SEK:6.50) and metal prices (forecast at Cu: $3.50, Zn: $0.90, Pb: $1.00,Ni: $7.50, Co: $12.00).

b. Freeport has provided 2013 sales and C1 cash cost guidance. The sales guidance is assumed to approximate Tenke's production.

2013 Capital Expenditure Guidance

Capital expenditures for 2013 are expected to be $285 million (unchanged from previous guidance), as described below:

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

- **New investment capital in European operations -** $60 million, consisting of approximately $30 million for Lombador Phase I, $9 million for an industrial dam at Neves-Corvo, $13 million for Zinkgruvan's ore dressing plant and other improvement initiatives.

- **New investment in Tenke** - $115 million, estimated by the Company as its share of the remaining Phase II expansion costs, exploration and Phase III and IV 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 distributions from Tenke for the remainder of 2013.

Selected Quarterly Financial Information

($ millions, except per share amounts)	Three months ended March 31 2013	2012
Sales	**188.2**	212.8
Operating costs	**(113.5)**	(99.8)
General and administrative expenses	**(6.6)**	(7.6)
Operating earnings	**68.1**	105.4
Depreciation, depletion and amortization	**(40.2)**	(29.5)
General exploration and business development	**(12.6)**	(11.7)
Income from equity investment in associates	**31.9**	25.6
Finance income and costs, net	**(2.2)**	(2.7)
Other income and expenses, net	**15.8**	(9.8)
Earnings before income taxes	**60.8**	77.3
Income tax expense	**(10.7)**	(19.0)
Net earnings	**50.1**	58.3
Shareholders' equity[1]	**3,493.4**	3,407.5
Cash flow from operations	**45.8**	51.3
Capital expenditures (incl. advances to Tenke)	**36.6**	45.5
Total assets	**4,062.0**	3,997.3
Net cash	**199.4**	242.3
Key Financial Data:		
Shareholders' equity per share[2]	**5.98**	5.85
Basic and diluted earnings per share	**0.09**	0.10
Dividends	**-**	-
Equity ratio[3]	**86%**	85%
Shares outstanding:		
Basic weighted average	**584,150,358**	582,493,242
Diluted weighted average	**585,280,925**	582,806,263
End of period	**584,206,673**	582,502,510

($ millions, except per share data)	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	Q4-11[4,5]	Q3-11[4,5]	Q2-11[4,5]
Sales	**188.2**	176.4	159.6	172.3	212.8	242.1	146.2	184.0
Operating earnings	**68.1**	51.8	71.1	80.4	105.4	124.3	53.8	85.4
Net earnings (loss)	**50.1**	(17.1)	37.9	44.1	58.3	36.1	16.4	60.1
Earnings (loss) per share, basic[6]	**0.09**	(0.03)	0.07	0.08	0.10	0.06	0.03	0.10
Earnings (loss) per share, diluted[6]	**0.09**	(0.03)	0.06	0.08	0.10	0.06	0.03	0.10
Cash flow from operations	**45.8**	49.4	(25.7)	119.0	51.3	113.9	(36.6)	99.2
Capital expenditures (incl. Tenke)	**36.6**	29.0	52.3	47.6	45.5	84.3	62.8	60.1
Net cash	**199.4**	265.1	245.0	312.7	242.3	236.1	208.7	308.2

1. 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.
2. Shareholders' equity per share is a non-GAAP measure defined as shareholders' equity divided by total shares outstanding at the end of the period.
3. Equity ratio is a non-GAAP measure defined as shareholders' equity divided by total assets at the end of the period.
4. 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.
5. 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.
6. 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

	2013	2012				
	Q1	**Total**	Q4	Q3	Q2	Q1
Copper (tonnes)						
Neves-Corvo	**13,626**	**56,497**	13,024	11,200	15,869	16,404
Zinkgruvan	**794**	**2,854**	640	865	880	469
Aguablanca	**960**	**556**	298	258	-	-
	15,380	**59,907**	13,962	12,323	16,749	16,873
Zinc (tonnes)						
Neves-Corvo	**6,993**	**25,591**	9,488	4,617	5,542	5,944
Zinkgruvan	**12,547**	**71,809**	16,588	17,623	19,580	18,018
Galmoy[1]	**832**	**11,474**	1,283	3,768	3,827	2,596
	20,372	**108,874**	27,359	26,008	28,949	26,558
Lead (tonnes)						
Neves-Corvo	**38**	**31**	-	31	-	-
Zinkgruvan	**4,837**	**36,128**	10,080	7,637	8,176	10,235
Galmoy[1]	**124**	**3,023**	806	1,099	587	531
	4,999	**39,182**	10,886	8,767	8,763	10,766
Nickel (tonnes)						
Aguablanca	**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 17).

Sales Analysis

	Three months ended March 31				
	2013		2012		Change
($ thousands)	$	%	$	%	$
by Mine					
Neves-Corvo	**108,007**	57	152,911	72	(44,904)
Zinkgruvan	**35,862**	19	55,042	26	(19,180)
Aguablanca	**42,800**	23	-	-	42,800
Galmoy	**1,504**	1	4,842	2	(3,338)
	188,173		212,795		(24,622)
by Metal					
Copper	**109,582**	58	147,313	69	(37,731)
Zinc	**30,557**	16	41,755	20	(11,198)
Lead	**9,398**	5	19,663	9	(10,265)
Nickel	**30,179**	16	-	-	30,179
Other	**8,457**	5	4,064	2	4,393
	188,173		212,795		(24,622)

Sales for the quarter were $24.6 million lower compared to the comparable period in the prior year, reflecting lower realized metal prices and prior period price adjustments ($29.7 million) and decrease in sales volume at Neves-Corvo, Zinkgruvan and Galmoy ($37.7 million), partially offset by increased sales at Aguablanca ($42.8 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 ($ thousands, except per pound amounts)	Quarter ended March 31, 2013 **Copper**	**Zinc**	**Lead**	**Nickel**	**Total**
Current period sales[1]	117,564	39,754	10,839	29,765	197,922
Prior period provisional adjustments	(383)	390	180	458	645
Sales before other metals and TC/RC	117,181	40,144	11,019	30,223	198,567
Other metal sales					8,457
Less: TC/RC					(18,851)
Total Sales					**188,173**
Payable Metal (tonnes)	**15,380**	**20,372**	**4,999**	**1,789**	
Current period sales ($/lb)[1]	$ 3.47	$ 0.88	$ 0.98	$ 7.55	
Prior period provisional adjustments ($/lb)	(0.01)	0.01	0.02	0.11	
Realized prices ($/lb)	**$ 3.46**	**$ 0.89**	**$ 1.00**	**$ 7.66**	

2012 ($ thousands, except per pound amounts)	Quarter ended March 31, 2012 **Copper**	**Zinc**	**Lead**	**Nickel**	**Total**
Current period sales[1]	141,973	53,874	22,121	-	217,968
Prior period provisional adjustments	13,174	1,246	467	-	14,887
Sales before other metals and TC/RC	155,147	55,120	22,588	-	232,855
Other metal sales					4,064
Less: TC/RC					(24,124)
Total Sales					**212,795**
Payable Metal (tonnes)	**16,873**	**26,558**	**10,766**	**-**	
Current period sales ($/lb)[1]	$ 3.82	$ 0.92	$ 0.93	n/a	
Prior period provisional adjustments ($/lb)	0.35	0.02	0.02	n/a	
Realized prices ($/lb)	$ **4.17**	**$ 0.94**	**$ 0.95**	**n/a**	

1. Includes provisional price adjustments on current period sales.

Provisionally valued sales as of March 31, 2013

Metal	**Tonnes Payable**	**Valued at $ per lb**	**Valued at $ per tonne**
Copper	8,529	3.42	7,544
Zinc	14,990	0.86	1,897
Lead	5,061	0.97	2,143
Nickel	1,875	7.55	16,641

Financial Results

Operating Costs

Operating costs of $113.5 million for the three months ended March 31, 2013 were $13.7 million higher than the three months ended March 31, 2012. Total costs increased primarily as a result of the restart of operations at Aguablanca ($27.7 million). This was partially offset by lower costs at Neves-Corvo, Zinkgruvan and Galmoy ($14.0 million) due largely to lower sales volume.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased for the three months ended March 31, 2013 compared with the same period in 2012, primarily as a result of the restart of production at Aguablanca and changes in life of mine estimates at Neves-Corvo.

Depreciation by operation	**Three months ended March 31**		
($ thousands)	**2013**	2012	Change
Neves-Corvo	**25,434**	21,764	3,670
Zinkgruvan	**6,814**	7,441	(627)
Aguablanca	**7,887**	187	7,700
Other	**99**	118	(19)
	40,234	29,510	10,724

General Exploration and Business Development

General exploration and business development costs of $12.6 million in the first quarter of 2013 were slightly higher than the $11.7 million for the three months ended March 31, 2012. Lower spend on general exploration was more than offset by project development costs, specifically on the driving of the Semblana exploration access ramp and Zinkgruvan's ore dressing plant feasibility study.

Other Income and Expense

Net other income and expense is comprised mainly of foreign exchange gains and losses and insurance proceeds from the Aguablanca ramp failure ($15.1 million) which occurred in late 2010.

A foreign exchange gain of $1.4 million in the current quarter relates to US denominated cash and trade receivables that were held in the European group entities. Period end exchange rates at March 31, 2013 were $1.28:€1.00 (December 31, 2012 – $1.32:€1.00) and $1.00:SEK6.52 (December 31, 2012 – $1.00:SEK6.52).

Current and Deferred Taxes

Current tax expense	**Three months ended March 31**		
($ thousands)	**2013**	2012	Change
Neves-Corvo	**8,719**	19,606	(10,887)
Zinkgruvan	**834**	4,277	(3,443)
Aguablanca	**(28)**	-	(28)
Other	**72**	(1,313)	1,385
	9,597	22,570	(12,973)

Current income tax expense for the three months ended March 31, 2013 was $9.6 million, $13.0 million lower than the $22.6 million recorded in the comparative quarter of 2012. The lower tax expense in the current quarter reflects lower earnings, particularly at Neves-Corvo and Zinkgruvan. Aguablanca reported higher earnings but applied loss carryforwards to reduce its current taxes.

Deferred tax expense (recovery)	**Three months ended March 31**		
($ thousands)	**2013**	2012	Change
Neves-Corvo	**(3,433)**	(2,530)	(903)
Zinkgruvan	**(198)**	(720)	522
Aguablanca	**4,505**	(1,557)	6,062
Other	**278**	1,215	(937)
	1,152	(3,592)	4,744

Deferred income tax expense for the three months ended March 31, 2013 was $1.2 million compared to a recovery of $3.6 million in the comparative quarter of 2012. The higher net expense is primarily attributed to utilization of loss carry forwards at Aguablanca in the current quarter.

Mining Operations

Production Overview

	2013	2012				
	Q1	**Total**	Q4	Q3	Q2	Q1
Copper (tonnes)						
Neves-Corvo	**14,314**	**58,559**	11,988	14,012	15,950	16,609
Zinkgruvan	**1,146**	**3,059**	673	864	986	536
Aguablanca	**1,556**	**2,260**	1,563	697	-	-
	17,016	**63,878**	14,224	15,573	16,936	17,145
Zinc (tonnes)						
Neves-Corvo	**10,263**	**30,006**	9,533	5,834	7,619	7,020
Zinkgruvan	**15,684**	**83,209**	18,703	20,053	24,022	20,431
Galmoy[1]	**-**	**8,989**	925	2,565	331	5,168
	25,947	**122,204**	29,161	28,452	31,972	32,619
Lead (tonnes)						
Neves-Corvo	**-**	**87**	39	48	-	-
Zinkgruvan	**6,591**	**37,246**	8,198	8,953	9,747	10,348
Galmoy[1]	**-**	**1,131**	116	364	33	618
	6,591	**38,464**	8,353	9,365	9,780	10,966
Nickel (tonnes)						
Aguablanca	**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 (Galmoy - see MD&A page 17)

Cash Cost Overview

	Cash cost/lb (US dollars)		Cash cost/lb (local currency)	
	Three months ended March 31			
	2013	2012	**2013**	2012
Neves-Corvo (Local in €)				
Gross cost	**2.20**	1.90	**1.67**	1.44
By-product[1]	**(0.37)**	(0.27)	**(0.28)**	(0.21)
Net Cost - cost/lb Cu	**1.83**	1.63	**1.39**	1.23
Zinkgruvan (Local in SEK)				
Gross cost	**1.01**	0.87	**6.53**	5.87
By-product[1]	**(0.59)**	(0.65)	**(3.81)**	(4.37)
Net Cost - cost/lb Zn	**0.42**	0.22	**2.72**	1.50
Aguablanca (Local in €)				
Gross cost	**7.86**	n/a	**5.95**	n/a
By-product[1]	**(3.20)**	n/a	**(2.42)**	n/a
Net Cost - cost/lb Ni	**4.66**	n/a	**3.53**	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				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	**595**	**2,507**	648	577	638	644
Ore mined, zinc (000 tonnes)	**211**	**530**	178	107	132	113
Ore milled, copper (000 tonnes)	**579**	**2,512**	648	597	634	633
Ore milled, zinc (000 tonnes)	**213**	**543**	181	104	135	123
Grade per tonne						
Copper (%)	**2.7**	**2.6**	2.2	2.7	2.8	2.9
Zinc (%)	**6.2**	**7.3**	7.1	7.2	7.2	7.6
Recovery						
Copper (%)	**90.8**	**88.2**	85.6	86.0	90.0	91.1
Zinc (%)	**73.2**	**71.0**	70.5	78.2	78.5	74.6
Concentrate grade						
Copper (%)	**23.6**	**23.9**	23.6	24.2	23.9	24.0
Zinc (%)	**47.5**	**47.3**	47.0	46.6	48.1	47.3
Production (contained metal)						
Copper (tonnes)	**14,314**	**58,559**	11,988	14,012	15,950	16,609
Zinc (tonnes)	**10,263**	**30,006**	9,533	5,834	7,619	7,020
Lead (tonnes)	**-**	**87**	39	48	-	-
Silver (000 oz)	**327**	**961**	282	178	240	261
Sales ($000s)	**108,007**	**466,174**	108,349	92,640	112,274	152,911
Operating earnings ($000s)	**47,858**	**218,564**	33,705	45,602	52,467	86,790
Cash cost (€ per pound)	**1.39**	**1.39**	1.67	1.49	1.26	1.23
Cash cost ($ per pound)	**1.83**	**1.79**	2.17	1.87	1.61	1.63

Operating Earnings

Operating earnings of $47.9 million for the three months ended March 31, 2013 were $38.9 million lower than 2012. The decrease is mainly attributable to lower volume of copper sales ($10.7 million), lower metal prices ($11.9 million) and price adjustments from prior period sales ($12.6 million).

Production

Total ore mined was greater than the comparable period in the prior year as the introduction of new shift rosters allowed greater efficiency in the mine.

Copper production for the quarter was lower than the comparable period in the prior year. Throughput and head grades were slightly lower than those realized in the first quarter of 2012. Copper recoveries were also slightly lower than the prior year, but at 91% recoveries were still considered excellent and were better than expected.

Though hurt by lower grades and recovery rates, zinc production was significantly higher than the prior year as ramp up activities continued in the zinc plant and throughput levels increased relative to the same period in 2012. Zinc recovery showed consistent improvement towards the end of the quarter due to zinc circuit modifications with recoveries greater than 77% achieved for the month of March. Total zinc metal production was a new quarterly record.

Cash Costs

Cash costs of $1.83/lb for the quarter ended March 31, 2013 were in line with guidance of $1.80/lb but higher than the corresponding period in 2012 of $1.63/lb due mainly to lower overall copper production, partially offset by higher zinc by-product credits ($0.10/lb).

Lombador Zinc/Copper Project and Semblana Copper Project

In addition to the previously advised acceleration of copper production from Lombador Phase 1, which will commence in the third quarter of 2013, Neves-Corvo has also taken the opportunity to bring forward initial higher grade zinc stope production from the area, with the first stope blasts to commence on the upper levels in July 2013. As well as contributing to overall zinc production, these initial stopes will be subject to a range of geotechnical and other studies to optimize the bench stope designs for Lombador Phases 1 and 2 exploitation.

Construction of Lombador Phase 1 supporting infrastructure remains on track, including significant surface projects such as the main sub-station expansion and reinforcement of the surface power cables network. Both of these will be completed in the third quarter of 2013.

Studies into the new future mine areas of Lombador Phase 2 and Semblana continue to focus on low cost options for access, improved underground materials handling and the optimal timing for integrating these investments into existing operations. Supporting parallel initiatives are also being driven aggressively, including options for expanding the existing Santa Barbara hoisting shaft capacity, metallurgical test work to confirm recoveries (including silver and gold in Semblana), and other initiatives in rock mechanics and hydrology.

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				
	Q1	**Total**	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	**243**	**954**	251	189	251	263
Ore mined, copper (000 tonnes)	**52**	**157**	40	46	44	27
Ore milled, zinc (000 tonnes)	**230**	**998**	254	216	241	287
Ore milled, copper (000 tonnes)	**56**	**145**	29	48	49	19
Grade per tonne						
Zinc (%)	**7.5**	**9.1**	8.2	10.1	10.7	7.7
Lead (%)	**3.4**	**4.4**	3.8	4.7	4.8	4.3
Copper (%)	**2.2**	**2.3**	2.5	2.0	2.2	3.0
Recovery						
Zinc (%)	**90.6**	**91.7**	89.2	91.9	93.5	91.8
Lead (%)	**85.2**	**85.4**	84.8	88.0	85.3	83.8
Copper (%)	**92.9**	**91.8**	92.6	90.6	91.6	93.4
Concentrate grade						
Zinc (%)	**53.7**	**54.1**	54.5	54.6	54.5	53.0
Lead (%)	**70.4**	**74.7**	73.4	74.0	76.2	74.9
Copper (%)	**26.1**	**25.1**	24.7	24.3	25.9	25.7
Production- tonnes (contained metal)						
Zinc (tonnes)	**15,684**	**83,209**	18,703	20,053	24,022	20,431
Lead (tonnes)	**6,591**	**37,246**	8,198	8,953	9,747	10,348
Copper (tonnes)	**1,146**	**3,059**	673	864	986	536
Silver (000 oz)	**514**	**2,496**	560	621	673	642
Sales ($000s)	**35,862**	**209,621**	52,946	48,699	52,934	55,042
Operating earnings ($000s)	**14,370**	**116,143**	27,564	28,706	31,616	28,257
Cash cost (SEK per pound)	**2.72**	**0.92**	0.80	0.55	0.82	1.50
Cash cost ($ per pound)	**0.42**	**0.13**	0.12	0.08	0.12	0.22

Operating Earnings

Operating earnings of $14.4 million were $13.9 million lower than the $28.3 million reported in the first quarter of 2012. The decrease in earnings is attributable to lower sales volumes ($7.6 million), higher unit costs ($2.1 million), unfavourable exchange rate ($1.4 million) and lower price and price adjustments from prior period sales ($2.8 million).

Production

Zinc and lead production in the first quarter were lower than the comparable quarter in the prior year largely due to lower head grades and treated tonnages. Delays to paste backfilling in the previous quarter resulted in the need to reschedule the underground stope sequencing which resulted in lower grades being mined this quarter. A new backfill line has been installed and backfilling accelerated allowing higher grade stopes to be mined as originally scheduled.

Higher throughput for copper ore contributed to record copper metal production in the quarter.

Cash Costs

Cash costs for zinc in the current quarter were $0.42/lb. Compared to last year, first quarter 2013 cash costs increased by $0.20/lb as a result of a combination of lower by-product credits, mainly from lead sales ($0.06/lb), and higher production costs ($0.14/lb). Production costs per pound have increased due to the significant reduction in payable zinc metal and a stronger SEK.

Projects

The feasibility study initiated during the fourth quarter of 2012 to examine the potential economic benefits of modernizing the surface crushing and screening circuit continued and is expected to be completed around mid-year. A number of enhancements have already been made to the existing system to reduce dust and noise emissions and to improve plant availability.

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				
	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**378**	**755**	368	198	148	41
Ore milled (000s tonnes)	**403**	**577**	368	209	-	-
Grade per tonne						
Nickel (%)	**0.5**	**0.5**	0.5	0.4	-	-
Copper (%)	**0.4**	**0.4**	0.5	0.4	-	-
Recovery						
Nickel (%)	**82.4**	**81.3**	82.8	78.1	-	-
Copper (%)	**93.2**	**91.4**	92.9	87.7	-	-
Concentrate grade						
Nickel (%)	**6.8**	**6.8**	6.8	6.7	-	-
Copper (%)	**6.0**	**6.4**	6.3	6.8	-	-
Production (contained metal)						
Nickel (tonnes)	**1,797**	**2,398**	1,705	693	-	-
Copper (tonnes)	**1,556**	**2,260**	1,563	697	-	-
Sales ($000s)	**42,800**	**22,167**	11,582	10,585	-	-
Operating earnings (loss) ($000s)	**12,846**	**(10,879)**	(3,163)	(2,988)	(2,505)	(2,223)
Cash cost (€ per pound)	**3.53**	**5.34**	4.85	5.94	-	-
Cash cost ($ per pound)	**4.66**	**6.76**	6.19	7.47	-	-

Operating Earnings

Operating earnings of $12.8 million for the quarter ended March 31, 2013 were higher than the comparable period in 2012 due to the restart of operations in the third quarter of 2012.

During the current quarter, 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 year quarter, 1,797 tonnes of nickel and 1,556 tonnes of copper in bulk concentrate was produced, slightly exceeding expectations and consistent with pre-shutdown production levels.

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

Cash Costs

Cash costs of $4.66/lb for the quarter ended March 31, 2013 were 7% below the 2013 full year guidance of $5.00/lb, with both nickel and by-product copper above expected production levels.

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				
	Q1	**Total**	Q4	Q3	Q2	Q1
Ore sold (000 tonnes)	**20**	**188**	19	61	69	39
Sales ($000s)	**1,504**	**23,144**	3,582	7,663	7,057	4,842
Operating earnings ($000s)	**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 $0.4 million in the first quarter of 2013, lower than the $0.8 million reported in the comparable quarter of 2012. Sales and operating earnings in the current year were negatively impacted by lower tonnage milled when compared to the prior year.

An amount of $10.0 million is reported as deferred revenue as at March 31, 2013, representing cash received for ore delivered but not yet processed. As at March 31, 2013, approximately 115,000 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. All mine pumps were removed and mine re-watering commenced during the quarter.

$1.9 million was incurred during the first quarter of 2013 for mine closure and rehabilitation work. This included expenditure on land/tailing rehabilitation, dismantling of mine infrastructure, mine flooding/sealing, replacement water supply activities, water treatment, insurance 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

	2013	2012				
100% Basis	**Q1**	**Total**	Q4	Q3	Q2	Q1
Ore mined (000 tonnes)	**3,382**	**12,806**	3,909	3,170	2,641	3,086
Ore milled (000 tonnes)	**1,317**	**4,748**	1,222	1,248	1,172	1,106
Grade per tonne						
Copper (%)	**4.4**	**3.6**	3.8	3.6	3.5	3.6
Recovery						
Copper (%)	**93.7**	**92.4**	94.8	92.9	90.6	91.2
Production (contained metal)						
Copper (tonnes)	**54,462**	**157,671**	44,130	41,446	35,965	36,130
Cobalt (tonnes)	**2,540**	**11,669**	2,718	3,356	2,868	2,727
Income from equity investment ($000s) [1]	**31,883**	**101,516**	25,785	25,060	25,111	25,560
Attributable share of operating cash flows ($000s)	**43,639**	**145,899**	39,156	26,069	49,652	31,022
Cash cost ($ per pound) [2]	**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 $31.9 million in the current quarter was $6.3 million higher than the first quarter of last year. Higher copper sales volumes were partially offset by lower average realized price on both copper and cobalt sales. Volume of copper cathode sold during the quarter, on a 100% basis, was 53,583 tonnes compared to 31,195 tonnes in the comparable period last year.

The average price realized for copper sales during the quarter was $3.40/lb, compared to $3.74/lb in the first quarter of 2012. The average realized price for cobalt sold during the first quarter of 2013 was $7.28/lb (first quarter of 2012: $8.46/lb).

Production

Milling facilities at Tenke continue to perform very well with throughput averaging 14,636 metric tonnes of ore per day during the first quarter of 2013, exceeding the 14,000 metric tonnes of ore per day expanded design capacity. Average throughput for the first quarter was approximately 2,400 metric tonnes of ore per day higher than the comparable quarter from the previous year.

Assisted by higher grades and recovery, but largely as a result of increased throughput resulting from Phase II expansion, Tenke's copper production for the three months ended March 31, 2013, set a quarterly record.

Freeport has increased copper sales volume guidance for 2013 to approximately 197,000 tonnes from approximately 186,000 tonnes. For cobalt, sales volume guidance has been moderately decreased to 12,700 tonnes from 13,600 tonnes.

Cash Costs

Average cash operating costs, including cobalt by-product credits, of $1.23/lb of copper for the quarter was slightly lower than unit net cash costs of $1.25/lb in the first quarter of 2012, primarily reflecting the benefit of higher sales volume, partly offset by lower cobalt credits. Annual cash cost guidance has been increased to $1.18/lb, from $1.03/lb, due primarily to reduced cobalt by-product credits.

Future Expansion Studies

The Phase II expansion is substantially complete and within budget.

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

Tenke Cash Flow

Lundin’s attributable share of operating cash flow at Tenke for the first quarter of 2013 was $43.6 million (2012: $31.0 million).

Lundin Mining’s share of 2013 capital investment for Tenke has been assumed, for internal planning purposes, to be $115 million to fund remaining Phase II expansion costs, exploration drilling, Phase III and Phase IV testwork and studies, a tailings dam expansion and other sustaining capital items. During the quarter ended March 31, 2013, $17.0 million was spent on our attributable share of capital investments, which was funded by cash flow from operations. The Company received cash distributions of $45.0 million during the quarter.

Exploration

Portugal

Neves-Corvo Mine Exploration (Copper, Zinc)
The 2013 surface exploration program includes a total of 63,000 metres of drilling of which 11,170 metres were drilled during the first quarter. Drilling has been focused on delineating an additional new copper deposit at Monte Branco located approximately 1.2 km to the south of the Semblana copper deposit. The 2013 program also includes step-out drilling to the north and northwest of Monte Branco, respectively in the directions of the Semblana and Zambujal orebodies in addition to drill-testing of high priority seismic reflectors. At Semblana, additional drilling in 2013 will work towards defining the limits and grade distribution of the Semblana deposit, especially to the west and south, and will work towards delineating a silver-rich polymetallic resource that appears to extend beyond the limits of the currently known copper resource.

Iberian Pyrite Belt Regional Exploration (Copper, Zinc)
Approximately 300 metres were drilled during the first quarter of 2013 to continue testing a new target identified with seismic surveys and mapping performed in 2012. For the balance of 2013, the program will focus on additional target generation and testing in this zone and other targets defined on a highly prospective belt up to 8 km along strike to the northwest of the Neves-Corvo mine.

Spain (Copper, Gold)
Target definition work continued on the copper-gold prospects located in the Ossa Morena belt of southern Spain.

Romania (Copper, Gold)
Preparations to explore the recently acquired Rozalia copper-gold porphyry prospect, located in western Romania, were carried out in the first quarter. This region contains the same metal-rich belt of rocks which hosts the giant Bor and Majdanpek copper-gold deposits to the south in Serbia. The Company funded a modest exploration campaign focused on target definition work and initial drill-testing in the quarter. Drilling is planned to start in late May.

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 zinc-lead-silver rich Discovery Zone, and located approximately 700 metres to the west, the copper-zinc-lead-silver rich Copper Zone. Drilling in 2013 will commence in second quarter, focusing 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.

Chile (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 km 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 $35 million over a six-year period.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for the first quarter 2013 were equal or slightly higher than the average prices for the last quarter of 2012, with copper unchanged and zinc, lead and nickel increasing by 4%, 5% and 2%, respectively. However, except for lead, the prices remain lower than the average prices from a year ago due to the continuing debt crisis in the Euro zone and expectations that the new Chinese government will take steps to curb inflation. Demand, especially for copper, slowed during the Chinese holidays and there has been a substantial increase in LME inventories for copper and nickel. The long winter and significant decrease in LME inventory has benefitted the price of lead as compared to last year.

		Three months ended March 31		
(Average LME Price)		**2013**	2012	Change
Copper	US$/pound	**3.60**	3.77	-5%
	US$/tonne	**7,931**	8,310	
Zinc	US$/pound	**0.92**	0.92	nil
	US$/tonne	**2,033**	2,025	
Lead	US$/pound	**1.04**	0.95	10%
	US$/tonne	**2,301**	2,093	
Nickel	US$/pound	**7.85**	8.91	-12%
	US$/tonne	**17,314**	19,651	

LME inventory for copper and nickel increased during the first quarter of 2013 and ended the quarter 78% and 18%, respectively, higher than the closing levels of the first quarter of 2012. However, LME inventories for zinc and lead decreased during the quarter with closing level of zinc and lead lower by 4% and 18%, respectively, compared to the closing levels of comparable period in the prior year.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates decreased during the first quarter of 2013. In January the spot TC was $65 per dmt of concentrate and the spot RC was $0.065 per lb of payable copper and in March the TC had decreased to $53 per dmt of concentrates with a RC of $0.053 per payable lb of copper contained. The reason for the decrease in TC and RC is the continuing strong demand for copper concentrates in China. Annual negotiations for copper TC and RC were completed during the quarter for 2013, with benchmark TC agreed at $70 per dmt of concentrates and RC of $0.07 per lb payable copper. These agreed terms are slightly above the numbers for 2012 with TC of $63.50 per dmt and RC of $0.0635 per lb payable copper.

The spot TC for zinc concentrates has been stable at $140-$145 per dmt, flat, during the first quarter of 2013. During the quarter, the benchmark TC between miners and smelters in Asia for annual zinc concentrate contracts was agreed at $210.50 per dmt of concentrates based on a zinc price of $2,000 per mt and with slightly higher escalators and de-escalators than for 2012. The agreed terms represent an improvement in favour of the smelters of approximately $19.50 per dmt of concentrates, at the base price, compared to last year. Negotiations between miners and European smelters are still ongoing. In addition, the Company is still in negotiations with its long term zinc concentrate customers.

There has been very little spot activity for lead concentrates during the first quarter of 2013 and the spot TC has been fairly constant at $130 per dmt, flat, during the quarter. There is no clear benchmark for the lead concentrate market since it is not as homogenous as the markets for copper and zinc concentrates. The TC is based on the individual quality and varies with the content of lead, silver and deleterious elements. In general, there has been a decrease in TC in favour of the miners under annual contracts for all grades of lead concentrates. The company has settled all its annual contracts for lead concentrates with a considerable decrease in the TC and no change to the refining charge for silver.

The Company's nickel concentrates are sold under a long term contract at terms which are in line with the 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 increased by $17.0 million to $292.1 million as at March 31, 2013, from $275.1 million at December 31, 2012. However, net cash decreased from $242.3 million at December 31, 2012 to $199.4 million at March 31, 2013.

Cash inflows for the three months ended March 31, 2013 included operating cash flows of $45.8 million, drawdown on the revolving credit facility of $85.0 million and receipt of distributions from Tenke of $45.0 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment ($36.6 million) and the acquisition of Kokkola ($116.3 million).

Working Capital

Working capital of $350.6 million as at March 31, 2013 compares to $315.7 million at December 31, 2012. The increase of $34.9 million reflects a higher balance of cash and trade receivables, and a lower balance of trade and other payables, partially offset by a lower balance of inventories.

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 ($12.3 million) remains outstanding.

Shareholders' Equity

Shareholders' equity was $3,493.4 million at March 31, 2013, compared to $3,473.1 million at December 31, 2012. Shareholders' equity increased as a result of net earnings of $50.1 million, partially offset by revaluation on marketable securities of $2.5 million and translation adjustments of $30.0 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 March 31, 2013 ($US/tonne)	Change	Effect on pre-tax earnings ($millions)
Copper	7,544	+/-10%	+/-$6.4
Zinc	1,897	+/-10%	+/-$2.8
Lead	2,143	+/-10%	+/-$1.1
Nickel	16,641	+/-10%	+/-$3.1

Financial Instruments

Summary of financial instruments:

	Fair value at March 31, 2013 ($000s)	Basis of measurement	Associated risks
Cash and cash equivalents	292,149	Carrying value	Interest/Credit/Exchange
Trade and other receivables	21,652	Carrying value	Credit/Market/Exchange
Other assets	1,478	Carrying value	Credit/Market/Exchange
Restricted funds	40,344	Carrying value	Interest/Credit
Trade receivables	80,870	Fair value through profit and loss	Credit/Market/Exchange
Marketable securities and restricted funds	27,281	Fair value through profit and loss	Market/Liquidity
Marketable securities	18,598	Fair value through OCI	Market/Liquidity
Trade and other payables	81,890	Amortized cost	Interest
Long-term debt and finance leases	92,760	Amortized cost	Interest
Other long-term liabilities	3,557	Amortized cost	Interest

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

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

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

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

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

During the quarter ended March 31, 2013, the Company recognized; increased sales of $0.6 million (2012: $14.9 million) on final settlement of provisionally priced transactions from the prior year, a revaluation loss on FVPTL securities of $1.0 million (2012: revaluation gain of $0.6 million) and a revaluation loss on AFS securities of $2.5 million (2012: $Nil). In addition, a foreign exchange gain of $1.4 million (2012: $9.5 million loss) was realized in the quarter on US$-denominated cash and trade receivables that were held in the European group entities.

Related Party Transactions

Tenke

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

During the three months ended March 31, 2013, the Company made no cash advance to fund its portion of Tenke expenditures and received $45.0 million in cash distributions.

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 March 31,			
		2013		2012
Wages and salaries	**$**	**1,490**	$	1,752
Pension benefits		**34**		20
Share-based compensation		**206**		368
	$	**1,730**	$	2,140

During the three months ended March 31, 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 $0.2 million for the three months ended March 31, 2013 (2012 - $0.5 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

Changes in Accounting Policies

Accounting Principles

The Company adopted *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.

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 April 24, 2013, the Company had 584,221,673 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 March 31, 2013				Three months ended March 31, 2012			
	Total Tonnes Sold	**Pounds (000s)**	**Cash Cost $/lb**	**Operating Costs ($000s)**	**Total Tonnes Sold**	**Pounds (000s)**	**Cash Cost $/lb**	**Operating Costs ($000s)**
Operation								
Neves-Corvo (Cu)	13,626	30,040	1.83	54,973	16,404	36,165	1.63	58,949
Zinkgruvan (Zn)	12,547	27,661	0.42	11,618	18,018	39,723	0.22	8,739
Aguablanca (Ni) [1]	1,789	3,944	4.66	13,252				2,223
Galmoy (Zn) [2]				1,113				3,863
				80,956				73,774
Add: By-product credits				40,387				36,487
Treatment costs				(13,283)				(17,736)
Royalties and other				5,390				7,281
Total Operating Costs				**113,450**				**99,806**

1. 2013 cash cost 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

With the exception of the limitation noted below, 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

Taking into account the limitation noted below, 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 Committee of Sponsoring Organizations of the Treadway Commission ('COSO') framework in order to assess the effectiveness of the Company's internal control over financial reporting.

Limitations on scope of design

During the quarter ended March 31, 2013, the Company acquired an equity interest in Kokkola, 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 Kokkola.

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 March 31, 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 April 24, 2013:***

(a) **Directors:**

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

(b) **Officers:**

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

2. Financial Information

The report for the second quarter of 2013 is expected to be published on July 25, 2013.

3. Other information

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

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

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

For further information, please contact:

Sophia Shane, Investor Relations, North America, +1-604-689-7842, sophias@namdo.com
Robert Eriksson, Investor Relations, Sweden: +46-8-545-015-50, robert.eriksson@vostoknafta.com
John Miniotis, Senior Business Analyst: +1-416-342-5560, john.miniotis@lundinmining.com

Condensed Interim Consolidated Financial Statements of

Lundin Mining Corporation

March 31, 2013
(Unaudited)

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands of US dollars)	**March 31, 2013**	December 31, 2012
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 292,149**	$ 275,104
Trade and other receivables (Note 5)	**129,228**	110,808
Income taxes receivable	**355**	6,494
Inventories (Note 6)	**40,629**	48,740
	462,361	441,146
Non-Current		
Restricted funds (Note 4)	**56,635**	51,617
Marketable securities and other assets	**32,481**	39,052
Mineral properties, plant and equipment (Note 7)	**1,230,097**	1,270,813
Investment in associates (Note 8)	**2,106,189**	2,003,053
Deferred tax assets	**13,275**	18,893
Goodwill	**160,984**	165,877
	3,599,661	3,549,305
	$ 4,062,022	$ 3,990,451
LIABILITIES		
Current		
Trade and other payables (Note 10)	**$ 104,659**	$ 119,714
Income taxes payable	**7,113**	5,726
Current portion of deferred revenue (Note 11)	**14,882**	17,683
Current portion of long-term debt and finance leases (Note 12)	**86,337**	3,037
Current portion of reclamation and other closure provisions	**5,402**	6,486
	218,393	152,646
Non-Current		
Deferred revenue (Note 11)	**58,425**	59,979
Long-term debt and finance leases (Note 12)	**6,423**	6,985
Reclamation and other closure provisions	**120,376**	124,244
Other long-term liabilities	**3,557**	3,625
Provision for pension obligations (Note 2)	**20,599**	21,216
Deferred tax liabilities	**140,840**	148,677
	350,220	364,726
	568,613	517,372
SHAREHOLDERS' EQUITY		
Share capital	**3,506,564**	3,505,398
Contributed surplus	**35,734**	34,140
Accumulated other comprehensive loss (Note 2)	**(109,698)**	(77,213)
Retained earnings	**60,809**	10,754
	3,493,409	3,473,079
	$ 4,062,022	$ 3,990,451

Commitments (Note 19)

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 March 31, 2013	2012
Sales	**$ 188,173**	$ 212,795
Operating costs (Note 15)	**(113,450)**	(99,806)
Depreciation, depletion and amortization (Note 7)	**(40,234)**	(29,510)
General and administrative expenses	**(6,672)**	(7,606)
General exploration and business development (Note 16)	**(12,569)**	(11,668)
Income from equity investment in associates (Note 8)	**31,883**	25,560
Finance income (Note 17)	**596**	1,040
Finance costs (Note 17)	**(2,824)**	(3,749)
Other income (Note 18)	**16,880**	-
Other expenses (Note 18)	**(979)**	(9,764)
Earnings before income taxes	**60,804**	77,292
Current tax expense (Note 9)	**(9,597)**	(22,570)
Deferred tax (expense) recovery (Note 9)	**(1,152)**	3,592
Net earnings	**$ 50,055**	$ 58,314
Basic and diluted earnings per share	**$ 0.09**	**$** 0.10
Weighted average number of shares outstanding (Note 14)		
Basic	**584,150,358**	582,493,242
Diluted	**585,280,925**	582,806,263

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited - in thousands of US dollars)

	Three months ended March 31, **2013**	2012
Net earnings	**$ 50,055**	$ 58,314
Other comprehensive (loss) income, net of taxes		
Items that may be reclassified subsequently to net earnings:		
Revaluation loss on marketable securities	**(2,471)**	-
Effects of foreign currency translation	**(30,014)**	49,905
Comprehensive income	**$ 17,570**	$ 108,219

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 (Note 2)	584,005,006	$ 3,505,398	$ 34,140	$ (77,213)	$ 10,754	$ 3,473,079
Net earnings	-	-	-	-	50,055	50,055
Other comprehensive loss	-	-	-	(32,485)	-	(32,485)
Total comprehensive income	-	-	-	(32,485)	50,055	17,570
Exercise of stock options	151,667	905	(301)	-	-	604
Share issuance	50,000	261	-	-	-	261
Share-based compensation	-	-	1,895	-	-	1,895
Balance, March 31, 2013	**584,206,673**	**$ 3,506,564**	**$ 35,734**	**$ (109,698)**	**$ 60,809**	**$ 3,493,409**
Balance, December 31, 2011 (Note 2)	582,475,287	$ 3,497,006	$ 29,450	$ (116,504)	$ (112,426)	$ 3,297,526
Net earnings	-	-	-	-	58,314	58,314
Other comprehensive income	-	-	-	49,905	-	49,905
Total comprehensive income	-	-	-	49,905	58,314	108,219
Exercise of stock options	27,223	159	(51)	-	-	108
Share-based compensation	-	-	1,652	-	-	1,652
Balance, March 31, 2012	582,502,510	$ 3,497,165	$ 31,051	$ (66,599)	$ (54,112)	$ 3,407,505

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

LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - in thousands of US dollars)

	Three months ended March 31, 2013	2012
Cash provided by (used in)		
Operating activities		
Net earnings	**$ 50,055**	$ 58,314
Items not involving cash		
Depreciation, depletion and amortization	**40,234**	29,510
Share-based compensation	**1,668**	1,802
Income from investment in associates	**(31,883)**	(25,560)
Foreign exchange gain	**(4,362)**	(1,025)
Deferred tax expense (recovery)	**1,152**	(3,592)
Recognition of deferred revenue (Note 11)	**(2,820)**	(4,875)
Finance income and costs	**1,757**	233
Other	**734**	2,557
Reclamation payments	**(1,685)**	(129)
Pension payments	**(407)**	(434)
Prepayments received (Note 11)	**-**	6,814
Changes in non-cash working capital items (Note 23)	**(8,686)**	(12,319)
	45,757	51,296
Investing activities		
Investment in mineral properties, plant and equipment	**(36,641)**	(45,505)
Acquisition of Kokkola (Note 8)	**(116,253)**	-
Distributions from Tenke Fungurume (Note 8)	**45,000**	-
Restricted funds (contribution) withdrawn, net	**(6,711)**	3,748
Proceeds from sale (acquisition of) marketable securities, net	**1,178**	(2,504)
Other	**(240)**	14
	(113,667)	(44,247)
Financing activities		
Common shares issued	**604**	108
Long-term debt repayments	**(497)**	(478)
Proceeds from revolving credit facility (Note 12)	**85,000**	-
	85,107	(370)
Effect of foreign exchange on cash balances	**(152)**	2,097
Increase in cash and cash equivalents during the period	**17,045**	8,776
Cash and cash equivalents, beginning of period	**275,104**	265,400
Cash and cash equivalents, end of period	**$ 292,149**	$ 274,176

Supplemental cash flow information (Note 23)

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

1. NATURE OF OPERATIONS

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

(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:

		March 31, 2013		December 31, 2012
Cash	**$**	**257,114**	$	243,069
Short-term deposits		**35,035**		32,035
	$	**292,149**	$	275,104

4. RESTRICTED FUNDS

Restricted funds are comprised of the following:

		March 31, 2013		December 31, 2012
Reclamation funds	**$**	**46,088**	$	49,341
Restricted cash		**10,547**		2,276
	$	**56,635**	$	51,617

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

		March 31, 2013		December 31, 2012
Trade receivables	**$**	**74,163**	$	78,114
Value added tax		**20,517**		16,748
Other receivables		**28,359**		12,607
Prepaid expenses		**6,189**		3,339
	$	**129,228**	$	110,808

The Company does not have any significant balances that are past due nor does it have an allowance for doubtful accounts. Included in other receivables is an amount related to the Aguablanca insurance claim of $15.1 million. This balance was collected in full subsequent to March 31, 2013. (Note 18)

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

6. INVENTORIES

Inventories are comprised of the following:

		March 31, 2013		December 31, 2012
Ore stockpiles	**$**	**12,230**	$	10,933
Concentrate stockpiles		**11,917**		18,954
Materials and supplies		**16,482**		18,853
	$	**40,629**	$	48,740

7. 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		28,327		191		-		9,356		37,874
Disposals and transfers		491		4,215		-		(2,323)		2,383
Effects of changes in foreign exchange rates		55,330		24,310		1,574		806		82,020
As at March 31, 2012		1,588,421		646,004		61,320		19,966		2,315,711
Additions		87,232		14,775		-		34,583		136,590
Grants recognized		-		(18,828)		-		-		(18,828)
Impairment		(27,977)		(9,356)				(1,835)		(39,168)
Disposals and transfers		2,312		26,034		-		(32,981)		(4,635)
Effects of changes in foreign exchange rates		(3,557)		(3,751)		(730)		687		(7,351)
As at December 31, 2012		1,646,431		654,878		60,590		20,420		2,382,319
Additions		18,461		190		501		10,660		29,812
Disposals and transfers		1,294		2,340		(721)		(3,845)		(932)
Effects of changes in foreign exchange rates		(35,996)		(15,587)		(1,823)		(611)		(54,017)
As at March 31, 2013	**$**	**1,630,190**	**$**	**641,821**	$	**58,547**	**$**	**26,624**	**$**	**2,357,182**

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

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	18,180	11,330	-	-	29,510
Disposals and transfers	-	1,784	-	-	1,784
Effects of changes in foreign exchange rates	28,170	11,028	-	-	39,198
As at March 31, 2012	769,850	251,950	-	-	1,021,800
Depreciation	60,969	31,900	-	-	92,869
Disposals and transfers	286	(3,123)	-	-	(2,837)
Effects of changes in foreign exchange rates	589	(915)	-	-	(326)
As at December 31, 2012	831,694	279,812	-	-	1,111,506
Depreciation	29,143	11,091	-	-	40,234
Disposals and transfers	-	(288)	-	-	(288)
Effects of changes in foreign exchange rates	(17,250)	(7,117)	-	-	(24,367)
As at March 31, 2013	**$ 843,587**	**$ 283,498**	**$ -**	**$ -**	**$ 1,127,085**

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 March 31, 2013	**$ 786,603**	**$ 358,323**	**$ 58,547**	**$ 26,624**	**$ 1,230,097**

Depreciation, depletion and amortization is comprised of:

	Three months ended March 31, 2013	2012
Operating costs	**$ 40,153**	$ 29,420
General and administrative expenses	**81**	90
Depreciation, depletion and amortization	**$ 40,234**	$ 29,510

8. INVESTMENT IN ASSOCIATES

Investment in associates is comprised of the following:

	March 31, 2013	December 31, 2012
Investment in Tenke Fungurume (a)	**$ 1,989,936**	$ 2,003,053
Investment in Kokkola (b)	**116,253**	-
	$ 2,106,189	**$ 2,003,053**

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

a) Investment in Tenke Fungurume

As at December 31,2011	$ 1,886,537
Share of equity income	25,560
As at March 31, 2012	1,912,097
Advances	15,000
Share of equity income	75,956
As at December 31, 2012	2,003,053
Distributions	(45,000)
Share of equity income	31,883
As at March 31, 2013	**$ 1,989,936**

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

	March 31, 2013	December 31, 2012
Total current assets	**$ 641,377**	$ 626,781
Total non-current assets	**$ 2,975,137**	$ 2,979,099
Total current liabilities	**$ 117,629**	$ 116,086
Total non-current liabilities	**$ 901,882**	$ 1,035,135

	Three months ended March 31, 2013	2012
Total sales	**$ 446,398**	$ 310,277
Total earnings	**$ 121,531**	$ 90,338

b) Investment in Kokkola

On March 29, 2013, the Company completed its acquisition of a 24% ownership interest in Kokkola Chemicals Oy, a cobalt refinery in Finland, and its related sales and marketing business (“Kokkola”). Freeport-McMoran Copper & Gold Inc (“Freeport”) holds a 56% ownership interest and La Générale des Carrières et des Mines (“Gécamines”) owns the remaining 20% interest in Kokkola. The acquisition cost was $355 million and the Company funded $116.3 million based on 30%/70% split with Freeport. Additional attributable consideration up to $110 million (the Company’s 30% share, up to $33 million) remains payable over a period of three years, contingent upon the achievement of revenue-based performance targets. The fair value measurement of Kokkola’s net assets acquired is still preliminary.

9. 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.

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

10. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	March 31, 2013	December 31, 2012
Trade payables	**$ 56,050**	$ 71,572
Unbilled goods and services	**12,822**	12,844
Payroll obligations	**22,774**	24,947
Royalty payable	**13,013**	10,351
	$ 104,659	$ 119,714

11. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2011	$ 81,037
Prepayments received	6,814
Recognition of revenue	(4,875)
Effects of changes in foreign exchange rates	3,213
As at March 31, 2012	86,189
Prepayments received	7,700
Recognition of revenue	(17,145)
Effects of changes in foreign exchange rates	918
As at December 31, 2012	77,662
Recognition of revenue	(2,820)
Effects of changes in foreign exchange rates	(1,535)
	73,307
Less: current portion	14,882
As at March 31, 2013	**$ 58,425**

12. LONG-TERM DEBT AND FINANCE LEASES

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

	March 31, 2013	December 31, 2012
Revolving credit facility	**$ 83,348**	$ -
Finance lease obligations	**5,866**	6,375
Rio Narcea debt	**3,546**	3,647
	92,760	10,022
Less: current portion	**86,337**	3,037
	$ 6,423	$ 6,985

During the three months ended March 31, 2013, the Company drew down $85 million on the revolving credit facility for the acquisition of Kokkola. The amount drawn on the facility bears interest at a rate of LIBOR+2.5%. As at March 31, 2013, the effective interest rate was 2.7%. The entire amount of the draw down was subsequently repaid on April 17, 2013.

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

13. EMPLOYEE BENEFITS

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

	Three months ended March 31, 2013	2012
Operating costs		
Wages and benefits	**$ 29,210**	$ 28,816
Pension benefits	**407**	308
Share-based compensation	**731**	619
	30,348	29,743
General and administrative expenses		
Wages and benefits	**2,687**	2,720
Pension benefits	**85**	27
Share-based compensation	**891**	1,120
	3,663	3,867
General exploration and corporate development costs		
Wages and benefits	**1,326**	1,343
Pension benefits	**13**	10
Share-based compensation	**46**	63
	1,385	1,416
Total employee benefits	**$ 35,396**	$ 35,026

14. 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 1,130,567 shares for the three months ended March 31, 2013 (2012 - 313,021 shares). The incremental shares relate to in-the-money outstanding stock options.

15. OPERATING COSTS

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

	Three months ended March 31, 2013	2012
Direct mine and mill costs	**$ 104,899**	$ 89,617
Transportation	**5,515**	5,611
Royalties	**3,036**	4,578
	113,450	99,806
Depreciation, depletion and amortization (Note 7)	**40,153**	29,420
Total operating costs	**$ 153,603**	$ 129,226

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

16. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

	Three months ended March 31, 2013	2012
General exploration	$ **7,950**	$ 10,057
Corporate development	**519**	1,611
Project development	**4,100**	-
	$ **12,569**	$ 11,668

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

17. FINANCE INCOME AND COSTS

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

	Three months ended March 31, 2013	2012
Interest income	$ **476**	$ 443
Interest expense and bank fees	**(1,124)**	(3,209)
Accretion expense on reclamation provisions	**(750)**	(540)
Unrealized (loss) gain on revaluation of marketable securities	**(950)**	597
Other	**120**	-
Total finance costs, net	$ **(2,228)**	$ (2,709)

Finance income	$ **596**	$ 1,040
Finance costs	**(2,824)**	(3,749)
Total finance costs, net	$ **(2,228)**	$ (2,709)

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

18. OTHER INCOME AND EXPENSES

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

	Three months ended March 31,	
	2013	2012
Foreign exchange gain (loss)	**$ 1,351**	$ (9,492)
Other income	**15,529**	-
Other expenses	**(979)**	(272)
Total other income (expense), net	**$ 15,901**	$ (9,764)
Other income	**$ 16,880**	$ -
Other expenses	**(979)**	(9,764)
Total other income (expense), net	**$ 15,901**	$ (9,764)

During the period ended March 31, 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.

19. COMMITMENTS

The Company has capital commitments as at March 31, 2013 as follows:

2013	$ 53,849
2014	2,643
Total	**$ 56,492**

20. 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.

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

For the three months ended March 31, 2013

	Neves-Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Tenke Fungurume DRC	Other	Total
Sales	$ 108,007	$ 35,862	$ 42,800	$ 1,504	$ -	$ -	$ 188,173
Operating costs	(60,149)	(21,492)	(29,954)	(1,081)	-	(774)	(113,450)
General and administrative expenses	-	-	-	-	-	(6,672)	(6,672)
Operating earnings (loss) *	47,858	14,370	12,846	423	-	(7,446)	68,051
Depreciation, depletion and amortization	(25,434)	(6,814)	(7,887)	-	-	(99)	(40,234)
General exploration and business development	(6,302)	(3,074)	(385)	-	-	(2,808)	(12,569)
Income from equity investment in associates	-	-	-	-	31,883	-	31,883
Finance income and costs	(238)	(61)	(138)	17	-	(1,808)	(2,228)
Other income and expenses	3,374	(495)	15,603	(69)	-	(2,512)	15,901
Income tax expense	(5,286)	(636)	(4,477)	(8)	-	(342)	(10,749)
Net earnings (loss)	$ 13,972	$ 3,290	$ 15,562	$ 363	$ 31,883	$ (15,015)	$ 50,055
Capital expenditures	$ 26,872	$ 7,479	$ 2,154	$ -	$ -	$ 136	$ 36,641

For the three months ended March 31, 2012

	Neves-Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Tenke Fungurume DRC	Other	Total
Sales	$ 152,911	$ 55,042	$ -	$ 4,842	$ -	$ -	$ 212,795
Operating costs	(66,121)	(26,785)	(2,223)	(4,033)	-	(644)	(99,806)
General and administrative expenses	-	-	-	-	-	(7,606)	(7,606)
Operating earnings (loss) *	86,790	28,257	(2,223)	809	-	(8,250)	105,383
Depreciation, depletion and amortization	(21,764)	(7,441)	(187)	-	-	(118)	(29,510)
General exploration and business development	(6,982)	(551)	(403)	-	-	(3,732)	(11,668)
Income from equity investment in associates	-	-	-	-	25,560	-	25,560
Finance income and costs	233	(2,073)	(97)	95	-	(867)	(2,709)
Other income and expenses	(2,846)	(3,441)	(160)	15	-	(3,332)	(9,764)
Income tax (expense) recovery	(17,076)	(3,557)	1,557	(128)	-	226	(18,978)
Net earnings (loss)	$ 38,355	$ 11,194	$ (1,513)	$ 791	$ 25,560	$ (16,073)	$ 58,314
Capital expenditures	$ 23,207	$ 8,002	$ 14,156	$ -	$ -	$ 140	$ 45,505

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

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

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

		Three months ended March 31,		
		2013		2012
Copper	**$**	**109,582**	$	147,313
Zinc		**30,557**		41,755
Lead		**9,398**		19,663
Nickel		**30,179**		-
Other		**8,457**		4,064
	$	**188,173**	$	212,795

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

		Three months ended March 31,		
		2013		2012
Europe	**$**	**123,425**	$	210,073
South America		**21,948**		2,722
Asia		**42,800**		-
	$	**188,173**	$	212,795

21. 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 8).

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

		Three months ended March 31,		
		2013		2012
Wages and salaries	**$**	**1,490**	$	1,752
Pension benefits		**34**		20
Share-based compensation		**206**		368
	$	**1,730**	$	2,140

c) **Other related parties** - During the three months ended March 31, 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 $0.2 million for the three months ended March 31, 2013 (2012 - $0.5 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

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

22. 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 March 31, 2013 and December 31, 2012:

		March 31, 2013		December 31, 2012	
	Level	Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Fair value through profit or loss ("FVTPL")					
Trade receivables	2	$ 80,870	$ 80,870	$ 76,237	$ 76,237
Marketable securities - shares	1	10,833	10,833	14,463	14,463
Marketable securities - warrants	2	157	157	150	150
Restricted funds - shares	1	16,291	16,291	16,779	16,779
		$ 108,151	$ 108,151	$ 107,629	$ 107,629
Available for sale ("AFS")					
Marketable securities - shares	1	$ 17,829	$ 17,829	$ 18,506	$ 18,506
Marketable securities - warrants	2	769	769	1,211	1,211
		$ 18,598	$ 18,598	$ 19,717	$ 19,717
Financial liabilities					
Amortized cost					
Long-term debt and finance leases	2	$ 92,760	92,760	$ 10,022	10,022
Other long-term liabilities	2	3,557	3,557	3,625	3,625
		$ 96,317	$ 96,317	$ 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. During the quarter, the Company recognized negative pricing adjustments of $8.3 million (2012 - $15.7 million positive price adjustment) related to both current and prior year sales.

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

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

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

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.

23. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended March 31,	
	2013	2012
Changes in non-cash working capital items consist of:		
Trade receivable, inventories and other current assets	**$ (4,099)**	$ (29,024)
Trade payables and other current liabilities	**(4,587)**	16,705
	$ (8,686)	$ (12,319)
Operating activities included the following cash payments:		
Interest received	**$ 476**	$ 443
Interest paid	**$ 623**	$ 857
Income taxes paid	**$ 2,015**	$ 5,687