Management's Discussion and Analysis
For the three months ended March 31, 2012

This management's discussion and analysis has been prepared as of April 25, 2012 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended March 31, 2012. 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 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.

About Lundin Mining

Lundin Mining Corporation ("Lundin", "Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations in Portugal, Sweden, Spain and Ireland, producing copper, zinc, lead and nickel. In addition, Lundin Mining holds a development project pipeline which includes an expansion project at its Neves-Corvo mine along with an equity stake in the world class Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo ("DRC"), which is undergoing expansion to 195,000 tonnes per annum of copper cathode production.

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: Outstanding operational performance generated higher than expected copper, zinc and lead production. Sales volumes were higher and operating costs were lower than expectations.

- With better than expected tonnages processed and record copper plant recovery rates, Neves-Corvo had a solid three months of copper production. Copper plant recoveries averaged 91% over the quarter as compared to the 2011 average of 85%.
- Zinkgruvan achieved record milled tonnage levels. Total zinc metal produced was 20,431 tonnes over the quarter compared to the average of 18,790 tonnes per quarter achieved in 2011.
- At Aguablanca, significant progress has been made in re-establishing the pit ramp and restart of production is on track for the second half of 2012.
- Galmoy outperformed production expectations and this has resulted in the Company increasing its zinc and lead production guidance for the year.

Tenke: The mine and mill continue to perform well and the $850 million Phase II expansion is on track.

- Production in the current quarter was above expectations due to higher throughput, grade and improved tank-house operation. Tenke's operator, Freeport, has increased copper production guidance slightly for 2012.
- No cash calls were made to the Company to fund the Phase II Expansion Project due to surplus cash from Tenke operations being greater than budgeted year to date.
- On March 26, 2012, the President and Prime Minister of DRC signed the decree approving the bylaw changes for Tenke Fungurume Mining SARL ("TFM") which were previously agreed after the conclusion of the mining contract review in October 2010.

Total Q1 production was as follows:

	Q1 2012	**Total 2011**	**Q4 2011**	**Q3 2011**	**Q2 2011**	**Q1 2011**
Copper (tonnes)	**17,145**	**75,877**	27,488	15,419	13,831	19,139
Zinc (tonnes)	**33,743**	**111,445**	27,053	28,791	27,404	28,197
Lead (tonnes)	**11,766**	**41,130**	9,273	10,077	10,367	11,413
Nickel (tonnes)	**-**	-	-	-	-	-
Tenke attributable[a]						
Copper (tonnes)	**8,924**	**31,523**	8,635	7,982	7,398	7,508

[a] Lundin Mining's attributable share of Tenke's production was reduced from 24.75% to 24.0% effective March 26, 2012, when changes to bylaws of TFM were signed.

- Operating earnings[1] decreased by $13.0 million from $118.4 million in the first quarter of 2011 to $105.4 million in the first quarter of 2012. This was largely attributable to lower metal prices, partially offset by the comparative impact of prior period price adjustments.

[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.

- Sales were largely unchanged, Q1-2012 over Q1-2011. For the quarter ended March 31, 2012, sales of $212.8 million were slightly higher than the $211.5 million in the comparable period in 2011. Increase in sales volume ($14.8 million) and prior period price adjustments ($20.1 million) were offset by lower metal prices ($33.6 million).

- Average metal prices for copper, zinc and lead in the first quarter of 2012 were 14%-20% lower than the quarter ended March 31, 2011.

- Operating costs (excluding depreciation) for the quarter ended March 31, 2012 increased by $11.9 million over the prior year comparative quarter and this is primarily attributable to:

    - Neves-Corvo ($9.0 million): higher operating costs are attributable to the higher sales volume and changes in per unit production costs ($11.8 million) experienced during the quarter, offset partially by a weakness in the Euro against the US dollar ($2.8 million);

    - Zinkgruvan ($3.2 million): higher operating costs are primarily the result of increased metal sales and changes in per unit production costs ($4.4 million), offset partially by a weakness in the SEK against the US dollar ($1.2 million).

- Net earnings of $58.3 million ($0.10 per share) were $12.9 million below the $71.2 million ($0.12 per share) reported in the first quarter of 2011. In addition to lower operating earnings[1] of $13.0 million, deferred taxes were higher in the current quarter ($11.3 million) due to higher taxable losses at Aguablanca and prior period adjustments in 2011.

- Excluding the impact of changes in non-cash working capital, cash flow from operations in the current quarter was $63.6 million, compared to $68.5 million in the first quarter of 2011, with the decrease primarily attributable to reduced operating earnings[1] of $13.0 million. Total cash flow from operations for the current quarter was $51.3 million compared to $132.2 million for the corresponding period in 2011.

Tenke Fungurume

- Milling facilities continued to perform well, with throughput averaging 12,200 metric tonnes of ore per day in the first quarter of 2012.

- For the quarter ended March 31, 2012, Tenke produced 36,130 tonnes of copper and sold 31,195 tonnes at an average realized price of $3.74/lb. During the current quarter, 2,727 tonnes of cobalt in hydroxide was produced and 2,287 tonnes were sold at an average realized price of $8.46/lb.

- No cash advances were made to or distributions received from Tenke in the quarter ended March 31, 2012. $37.5 million in surplus cash from operations was utilized in the quarter to fund Lundin Mining's share of sustaining capital and expansion initiatives.

- Attributable operating cash flow related to Tenke for the first quarter of 2012 was $31.0 million.

- On February 28, 2012, the Company reported the Mineral Reserve and Resource update on Tenke Fungurume as at December 31, 2011. The full release can be found on the Company's website at www.lundinmining.com.

[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.

Corporate Highlights

- On April 11, 2012, the Company announced it had entered into a purchase option agreement to acquire an 80% interest in the Touro copper project located in northern Spain. The agreement gives the Company an exclusive option until October 1, 2012, subject to extension, to purchase an 80% interest in the project by paying €60 million in stages based on milestones. Details of the option agreement are more fully discussed in a press release entitled *"Lundin Mining enters into option agreement to acquire Copper project in Spain".*

- At the corporate level, Mr. Joao Carrelo will be stepping down from his role as Executive Vice-President and Chief Operating Officer effective June 30, 2012 to pursue other personal interests.

Financial Position and Financing

- Net cash[1] at March 31, 2012 was $242.3 million compared to a net cash[1] position of $236.1 million at December 31, 2011 and $262.0 million at March 31, 2011.

- The $6.2 million increase in net cash during the quarter is primarily attributable to cash generated from operations ($51.3 million) partially offset by investment in mineral property, plant and equipment ($45.5 million).

- Cash balance at April 23, 2012 was $285.4 million.

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

Outlook

2012 Production and Cost Guidance

- Except for Galmoy, full year 2012 production targets for wholly-owned operations remain unchanged from the guidance provided on December 12, 2011 (see news release entitled *"Lundin Mining Provides Operating Outlook for 2012-2014*"). Updated zinc and lead production guidance for Galmoy has been reflected below.

- Revised guidance from Freeport-McMoRan Copper & Gold Inc. ("Freeport") on Tenke's copper sales, from 131,500 to 136,000 tonnes, has been reflected below and is based on the assumption that production volume will approximate sales.

		2012 Guidance	
(contained tonnes)		**Tonnes**	**C1 Cost** [a,b]
Neves-Corvo	*Cu*	*52,500 – 57,000*	*$ 1.80*
	Zn	*30,000 – 40,000*	
Zinkgruvan	*Zn*	*75,000 – 81,000*	*$ 0.25*
	Pb	*34,000 – 39,000*	
	Cu	*2,000 – 3,000*	
Galmoy [c]	*Zn*	*7,000 – 8,000*	
(in ore)	*Pb*	*1,500 – 2,000*	
Aguablanca	*Ni*	*500 – 1,000*	
	Cu	*500 – 1,000*	
Total: Wholly-owned operations	*Cu*	*55,000 – 61,000*	
	Zn	*112,000 – 129,000*	
	Pb	*35,500 – 41,000*	
	Ni	*500 - 1,000*	
Tenke: 24.0% attributable share [d]	*Cu*	*32,600*	*$ 1.13*

a. Cash costs remain dependent on exchange rates (€/USD: 1.35, USD/SEK: 6.50) and metal prices (Cu: $3.50, Zn: $0.95).
b. Cash cost is a non-GAAP measure reflecting the sum of direct costs less by-product credits. See non-GAAP Performance Measures on page 26 of this MD&A.
c. Production tonnage is based on a 50% attributable-share to Lundin Mining.
d. Lundin Mining's production from Tenke's attributable share was reduced from 24.75% to 24.0%, after approval of changes to TFM's bylaws.

2012 Capital Expenditure Guidance

Capital expenditures for 2012 are expected to be $410 million, an increase of $40 million over previous guidance primarily as a result of a revision in accounting policy, as described below:

- **Sustaining capital in European operations:** $130 million (2011 - $127 million): Sustaining capital has increased $35 million over previous guidance to account for Aguablanca's pre-stripping costs which, as a result of changes in accounting standards (IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine),* are now being capitalized. The guidance provided on December 12, 2011 assumed these costs would be expensed as incurred, based on accounting policy at that time. The net cash effect to the Company compared to the previous forecast is nil.
- **New investment capital expenditures in European operations:** $65 million (2011 - $52 million)
- **Zambujal (Neves-Corvo) - Semblana Internal Ramp:** $5 million. An internal ramp from existing workings in the Zambujal deposit down towards the Semblana copper deposit has commenced to facilitate underground exploration of Semblana. This ramp is sized to enable haulage of Semblana material if exploration success and subsequent economic studies prove this is viable.
- **New investment in Tenke** ($210 million)**:** Total capital expenditure for the Phase II expansion is expected to be $850 million. If metal prices remain strong, the capital spend is expected to be cash neutral to the Company, as Tenke's operating cash flows should be sufficient to meet this capital funding requirement. Year to date, no cash calls have been made by TFM from Lundin as surplus cash from operations, benefiting from higher than expected copper prices, has covered all Phase II expansion costs incurred during the period.

Selected Quarterly Financial Information

(USD millions, except share and per share amounts)	Three months ended March 31 2012	2011[5]
Sales	**212.8**	211.5
Operating costs	**(99.8)**	(87.9)
General and administrative	**(7.6)**	(5.2)
Operating earnings[1]	**105.4**	118.4
Depreciation, depletion and amortization	**(29.5)**	(35.5)
General exploration and corporate development	**(11.7)**	(13.8)
Income from investment in Tenke Fungurume	**25.6**	24.9
Finance (costs) income, net	**(2.7)**	1.6
Other expenses	**(9.8)**	(16.4)
Earnings before income taxes	**77.3**	79.2
Income tax expense	**(19.0)**	(8.0)
Net earnings	**58.3**	71.2
Shareholders' equity	**3,407.8**	3,317.7
Cash flow from operations	**51.3**	132.2
Capital expenditures (incl. advances to Tenke)	**45.5**	45.9
Total assets	**3,997.3**	4,010.0
Net cash[2]	**242.3**	262.0
Key Financial Data:		
Shareholders' equity per share[3]	**5.85**	5.71
Basic and diluted earnings per share	**0.10**	0.12
Dividends	**-**	-
Equity ratio[4]	**85%**	83%
Shares outstanding:		
Basic weighted average	**582,493,242**	581,449,407
Diluted weighted average	**582,806,263**	582,951,197
End of period	**582,502,510**	581,849,452

($ millions, except per share data)	Q1-12	Q4-11[5]	Q3-11[5]	Q2-11[5]	Q1-11[5]	Q4-10[5]	Q3-10	Q2-10
Sales	**212.8**	242.1	146.2	184.0	211.5	309.3	215.1	183.1
Operating earnings[1]	**105.4**	124.3	53.8	85.4	118.4	193.8	121.5	82.1
Net earnings	**58.3**	36.1	16.4	60.1	71.2	146.1	66.0	42.3
Earnings per share[6]**, basic and diluted**	**0.10**	0.06	0.03	0.10	0.12	0.25	0.11	0.07
Cash flow from operations	**51.3**	113.9	(36.6)	99.2	132.2	67.9	51.1	70.8
Capital expenditure (incl. Tenke)	**45.5**	84.3	62.8	60.1	45.9	42.9	40.2	39.1
Net cash[2]	**242.3**	236.1	208.7	308.2	262.0	159.2	125.7	107.8

[1] Operating earnings is a non-GAAP measure defined as sales, less operating costs (excluding depreciation) and general and administration costs.
[2] Net cash is a non-GAAP measure defined as available unrestricted cash less long-term debt and finance leases.
[3] Shareholders' equity per share is a non-GAAP measure defined as shareholders' equity divided by total number of shares outstanding at the end of the period.
[4] Equity ratio is a non-GAAP measure defined as shareholders' equity divided by total assets at the end of the period.
[5] Certain transaction costs related to corporate development activity in prior years has been reclassified from general and administrative expense to general exploration and corporate development expense. In addition, 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 deferred 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

	Q1 2012	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Copper (tonnes)						
Neves-Corvo	**16,404**	69,974	26,026	12,671	14,304	16,973
Zinkgruvan	**469**	2,092	678	680	734	-
Aguablanca[1]	**-**	(73)	-	(5)	(15)	(53)
	16,873	71,993	26,704	13,346	15,023	16,920
Zinc (tonnes)						
Neves-Corvo	**5,944**	2,619	(43)	1,842	5	815
Zinkgruvan	**18,018**	61,661	15,981	15,183	13,529	16,968
Galmoy[2]	**2,596**	16,346	3,106	4,768	4,694	3,778
	26,558	80,626	19,044	21,793	18,228	21,561
Lead (tonnes)						
Zinkgruvan	**10,235**	29,794	7,906	8,570	7,031	6,287
Galmoy[2]	**531**	5,010	769	1,649	1,517	1,075
	10,766	34,804	8,675	10,219	8,548	7,362
Nickel (tonnes)						
Aguablanca[1]	**-**	(48)	-	7	6	(61)

[1] Final weight adjustment related to provisional sales previously recognized.
[2] 50% of metal is attributable to Galmoy on sale of ore to third party processing facility (see MD&A page 18).

Sales Analysis

	Three months ended March 31				
	2012		2011		Change
(US$ millions)	$	%	$	%	$
by Mine					
Neves-Corvo	**152.9**	72	156.6	74	(3.7)
Zinkgruvan	**55.1**	26	47.6	22	7.5
Aguablanca	**-**	-	(1.9)	-	1.9
Galmoy	**4.8**	2	9.2	4	(4.4)
	212.8		211.5		1.3
by Metal					
Copper	**147.3**	69	152.9	72	(5.6)
Zinc	**41.8**	20	39.2	19	2.6
Lead	**19.6**	9	17.0	8	2.6
Nickel	**-**	-	(0.7)	-	0.7
Other	**4.1**	2	3.1	1	1.0
	212.8		211.5		1.3

Sales for the quarter were largely in line with the comparable quarter ended March 31, 2011. Increased sales of zinc and lead and positive price adjustments from prior period sales more than offset lower metal prices in the first quarter of 2012, compared with the same period in 2011.

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 typically are one to four months after shipment.

Quarterly Reconciliation of Realized Prices

2012 ($ millions)	Quarter ended March 31, 2012 Copper	Zinc	Nickel	Lead	Total
Current period sales	142.0	53.9	-	22.1	218.0
Prior period provisional adjustments	13.1	1.2	-	0.5	14.8
Sales before other metals and TC/RC	155.1	55.1	-	22.6	232.8
Other metal sales					4.1
Less: TC/RC					(24.1)
Total Sales					**212.8**
Payable Metal (tonnes)	**16,873**	**26,558**	**-**	**10,766**	
Current period sales ($/lb)	$3.82	$0.92	-	$0.93	
Prior period provisional adjustments ($/lb)	0.35	0.02	-	0.02	
Realized prices ($/lb)	**$4.17**	**$0.94**	**-**	**$0.95**	

2011 ($ millions)	Quarter ended March 31, 2011 Copper	Zinc	Nickel	Lead	Total
Current period sales	160.7	51.6	-	19.5	231.8
Prior period provisional adjustments	0.2	(1.4)	(0.9)	0.1	(2.0)
Sales before other metals and TC/RC	160.9	50.2	(0.9)	19.6	229.8
Other metal sales					3.1
Less: TC/RC					(21.4)
Total Sales					**211.5**
Payable Metal (tonnes)	**16,920**	**21,561**	**(61)**	**7,362**	
Current period sales ($/lb)	$4.31	$1.08	-	$1.20	
Prior period provisional adjustments ($/lb)	-	(0.02)	-	0.01	
Realized prices ($/lb)	**$4.31**	**$1.06**		**$1.21**	

Provisionally valued sales as of March 31, 2012

Metal	Tonnes Payable	Valued at $ per lb	Valued at $ per tonne
Copper	14,314	3.84	8,456
Zinc	18,872	0.91	2,014
Lead	7,670	0.92	2,034

Quarterly Financial Results

Operating Costs

Operating costs of $99.8 million for the three months ended March 31, 2012 were $11.9 million higher than the three months ended March 31, 2011. Costs were higher at Neves-Corvo, Zinkgruvan and Galmoy by $11.8 million, $4.4 million and $2.7 million, respectively, mainly due to higher sales volumes and per unit production costs. This was partially offset by the strength in the United States dollar compared to the € and SEK resulting in lower reported costs ($4.2 million). (*See additional commentary under individual mine discussion*).

Depreciation, Depletion and Amortization

Decrease in depreciation, depletion and amortization expense for the three months ended March 31, 2012 compared with the same period in 2011 is primarily due to the extended life of Neves-Corvo mine to 2028, from 2024, as additional reserves were identified.

	Three months ended March 31		
Depreciation by operation ($ millions)	**2012**	2011	Change
Neves-Corvo	**21.8**	28.6	(6.8)
Zinkgruvan	**7.4**	6.0	1.4
Aguablanca	**0.2**	0.8	(0.6)
Other	**0.1**	0.1	-
	29.5	35.5	(6.0)

General Exploration and Corporate Development

General exploration and corporate development costs decreased from $13.8 million in the first quarter of 2011 to $11.7 million for the three months ended March 31, 2012. The decrease is primarily attributable to lower corporate development costs in the current year. In 2011, $4.8 million of costs were incurred related to a proposed merger with Inmet Mining Corporation and the response to Equinox Minerals Limited's unsolicited take-over bid. Comparatively, in 2012, $1.6 million has been incurred for various corporate development initiatives.

Spending on exploration activities, however, was higher in the first quarter of 2012 compared to 2011. In 2012, exploration includes a 90,000 metre drilling program and additional high-resolution 3D seismic in and around the Neves-Corvo mine and includes drill-testing of areas away from exploration target areas to assist in optimization of the future underground materials handling study work. (*See additional commentary under Exploration Highlights*).

Finance Income and Costs

For the three months ended March 31, 2012, net finance costs were $2.7 million, compared to net finance income of $1.6 million in the prior year. This net decrease in finance income is primarily attributable to larger revaluation gains on marketable securities in 2011, and higher finance costs in 2012 associated with leased equipment.

Other Expenses

Other expenses are comprised mainly of foreign exchange losses.

A foreign exchange loss of $9.5 million in the current quarter relates to US$-denominated cash and trade receivables that were held in the European group entities. Period end exchange rates at March 31, 2012 were $1.34:€1.00 (December 31, 2011 – $1.29:€1.00) and $1.00:SEK6.62 (December 31, 2011 – $1.00:SEK6.92).

Current and Deferred Income Taxes

Current Tax Expense	Three months ended March 31		
($ millions)	**2012**	2011	Change
Neves-Corvo	**19.6**	19.2	**0.4**
Zinkgruvan	**4.3**	3.1	**1.2**
Other	**(1.3)**	0.7	**(2.0)**
Current tax expense	**22.6**	23.0	**(0.4)**

The current income tax expense of $22.6 million is relatively unchanged from the prior period expense of $23.0 million as taxable earnings in wholly-owned operations also remained relatively consistent.

The corporate tax rates in the countries where the Company has mining operations range from 25% in Ireland to 31.5% in Portugal. To March 31, 2012, the Company paid $5.7 million in income taxes, including $5.6 million in Sweden and $0.1 million in other jurisdictions.

Deferred Tax Recovery	Three months ended March 31		
($ millions)	2012	2011	Change
Neves-Corvo	**(2.5)**	(6.7)	**4.2**
Zinkgruvan	**(0.7)**	(0.4)	**(0.3)**
Aguablanca	**(1.6)**	(8.7)	**7.1**
Other	**1.2**	0.9	**0.3**
Deferred tax recovery	**(3.6)**	(14.9)	**11.3**

Deferred income tax recovery for the three months ended March 31, 2012 was $3.6 million compared to $14.9 million in 2011. The higher tax recovery in 2011 reflects a higher taxable loss in Aguablanca and final tax return adjustments in Neves-Corvo ($4.2 million) and Aguablanca ($2.8 million).

Mining Operations

Production Overview

	Q1 2012	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Copper (tonnes)						
Neves-Corvo	**16,609**	74,109	26,866	15,070	13,475	18,698
Zinkgruvan	**536**	1,768	622	349	356	441
Aguablanca	**-**	-	-	-	-	-
	17,145	75,877	27,488	15,419	13,831	19,139
Zinc (tonnes)						
Neves-Corvo	**7,020**	4,227	382	1,874	1,020	951
Zinkgruvan	**20,431**	75,147	20,337	17,459	17,582	19,769
Galmoy[1]	**6,292**	32,071	6,334	9,458	8,802	7,477
	33,743	111,445	27,053	28,791	27,404	28,197
Lead (tonnes)						
Zinkgruvan	**10,348**	32,339	7,621	7,368	7,829	9,521
Galmoy[1]	**1,418**	8,791	1,652	2,709	2,538	1,892
	11,766	41,130	9,273	10,077	10,367	11,413
Nickel (tonnes)						
Aguablanca	**-**	**-**	-	-	-	-

[1] represents 50% of contained metal attributable to Galmoy on delivery of ore to a third party processing facility (Galmoy – see MD&A page 18).

Cash Cost Overview

	Cash cost / lb (US dollars)		**Cash cost / lb (local currency)**	
	Three months ended March 31		**Three months ended March 31**	
	2012	2011	**2012**	2011
Neves-Corvo (Local in €)				
Gross cost	**1.90**	1.62	**1.44**	1.18
By-product *	**(0.27)**	(0.07)	**(0.21)**	(0.05)
Net Cost – Cu/lb	**1.63**	1.55	**1.23**	1.13
Zinkgruvan (Local in SEK)				
Gross cost	**0.87**	0.86	**5.87**	5.57
By-product *	**(0.65)**	(0.44)	**(4.37)**	(2.81)
Net Cost - Zn/lb	**0.22**	0.42	**1.50**	2.76

*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, 100 km north of Faro, Portugal. The mine has been a significant producer of copper since 1989 and in 2006 commenced treating zinc ores. The facilities consist of a shaft with up to 4.5 mtpa hoisting capacity for ore and waste, a copper plant with 2.5 mtpa processing capacity and a newly expanded zinc plant with 1 mtpa processing capacity. A zinc expansion project was completed in July 2011. The newly expanded zinc plant now in operation has the flexibility to process zinc or copper ores.

Operating Statistics

	Q1 2012	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Ore mined, copper (000 tonnes)	**644**	3,126	900	750	769	707
Ore mined, zinc (000 tonnes)	**113**	86	-	9	34	43
Ore milled, copper (000 tonnes)	**633**	3,198	921	797	736	744
Ore milled, zinc (000 tonnes)	**123**	63	-	63	-	-
Grade per tonne						
Copper (%)	**2.9**	2.7	3.4	2.3	2.2	2.9
Zinc (%)	**7.6**	6.4	-	6.4	-	-
Recovery						
Copper (%)	**91**	85	85	83	83	86
Zinc (%)	**69**	46	-	46	-	-
Concentrate grade						
Copper (%)	**24.0**	24.4	24.3	24.5	24.2	24.5
Zinc (%)	**47.3**	47.6	-	47.6	-	-
Production- tonnes (metal contained)						
Copper	**16,609**	74,109	26,866	15,070	13,475	18,698
Zinc	**7,020**	4,227	382	1,874	1,020	951
Silver (oz)	**261,251**	901,085	296,678	200,902	184,007	219,498
Sales ($000s)	**152,911**	558,044	193,768	84,678	123,036	156,562
Operating earnings ($000s)[1]	**86,790**	299,053	118,759	21,029	59,817	99,448
Cash cost (€ per pound)[2]	**1.23**	1.27	1.05	1.67	1.48	1.13
Cash cost ($ per pound)[2]	**1.63**	1.76	1.42	2.35	2.13	1.55

Operating Earnings[1]

Operating earnings of $86.8 million in the first quarter of 2012 were $12.6 million lower than for the first quarter of 2011. Lower metal prices, net of price adjustments from prior year sales ($6.5 million) and higher sales volume and changes in per unit production costs ($8.9 million), were partially offset by a positive foreign exchange impact ($2.8 million), which contributed to the differences between quarters.

Production

Ore mined and milled exceeded expected levels in the current quarter, as additional out-of-reserve material was processed. Total copper and zinc ores milled in the current quarter were slightly higher than the first quarter of 2011. Copper grades remained relatively unchanged at 2.9% but a record recovery of 91% helped boost production due to favourable ore conditions, combined with benefits from process optimization initiatives.

In the zinc circuit, recoveries improved month by month during the quarter as mill staff improved the operation. Further improvements in zinc recovery are expected as zinc processing methods mature.

Cash Costs[2]

Cash cost of $1.63/lb was well below guidance of $1.80/lb due to higher volumes, record mill recoveries and higher by-product credits. Cash costs were higher than the previous corresponding period of $1.55/lb mainly due to increased mining and milling costs ($0.29/lb), namely labour and electricity costs, partially offset by higher by-product credits ($0.19/lb) and a weaker euro ($0.06/lb).

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[1] Operating earnings is a non-GAAP measure - see page 26 of this MD&A for discussion of non-GAAP measures.
[2] Cash cost/lb of payable copper sold - see non-GAAP Performance Measures on page 26 of this MD&A.

Zinc Expansion Project

Milling of zinc ore commenced in early July 2011 leading to the production of a saleable zinc concentrate. The nominal throughput is one million tpa for the production of 50,000 tpa zinc metal production in concentrate. Zinc ore was produced for a few weeks in July 2011 to test all circuits against design and equipment supplier specifications and was then temporarily converted to copper ore processing until the end of the year. In early 2012, it was converted back to zinc duty. The new zinc plant remains capable of alternating between zinc and copper ore duty with relative ease.

Lombador Zinc/Copper Project

Lombador Phase I underground development is proceeding on schedule and the downward main access ramp has reached the 340 level (approximately 900 metres below surface). Development of this ramp remains a high priority and it is expected to reach the base of Phase I, at the 260 level, in the second quarter of 2013. Independently, the exploration strategy has been accelerated by focusing drilling for deeper copper targets from a higher elevation, advancing the drilling program by approximately three quarters.

A portion of the proposed investment to expand zinc capacity to 2.5 million tpa ore throughput has been put on hold pending advancement of the feasibility study for mine extensions at Neves-Corvo.

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 1.1 million tonnes of ore.

Operating Statistics

	Q1 2012	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Ore mined, zinc (000 tonnes)	**263**	1,029	227	258	256	288
Ore mined, copper (000 tonnes)	**27**	103	5	36	36	26
Ore milled, zinc (000 tonnes)	**287**	999	256	236	231	276
Ore milled, copper (000 tonnes)	**19**	110	38	22	21	29
Grade per tonne						
Zinc (%)	**7.7**	8.2	8.5	8.0	8.5	8.0
Lead (%)	**4.3**	4.0	3.7	3.7	4.1	4.2
Copper (%)	**3.0**	1.8	1.8	1.7	1.9	1.7
Recovery						
Zinc (%)	**92**	92	93	93	90	90
Lead (%)	**84**	82	80	83	83	82
Copper (%)	**93**	90	91	91	90	89
Concentrate grade						
Zinc (%)	**53.0**	52.6	52.4	53.0	52.7	52.4
Lead (%)	**74.9**	74.8	73.7	75.4	75.5	74.7
Copper (%)	**25.7**	25.2	25.6	24.3	24.4	26.2
Production – tonnes (metal contained)						
Zinc	**20,431**	75,147	20,337	17,459	17,582	19,769
Lead	**10,348**	32,339	7,621	7,368	7,829	9,521
Copper	**536**	1,768	622	349	356	441
Silver (oz)	**641,813**	1,690,863	389,944	379,164	413,546	508,209
Sales ($000s)	**55,042**	188,566	42,240	48,741	50,000	47,585
Operating earnings ($000s)[1]	**28,257**	93,588	15,129	28,315	26,178	23,966
Cash cost (SEK per pound)[2]	**1.50**	1.97	2.49	0.81	1.64	2.76
Cash cost ($ per pound)[2]	**0.22**	0.30	0.37	0.13	0.26	0.42

Operating Earnings[1]

Operating earnings of $28.3 million were $4.3 million higher than the $24.0 million recognized in the first quarter of 2011. The increase is attributable to sales volumes ($9.3 million), lower unit costs ($1.2 million) and favourable exchange rates ($1.2 million), which more than offset lower metal prices, net of price adjustments from prior year sales ($7.4 million).

Production

Zinc and lead production approximated guidance and exceeded the prior corresponding quarter by 3% and 9%, respectively, as a result of record milled zinc ore (increase of 4% over the first quarter of 2011) and good recoveries (despite lower zinc grade).

Cash Costs[2]

First quarter 2012 cash costs at $0.22/lb came in below guidance of $0.25/lb. Compared to the corresponding quarter of 2011, cash costs were $0.20/lb lower, as a result of higher by-product credits ($0.20/lb).

[1] Operating earnings is a non-GAAP measure - see page 26 of this MD&A for discussion of non-GAAP measures.
[2] Cash cost/lb of payable zinc sold - see non-GAAP Performance Measures on page 26 of this MD&A.

Aguablanca Mine

The Aguablanca nickel-copper mine is located in the province of Badajoz, 80 km by road from 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. Activity restarted during the third quarter of 2011 in the pit to reinstate the main ore haulage ramp and concentrate production is expected to recommence prior to the end of 2012.

Operating Statistics

	Q1 2012	Total 2011	Q4 2011[2]	Q3 2011[2]	Q2 2011[2]	Q1 2011
Sales ($000s)	**-**	(1,897)	-	(34)	71	(1,934)
Operating loss ($000s)[1]	**(2,223)**	(16,717)	(4,642)	(1,873)	(2,756)	(7,446)

Restart of Operations

The new mining contractor started pre-stripping activities in August 2011. The contractor is focused on preparing the pit to enable concentrate production in the second half of 2012.

The estimated total investment required to recommence concentrate production is €45 million. Additional future water related de-risking measures have been taken including stream diversion and reinforcing final pit walls. To date, €26.7 million ($35.8 million) has been spent, of which €20.3 million ($27.9 million) has been capitalized as deferred stripping costs.

Operating Loss[1]

The operating loss of $2.2 million for the quarter ended March 31, 2012 was significantly lower than the Q1 2011 loss of $7.4 million, primarily as a result of lower care and maintenance costs.

[1] Operating earnings (loss) is a non-GAAP measure - see page 26 of this MD&A for discussion of non-GAAP measures.

[2] 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 deferred stripping costs, which had previously been expensed.

Galmoy Mine

The Galmoy underground zinc mine is located in south-central Ireland in County Kilkenny. Mining was originally planned to cease in May 2009 and the mill has since been sold, but due to the positive market factors, the mining of remnant high grade ore has continued on a reduced basis. Ore is being shipped to an adjacent mine for processing. Production tonnage is based on a 50% attributable-share to Lundin Mining.

Operating Statistics

	Q1 2012	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Ore mined (000 tonnes)	**79**	302	77	79	77	69
Ore sold (000 tonnes)	**39**	193	47	50	54	42
Grade per tonne						
Zinc (%)	**17.3**	22.6	20.1	24.8	22.5	23.4
Lead (%)	**5.4**	7.5	5.7	8.9	8.2	7.4
Production- tonnes (metal contained)						
Zinc	**6,292**	32,071	6,334	9,458	8,802	7,477
Lead	**1,418**	8,791	1,652	2,709	2,538	1,892
Sales ($000s)	**4,842**	39,073	6,122	12,845	10,862	9,244
Operating earnings ($000s)[1]	**809**	26,503	1,000	10,649	7,030	7,824

Operating Earnings[1]

Mining of high-grade ore for processing by a third party yielded operating earnings of $0.8 million in the first quarter of 2012, down from $7.8 million in 2011, as a result of the sale of lower grade ore and higher mining and site costs. An amount of $18.3 million is reported as deferred revenue representing cash received for ore delivered that has not as yet been processed. As at March 31, 2012, approximately 206,000 dry metric tonnes of ore were held in inventory at the processing facility, for which final revenue settlement will be recognized as it is milled.

Production

Production is reported based on a 50% attributable-share of the metal contained in ore delivered (after accounting for expected plant recoveries) to a third party processing facility. Significantly greater than expected zinc and lead production was achieved during the first quarter due to higher than expected grades of zinc and lead.

Closure Costs

During the quarter, nominal expenditure was incurred on closure activities. The mill has been dismantled and sold. Rehabilitation of the Tailings Management Facility ("TMF") is ongoing. Remaining activities to be completed include final rehabilitation of the TMF and determination of the future of the replacement water supply scheme. The Company is considering the disposal of property and land to interested parties to potentially enable ongoing employment and economic benefit to the local community.

[1] Operating earnings is a non-GAAP measure - see page 26 of this MD&A for discussion of non-GAAP measures.

Tenke Fungurume

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

For the majority of the quarter, Lundin Mining held an effective 24.75% interest in the Tenke Fungurume copper and cobalt concessions in the DRC. On March 26, 2012, the President and Prime Minister of the DRC signed a decree approving the bylaw changes of TFM, effectively reducing the Company's interest in Tenke to 24%.

Operating Statistics

100% Basis	**Q1 2012**	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Ore mined (000 tonnes)	**3,086**	9,995	2,418	2,720	2,692	2,165
Ore milled (000 tonnes)	**1,106**	4,046	1,092	1,104	881	969
Grade per tonne						
Copper (%)	**3.6**	3.4	3.4	3.2	3.7	3.4
Recovery						
Copper (%)	**91**	93	94	91	93	92
Production – tonnes						
Copper	**36,130**	127,367	34,891	32,249	29,891	30,336
Cobalt	**2,727**	11,182	2,854	2,759	2,776	2,793
Income from equity investment ($ millions)	**25.6**	94.7	20.6	17.2	32.0	24.9
Attributable share of operating cash flow ($ millions)	**31.0**	149.4	38.0	21.4	51.8	38.2
Cash costs ($ per pound)[1,2]	**1.25**	1.07	1.30	1.12	0.94	0.86

Income from Equity Investment

Income of $25.6 million was marginally higher than the same period as last year. Higher sales of copper cathode in the quarter, compared with the same quarter in 2011, was offset by lower average realized prices and higher operating costs. Sales volume of copper cathode sold during the quarter, on a 100% basis, amounted to 31,195 tonnes compared to 26,965 tonnes in the same period of 2011.

The average price realized for copper sales during the period was $3.74 per pound of cathode sold (first quarter 2011: $4.19/lb). The average realized price for cobalt sold was $8.46/lb (first quarter 2011: $10.99/lb).

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.

Production

Milling facilities at Tenke continue to perform well with throughput averaging 12,200 metric tonnes of ore per day in 2012 facilitated in part by plant debottlenecking investments. Mining rates have been increased to enable additional copper cathode production from the initial project capacity of 115,000 tonnes per year to approximately 130,000 tonnes per year.

[1] Cash cost/lb of payable copper sold - see non-GAAP Performance Measures on page 26 of this MD&A.

[2] Cash costs are as calculated and reported by Freeport as operator. 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.

Freeport is expecting annual sales volumes to be approximately 136,000 tonnes of copper and 11,300 tonnes of cobalt in 2012.

Cash Costs

Average cash operating costs, including the cobalt by-product credit, of $1.25/lb of copper for the quarter were higher than guidance, largely as a result of lower realized cobalt prices. Freeport projects 2012 cash costs of $1.13/lb, assuming an average cobalt price of $12/lb.

Expansion

Freeport is constructing a second phase of the project, which includes optimizing the current plant and increasing capacity. As part of the second phase, Freeport is expanding the mill rate to 14,000 metric tonnes of ore per day and is constructing related processing facilities that would target the addition of approximately 68,000 tonnes of copper per year in 2013. Construction activities for the approximate $850 million project (Lundin Mining's share: approximately $250 million), which includes mill upgrades, additional mining equipment, a new tankhouse and sulphuric acid plant expansion, are underway.

Freeport continues to engage in drilling activities, exploration analyses and metallurgical testing to evaluate the potential of the highly prospective minerals district at Tenke. These analyses are being incorporated in the evaluation of opportunities for expansion.

Tenke Funding

No cash advances were made by the Company in the quarter (2011 - $5.4 million) to cover sustaining capital, on-going concession exploration and expansion initiatives.

Attributable operating cash flow at Tenke for the first quarter of 2012 was $31.0 million.

Lundin Mining's 2012 capital investment for Tenke has been assumed, for internal planning purposes, to be $210 million to fund expansion and sustaining capital. During the quarter, $37.5 million was spent on our attributable share of capital requirements, which was funded by excess cash flow from operations.

Depending on metal prices, it is expected that the Company's share of operating cash flows from Tenke will continue to be sufficient to fund these capital and non-capital requirements. Final decisions on capital investment levels for 2012 are ultimately made by Freeport, the mine's operator.

Exploration Highlights

Portugal

Neves-Corvo Mine Exploration (Copper, Zinc)

The 2012 resource exploration program includes a budgeted 90,000 metres of drilling and additional high-resolution 3D seismic surveying. A total of 24,161 metres using six rigs was drilled during the first quarter of 2012. At Semblana, a new zone of high-grade copper sulphides (the "Semblana South Extension") is being delineated, located approximately 300 metres to the south of the initial resource that was disclosed in December 2011. Drilling has also focused on delineating an additional new copper zone that was discovered in the fourth quarter of 2011 and is located approximately 1.2 km to the south of Semblana. Drill testing of high-priority seismic reflectors was also carried out in the Rosa Magra target area, north of Semblana. The 2012 program also includes drill-testing of areas away from exploration target areas to assist in optimization of the future underground materials handling study work.

Iberian Pyrite Belt Regional Exploration (Copper, Zinc)

Target definition work continued during the first quarter, focusing on priority areas along strike to the northwest of the Neves-Corvo mine. High-resolution 3D seismic surveying was initiated to cover northwest and southeast extensions of the 2011 survey coverage. The 2012 program includes a 6,000 metre drill budget designed to drill-test the best resulting targets from the survey.

Spain

The 2012 exploration program is focusing on copper-zinc and copper-gold generative work in selected new areas of Spain prior to a continuance of regional exploration of the Ossa Morena belt properties.

Ireland

Clare Project (Zinc, Lead, Silver, Copper)

Ten holes were completed during the first quarter of 2012 for a total of 6,409 metres. The effort in the Clare Project continues to be focused on the discovery of additional zones of potentially economic mineralization within the east-west trending Kilbricken Corridor that extends through and beyond the Kilbricken Deposit. Seven lines of widely spaced, high-resolution 2D seismic profiles were completed in March to the east and west of the 3D seismic survey completed last year. Preliminary results indicate good quality reflectors and significant structure beneath the lines. The results will be used to target drilling along these structures where they intersect the base of Waulsortian Limestone, these junctures being the most favourable location to host thick, high-grade sulphide mineralization. Borehole TEM surveys and magnetometric surveys are also being done to better define these target zones. Most of the drilling to date this year has been widely spaced to provide calibration for the seismic lines as well as to explore along the corridor for additional zones of resource-grade mineralization. Mineralization remains open to the west, southwest and south of the high-grade zinc-lead-silver and copper-silver sulphide zone discovered last year approximately 750 metres southwest of the original Discovery Zone.

During the next quarter, the step-out drilling will continue testing favourable structures along the Kilbricken Corridor as well as some infill drilling of selected areas of interest. A high-resolution gradient aeromagnetic survey will also be completed over the Kilbricken and Ballyvergin target areas within the Clare Property. Additional borehole TEM and MMR will be done to assist in target generation of any off-hole conductors.

Lakelands Project (Zinc-Lead)

Ten holes were completed in the Reynold's Hill Property in County Leitrim for a total of 3,931 metres. These holes are part of a widely-spaced step-out drilling program following up the significant zinc-lead intercept encountered last quarter in Navan equivalent beds, host to ore at the Tara Mine located 80 km to the east. All holes intercepted generally minor but widespread zinc sulphides further indicating that the mineralized system is extensive. Two of the holes contained short intervals of high-grade zinc sulphides, providing vectors towards target areas with potentially greater concentrations of zinc mineralization.

Drilling and borehole geophysics (TEM and MMR) will continue next quarter to better understand the host geology and to better define the extent of the mineralization.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for the first quarter 2012 were higher than the average prices for the last quarter of 2011 by; copper 11%, zinc 7%, lead 6% and nickel 7%. However, the prices remain considerably lower than the average prices a year ago due to a slowdown in demand in the world outside China as a consequence of the European debt crisis. The price increase during the first quarter of 2012 has mainly been driven by copper which is showing good fundamental demand and a tight supply in the markets outside China. The Chinese copper market is slow due to high inventories and imports.

		Three months ended March 31		
(Average LME Prices)		**2012**	2011	**Change**
Copper	US$/pound	**3.77**	4.38	-14%
	US$/tonne	**8,310**	9,646	-14%
Zinc	US$/pound	**0.92**	1.09	-15%
	US$/tonne	**2,025**	2,393	-15%
Lead	US$/pound	**0.95**	1.18	-20%
	US$/tonne	**2,093**	2,605	-20%
Nickel	US$/pound	**8.91**	12.20	-27%
	US$/tonne	**19,651**	26,899	-27%

LME inventory for copper decreased during the first quarter of 2012 by 31% while the LME inventories for zinc, lead and nickel all increased during the quarter: zinc by 9%, lead by 7% and nickel by 11%.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates were stable during the first quarter of 2012. During the quarter, the spot TC was $26-$28 per dmt of concentrate and the spot RC was $0.026-0.028 per lb of payable copper. China continued to import substantial volumes of copper concentrates for the first two months of the quarter but in March China bought less material due to the unfavorable arbitrage between the SHFE and LME cash copper price. Annual negotiations for copper TC and RC were completed during the quarter and for 2012 the benchmark TC have been agreed at $60-63.5 per dmt of concentrates with a RC of $0.06-0.0635 per lb payable copper, slightly above the numbers for 2011 at a TC of $56 per dmt and a RC of $0.056 per lb payable copper.

The spot TC for zinc concentrates increased during the first quarter of 2012 from $55 per dmt, flat, in January to $85 per dmt, flat, in March. China has imported less zinc concentrates during the first two months of 2012 compared to 2011 due to low TCs. During the quarter the benchmark TC between miners and smelters for annual contracts for zinc concentrates was agreed at $191 per dmt of concentrates based on a zinc price of $2,000 per mt and with lower escalators and de-escalators than for 2011. The agreed terms represent an improvement in favour of the mines of approximately $18 per dmt of concentrates at the base price compared to last year. The Company has agreed terms under all its long-term contracts which are in line with the benchmark TC for 2012.

The spot TC for lead concentrates has traded in the range of $100-$115 per dmt of concentrates during the first quarter of 2012, i.e. lower than the TC of $145 per dmt of concentrates seen in December of last year. The lead concentrate market is not as homogenous as the markets for copper and zinc concentrates and there is no clear benchmark. The TC is based on the individual quality and varies depending on the content of lead, silver and deleterious elements. In general there has been an increase in favour of the smelters in both the TC and the RC for silver under annual contracts for all grades of lead concentrates. The Company has settled all its annual contracts for lead concentrates with a modest increase 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 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.

However, since the Aguablanca mine stopped production in December 2010, due to damages caused by torrential rainfall, this contract is presently under Force Majeure and the duration of the contract will be extended by the duration of the Force Majeure.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents increased by $8.8 million to $274.2 million as at March 31, 2012, from $265.4 million at December 31, 2011. Cash inflows for the current quarter included operating cash flows of $51.3 million. Uses of cash included investments of $45.5 million investment in mineral property, plant and equipment.

Working Capital

Working capital is $343.9 million as at March 31, 2012, compared to $306.6 million as at December 31, 2011. The increase in working capital reflects a higher balance of cash and trade & other receivables, as sales in the current quarter were heavily weighted to the last month of the quarter.

Revolving Credit Facility

The Company signed an amended and restated credit agreement in September 2010. The facility was increased from $225.0 million to $300.0 million and extended to a full three-year term, expiring in September 2013.

Aside from a letter of credit issued in the amount of SEK 80 million ($12.1 million), there are no amounts outstanding on the facility.

Shareholders' Equity

Shareholders' equity was $3,407.8 million at March 31, 2012, compared to $3,297.9 million at December 31, 2011. Shareholders' equity increased primarily as a result of net earnings of $58.3 million and translation adjustments in other comprehensive income of $49.9 million.

Financial Instruments

Summary of Financial Instruments

Financial Instrument	Fair value as at March 31, 2012 ($000's)	Basis of measurement	Associated Risks
Cash and cash equivalents	274,176	Carrying value	Interest/Credit/Exchange
Trade and other receivables	31,596	Carrying value	Credit/Market
Trade receivables	128,246	Fair value through profit and loss	Credit/Market/Exchange
Reclamation funds	53,146	Carrying value	Interest/Credit
Marketable securities	17,607	Fair value through profit and loss	Market/Liquidity
Trade payables and accrued liabilities	94,602	Amortized cost	Interest
Long-term debt and finance leases	31,919	Amortized cost	Interest
Other long-term liabilities	5,908	Amortized cost	Interest

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

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

Fair value through profit and loss (marketable 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 quote market price and the historical prices of the shares of which the warrants can be exchanged for and the expiry date of the warrants.

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

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, 2012 ($US/tonne)	Change	Effect on pre-tax earnings ($ millions)
Copper	8,456	+/- 10%	+/- $12.1
Zinc	2,014	+/- 10%	+/- $ 3.8
Lead	2,034	+/- 10%	+/- $ 1.6

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, 2012, the Company made no cash advances to fund its portion of Tenke expenditures. The Company provides certain letters of credit and guarantees for $1.8 million worth of contracts entered into by Tenke. These letters of credit expire in 2013.

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,			
		2012		2011
Wages and salaries	**$**	**1,752**	$	2,843
Pension benefits		**20**		32
Share-based compensation		**368**		326
	$	**2,140**	$	3,201

During the three months ended March 31, 2012, the Company paid $0.1 million for services provided by a management company owned by the Chairman of the Company. Lundin Mining also paid $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.

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 2011 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 2011 Annual Information Form, available on the SEDAR website, www.sedar.com.

Outstanding Share Data

As at April 25, 2012, the Company had 582,502,510 common shares issued and outstanding and 9,063,917 stock options outstanding under its stock-based incentive plans.

Non-GAAP Performance Measures

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

- **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, excluding depreciation, as follows:

	Three months ended March 31, 2012				Three months ended March 31, 2011			
	Total Tonnes Sold	**Pounds (000s)**	**Cost $/lb**	**Cash Operating Costs ($000s)**	**Total Tonnes Sold**	**Pounds (000s)**	**Cost $/lb**	**Cash Operating Costs ($000s)**
Operation								
Neves-Corvo (Cu)	16,404	36,165	1.63	58,949	16,973	37,419	1.55	57,999
Zinkgruvan (Zn)	18,018	39,723	0.22	8,739	16,968	37,408	0.42	15,711
Aguablanca (Ni)[1]	-	-	-	2,223	-	-	-	6,358
Galmoy (Zn)[2]	-	-	-	3,863	-	-	-	1,104
				73,774				81,172
Add: By-product credits				36,487				20,528
Treatment costs				(17,736)				(18,416)
Royalties and other				7,281				4,599
Operating costs, excluding depreciation				**99,806**				**87,883**

[1] Pit-slope failure caused suspension of operations in December 2010.
[2] Operating costs for Galmoy include shipment and processing of ore by an adjacent mine.

Management’s Report on Internal Controls

Disclosure controls and procedures

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

Internal control over financial reporting

The Company’s internal control over financial reporting 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.

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. Management conducted an evaluation of the effectiveness of internal control over financial reporting and concluded that it was effective as at March 31, 2012.

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, 2012 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 25, 2012:***

(a) **Directors:**

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

(b) **Officers:**

Lukas H. Lundin, *Chairman*
Paul Conibear*, President and Chief Executive Officer*
João Carrêlo, *Executive Vice President and Chief Operating Officer*
Marie Inkster, *Senior Vice President and Chief Financial Officer*
Neil O'Brien, *Senior Vice President, Exploration and Business Development*
Paul McRae, *Senior Vice President, Projects*
Julie Lee Harrs, *Senior Vice President, Corporate Development*
Peter Nicoll, *Vice President, Health, Safety, Environment and Community*
Mikael Schauman, *Vice President, Marketing*
Jinhee Magie, *Vice President, Finance*
James Ingram, *Corporate Secretary*

2. **Financial Information**

The report for the second quarter of 2012 is expected to be published on July 25, 2012.

3. **Other information**

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

Address (UK office):
Lundin Mining UK Limited
70 Oathall Road
West Sussex
RH16 3EL
United Kingdom
Telephone: +44-1-444-411-900
Fax: +44-1-444-456-901

Website: www.lundinmining.com
The corporate number of the Company is 4437365.

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, 2012
(unaudited)

Lundin Mining Corporation

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands of US dollars)	**March 31, 2012**	December 31, 2011
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 274,176**	$ 265,400
Trade and other receivables (Note 4)	**159,842**	116,019
Income taxes receivable	**2,693**	6,869
Inventories	**36,245**	41,203
Prepaid expenses	**5,746**	4,047
	478,702	433,538
Non-Current		
Reclamation funds	**53,146**	54,392
Mineral properties, plant and equipment (Note 5)	**1,293,911**	1,242,126
Investment in Tenke Fungurume (Note 6)	**1,912,097**	1,886,537
Marketable securities and other assets	**21,508**	19,515
Deferred tax assets	**41,402**	37,848
Goodwill	**196,503**	190,369
	3,518,567	3,430,787
	$ 3,997,269	$ 3,864,325
LIABILITIES		
Current		
Trade and other accounts payable	**$ 59,130**	$ 72,192
Accrued liabilities (Note 7)	**57,475**	49,541
Income taxes payable	**18,157**	5,211
Current portion of long-term debt and finance leases	**23,010**	21,740
Current portion of reclamation and closure provision	**6,687**	6,581
Current portion of deferred revenue (Note 8)	**18,133**	12,523
	182,592	167,788
Non-Current		
Long-term debt and finance leases	**8,909**	7,606
Other long-term liabilities	**5,908**	5,745
Deferred revenue (Note 8)	**68,056**	68,514
Provision for pension obligations	**18,937**	18,525
Reclamation and closure provisions	**104,656**	103,046
Deferred tax liabilities	**200,376**	195,245
	406,842	398,681
	589,434	566,469
SHAREHOLDERS' EQUITY		
Share capital	**3,497,165**	3,497,006
Contributed surplus	**31,051**	29,450
Accumulated other comprehensive loss	**(66,269)**	(116,174)
Deficit	**(54,112)**	(112,426)
	3,407,835	3,297,856
	$ 3,997,269	$ 3,864,325

Commitments (Note 14)

The accompaying notes are an integral part of the 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,	
	2012	2011
Sales	**$ 212,795**	$ 211,457
Operating costs	**(99,806)**	(87,883)
Depreciation, depletion and amortization (Note 5)	**(29,510)**	(35,474)
General and administrative	**(7,606)**	(5,160)
General exploration and corporate development (Note 10)	**(11,668)**	(13,754)
Income from investment in Tenke Fungurume (Note 6)	**25,560**	24,865
Finance income (Note 11)	**1,040**	3,621
Finance costs (Note 11)	**(3,749)**	(2,013)
Other expenses (Note 12)	**(9,764)**	(16,438)
Earnings before income taxes	**77,292**	79,221
Current tax expense (Note 13)	**(22,570)**	(22,987)
Deferred tax recovery	**3,592**	14,926
Net earnings	**$ 58,314**	$ 71,160

Basic and diluted earnings per share	**$ 0.10**	$ 0.12
Weighted average number of shares outstanding		
Basic	**582,493,242**	581,449,407
Diluted (Note 9)	**582,806,263**	582,951,197

The accompanying notes are an integral part of the 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, 2012	2011
Net earnings	**$ 58,314**	$ 71,160
Other comprehensive income, net of taxes		
Foreign currency translation adjustment	**49,905**	86,337
Comprehensive income	**$ 108,219**	$ 157,497

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - in thousands of US dollars) except for share amounts

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2011	582,475,287	$ 3,497,006	$ 29,450	$ (116,174)	$ (112,426)	$ 3,297,856
Exercise of stock options	27,223	159	(51)	-	-	108
Share-based compensation	-	-	1,652	-	-	1,652
Net earnings	-	-	-	-	58,314	58,314
Effects of foreign currency translation	-	-	-	49,905	-	49,905
Balance, March 31, 2012	**582,502,510**	**$ 3,497,165**	**$ 31,051**	**$ (66,269)**	**$ (54,112)**	**$ 3,407,835**
Balance, December 31, 2010	580,575,355	$ 3,485,814	$ 30,312	$ (66,349)	$ (296,191)	$ 3,153,586
Exercise of stock options	1,274,097	7,695	(2,070)	-	-	5,625
Share-based compensation	-	-	998	-	-	998
Net earnings	-	-	-	-	71,160	71,160
Effects of foreign currency translation	-	-	-	86,337	-	86,337
Balance, March 31, 2011	581,849,452	$ 3,493,509	$ 29,240	$ 19,988	$ (225,031)	$ 3,317,706

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

Lundin Mining Corporation

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - in thousands of US dollars)

	Three months ended March 31, 2012	2011
Cash provided by (used in)		
Operating activities		
Net earnings	**$ 58,314**	$ 71,160
Items not involving cash		
Finance income and costs	**233**	(1,656)
Share-based compensation	**1,802**	998
Depreciation, depletion and amortization	**29,510**	35,474
Foreign exchange (loss) gain	**(1,025)**	5,067
Income from investment in Tenke Fungurume	**(25,560)**	(24,865)
Deferred tax recovery	**(3,592)**	(14,926)
Recognition of deferred revenue	**(4,875)**	(1,523)
Other	**2,557**	246
Reclamation payments and other closure costs	**(129)**	(1,312)
Pension payments	**(434)**	(155)
Prepayments received (Note 8)	**6,814**	-
Changes in non-cash working capital items (Note 17)	**(12,319)**	63,693
	51,296	132,201
Investing activities		
Investment in mineral properties, plant and equipment	**(45,505)**	(40,484)
Investment in Tenke Fungurume	**-**	(5,369)
Changes in reclamation funds	**3,748**	(2,860)
(Purchase) sale of marketable securities	**(2,504)**	1,785
Other	**14**	13
	(44,247)	(46,915)
Financing activities		
Debt repayments	**(478)**	(10,277)
Common shares issued	**108**	5,625
	(370)	(4,652)
Effect of foreign exchange on cash balances	**2,097**	14,248
Increase in cash and cash equivalents during the period	**8,776**	94,882
Cash and cash equivalents, beginning of period	**265,400**	198,909
Cash and cash equivalents, end of period	**$ 274,176**	$ 293,791

Supplemental cash flow information (Note 17)

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

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

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") including IAS 34 *Interim financial reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods of application adopted are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2011.

The Company's presentation currency is United States 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 consolidated financial statements were approved by the board of directors for issue on April 25, 2012.

(ii) Critical accounting estimates and judgments

Areas of critical accounting estimates and judgments 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 as at and for the year ended December 31, 2011.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	March 31, 2012	December 31, 2011
Cash	**$ 261,141**	$ 265,339
Short-term investments	**13,035**	61
	$ 274,176	$ 265,400

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

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	March 31, 2012	December 31, 2011
Trade receivables	$ 134,398	$ 83,239
VAT and other receivables	25,444	32,780
	$ 159,842	$ 116,019

The Company does not have any significant balances that are past due and does not have any allowance for doubtful accounts. The fair value of the embedded derivative arising from provisionally priced trade receivables is valued using quoted market prices based on forward LME prices. During the quarter, the Company recognized a positive price adjustment of $15.7 million (2011 - $3.6 million negative adjustment) in sales.

5. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment comprise the following:

Cost	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2010	$ 1,464,118	$ 479,230	$ 51,855	$ 96,526	$ 2,091,729
Additions	20,285	842	-	16,209	37,336
Disposals and transfers	-	(82)	-	-	(82)
Effects of changes in exchange rates	95,405	36,192	3,280	6,773	141,650
As at March 31, 2011	$ 1,579,808	$ 516,182	$ 55,135	$ 119,508	$ 2,270,633
Additions	69,058	2,942	9,532	71,337	152,869
Disposals and transfers	2,747	159,127	-	(172,649)	(10,775)
Effects of changes in exchange rates	(147,340)	(60,963)	(4,921)	(6,069)	(219,293)
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 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**

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

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2010	$ 646,959	$ 195,431	$ -	$ -	$ 842,390
Depreciation, depletion and amortization	20,945	12,846	-	-	33,791
Disposals and transfers	-	(14)	-	-	(14)
Effects of changes in exchange rates	45,528	18,698	-	-	64,226
As at March 31, 2011	$ 713,432	$ 226,961	$ -	$ -	$ 940,393
Depreciation, depletion and amortization	81,890	38,115	-	-	120,005
Disposals and transfers	-	(9,464)	-	-	(9,464)
Effects of changes in exchange rates	(71,822)	(27,804)	-	-	(99,626)
As at December 31, 2011	$ 723,500	$ 227,808	$ -	$ -	$ 951,308
Depreciation, depletion and amortization	18,180	11,330	-	-	29,510
Disposals and transfers	-	1,784	-	-	1,784
Effects of changes in exchange rates	28,170	11,028	-	-	39,198
As at March 31, 2012	**$ 769,850**	**$ 251,950**	**$ -**	**$ -**	**$ 1,021,800**

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2011	$ 780,773	$ 389,480	$ 59,746	$ 12,127	$ 1,242,126
As at March 31, 2012	**$ 818,571**	**$ 394,054**	**$ 61,320**	**$ 19,966**	**$ 1,293,911**

Depreciation, depletion and amortization is comprised of:

	Three months ended March 31, 2012	2011
Operating costs	**$ 29,420**	$ 35,399
General and administrative	**90**	75
Depreciation, depletion and amortization	**$ 29,510**	$ 35,474

6. INVESTMENT IN TENKE FUNGURUME

As at December 31, 2010	$ 1,735,148
Advances	5,369
Share of equity income	24,865
As at March 31, 2011	$ 1,765,382
Advances	59,139
Cash received	(7,800)
Share of equity income	69,816
As at December 31, 2011	$ 1,886,537
Share of equity income	25,560
As at March 31, 2012	**$ 1,912,097**

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

On March 26, 2012, the President and Prime Minister of DRC signed the decree approving the changes to Tenke Fungurume Mining Corp S.A.R.L. ("TFM") by-laws that reflect the agreements reached in October 2010 following the mining contract review. With the approval of the by-law changes, Lundin's effective ownership in TFM decreased from 24.75% to 24%. This change did not have a significant impact on the Company's interim results nor on its consolidated balance sheet position.

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

		March 31, 2012		December 31, 2011
Total assets	**$**	**3,096,118**	$	2,846,798
Total liabilities	**$**	**1,016,518**	$	869,608

		Three months ended March 31, 2012		2011
Total revenue	**$**	**310,277**	$	314,879
Net earnings	**$**	**90,338**	$	90,810

7. ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities comprise the following:

		March 31, 2012		December 31, 2011
Unbilled goods and services	**$**	**15,678**	$	16,373
Payroll obligations		**22,003**		18,441
Royalty payable		**19,794**		14,727
	$	**57,475**	$	49,541

8. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2010	$	77,676
Recognition of revenue		(1,523)
Effects of changes in foreign exchange rates		1,085
As at March 31, 2011		77,238
Prepayments received		30,443
Recognition of revenue		(23,006)
Effects of changes in foreign exchange rates		(3,638)
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
		86,189
Less: estimated current portion		18,133
As at March 31, 2012	**$**	**68,056**

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

9. DILUTED WEIGHTED AVERAGE NUMBER OF SHARES

The total incremental shares added to the basic weighted average number of common shares to arrive at the fully diluted number of shares for the period ended March 31, 2012 is comprised of 313,021 shares (2011 – 1,501,790) which relate to outstanding exercisable stock options.

10. GENERAL EXPLORATION AND CORPORATE DEVELOPMENT

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

	Three months ended March 31, 2012	2011
General exploration	$ **10,057**	$ 8,897
Corporate development	**1,611**	4,857
Total general exploration and corporate development	$ **11,668**	$ 13,754

The Company has revised its presentation for corporate development costs in the statement of earnings. These cost were previously presented as general and administrative. This presentation has been applied for comparative periods.

11. FINANCE INCOME AND COSTS

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

	Three months ended March 31, 2012	2011
Interest income	$ **443**	$ 1,231
Revaluation gains on marketable securities	**597**	2,390
Total finance income	$ **1,040**	$ 3,621

	Three months ended March 31, 2012	2011
Interest expense and bank fees	$ **3,209**	$ 1,279
Accretion expense on reclamation provisions	**540**	734
Total finance costs	$ **3,749**	$ 2,013

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

12. OTHER EXPENSES

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

	Three months ended March 31,	
	2012	2011
Other expense	**$ 272**	$ 289
Foreign exchange loss	**9,492**	16,149
Total other expenses	**$ 9,764**	$ 16,438

13. 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.

14. COMMITMENTS

The Company has capital commitments as at March 31, 2012 as follows:

2012	$ 51,308
2013	222
Total	$ 51,530

15. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Portugal, Spain, Sweden, Ireland and the DRC. The segments presented reflect the way 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 share amounts)

Segmented information - operational
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	-	-	-	-	-	(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)	(17)	-	(101)	(29,510)
General exploration and corporate development	(6,982)	(551)	(403)	-	-	(3,732)	(11,668)
Income from equity investment in Tenke	-	-	-	-	25,560	-	25,560
Finance income and costs	233	(2,073)	(97)	95	-	(867)	(2,709)
Other 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)	$ 774	$ 25,560	$ (16,056)	$ 58,314
Capital expenditures	$ 23,207	$ 8,002	$ 14,156	$ -	$ -	$ 140	$ 45,505

For the three months ended March 31, 2011	Neves Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Tenke Fungurume DRC	Other	Total
Sales	$ 156,562	$ 47,585	$ (1,934)	$ 9,244	$ -	$ -	$ 211,457
Operating costs	(57,114)	(23,619)	(5,512)	(1,420)	-	(218)	(87,883)
General and administrative	-	-	-	-	-	(5,160)	(5,160)
Operating earnings (loss)*	99,448	23,966	(7,446)	7,824	-	(5,378)	118,414
Depreciation, depletion and amortization	(28,621)	(5,956)	(805)	(17)	-	(75)	(35,474)
General exploration and corporate development	(6,703)	(137)	(523)	-	-	(6,391)	(13,754)
Income from equity investment in Tenke	-	-	-	-	24,865	-	24,865
Finance income and costs	562	(74)	73	84	-	963	1,608
Other expenses	(13,930)	(6,500)	(727)	216	-	4,503	(16,438)
Income tax (expense) recovery	(12,436)	(2,680)	8,533	(112)	-	(1,366)	(8,061)
Net earnings (loss)	$ 38,320	$ 8,619	$ (895)	$ 7,995	$ 24,865	$ (7,744)	$ 71,160
Capital expenditures	$ 29,789	$ 9,354	$ 1,276	$ 34	$ 5,369	$ 31	$ 45,853

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

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

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

	Three months ended March 31,	
	2012	2011
Copper	**$ 147,313**	$ 152,892
Zinc	**41,755**	39,185
Lead	**19,663**	17,000
Other	**4,064**	2,380
	$ 212,795	211,457

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

	Three months ended March 31,	
	2012	2011
Europe	**$ 210,073**	$ 183,451
South America	**2,722**	27,749
Other	**-**	257
	$ 212,795	$ 211,457

16. RELATED PARTY TRANSACTIONS

Key management personnel - The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel are as follows:

	Three months ended March 31,	
	2012	2011
Wages and salaries	**$ 1,752**	$ 2,843
Pension benefits	**20**	32
Share-based compensation	**368**	326
	$ 2,140	$ 3,201

During the quarter ended March 31, 2012, the Company paid $0.1 million (2011 - $0.1 million) for services provided by a company owned by the Chairman of the Company. The Company also paid $0.5 million (2011 - $nil) to a charitable foundation directed by members of the Company’s key management personnel to carry out social programs on behalf of the Company.

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

17. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2012	2011
Changes in non-cash working capital items consist of:		
Accounts receivable, inventories and other current assets	**$ (29,024)**	$ 59,368
Accounts payable and other current liabilities	**16,705**	4,325
	$ (12,319)	$ 63,693
Operating activities included the following cash payments:		
Interest received	**$ 443**	$ 1,231
Interest paid	**$ 857**	$ 788
Income taxes paid	**$ 5,687**	$ 8,409

The Company has revised its presentation for changes in reclamation funds in the statement of cash flows from operating activities to investing activities.

18. SUBSEQUENT EVENT

Subsequent to March 31, 2012, the Company entered into a purchase option agreement to acquire an 80% interest in the Touro copper project ("Project") located in northern Spain. The agreement gives the Company an exclusive option until October 1, 2012, subject to extension, to purchase an 80% interest in the Project by paying €60 million in stages based on milestones.