

lundin mining

Management's Discussion and Analysis For the three and nine months ended September 30, 2011

This management's discussion and analysis has been prepared as of October 26, 2011 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2011. 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, reference of £ is to British pounds 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 its equity stake in the world class Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo ("DRC").

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 labor disputes or other unanticipated difficulties with or shortages of labor 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; receipt of final detailed documentation on by-law changes resulting from the contract review process and resolution of administrative disputes in the DRC; 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 Highlights

- Copper and zinc production improved over the previous quarter; however, production at both Neves-Corvo and Zinkgruvan was curtailed due to a number of issues. We continued to mine low grade stockwork ores at Neves-Corvo and consequently plant recoveries were lower than planned. At Zinkgruvan, production shortfalls were experienced due to grinding mill issues in both circuits. Action has been taken to resolve these issues to enhance fourth quarter production as further discussed herein.

Total production was as follows:

<i>Wholly-owned operations (tonnes)</i>	YTD 2011	Q3 2011	Q2 2011	Q1 2011	FY 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Copper	48,389	15,419	13,831	19,139	80,035	24,908	20,509	21,774	12,844
Zinc	84,392	28,791	27,404	28,197	90,129	23,482	22,571	24,458	19,618
Lead	31,857	10,077	10,367	11,413	39,568	9,470	10,902	10,953	8,243
Nickel	-	-	-	-	6,296	1,062	1,363	1,715	2,156
Tenke attributable (24.75%)									
Copper	22,888	7,982	7,398	7,508	29,767	7,908	7,701	7,038	7,120
Cobalt	2,061	683	687	691	2,283	723	599	409	552

- Operating earnings¹ for the current quarter of \$48.7 million was lower than the \$121.5 million reported in the third quarter of 2010. Unfavourable price and price adjustments (\$22.9 million effect), lower volume (\$11.4 million effect), higher per unit costs (\$18.7 million effect), suspension of mining activities at Aguablanca (\$19.2 million effect) and foreign exchange (\$7.6 million effect) all contributed to the negative variance.
- Net income of \$12.4 million (\$0.02 per share) was \$53.6 million lower than the \$66.0 million (\$0.11 per share) reported for the third quarter of 2010. The decrease was largely the result of lower operating earnings (\$72.8 million), losses on marketable securities of \$11.8 million and an unfavorable tax assessment in Spain for the 2004 to 2006 taxation years (\$12.5 million tax plus \$2.7 million interest). This was partially offset by foreign exchange gains of \$36.5 million.
- Cash flow from operations, before changes in non-cash working capital items, for the current quarter was an inflow of \$23.7 million, compared to an inflow of \$94.2 million for the corresponding period in 2010. The decrease of \$70.5 million relates mainly to lower earnings. Cash flow from operations does not include cash flow related to Tenke. During the quarter, our share of available cash from Tenke contributed to a \$32.0 million final repayment, discharging the Excess Overrun Cost (“EOC”) facility for the completed Phase 1 project, and we received an additional \$7.8 million cash distribution.

¹ Operating earnings is a Non-IFRS measure defined as sales, less operating costs and general and administration costs. See page 27 of this MD&A for discussion of Non-IFRS measures.

Corporate Highlights

- The Neves-Corvo Zinc Expansion plant was started up on time and on budget in July. Given the continued high ratio between copper and zinc price, in August this new circuit was converted to copper ore processing and the Company plans to run the new circuit on copper ore until year-end to achieve higher margins.
- In August, a new mine contractor mobilized to the Aguablanca nickel/copper mine to commence pit push-backs and reinstatement of the pit haul ramp. The restart of Aguablanca concentrate production remains on schedule for the third quarter of 2012. An underground mining study was also initiated intended to define potential high grade underground feed to supplement open pit production.
- In September, the Company released the results of a Feasibility Study on the Lombador Phase 1 development demonstrating that the exploitation of the upper portions of the Lombador zinc/copper ore bodies could extend the mine life to at least 2026 and create a platform for further extensions. The optimal development plan for Lombador is being examined further in conjunction with assessing exploitation concepts for the Semblana copper discovery. The Company has initiated the Neves-Corvo Future Underground Materials Handling Study to assess medium and long-term underground deposit access and extraction infrastructure, including potential benefits of a second deeper shaft.
- During the quarter, the analysis of an extensive 3D seismic geophysics survey across the Neves-Corvo concessions yielded the identification of 19 new drill targets all within the depth horizon of existing mine workings, and at similar elevations to Semblana and Lombador. Exploration budgets were increased and these targets will be progressively tested over the year ahead.
- Exploration programs on the Company's own assets are being increased in response to drilling success at all current programs, including our Irish exploration projects.

Tenke Fungurume

- For the quarter ended September 30, 2011, Tenke production was 32,249 tonnes of copper; 29,702 tonnes of copper were sold at an average realized price of \$3.46 per pound.
- During the quarter, the Company benefited from total distributions of \$39.8 million from its investment in Tenke:
 - The Company fully repaid the remaining \$32.0 million on the EOC facility related to its proportionate share of the Phase 1 development; and
 - Received its first cash return of \$7.8 million.
- The Company has received its first cash return on its investment in Tenke Fungurume with \$7.8 million received during the month of September.

Attributable cash flow from Tenke, including repayments of the EOC facility, was as follows:

	Three months ended Sept 30		Nine months ended Sept 30	
(US\$ millions)	2011	2010	2011	2010
Cash advances to Tenke	(14.2)	(8.5)	(30.0)	(22.9)
Distributions from Tenke	7.8	-	7.8	-
Repayments on EOC facility	32.0	40.0	108.4	78.3
Attributable net cash flow	25.6	31.5	86.2	55.4

- The Phase 2 Expansion feasibility study to optimize the current plant and increase capacity has been completed under the direction of the operator, Freeport-McMoRan Copper & Gold Inc. ("FCX" or "Freeport"). FCX plans to expand the mill rate to 14,000 tonnes per day through the investment of

approximately \$850 million (Lundin Mining's share approximately \$250 million). The expansion includes the completion of mill upgrades, acquisition of additional mining equipment, construction of a new tankhouse and a sulfuric acid plant expansion all targeted for completion in 2013. The Phase 2 Expansion is expected to take total plant production of copper cathode up to approximately 195,000 tpa. Early works on this expansion, funded by the partners and from excess cash flow from operations, continued on site during the quarter.

Financial Position and Financing

- Net cash¹ at September 30, 2011 was \$208.7 million compared to \$125.7 million at September 30, 2010 and \$308.2 million at June 30, 2011.

The decrease in net cash during the quarter is primarily attributable to income tax payments (\$57.5 million), royalty payments (\$18.6 million), investment in mineral property, plant and equipment (\$35.1 million), the acquisition of Belmore Resources (Holdings) plc (\$9.5 million) and net investment costs in Tenke Fungurume expansion and sustaining capital works (\$6.4 million).

- Cash on hand at September 30, 2011 was \$256.2 million.

Outlook

2011 Production and Cost Guidance

- Overall production targets for 2011 remain largely unchanged from previous guidance; however, we have slightly lowered overall copper and lead production guidance to be conservative on year-end expectations. C1 cash costs have been updated for forecast production adjustments and changes in the US dollar exchange rates with European currencies.

(contained tonnes)		Revised 2011 Guidance		Previous 2011 Guidance ³	
		Tonnes	C1 Cost ^{1,2}	Tonnes	C1 Cost ^{1,2}
Neves-Corvo	<i>Cu</i>	70,000	\$1.80	72,000	\$1.65
	<i>Zn</i>	4,500		6,000	
Zinkgruvan	<i>Zn</i>	76,000	\$0.32	78,000	\$0.21
	<i>Pb</i>	34,000		36,000	
	<i>Cu</i>	1,500		3,400	
Galmoy (in ore)	<i>Zn</i>	31,000		28,000	
	<i>Pb</i>	8,000		8,000	
Total: Wholly-owned operations	<i>Cu</i>	71,500		75,400	
	<i>Zn</i>	111,500		112,000	
	<i>Pb</i>	42,000		44,000	
Tenke: 24.0% attributable share	<i>Cu</i>	30,400	\$1.03	30,400	\$0.97

¹ Cash costs remain dependent upon exchange rates (revised 2011 forecast €/USD: 1.35 – USD/SEK: 6.80; previous forecast €/USD: 1.40 – USD/SEK: 6.40).

² Cash cost is a Non-IFRS measure reflecting the sum of direct costs and inventory changes less by-product credits. See Non-IFRS Performance Measures on page 27 of this MD&A.

³ As provided in the MD&A for the six months ended June 30, 2011, dated July 29, 2011.

- **Neves-Corvo:** Although new massive sulphide stopes have been producing high grade feed to the plant since late September (approximately 4% copper feed grades), production guidance for Neves-Corvo has

¹ Net cash is a Non-IFRS measure defined as available unrestricted cash less financial debt, including capital leases and other debt-related obligations.

been revised slightly downwards to reflect a conservative estimate of copper production to year-end. Zinc production guidance at Neves-Corvo has also been reduced as the new zinc plant was converted to copper production duty shortly after startup.

Cash cost of copper is expected to increase by \$0.15/lb over previous guidance due to higher production costs and lower than expected by-product credits. As a result of these changes, C1 cost guidance for the year is increased from \$1.65/lb to \$1.80/lb copper.

- **Zinkgruvan:** Annual production zinc guidance is being lowered by 2,000 tonnes as a result of a precautionary reduction in throughput due to the increase in vibrations in the mill girth gear. The mill will be offline for nine days in October 2011 while the girth gear is being re-set, after which the mill throughput is expected to increase back to its planned rate. By-product lead production is consequently expected to be 2,000 tonnes lower than last guidance figures.

During the third quarter, the copper circuit grinding mill gear box failed and down-time has resulted in reduced copper production expectations for the year. The repaired gear box is now in place but copper production guidance has been lowered to 1,500 tonnes for the year to account for the schedule disruption.

Cash cost of zinc is expected to increase from \$0.21/lb to \$0.32/lb partly due to lower production noted above. In addition, by-product credits are expected to be lower as a result of the recent decline in metal prices and lower copper/lead production.

- **Aguablanca:** The new mining contractor has started pre-stripping operations. First concentrate production continues to be on schedule for the third quarter of 2012.

Guidance on timing and total investment of €40 million to commence full ore production is maintained.

- **Galmoy:** The mine closure plan has been approved by the authorities. Zinc and lead production continue to exceed targets and thus zinc annual guidance has been increased to 31,000 tonnes.
- **Tenke:** Copper production guidance has been maintained; however, as reported by Freeport, the cash cost guidance is increased to \$1.03/lb copper based on expected sales volumes and cost estimates, assuming an average cobalt price of \$14/lb for the fourth quarter of 2011.

2011 Capital Expenditure Guidance

- Total capital expenditures for the year is expected to be approximately \$290 million, unchanged from the initial guidance outlined in the Company's MD&A for the three months ended March 31, 2011. The \$120 million of capital expenditure for Tenke is being funded by a combination of cash calls and profits generated by the mine.

Preliminary 2012 Guidance

Based on preliminary budgets in hand for 2012, the following are initial projections for 2012 production from the Company's mines.

- The copper production profile of Neves-Corvo takes a step change from previous years due predominantly to remaining reserves being lower grade stockworks (<3% Cu), which also provides for less predictable ore characteristics and lower plant recoveries. Consequently, mine planning methods are being revised and a more conservative approach has been taken for preliminary 2012 production guidance. Zinc production for the year ahead is expected to be at least 30,000 tonnes.

- Although Zinkgruvan production for the year ahead is expected to see modest increases in all metals, it will be substantially the same as the current year with some upside potential depending on success in plant debottlenecking.
- Aguablanca forecasts contemplate the mine restarting in third quarter of 2012 and ramping up by year-end.
- Galmoy high grade mining is expected to conclude in the first half of the year.
- Tenke production guidance is not available pending Freeport providing its company-wide annual forecast.
- Production optimization for 2012 along with five year planning will occur over the next two months. 2012 metal production guidance is expected to be updated in December following Board approval of budgets.

(contained tonnes of metal in concentrate)		Preliminary 2012 Guidance Tonnes	Current 2011 Forecast Tonnes
Neves-Corvo	<i>Cu</i>	52,500 – 57,000	70,000
	<i>Zn</i>	30,000 – 40,000	4,500
Zinkgruvan	<i>Zn</i>	75,000 – 81,000	76,000
	<i>Pb</i>	34,000 – 39,000	34,000
	<i>Cu</i>	2,000 – 3,000	1,500
Aguablanca	<i>Ni</i>	500 – 1,000	<i>n.a.</i>
	<i>Cu</i>	500 – 1,000	<i>n.a.</i>
Galmoy ¹ (in ore)	<i>Zn</i>	4,000 – 4,500	31,000
	<i>Pb</i>	500	8,000
Total: Wholly-owned operations	<i>Cu</i>	55,000 – 61,000	71,500
	<i>Zn</i>	109,000 – 125,500	111,500
	<i>Pb</i>	34,500 – 39,500	42,000
	<i>Ni</i>	500 – 1,000	<i>n.a.</i>
Tenke ² : 24% attributable share	<i>Cu</i>	> 31,000	30,400
Total Attributable Copper Production		86,000 – 92,000	101,900

¹ Metal sales are dependent upon milling at a third party processing facility, which are expected to approximate 12,000t Zn and 3,000t Pb in 2012.

² Tenke 2012 Guidance has not yet been provided by Operator FCX. Lundin Mining anticipates production from Tenke in 2012 to be greater than 2011 guidance subject to the possibilities of staged startup of Phase 2 expansion initiatives.

Selected Quarterly Financial Information

(USD millions, except per share amounts)	Three months ended Sept 30		Nine months ended Sept 30	
	2011	2010	2011	2010
Sales	146.2	215.1	541.7	540.0
Operating earnings¹	48.7	121.5	244.4	269.5
Depreciation, depletion and amortization	(34.3)	(30.6)	(107.4)	(98.6)
General exploration and project investigation	(12.5)	(6.3)	(33.8)	(16.6)
Finance (costs) income	(10.6)	(0.3)	(12.6)	22.6
Income from equity investment in Tenke	17.2	17.5	74.1	40.3
Other income and expenses	21.4	(14.3)	2.1	6.0
Income before income taxes	29.9	87.5	166.8	223.2
Income tax expense	(17.5)	(21.5)	(25.5)	(63.0)
Net income	12.4	66.0	141.3	160.2
Shareholders' equity	3,304.1	3,028.9	3,304.1	3,028.9
Cash flow from operations	(40.6)	49.6	191.2	206.9
Capital expenditures (incl. Tenke)	58.8	40.2	162.4	117.4
Total assets	3,905.9	3,683.7	3,905.9	3,683.7
Net cash²	208.7	125.7	208.7	125.7
Key Financial Data:				
Shareholders' equity per share ³	5.67	5.22	5.67	5.22
Basic and diluted income per share ⁶	0.02	0.11	0.24	0.28
Dividends	-	-	-	-
Equity ratio ⁴	85%	82%	85%	82%
Shares outstanding:				
Basic weighted average	582,320,503	579,889,803	581,939,918	579,814,786
Diluted weighted average	582,999,753	580,262,754	583,122,001	580,222,350
End of period	582,475,287	579,924,803	582,475,287	579,924,803

(\$ millions, except per share data)	IFRS basis							Canadian GAAP basis ⁵
	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09
Sales	146.2	184.0	211.5	309.3	215.1	183.1	141.7	256.7
Operating earnings¹	48.7	82.2	113.6	192.2	121.5	82.1	65.8	152.2
Impairment charges (after tax)	-	-	-	-	-	-	-	(37.1)
Net income	12.4	57.7	71.2	146.1	66.0	42.3	51.9	35.1
Income per share⁶, basic and diluted	0.02	0.10	0.12	0.25	0.11	0.07	0.09	0.06
Cash flow from operations	(40.6)	102.5	129.3	71.1	49.6	68.9	88.4	97.0
Capital expenditure (incl. Tenke)	58.8	57.7	45.9	42.9	40.2	39.1	38.1	39.0
Net cash (debt)²	208.7	308.2	262.0	159.2	125.7	107.8	10.2	(49.3)

¹ Operating earnings is a Non-IFRS measure defined as sales, less operating costs and general and administrative costs.

² Net cash (debt) is a Non-IFRS measure defined as available unrestricted cash less financial debt, including capital leases and other debt-related obligations.

³ Shareholders' equity per share is a Non-IFRS measure defined as shareholders' equity divided by total number of shares outstanding at end of period.

⁴ Equity ratio is a Non-IFRS measure defined as shareholders' equity divided by total assets at the end of period.

⁵ Conversion to IFRS on January 1, 2011 requires the completion of IFRS compliant financial statements on a comparative basis for 2010. Financial results prior to 2010 remain unchanged and are reported in accordance with Canadian GAAP (see MD&A page 25).

⁶ Income per share is determined for each quarter. As a result of using a different weighted average number of shares outstanding, the sum of the quarterly amounts may differ from the year-to-date amount.

Sales Overview

Sales Volumes by Payable Metal

	YTD 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Copper (tonnes)									
Neves-Corvo	43,948	12,671	14,304	16,973	69,935	23,765	16,398	20,252	9,520
Zinkgruvan	1,414	680	734	-	-	-	-	-	-
Aguablanca ¹	(73)	(5)	(15)	(53)	3,793	559	644	1,418	1,172
	45,289	13,346	15,023	16,920	73,728	24,324	17,042	21,670	10,692
Zinc (tonnes)									
Neves-Corvo	2,662	1,842	5	815	5,251	861	1,459	2,046	885
Zinkgruvan	45,680	15,183	13,529	16,968	59,405	14,657	13,713	18,297	12,738
Galmoy ²	13,240	4,768	4,694	3,778	6,147	1,755	2,510	1,324	558
	61,582	21,793	18,228	21,561	70,803	17,273	17,682	21,667	14,181
Lead (tonnes)									
Zinkgruvan	21,888	8,570	7,031	6,287	35,808	8,490	9,735	9,630	7,953
Galmoy ²	4,241	1,649	1,517	1,075	1,786	430	791	436	129
	26,129	10,219	8,548	7,362	37,594	8,920	10,526	10,066	8,082
Nickel (tonnes)									
Aguablanca ¹	(48)	7	6	(61)	5,116	559	1,029	1,826	1,702

¹ Final weight adjustment related to provisional sales recognized in 2010 but settled in 2011.

² 50% of metal is attributable to Galmoy on sale of ore to third party processing facility (see MD&A page 18).

Net Sales by Mine

(US\$ millions)	Three months ended Sept 30			Nine months ended Sept 30		
	2011	2010	Change	2011	2010	Change
Neves-Corvo	84.7	135.2	(50.5)	364.3	316.4	47.9
Zinkgruvan	48.7	42.2	6.5	146.3	116.9	29.4
Aguablanca	-	32.5	(32.5)	(1.9)	97.9	(99.8)
Galmoy	12.8	5.2	7.6	33.0	8.8	24.2
	146.2	215.1	(68.9)	541.7	540.0	1.7

Net Sales by Metal

(US\$ millions)	Three months ended Sept 30			Nine months ended Sept 30		
	2011	2010	Change	2011	2010	Change
Copper	85.5	138.4	(52.9)	366.4	329.9	36.5
Zinc	37.2	26.4	10.8	109.2	74.8	34.4
Lead	20.5	20.4	0.1	56.5	48.9	7.6
Nickel	-	23.9	(23.9)	(0.4)	69.5	(69.9)
Other	3.0	6.0	(3.0)	10.0	16.9	(6.9)
	146.2	215.1	(68.9)	541.7	540.0	1.7

The combination of lower realized metal prices on current quarter sales, negative price adjustments from prior period sales and lower sales volume of copper and nickel resulted in overall lower net sales compared to the same period in the prior year. Aguablanca had no sales for the current quarter owing to suspension of operations since December 2010.

On a year-to-date basis, higher realized metal prices for the nine months ended September 30, 2011 are partially offset by lower sales volume from Neves-Corvo and Zinkgruvan and suspended mining operations at Aguablanca.

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.

Reconciliation of realized prices

2011 (\$ millions, except per pound amounts)	Quarter ended September 30, 2011				
	Copper	Zinc	Nickel	Lead	Total
Current period sales	95.8	46.6	-	24.1	166.5
Prior period provisional adjustments	(4.1)	0.4	-	(0.8)	(4.5)
Sales before other metals and TC/RC	91.7	47.0	-	23.3	162.0
Other metal sales					3.0
Less: TC/RC					(18.8)
Total Sales					146.2
Payable Metal (tonnes)	13,346	21,793	7	10,219	
Current period sales (\$/lb)	\$ 3.26	\$ 0.97	n/a	\$ 1.07	
Prior period provisional adjustments (\$/lb)	(0.14)	0.01	n/a	(0.04)	
Realized prices (\$/lb)	\$ 3.12	\$ 0.98	n/a	\$ 1.03	

2010 (\$ millions, except per pound amounts)	Quarter ended September 30, 2010				
	Copper	Zinc	Nickel	Lead	Total
Current period sales	135.1	36.4	23.1	23.2	217.8
Prior period provisional adjustments	11.6	0.1	4.5	0.1	16.3
Sales before other metals and TC/RC	146.7	36.5	27.6	23.3	234.1
Other metal sales					6.0
Less: TC/RC					(25.0)
Total Sales					215.1
Payable Metal (tonnes)	17,042	17,682	1,029	10,526	
Current period sales (\$/lb)	\$ 3.60	\$ 0.93	\$ 10.18	\$ 1.00	
Prior period provisional adjustments (\$/lb)	0.30	0.01	1.99	-	
Realized prices (\$/lb)	\$ 3.90	\$ 0.94	\$ 12.17	\$ 1.00	

Outstanding receivables (provisionally valued) as of September 30, 2011

Metal	Tonnes payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	12,030	3.18	7,020
Zinc	10,676	0.90	1,988
Lead	7,504	1.02	2,249

Operating Results

Operating Costs

Operating costs of \$92.2 million for the current quarter were \$4.1 million higher than the comparable period in 2010. Neves-Corvo's and Zinkgruvan's operating costs increased by \$14.0 million and \$2.8 million, respectively, offset by lower operating costs of \$13.2 million at Aguablanca while production is suspended. Of the \$14.0 million increase in operating costs at Neves-Corvo, \$5.3 was due to the use of proportionately more contractors to support higher run of mine production, and \$5.6 million was related to unfavourable foreign exchange. At Zinkgruvan, unfavourable foreign exchange of \$2.0 million was the primary reason for the cost increase. (See additional commentary under individual mine discussion).

For the nine months ended September 30, 2011, operating costs of \$276.1 million were \$20.8 million higher than the comparable period in 2010. Higher operating costs at Neves-Corvo of \$31.4 million and Zinkgruvan of \$6.1 million and unfavourable foreign exchange of \$25.2 million were partially offset by lower costs at Aguablanca of \$44.3 million as a result of suspended operations.

Depreciation, Depletion and Amortization

Increased depreciation for the current quarter and year-to-date compared with the same period in 2010 results from the higher amount of ore mined, commissioning of the new zinc expansion plant at Neves-Corvo and the new copper mill at Zinkgruvan and foreign exchange impacts. These were partially offset by lower depreciation from the suspension of operations at Aguablanca.

Depreciation by operation (\$ millions)	Three months ended Sept 30			Nine months ended Sept 30		
	2011	2010	Change	2011	2010	Change
Neves-Corvo	27.1	23.7	3.4	85.4	70.3	15.1
Zinkgruvan	6.2	2.5	3.7	19.3	9.7	9.6
Aguablanca	0.9	4.3	(3.4)	2.4	18.2	(15.8)
Other	0.1	0.1	-	0.3	0.4	(0.1)
	34.3	30.6	3.7	107.4	98.6	8.8

General Exploration and Project Investigation

General exploration and project investigation costs increased from \$6.3 million in the third quarter of 2010 to \$12.5 million in the third quarter of 2011, and from \$16.6 million for the nine months ended September 30, 2010 to \$33.8 million for same period in 2011. This increase is primarily attributable to an 80,000 metre surface drilling program which is intended to deliver an initial resource estimate for Semblana prior to year-end and the recent €3.5 million 3D seismic geophysics program run at Neves-Corvo. (See additional commentary under Exploration Highlights).

Finance (Costs) Income

The Company's marketable securities are revalued at the end of each period with an increase in fair value reported in the third quarter of 2010 of \$5.8 million while the current quarter saw a decrease in fair value of \$6.1 million.

For the nine month period ended September 30, 2011 compared with the nine months ended September 30, 2010, the decrease in finance costs was primarily attributed to the revaluation of marketable securities (\$28.8 million) and a gain on copper derivative contracts in 2010 (\$10.2 million).

Other Income and Expenses

Other income and expenses is comprised mainly of foreign exchange gains and losses as well as gains on the sale of non-core assets.

A foreign exchange gain of \$19.5 million in the current quarter and a loss of \$17.0 million recorded in the third quarter of 2010 relates to US denominated cash and trade receivables that were held in the European group entities. Period-end exchange rates in the third quarter of 2011 were \$1.35:€1.00 (June 30, 2011 – \$1.45:€1.00) and \$1.00:SEK6.86 (June 30, 2011 – \$1.00:SEK6.31).

In comparison with a similar period in 2010, other income and expenses for the nine months ended September 30, 2011 was \$3.9 million lower primarily as the result of the sale of non-core assets in 2010.

Current and Deferred Taxes

Current tax expense (\$ millions)	Three months ended Sept 30			Nine months ended Sept 30		
	2011	2010	Change	2011	2010	Change
Neves-Corvo	1.4	16.2	(14.8)	29.4	26.2	3.2
Zinkgruvan	7.2	5.7	1.5	15.9	15.8	0.1
Aguablanca	12.5	(3.6)	16.1	14.8	1.1	13.7
Other	(2.0)	(14.4)	12.4	(7.8)	(13.5)	5.7
Current tax expense	19.1	3.9	15.2	52.3	29.6	22.7

The increase in current income tax expense is the result of a Spanish tax assessment related to deductibility of accelerated depreciation in fiscal years 2004 and 2005. The Company received a negative tax assessment of €9.1 million (\$12.5 million) plus €2.0 million (\$2.7 million) in interest which it chose to pay in September 2011, to avoid further interest and penalties, but intends to appeal the assessment.

The corporate tax rates in the countries where the Company has mining operations range from 25% in Ireland to 30% in Spain. As at September 30, 2011, the Company has paid a total of \$104.9 million in income taxes, including \$83.8 million paid in Portugal, \$3.2 million in Sweden, \$15.8 million in Spain, \$0.3 million in Ireland and \$1.8 million in Cyprus.

Deferred tax (recovery) expense (\$ millions)	Three months ended Sept 30			Nine months ended Sept 30		
	2011	2010	Change	2011	2010	Change
Neves-Corvo	(2.6)	2.7	(5.3)	(13.7)	16.4	(30.1)
Zinkgruvan	(0.4)	(3.2)	2.8	(1.1)	(3.8)	2.7
Aguablanca	1.3	(0.9)	2.2	(17.5)	3.9	(21.4)
Other	0.1	19.0	(18.9)	5.5	16.9	(11.4)
Deferred tax (recovery) expense	(1.6)	17.6	(19.2)	(26.8)	33.4	(60.2)

The increase in deferred income tax recovery of \$19.2 million is primarily attributable to lower earnings.

On October 17, 2011, Portugal's government unveiled new austerity measures to control its budget deficit over the next two years, including an increase in the effective corporate tax rates. For 2012 and 2013, the state tax will be increased by 0.5% for profits up to €10 million, and an additional 2.0% on profits exceeding €10 million. This tax increase is not reflected in the Company's tax calculations, but is expected to be enacted in the fourth quarter of 2011. The Company estimates the impact of this tax rate increase to be approximately \$2.0 million.

Mining Operations

Production Overview

	YTD 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Copper (tonnes)									
Neves-Corvo	47,243	15,070	13,475	18,698	74,011	23,105	19,353	20,342	11,211
Zinkgruvan	1,146	349	356	441	540	540	-	-	-
Aguablanca	-	-	-	-	5,484	1,263	1,156	1,432	1,633
	48,389	15,419	13,831	19,139	80,035	24,908	20,509	21,774	12,844
Zinc (tonnes)									
Neves-Corvo	3,845	1,874	1,020	951	6,422	897	2,237	1,446	1,842
Zinkgruvan	54,810	17,459	17,582	19,769	72,206	18,546	15,916	20,624	17,120
Galmoy*	25,737	9,458	8,802	7,477	11,501	4,039	4,418	2,388	656
	84,392	28,791	27,404	28,197	90,129	23,482	22,571	24,458	19,618
Lead (tonnes)									
Zinkgruvan	24,718	7,368	7,829	9,521	36,636	8,602	9,641	10,286	8,107
Galmoy*	7,139	2,709	2,538	1,892	2,932	868	1,261	667	136
	31,857	10,077	10,367	11,413	39,568	9,470	10,902	10,953	8,243
Nickel (tonnes)									
Aguablanca	-	-	-	-	6,296	1,062	1,363	1,715	2,156

* 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 Sept 30		Three months ended Sept 30	
	2011	2010	2011	2010
Neves-Corvo (Local in €)				
Gross cost	2.50	1.27	1.77	0.99
By-product **	(0.15)	(0.08)	(0.10)	(0.07)
Net Cost – Cu/lb	2.35	1.19	1.67	0.92
Zinkgruvan (Local in SEK)				
Gross cost	0.83	0.83	5.34	6.05
By-product **	(0.70)	(0.72)	(4.53)	(5.20)
Net Cost - Zn/lb	0.13	0.11	0.81	0.85
	Nine months ended Sept 30		Nine months ended Sept 30	
	2011	2010	2011	2010
Neves-Corvo (Local in €)				
Gross cost	2.06	1.40	1.46	1.07
By-product **	(0.09)	(0.08)	(0.06)	(0.06)
Net Cost – Cu/lb	1.97	1.32	1.40	1.01
Zinkgruvan (Local in SEK)				
Gross cost	0.91	0.78	5.86	5.80
By-product **	(0.64)	(0.54)	(4.08)	(4.01)
Net Cost - Zn/lb	0.27	0.24	1.78	1.79

**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, 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 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. The processing of zinc-rich ores was suspended in November 2008 pending an improvement in zinc prices and the zinc facility was converted to treat copper ore. Zinc production was restarted at a limited rate in 2010 and a new zinc expansion project was completed in July 2011. The expanded plant has the flexibility to process zinc or copper ores.

Operating Statistics

	YTD 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined, copper (tonnes)	2,226,336	749,999	768,806	707,531	2,537,927	776,682	630,304	649,641	481,300
Ore mined, zinc (tonnes)	86,202	8,973	34,552	42,677	74,295	1,449	38,960	16,133	17,753
Ore milled, copper (tonnes)	2,277,303	797,470	736,050	743,783	2,499,563	750,798	603,340	674,628	470,797
Ore milled, zinc (tonnes)	63,074	63,074	-	-	100,331	-	38,960	18,506	42,865
Grade									
Copper (%)	2.5	2.3	2.2	2.9	3.4	3.5	3.8	3.5	2.8
Zinc (%)	6.4	6.4	-	-	5.7	-	6.5	6.6	4.6
Recovery									
Copper (%)	84	83	83	86	86	87	85	86	86
Zinc (%)	46	46	-	-	73	-	80	77	66
Concentrate grade									
Copper (%)	24.4	24.5	24.2	24.5	24.2	24.3	23.9	24.1	24.4
Zinc (%)	47.6	47.6	-	-	44.5	-	47.8	43.2	41.9
Production- tonnes (metal contained)									
Copper	47,243	15,070	13,475	18,698	74,011	23,105	19,353	20,342	11,211
Zinc	3,845	1,874	1,020	951	6,422	897	2,237	1,446	1,842
Silver (oz)	604,407	200,902	184,007	219,498	725,260	223,242	176,094	203,035	122,889
Sales (\$000s)	364,276	84,678	123,036	156,562	541,313	224,964	135,159	120,980	60,210
Operating earnings (\$000s) ¹	180,294	21,029	59,817	99,448	335,696	155,506	85,517	67,860	26,813
Cash cost (€ per pound) ²	1.40	1.67	1.48	1.13	1.01	0.99	0.92	0.96	1.29
Cash cost (\$ per pound) ²	1.97	2.35	2.13	1.55	1.33	1.34	1.19	1.20	1.78

Operating Earnings¹

Operating earnings of \$21.0 million were \$64.5 million lower than for the third quarter of 2010. Lower metal prices (\$26.4 million effect), lower sales volume (\$13.7 million effect), higher per unit costs (\$18.9 million effect) and unfavourable foreign exchange (\$5.5 million effect) contributed to the decline in earnings.

Production

Copper metal production improved over the previous quarter as previously complicating ground conditions around high grade massive sulphide stopes were resolved. However, stockwork stopes which constitute an increasing percentage (+80%) of mill feed produced lower than expected grades as a high percentage of "out-of-reserve" material (mineralized zones encountered but not expected), which were less predictable in grade, were mined. Plant recoveries are related to grade and this further contributed to metal production being below expectations for the quarter. Mining in new high grade massive sulphide stopes commenced in the second half of September. These stopes are now contributing greater than 3% copper feed to the plant and this is expected to continue throughout the fourth quarter, significantly raising fourth quarter copper production well above levels of the previous three quarters. Mine planning methodology in stockwork stopes is being refined and cutoff grade and out-of-reserve factors reassessed to mitigate issues moving forward.

¹ Operating earnings is a Non-IFRS measure - see page 27 of this MD&A for discussion of Non-IFRS measures.

² Cash cost/lb of payable copper sold - see page 27 of this MD&A for discussion of Non-IFRS measures.

Cash Costs¹

Cash costs are \$1.16/lb higher than the same period in the prior year. Mine, milling and administrative costs increased \$1.03/lb, reflecting a 23% reduction in copper sales and a proportionately higher use of contractors, compared with the prior year, to support higher run of mine production. In addition, cash costs were negatively impacted by foreign exchange rates (\$0.19/lb effect) and benefited from the sale of more zinc metal, resulting in a high by-product credit (\$0.07/lb effect).

Neves-Corvo Zinc Expansion Project

The Neves-Corvo Zinc Expansion Project was completed on schedule and on budget at €44 million. First ore was milled in early July 2011 and saleable zinc concentrate has been produced and sold. The circuit is designed for 1.0 million tpa ore throughput enabling 50,000 tpa zinc metal production in concentrate. Zinc ore was produced for a few weeks to test all circuits against design and equipment supplier specifications. Thereafter, the circuit has been committed to copper production for the balance of the year.

Lombador Zinc/Copper/Lead Project

The Lombador Phase One Feasibility Study has been completed. The study shows that Lombador Phase 1 can be developed as a profitable and value accretive extension to the Neves-Corvo mine. The results of this study were the subject of a news release dated September 08, 2011 (*Lundin Mining Announces Feasibility Study Results for the Lombador Phase I Project*).

Lombador Phase One underground development is proceeding on schedule and the downward access ramp has reached 395 level (approximately 805m below surface). It is expected to reach the 300 level by the second quarter of 2012 and this will facilitate the development of an exploration drive on the 335 level to allow for further underground exploration of the Lombador orebody. Surface investment to further expand zinc capacity, as described in the Lombador Phase 1 study, has been put on hold pending advancement of the strategic study for future underground access at Neves-Corvo described below.

Further Neves-Corvo Studies

In order to seek optimal value from the Neves-Corvo asset, a study has been commissioned to evaluate options for accessing and extracting known resources including Lombador Phase Two and Semblana, as well as the recently defined targets identified by the 3D seismic survey (see Semblana exploration discussed on page 21 under Exploration Highlights). This study will assess future underground infrastructure investment options including a new shaft, debottlenecking of the current shaft and other potential underground ramp/conveyor capacity improvements. The study is scheduled to be completed early in the first quarter of 2012.

¹ Cash cost/lb of payable copper sold - see page 27 of this MD&A for discussion of Non-IFRS measures.

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

	YTD 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined, zinc (tonnes)	801,528	257,365	255,995	288,168	990,657	273,020	234,236	244,945	238,456
Ore mined, copper (tonnes)	98,023	36,097	36,269	25,657	33,640	33,640	-	-	-
Ore milled, zinc (tonnes)	743,120	235,949	231,145	276,026	995,884	266,610	245,543	257,731	226,000
Ore milled, copper (tonnes)	72,015	22,186	20,677	29,152	27,296	27,296	-	-	-
Grade									
Zinc (%)	8.1	8.0	8.5	8.0	8.0	7.8	7.3	8.8	8.2
Lead (%)	4.0	3.7	4.1	4.2	4.4	4.0	4.5	4.7	4.3
Copper (%)	1.8	1.7	1.9	1.7	2.2	2.2	-	-	-
Recovery									
Zinc (%)	91	93	90	90	91	90	89	91	92
Lead (%)	83	83	83	82	84	81	86	85	84
Copper (%)	90	91	90	89	90	90	-	-	-
Concentrate grade									
Zinc (%)	52.7	53.0	52.7	52.4	52.7	51.8	51.8	53.4	53.5
Lead (%)	75.2	75.4	75.5	74.7	74.9	73.7	74.2	76.9	74.3
Copper (%)	25.0	24.3	24.4	26.2	24.0	24.0	-	-	-
Production – tonnes (metal contained)									
Zinc	54,810	17,459	17,582	19,769	72,206	18,546	15,916	20,624	17,120
Lead	24,718	7,368	7,829	9,521	36,636	8,602	9,641	10,286	8,107
Copper	1,146	349	356	441	540	540	-	-	-
Silver (oz)	1,300,919	379,164	413,546	508,209	1,800,827	427,865	507,866	478,106	386,990
Sales (\$000s)	146,326	48,741	50,000	47,585	165,273	48,421	42,233	38,963	35,656
Operating earnings (\$000s) ¹	78,459	28,315	26,178	23,966	95,777	31,849	24,604	20,172	19,152
Cash cost (SEK per pound) ²	1.78	0.81	1.64	2.76	1.60	1.03	0.85	2.12	2.33
Cash cost (\$ per pound) ²	0.27	0.13	0.26	0.42	0.22	0.15	0.11	0.28	0.33

Operating Earnings¹

Operating earnings of \$28.3 million were \$3.7 million above the same quarter in 2010. The increase is attributable to higher metal prices during the quarter (\$3.5 million effect) and higher volumes (\$2.3 million effect), offset by unfavourable foreign exchange (\$2.1 million effect).

Production

Production of metal was lower than expected due to technical problems in the grinding mills, both in the zinc/lead and copper plants. Elevated vibrations experienced during the quarter were controlled by reducing the zinc mill throughput. Normal mill throughput rates will resume after re-setting of the girth gear in October 2011.

Copper production was detrimentally affected by the breakdown of the relatively new copper mill gear box which was repaired in September 2011.

Cash Costs²

Cash costs were considerably improved over the previous quarter and comparable to the previous year. Cost cutting measures have contributed to the improvement in the current quarter.

¹ Operating earnings is a Non-IFRS measure - see page 27 of this MD&A for discussion of Non-IFRS measures.

² Cash cost/lb of payable zinc sold - see page 27 of this MD&A for discussion of Non-IFRS measures.

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 at the pit and are expected to start in the third quarter of 2012 at the plant.

Operating Statistics

	YTD 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined (tonnes)	1,195	1,195	-	-	1,349,336	288,455	272,825	390,646	397,410
Ore milled (tonnes)	-	-	-	-	1,435,177	318,826	300,347	369,113	446,891
Grade									
Nickel (%)	-	-	-	-	0.5	0.4	0.6	0.6	0.6
Copper (%)	-	-	-	-	0.4	0.4	0.4	0.4	0.4
Recovery									
Nickel (%)	-	-	-	-	82	79	82	82	82
Copper (%)	-	-	-	-	93	93	93	93	92
Concentrate grade									
Nickel (%)	-	-	-	-	6.8	6.1	7.0	7.0	7.1
Copper (%)	-	-	-	-	6.1	7.2	6.0	5.8	5.4
Production-tonnes (metal contained)									
Nickel	-	-	-	-	6,296	1,062	1,363	1,715	2,156
Copper	-	-	-	-	5,484	1,263	1,156	1,432	1,633
Sales (\$000s)	(1,898)	(35)	71	(1,934)	129,784	31,848	32,502	20,776	44,658
Operating (loss) earnings (\$000s) ¹	(18,417)	(5,860)	(5,111)	(7,446)	44,128	6,967	13,373	(1,168)	24,956
Cash cost (€ per pound) ²	n/a	n/a	n/a	n/a	5.34	11.34	4.59	4.32	4.92
Cash cost (\$ per pound) ²	n/a	n/a	n/a	n/a	7.08	15.39	5.93	5.43	6.80

Restart of Operations

The new mining contractor started pre-stripping activities in August 2011. The contractor will be focused on preparing the pit for concentrate production in the third quarter of 2012.

The total investment required to commence concentrate production remains unchanged at €40 million. To date, €8.0 million (\$11.4 million) has been spent. Operating expenditures (including waste removal, care and maintenance and general & administrative) will be expensed as incurred.

Operating Loss¹

Current quarter operating loss was \$5.9 million, compared to a profit of \$13.4 million in the same period in 2010. This is due to the suspension of operations since December 2010, and commencement of pre-stripping activity. The loss for the quarter is in support of waste removal, care and maintenance and general & administrative activities.

¹ Operating earnings (loss) is a Non-IFRS measure - see page 27 of this MD&A for discussion of Non-IFRS measures.

² Cash cost/lb of payable nickel sold - see page 27 of this MD&A for discussion of Non-IFRS measures.

Galmoy Mine

The Galmoy underground zinc/lead 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 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

	YTD 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined (tonnes)	225,333	78,996	76,927	69,410	139,681	52,498	50,143	22,988	14,052
Ore sold (tonnes)	145,707	50,125	53,874	41,708	72,983	19,387	27,756	18,741	7,099
Grade									
Zinc (%)	23.5	24.8	22.5	23.4	22.0	23.5	23.2	18.7	21.5
Lead (%)	8.2	8.9	8.2	7.4	7.4	6.8	8.5	7.2	6.2
Production- tonnes (metal contained)									
Zinc	25,737	9,458	8,802	7,477	11,501	4,039	4,418	2,388	656
Lead	7,139	2,709	2,538	1,892	2,932	868	1,261	667	136
Sales (\$'000s)	32,951	12,845	10,862	9,244	12,853	4,034	5,234	2,430	1,155
Operating earnings (loss) (\$'000s) ¹	25,503	10,649	7,030	7,824	6,961	3,011	3,611	428	(89)

Operating Earnings¹

Mining of high-grade ore for processing by a third party yielded operating earnings of \$10.6 million in the third quarter of 2011. As at September 30, 2011 approximately 130,000 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.

Closure Status

The mine closure plan was approved by the three regulating authorities in the current quarter and closure is progressing as planned.

¹ Operating earnings is a Non-IFRS measure - see page 27 of this MD&A for discussion of Non-IFRS measures.

Tenke Fungurume

Tenke Fungurume ("Tenke") is a major copper-cobalt operation in its third year of production. Tenke is located in the southern part of Katanga Province, Democratic Republic of Congo ("DRC"). Freeport-McMoRan Copper & Gold Inc. ("FCX" or "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 FCX and the Company as to 70% and 30%, respectively.

Lundin Mining holds an effective 24.75% interest in the Tenke Fungurume copper and cobalt concessions in the DRC. The Company's interest in Tenke will be reduced to 24% after receiving the required government approval of the modifications to the Tenke Fungurume Mining's bylaws that reflect the signed agreements with the DRC government.

Operating Statistics

	YTD	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
100% Basis	2011	2011	2011	2011	2010	2010	2010	2010	2010
Ore mined (000 tonnes)	7,577	2,720	2,692	2,165	8,541	1,980	2,471	2,389	1,701
Ore milled (000 tonnes)	2,954	1,104	881	969	3,766	1,017	1,083	797	869
Grade									
Copper (%)	3.4	3.2	3.7	3.4	3.5	3.4	3.2	3.9	3.7
Recovery									
Copper (%)	92	91	93	92	91	93	91	91	92
Production – tonnes									
Copper	92,476	32,249	29,891	30,336	120,271	31,949	31,115	28,438	28,769
Cobalt	8,328	2,759	2,776	2,793	9,225	2,922	2,421	1,651	2,231
Income from equity investment (\$millions)	74.1	17.2	32.0	24.9	75.9	35.6	17.5	8.3	14.5
Cash costs (\$ per pound) ^{1,2}	0.98	1.12	0.94	0.86	0.90	0.89	0.86	0.79	1.04

Income from Equity Investment in Tenke

Income of \$17.2 million was largely consistent with earnings from the same period last year. The impact of higher realized copper prices was largely offset by the timing of shipments and lower copper sales in the current quarter as compared with the same quarter in 2010. Sales volume of cathode sold during the quarter, on a 100% basis, amounted to 29,702 tonnes compared to 33,044 tonnes in the same period of 2010.

The average price realized for copper sales during the period was \$3.46 per pound of cathode sold (2010: \$3.36/lb).

The Company recognized its 24.75% interest in the earnings of Tenke and includes adjustments for differences in accounting standards and purchase price allocations.

Production

Copper production during the quarter exceeded nameplate capacity. Milling throughput is performing consistently above design capacity and, with the procurement of additional mining equipment and changes to the mine plan, Freeport is expecting production to increase from the 120,300 tpa reached in 2010 to approximately 126,200 tpa in 2011.

Cobalt production in the third quarter also exceeded nameplate capacity, as higher tonnages were processed and cobalt recoveries have increased. Further improvements are likely over the next several quarters, particularly with respect to reduced moisture content and impurity removal from the cobalt hydroxide product.

¹ Cash cost/lb of payable copper sold. See Non-IFRS Performance Measures on page 27 of this MD&A.

² Cash costs are as calculated and reported by FCX 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.

Cash Costs

During the quarter, cash operating costs averaged \$1.12/lb of copper including the cobalt by-product credit. This was higher than third quarter 2010 cash operating costs of \$0.86/lb copper (including cobalt credit) due to higher site production and delivery costs and lower cobalt credits.

Excess Overrun Facility

The Excess Overrun Cost facility for the completion of Phase I was fully repaid to FCX during the quarter.

Expansion Studies

Expansion studies are ongoing to optimize the current plant and increase capacity. It is expected the mill rate will expand from 8,000 tpd to 14,000 tpd at a capital cost of approximately \$850 million and is targeted for a 2013 completion date. The expansion will increase overall production to approximately 195,000 tpa of copper cathode production. FCX expects that production volumes will continue to expand significantly past this level in further phases of expansion over time.

Tenke Funding

During the quarter, \$14.2 million (2010 - \$8.5 million) was advanced to cover sustaining capital, ongoing concession exploration and expansion initiatives, and \$7.8 million was the Company's share of distributions received during the quarter.

Exploration Highlights

Portugal

Neves-Corvo Mine Exploration (Copper, Zinc)

The 2011 surface exploration program is on track with a total of 62,723 metres completed by the end of September from a planned 80,000 metres for the entire year. Surface exploration drilling during the third quarter accounted for 21,950 metres of this total.

Drilling continued to focus on delineating the Semblana deposit with some step-out exploration drilling at Lombador. At Semblana, drilling continued to intersect thick sections of resource-grade copper mineralization. A continuous zone of lens shaped copper mineralization has been delineated, now covering an area of approximately 300x800 metres. Additional drilling during the remainder of 2011 will work towards defining its limits and grade distribution especially to the west and south, leading to an initial resource estimate prior to year-end.

Lombador drilling focused on testing areas located outside of the scope of the current feasibility study area in order to allow for optimization of the mine planning process. The emphasis remained clearly on the discovery of additional copper resources. Three holes were completed in Lombador during the quarter.

A preliminary modelled interpretation has been completed from the high-resolution 3D seismic data collected in the second quarter. The survey covered a 24 square kilometre area centred immediately to the east of the mine and identified a total of 19 reflectors with 13 targets located in the vicinity of Semblana. Drill testing of these reflector targets was initiated during the quarter and will continue into fourth quarter. The survey was designed to directly detect large massive sulphide deposits within the survey area down to a depth of at least 2,000 metres.

Iberian Pyrite Belt Regional Exploration (Copper, Zinc)

Target definition work continued in the third quarter, focusing on priority areas along strike to the northwest of the Neves-Corvo mine. A 4,000 metre drill program was initiated in July with a total of 2,082 metres in four holes drilled during the period. Drilling intercepted a zone of copper-bearing stockwork mineralization hosted in strongly altered rhyolites, suggestive of possible nearby massive sulphides. Four parallel 2D seismic lines were subsequently completed, leading to the identification of seven reflectors of which two will be drilled during the fourth quarter.

Spain

Ossa Morena Belt Regional Exploration (Copper, Gold)

A total of 2,870 metres of a planned 4,650 metre drill program has been completed, testing copper-gold targets at the Alconchel and Bilbaina prospects. At Alconchel, six of eight holes drilled during the quarter intersected sulphide mineralization hosted by banded iron formation; assays pending. Drilling will continue in the next quarter depending upon timing of surface access permission.

The Bilbaina Copper/Gold prospect is located 30 kilometres to the southeast of Alconchel within the same mineralized belt of rocks. Two holes, spaced 600m apart, intersected a large, thick (> 50m) pyrite-magnetite zone hosted in limestones and acid tuffites. The copper-gold potential of this zone is currently being assessed with more drilling planned.

Ireland

Clare Joint Venture Exploration (Zinc, Lead, Silver)¹

The Company now owns 100% of the Clare Project after the acquisition of JV partner Belmore Resources completed at the beginning of the third quarter. A total of fifty-one holes were completed in the quarter for a total of 25,180 metres drilled. The focus of the Clare Project is the development of zinc-lead-silver resources at the Kilbricken Deposit, first discovered in 2009 by Belmore Resources.

Effort was focused at the Kilbricken Deposit on both in-fill drilling of the Discovery Zone and step-out drilling along strike of the Discovery Zone to explore for additional zones of mineralization. Forty two of the holes were drilled within or peripheral to the Discovery Zone. Just prior to end of quarter, significant zinc-lead and copper sulphide mineralization was intercepted approximately 750 metres west-southwest of the Kilbricken discovery hole; assays pending.

Six additional holes were drilled at the Ballyvergin–Crow Hill copper prospect located 7 km north of Kilbricken to test induced polarization targets, but with no significant results. A further three holes were drilled on other targets within the Clare Property, with no significant results.

Drilling in the fourth quarter will focus on step-out drilling at Kilbricken and follow-up drill-testing of 3D seismic reflector anomalies within the trend.

¹ The Company acquired the joint venture partner, Belmore Resources (Holdings) PLC in the quarter and now owns 100% of the project.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

Metal prices remained strong during the first two months of the third quarter of 2011 but dropped drastically in September over continued concerns of the sovereign debts of the Euro zone and reduced 2012 growth forecasts for China.

(Average LME Prices)		Three months ended Sept 30			Nine months ended Sept 30		
		2011	2010	Change	2011	2010	Change
Copper	US\$/pound	4.07	3.29	24%	4.20	3.25	29%
	US\$/tonne	8,982	7,242		9,254	7,169	
Zinc	US\$/pound	1.01	0.91	10%	1.04	0.96	9%
	US\$/tonne	2,224	2,013		2,289	2,106	
Lead	US\$/pound	1.12	0.92	21%	1.15	0.94	23%
	US\$/tonne	2,459	2,031		2,537	2,066	
Nickel	US\$/pound	10.00	9.61	4%	11.04	9.62	15%
	US\$/tonne	22,043	21,188		24,348	21,203	

LME inventory for nickel and zinc decreased during the third quarter of 2011 (nickel by 10% and zinc by 5%) while the LME inventories for copper and lead increased during the quarter (copper by 2% and lead by 17%).

The treatment charges (“TC”) and refining charges (“RC”) in the spot market for copper concentrates decreased over the third quarter 2011. In July, the spot TC was \$62 per dmt of concentrate and the spot RC was \$0.062 per lb of payable copper. However, several strikes during the quarter have caused disruptions to mine production which have reduced the availability of concentrates, resulting in falling spot terms and the quarter ended with a spot TC of \$48 per dmt of concentrate with a RC of \$0.048 per payable lb of copper.

During the third quarter 2011, the spot TC for zinc concentrates dropped from \$105 per dmt of concentrates, flat, i.e. without any escalation, in July to \$95 per dmt, flat, in September. The fall of the zinc price in September has triggered new demand for zinc concentrates in China and is the main cause for the reduction in the TC.

Also, the spot TC for clean lead concentrates decreased during the quarter from \$160 per dmt of concentrates, flat, in July to \$145 per dmt of concentrates, flat, in September. However, for lead concentrates containing high silver, i.e. 2,000 grams per dmt or more, the spot TC remains at levels above \$250 per dmt of concentrates, flat, as a consequence of the difference between the international silver price and the domestic silver price in China which is lower.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents increased by \$57.3 million to \$256.2 million as at September 30, 2011, from \$198.9 million at December 31, 2010. For the nine months ended September 30, 2011, cash inflows included operating cash flows of \$191.2 million. Uses of cash included:

- \$122.8 million investment in mineral property, plant and equipment;
- \$22.2 million for net Tenke funding; and
- \$9.5 million for purchase of Belmore Resources.

Working Capital

At September 30, 2011, there is working capital of \$303.1 million, compared to \$290.4 million at December 31, 2010. The increase in working capital reflects an improvement in cash, partially offset by lower accounts receivable as sales in the current quarter were approximately \$160 million less than sales in the fourth quarter of 2010.

Shareholders' Equity

Shareholders' equity was \$3,304.1 million at September 30, 2011, compared to \$3,153.6 million at December 31, 2010. Shareholders' equity increased primarily as a result of net income of \$141.3 million.

Changes in Accounting Policies

International Financial Reporting Standards (“IFRS”)

The Company has prepared its September 30, 2011 condensed interim consolidated financial statements in accordance with IFRS applicable to the preparation of interim financial statements, including IFRS 1, *First-time Adoption of International Financial Reporting standards*, and IAS 34, *Interim Financial Reporting*. The adoption of IFRS has not had a material impact on the Company’s financial position, operations and business decisions.

Reconciliation between the Company’s financial statements as previously reported under Canadian GAAP (“CGAAP”) and current reporting under IFRS is detailed in Note 3 of the condensed interim consolidated financial statements.

The following is an overview of the impacts to the Company’s financial results due to the transition to IFRS.

Comparison between IFRS and CGAAP of selected financial information and key financial data:

Three months ended September 30, 2010 (\$millions, except per share amounts and percentages)	Transition adjustments				IFRS
	CGAAP	Revaluation of securities ^(a)	Decommissioning and other site provisions ^(b)	Other	
Net Income	59.0	5.8	(0.9)	2.1	66.0
Operating Earnings	120.2	-	-	1.3	121.5
Shareholders’ Equity	3,039.0	-	(7.8)	(2.3) ^c	3,028.9
Total Assets	3,696.3	-	(4.9)	(7.7) ^c	3,683.7
Shareholders’ equity per share	5.24				5.22
Basic and diluted income per share	0.10				0.11
Equity ratio	82%				82%

Notes

^a In applying an IFRS 1 election the Company reclassified its available for sale (“AFS”) securities to fair value through profit and loss (“FVTPL”). This reclassification resulted in previously recognized revaluation gains and losses recognized in AOCI to be recorded in retained earnings as a transition adjustment.

^b In applying IAS 37, *Provisions, contingent liabilities and assets* and the related IFRS 1 election, the Company revised its estimate for decommissioning and site restoration provision and the related asset. This change had an impact on accretion and depreciation expense for the three month period ended September 30, 2010.

^c Transitional adjustments for the Company’s investment in Tenke Fungurume related to US GAAP harmonization and the de-recognition of income taxes related to the acquisition of the investment.

New Accounting Pronouncements

IAS 1 *Presentation of Financial Statements*, was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. This standard is effective for annual periods beginning on or after July 1, 2012. The Company is currently evaluating the impact of IAS 1 amendments.

IAS 19 *Post-employment Benefits*, was amended to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IAS 19 amendments.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, was issued to clarify the requirement for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement. This interpretation is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRIC 20.

Critical Accounting Estimates

The application of certain accounting policies requires the Company to make estimates based on assumptions that may be undertaken at the time the accounting estimate is made. For a complete discussion of accounting estimates deemed most critical by the Company, refer to the Company's annual 2010 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 2010 Annual Information Form, available on the SEDAR website, www.sedar.com.

Outstanding Share Data

As at October 26, 2011, the Company had 582,475,287 common shares issued and outstanding and 4,400,586 stock options outstanding under its stock-based incentive plans.

Non-IFRS 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. This 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-IFRS 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 income or loss. Operating earnings is defined as sales, less operating costs 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.

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

Reconciliation of unit cash costs of payable copper, zinc and nickel metal sold to the Consolidated Statements of Operations

	Three months ended Sept 30, 2011				Three months ended Sept 30, 2010			
	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)	12,671	27,935	2.35	65,647	16,398	36,151	1.19	43,020
Zinkgruvan (Zn)	15,183	33,473	0.13	4,351	13,713	30,232	0.11	3,326
Aguablanca (Ni) ¹	-	-	-	5,799	1,029	2,269	5.93	13,455
Galmoy (Zn) ²	-	-	-	(353)	-	-	-	1,261
				75,444				61,062
Add: By-product credits				35,311				39,081
Treatment costs				(18,769)				(24,918)
Royalties and other				173				12,796
Total Operating Costs				92,159				88,021

	Nine months ended Sept 30, 2011				Nine months ended Sept 30, 2010			
	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)	43,948	96,889	1.97	190,871	46,170	101,787	1.32	134,359
Zinkgruvan (Zn)	45,680	100,707	0.27	27,191	44,748	98,652	0.24	23,676
Aguablanca (Ni) ¹	-	-	-	17,709	4,557	10,046	6.05	60,778
Galmoy (Zn) ²	-	-	-	3,673	-	-	-	4,541
				239,444				223,354
Add: Byproduct credits				80,958				92,537
Treatment costs				(50,574)				(80,343)
Royalties and other				6,270				19,769
Total Operating Costs				276,098				255,317

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

Management's Report on 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 operations of disclosure controls and internal control over financial reporting. There have been no changes in the Company's disclosure controls and procedures during the three months ended September 30, 2011.

Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

There have been no changes in the Company's internal control over financial reporting during the three month period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Supplementary Information

1. *List of directors and officers at October 26, 2011:*

(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, *Chief Financial Officer*
Neil O'Brien, *Senior Vice President, Exploration and Business Development*
Peter Nicoll, *Vice President, Health, Safety, Environment and Community*
Mikael Schauman, *Vice President, Marketing*
Josephine McCabe, *Vice President, Human Resources*
Jinhee Magie, *Vice President, Finance*
James Ingram, *Corporate Secretary*

2. **Financial Information**

The report for the year ending December 31, 2011 is expected to be published on February 22, 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 306723-8

For further information, please contact:

Sophia Shane, Investor Relations, North America, +1-604-689-7842, sophias@namdo.com
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John Miniotis, Senior Business Analyst: +1-416-342-5560, john.miniotis@lundinmining.com

Condensed Interim Consolidated Financial Statements of

Lundin Mining Corporation

September 30, 2011
(unaudited)

Lundin Mining Corporation

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands of US dollars)	September 30 2011	December 31 2010
ASSETS		
Current		
Cash and cash equivalents	\$ 256,218	\$ 198,909
Trade and other receivables (Note 4)	117,716	233,820
Inventories (Note 5)	47,726	31,688
Prepaid expenses	7,337	5,038
	428,997	469,455
Non-Current		
Reclamation funds and restricted cash	58,586	61,559
Mineral properties, plant and equipment (Note 6)	1,285,748	1,249,339
Investment in Tenke Fungurume (Note 7)	1,831,476	1,735,148
Marketable securities and other assets (Note 8)	18,592	32,411
Deferred tax assets	47,224	45,591
Goodwill	235,271	232,813
	3,476,897	3,356,861
	\$3,905,894	\$ 3,826,316
LIABILITIES		
Current		
Trade and other accounts payable	\$ 60,532	\$ 70,976
Accrued and other liabilities (Note 9)	58,422	64,307
Income taxes payable	6,953	43,743
Current portion of long-term debt and finance leases (Note 10)	2,457	2,512
Current portion of decommissioning, site restoration and other provisions (Note 11)	12,641	5,985
Current portion of deferred revenue	6,040	6,087
	147,045	193,610
Non-Current		
Long-term debt and finance leases (Note 10)	45,024	37,152
Other long-term liabilities	8,015	10,881
Deferred revenue	63,292	67,957
Provision for pension obligations	19,028	18,816
Decommissioning and site restoration and other provisions (Note 11)	108,011	111,408
Deferred tax liabilities	211,334	232,906
	454,704	479,120
	601,749	672,730
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	3,497,006	3,485,814
Contributed surplus	28,612	30,312
Accumulated other comprehensive loss	(66,566)	(66,349)
Deficit	(154,907)	(296,191)
	3,304,145	3,153,586
	\$3,905,894	\$ 3,826,316

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

APPROVED BY THE BOARD

(Signed) Lukas H. Lundin
Director

(Signed) Dale C. Peniuk
Director

Lundin Mining Corporation

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
		(Note 3)		(Note 3)
Sales	\$ 146,229	\$ 215,128	\$ 541,655	\$ 539,956
Operating costs	(92,159)	(88,021)	(276,098)	(255,317)
General and administration	(5,364)	(5,623)	(21,109)	(15,186)
	48,706	121,484	244,448	269,453
Depreciation, depletion and amortization (Note 6)	(34,305)	(30,617)	(107,368)	(98,552)
General exploration and project investigation	(12,460)	(6,319)	(33,879)	(16,592)
Finance (costs) income (Note 14)	(10,614)	(269)	(12,670)	22,565
Income from equity investment in Tenke Fungurume (Note 7)	17,233	17,500	74,120	40,265
Other income and expenses (Note 15)	21,370	(14,329)	2,099	6,035
Income before income taxes	29,930	87,450	166,750	223,174
Current income tax expense	(19,164)	(3,868)	(52,288)	(29,598)
Deferred tax recovery (expense)	1,632	(17,551)	26,822	(33,408)
Net income	\$ 12,398	\$ 66,031	\$ 141,284	\$ 160,168
Basic and diluted income per share	\$ 0.02	\$ 0.11	\$ 0.24	\$ 0.28
Weighted average number of shares outstanding				
Basic	582,320,503	579,889,803	581,939,918	579,814,786
Diluted (Note 12)	582,999,753	580,262,754	583,122,001	580,222,350

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

Lundin Mining Corporation

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
		(Note 3)		(Note 3)
Net income	\$ 12,398	\$ 66,031	\$ 141,284	\$ 160,168
Other comprehensive (loss) income, net of taxes				
Cumulative foreign currency translation adjustment	(104,442)	130,897	(217)	(42,224)
Comprehensive (loss) income	\$ (92,044)	\$ 196,928	\$ 141,067	\$ 117,944

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited - in thousands of US dollars)

	Number of	Share	Contributed	Accumulated	Deficit	Total
	shares	capital	surplus	other		
				comprehensive		
				loss		
Balance, January 1, 2010	579,592,464	\$ 3,480,487	\$ 29,843	\$ -	\$ (602,472)	\$ 2,907,858
Exercise of stock options	332,339	2,107	(1,028)	-	-	1,079
Stock-based compensation	-	-	2,034	-	-	2,034
Net income	-	-	-	-	160,168	160,168
Effects of foreign currency translation	-	-	-	(42,224)	-	(42,224)
Balance, September 30, 2010 (Note 3)	579,924,803	3,482,594	30,849	(42,224)	(442,304)	3,028,915
Exercise of stock options	650,552	3,220	(825)	-	-	2,395
Stock-based compensation	-	-	288	-	-	288
Net income	-	-	-	-	146,113	146,113
Effects of foreign currency translation	-	-	-	(24,125)	-	(24,125)
Balance, December 31, 2010	580,575,355	3,485,814	30,312	(66,349)	(296,191)	3,153,586
Exercise of stock options	1,899,932	11,192	(2,988)	-	-	8,204
Stock-based compensation	-	-	1,288	-	-	1,288
Net income	-	-	-	-	141,284	141,284
Effects of foreign currency translation	-	-	-	(217)	-	(217)
Balance, September 30, 2011	582,475,287	\$ 3,497,006	\$ 28,612	\$ (66,566)	\$ (154,907)	\$ 3,304,145

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

Lundin Mining Corporation

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited - in thousands of US dollars)

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
		(Note 3)		(Note 3)
Cash provided by (used in)				
Operating activities				
Net income	\$ 12,398	\$ 66,031	\$ 141,284	\$ 160,168
Items not involving cash				
Finance costs (income)	7,088	(2,478)	8,319	(28,304)
Stock-based compensation	223	680	1,288	2,034
Depreciation, depletion and amortization	34,305	30,617	107,368	98,552
Foreign exchange (gain) loss	(8,383)	4,832	(4,637)	(7,236)
Income from equity investment in Tenke Fungurume	(17,233)	(17,500)	(74,120)	(40,265)
Deferred tax (recovery) expense	(1,632)	17,551	(26,822)	33,408
Recognition of deferred revenue	(604)	(1,360)	(4,061)	(3,943)
Other	(1,129)	(50)	(747)	2,016
Changes in restricted cash	(54)	(1,479)	2,797	(1,378)
Settlement of derivative contracts	-	(1,072)	-	(30,591)
Reclamation payments	(895)	(1,332)	(2,522)	(4,450)
Pension payments	(343)	(200)	(954)	(605)
Changes in non-cash working capital items (Note 19)	(64,387)	(44,618)	44,013	27,444
	(40,646)	49,622	191,206	206,850
Investing activities				
Investment in mineral properties, plant and equipment	(35,067)	(31,761)	(122,845)	(94,589)
Acquisition of exploration properties (Note 6)	(9,532)	-	(9,532)	-
Investment in Tenke Fungurume	(14,189)	(8,478)	(30,008)	(22,851)
Cash distribution from Tenke Fungurume	7,800	-	7,800	-
Proceeds from sale of investments	5,252	-	7,973	71,941
Proceeds from sale of non-core assets	-	2,639	165	5,976
Other	-	(8)	-	(8)
	(45,736)	(37,608)	(146,447)	(39,531)
Financing activities				
Debt repayments	(453)	(400)	(11,197)	(146,268)
Proceeds from long-term debt	17,592	-	17,592	-
Common shares issued	1,360	91	8,204	1,141
Other	-	(1,684)	-	(1,684)
	18,499	(1,993)	14,599	(146,811)
Effect of foreign exchange on cash balances	(18,063)	13,187	(2,049)	10,701
Increase in cash and cash equivalents during the period	(85,946)	23,208	57,309	31,209
Cash and cash equivalents, beginning of period	342,164	149,576	198,909	141,575
Cash and cash equivalents, end of period	\$ 256,218	\$ 172,784	\$ 256,218	\$ 172,784

Supplemental cash flow information (Note 19)

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

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2011 and 2010

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

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company. The Company's principal 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 24.75% 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 OMX Nordic Exchange. The Company is incorporated under the Canada Business Corporations Act, and its registered address is 150 King Street West, Suite 1500, Toronto, Ontario, Canada.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*, and IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The accounting policies followed in these interim financial statements are the same as those applied in the Company's interim financial statements for the period ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company's reported equity as at September 30, 2010 and comprehensive income for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2011, as issued and outstanding as of October 26, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian Generally Accepted Accounting Principles ("CGAAP") annual financial statements for the year ended December 31, 2010, and the Company's interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

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

The Company's presentation currency is United States 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.

(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 condensed interim consolidated financial statements as at and for the three months ended March 31, 2011.

LUNDIN MINING CORPORATION

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(iii) New accounting pronouncements

- IAS 1 *Presentation of Financial Statements*, was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. This standard is effective for annual periods beginning on or after July 1, 2012. The Company is currently evaluating the impact of IAS 1 amendments.
- IAS 19 *Post-employment Benefits*, was amended to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IAS 19 amendments.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, was issued to clarify the requirement for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement. This interpretation is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRIC 20.

3. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The discussion below explains the key transitional adjustments between the preparation of financial statements under previous CGAAP and current IFRS.

Impact of first-time application of IFRS

In compliance with IFRS 1, the Company has prepared financial information for 2010 on the transition to IFRS, presenting figures for the impact of the transition to IFRS from CGAAP. Reconciliations have been prepared and are listed below:

- Reconciliation of condensed interim consolidated statements of changes in equity at the comparative date, September 30, 2010;
- Reconciliation of condensed interim consolidated statement of operations and comprehensive income for the comparative three and nine months ended September 30, 2010; and
- There was no material impact on the condensed interim consolidated statements of cash flow for the comparative three and nine months ended September 30, 2010.

Reconciliation of consolidated statement of changes in equity reported under CGAAP to IFRS:

	September 30 2010
Total equity - CGAAP	\$ 3,039,029
<i>Transitional adjustments:</i>	
AOCI - CTA	(b) (241,863)
AOCI - AFS	(c) (13,663)
Contributed surplus	(d) (478)
Deficit	245,890
Total equity - IFRS	\$ 3,028,915

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2011 and 2010

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

Reconciliation of comprehensive income as previously reported under CGAAP to IFRS:

	Three months ended September 30 2010	Nine months ended September 30 2010
Net income - CGAAP	\$ 58,979	\$ 172,517
Accretion of decommissioning and site restoration provisions	(a) (1,557)	(1,165)
Stock-based compensation	(d) 54	(94)
Depreciation, depletion and amortization	(a) 311	1,189
Income from equity investment in Tenke Fungurume	(e) -	(2,740)
Revaluation of marketable securities	(c) 5,782	(9,838)
Foreign exchange gain	(f) 2,088	295
Future income tax recovery on above adjustments	374	4
Net income - IFRS	\$ 66,031	\$ 160,168
Other comprehensive income (loss) - CGAAP	\$ 139,499	\$ (51,849)
Revaluation of AFS investments	(c) (5,784)	(23,283)
Reclassification adjustment of gains included in net income	(c) -	33,219
Cumulative foreign exchange currency translation adjustment	(f) (2,818)	(311)
Other comprehensive income (loss) - IFRS	\$ 130,897	\$ (42,224)
Comprehensive income - IFRS	\$ 196,928	\$ 117,944

Transitional adjustments

- a) Significant changes from the CGAAP method of accounting for decommissioning and site restoration liability in comparison to IAS 37 includes the re-assessment of discount rates and inflation rates in the measurement of decommissioning and site restoration at each reporting period. In addition, the layer approach under CGAAP is no longer applied. During the nine months ended September 30, 2010, the increase in accretion expense recorded based on the restated decommissioning and site restoration balance was \$1.2 million and the reduction in depreciation expense recorded based on the restated mineral properties balance was \$1.2 million.
- b) The Company elected the optional IFRS 1 election on cumulative translation differences whereby, on transition, all cumulative translation differences are deemed to be zero and can be recognized in retained earnings.
- c) On the transition date to IFRS, the Company reclassified its available-for-sale ("AFS") investments to fair value through profit or loss ("FVTPL") and as a result previously deferred gains and losses from the revaluation of the AFS investments were reclassified to retained earnings. Overall, there was no effect on equity. During the nine months ended September 30, 2010, \$9.8 million of previously recognized losses recorded in OCI under CGAAP was recognized in the statement of operations.
- d) In accordance with IFRS 2, the Company now recognizes a forfeiture rate in its initial recognition of the stock option grant. During the nine months ended September 30, 2010, the impact of this change resulted in a \$0.1 million decrease in comprehensive income and a \$0.5 million decrease in contributed surplus.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2011 and 2010

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

- e) The financial statements of the Company's equity investment in Tenke Fungurume Mining Corp S.A.R.L ("TFM") are reported in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP"). As a result, the Company applies GAAP harmonization adjustments in its recognition of equity income. Under CGAAP, increased equity income was recognized subsequent to the date of transition to recover the Company's share of losses attributable to the non-controlling interest. A new allocation of income was recorded under IFRS. During the nine months ended September 30, 2010, the effect of this change to comprehensive income is a reduction of \$2.7 million.
- f) In applying IAS 21, the determination of functional currencies for the Company and its subsidiaries has resulted in the change in the functional currency of the parent company and a wholly-owned holding company. This analysis was based on primary indicators. On transition, the IFRS 1 election was elected to reset cumulative translation differences to retained earnings. During the nine months ended September 30, 2010, the impact on foreign exchange gains and losses on the statement of operations was an increase of \$0.3 million.

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	September 30	December 31
	2011	2010
Trade receivables	\$ 73,886	\$ 207,508
Income tax receivables	14,840	1,850
VAT and other receivables	28,990	24,462
	\$ 117,716	\$ 233,820

The Company does not have any significant balances that are past due. All trade receivables are current, and the Company does not have an allowance for doubtful accounts. Due to their short-term maturities, the fair value of trade and other receivables approximates their carrying value.

The carrying amounts of trade and other receivables are denominated as follows \$72.5 million, €28.7 million, SEK37.6 million and C\$1.0 million.

5. INVENTORIES

Inventories comprise the following:

	September 30	December 31
	2011	2010
Ore stockpiles	\$ 14,975	\$ 5,156
Concentrate stockpiles	11,957	6,354
Materials and supplies	20,794	20,178
	\$ 47,726	\$ 31,688

LUNDIN MINING CORPORATION

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

6. 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 January 1, 2010	\$ 1,451,629	\$ 489,527	\$ 55,573	\$ 48,247	\$ 2,044,976
Additions	45,128	1,552	-	46,960	93,640
Disposals and transfers	(7,836)	777	-	(3,269)	(10,328)
Effects of changes in foreign exchange rates	(28,602)	(18,335)	(2,620)	3,473	(46,084)
As at September 30, 2010	1,460,319	473,521	52,953	95,411	2,082,204
Additions	10,723	17,183	-	5,756	33,662
Disposals and transfers	13,471	(1,889)	-	(3,186)	8,396
Effects of changes in foreign exchange rates	(20,395)	(9,585)	(1,098)	(1,455)	(32,533)
As at December 31, 2010	1,464,118	479,230	51,855	96,526	2,091,729
Additions	57,043	3,578	9,586	69,599	139,806
Disposals and transfers	306	122,498	-	(123,812)	(1,008)
Effects of changes in foreign exchange rates	(857)	171	532	1,222	1,068
As at September 30, 2011	\$ 1,520,610	\$ 605,477	\$ 61,973	\$ 43,535	\$ 2,231,595
Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at January 1, 2010	\$ 561,121	\$ 182,676	\$ -	\$ -	\$ 743,797
Depreciation, depletion and amortization	71,595	26,957	-	-	98,552
Disposals and transfers	-	(2,609)	-	-	(2,609)
Effects of changes in foreign exchange rates	1,772	(5,864)	-	-	(4,092)
As at September 30, 2010	634,488	201,160	-	-	835,648
Depreciation, depletion and amortization	20,651	2,659	-	-	23,310
Disposals and transfers	-	(3,663)	-	-	(3,663)
Effects of changes in foreign exchange rates	(8,180)	(4,725)	-	-	(12,905)
As at December 31, 2010	646,959	195,431	-	-	842,390
Depreciation, depletion and amortization	68,178	39,190	-	-	107,368
Disposals and transfers	(1,830)	(749)	-	-	(2,579)
Effects of changes in foreign exchange rates	(2,765)	1,432	-	-	(1,333)
As at September 30, 2011	\$ 710,542	\$ 235,304	\$ -	\$ -	\$ 945,846
Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2010	\$ 817,159	\$ 283,799	\$ 51,855	\$ 96,526	\$ 1,249,339
As at September 30, 2011	\$ 810,068	\$ 370,173	\$ 61,973	\$ 43,535	\$ 1,285,749

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Notes to condensed interim consolidated financial statements

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During the quarter, the Company recorded the acquisition of exploration properties in the amount of \$9.9 million relating to the purchase of Belmore Resources (Holdings) plc. The total cost of the acquisition was \$9.5 million, net of cash acquired of \$0.4 million.

Depreciation, depletion and amortization is comprised of:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Operating costs	\$ 34,216	\$ 30,531	\$ 107,128	\$ 98,318
General and administrative expenses	89	86	240	234
Depreciation, depletion and amortization	\$ 34,305	\$ 30,617	\$ 107,368	\$ 98,552

7. INVESTMENT IN TENKE FUNGURUME

As at January 1, 2010	\$ 1,628,753
Advances	22,851
Share of equity income	40,265
As at September 30, 2010	1,691,869
Advances	7,670
Share of equity income	35,609
As at December 31, 2010	1,735,148
Advances	30,008
Cash distribution	(7,800)
Share of equity income	74,120
As at September 30, 2011	\$ 1,831,476

During the quarter ended September 30, 2011, the Company made cash advances of \$14.2 million (year-to-date - \$30.0 million) to fund its portion of TFM expenditures.

The Company has an off-balance sheet financing arrangement whereby Freeport-McMoRan Copper & Gold Inc. ("FCX") was responsible for funding the Company's share of Phase I project development costs that were in excess of agreed budgets. During the quarter, the remaining \$32.0 million owed under this financing arrangement was repaid to FCX by TFM. The financing arrangement was completely repaid by August 31, 2011, and the Company received its first cash distribution of \$7.8 million.

The following is a summary of the financial information of TF Holdings Limited on a 100% basis presented in accordance with IFRS:

	September 30 2011	December 31 2010
Total assets	\$ 2,734,874	\$ 2,533,463
Total liabilities	\$ 958,468	\$ 1,163,678

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Notes to condensed interim consolidated financial statements

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
Total revenue	\$ 280,407	\$ 312,492	\$ 980,742	\$ 776,944
Net income	\$ 65,321	\$ 73,718	\$ 270,405	\$ 177,889

8. MARKETABLE SECURITIES AND OTHER ASSETS

Marketable securities and other assets comprise the following:

	September 30	December 31
	2011	2010
Marketable securities	\$ 14,366	\$ 27,337
Other assets	4,226	5,074
	\$ 18,592	\$ 32,411

During the quarter ended September 30, 2011, the Company disposed of marketable securities with a carrying value of \$5.5 million and recorded a loss of \$0.2 million. Cash proceeds received were \$5.3 million.

9. ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities comprise the following:

	September 30	December 31
	2011	2010
Unbilled goods and services	\$ 27,823	\$ 26,362
Payroll obligations	12,805	10,652
Royalty payable	8,559	23,661
Unearned revenue	9,235	3,632
	\$ 58,422	\$ 64,307

10. LONG-TERM DEBT AND FINANCE LEASES

	September 30	December 31
	2011	2010
Somincor commercial paper program	\$ 36,382	\$ 29,276
Capital lease obligations	6,399	5,824
Rio Narcea debt	4,700	4,564
	47,481	39,664
Less: current portion due within one year	2,457	2,512
	\$ 45,024	\$ 37,152

During the quarter, Somincor issued an additional \$17.6 million (€12.0 million) of commercial paper. The total amount issuable under the three-year program is \$36.4 million (€27.0 million).

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2011 and 2010

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

11. DECOMMISSIONING AND SITE RESTORATION AND OTHER PROVISIONS

Decommissioning and other site restoration provisions relating to the Company's wholly-owned mining operations are as follows:

	Decommissioning provisions	Other site restoration	Total
Balance, January 1, 2010	\$ 108,539	\$ 20,140	\$ 128,679
Accretion	5,100	-	5,100
Accruals for services	-	1,814	1,814
Changes in estimates	(3,732)	-	(3,732)
Payments	(4,450)	-	(4,450)
Amount arising from disposition of property	(1,757)	-	(1,757)
Effect of changes in foreign exchange rates	(3,706)	(1,641)	(5,347)
Balance, September 30, 2010	99,994	20,313	120,307
Accretion	(704)	-	(704)
Accruals for services	-	(1,267)	(1,267)
Changes in estimates	5,489	(2,114)	3,375
Payments	(1,432)	-	(1,432)
Effect of changes in foreign exchange rates	(1,946)	(940)	(2,886)
Balance, December 31, 2010	101,401	15,992	117,393
Accretion	2,478	-	2,478
Accruals for services	-	1,091	1,091
Changes in estimates	1,360	-	1,360
Payments	(2,522)	-	(2,522)
Effect of changes in foreign exchange rates	658	194	852
Balance, September 30, 2011	103,375	17,277	120,652
Less: current portion due within one year	11,900	741	12,641
	\$ 91,475	\$ 16,536	\$ 108,011

12. SHARE CAPITAL

(a) Stock options

The Company uses the fair value method of accounting for all stock-based payments to employees, directors and officers. Under this method, the Company recorded a stock compensation expense of \$0.2 million for the quarter ended September 30, 2011 (for the quarter ended September 30, 2010 - \$0.7 million) with a corresponding credit to contributed surplus. The fair value of the stock options issued during the quarter are valued at the date of the grant using the Black-Scholes pricing model assumes a risk-free interest rate of 1.5%, no dividend yield, expected life of 2.3 years and price volatility of 56%. Volatility is determined using historical daily volatility over the expected life of the options. A forfeiture rate of 18.0% was applied. As at September 30, 2011, there was \$0.5 million of unamortized stock compensation expense.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

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

	Number of options	Weighted average exercise price (C\$)
Outstanding, January 1, 2010	9,171,370	\$ 6.93
Granted during the period	340,834	4.41
Cancelled/forfeited during the period	(1,165,433)	10.54
Exercised during the period	(332,339)	3.50
Outstanding, September 30, 2010	8,014,432	6.44
Cancelled/forfeited during the period	(298,335)	11.06
Exercised during the period	(650,552)	3.65
Outstanding, December 31, 2010	7,065,545	6.55
Granted during the period	423,333	7.46
Cancelled/forfeited during the period	(1,059,840)	8.09
Exercised during the period	(1,899,932)	4.25
Outstanding, September 30, 2011	4,529,106	\$ 7.24

(b) 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 quarter ended September 30, 2011 is comprised of 679,250 shares (for the quarter ended September 30, 2010 – 372,951) which relate to exercisable outstanding stock options.

13. EMPLOYEE BENEFITS

The Company's employee benefits include wages, salaries and other benefits and are disclosed in the statements of operations as follows:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Operating costs				
Wages and salaries	\$ 24,622	\$ 21,213	\$ 80,003	\$ 66,108
Post-retirement benefits	400	200	954	605
Stock-based compensation	66	163	360	732
	25,088	21,576	81,317	67,445
General and administrative expenses				
Wages and salaries	2,738	2,858	8,242	6,522
Post-retirement benefits	67	107	214	369
Stock-based compensation	139	450	792	1,053
	2,944	3,415	9,248	7,944
General exploration and project investigation				
Wages and salaries	2,057	761	3,549	2,515
Stock-based compensation	18	67	136	249
	\$ 30,107	\$ 25,819	\$ 94,250	\$ 78,153

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14. FINANCE (COSTS) INCOME

The Company's finance (costs) income is comprised of the following:

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
Interest expense and bank fees	\$ (4,191)	\$ (3,294)	\$ (7,171)	\$ (7,153)
Accretion of decommissioning and site restoration provisions	(829)	(2,817)	(2,478)	(5,100)
Interest income	665	547	2,820	1,414
(Loss) gain on derivative contracts	-	(487)	-	10,223
Revaluation (loss) gain on marketable securities	(6,057)	5,782	(5,630)	23,185
Other	(202)	-	(211)	(4)
Finance (costs) income	\$ (10,614)	\$ (269)	\$ (12,670)	\$ 22,565

15. OTHER INCOME AND EXPENSES

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
Other income	\$ 4,342	\$ 351	\$ 5,230	\$ 4,923
Other expense	(4,539)	(3,320)	(8,625)	(5,981)
Gain on sale of non-core assets	2,021	5,646	2,156	5,322
Foreign exchange gain (loss)	19,546	(17,006)	3,338	1,771
Other income and expenses	\$ 21,370	\$ (14,329)	\$ 2,099	\$ 6,035

16. COMMITMENTS

The Company has capital commitments with future minimum payments as at September 30, 2011 as follows:

2011	\$ 1,064
2012	13,025
2013	103
2014	49
2015	15
Total	\$ 14,256

LUNDIN MINING CORPORATION

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17. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Portugal, Spain, Sweden, Ireland and the DRC. The Company has reportable segments as identified by the individual mining operations at each of its operating mines as well as its significant investment in the Tenke Fungurume Mine. A segment is identified as a unit whose performance is independently assessed by executive management. Each segment is identified based on quantitative factors.

Segmented information - operational

For the three months ended September 30, 2011

	Neves Corvo	Zinkgruvan	Aguablanca	Galmoy	Tenke	Other	Total
	Portugal	Sweden	Spain	Ireland	Fungurume DRC		
Sales	\$ 84,678	\$ 48,741	\$ (35)	\$ 12,845	\$ -	\$ -	\$ 146,229
Income (loss) before undernoted	21,029	28,315	(5,860)	10,649	-	(5,427)	48,706
Depreciation, depletion and amortization	(27,075)	(6,246)	(876)	(19)	-	(89)	(34,305)
General exploration and project investigation	(7,327)	(199)	(156)	-	-	(4,778)	(12,460)
Finance (costs) income	(2,277)	(160)	(3,026)	106	-	(5,257)	(10,614)
Income from equity investment in Tenke	-	-	-	-	17,233	-	17,233
Other income and expenses	7,958	5,515	2,015	509	-	5,373	21,370
Income tax recovery (expense)	1,279	(6,836)	(13,783)	(144)	-	1,952	(17,532)
Net (loss) income	\$ (6,413)	\$ 20,389	\$ (21,686)	\$ 11,101	\$ 17,233	\$ (8,226)	\$ 12,398
Capital expenditures	\$ 28,027	\$ 6,596	\$ 150	\$ -	\$ 14,189	\$ 9,826	\$ 58,788

For the nine months ended September 30, 2011

	Neves Corvo	Zinkgruvan	Aguablanca	Galmoy	Tenke	Other	Total
	Portugal	Sweden	Spain	Ireland	Fungurume DRC		
Sales	\$ 364,276	\$ 146,326	\$ (1,898)	\$ 32,951	\$ -	\$ -	\$ 541,655
Income (loss) before undernoted	180,294	78,459	(18,417)	25,503	-	(21,391)	244,448
Depreciation, depletion and amortization	(85,406)	(19,306)	(2,361)	(55)	-	(240)	(107,368)
General exploration and project investigation	(22,508)	(557)	(978)	-	-	(9,836)	(33,879)
Finance (costs) income	(1,993)	(441)	(3,516)	359	-	(7,079)	(12,670)
Income from equity investment in Tenke	-	-	-	-	74,120	-	74,120
Other income and expenses	(9,279)	1,393	174	(610)	-	10,421	2,099
Income tax (expense) recovery	(15,712)	(14,743)	2,711	(393)	-	2,671	(25,466)
Net income (loss)	\$ 45,396	\$ 44,805	\$ (22,387)	\$ 24,804	\$ 74,120	\$ (25,454)	\$ 141,284
Capital assets*	\$ 1,006,562	\$ 225,120	\$ 36,835	\$ 6,604	\$ 1,831,476	\$ 10,627	\$ 3,117,224
Total segment assets	\$ 1,362,015	\$ 425,436	\$ 137,403	\$ 60,204	\$ 1,831,476	\$ 89,360	\$ 3,905,894
Capital expenditures	\$ 89,439	\$ 30,059	\$ 2,953	\$ 34	\$ 30,008	\$ 9,892	\$ 162,385

* Capital assets consist of mineral and exploration properties, property, plant and equipment, and investments in Tenke Fungurume.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2011 and 2010

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

Segmented information - operational

For the three months ended September 30, 2010

	Tenke						Total
	Neves Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Fungurume DRC	Other	
Sales	\$ 135,159	\$ 42,233	\$ 32,502	\$ 5,234	\$ -	\$ -	\$ 215,128
Income (loss) before undernoted	85,517	24,604	13,373	3,611	-	(5,621)	121,484
Depreciation, depletion and amortization	(23,678)	(2,475)	(4,332)	(16)	-	(116)	(30,617)
General exploration and project investigation	(5,281)	-	(185)	-	-	(853)	(6,319)
Finance (costs) income	(1,456)	(263)	(1,724)	2	-	3,172	(269)
Income from equity investment in Tenke	-	-	-	-	17,500	-	17,500
Other income and expenses	(11,133)	(11,728)	(3,508)	474	-	11,566	(14,329)
Income tax (expense) recovery	(18,879)	(2,460)	4,543	(96)	-	(4,527)	(21,419)
Net income (loss)	\$ 25,090	\$ 7,678	\$ 8,167	\$ 3,975	\$ 17,500	\$ 3,621	\$ 66,031
Capital expenditures	\$ 23,314	\$ 7,551	\$ 814	\$ -	\$ 8,478	\$ 82	\$ 40,239

For the nine months ended September 30, 2010

	Tenke						Total
	Neves Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Fungurume DRC	Other	
Sales	\$ 316,349	\$ 116,852	\$ 97,936	\$ 8,819	\$ -	\$ -	\$ 539,956
Income (loss) before undernoted	180,190	63,928	37,161	3,950	-	(15,776)	269,453
Depreciation, depletion and amortization	(70,340)	(9,690)	(18,156)	(53)	-	(313)	(98,552)
General exploration and project investigation	(13,604)	-	(725)	-	-	(2,263)	(16,592)
Finance income (costs)	7,189	(681)	(1,828)	137	-	17,748	22,565
Income from equity investment in Tenke	-	-	-	-	40,265	-	40,265
Other income and expenses	3,442	(6,020)	1,882	1,784	-	4,947	6,035
Income tax (expense) recovery	(42,564)	(12,037)	(4,985)	(300)	-	(3,120)	(63,006)
Net income (loss)	\$ 64,313	\$ 35,500	\$ 13,349	\$ 5,518	\$ 40,265	\$ 1,223	\$ 160,168
Capital assets*	\$ 993,159	\$ 209,384	\$ 36,401	\$ 5,773	\$ 1,691,869	\$ 1,839	\$ 2,938,425
Total segment assets	\$ 1,367,587	\$ 274,775	\$ 200,129	\$ 42,993	\$ 1,691,869	\$ 106,318	\$ 3,683,671
Capital expenditures	\$ 65,056	\$ 27,586	\$ 1,792	\$ -	\$ 22,851	\$ 155	\$ 117,440

* Capital assets consist of mineral and exploration properties, property, plant and equipment, and investments in Tenke Fungurume.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2011 and 2010

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

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

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Copper	\$ 85,536	\$ 138,421	\$ 366,369	\$ 329,882
Zinc	37,223	26,436	109,189	74,804
Lead	20,493	20,422	56,463	48,925
Nickel	(47)	23,863	(444)	69,458
Other	3,024	5,986	10,078	16,887
	\$ 146,229	\$ 215,128	\$ 541,655	\$ 539,956

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

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Europe	\$ 145,180	\$ 189,004	\$ 513,796	\$ 451,554
South America	1,084	2,775	27,577	18,715
Asia	(35)	21,088	220	59,104
North America	-	2,261	62	10,583
	\$ 146,229	\$ 215,128	\$ 541,655	\$ 539,956

18. RELATED PARTY TRANSACTIONS

- a) Transactions with associates - 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 (Note 7).
- b) 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 is as follows:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Wages and salaries	\$ 1,110	\$ 1,218	\$ 5,079	\$ 4,223
Post-retirement benefits	24	25	88	82
Stock-based compensation	27	245	395	620
	\$ 1,161	\$ 1,488	\$ 5,562	\$ 4,925

- c) Other related parties - During the quarter ended September 30, 2011, the Company paid \$0.2 million (for the quarter ended September 30, 2010 - \$0.2 million) for services provided by a management company owned by the Chairman of the Company.

LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2011 and 2010

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

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
Changes in non-cash working capital items consist of:				
Trade receivables and other current assets	\$ (4,860)	\$ (30,806)	\$ 105,346	\$ 9,544
Trade payables and other current liabilities	(59,527)	(13,812)	(61,333)	17,900
	\$ (64,387)	\$ (44,618)	\$ 44,013	\$ 27,444
Operating activities included the following cash payments:				
Interest paid	\$ 3,988	\$ 260	\$ 5,486	\$ 3,660
Income taxes paid	\$ 57,538	\$ 27,278	\$ 104,867	\$ 39,627