lundin mining

Management's Discussion and Analysis
For the three months ended March 31, 2011

This management's discussion and analysis has been prepared as of May 9, 2011 and should be read in conjunction with the Company's interim consolidated financial statements for the three months ended March 31, 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 to SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

Lundin Mining Corporation ("Lundin", "Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations in Portugal, Sweden, 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; documentation of the outcome of 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 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, lead, nickel and zinc; 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

- Production was in-line with guidance: Neves-Corvo copper metal production was in-line with annual market guidance despite lower average head-grade and milling difficulties with wet weather in January; Zinkgruvan is achieving higher throughput with the commissioning of the daylight ramp, albeit costs are elevated as efforts are now made to reduce waste material stored underground (resulting from ore pass failures in 2010); Galmoy is ahead of expectations on higher throughput and grade.

  Copper, zinc and lead production was above the comparable quarter of the prior year owing to: low copper production as a result of industrial action at Neves-Corvo in 2010; higher throughput at Zinkgruvan; and recommencement of mining of remnant zinc/lead high-grade ore at Galmoy. There has been no nickel production from Aguablanca since suspension of mining activities in December 2010.

  Total production was as follows:

Wholly-owned operations (tonnes)	**Q1 2011**	FY 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Copper	**19,139**	80,035	24,908	20,509	21,774	12,844
Zinc	**28,197**	90,129	23,482	22,571	24,458	19,618
Lead	**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	**7,508**	29,767	7,908	7,701	7,038	7,120
Cobalt	**691**	2,283	723	599	409	552

- Operating earnings[1] increased by $47.8 million from $65.8 million in the first quarter of 2010 to $113.6 million in the first quarter of 2011. Higher sales volumes ($35.2 million effect) and favorable price and price adjustments ($54.4 million effect) were partially offset by suspension of production at Aguablanca ($32.4 million effect), higher costs ($7.2 million effect) and exchange rates ($2.2 million effect).

  Sales tonnage for the quarter was less than production tonnage owing to shipping delays resulting from heavy ice in the Baltic and other scheduling issues. Quarter-end inventories are above normal and should result in higher sales and earnings in Q2 2011.

  Of the higher costs incurred ($7.2 million operating earnings effect), $4.8 million relates to costs associated with the planned merger with Inmet Mining Corporation ("Inmet") and the unsolicited take-over bid from Equinox Minerals Limited ("Equinox").

- Sales for the quarter were $211.5 million compared $141.7 million for the first quarter of 2010. Higher sales volume from Neves-Corvo, Zinkgruvan and Galmoy ($61.9 million effect) and price improvements and price adjustments ($54.4 million effect) were partially offset by the fall in sales from Aguablanca ($46.5 million effect) where operations were suspended in December 2010. The average copper price was 33% higher than the same quarter in 2010, with lead up 17% and zinc up 5%.

- Net income of $71.2 million ($0.12 per share) was $19.3 million ahead of the $51.9 million ($0.09 per share) reported for the first quarter of 2010. The increase is a result of:

  - higher operating earnings of $47.8 million. This amount is after accounting for an operating loss of $7.4 million at Aguablanca, following suspension of operations in December 2010,

[1] Operating earnings is a Non-IFRS measure defined as sales, less operating costs and general and administration costs. See page 26 of this MD&A for discussion of Non-IFRS measures.

compared to an operating profit of $25.0 million in the prior corresponding period, a reduction of $32.4 million; and

- an increase in equity earnings from Tenke of $10.4 million.

Offsetting the improved operating earnings was:

- a difference in the foreign exchange gain/loss of $24.7 million; and
- a reduction of $13.3 million in mark to market gains on marketable securities.

- Cash flow from operations for the current quarter was $129.3 million, compared to $88.4 million for the corresponding period in 2010. The increase relates mainly to: higher operating earnings and changes in working capital associated with higher collection of receivables, offset by the cash outflows at Aguablanca during the quarter of $17.2 million related to operating costs and working capital movements during the quarter while operations are suspended. Q1 2010 included a payment of $20.4 million to settle derivative contracts in 2010.

  Cash flow from operations does not include cash flow related to Tenke which is referred to on page 5.

- A review of Aguablanca has concluded that full operations are likely to restart around mid-2012 with waste removal likely to commence later this quarter (see also news release dated March 16, 2011 entitled "*Lundin Mining Provides Update on Aguablanca Mine*").

- The Company has prepared its March 31, 2011 interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, with an effective transition date of January 1, 2010. Adoption of IFRS has not had a material impact on the Company's financial position, operations and business decisions.

Corporate Highlights

- On January 12, 2011, Inmet and Lundin Mining announced that they had entered into an arrangement agreement (the "Arrangement Agreement") to merge and create Symterra Corporation.

- On February 28, 2011, Equinox announced an unsolicited take-over bid for the shares for Lundin Mining. The bid offered Lundin Mining shareholders consideration of either C$8.10 in cash or 1.2903 shares of Equinox for each Lundin Mining common share, subject to maximum cash and share issue considerations.

- On March 20, 2011, the Company's Board of Directors unanimously recommended that Lundin Mining shareholders reject the unsolicited offer from Equinox.

- The Company adopted a limited duration Shareholder Rights Plan on March 29, 2011, expiring on May 31, 2011, to allow the Company's Board of Directors sufficient time to identify, develop and negotiate alternatives to maximize shareholder value (see news release dated March 29, 2011 entitled "*Lundin Mining Adopts Shareholder Rights Plan And Commences Pursuit of Alternatives to Maximize Shareholder Value*").

- On March 29, 2011, Lundin Mining and Inmet Mining Corporation jointly announced the termination of the Arrangement Agreement dated January 12, 2011 because a position could not be reached, regarding the merger, that was likely to be supported by the shareholders of both companies.

- On April 25, 2011, Equinox announced the withdrawal of its offer to acquire the common shares of Lundin Mining.

- Lundin Mining is undertaking a process to review strategic alternatives to maximize shareholder value. There is no assurance that this process will result in the sale of all or a part of the Company.

Tenke Fungurume

- On April 18, 2011, Lundin Mining announced that the government of the DRC has issued a Presidential Decree approving the amendments to the Tenke Fungurume Mining SARL's ("TFM") mining contracts (see news releases entitled "*Lundin Mining Corporation: Tenke Amended Contracts Receive Presidential Decree*" and "*Lundin Announces Successful Completion of Tenke Fungurume Contract Review Process*" dated October 22, 2010).

- The Tenke Fungurume mine is now running consistently above design capacity and, with the procurement of more mine equipment and changes to the mine plan, Freeport-McMoRan Copper & Gold Inc. ("Freeport") is expecting annual copper production of 130,000 tonnes in 2011.

  For the quarter ended March 31, 2011, Tenke production was 30,336 tonnes of copper; 26,965 tonnes of copper were sold at an average realized price of $4.19 per pound.

- As at March 31, 2011, the amount outstanding for the Excess Overrun Cost facility ("EOC facility") related to the Company's proportionate share of the Phase I development at Tenke was $70.6 million, a reduction of $37.8 million during the quarter. At present metal prices, it is expected that the EOC will be repaid in the third quarter of 2011.

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

	Three months ended March 31	
(US$ millions)	**2011**	2010
Cash advances to Tenke	**(5.4)**	(7.6)
Repayments on EOC facility	**37.8**	11.4
Attributable net cash flow	**32.4**	3.8

Financial Position and Financing

- Net cash[1] at March 31, 2011 was $262.0 million compared to $159.2 million at the end of 2010.

  The increase in net cash during the period was primarily attributable to cash flow from operations ($129.3 million) and foreign exchange on cash balances ($14.2 million) offset by: investment in mineral property, plant and equipment ($40.5 million), and Tenke funding obligations ($5.4 million). The Aguablanca mine consumed $18.6 million of cash during the quarter, comprised of the current period operational losses ($7.4 million) and a reduction in operating payables and accruals of $21.4 million, offset by net collections of receivables in the amount of $12.4 million.

- Cash on hand at March 31, 2011 was $293.8 million.

- As at May 9, 2011, cash on hand is approximately $364.1 million.

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

Outlook

2011 Production and Cost Guidance

- Production targets for 2011 remain unchanged from the guidance provided in the 2010 annual Management's Discussion and Analysis, except for C1 cost guidance at Neves-Corvo which has been increased from $1.30/lb to $1.40/lb, and are as follows:

(contained tonnes)		Guidance	
		Tonnes	**C1 Cost[1, 2]**
Neves-Corvo	*Cu*	*76,000*	*1.40*
	Zn	*25,000*	
Zinkgruvan	*Zn*	*78,000*	*0.15*
	Pb	*38,000*	
	Cu	*3,400*	
Galmoy	*Zn*	*17,000*	
(in ore)	*Pb*	*6,000*	
Total: Wholly-owned operations	*Cu*	*79,400*	
	Zn	*120,000*	
	Pb	*44,000*	
Tenke: 24.0% attributable share[3]	*Cu*	*31,200*	

1 Cash costs remain dependent upon exchange rates (2011 €/USD: 1.30).
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 26 of this MD&A.
3 Tenke's attributable share has been reduced to 24.0% from 24.75% after obtaining approval of the modifications to TFM's bylaws, as noted in the *Tenke Fungurume* discussion on page 19 of this MD&A.

- **Neves-Corvo**: As previously reported, the zinc plant will be used to process low-grade copper ore in the first six months of 2011 with zinc production starting in Q3 2011 once the plant expansion is complete. C1 cost guidance has increased to $1.40/lb of copper to reflect higher throughput at lower grades.

- **Zinkgruvan**: Copper production was on target for the first quarter and is expected to reach annual guidance. C1 costs for the year are expected to remain in the lowest-cost quartile with the reduction from prior years based on higher by-product credits which now include copper credits.

- **Aguablanca:** An assessment of alternatives for recommencement of mining operations indicates that full operations are likely to restart around mid-2012. Reserves represent approximately five years of production.

  The total investment required from Q2 2011 to recommencement of full ore production at Aguablanca is estimated to be approximately €40 million (€25 million in 2011) representing all operating expenditures plus an estimated €4 million capital expenditure. Operating expenditures (waste removal; care and maintenance; and general and administration) will be expensed as incurred.

  The payback period on the €40 million cash outlay required to recommence production is expected to be within 18 months from recommencement, with an expected mine life, post recommencement of milling, of five years.

2011 Capital Expenditure Guidance

Guidance for capital expenditures for the year is unchanged and expected to be approximately $290 million which includes:

- **Sustaining capital in European operations:** $100 million (2010 - $74 million). The increase is related to: at Neves-Corvo, the replacement of underground mobile equipment and additional service water dam; at Zinkgruvan, expenditure to increase mine production capacity to provide higher throughput.

- **New investment capex in European operations:** $70 million (2010 - $56 million). The majority of this is related to Lombador development ($50 million):
  - The Lombador orebody access ramp is being accelerated to reach a depth of 900 metres below surface by Q2 2012 in order to facilitate further exploration that will be key to gaining a full understanding of the zinc and, more importantly, copper mineralization associated with Lombador.
  - The Lombador feasibility study, based on a small upper section of Lombador South, is now expected to be completed in Q2 2011 and commissioning of the expanded zinc plant to cater for production from Lombador is targeted for mid-2013.
  - The Zinkgruvan copper plant will be converted to treat zinc ores in addition to copper, thereby significantly increasing the flexibility of the Zinkgruvan operation. The conversion is expected to be complete by Q4 2011 giving Zinkgruvan the combined plant capacity to produce around 100,000 tonnes per annum of zinc metal contained in concentrates, if warranted by metal prices.

- **New investment in Tenke:** For planning purposes, we continue to assume an expansion at Tenke to commence in mid-2011 and we contemplate our share of expansion funding to be up to $120 million for the year. This is contingent on a number of factors not within the control of Lundin Mining. Final decisions on capital investment levels for 2011 are ultimately made by Freeport, the mine's operator.

Selected Quarterly Financial Information

(USD millions, except per share amounts)	Three months ended March 31	
	2011	2010
Sales	**211.5**	141.7
Operating earnings[1]	**113.6**	65.8
Depreciation, depletion & amortization	**(35.5)**	(35.7)
General exploration and project investigation	**(8.9)**	(4.6)
Finance income	**1.6**	12.3
Income from equity investment in Tenke	**24.9**	14.5
Other income and expenses	**(16.5)**	9.6
Income before income taxes	**79.2**	61.9
Income tax expense	**(8.0)**	(10.0)
Net income	**71.2**	51.9
Shareholders' equity	**3,317.7**	2,889.3
Cash flow from operations	**129.3**	88.4
Capital expenditures (incl. Tenke)	**45.9**	38.1
Total assets	**4,010.0**	3,580.1
Net cash[2]	**262.0**	10.2
Key Financial Data:		
Shareholders' equity per share[3]	**5.71**	4.99
Basic and diluted income per share	**0.12**	0.09
Dividends	**-**	-
Equity ratio[4]	**83%**	81%
Shares outstanding:		
Basic weighted average	**581,449,407**	579,677,485
Diluted weighted average	**582,951,197**	580,168,974
End of period	**581,849,452**	579,776,573

	IFRS basis					Canadian GAAP basis[5]		
($ millions, except per share data)	**Q1-11**	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09
Sales	**211.5**	309.3	215.1	183.1	141.7	256.7	171.1	194.8
Operating earnings[1]	**113.6**	192.2	121.5	82.1	65.8	152.2	91.8	91.0
Impairment charges (after tax)	**-**	-	-	-	-	(37.1)	-	-
Net income	**71.2**	146.1	66.0	42.3	51.9	35.1	3.7	43.5
Income per share[6], basic and diluted	**0.12**	0.25	0.11	0.07	0.09	0.06	0.01	0.08
Cash flow from operations	**129.3**	71.1	49.0	68.9	88.4	97.0	40.0	63.7
Capital expenditure (incl. Tenke)	**45.9**	42.9	40.2	39.1	38.1	39.0	54.7	57.8
Net cash (debt)[2]	**262.0**	159.2	125.7	107.8	10.2	(49.3)	(132.2)	(110.7)

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

	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Copper (tonnes)						
Neves-Corvo	**16,973**	69,935	23,765	16,398	20,252	9,520
Aguablanca[1]	**(53)**	3,793	559	644	1,418	1,172
	16,920	73,728	24,324	17,042	21,670	10,692
Zinc (tonnes)						
Neves-Corvo	**815**	5,251	861	1,459	2,046	885
Zinkgruvan	**16,968**	59,405	14,657	13,713	18,297	12,738
Galmoy[2]	**3,778**	6,147	1,755	2,510	1,324	558
	21,561	70,803	17,273	17,682	21,667	14,181
Lead (tonnes)						
Zinkgruvan	**6,287**	35,808	8,490	9,735	9,630	7,953
Galmoy[2]	**1,075**	1,786	430	791	436	129
	7,362	37,594	8,920	10,526	10,066	8,082
Nickel (tonnes)						
Aguablanca[1]	**(61)**	5,116	559	1,029	1,826	1,702

[1] final weight adjustment related to provisional sales recognized in 2010 but settled in Q1-2011.
[2] payable metal in sales of ore (50% attributable to Galmoy – see MD&A page 18).

Net Sales by Mine

(US$ millions)	Three months ended March 31 2011	2010	Change
Neves-Corvo	**156.6**	60.2	96.4
Zinkgruvan	**47.6**	35.6	12.0
Aguablanca	**(1.9)**	44.7	(46.6)
Galmoy	**9.2**	1.2	8.0
	211.5	141.7	69.8

Net Sales by Metal

(US$ millions)	Three months ended March 31 2011	2010	Change
Copper	**152.9**	67.0	85.9
Zinc	**39.2**	22.5	16.7
Lead	**17.0**	13.6	3.4
Nickel	**(0.7)**	34.3	(35.0)
Other	**3.1**	4.3	(1.2)
	211.5	141.7	69.8

Higher net sales for the quarter relate mainly to higher sales volume at Neves-Corvo (Q1 2010 was affected by industrial action) and higher metal prices. Aguablanca had no sales for the current quarter owing to suspension of operations in December 2010 following a pit-slope failure.

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

2010	Quarter ended March 31, 2010				
($ millions, except per pound amounts)	**Copper**	**Zinc**	**Nickel**	**Lead**	**Total**
Current period sales	79.9	32.9	42.6	17.5	172.9
Prior period provisional adjustments	(7.5)	(1.2)	8.8	(0.9)	(0.8)
Sales before other metals and TC/RC	72.4	31.7	51.4	16.6	172.1
Other metal sales					4.3
Less: TC/RC					(34.7)
Total Sales					**141.7**
Payable Metal (tonnes)	**10,692**	**14,181**	**1,702**	**8,082**	
Current period sales ($/lb)	$ 3.39	$ 1.05	$ 11.34	$ 0.98	
Prior period provisional adjustments ($/lb)	(0.32)	(0.04)	2.35	(0.05)	
Realized prices ($/lb)	**$ 3.07**	**$ 1.01**	**$ 13.69**	**$ 0.93**	

Outstanding receivables (provisionally valued) as of March 31, 2011

Metal	**Tonnes payable**	**Valued at $ per lb**	**Valued at $ per tonne**
Copper	16,252	4.28	9,426
Zinc	17,724	1.06	2,328
Lead	5,772	1.22	2,690
Nickel	163	11.83	26,086

Operating Results

Operating Costs

Costs related to mining operations in the current quarter were $87.9 million, compared to $71.2 million for the same period in 2010. Neves-Corvo operating costs increased by approximately $24 million, all related to increased tonnes mined compared to the prior corresponding quarter which was affected by industrial action. Zinkgruvan costs increased by approximately $7 million of which $2 million related to a stronger SEK and $4 million to higher energy costs, increased contractor costs and a bonus related to 2010 but only paid in 2011. Aguablanca's costs were lower by approximately $14 million related to the suspension of operations. (*See additional commentary under individual mine discussion*).

General and Administrative

General and administrative costs increased by $5.4 million from $4.6 million to $10.0 million. Of this increase, $4.8 million related to costs associated with the planned merger with Inmet and defending Equinox's unsolicited take-over bid.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization in the first quarter of 2011 remained relatively unchanged from the same period last year. Increased depreciation from higher production at Neves-Corvo and Zinkgruvan was offset by lower depreciation and suspension of operations at Aguablanca.

	Three months ended March 31		
Depreciation by operation ($ millions)	**2011**	2010	Change
Neves-Corvo	**28.6**	24.0	4.6
Zinkgruvan	**6.0**	4.0	2.0
Aguablanca	**0.8**	7.6	(6.8)
Other	**0.1**	0.1	-
	35.5	35.7	(0.2)

General Exploration and Project Investigation

General exploration and project investigation costs increased from $4.6 million in the first quarter of 2010 to $8.9 million in the same period in 2011. This increase primarily relates to an 80,000 metre surface drilling program which is intended to deliver an initial resource estimate for Semblana. (*See additional commentary under Exploration Highlights*).

Finance Income

The Company's investments in marketable securities are re-valued on a quarterly basis with a large increase in fair value reported in the first quarter of 2010.

Other Income and Expenses

Other income and expenses include foreign exchange gains and losses.

A foreign exchange loss of $16.1 million in the current quarter relates to US$ cash and trade receivables that were held in the European group entities. Period end exchange rates in the first quarter of 2011 were $1.42:€1.00 (December 31, 2010 – $1.34:€1.00) and $1.00:SEK6.30 (December 31, 2010 – $1.00:SEK6.71), representing a strengthening of those currencies against the US dollar by 6% during the quarter.

Current and Deferred Taxes

Current tax expense	Three months ended March 31		
($ millions)	**2011**	2010	Change
Neves-Corvo	**19.2**	-	19.2
Zinkgruvan	**3.1**	4.3	(1.2)
Other	**0.7**	0.4	0.3
Current tax expense	**23.0**	4.7	18.3

The increase in current income tax expense is a reflection of higher taxable earnings. In the first quarter of 2010, earnings at Neves-Corvo were reduced as a result of industrial action.

The corporate tax rates in the countries where the Company has mining operations range from 25% in Ireland to 30% in Spain. To March 31, 2011, the Company has paid a total of $8.4 million in income taxes, including $7.4 million paid in Portugal and $1.0 million in Sweden.

Deferred tax (recovery) expense	Three months ended March 31		
($ millions)	**2011**	2010	Change
Neves-Corvo	**(6.7)**	(1.9)	(4.8)
Zinkgruvan	**(0.4)**	(0.3)	(0.1)
Aguablanca	**(8.7)**	7.9	(16.6)
Other	**0.9**	(0.4)	1.3
Deferred tax (recovery) expense	**(14.9)**	5.3	(20.2)

Increase in deferred income tax recovery of $20.2 million is primarily attributable to the tax benefit recognized on Aguablanca's net loss in the current quarter. In the previous year, the operation utilized tax losses.

Mining Operations

Production Overview

	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Copper (tonnes)						
Neves-Corvo	**18,698**	74,011	23,105	19,353	20,342	11,211
Zinkgruvan	**441**	540	540	-	-	-
Aguablanca	**-**	5,484	1,263	1,156	1,432	1,633
	19,139	80,035	24,908	20,509	21,774	12,844
Zinc (tonnes)						
Neves-Corvo	**951**	6,422	897	2,237	1,446	1,842
Zinkgruvan	**19,769**	72,206	18,546	15,916	20,624	17,120
Galmoy*	**7,477**	11,501	4,039	4,418	2,388	656
	28,197	90,129	23,482	22,571	24,458	19,618
Lead (tonnes)						
Zinkgruvan	**9,521**	36,636	8,602	9,641	10,286	8,107
Galmoy*	**1,892**	2,932	868	1,261	667	136
	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

* includes payable metal in sales of ore (50% attributable to Galmoy – see MD&A page 18)

Cash Cost Overview

	Cash cost / lb (US dollars) Three months ended March 31		Cash cost / lb (local currency) Three months ended March 31	
	2011	2010	**2011**	2010
Neves-Corvo (Local in €)				
Gross cost	**1.62**	1.87	**1.18**	1.36
By-product **	**(0.07)**	(0.09)	**(0.05)**	(0.07)
Net Cost – Cu/lb	**1.55**	1.78	**1.13**	1.29
Zinkgruvan (Local in SEK)				
Gross cost	**0.86**	0.88	**5.57**	6.26
By-product **	**(0.44)**	(0.55)	**(2.81)**	(3.93)
Net Cost - Zn/lb	**0.42**	0.33	**2.76**	2.33

**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 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 is expected to recommence full scale zinc production at an annualized rate of 50,000 tonnes per annum by Q3 2011.

Operating Statistics

	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined, copper (tonnes)	**707,531**	2,537,927	776,682	630,304	649,641	481,300
Ore mined, zinc (tonnes)	**42,677**	74,295	1,449	38,960	16,133	17,753
Ore milled, copper (tonnes)	**743,783**	2,499,563	750,798	603,340	674,628	470,797
Ore milled, zinc (tonnes)	**-**	100,331	-	38,960	18,506	42,865
Grade						
Copper (%)	**2.9**	3.4	3.5	3.8	3.5	2.8
Zinc (%)	**-**	5.7	-	6.5	6.6	4.6
Recovery						
Copper (%)	**86**	86	87	85	86	86
Zinc (%)	**-**	73	-	80	77	66
Concentrate grade						
Copper (%)	**24.5**	24.2	24.3	23.9	24.1	24.4
Zinc (%)	**-**	44.5	-	47.8	43.2	41.9
Production- tonnes (metal contained)						
Copper	**18,698**	74,011	23,105	19,353	20,342	11,211
Zinc	**951**	6,422	897	2,237	1,446	1,842
Silver (oz)	**219,498**	725,260	223,242	176,094	203,035	122,889
Sales ($000s)	**156,562**	541,313	224,964	135,159	120,980	60,210
Operating earnings ($000s)[1]	**99,448**	335,696	155,506	85,517	67,860	26,813
Cash cost (€ per pound)[2]	**1.13**	1.01	0.99	0.92	0.96	1.29
Cash cost ($ per pound)[2]	**1.55**	1.33	1.34	1.19	1.20	1.78

Operating Earnings[1]

Operating earnings of $99.4 million were $72.6 million higher than for the first quarter of 2010. Higher sales volume ($25.8 million effect) and higher metal prices ($46.0 million effect) were the primary contributors to the higher earnings.

Sales for the quarter were less than production owing to shipment delays. Sales in the prior corresponding quarter were low owing to industrial action experienced at the start of 2010.

Production

Copper metal production was in-line with annual market guidance despite lower than expected average head-grade and milling difficulties with wet weather in January. The lower average head-grade results from production delays in the remaining high-grade Corvo area which is subject to high stresses and is therefore less predictable. Tonnage losses have been compensated from other sources, including out-of-reserve material, at much lower grade, therefore lowering the average head-grade presented to the mill. Throughput restrictions at the surface crusher have now been largely eliminated with the commissioning of a second pre-screening facility.

Production guidance is maintained for the 2011 year taking into account these issues.

The mine ore production and extraction rates continued at record levels during the quarter with final improvements to the hoisting system completed during January that now have the shaft operating consistently with a 16% increase in capacity compared to the same period last year.

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

Cash Costs[1]

Cash costs are lower than the prior corresponding period, which was affected by industrial action, but were above expectations, on a per pound of copper basis, owing to mining higher tonnes to make up for the lower average head-grade ($0.20/lb effect).

Neves-Corvo Zinc Expansion Project

The zinc expansion project at Neves-Corvo, designed to produce a minimum of 50,000 tonnes per annum of zinc from existing orebodies, is advancing on schedule and on budget. The zinc pre-screen facility, designed to augment zinc crushing capacity, was commissioned in February and is operating with copper ores prior to switching over to zinc ores later in the year. Zinc production is expected to commence in Q3 2011 and reaching the full production rates by the end of 2011. The estimated cost of the project is €43 million and is approximately 90% complete.

Lombador Zinc/Copper/Lead Project

The feasibility study on the Lombador Project is now expected to complete by the end of Q2 2011.

The downward access ramp into Lombador continues and is presently at the 435 level. It is expected to reach the 300 level (approximately 900 metres below surface) by the second quarter of 2012 and this will facilitate the development of an exploration drive on the 335 level to allow underground exploration of the Lombador orebody.

[1] Cash cost/lb of payable copper sold - see page 26 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

	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined, zinc (tonnes)	**288,168**	990,657	273,020	234,236	244,945	238,456
Ore mined, copper (tonnes)	**25,657**	33,640	33,640	-	-	-
Ore milled, zinc (tonnes)	**276,026**	995,884	266,610	245,543	257,731	226,000
Ore milled, copper (tonnes)	**29,152**	27,296	27,296	-	-	-
Grade						
Zinc (%)	**8.0**	8.0	7.8	7.3	8.8	8.2
Lead (%)	**4.2**	4.4	4.0	4.5	4.7	4.3
Copper (%)	**1.7**	2.2	2.2	-	-	-
Recovery						
Zinc (%)	**90**	91	90	89	91	92
Lead (%)	**82**	84	81	86	85	84
Copper (%)	**89**	90	90	-	-	-
Concentrate grade						
Zinc (%)	**52.4**	52.7	51.8	51.8	53.4	53.5
Lead (%)	**74.7**	74.9	73.7	74.2	76.9	74.3
Copper (%)	**26.2**	24.0	24.0	-	-	-
Production – tonnes (metal contained)						
Zinc	**19,769**	72,206	18,546	15,916	20,624	17,120
Lead	**9,521**	36,636	8,602	9,641	10,286	8,107
Copper	**441**	540	540	-	-	-
Silver (oz)	**508,209**	1,800,827	427,865	507,866	478,106	386,990
Sales ($000s)	**47,585**	165,273	48,421	42,233	38,963	35,656
Operating earnings ($000s)[1]	**23,966**	95,777	31,849	24,604	20,172	19,152
Cash cost (SEK per pound)[2]	**2.76**	1.60	1.03	0.85	2.12	2.33
Cash cost ($ per pound)[2]	**0.42**	0.22	0.15	0.11	0.28	0.33

Operating Earnings[1]

Operating earnings of $24.0 million were $4.8 million above the same period in 2010. The increase is attributable to higher sales volume ($1.5 million effect) and higher metal prices ($8.4 million effect) partially offset by an increase in unit costs ($2.7 million effect) and unfavourable foreign exchange ($2.4 million effect). Sales for the quarter were well below production owing to shipment delays due to heavy ice in the Baltic affecting shipping movements.

Production

Production was higher than the corresponding quarter of 2010 owing to higher throughput. Production is being aided by the completion of the daylight ramp in November 2010 albeit costs are elevated as efforts are now made to reduce waste material stored underground (resulting from orepass failures in 2010). The mine is not expected to return to normal underground waste levels until Q3 2011. The higher throughput is now reaching the limits of mill and flotation capacity. Flotation capacity is being studied with a view to removing this constraint by year-end.

Cash Costs[2]

Lower treatment charges ($0.06/lb) were more than offset by the impact of a stronger SEK ($0.06/lb) and lower by-product credits ($0.10/lb) owing to the low lead sales.

Increases are being experienced in energy and fuel costs and the poor performance of the surface crusher is incurring increased contractor costs. However, costs are expected to achieve guidance for the year.

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[1] Operating earnings is a Non-IFRS measure - see page 26 of this MD&A for discussion of Non-IFRS measures.
[2] Cash cost/lb of payable zinc sold - see page 26 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 are expected to restart in 2012.

Operating Statistics

	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined (tonnes)	**-**	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)	**(1,934)**	129,784	31,848	32,502	20,776	44,658
Operating (loss) earnings ($000s)[1]	**(7,446)**	44,128	6,967	13,373	(1,168)	24,956
Cash cost (€ per pound)[2]	**n/a**	5.34	11.34	4.59	4.32	4.92
Cash cost ($ per pound)[2]	**n/a**	7.08	15.39	5.93	5.43	6.80

Suspension of Operations

As previously reported, high rainfall in December 2010 resulted in a significant slope failure affecting the main open-pit access ramp causing suspension of operations. An assessment of alternatives for recommencement of mining operations at Aguablanca has been carried out. Waste removal is expected to commence within the next few months with a return to full ore production in Q3 2012. Reserves represent approximately five years of production.

The total investment required from Q2 2011 to recommencement of full ore production is approximately €40 million representing all operating expenditures plus an estimated €4 million capital expenditure. Operating expenditure (waste removal; care and maintenance; and general and administration) will be expensed as incurred.

Operating Loss[1]

Operating loss of $7.4 million was $32.4 million below the same period in 2010 owing to the suspension of operations in the current quarter. Earnings for Q1 2010 were abnormally high owing to price adjustments from prior period sales.

The operations experienced cash outflows of $18.6 million for the quarter. This included the operating losses before taxes of $7.4 million and the reduction in operating payables and accruals in the amount of $21.4 million, offset by net collections of receivables in the amount of $12.4 million, as well as other minor items.

[1] Operating earnings (loss) is a Non-IFRS measure - see page 26 of this MD&A for discussion of Non-IFRS measures.
[2] Cash cost/lb of payable nickel sold - see page 26 of this MD&A for discussion of Non-IFRS measures.

Galmoy Mine

The Galmoy underground zinc mine is located in south-central Ireland in County Kilkenny. Operational mining stopped in May 2009 and milling on-site ceased in June 2009. Mining of remnant high-grade ore has recommenced and ore is being shipped to an adjacent mine for processing. Production tonnage is based on a 50% attributable-share to Lundin Mining.

Operating Statistics

	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined (tonnes)	**69,410**	139,681	52,498	50,143	22,988	14,052
Ore sold (tonnes)	**41,708**	72,983	19,387	27,756	18,741	7,099
Grade						
Zinc (%)	**23.4**	22.0	23.5	23.2	18.7	21.5
Lead (%)	**7.4**	7.4	6.8	8.5	7.2	6.2
Production- tonnes (metal contained)						
Zinc *	**7,477**	11,501	4,039	4,418	2,388	656
Lead *	**1,892**	2,932	868	1,261	667	136
Sales ($000s)	**9,244**	12,853	4,034	5,234	2,430	1,155
Operating earnings (loss) ($000s)[1]	**7,824**	6,961	3,011	3,611	428	(89)

* Estimated production on a 50% attributable-share to Lundin Mining from ore treated at an adjacent mine.

Operating Earnings[1]

Mining of high-grade ore for processing by a third party yielded operating earnings of $7.8 million in the first quarter of 2011.

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 Costs

Mine closure is progressing as planned, and agreement has been reached with the authorities to facilitate the draw-down of the restricted funds, designated to cover closure costs. When restricted funds are aggregated with asset sales, the closure of Galmoy is likely to yield a surplus. The final mine closure plan is expected to be approved by the three regulating authorities during 2011.

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

Tenke Fungurume

(Holding at March 31, 2011: Lundin 24.75%, FCX 57.75%, Gécamines 17.5%)

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, held a 17.5% free carried interest in the project during the quarter. Owing to Gécamines carried interest, capital funding is provided by FCX and the Company as to 70% and 30%, respectively.

In February 2008, the Ministry of Mines, Government of the DRC, sent a letter seeking comment on proposed material modifications to the mining contracts for the Tenke Fungurume concession.

In October 2010, the government of the DRC announced the conclusion of the review of Tenke Fungurume Mining SARL's mining contracts. The conclusion of the review process confirmed that TFM's existing mining contracts are in good standing and acknowledged the rights and benefits granted under those contracts. TFM's key fiscal terms, including a 30 percent income tax rate, a 2% mining royalty rate and a 1% export fee, will continue to apply and are consistent with the rates in the DRC's current Mining Code. In connection with the review, TFM made several commitments, which have been reflected in amendments to its mining contracts, including: an increase in the ownership interest of Gécamines, which is wholly owned by the government of the DRC, from 17.5% (non-dilutable) to 20.0% (non-dilutable), resulting in a decrease of Freeport effective ownership interest from 57.75% to 56% and Lundin Mining's effective ownership interest from 24.75% to 24%; an additional royalty of $1.2 million for each 100,000 tonnes of proven and probable copper reserves above 2.5 million tonnes at the time new reserves are established by FCX; additional payments totaling $30 million to be paid in six equal installments of $5 million upon reaching certain production milestones; conversion of $50 million in intercompany loans to equity; a payment of approximately $5 million for surface area fees and ongoing surface area fees of approximately $0.8 million annually; incorporating clarifying language stating that TFM's rights and obligations are governed by the Amended and Restated Mining Convention ("ARMC"); and expanding Gécamines' participation in TFM management.

TFM has also reiterated its commitment to the use of local services and Congolese employment. In connection with the modifications, the annual interest rate on advances from TFM shareholders increases from a rate of LIBOR plus 2% to LIBOR plus 6%. In December 2010, the addenda to TFM's ARMC and Amended and Restated Shareholders' Agreement were signed by all parties. In late March 2011, the amendments were approved by the DRC Council of Ministers and on April 18, 2011 a Presidential Decree passing into force the amended agreements was approved. The change in Lundin Mining's effective ownership interest in TFM and the conversion of intercompany loans to equity will be effected after obtaining approval of the modifications to TFM's bylaws.

Operating Statistics

100% Basis	**Q1 2011**	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined (000 tonnes)	**2,165**	8,541	1,980	2,471	2,389	1,701
Ore milled (000 tonnes)	**969**	3,766	1,017	1,083	797	869
Grade						
Copper (%)	**3.4**	3.5	3.4	3.2	3.9	3.7
Recovery						
Copper (%)	**92**	91	93	91	91	92
Production – tonnes						
Copper	**30,336**	120,271	31,949	31,115	28,438	28,769
Cobalt	**2,793**	9,225	2,922	2,421	1,651	2,231
Income from equity investment ($millions)	**24.9**	75.9	35.6	17.5	8.3	14.5
Cash costs ($ per pound)[1,2]	**0.86**	0.90	0.89	0.86	0.79	1.04

[1] Cash cost/lb of payable copper sold. See Non-IFRS Performance Measures on page 26 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.

Income from Equity Investment in Tenke

Income of $24.9 million was $10.4 million above the same period last year. The increase reflects higher realized selling prices and lower cash costs. Sales volume of cathode sold during the quarter, on a 100% basis, amounted to 26,965 tonnes compared to 29,772 tonnes in the same period of 2010.

The average price realized for copper sales during the period was $4.19 per pound of cathode sold (2010: $3.26/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 and cobalt production during the quarter exceeded nameplate capacity. Milling throughput is now 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 120,000 tpa reached in 2010 to approximately 130,000 tpa in 2011.

Cobalt production has improved steadily over the last several periods with first quarter production exceeding nameplate capacity, in part due to higher tonnages processed and the increase of cobalt recoveries to levels approaching design-level. Further improvements are likely over the next several quarters, particularly with respect to recoveries and impurity removal.

Cash Costs

During the quarter, cash operating costs averaged $0.86/lb of copper including the cobalt by-product credit. Lundin expects cash costs will benefit in the future from: higher throughput from planned de-bottlenecking investments; successful implementation of ongoing operating cost reduction efforts; and initiatives to improve operating performance in the sulfur dioxide plant and cobalt circuits.

Excess Overrun Facility

At March 31, 2011, the amount owing to FCX on the Excess Overrun Cost facility completion of Phase I was $70.6 million, down from $215.7 million at March 31, 2010 and a reduction of $37.8 million during the quarter.

Expansion Studies

Expansion studies are ongoing and a number of new scenarios are being assessed which have the potential, as advised by Freeport, to add 45,000 to 90,000 tonnes of copper production per year over the next two to three years. It is anticipated that production volumes will increase significantly over time. The capital investment required from Lundin Mining for the year ahead remains uncertain until the results of the feasibility studies have been considered and a final decision made on a second phase of the project.

Tenke Funding

During the quarter, $5.4 million (2010 - $7.6 million) was advanced to cover sustaining capital, on-going concession exploration and expansion initiatives.

Lundin Mining’s 2011 capital investment for Tenke has been assumed, for internal planning purposes, to be $120 million to fund the Company’s share of expansion costs. Expansion size and timing is contingent upon a number of factors not under the control of Lundin Mining. Final decisions on capital investment levels are ultimately made by Freeport, the mine’s operator and are not yet in place until the expansion feasibility study is complete, although some critical path items are already in progress. The expansion study is expected to be complete in the third quarter of 2011.

Exploration Highlights

Portugal

Neves-Corvo Mine Exploration (Copper, Zinc)

The 2011 resource exploration plan is to complete 80,000 metres of surface drilling, including resource delineation of the Semblana deposit and additional testing of near-mine targets. Surface drilling during the quarter totalled 18,123 metres with 17 targets tested. A 3D seismic survey, covering the Neves-Corvo mine lease and surrounding areas, commenced in the quarter with the objective of identifying additional massive sulphide type exploration targets within the near-mine area for follow-up drill-testing later this year.

Drilling focused on Semblana with four rigs, and one rig was busy at the Lombador deposit. In addition to the step-out delineation drilling, infill drilling was also progressing at Semblana towards an initial resource estimation later this year. The step-out drilling has delimited the deposit to the northeast where it is fault-bounded whereas the infill drilling continued to intersect copper sulphide mineralization. The deposit remains open to expansion. Assays for initial 2011 drilling are pending. The Lombador drilling was focused on the Mid/North portion of the deposit (down-dip target areas) to follow up on previous, widely spaced drill intercepts of copper sulphide mineralization within the stockwork feeder zone. Three holes were completed and one was in progress by the end of the quarter.

Plans for the second quarter include continued deposit delineation and resource definition drilling at Semblana in addition to more drilling at the Lombador Mid target with the objective of delineating a large enough new copper zone for follow up resource definition drilling.

Iberian Pyrite Belt Regional Exploration (Copper, Zinc)

Target definition work continued in the first quarter, focusing on target areas immediately to the northwest of the Neves-Corvo mine.

Spain

Ossa Morena Belt Regional Exploration (Copper, Gold)

The regional airborne magnetic/radiometric survey initiated in December 2010 was cut short, owing to severe weather conditions, however approximately 80% of the planned coverage was completed. Data interpretation and initial follow-up field investigations were carried out in the first quarter of 2011. A 4,650 meter drill program is planned for later this year once target definition work has been completed. Drilling will focus on further target testing of the Alconchel copper-gold-iron deposit and on initial tests of two newly developed copper-gold targets at the Bilbaina and Cerro de Mina properties located along strike approximately 30 km southeast of Alconchel within the same mineralized belt of rocks.

Ireland

Clare Joint Venture Exploration (Zinc, Lead, Silver)

Eight drill holes were completed at the Clare JV project in first quarter of 2011 for a total of 4,049 metres drilled. Six of the holes were regional exploration holes, drilled within the JV area, testing new targets located away from the Kilbricken deposit. The remaining two holes were drilled in the Kilbricken deposit area, one of which intersected a broad zone of strongly disseminated zinc-lead-silver sulphide mineralization within the favourable host Waulsortian limestone. This hole is located over 700 metres to the northwest of the main Kilbricken deposit, and is interpreted to lie close to the structure controlling sulphide mineralization, thereby opening up a large new area of prospective ground for additional discoveries. Two additional drills were added to the program at the beginning of April, to be dedicated to exploring this new target area and completing infill resource drilling on the main Kilbricken deposit. A 3D seismic survey is planned for later this year.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

Growing demand, both physical and from the investment community, led metal prices to increase over the first quarter of 2011. Copper and nickel were the main drivers, both in short supply, and lead and zinc were lifted off the back of the others.

(Average LME Prices)		Three months ended March 31 **2011**	2010	**Change**
Copper	US$/pound	**4.38**	3.29	33%
	US$/tonne	**9,646**	7,243	
Zinc	US$/pound	**1.09**	1.04	5%
	US$/tonne	**2,393**	2,288	
Lead	US$/pound	**1.18**	1.01	17%
	US$/tonne	**2,605**	2,219	
Nickel	US$/pound	**12.20**	9.11	34%
	US$/tonne	**26,899**	20,078	

LME inventory for nickel decreased by 9% during the first quarter of 2011 while the LME inventories for copper, zinc and lead all increased during the quarter: copper by 17%, zinc by 5% and lead by 35%.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates decreased in the early part of the quarter. In January 2011, the spot TC was $55 per dmt of concentrate and the spot RC was $0.055 per lb of payable copper. However, the earthquake and subsequent tsunami that hit Japan in March forced several Japanese smelters to close and to declare force majeure which led to an increase in the spot TC and RC and at the end of March the spot TC was $115 per dmt of concentrate and the spot RC was $0.115 per lb of payable copper. Terms for annual copper concentrates contracts have been agreed during the first quarter 2011 at a TC of $56 per dmt of concentrates and a RC of $0.056 per payable lb of copper. These terms are slightly higher than the conditions for 2010 (TC: $46.50, RC: $0.0465). There have also been settlements for the first six months of 2011, only, at a TC of $65 per dmt and a RC of $0.065 per payable lb of copper where the terms for the second half of the year will be set in line with the spot market at the time.

During the quarter, the Company agreed to sell its first production of copper concentrate from its Zinkgruvan mine in Sweden. The first shipment was made in April owing to heavy ice in the Baltic restricting shipping capacity.

During the first quarter 2011, the spot TC for zinc concentrates has been at a level of $120 to $130, flat, i.e. without any escalation. The terms under annual contracts were agreed between miners and zinc smelters during March and settled at $229 per dmt of zinc concentrates based on a zinc price of $2,500 per mt and with an upward escalator of $0.06 for each $1 increase in the zinc price above $2,500 per mt and with a downward escalator of $0.04 for each $1 decrease in the zinc price below $2,500 per mt. This represents an improvement in favour of the mines of approximately $40 per dmt of concentrates compared to 2010.

Lead concentrate imports by China remained high during the quarter and the spot TC for lead concentrates has been at a level of $75 to $85, flat, per dmt of concentrates during the quarter. The market for lead concentrates is not as homogenous as the market for copper and zinc concentrates and no clear benchmark TC exists for annual contracts. The level of TC, both in the spot market and under annual contracts, depends on quality, i.e. level of impurities and amount of precious metals, in particular silver, contained. The Company's lead concentrates are of a high grade and clean quality and attracts a premium in the market and the Company achieved an improvement of $20 per dmt in its annual TC negotiations.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents increased by $94.9 million to $293.8 million as at March 31, 2011, from $198.9 million at December 31, 2010. Inflows for the current quarter included operating cash flows of $129.3 million. Uses of cash included:

- $40.5 million investment in mineral property, plant and equipment;
- $5.4 million for Tenke funding; and
- $10.3 million for repayment of long-term debt.

Working Capital

At March 31, 2011, there is working capital of $321.5 million, compared to $290.4 million at December 31, 2010. The increase in working capital reflects a substantial improvement in cash, partially offset by lower accounts receivable as sales in the quarter were approximately $100.0 million less than the last quarter of 2010. Inventories are higher than normal owing to shipping disruptions as a result of heavy ice in the Baltic and other shipping delays.

Shareholders' Equity

Shareholders' equity was $3,317.7 million at March 31, 2011, compared to $3,153.6 million at December 31, 2010. Shareholders' equity increased primarily as a result of net income of $71.2 million and currency translation adjustments in other comprehensive income of $86.3 million.

Off-Balance Sheet Financing Arrangements

The Company had protection for cost overruns related to the development of Phase I of the Tenke copper/cobalt project. Costs above a certain level were funded by Freeport (see page 20 of this MD&A for details.) During the fourth quarter of 2008, capital expenditures on Phase I reached a certain threshold, beyond which the Company was not required to provide cash funding. Freeport contributed the Company's proportionate share of project funding required by advancing amounts to the project on the Company's behalf. The funding is non-recourse to the Company and will be repaid from the operating cash flows of the project with first priority to other shareholder advances and dividends. The balance at March 31, 2011 was $70.6 million.

Changes in Accounting Policies

International Financial Reporting Standards

The Company has prepared its March 31, 2011 interim consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants, with an effective transition date of January 1, 2010, 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.

The Company's IFRS accounting policies are disclosed in Note 2 to the interim consolidated financial statements. 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 interim consolidated financial statements.

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

Shareholders' equity

The most significant changes to the January 1, 2010 balance sheet on transition to IFRS were within shareholders' equity. The Company's accumulated other comprehensive income ("AOCI") balance of $265.1 million was recorded to retained earnings. The Company elected an IFRS 1 election which allowed it to deem its cumulative translation differences to be nil on the transition date to IFRS. The remaining change to AOCI was due to the Company's IFRS 1 election of reclassifying 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.

Subsequent to issuing the December 31, 2010 Management's Discussion & Analysis, additional tax adjustments and certain revisions to estimates were made to the Company's opening IFRS balance sheet included therein. The net impact of finalizing the Company's opening IFRS balance sheet from the previous disclosure was a decrease of $1.2 million to shareholders' equity.

Decommissioning and site restoration provision

In applying IAS 37, *Provisions, contingent liabilities and assets* and the IFRS 1 election for decommissioning liabilities included in the cost of mineral properties, the Company significantly revised its estimate for decommissioning and site restoration provision and the related asset. The impact on the related asset and liability amounted to $7.2 million decrease to shareholders' equity. The estimate revisions were largely due to the IFRS measurement requirement of periodically updating discount rates. Previously, CGAAP required the use of historical rates in certain circumstances.

Consolidated Statement of Operations

Consolidated net income was affected as a result of applying the IFRS 1 election of reclassifying its AFS securities to FVTPL. Under CGAAP, revaluation gains and losses were previously recorded in other comprehensive income but under IFRS are revalued through the statement of operations. For the three month period ended March 31, 2010, this change was an increase of $15.1 million to net income. It is expected that this will have an increasingly smaller impact as the Company disposes of these non-core investments.

Comparison between IFRS and CGAAP of Selected financial information and Key financial data:

		Transition adjustments			
Three months ended March 31, 2010 ($millions, except per share amounts and percentages)	**CGAAP**	**Revaluation of securities**	**Decommissioning and other site provisions**	**Other**	**IFRS**
Net Income	38.0	15.1	0.5	(1.7)	51.9
Operating Earnings	64.6	-	-	1.2	65.8
Shareholders' Equity	2,898.5	(3.1)	(0.2)	(5.9)	2,889.3
Total Assets	3,592.1	-	(4.3)	(7.7)	3,580.1
Shareholders' equity per share	5.00				4.99
Basic and diluted income per share	0.07				0.09
Equity ratio	81%				81%

New Accounting Pronouncements

IFRS 7 *Financial instruments – disclosure*, was amended to require additional disclosure in respect of risk exposures arising from transferred financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Company is currently evaluating the impact of IFRS 7 amendment.

IFRS 9 *Financial instruments*, issued in 2009, will replace IAS 39 *Financial instruments: Recognition and measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is evaluating the impact of IFRS 9.

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 May 9, 2011, the Company had 582,045,009 common shares issued and outstanding and 5,629,224 stock options and 171,360 stock appreciation rights 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 and are shown on the statement of operations as "Income before undernoted".

- 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 March 31, 2011				Three months ended March 31, 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)	16,973	37,419	1.55	57,999	9,520	20,988	1.78	37,359
Zinkgruvan (Zn)	16,968	37,408	0.42	15,711	12,738	28,082	0.33	9,267
Aguablanca (Ni)[1]	-	-	-	6,358	1,702	3,752	6.80	25,514
Galmoy (Zn)[2]	-	-	-	1,104	-	-	-	-
				81,172				72,140
Add: By-product credits				20,528				28,849
Treatment costs				(18,416)				(30,095)
Royalties and other				4,599				315
Total Operating Costs				**87,883**				**71,209**

[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 March 31, 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 March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Amended
Interim Consolidated Financial Statements of

Lundin Mining Corporation

March 31, 2011
(unaudited)

Note to Reader: These interim consolidated financial statements have been amended to include the statement of changes in shareholders' equity for the three months ended March 31, 2010.

Lundin Mining Corporation

INTERIM CONSOLIDATED BALANCE SHEETS

(Unaudited - in thousands of US dollars)	**March 31, 2011**	December 31, 2010 (Note 3)	January 1, 2010 (Note 3)
ASSETS			
Current			
Cash and cash equivalents (Note 4)	**$ 293,791**	$ 198,909	$ 141,575
Trade and other receivables (Note 5)	**169,694**	233,820	195,370
Inventories (Note 6)	**43,039**	31,688	27,519
Prepaid expenses	**5,737**	5,038	3,541
	512,261	469,455	368,005
Non-Current			
Reclamation funds and restricted cash	**69,139**	61,559	67,076
Mineral properties, plant and equipment (Note 7)	**1,330,240**	1,249,339	1,301,179
Investment in Tenke Fungurume (Note 8)	**1,765,382**	1,735,148	1,628,753
Marketable securities and other assets	**33,010**	32,411	42,508
Deferred tax assets	**52,470**	45,591	72,882
Goodwill (Note 9)	**247,539**	232,813	249,820
	3,497,780	3,356,861	3,362,218
	$ 4,010,041	$ 3,826,316	$ 3,730,223
LIABILITIES			
Current			
Trade and other accounts payable	**$ 62,871**	$ 70,976	$ 59,473
Accrued liabilities	**66,436**	64,307	48,235
Income taxes payable	**61,486**	43,743	14,657
Current portion of long-term debt and finance leases (Note 10)	**2,646**	2,512	2,536
Current portion of decommissioning and site restoration (Note 12)	**5,421**	5,985	5,830
Current portion of deferred revenue	**6,476**	6,087	5,667
Derivative contracts	**-**	-	40,557
	205,336	193,610	176,955
Non-Current			
Long-term debt and finance leases (Note 10)	**29,129**	37,152	188,352
Other long-term liabilities	**11,396**	10,881	11,936
Deferred revenue	**70,762**	67,957	72,230
Provision for pension obligations	**20,418**	18,816	16,385
Decommissioning and site restoration and other provisions (Note 12)	**119,037**	111,408	122,849
Deferred tax liabilities	**236,257**	232,906	233,658
	486,999	479,120	645,410
	692,335	672,730	822,365
SHAREHOLDERS' EQUITY			
Share capital (Note 13)	**3,493,509**	3,485,814	3,480,487
Contributed surplus	**29,240**	30,312	29,843
Accumulated other comprehensive income (loss)	**19,988**	(66,349)	-
Deficit	**(225,031)**	(296,191)	(602,472)
	3,317,706	3,153,586	2,907,858
	$ 4,010,041	$ 3,826,316	$ 3,730,223

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

APPROVED BY THE BOARD

(Signed) Lukas H. Lundin
Director

(Signed) Dale C. Peniuk
Director

Lundin Mining Corporation

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three months ended March 31,	
	2011	2010
		(Note 3)
Sales	**$ 211,457**	$ 141,679
Operating costs	**(87,883)**	(71,209)
General and administration	**(10,017)**	(4,637)
Income before undernoted	**113,557**	65,833
Depreciation, depletion and amortization (Note 7)	**(35,474)**	(35,712)
General exploration and project investigation	**(8,897)**	(4,632)
Finance income (Note 14)	**1,608**	12,293
Income from equity investment in Tenke Fungurume (Note 8)	**24,865**	14,453
Other income and expenses (Note 15)	**(16,438)**	9,668
Income before income taxes	**79,221**	61,903
Current income tax expense	**(22,987)**	(4,693)
Deferred tax recovery (expense)	**14,926**	(5,344)
Net income	**$ 71,160**	$ 51,866

Basic and diluted income per share	**$ 0.12**	$ 0.09
Weighted average number of shares outstanding		
Basic	**581,449,407**	579,677,485
Diluted (Note 13)	**582,951,197**	580,168,974

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

Lundin Mining Corporation

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

	Three months ended March 31,	
	2011	2010
		(Note 3)
Net income	**$ 71,160**	$ 51,866
Other comprehensive income, net of taxes		
Cumulative foreign currency translation adjustment	**86,337**	(71,933)
Comprehensive income (loss)	**$ 157,497**	$ (20,067)

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

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, January 1, 2010 (Note 3)	579,592,464	$ 3,480,487	$ 29,843	$ -	$ (602,472)	$ 2,907,858
For the three months ended March 31, 2010						
Exercise of stock options	184,109	918	(271)	-	-	647
Stock-based compensation	-	-	847	-	-	847
Net income	-	-	-	-	51,866	51,866
Effects of foreign currency translation	-	-	-	(71,933)	-	(71,933)
Balance, March 31, 2010 (Note 3)	579,776,573	3,481,405	30,419	(71,933)	(550,606)	2,889,285
From April 1 to December 31, 2010						
Exercise of stock options	798,782	4,409	(1,582)	-	-	2,827
Stock-based compensation	-	-	1,475	-	-	1,475
Net income	-	-	-	-	254,415	254,415
Effects of foreign currency translation	-	-	-	5,584	-	5,584
Balance, December 31, 2010 (Note 3)	580,575,355	3,485,814	30,312	(66,349)	(296,191)	3,153,586
For the three months ended March 31, 2011						
Exercise of stock options	1,274,097	7,695	(2,070)	-	-	5,625
Stock-based compensation	-	-	998	-	-	998
Net income	-	-	-	-	71,160	71,160
Effects of foreign currency translation	-	-	-	86,337	-	86,337
Balance, March 31, 2011	**581,849,452**	**$ 3,493,509**	**$ 29,240**	**$ 19,988**	**$ (225,031)**	**$ 3,317,706**

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

Lundin Mining Corporation
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited - in thousands of US dollars)

	Three months ended March 31, 2011	2010 (Note 3)
Cash provided by (used in)		
Operating activities		
Net income	**$ 71,160**	$ 51,866
Items not involving cash		
Finance income	**(1,656)**	(14,031)
Stock-based compensation	**998**	847
Depreciation, depletion and amortization	**35,474**	35,712
Foreign exchange loss (gain)	**5,067**	(6,093)
Income from equity investment in Tenke Fungurume	**(24,865)**	(14,453)
Deferred tax (recovery) expense	**(14,926)**	5,344
Recognition of deferred revenue	**(1,523)**	(1,056)
Other	**246**	(275)
Settlement of derivative contracts	**-**	(20,420)
Changes in restricted cash	**(2,860)**	2,035
Reclamation payments and other closure costs	**(1,312)**	(2,029)
Pension payments	**(155)**	(213)
Changes in non-cash working capital items (Note 19)	**63,693**	51,121
	129,341	88,355
Investing activities		
Investment in mineral properties, plant and equipment	**(40,484)**	(30,476)
Investment in Tenke Fungurume	**(5,369)**	(7,595)
Proceeds from sale of investments and other assets	**1,785**	12,066
Other	**13**	-
	(44,055)	(26,005)
Financing activities		
Debt repayments	**(10,277)**	(100,106)
Common shares issued	**5,625**	647
	(4,652)	(99,459)
Effect of foreign exchange on cash balances	**14,248**	(6,501)
Increase (decrease) in cash and cash equivalents during the period	**94,882**	(43,610)
Cash and cash equivalents, beginning of period	**198,909**	141,575
Cash and cash equivalents, end of period	**$ 293,791**	$ 97,965

Supplemental cash flow information (Note 19)

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

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 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

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") and publicly accountable enterprises are required to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In the financial statements the term "CGAAP" refer to Canadian GAAP before the adoption of IFRS.

The unaudited consolidated interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), including IAS 34 *Interim financial reporting* and IFRS 1 *First time adoption of IFRS*, using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. Subject to certain transition elections disclosed in Note 3, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of June 14, 2011, the date that 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 the transition adjustments recognized on change-over to IFRS.

The Company's financial statements were previously prepared in accordance with CGAAP which can differ in some areas from IFRS. In preparing these interim financial statements in accordance with IFRS, management has recorded transitional adjustments. Note 3 discloses IFRS information that is material to the understanding of these financial statements. The interim consolidated financial statements should be read in conjunction with the Company's CGAAP annual financial statements for the year ended December 31, 2010.

The 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**

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from the amounts included in the financial statements.

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements include:

Depreciation, depletion and amortization of mineral properties, plant and equipment - Mineral properties, plant and equipment comprise a large component of the Company's assets and as such, the depreciation, depletion and amortization of these assets have a significant effect on the Company's financial statements. Upon commencement of commercial production, the Company amortizes the mineral property and mining equipment and other assets over the life of the mine based on the depletion of the mine's proven and probable reserves. In the case of mining equipment or other assets, if the useful life of the asset is shorter than the life of the mine, the asset is amortized over its expected useful life.

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

A change in the original estimate of reserves would result in a change in the rate of depreciation and amortization of the related mining assets and could result in an impairment of the mining assets. The effect of a change in the estimates of reserves would have a relatively greater effect on the amortization of the current mining operations at Aguablanca because of the short mine life of this operation. A short mine life results in a high rate of amortization and depreciation, and mining assets may exist at these sites that have a useful life in excess of the revised life of the related mine. The Neves-Corvo mine in Portugal and the Zinkgruvan mine in Sweden, which have longer mine lives, would be less affected by a change in the reserve estimate.

Valuation of mineral properties and exploration and development properties - The Company carries its mineral properties at cost less a provision for impairment. The Company expenses exploration costs, which are related to specific projects, until the commercial feasibility of the project is determinable. The costs of each property and related capitalized development expenditures are amortized over the economic life of the property on a units-of-production basis. Costs are charged to operations when a property is abandoned or when impairment in value that is other than temporary has been determined. General exploration costs are charged to the statement of operations as incurred.

The Company undertakes a review of the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sale volumes, unit sales prices, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates

are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

The Company, from time to time, acquires exploration and development properties. When a number of properties are acquired in a portfolio, the Company must make a determination of the fair value attributable to each of the properties within the total portfolio. When the Company conducts further exploration on acquired properties, it may determine that certain of the properties do not support the fair values applied at the time of acquisition. If such a determination is made, the property is written down, and could have a material effect on the balance sheet and statement of operations.

Goodwill - The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired is recorded as goodwill. Goodwill is allocated to the cash-generating units acquired based on management's estimates of the fair value of each cash-generating unit as compared to the fair value of the assets and liabilities of the cash-generating unit. Estimates of fair value may be impacted by changes in base metal prices, currency exchange rates, discount rates, level of capital expenditures, interest rate, operating costs and other factors that may be different from those used in determining fair value. Changes in estimates could have a material impact on the carrying value of the goodwill.

For cash-generating units that have recorded goodwill, the greater of the estimated fair value less cost to sell or value in use of the unit is compared to its carrying value at least once each year, or when circumstances indicate that the value may have become impaired. If the carrying value exceeds the estimated or implied fair value of goodwill, which is equal to management's estimate of potential value within the cash-generating unit, any excess of the carrying amount of goodwill over the estimated or implied goodwill is deducted from the carrying value of goodwill and charged to the current period earnings.

Income taxes - Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Stock-based compensation - The Company grants stock options to employees of the Company under its incentive stock option plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management is required to make certain assumptions and estimates regarding such items as the life of options, volatility and forfeiture rates. Changes in the assumptions used to estimate fair value could result in materially different results. Assumption details are discussed in the notes to the interim consolidated financial statements.

Decommissioning and site restoration - The Company has obligations for site restoration and decommissioning related to its mining properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future

expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The decommissioning and site restoration provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording decommissioning and site restoration provisions is to establish provisions for future mine closure costs at the commencement of mining operations based on the present value of the future cash flows required to satisfy the obligations. The amount of the present value of the provision is added to the cost of the related mining assets and depreciated over the life of the mine. The provision is accreted to its future value over the life of mine through a charge to operating costs. Actual results could differ from estimates made by management during the preparation of these consolidated financial statements, and those differences may be material.

(iii) **Significant accounting policies**

The significant accounting policies used in these consolidated financial statements are as follows:

(a) Basis of consolidation

The financial statements consist of the consolidation of the financial statements of the Company and its subsidiaries.

Subsidiaries are entities over which the Company has control, including the power to govern the financial and operating policies in order obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company. Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

(b) Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence, but not control, and is neither a subsidiary, nor an interest in a joint venture. A joint venture is an entity that is controlled jointly.

Investments in which the Company has the ability to exercise significant influence and joint ventures are accounted for by the equity method. Under this method, the investment is initially recorded at cost and adjusted thereafter to record the Company's share of post-acquisition earnings or loss of the investee as if the investee had been consolidated. The carrying value of the investment is also increased or decreased to reflect the Company's share of capital transactions, including amounts recognized in other comprehensive income, and for accounting changes that relate to periods subsequent to the date of acquisition.

(c) Translation of foreign currencies

The functional currency of each entity in the Company is the currency of the primary economic environment in which it operates. For many of the Company's entities, this is the currency of the country in which each operates. The Company's presentation currency is US dollars.

Transactions denominated in currencies other than the functional currency are recorded using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit and loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the statement of operations. However, exchange differences arising on the translation of certain non-monetary items are recognized as a separate component of equity.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into US dollars, which is the presentation currency of the group, at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period where these approximate the rates on the dates of transactions, and where exchange differences arise, they are recognized as a separate component of equity.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on deposit with banks, and highly liquid short-term interest bearing investments with a term to maturity at the date of purchase of 90 days or less.

(e) Inventories

Ore stockpile and concentrate stockpile inventories are valued at the lower of production cost and net realizable value. Production costs include direct costs of materials and labour related directly to mining and processing activities, including production phase stripping costs, depreciation and amortization of property, plant and equipment directly involved in the related mining and production process, amortization of any stripping costs previously capitalized and directly attributable overhead costs. Materials and supplies inventories are valued at average cost less allowances for obsolescence.

(f) Mineral properties

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges. Mineral property expenditures include:

i. Acquisition costs which consist of payments for property rights and leases, including the estimated fair value of exploration properties acquired as part of a business combination or the acquisition of a group of assets.

ii. Exploration and evaluation costs incurred on an area of interest once a determination has been made that a property has economically recoverable resources and there is a reasonable expectation that costs can be recovered by future exploitation or sale of the property. Exploration and evaluation expenditures made prior to a determination that a property has economically recoverable resources are expensed as incurred.

iii. Development costs incurred on an area of interest once management has determined that, based on a feasibility study, a property is capable of economical commercial

production as a result of having established a proven and probable reserve, are capitalized as development expenses. Development costs are directly attributable to the construction of a mine. When additional development expenditures are made on a property after commencement of production, the expenditure is deferred as mineral property expenditures when it is probable that additional economic benefit will be derived from future operations.

iv. Pre-production expenditures net of the proceeds from sales generated, if any, relating to any one area of interest are capitalized as mineral property expenditures until such time as production rates achieve sustained commercial production levels.

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

(g) Plant and equipment

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

Useful lives are as follows:

	Years
Buildings	20 - 50
Plant and machinery	5 - 20
Equipment	5

(h) Mining equipment under finance lease

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

(i) Impairment

The Company assess at each reporting period whether there is an indication that an asset may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the asset and compare against the asset's carrying amount. The recoverable amount is the higher of the fair value less cost to sell and the asset's value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the statement of operations during the period. Impairment assessments are made on the cash-generating unit level which is the smallest identifiable group of assets and liabilities that generate cash inflows independent from other assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The cash flows are based on best estimates of expected future cash flows from the continued use of the asset and its eventual disposal.

Fair value less costs to sell is best evidenced if obtained from an active market or binding sale agreement. Where neither exists, the fair value is based on the best estimates available to reflect the amount that could be received from an arm's length transaction.

Reversals of impairment arise from subsequent reviews of the impaired assets where the conditions which gave rise to the original impairments are deemed no longer to apply. The carrying value of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as a gain in the statement of operations in the period it is determined.

(j) Borrowing costs

Interest and financing costs on debt or other liabilities that are directly attributed to the acquisition, construction and development of a qualifying asset are capitalized to the asset. All other borrowing costs are expensed as incurred.

(k) Business combinations and goodwill

Acquisitions of businesses are accounted for using the purchase method of accounting whereby all identifiable assets and liabilities are recorded at their fair values as at the date of acquisition. Any excess purchase price over the aggregate fair value of net assets plus or minus the amounts recognized for future income taxes is recorded in the statement of operations. Goodwill is identified and allocated to cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. Goodwill is not amortized.

Goodwill is reviewed for impairment at least annually or when events or circumstances indicate that an assessment for impairment will be required. For purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the CGU may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the CGU is less than the carrying amount of that CGU, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to that CGU first, and then to the other assets of that CGU pro rata on the basis of the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognized directly in the consolidated statement of operations. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(l) Derivatives

The Company may enter into derivative instruments to mitigate exposures to commodity price and currency exchange rate fluctuations among other exposures. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as held-for-trading and recorded at their fair value with realized and unrealized gains or losses arising from changes in the fair value recorded in the statement of operations in the period they occur. Fair values for derivative

instruments classified as held-for-trading are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date. Realized gains and losses are recorded as a component of operating cash flows.

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless closely related to the host contract. All derivative instruments, including certain embedded derivatives that are separated from their host contracts, are recorded on the consolidated balance sheets at fair value and mark- to-market adjustments on these instruments are included in the consolidated statements of operations.

(m) Deferred revenue

Deferred revenue consists of payments received by the Company in consideration for future commitments to deliver silver contained in concentrate at contracted prices. As deliveries are made, the Company records a portion of the deferred revenue as sales, based on a proportionate share of deliveries made compared with the total estimated contractual commitment.

(n) Provision for pension obligations

The Company's Zinkgruvan mine has an unfunded defined benefit pension plan. The cost of the defined benefit pension plan is determined periodically by independent actuaries. The actuarial valuation is based on the projected benefit method pro-rated on service which incorporates management's best estimate of future salary levels, retirement ages of employees and other actuarial factors. Actuarial gains and losses which exceed 10% of the greater of the present value of the Company's pension obligations and the fair value of plan assets are amortized over the estimated remaining period of services to be received.

The amount recognized in the consolidated balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Payments to defined contribution plans are expensed when employees render service entitling them to the contribution.

(o) Decommissioning and site restoration

The Company has obligations for site restoration and decommissioning related to its mining properties. These costs are a normal consequence of mining, and the majority of these expenditures are incurred at the end of the life of the mine.

The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations are based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company records the fair value of its decommissioning and site restoration provision as a long-term liability as incurred and records an increase in the carrying value of the related asset

by a corresponding amount. The provision is discounted using a nominal, risk free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. The related decommissioning provision is recorded as part of the mineral property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the statement of operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, or provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the statement of operations.

(p) Revenue recognition

Revenue arising from the sale of metals contained in concentrates is recognized when title and the significant risks and rewards of ownership of the concentrates have been transferred to the customer in accordance with the agreements entered into between the Company and its customers. The Company's metals contained in concentrates are provisionally priced at the time of sale based on the prevailing market price as specified in the sales contracts. Variations between the price recorded at the time of sale and the actual final price received from the customer are caused by changes in market prices for the metals sold and result in an embedded derivative in accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of sales.

(q) Stock-based compensation

The Company grants share-based awards in the form of share options in exchange for the provision of services from certain employees, directors and officers. The share options are equity-settled awards. The Company determines the fair value of the awards on the date of grant. This fair value is charged to income using a graded vesting attribution method over the vesting period of the options, with a corresponding credit to contributed surplus. When the share options are exercised, the applicable amounts of contributed surplus are transferred to share capital. At the end of the reporting period, the Company updates its estimate of the number of awards that are expected to vest and records the effect in income.

(r) Deferred and current income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of operations because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and

liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and investments, and interests in joint ventures, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized to the extent that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(s) Income per share

Basic income per share is calculated using the weighted average number of common shares outstanding during each reporting period. Diluted income per share is calculated assuming the proceeds which would be received upon the exercise of outstanding stock options is used to calculate how many common shares could be purchased at the average market price during the year and cancelled. If the calculated result is dilutive, it is included in the diluted income per share calculation.

(t) Financial instruments

Financial instruments are recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument as fair value through profit or loss (“FVTPL”), available-for-sale (“AFS”), loans and receivables, held-to-maturity, or other financial liabilities.

Financial assets at FVTPL

A financial asset is classified as FVTPL if it has been acquired principally for the purpose of selling it in the near term or it is a derivative that is not designated and effective as a hedging instrument. A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if the financial asset forms part of a group of financial assets which is managed and its performance is evaluated on a fair value basis by management.

Subsequent re-measurements of FVTPL assets are re-valued with any gains or losses recognized in profit or loss. When the FVTPL financial instrument experiences an other-than-temporary decline in value, the loss is recognized in the consolidated statements of operations.

The Company has designated share investments and derivatives which do not qualify for hedge accounting as FVTPL.

Transaction costs for FVTPL assets are expensed.

Loans and receivables

Cash and cash equivalents, trade receivables, other current receivables and loans that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company classifies accounts payable and accrued liabilities and long-term debt as other financial liabilities.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Transaction costs for financial liabilities and all non-FVTPL financial instruments are netted upon initial recognition.

(u) New accounting pronouncements

- IFRS 7 *Financial instruments – disclosure*, was amended to require additional disclosure in respect of risk exposures arising from transferred financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Company is currently evaluating the impact of IFRS 7 amendment.

- IFRS 9 *Financial instruments*, issued in 2009, will replace IAS 39 *Financial instruments: Recognition and measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9.

- IFRS 10 *Consolidated financial statements* requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—special purpose entities* and parts of IAS 27 *Consolidated and separate financial statements*. This standard is effective for all annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10.

- IFRS 11 *Joint arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities—non-monetary contributions by venturers*. This standard is effective for all annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11.

- IFRS 12 *Disclosure of interests in other entities* establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for all annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12.

- IFRS 13 *Fair value measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for all annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13.

3. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

These are the first financial statements issued by the Company that comply with IFRS. These financial statements were prepared as described in Note 2, including the application of IFRS 1. IFRS 1 *First time adoption of International Financial Reporting Standards* ("IFRS 1"), sets out the procedures that the Company must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Company is required to establish its IFRS accounting policies and apply these retrospectively to determine the IFRS opening balance sheet as at the transition date of January 1, 2010.

IFRS 1, the standard dealing with the first time adoption of IFRS permits a number of optional exemptions and requires some mandatory exemptions from full retrospective application.

The Company is required to use the following mandatory exemptions as follows:

- Estimates cannot be created or revised using hindsight. The estimates previously made by the Company under CGAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policies.
- For non-controlling interests, IFRS 1 lists specific requirements of IAS 27 *Consolidated and separate financial statements* which are applied prospectively.

The Company has elected to use the following optional exemptions as follows:

- IFRS 1 allows for IFRS 3R *Business combinations*, to be applied either retrospectively (as from a date determined by the Company) or prospectively. Retrospective application would require that the Company restate all business combinations occurring before January 1, 2010, the date of transition to IFRS. The Company has chosen not to restate business combinations prior to January 1, 2010 in the opening balance sheet.
- IAS 21 *The effects of changes in foreign exchange rates*, requires a company to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS. The Company has reset cumulative translation differences to zero on transition to IFRS.
- IFRS 1 allows a company to initially measure an item of property, plant and equipment upon transition to IFRS at fair value, or under certain circumstances using a previous GAAP revaluation, as opposed to recreating depreciated cost under IFRS. The Company has used fair value as deemed cost for certain mineral properties.
- The Company elected the optional IFRS 1 election for decommissioning liabilities included in the cost of mineral properties. As part of applying this election, the Company measured its transition date decommissioning and site restoration liability under IAS 37 *Provisions, contingent liabilities and contingent assets*. The transition date decommissioning and site restoration liability was discounted back to the inception of the obligation in order to calculate the inception date asset value.
- The Company elected the IFRS 1 election for share based payments. This election allows all vested options prior to the date of transition to be accounted for under CGAAP. IFRS2 *Share based payments* is applied to unvested options from the transition date onwards.
- The Company elected the IFRS 1 election on designation of previously recognized financial instruments. On transition, the Company reclassified its AFS investments to FVTPL.

Impact of IFRS accounting policies on the Preparation of the Company's January 1, 2010 financial statements

The discussion below explains the key transitional adjustments between the preparation of financial statements under previous CGAAP and the 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. There was no material impact on the statements of cash flow at the transition date, March 31, 2010 or December 31, 2010.

- Reconciliation of consolidated balance sheet totals at the transition date, January 1, 2010 and the comparative date, December 31, 2010;
- Reconciliation of consolidated statements of changes in equity at the transition date, January 1, 2010, the comparative interim period date, March 31, 2010 and December 31, 2010; and
- Reconciliation of consolidated statement of operations and comprehensive income (loss) for the comparative three months ended March 31, 2010 and the year ended December 31, 2010.

Reconciliation of consolidated balance sheet totals reported under CGAAP to IFRS:

		December 31, 2010	January 1, 2010
Total assets - CGAAP		$ 3,833,388	$ 3,740,143
Decommissioning liabilities included in the cost of mineral properties	(a)	(5,095)	(9,108)
Investment in Tenke Fungurume	(f), (h)	(7,727)	(4,987)
Deferred tax assets recognized on above		5,750	4,175
Total assets - IFRS		**$ 3,826,316**	**$ 3,730,223**
Total liabilities - CGAAP		$ 665,277	$ 824,901
Decomissioning liabilities included in the cost of mineral properties	(a)	3,724	1,895
Deferred income tax liabilities recognized on above		3,729	969
Deferred income tax liabilities derecognized	(h)	-	(5,400)
Total liabilities - IFRS		**$ 672,730**	**$ 822,365**

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

		December 31, 2010	March 31, 2010	January 1, 2010
Total equity - CGAAP		$ 3,168,111	$ 2,898,470	$ 2,915,242
Transitional adjustments:				
AOCI - CTA	(b)	(244,507)	(242,365)	(241,550)
AOCI - AFS	(c)	(16,835)	(38,552)	(23,501)
Contributed Surplus	(d)	(583)	(387)	(572)
Retained earnings		247,400	272,119	258,239
Total equity - IFRS		**$ 3,153,586**	**$ 2,889,285**	**$ 2,907,858**

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

		Year ended December 31, 2010	Three months ended March 31, 2010
Net income - CGAAP		$ 317,124	$ 37,985
Accretion of decommisioning and site restoration provisions	(a)	710	198
Stock-based compensation	(d)	10	(184)
Depreciation, depletion and amortization	(a)	1,528	465
Income from investment in Tenke Fungurume	(f)	(2,740)	(2,740)
Revaluation of marketable securities	(c)	(6,668)	15,051
Foreign exchange loss	(g)	3,127	1,236
Future income tax recovery on above adjustments		(6,810)	(145)
Net income - IFRS		**$ 306,281**	**$ 51,866**
Other comprehensive loss - CGAAP		$ (70,062)	$ (56,066)
Revaluation of AFS	(b)	(36,793)	(15,876)
Reclassification adjustment of gains included in net income	(c)	43,460	825
Cumulative foreign exchange currency translation adjustment	(g)	(2,954)	(816)
Other comprehensive loss - IFRS		**$ (66,349)**	**$ (71,933)**
Comprehensive income (loss) - IFRS		**$ 239,932**	**$ (20,067)**

Transitional adjustments

a) Significant changes from the CGAAP method of accounting for decommissioning and site restoration liability in comparison to IAS 37 includes the periodic re-assessment of discount rates and inflation rates in the measurement of decommissioning and site restoration. In addition, the layer approach under CGAAP is no longer applied. The effects of these changes on the transition date equity balance was a reduction of $7.8 million. During the quarter ended March 31, 2010, the reduction in accretion expense recorded based on the restated decommissioning and site restoration balance was $0.2 million and the reduction in depreciation expense recorded based on the restated mineral properties balance was $0.5 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 AFS investments to FVTPL 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 to equity. For the quarter ended March 31, 2010, the net effect to comprehensive income is nil. During the quarter ended March 31, 2010, $15.1 million of previously recognized gains and losses 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. Applied retroactively the effect of this change had a $0.5 million decrease on contributed surplus as at the date of transition. During the quarter ended March 31, 2010, the impact of this change resulted in a $0.2 million decrease on comprehensive income.

e) Under CGAAP, a two step process was used to determine impairment. The first step, using undiscounted cash flows, is undertaken to determine if impairment exists. If the carrying values

exceed the undiscounted cash flows, the second step measures the impairment using discounted cash flows. In accordance with, IAS 36 *Impairment of assets*, the test for impairment is not a two step process and impairment tests are undertaken using discounted cash flows only. For the Neves-Corvo, Aguablanca and Galmoy mines the fair value as deemed cost IFRS 1 election was applied to the mineral properties and certain property, plant and equipment balances. As such, no adjustments were required on the transition date. The basis for the fair value was previously recognized CGAAP valuations. The aggregate fair value used as deemed cost is $63.5 million at the date of transition.

f) The financial statements of the Company's equity investment in Tenke Fungurume are reported in accordance with 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 quarter ended March 31, 2010, the effect of this change to net income is a reduction of $2.7 million.

g) 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 will be elected to reset cumulative translation differences to retained earnings. During the quarter ended March 31, 2010, the impact on foreign exchange gains and losses on the Statement of operations was an increase of $1.2 million.

h) In accordance with IAS 12 *Income taxes*, temporary differences which arise on the acquisition of assets are not permitted to be recognized either on initial recognition or subsequently. The Company accounted for its acquisition of Tenke Mining Corp. as an asset purchase and recorded a deferred tax liability under CGAAP. This tax liability has been derecognized on transition to IFRS in order to comply with IAS 12.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	March 31, 2011	December 31, 2010	January 1, 2010
Cash	**$ 160,316**	$ 136,898	$ 102,774
Short term investments	**133,475**	62,011	38,801
	$ 293,791	$ 198,909	$ 141,575

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	March 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	**$ 137,026**	$ 207,508	$ 146,721
VAT and other receivables	**32,668**	26,312	48,649
	$ 169,694	$ 233,820	$ 195,370

The Company does not have any significant balances that are past due. All trade receivables are current, and the Company does not have any 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 $130.7 million, €22.8 million, SEK36.7 million and C$0.7 million.

6. INVENTORIES

Inventories comprise the following:

	March 31, 2011	December 31, 2010	January 1, 2010
Ore stockpiles	**$ 8,273**	$ 5,156	$ 3,884
Concentrate stockpiles	**13,761**	6,354	2,168
Materials and supplies	**21,005**	20,178	21,467
	$ 43,039	$ 31,688	$ 27,519

The cost of inventories recovered during the period and included in operating costs was $9.1 million (2010 - $8.6 million expensed).

7. 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	55,851	18,735	-	52,716	127,302
Disposals and other	5,635	(1,112)	-	(6,455)	(1,932)
Effects of changes in foreign exchange rates	(48,997)	(27,920)	(3,718)	2,018	(78,617)
As at December 31, 2010	$ 1,464,118	$ 479,230	$ 51,855	$ 96,526	$ 2,091,729
Additions	20,285	842	-	16,209	37,336
Disposals and other	-	(82)	-	-	(82)
Effects of changes in foreign exchange rates	95,405	36,192	3,280	6,773	141,650
As at March 31, 2011	**$ 1,579,808**	**$ 516,182**	**$ 55,135**	**$ 119,508**	**$ 2,270,633**

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	92,245	30,504	-	-	122,749
Disposals and other	-	(6,272)	-	-	(6,272)
Effects of changes in foreign exchange rates	(6,407)	(11,477)	-	-	(17,884)
As at December 31, 2010	$ 646,959	$ 195,431	$ -	$ -	$ 842,390
Depreciation, depletion and amortization	20,945	12,846	-	-	33,791
Disposals and other	-	(14)	-	-	(14)
Effects of changes in foreign exchange rates	45,528	18,698	-	-	64,226
As at March 31, 2011	**$ 713,432**	**$ 226,961**	**$ -**	**$ -**	**$ 940,393**

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at January 1, 2010	$ 890,508	$ 306,851	$ 55,573	$ 48,247	$ 1,301,179
As at December 31, 2010	$ 817,159	$ 283,799	$ 51,855	$ 96,526	$ 1,249,339
As at March 31, 2011	**$ 866,376**	**$ 289,221**	**$ 55,135**	**$ 119,508**	**$ 1,330,240**

Depreciation, depletion and amortization is comprised of:

	Three months ended March 31,	
	2011	2010
Operating costs	**$ 35,399**	$ 35,635
General and administrative expenses	**75**	77
Depreciation, depletion and amortization	**$ 35,474**	$ 35,712

8. INVESTMENT IN TENKE FUNGURUME

	March 31, 2011	December 31, 2010
Balance, beginning of period	**$ 1,735,148**	$ 1,628,753
Advances	**5,369**	30,521
Share of equity income	**24,865**	75,874
Balance, end of period	**$ 1,765,382**	$ 1,735,148

During the quarter ended March 31, 2011, the Company made cash advances of $5.4 million to fund its portion of Tenke Fungurume Mining Corp S.A.R.L ("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. The amounts were funded through loans from FCX to the project and are non-recourse to the Company.

During the quarter, $37.8 million of the balance of this financing arrangement was repaid to FCX by TFM (March 31, 2011 balance, $70.6 million). The balance owing will be repaid to FCX on a priority basis from future operating cash flows of TFM.

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

	Three months ended March 31,	
	2011	2010
Total assets	**$ 2,542,152**	$ 2,380,186
Total liabilities	**$ 1,071,829**	$ 1,370,360
Total revenue	**$ 309,225**	$ 248,631
Net income	**$ 90,810**	$ 60,401

9. GOODWILL

The following table summarizes changes to the carrying value of goodwill:

	EuroZinc	Rio Narcea	Total
Goodwill, January 1, 2010	$ 180,259	$ 69,561	$ 249,820
Effect of changes in foreign exchange rates	(12,271)	(4,736)	(17,007)
Goodwill, December 31, 2010	167,988	64,825	232,813
Effect of changes in foreign exchange rates	10,625	4,101	14,726
Goodwill, March 31, 2011	**$ 178,613**	**$ 68,926**	**$ 247,539**

10. LONG-TERM DEBT AND FINANCE LEASES

	March 31, 2011	December 31, 2010	January 1, 2010
Revolving credit facility	**$ -**	$ -	$ 141,620
Somincor commercial paper program	**21,198**	29,276	38,713
Capital lease obligations	**5,701**	5,824	4,693
Rio Narcea debt	**4,876**	4,564	5,862
	31,775	39,664	190,888
Less: current portion due within one year	**2,646**	2,512	2,536
	$ 29,129	$ 37,152	$ 188,352

	Total
As at January 1, 2010	$ 190,888
Additions	2,245
Payments	(157,637)
Effect of changes in foreign exchange rates	4,168
As at December 31, 2010	39,664
Payments	(10,277)
Effect of changes in foreign exchange rates	2,388
As at March 31, 2011	**31,775**
Less: current portion due within one year	**(2,646)**
	$ 29,129

11. EMPLOYEE BENEFITS

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

	Three months ended March 31, 2011	2010
Operating costs		
Wages and salaries	**$ 28,407**	$ 22,278
Post-retirement benefits	**127**	213
Stock-based compensation	**340**	332
	28,874	22,823
General and administrative expenses		
Wages and salaries	**2,773**	2,192
Post-retirement benefits	**58**	179
Stock-based compensation	**658**	515
	3,489	2,886
General exploration and project investigation		
Wages and salaries	**597**	519
	$ 32,960	$ 26,228

12. DECOMISSIONING AND OTHER SITE RESTORATION PROVISIONS

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

	Decomissioning provisions	Other site restoration	Total
Balance, January 1, 2010	$ 108,539	$ 20,140	$ 128,679
Accretion	4,396	-	4,396
Accruals for services	-	547	547
Changes in estimates	-	(2,114)	(2,114)
Payments	(5,882)	(2,581)	(8,463)
Effect of changes in foreign exchange rates	(5,652)	-	(5,652)
Balance, December 31, 2010	$ 101,401	$ 15,992	$ 117,393
Accretion	734	-	734
Accruals for services	-	362	362
Payments	(1,312)	-	(1,312)
Effect of changes in foreign exchange rates	6,255	1,026	7,281
Balance, March 31, 2011	**107,078**	**17,380**	**124,458**
Less: current portion due within one year	**(4,789)**	**(632)**	**(5,421)**
	$ 102,289	**$ 16,748**	**$ 119,037**

13. 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 $1.0 million for the quarter ended March 31, 2011 (2010 - $0.5 million) with a corresponding credit to contributed surplus. The fair value of the stock options granted at the date of the grant using the Black-Scholes pricing model assumes risk-free interest rate of 1.6% (2010 – 1.3%) , no dividend yield, expected life of 1.9 years (2010 – 2.0 years) with an expected price volatility of 62% (2010 - 92%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of 15.73% is applied (2010 – 14.89%). As at March 31, 2011, there was $1.0 million of unamortized stock compensation expense (2010 - $7.6 million).

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

	Number of options		Weighted average exercise price (C$)
Outstanding, January 1, 2010	9,170,370	$	6.93
Granted during the year	340,834		4.41
Cancelled/forfeited during the year	(1,463,768)		10.65
Exercised during the year	(982,891)		3.60
Outstanding, December 31, 2010	7,065,545	$	6.55
Granted during the period	348,333		7.92
Cancelled/forfeited during the period	(240,000)		4.38
Exercised during the period	(1,274,097)		4.42
Outstanding, March 31, 2011	**5,899,781**	**$**	**7.19**

During the first quarter of 2011, 1,274,097 common shares were issued as a result of options being exercised (2010 - 184,109).

(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 period ended March 31, 2011 is comprised of 1,501,790 shares (2010 – 491,489) which relate to exercisable outstanding stock options.

14. FINANCE INCOME

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

	Three months ended March 31,			
		2011		2010
Interest expense and bank fees	**$**	**(1,279)**	$	(2,211)
Accretion of decommissioning and site restoration provisions		**(734)**		(1,186)
Interest income		**1,231**		473
Revaluation gains on marketable securities		**2,390**		15,677
Loss on derivative contracts		**-**		(460)
Finance income	**$**	**1,608**	$	12,293

The Company has not capitalized any interest during the period.

For the quarter ended March 31, 2010, the Company recorded a $0.5 million loss on its copper collar arrangements and paid $20.4 million to settle 10,251 tonnes of copper derivative contracts. There are no copper derivative contracts outstanding March 31, 2011.

15. OTHER INCOME AND EXPENSES

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

	Three months ended March 31,	
	2011	2010
Other income	**$ 513**	$ 1,401
Other expense	**(802)**	(325)
Foreign exchange (loss) gain	**(16,149)**	8,592
Other income and expenses	**$ (16,438)**	$ 9,668

16. COMMITMENT

The Company has capital commitments of $48.2 million. Future minimum payments of these commitments as at March 31, 2011 are as follows:

2011	$ 35,930
2012	12,320
Total	$ 48,250

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. Segments are operations reviewed by the executive management. Each segment is identified based on quantitative factors, whereby its revenues or assets comprise 10% or more of the total revenues or assets of the Company.

Segmented information - operational
For the three months ended March 31, 2011

	Neves Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Tenke Fungurume DRC	Other	Total
Sales	$ 156,562	$ 47,585	$ (1,934)	$ 9,244	$ -	$ -	$ 211,457
Income before undernoted	99,448	23,966	(7,446)	7,824	-	(10,235)	113,557
Depreciation, depletion and amortization	(28,621)	(5,956)	(805)	(17)	-	(75)	(35,474)
General exploration and project investigation	(6,703)	(137)	(523)	-	-	(1,534)	(8,897)
Finance income (costs)	562	(74)	73	84	-	963	1,608
Income from equity investment in Tenke	-	-	-	-	24,865	-	24,865
Other income and expenses	(13,930)	(6,500)	(727)	216	-	4,503	(16,438)
Income tax (expense) recovery	(12,436)	(2,680)	8,533	(112)	-	(1,366)	(8,061)
Net income (loss)	$ 38,320	$ 8,619	$ (895)	$ 7,995	$ 24,865	$ (7,744)	$ 71,160
Capital assets*	$ 1,046,242	$ 237,034	$ 39,024	$ 7,007	$ 1,765,382	$ 933	$ 3,095,622
Total segment assets	$ 1,595,092	$ 336,076	$ 174,047	$ 53,346	$ 1,765,382	$ 86,098	$ 4,010,041
Capital expenditures	$ 29,789	$ 9,354	$ 1,276	$ 34	$ 5,369	$ 31	$ 45,853

For the three months ended March 31, 2010	Neves Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Tenke Fungurume DRC	Other	Total
Sales	$ 60,210	$ 35,656	$ 44,658	$ 1,155	$ -	$ -	$ 141,679
Income before undernoted	26,813	19,152	24,956	(90)	-	(4,998)	65,833
Depreciation, depletion and amortization	(24,033)	(4,005)	(7,552)	(20)	-	(102)	(35,712)
General exploration and project investigation	(3,503)	-	(357)	-	-	(772)	(4,632)
Finance (costs) income	(1,167)	(233)	(293)	(15)	-	14,001	12,293
Income from equity investment in Tenke	-	-	-	-	14,453	-	14,453
Other income and expenses	6,700	747	(115)	96	-	2,240	9,668
Income tax recovery (expense)	1,870	(4,030)	(7,931)	(111)	-	165	(10,037)
Net income (loss)	$ 6,680	$ 11,631	$ 8,708	$ (140)	$ 14,453	$ 10,534	$ 51,866
Capital assets*	$ 982,916	$ 191,092	$ 49,317	$ 6,710	$ 1,653,541	$ 75	$ 2,883,651
Total segment assets	$ 1,317,917	$ 245,015	$ 208,132	$ 37,065	$ 1,653,541	$118,482	$ 3,580,152
Capital expenditures	$ 18,741	$ 11,542	$ 145	$ -	$ 7,595	$ 48	$ 38,071

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

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

	Three months ended March 31,			
		2011		2010
Copper	**$**	**152,892**		66,965
Zinc		**39,185**		22,498
Lead		**17,000**		13,644
Nickel		**(717)**		34,252
Other		**3,097**		4,320
	$	**211,457**		141,679

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

	Three months ended March 31,			
		2011		2010
Europe	**$**	**183,451**	$	99,269
South America		**27,749**		(2,248)
Asia		**195**		44,658
North America		**62**		-
	$	**211,457**	$	141,679

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 8).

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 March 31,			
		2011		2010
Wages and salaries	**$**	**2,843**	$	1,521
Post-retirement benefits		**32**		27
Stock based compensation		**326**		225
	$	**3,201**	$	1,773

c) Other related parties - During the first quarter ended March 31, 2011, the Company paid $0.1 million (2010 - $0.1 million) for services provided by a company owned by the Chairman of the Company.

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2011	2010
Changes in non-cash working capital items consist of:		
Trade receivables and other current assets	**$ 59,368**	$ 42,107
Trade payables and other current liabilities	**4,325**	9,014
	$ 63,693	$ 51,121
Operating activities included the following cash payments:		
Interest paid	**$ 788**	$ 2,150
Income taxes paid	**$ 8,409**	$ 2,372

20. SUBSEQUENT EVENT

On April 18, 2011, the government of the DRC issued a Presidential Decree approving the amendments to the Tenke Fungurume Mining SARL's mining contracts. Subsequent to March 31, 2011, the Company's effective ownership interest in Tenke Fungurume will decrease from 24.75% to 24.0%.