lundin mining

2011 Annual Filings

December 31, 2011

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Management's Discussion and Analysis
For the year ended December 31, 2011

This management's discussion and analysis has been prepared as of February 22, 2012 and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 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 an equity stake in the world class Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo ("DRC"), which is undergoing expansion to 195,000 tonnes per annum of copper cathode production.

Cautionary Statement on Forward-Looking Information

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

Highlights

Operational and Financial Performance

***Wholly-owned operations*:** A strong fourth quarter of production generated higher than guided copper production while zinc and lead production ended the year essentially in line with expectations.

- At Neves-Corvo, ore mined and milled reached record levels helping to overcome production shortfalls earlier in the year caused by mining in large areas of low-grade ore. For five consecutive years, Neves-Corvo has exceeded the previous year's volume of copper ore mined.
- Zinkgruvan also reached new record levels of ore mined and milled and ended the year with its best quarter of zinc and copper production. It overcame production shortfalls earlier in the year caused by mechanical issues at both the zinc and copper mill circuits which have since been resolved.
- At Aguablanca, significant progress has been made in re-establishing the pit ramp ahead of restart of nickel/copper mining operations scheduled for the second half 2012.
- Mining of remnant high grade ore and associated profits from Galmoy continued throughout the year and this provided a better than expected contribution to the Company's cash position.
- In addition to achieving record tonnages mined and milled at Neves-Corvo and Zinkgruvan, the Company also achieved a significant improvement in safety performance. In 2011, Total Recordable Incident Frequency was the lowest in the Company's history at 1.61. A similar improvement was achieved in the frequency of Lost Time Incidents for the year.

Tenke: The mine and mill at Tenke continues to perform well and met 2011 production guidance.

- Another milestone at Tenke Fungurume was achieved through the formal announcement of advancing the $850 million Phase II Expansion which will bring total production capability of the mine to 195,000 tonnes per annum ("tpa") of copper cathode with associated cobalt. Construction on this major expansion was well advanced by 2011 year end and is tracking on schedule and on budget, targeting completion in 2013.

Total production, compared to the latest guidance and prior years, was as follows:

	Years ended December 31				
	2011 Actual	*2011 Guidance*	2010 Actual	2009 Actual	2008 Actual
Copper (tonnes)	**75,877**	*71,500*	80,035	93,451	97,944
Zinc (tonnes)	**111,445**	*111,500*	90,129	101,401	151,157
Lead (tonnes)	**41,130**	*42,000*	39,568	43,852	44,799
Nickel (tonnes)	**nil**	*nil*	6,296	8,029	8,136
Copper (tonnes) Tenke attributable (24.75%)	**31,523**	*30,400*	29,767	17,325	-

- Operating earnings[1] decreased by $87.9 million from $461.7 million in 2010 to $373.8 million in 2011 and sales decreased from $849.2 million in 2010 to $783.8 million in 2011. Both the decreases in sales and operating earnings[1] were largely attributable to the suspension of operations at Aguablanca which had a negative impact of $60.8 million on comparative operating earnings and $131.7 million on sales.

- Excluding Aguablanca, operating earnings for the year were $390.5 million, only $27.1 million lower than the $417.6 million attributable to 2010. Favourable price and price adjustments ($40.8 million) and higher sales volume ($18.8 million) were more than offset by the effect of higher costs of $61.3 million. In addition, the € and SEK both strengthened against the US dollar in 2011 compared to 2010, resulting in a further increase in operating costs of $25.4 million.

- Sales, excluding Aguablanca increased by $66.3 million from $719.4 million in 2010 to $785.7 million in 2011. Higher metal prices ($40.8 million) and an increase in sales volume ($25.5 million), particularly at Galmoy, contributed to the overall increase.

  Average 2011 metal prices for copper and lead were higher by 17% and 12%, respectively, while the average price for zinc remained relatively unchanged compared to 2010.

- Operating costs (excluding depreciation) increased by $14.7 million year on year; excluding Aguablanca, the increase was $85.5 million and is primarily attributable to:

  - Neves-Corvo ($53.4 million): higher production cost in 2011 associated with the mining of lower grade ore and the increased use of contractors, partially offset by a one-time prior period royalty charge in 2010 of $8.1 million;
  - Zinkgruvan ($25.4 million): higher unit costs and the strengthening of the SEK against the US dollar; and
  - Galmoy ($6.7 million): more than doubling of ore mined and metal produced.

- General and administrative expenses increased by $7.8 million. Corporate development costs of $6.8 million were incurred in 2011 associated with the planned merger with Inmet Mining Corporation ("Inmet"), responding to Equinox Mineral Limited's ("Equinox") unsolicited take-over bid and the Company's subsequent strategic review.

- Net earnings of $183.8 million ($0.32 per share) were $122.5 million below the $306.3 million ($0.53 per share) reported in 2010. In addition to lower operating earnings[1] of $87.9 million, the decrease in net earnings was related to:

  - higher depreciation ($31.9 million) as a result of increase in ore mined, commissioning of the new zinc expansion at Neves-Corvo and the new copper mill at Zinkgruvan;
  - lower net finance income ($49.2 million) due to higher revaluation gain on marketable securities of $39.9 million and gain on derivatives contracts of $10.2 million recorded in 2010; and
  - goodwill impairment of $35.7 million related to Aguablanca; partially offset by
  - increase in equity earnings from investment in Tenke Fungurume ($18.8 million), and lower income taxes.

[1] Operating earnings is a non-IFRS measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs. See page 43 of this MD&A for discussion of non-IFRS measures.

- Cash flow from operations for the year was $308.7 million compared to $276.1 million for 2010. The decrease in operating earnings[1] of $87.9 million is offset by the net increase in non-cash working capital change of $89.1 million. Also, included in 2010 is the cash outflow of $30.6 million that the Company paid to settle its derivative contracts.

- An impairment analysis on the Aguablanca operation concluded that the recoverable value of the mine's net assets were lower than their carrying value. A number of factors contributed to the identification of an impairment at Aguablanca in 2011. Associated with the late-2010 slope failure, refined technical plans were developed in 2011 and were a triggering factor. In addition, the Company chose to early adopt IFRIC 20 related to deferred stripping which had the effect of increasing the carrying amount of Aguablanca's assets by $14.9 million. Thus, in comparing Aguablanca's recoverable amount to its carrying value, a $35.7 million impairment loss was measured and was allocated to goodwill during the fourth quarter of 2011.

- In August 2011, a new mine contractor was mobilized at Aguablanca to commence pit push-backs and reinstatement of the pit haul ramp. The restart of Aguablanca concentrate production is expected in the second half of 2012. An underground mining study was also initiated intended to define potential high grade underground feed to supplement open pit production.

- The Neves-Corvo Zinc Expansion project was completed in July 2011 on budget and on schedule. Given the continued high price ratio of copper to zinc, this new circuit was converted to processing copper ore until the end of the year for better margins.

- In September 2011, the Company released the results of a Feasibility Study on the Lombador Phase I development demonstrating that the exploitation of the upper portions of the Lombador zinc/copper ore bodies could extend the mine life to at least 2026 and create a platform for further extensions. The optimal development plan for Lombador is being further examined in conjunction with assessing exploitation concepts for the Semblana copper discovery.

  Initial results of the Future Underground Materials Handling Study indicated two preferred options to pursue the exploitation of the Lombador copper/zinc resource and the Semblana copper deposit (see news release dated January 23, 2012 entitled "*Lundin Mining Reports on Neves-Corvo Future Underground Materials Handling Study").* Additional review is underway, taking into account ongoing exploration results, to further assess the two options.

Tenke Fungurume

- Milling facilities at the Tenke Fungurume mine continued to perform well with throughput averaging 11,100 metric tons of ore per day in 2011.

- For the year ended December 31, 2011, Tenke produced 127,367 tonnes of copper and sold 128,284 tonnes at an average realized price of $3.74 per pound. During the year, 11,182 tonnes of cobalt in hydroxide was produced and 11,515 tonnes were sold at an average realized price of $9.99 per pound.

- During the third quarter of 2011, the Excess Overrun Cost facility ("EOC facility"), related to the Company's proportionate share of the Phase I development at Tenke, was fully repaid enabling the Company's share of ongoing surplus cash from operations to be utilized to fund the Phase II Expansion.

- Attributable operating cash flow at Tenke Fungurume for the 2011 was $149.4 million.

- The Company received its first cash return on its investment in Tenke Fungurume with $7.8 million received during the month of September 2011.

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

(US$ millions)	Three months ended Dec 31 **2011**	2010	Year ended Dec 31 **2011**	2010
Cash advances to Tenke	**(34.5)**	(7.6)	**(64.5)**	(30.5)
Distributions from Tenke	**-**	-	**7.8**	-
Repayments on EOC facility	**-**	40.4	**108.4**	118.7
Attributable net cash (outflow) inflow	**(34.5)**	32.8	**51.7**	88.2

- On April 18, 2011, the Company reported that the government of the DRC had issued a Presidential Decree approving the amendments to the Tenke Fungurume Mining contracts. This formalized the conclusion of the review process by the DRC government and acknowledged the parties' continued commitments to the rights and benefits granted under the contract. The amendments are more fully discussed in a press release dated October 22, 2010 entitled "*Lundin Announces Successful Completion of Tenke Fungurume Contract Review Process".*

- The Phase II Expansion feasibility study to optimize the current plant and increase capacity was completed during the year under the direction of the operator, Freeport-McMoRan Copper & Gold Inc. ("Freeport"). Freeport plans to expand the mill rate to 14,000 tonnes per day. The expansion includes the completion of mill upgrades, acquisition of additional mining equipment, construction of a new tankhouse and a sulfuric acid plant through the investment of $850 million. The Phase II Expansion is expected to take total plant production of copper cathode up to at least 195,000 tpa. Early works on this expansion, funded by the partners and from excess cash flow from operations, continued on site during the year.

Corporate Highlights

- On January 12, 2011, Lundin and Inmet announced that they had entered into an arrangement agreement to merge and create Symterra Corporation. Subsequent to this announcement, Equinox Minerals Limited ("Equinox") made an unsolicited take-over bid to acquire all of the outstanding common shares of Lundin.

  On March 29, 2011, Lundin and Inmet jointly announced the termination of the arrangement agreement dated January 12, 2011. Also on that day, Lundin announced that its Board of Directors had adopted a limited duration Shareholder Rights Plan ("Rights Plan") to enable a full consideration of strategic alternatives.

  On April 25, 2011, Equinox announced the withdrawal of its offer to acquire the common shares of Lundin Mining. Subsequent to the hostile take-over bid for Lundin Mining, Equinox became subject to a take-over bid by Barrick Gold Corporation which was conditional on Equinox abandoning its bid for Lundin Mining.

- On May 25, 2011, Lundin announced the conclusion of its strategic review process and the Rights Plan expired on May 31, 2011 and was not renewed.

- On September 1, 2011, the Company reported its Mineral Reserve and Resource estimates as at June 30, 2011. The full release can be found on the Company's website at www.lundinmining.com.

- In the third quarter of 2011, the Company announced the permanent appointment of Paul Conibear as President and Chief Executive Officer after Mr. Conibear held the role on an interim basis following the retirement of Phil Wright on June 30, 2011.

- On December 15, 2011, the Company released an interim report on exploration activities including an initial Inferred Resource for the Semblana Copper Deposit located adjacent to its 100% owned Neves-Corvo mine in southern Portugal.

Financial Position and Financing

- Net cash[1] at December 31, 2011 was $236.1 million compared to a net cash[1] position $159.2 million at the end of 2010.

- The $76.9 million increase in net cash during the year was primarily attributable to cash flow from operations ($308.7 million), including $54.8 million generated from working capital offset by: investment in mineral property, plant and equipment ($179.1 million), investment in Tenke Fungurume expansion and sustaining capital works ($64.5 million) and net repayment of debt ($10.5 million). Cash on hand at December 31, 2011 was $265.4 million.

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

Outlook

2012 Production and Cost Guidance

- 2012 production targets and a three year production look ahead for wholly-owned operations remain unchanged from the guidance provided on December 12, 2011 (see news release entitled *"Lundin Mining Provides Operating Outlook for 2012-2014"*). 2012 guidance is as follows:

		2012 Guidance	
(contained tonnes)		**Tonnes**	**C1 Cost** [a,b]
Neves-Corvo	*Cu*	*52,500 – 57,000*	*1.80*
	Zn	*30,000 – 40,000*	
Zinkgruvan	*Zn*	*75,000 – 81,000*	*0.25*
	Pb	*34,000 – 39,000*	
	Cu	*2,000 – 3,000*	
Galmoy [c]	*Zn*	*4,000 – 4,500*	
(in ore)	*Pb*	*500 – 1,000*	
Aguablanca	*Ni*	*500 – 1,000*	
	Cu	*500 – 1,000*	
Total: Wholly-owned operations	*Cu*	*55,000 – 61,000*	
	Zn	*109,000 – 125,500*	
	Pb	*34,500 – 40,000*	
	Ni	*500 - 1,000*	
Tenke: 24.0% attributable share [d]	*Cu*	*31,560*	*1.13*

a. Cash costs remain dependent upon exchange rates (€/USD: 1.35, USD/SEK: 6.50) and metal prices (Cu: $3.50, Zn: $0.95).
b. Cash cost is a non-IFRS measure reflecting the sum of direct costs less by-product credits. See non-IFRS Performance Measures on page 43 of this MD&A.
c. Production tonnage is based on a 50% attributable-share to Lundin Mining.
d. Freeport has provided 2012 sales guidance which is assumed to approximate Tenke's production. Lundin Mining anticipates production from Tenke's attributable share will be reduced to 24.0% from 24.75% after obtaining approval of the modifications to the bylaws, as noted in the *Tenke Fungurume* discussion on page 23 of this MD&A.

- **Neves-Corvo**: Copper production is expected to be reduced from previous years as remaining reserves include a higher proportion of lower grade stockworks which provide for less predictable ore characteristics, lower recoveries and higher costs. Zinc production is expected to be at least 30,000 tonnes.

- **Zinkgruvan**: Zinc, lead and copper production are expected to see modest increases compared to 2011 with further upside potential depending on plant de-bottlenecking initiatives.

- **Aguablanca:** Production is expected to resume in the second half of 2012. Reserves represent approximately five years of production, averaging 7,500 tonnes of nickel and 6,500 tonnes of copper per annum.

- **Galmoy:** High grade mining is expected to conclude in the first half of 2012, with sales continuing to be recognized into 2013 as stockpiled ore is milled at a third party processing facility.

- **Tenke:** Freeport, the mine's operator, expects sales of copper to increase to 131,500 tonnes with sales of cobalt comparable to 2011. The Phase II expansion project to 195,000 tpa of copper cathode (production on a 100% basis) is expected to be completed in 2013.

2012 Capital Expenditure Guidance

Capital expenditures for 2012 are now expected to be $370 million. This represents a $40 million reduction from our previously released estimate of December 12, 2011. The change is a result of updated figures for new investment in Tenke, and our guidance now includes:

- **Sustaining capital in European operations:** $95 million (2011 - $127 million). The decrease is related to slightly lower sustaining capital expenditures at Neves-Corvo for the year ahead.

- **New investment capex in European operations:** $65 million (2011 - $52 million), consisting of:
  - Lombador Phase I ($40 million) including underground development, final SAG mill delivery payments and other critical path items.
  - Neves-Corvo dam ($13 million) related to tailings and water storage capacity increases.
  - Other plant improvements and debottlenecking initiatives ($12 million) at both Neves-Corvo and Zinkgruvan.

- **New investment in Tenke:** Freeport expects the Phase II expansion at Tenke will be completed by the first quarter of 2013. Lundin Mining's share of expansion funding and sustaining capital funding may be up to $210 million for 2012. As guided by Freeport, total capital expenditure for the Phase II Expansion is expected to be $850 million. If metal prices remain strong, the capital spend is expected to be cash neutral to the Company, as Tenke's operating cash flows should be sufficient to meet this capital funding requirement.

Exploration Investment

- Exploration expenditures are expected to increase from $42.6 million in 2011 to $50 million in 2012. Approximately $34 million of this will be spent at Neves-Corvo, where a 90,000 metre surface drilling program is planned for 2012 which will continue to test resource expansion targets at Semblana in addition to drill-testing the multiple high priority targets recently identified within the Neves-Corvo near mine area. In addition, the 2012 exploration program is expected to test several greenfield targets in the Iberian region, as well as continued resource definition drilling at the Company’s Clare and Lakelands exploration projects in Ireland.

Selected Quarterly and Annual Financial Information

(USD millions, except per share amounts)	2011	2010	2009[5]
	Years ended December 31		
Sales	**783.8**	849.2	746.0
Operating costs	**(382.0)**	(367.3)	(347.2)
General and administrative	**(28.0)**	(20.2)	(25.6)
Operating earnings[1]	**373.8**	461.7	373.2
Depreciation, depletion and amortization	**(153.8)**	(121.9)	(170.0)
General exploration and project investigation	**(42.6)**	(23.6)	(22.6)
Income from equity investment in Tenke	**94.7**	75.9	0.3
Finance (costs) income, net	**(13.1)**	36.1	(74.3)
Other income (expenses), net	**11.5**	(2.0)	11.2
Impairment charges	**(35.7)**	-	(53.0)
Earnings from continuing operations before income taxes	**234.8**	426.2	64.8
Income tax (expense) recovery	**(51.0)**	(119.9)	3.3
Earnings from continuing operations	**183.8**	306.3	68.1
Gain from discontinued operations	**-**	-	5.6
Net earnings	**183.8**	306.3	73.7
Shareholders' equity	**3,297.9**	3,153.6	2,915.2
Cash flow from operations	**308.7**	276.1	137.4
Capital expenditures (incl. Tenke)	**253.1**	160.3	185.0
Total assets	**3,864.3**	3,826.3	3,740.1
Net cash (debt)[2]	**236.1**	159.2	(49.3)
Key Financial Data:			
Shareholders' equity per share[3]	**5.66**	5.43	5.03
Basic and diluted earnings per share	**0.32**	0.53	0.13
Basic and diluted earnings per share from continuing operations	**0.32**	0.53	0.12
Dividends	**-**	-	-
Equity ratio[4]	**85%**	82%	78%
Shares outstanding:			
Basic weighted average	**582,074,865**	579,924,538	550,000,833
Diluted weighted average	**582,964,608**	580,539,367	550,045,231
End of period	**582,475,287**	580,575,355	579,592,464

($ millions, except per share data)	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10
Sales	**242.1**	146.2	184.0	211.5	309.3	215.1	183.1	141.7
Operating earnings[1]	**129.3**	48.7	82.2	113.6	192.3	121.5	82.1	65.8
Net earnings	**42.5**	12.4	57.7	71.2	146.1	66.0	42.3	51.9
Earnings per share[6], basic and diluted	**0.07**	0.02	0.10	0.12	0.25	0.11	0.07	0.09
Cash flow from operations	**120.3**	(40.6)	96.8	132.2	67.9	51.1	70.8	86.3
Capital expenditure (incl. Tenke)	**90.7**	58.8	57.7	45.9	42.9	40.2	39.1	38.1
Net cash[2]	**236.1**	208.7	308.2	262.0	159.2	125.7	107.8	10.2

[1] Operating earnings is a non-IFRS measure defined as sales, less operating costs (excluding depreciation) and general and administration costs.
[2] Net cash is a non-IFRS measure defined as available unrestricted cash less long-term debt and finance leases.
[3] Shareholders' equity per share is a non-IFRS measure defined as shareholders' equity divided by total number of shares outstanding at the end of the period.
[4] Equity ratio is a non-IFRS measure defined as shareholders' equity divided by total assets at the end of the period.
[5] Conversion to IFRS on January 1, 2011 requires the completion of IFRS compliant financial statements on a comparative basis with 2010. Financial results prior to 2010 remain unchanged and are reported in accordance with Canadian GAAP (see MD&A page 30).
[6] Earnings per share is determined for each quarter. As a result of using different weighted average number of shares outstanding, the sum of the quarterly amounts may differ from the year-to-date amount.

Sales Overview

Sales Volumes by Payable Metal

	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Copper (tonnes)										
Neves-Corvo	**69,974**	26,026	12,671	14,304	16,973	69,935	23,765	16,398	20,252	9,520
Zinkgruvan	**2,092**	678	680	734	-	-	-	-	-	-
Aguablanca[1]	**(73)**	-	(5)	(15)	(53)	3,793	559	644	1,418	1,172
	71,993	26,704	13,346	15,023	16,920	73,728	24,324	17,042	21,670	10,692
Zinc (tonnes)										
Neves-Corvo	**2,619**	(43)	1,842	5	815	5,251	861	1,459	2,046	885
Zinkgruvan	**61,661**	15,981	15,183	13,529	16,968	59,405	14,657	13,713	18,297	12,738
Galmoy[2]	**16,346**	3,106	4,768	4,694	3,778	6,147	1,755	2,510	1,324	558
	80,626	19,044	21,793	18,228	21,561	70,803	17,273	17,682	21,667	14,181
Lead (tonnes)										
Zinkgruvan	**29,794**	7,906	8,570	7,031	6,287	35,808	8,490	9,735	9,630	7,953
Galmoy[2]	**5,010**	769	1,649	1,517	1,075	1,786	430	791	436	129
	34,804	8,675	10,219	8,548	7,362	37,594	8,920	10,526	10,066	8,082
Nickel (tonnes)										
Aguablanca[1]	**(48)**	-	7	6	(61)	5,116	559	1,029	1,826	1,702

[1] Final weight adjustment related to provisional sales recognized in 2010 but settled in 2011.
[2] 50% of metal is attributable to Galmoy on sale of ore to third party processing facility (see MD&A page 22).

Sales Analysis

	Years ended December 31				
	2011		2010		Change
(US$ millions)	$	%	$	%	$
by Mine					
Neves-Corvo	**558.0**	71	541.3	64	16.7
Zinkgruvan	**188.6**	24	165.3	19	23.3
Aguablanca	**(1.9)**	n/a	129.8	15	(131.7)
Galmoy	**39.1**	5	12.8	2	26.3
	783.8		849.2		(65.4)
by Metal					
Copper	**563.1**	72	557.8	66	5.3
Zinc	**135.1**	17	106.5	12	28.6
Lead	**71.4**	9	69.1	8	2.3
Nickel	**(0.4)**	n/a	92.7	11	(93.1)
Other	**14.6**	2	23.1	3	(8.5)
	783.8		849.2		(65.4)

Lower sales for the current year, compared with the year ended December 31, 2010, reflect the suspension of operations at Aguablanca throughout 2011. The impact of the suspended operations were partially offset by higher average metal prices (particularly for copper and lead which were up 17% and 12%, respectively) and a full year of mining high grade ore at Galmoy, which initiated third party processing of remnant high grade ore in mid-2010.

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.

Annual Reconciliation of Realized Prices

2011		Year ended December 31, 2011			
($ millions)	**Copper**	**Zinc**	**Nickel**	**Lead**	**Total**
Current period sales	596.6	176.6	-	81.7	854.9
Prior period provisional adjustments	0.1	(0.6)	(0.6)	0.2	(0.9)
Sales before other metals and TC/RC	596.7	176.0	(0.6)	81.9	854.0
Other metal sales					14.6
Less: TC/RC					(84.8)
Total Sales					**783.8**
Payable Metal (tonnes)	**71,993**	**80,626**	**(48)**	**34,804**	
Current period sales ($/lb)	$ 3.76	$ 0.99	n/a	$ 1.06	
Prior period provisional adjustments ($/lb)	-	-	n/a	0.01	
Realized prices ($/lb)	**$ 3.76**	**$ 0.99**	**n/a**	**$ 1.07**	

2010		Year ended December 31, 2010			
($ millions)	**Copper**	**Zinc**	**Nickel**	**Lead**	**Total**
Current period sales	599.6	149.6	106.9	81.4	937.5
Prior period provisional adjustments	(5.8)	(0.9)	17.1	(0.9)	9.5
Sales before other metals and TC/RC	593.8	148.7	124.0	80.5	947.0
Other metal sales					23.1
Less: TC/RC					(120.9)
Total Sales					**849.2**
Payable Metal (tonnes)	**73,728**	**70,803**	**5,116**	**37,594**	
Current period sales ($/lb)	$ 3.69	$ 0.96	$ 9.48	$ 0.98	
Prior period provisional adjustments ($/lb)	(0.04)	(0.01)	1.51	(0.01)	
Realized prices ($/lb)	**$ 3.65**	**$ 0.95**	**$ 10.99**	**$ 0.97**	

Provisionally valued sales for the year ended December 31, 2011

Metal	**Tonnes Payable**	**Valued at $ per lb**	**Valued at $ per tonne**
Copper	23,937	3.45	7,597
Zinc	12,441	0.84	1,843
Lead	7,927	0.89	1,966

Annual Financial Results

Operating Costs

Operating costs (excluding depreciation) of $382.0 million for the year ended December 31, 2011 were $14.7 million higher than the year ended December 31, 2010. Costs were higher at both Neves-Corvo and Zinkgruvan by $49.7 million and $16.0 million, respectively, due mainly to higher ore volumes hoisted, mined and milled. In addition, weakness in the United States dollar, in comparison to the € and SEK resulted in higher reported costs ($25.4 million), and Galmoy incurred more costs associated with increased production levels ($6.1 million). These cost increases were partially offset by the reduction of costs incurred at Aguablanca due to the suspension of operations ($70.8 million) and lower royalty charges at Neves-Corvo ($11.7 million). The year ended December 31, 2010 included an incremental $8.1 million royalty charge related to 2008. (*See additional commentary under individual mine discussion*).

Depreciation, Depletion and Amortization

Increased depreciation, depletion and amortization expense for the year ended December 31, 2011 compared with the same period in 2010 is a result of higher amounts of ore mined, commissioning of the new zinc expansion at Neves-Corvo and the new copper mill at Zinkgruvan. These were partially offset by lower depreciation due to the suspension of operations at Aguablanca throughout 2011.

	Years ended December 31		
Depreciation by operation ($ millions)	**2011**	2010	Change
Neves-Corvo	**119.4**	87.5	31.9
Zinkgruvan	**30.9**	14.9	16.0
Aguablanca	**3.1**	19.0	(15.9)
Galmoy	**0.1**	0.1	-
Other	**0.3**	0.4	(0.1)
	153.8	121.9	31.9

General Exploration and Project Investigation

General exploration and project investigation costs increased from $23.6 million in 2010 to $42.6 million for the year ended December 31, 2010. This increase is primarily attributable to an 80,000 metre surface drilling program undertaken to deliver the initial resource estimate for Semblana and an extensive 3D seismic geophysical program conducted around Neves-Corvo to identify additional exploration targets. (*See additional commentary under Exploration Highlights*).

Finance (Costs) Income, net

For the year ended December 31, 2011 compared with the prior year, the net decrease in finance income was primarily attributable to larger gains reported in 2010, namely higher revaluation gain on marketable securities of $39.9 million and gain of $10.2 million on copper derivative contracts.

Other Income and Expenses, net

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

A foreign exchange gain of $8.2 million in the current year and a loss of $2.0 million recorded for the year ended December 31, 2010 relates to US$ cash and trade receivables that were held in the European group entities. Period end exchange rates at December 31, 2011 were $1.29:€1.00 (December 31, 2010 – $1.34:€1.00) and $1.00:SEK6.92 (December 31, 2010 – $1.00:SEK6.71).

Impairment

As required by IFRS, each cash generating unit ("CGU") that has been allocated goodwill must be tested annually for impairment. During 2011, a number of factors contributed to the identification of a CGU impairment for Aguablanca. In part, associated with the late-2010 slope failure, refined technical plans developed during 2011 were a triggering factor. In addition, the Company, adopted IFRIC 20 related to deferred stripping which had the effect of increasing the carrying amount of the CGU by $14.9 million.

In comparing the CGU's recoverable amount and its carrying value, a $35.7 million impairment loss was measured. This loss was fully allocated to goodwill during the fourth quarter of 2011.

The recoverable value of the Aguablanca CGU was based on forecast commodity prices, reserves and resource quantities, operating costs, capital expenditures, discount rates and foreign exchange rates and the resulting cash flow projections.

Current and Deferred Income Taxes

Current Tax Expense	**Years ended December 31**		
($ millions)	**2011**	2010	Change
Neves-Corvo	**54.8**	77.1	(22.3)
Zinkgruvan	**6.3**	5.1	1.2
Aguablanca	**13.9**	0.7	13.2
Galmoy	**0.5**	0.4	0.1
Other	**2.3**	1.9	0.4
Current tax expense	**77.8**	85.2	(7.4)

The decrease in current income tax expense of $7.4 million is a reflection of lower taxable earnings, offset by a Spanish tax assessment relating to deductibility of accelerated depreciation in fiscal years 2004 and 2005. The Company received a negative tax assessment of €9.1 million ($12.5 million), plus €2.0 million ($2.7 million) in interest, which it chose to pay to avoid further interest and penalties but is in the process of appealing the assessment.

The corporate tax rates in the countries where the Company has mining operations range from 25% in Ireland to 30.0% in Spain. The Company paid $125.8 million in income taxes in 2011, including $105.0 million paid in Portugal, net payment of $12.3 million in Spain, $5.4 million in Sweden, $0.7 million in Ireland and $2.4 million in other jurisdictions.

Deferred Tax (Recovery) Expense	**Years ended December 31**		
($ millions)	**2011**	2010	Change
Neves-Corvo	**(17.3)**	13.6	(30.9)
Zinkgruvan	**9.3**	13.5	(4.2)
Aguablanca	**(13.1)**	7.5	(20.6)
Other	**(5.7)**	0.1	(5.8)
Deferred tax (recovery) expense	**(26.8)**	34.7	(61.5)

Deferred income tax recovery for 2011 was $26.8 million compared to a tax expense of $34.7 million in 2010 which reflects current year losses at Aguablanca and utilization of previously unrecognized tax losses. Furthermore, the 2010 deferred tax expense includes a $14.3 million charge related to the increase in the statutory tax rate in Portugal from 26.5% to 29%. In 2011, a further increase in the statutory tax rate of 2.5%, to 31.5%, was enacted in Portugal for 2012 and 2013, resulting in a $1.7 million deferred tax expense and related deferred tax liability.

Fourth Quarter Financial Results

Sales

Sales of $242.1 million for the three months ended December 31, 2011 were $67.2 million lower than the comparable period in 2010 due to lower metal prices and price adjustments ($61.3 million) and suspension of operations at Aguablanca in December 2010 ($31.8 million), partially offset by higher sales volume ($26.0 million).

Operating Earnings[1]

For the three months ended December 31, 2011, operating earnings[1] of $129.3 million were $63.0 million lower than the comparable period in 2010. Average copper, zinc and lead prices for the fourth quarter of 2011 were 13% to 18% lower than the same period in 2010 which, in addition to price adjustments to prior period sales, resulted in lower operating earnings of $61.3 million. Furthermore, higher costs ($15.5 million) and the negative impact of suspended operations at Aguablanca ($5.3 million) also contributed to lower earnings compared to the prior year, partially offset by higher volume of sales ($19.1 million).

Net Earnings

Net earnings for the quarter ended December 31, 2011 of $42.5 million were $103.6 million lower than the comparable period ended December 31, 2010. The reduction in net earnings is largely a reflection of lower operating earnings, compounded by a $35.7 million goodwill impairment loss reported in the fourth quarter of 2011 related to Aguablanca.

Cash Flow from Operations

For the three months ended December 31, 2011, cash flow from operations was $120.3 million, compared to $67.9 million for the three months ended December 31, 2010. The increase of $52.4 million is largely the result of a comparative decrease in non-cash working capital ($70.3 million).

[1] Operating earnings is a non-IFRS measure defined as sales, less operating costs (excluding depreciation) and general and administration costs.

Fourth Quarter Reconciliation of Realized Prices

2011		**Three months ended December 31, 2011**			
($ millions)	**Copper**	**Zinc**	**Nickel**	**Lead**	**Total**
Current period sales	203.7	35.9	-	17.1	256.7
Prior period provisional adjustments	5.6	(0.8)	-	0.1	4.9
Sales before other metals and TC/RC	209.3	35.1	-	17.2	261.6
Other metal sales					4.6
Less: TC/RC					(24.1)
Total Sales					**242.1**
Payable Metal (tonnes)	**26,704**	**19,044**	**-**	**8,675**	
Current period sales ($/lb)	$ 3.46	$ 0.86	n/a	$ 0.89	
Prior period provisional adjustments ($/lb)	0.10	(0.02)	n/a	0.01	
Realized prices ($/lb)	**$ 3.56**	**$ 0.84**	**n/a**	**$ 0.90**	

2010		**Three months ended December 31, 2010**			
($ millions)	**Copper**	**Zinc**	**Nickel**	**Lead**	**Total**
Current period sales	232.4	41.0	13.8	22.1	309.3
Prior period provisional adjustments	7.0	2.2	9.9	0.5	19.6
Sales before other metals and TC/RC	239.4	43.2	23.7	22.6	328.9
Other metal sales					6.3
Less: TC/RC					(25.9)
Total Sales					**309.3**
Payable Metal (tonnes)	**24,324**	**17,273**	**559**	**8,920**	
Current period sales ($/lb)	$ 4.33	$ 1.08	$ 11.20	$ 1.12	
Prior period provisional adjustments ($/lb)	0.13	0.06	8.08	0.03	
Realized prices ($/lb)	**$ 4.46**	**$ 1.14**	**$ 19.28**	**$ 1.15**	

Cash Cost Overview

	Cash cost / lb (US dollars)		**Cash cost / lb (local currency)**	
	Three months ended December 31		**Three months ended December 31**	
	2011	2010	**2011**	2010
Neves-Corvo (Local in €)				
Gross cost	**1.46**	1.40	**1.08**	1.03
By-product *	**(0.04)**	(0.06)	**(0.03)**	(0.04)
Net Cost – Cu/lb	**1.42**	1.34	**1.05**	0.99
Zinkgruvan (Local in SEK)				
Gross cost	**0.96**	0.81	**6.49**	5.56
By-product *	**(0.59)**	(0.66)	**(4.00)**	(4.53)
Net Cost - Zn/lb	**0.37**	0.15	**2.49**	1.03

*By-product is after related TC/RC

Mining Operations

Production Overview

	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Copper (tonnes)										
Neves-Corvo	**74,109**	26,866	15,070	13,475	18,698	74,011	23,105	19,353	20,342	11,211
Zinkgruvan	**1,768**	622	349	356	441	540	540	-	-	-
Aguablanca	**-**	-	-	-	-	5,484	1,263	1,156	1,432	1,633
	75,877	27,488	15,419	13,831	19,139	80,035	24,908	20,509	21,774	12,844
Zinc (tonnes)										
Neves-Corvo	**4,227**	382	1,874	1,020	951	6,422	897	2,237	1,446	1,842
Zinkgruvan	**75,147**	20,337	17,459	17,582	19,769	72,206	18,546	15,916	20,624	17,120
Galmoy[1]	**32,071**	6,334	9,458	8,802	7,477	11,501	4,039	4,418	2,388	656
	111,445	27,053	28,791	27,404	28,197	90,129	23,482	22,571	24,458	19,618
Lead (tonnes)										
Zinkgruvan	**32,339**	7,621	7,368	7,829	9,521	36,636	8,602	9,641	10,286	8,107
Galmoy[1]	**8,791**	1,652	2,709	2,538	1,892	2,932	868	1,261	667	136
	41,130	9,273	10,077	10,367	11,413	39,568	9,470	10,902	10,953	8,243
Nickel (tonnes)										
Aguablanca	**-**	-	-	-	-	6,296	1,062	1,363	1,715	2,156

[1] represents 50% of contained metal attributable to Galmoy on delivery of ore to a third party processing facility (Galmoy – see MD&A page 22).

Cash Cost Overview

	Cash cost / lb (US dollars)		**Cash cost / lb (local currency)**	
	Years ended December 31		**Years ended December 31**	
	2011	2010	**2011**	2010
Neves-Corvo (Local in €)				
Gross cost	**1.83**	1.40	**1.32**	1.06
By-product *	**(0.07)**	(0.07)	**(0.05)**	(0.05)
Net Cost – Cu/lb	**1.76**	1.33	**1.27**	1.01
Zinkgruvan (Local in SEK)				
Gross cost	**0.93**	0.79	**6.02**	5.75
By-product *	**(0.63)**	(0.57)	**(4.05)**	(4.15)
Net Cost - Zn/lb	**0.30**	0.22	**1.97**	1.60

*By-product is after related TC/RC

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

Neves-Corvo Mine

Neves-Corvo is an underground mine, 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The mine has been a significant producer of copper since 1989 and in 2006 commenced treating zinc ores. The facilities consist of a shaft with up to 4.5 mtpa hoisting capacity for ore and waste, a copper plant with 2.5 mtpa processing capacity and a newly expanded zinc plant with 1 mtpa processing capacity. The processing of zinc-rich ores was suspended in November 2008 pending an improvement in zinc prices and the zinc facility was converted to treat copper ore. Zinc production was restarted at a limited rate in 2010 and a new zinc expansion project was completed in July 2011. The newly expanded zinc plant has the flexibility to process zinc or copper ores.

Operating Statistics

	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined, copper (tonnes)	**3,126,005**	899,669	749,999	768,806	707,531	2,537,927	776,682	630,304	649,641	481,300
Ore mined, zinc (tonnes)	**86,202**	-	8,973	34,552	42,677	74,295	1,449	38,960	16,133	17,753
Ore milled, copper (tonnes)	**3,197,783**	920,480	797,470	736,050	743,783	2,499,563	750,798	603,340	674,628	470,797
Ore milled, zinc (tonnes)	**63,074**	-	63,074	-	-	100,331	-	38,960	18,506	42,865
Grade per tonne										
Copper (%)	**2.7**	3.4	2.3	2.2	2.9	3.4	3.5	3.8	3.5	2.8
Recovery										
Copper (%)	**85**	85	83	83	86	86	87	85	86	86
Concentrate grade										
Copper (%)	**24.4**	24.3	24.5	24.2	24.5	24.2	24.3	23.9	24.1	24.4
Production- tonnes (metal contained)										
Copper	**74,109**	26,866	15,070	13,475	18,698	74,011	23,105	19,353	20,342	11,211
Zinc	**4,227**	382	1,874	1,020	951	6,422	897	2,237	1,446	1,842
Silver (oz)	**901,085**	296,678	200,902	184,007	219,498	725,260	223,242	176,094	203,035	122,889
Sales ($000s)	**558,044**	193,768	84,678	123,036	156,562	541,313	224,964	135,159	120,980	60,210
Operating earnings ($000s)[1]	**299,053**	118,759	21,029	59,817	99,448	335,696	155,506	85,517	67,860	26,813
Cash cost (€ per pound)[2]	**1.27**	1.05	1.67	1.48	1.13	1.01	0.99	0.92	0.96	1.29
Cash cost ($ per pound)[2]	**1.76**	1.42	2.35	2.13	1.55	1.33	1.34	1.19	1.20	1.78

Operating Earnings[1]

Operating earnings of $299.1 million were $36.6 million lower than 2010. Higher metal prices, net of price adjustments from prior year sales ($17.7 million), were more than offset by the negative impact of higher unit costs ($39.3 million, discussed below under cash costs) and foreign exchange ($15.4 million).

Production

Higher grade stopes averaging 3.4% copper and the utilization of the zinc plant for copper ore processing in the fourth quarter helped make up for shortfalls resulting from issues that hampered production earlier in 2011. The newly expanded zinc plant that was temporarily converted to copper ore processing in August 2011 has now been converted back to zinc processing.

Of particular note is the achievement of another annual tonnage record. In 2010, operations hoisted approximately 2.6 million tonnes of ore and 0.8 million tonnes of waste. In 2011, operations hoisted more than 3.2 million tonnes of ore and 1.0 million tonnes of waste. Total hoisting and milling was up 25% compared to the previous year. For five consecutive years, Neves-Corvo has exceeded the previous year's copper ore mined tonnages.

Cash Costs[1]

Cash costs were lower than guidance ($1.80/lb) at $1.76/lb. Cash costs were higher than the previous year's average of $1.33/lb mainly due to increased mining costs ($0.27/lb) reflecting proportionally higher use of contractors to mine increased tonnage of lower grade ore. A stronger euro added $0.08/lb.

[1] Operating earnings is a non-IFRS measure - see page 43 of this MD&A for discussion of non-IFRS measures.
[2] Cash cost/lb of payable copper sold - see non-IFRS Performance Measures on page 43 of this MD&A.

Zinc Expansion Project

First ore was milled in early July 2011 and saleable zinc concentrate has been produced and sold. The circuit is designed for 1.0 million tpa ore throughput enabling 50,000 tpa zinc metal production in concentrate. Zinc ore was produced for a few weeks to test all circuits against design and equipment supplier specifications and was then temporarily converted to copper ore processing until the end of the year. In early 2012 it was converted back to zinc duty. The new zinc plant remains capable of being converted back and forth between zinc and copper ore duty with relative ease.

Lombador Zinc/Copper Project

The Lombador Phase I Feasibility Study was completed in the third quarter of 2011. The study shows that Lombador Phase I can be developed as a profitable and value accretive extension to the Neves-Corvo mine. The results of this study were discussed in a September 8, 2011 news release (*Lundin Mining Announces Feasibility Study Results for the Lombador Phase I Project)*.

Lombador Phase I underground development is proceeding on schedule and the downward access ramp has reached 370 level (approximately 850m below surface). It is expected to reach the 300 level by the second quarter of 2012 and this will facilitate the development of an exploration drive on the 335 level to allow for further underground exploration of the Lombador orebody.

Portions of the surface investment to further expand zinc capacity to 2.5 mtpa ore throughput, as described in the Lombador Phase I study, have been put on hold pending advancement of the strategic study for future underground access at Neves-Corvo described below.

Underground Materials Handling Study

In order to seek optimal value from the Neves-Corvo asset, a conceptual level study has been prepared to evaluate the relative merits of accessing and extracting copper rich Semblana deposit mineralization in advance of exploiting deeper zinc and copper mineralization from Lombador ("Lombador Phase II"). This study (see news release dated January 23, 2012 entitled "*Lundin Mining Reports on Neves-Corvo Future Underground Materials Handling Study*") has indicated two preferred options; a conventional shaft system and a decline tunnel system with rock hoisting conveyors. Further assessment is underway, with an anticipated completion during the second quarter of 2012, to select a single preferred option after taking in to account new exploration results and further enhancement of each design. A feasibility study is expected to advance based on the single preferred option with study schedule completion anticipated prior to mid-2013. An initial investment for an access ramp from the existing mining areas of the Zambujal deposit down to the Semblana deposit is being considered for potential approval and start of ramp construction prior to mid-2012. This ramp will enable detailed underground exploration and could contribute to material haulage from Semblana if project economic studies prove positive.

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

	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined, zinc (tonnes)	**1,028,523**	226,995	257,365	255,995	288,168	990,657	273,020	234,236	244,945	238,456
Ore mined, copper (tonnes)	**103,349**	5,326	36,097	36,269	25,657	33,640	33,640	-	-	-
Ore milled, zinc (tonnes)	**999,280**	256,160	235,949	231,145	276,026	995,884	266,610	245,543	257,731	226,000
Ore milled, copper (tonnes)	**109,666**	37,651	22,186	20,677	29,152	27,296	27,296	-	-	-
Grade per tonne										
Zinc (%)	**8.2**	8.5	8.0	8.5	8.0	8.0	7.8	7.3	8.8	8.2
Lead (%)	**4.0**	3.7	3.7	4.1	4.2	4.4	4.0	4.5	4.7	4.3
Copper (%)	**1.8**	1.8	1.7	1.9	1.7	2.2	2.2	-	-	-
Recovery										
Zinc (%)	**92**	93	93	90	90	91	90	89	91	92
Lead (%)	**82**	80	83	83	82	84	81	86	85	84
Copper (%)	**90**	91	91	90	89	90	90	-	-	-
Concentrate grade										
Zinc (%)	**52.6**	52.4	53.0	52.7	52.4	52.7	51.8	51.8	53.4	53.5
Lead (%)	**74.8**	73.7	75.4	75.5	74.7	74.9	73.7	74.2	76.9	74.3
Copper (%)	**25.2**	25.6	24.3	24.4	26.2	24.0	24.0	-	-	-
Production – tonnes (metal contained)										
Zinc	**75,147**	20,337	17,459	17,582	19,769	72,206	18,546	15,916	20,624	17,120
Lead	**32,339**	7,621	7,368	7,829	9,521	36,636	8,602	9,641	10,286	8,107
Copper	**1,768**	622	349	356	441	540	540	-	-	-
Silver (oz)	**1,690,863**	389,944	379,164	413,546	508,209	1,800,827	427,865	507,866	478,106	386,990
Sales ($000s)	**188,566**	42,240	48,741	50,000	47,585	165,273	48,421	42,233	38,963	35,656
Operating earnings ($000s)[1]	**93,588**	15,129	28,315	26,178	23,966	95,777	31,849	24,604	20,172	19,152
Cash cost (SEK per pound)[2]	**1.97**	2.49	0.81	1.64	2.76	1.60	1.03	0.85	2.12	2.33
Cash cost ($ per pound)[2]	**0.30**	0.37	0.13	0.26	0.42	0.22	0.15	0.11	0.28	0.33

Operating Earnings[1]

Operating earnings of $93.6 million were slightly lower than $95.8 million recognized in 2010. The decrease is attributable to an increase in unit costs ($17.3 million) and unfavourable exchange rates ($9.4 million) which more than offset higher metal prices ($19.2 million) and sales volumes ($5.3 million).

Production

Zinc production approximated guidance and exceeded the prior year by 4%. Record ore mined (+10% over 2010) and milled (+8% over 2010) was assisted by completion of the daylight ramp in November 2010.

Cash Costs[2]

2011 cash costs at $0.30/lb came in below guidance ($0.32/lb). Compared to last year, C1 cash costs increased $0.08/lb. Higher operating costs ($0.09/lb) and a stronger SEK ($0.07/lb) were partly offset by lower zinc treatment charges ($0.03/lb) and higher by-product credits ($0.05/lb) which included copper sales of $0.12/lb.

[1] Operating earnings is a non-IFRS measure - see page 43 of this MD&A for discussion of non-IFRS measures.
[2] Cash cost/lb of payable zinc sold - see non-IFRS Performance Measures on page 43 of this MD&A.

Aguablanca Mine

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

Operating Statistics

	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined (tonnes)	**24,289**	23,094	1,195	-	-	1,349,336	288,455	272,825	390,646	397,410
Ore milled (tonnes)	**-**	-	-	-	-	1,435,177	318,826	300,347	369,113	446,891
Grade per tonne										
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)	**(1,897)**	-	(34)	71	(1,934)	129,784	31,848	32,502	20,776	44,658
Operating earnings (loss) ($000s)[1]	**(16,717)**	1,700	(5,860)	(5,111)	(7,446)	44,128	6,967	13,373	(1,168)	24,956
Cash cost (€ per pound)[2]	**n/a**	n/a	n/a	n/a	n/a	5.34	11.34	4.59	4.32	4.92
Cash cost ($ per pound)[2]	**n/a**	n/a	n/a	n/a	n/a	7.08	15.39	5.93	5.43	6.80

Restart of Operations

The new mining contractor started pre-stripping activities in August 2011. The contractor is focused on preparing the pit for concentrate production in late 2012.

The estimated total investment required to recommence concentrate production is €45 million. Additional future water related de-risking measures have been taken including stream diversion and reinforcing final pit walls. To date, €16.7 million ($22.4 million) has been spent, of which €11.3 million ($14.9 million) has been capitalized as deferred stripping costs.

Operating Loss[1]

Operating loss of $16.7 million for the year was significantly lower than prior year's earnings of $44.1 million as a result of suspension of operations in December 2010. Losses for the year are in support of waste removal, care and maintenance and general & administrative costs.

The Company has early adopted IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine,* in which production stripping costs in a surface mine are capitalized if certain criteria are met. Accordingly in the fourth quarter of 2011 deferred stripping costs of $14.9 million, of which $6.3 million was previously expensed in prior quarters, were capitalized.

[1] Operating earnings (loss) is a non-IFRS measure - see page 43 of this MD&A for discussion of non-IFRS measures.
[2] Cash cost/lb of payable nickel sold - see page 43 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. Mining was originally planned to cease in May 2009 and the mill has since been sold, but due to the positive market factors, the mining of remnant high grade ore has continued on a reduced basis. Ore is being shipped to an adjacent mine for processing. Production tonnage is based on a 50% attributable-share to Lundin Mining.

Operating Statistics

	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined (tonnes)	**302,446**	77,113	78,996	76,927	69,410	139,681	52,498	50,143	22,988	14,052
Ore sold (tonnes)	**192,535**	46,828	50,125	53,874	41,708	72,983	19,387	27,756	18,741	7,099
Grade per tonne										
Zinc (%)	**22.6**	20.1	24.8	22.5	23.4	22.0	23.5	23.2	18.7	21.5
Lead (%)	**7.5**	5.7	8.9	8.2	7.4	7.4	6.8	8.5	7.2	6.2
Production- tonnes (metal contained)										
Zinc	**32,071**	6,334	9,458	8,802	7,477	11,501	4,039	4,418	2,388	656
Lead	**8,791**	1,652	2,709	2,538	1,892	2,932	868	1,261	667	136
Sales ($000s)	**39,073**	6,122	12,845	10,862	9,244	12,853	4,034	5,234	2,430	1,155
Operating earnings (loss) ($000s)[1]	**26,503**	1,000	10,649	7,030	7,824	6,961	3,011	3,611	428	(89)

Operating Earnings[1]

Mining of high-grade ore for processing by a third party yielded operating earnings of $26.5 million in 2011 up from $7.0 million in 2010. In addition, an amount of $14.6 million is reported as deferred revenue representing cash received for ore delivered that has not as yet been processed. As at December 31, 2011 approximately 165,000 dry metric tonnes of ore were held in inventory at the processing facility, for which final revenue settlement will be recognized as it is milled.

Production

Production is reported based on a 50% attributable-share of the metal contained in ore delivered (after accounting for expected plant recoveries) to a third party processing facility.

Closure Costs

During the year €1.8 million ($2.5 million) was spent on closure activities. The mill has been dismantled and sold. Rehabilitation of the Tailings Management Facility ("TMF") is ongoing. Remaining activities to be completed include final rehabilitation of the TMF, and determination of the future of the replacement water supply scheme. The Company is considering the disposal of property and land to interested parties to potentially enable ongoing employment and economic benefit to the local community.

[1] Operating earnings is a non-IFRS measure - see page 43 of this MD&A for discussion of non-IFRS measures.

Tenke Fungurume

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

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

Operating Statistics

100% Basis	**Total 2011**	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined (000 tonnes)	**9,995**	2,418	2,720	2,692	2,165	8,541	1,980	2,471	2,389	1,701
Ore milled (000 tonnes)	**4,046**	1,092	1,104	881	969	3,766	1,017	1,083	797	869
Grade per tonne										
Copper (%)	**3.4**	3.4	3.2	3.7	3.4	3.5	3.4	3.2	3.9	3.7
Recovery										
Copper (%)	**93**	94	91	93	92	91	93	91	91	92
Production – tonnes										
Copper	**127,367**	34,891	32,249	29,891	30,336	120,271	31,949	31,115	28,438	28,769
Cobalt	**11,182**	2,854	2,759	2,776	2,793	9,225	2,922	2,421	1,651	2,231
Income from equity investment ($millions)	**94.7**	20.6	17.2	32.0	24.9	75.9	35.6	17.5	8.3	14.5
Cash costs ($ per pound)[1,2]	**1.07**	1.30	1.12	0.94	0.86	0.90	0.89	0.86	0.79	1.04

Income from Equity Investment

Income of $94.7 million was $18.8 million above the prior year. The increase reflects higher sales of copper and cobalt and higher average realized prices on copper, partially offset by higher costs. Sales volume of copper cathode sold during the year, on a 100% basis, amounted to 128,284 tonnes compared to 118,929 tonnes in 2010.

The average price realized for copper sales during the year was $3.74 per pound of cathode sold (2010: $3.45/lb). The average realized price for cobalt sold was $9.99/lb (2010: $10.95/lb).

The Company recognizes its 24.75% interest in the earnings of Tenke and includes adjustments for GAAP harmonization differences and purchase price allocations.

Production

Milling facilities at Tenke continue to perform well with throughput averaging 11,100 metric tons of ore per day in 2011 facilitated in part by plant debottlenecking investments. Mining rates have been increased to enable additional copper cathode production from the initial project capacity of 115,000 tonnes per year to approximately 130,000 tonnes per year.

Freeport is expecting annual sales of copper and cobalt to be approximately 131,500 tonnes and 11,300 tonnes, respectively in 2012.

[1] Cash cost/lb of payable copper sold - see non-IFRS Performance Measures on page 43 of this MD&A.
[2] Cash costs are as calculated and reported by Freeport as operator. Unit costs attributable to Lundin Mining's share of production may vary slightly from time to time due to marginal differences in the basis of calculation.

Cash Costs
During the year, cash operating costs averaged $1.07/lb of copper including the cobalt by-product credit, $0.17/lb higher than 2010 reflecting higher site production and delivery costs related to higher input costs. Freeport projects 2012 cash costs of $1.13/lb, assuming an average cobalt price of $12/lb.

Excess Overrun Facility
The Excess Overrun Cost facility for the completion of Phase I development was fully repaid during the year. The balance at December 31, 2010, of $108.4 million, was repaid out of Tenke operating cash flows.

Expansion
Freeport is undertaking a second phase of an expansion project, which includes optimizing the current plant and increasing capacity. As part of the second phase, Freeport is expanding the mill to 14,000 metric tons of ore per day and is constructing related processing facilities that would target the addition of approximately 70,000 tonnes of copper per year. Construction activities for the approximate $850 million project (Lundin Mining's share: approximately $250 million) which includes mill upgrades, additional mining equipment, and a new tankhouse are underway and are targeted for completion by the first quarter of 2013.

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

Tenke Funding
During the year, $64.5 million (2010 - $30.5 million) was advanced by the Company to cover sustaining capital, on-going concession exploration and expansion initiatives.

Lundin Mining's 2012 capital investment for Tenke has been assumed, for internal planning purposes, to be $210 million to fund expansion and sustaining capital. Depending on metal prices, it is expected the Company's share of operating cash flows from Tenke will be sufficient to fund these capital and non-capital requirements. Final decisions on capital investment levels for 2012 are ultimately made by Freeport, the mine's operator.

Exploration Highlights

Portugal

Neves-Corvo Mine Exploration (Copper, Zinc)

The 2011 surface exploration program included a completed total of 77,031 metres of a planned 80,000 metres. At Semblana, an initial Inferred Mineral Resource was reported in December 2011 in accordance with the definitions in the Canadian National Instrument 43-101. A new zone of high-grade copper sulphides, which is not included in the initial resource, was subsequently discovered approximately 300 metres to the south of the initial resource block. Drilling around this new discovery, as well as progressively testing other high priority targets, will continue throughout 2012.

Additional drilling in 2012 will work towards defining the limits and grade distribution of Semblana, especially to the west and south, with the objective of increasing the current resource. The program also includes drill-testing of high priority seismic reflectors and step-out drilling of the resource-grade copper mineralization intercepted in the area of the planned new water dam facility. The 2012 program will also focus on testing areas located outside of the scope of the current high priority exploration area in order to allow for optimization of the future underground materials handling study work.

Iberian Pyrite Belt Regional Exploration (Copper, Zinc)

Target definition work was undertaken in 2011, focusing on priority areas along strike to the northwest of the Neves-Corvo mine. A total of 4,549 metres were drilled in 2011 to test two out of seven new targets identified with four parallel 2D seismic lines. The 2012 program will focus on the follow-up of these targets with more definitive 3D seismic coverage and drill-testing of the best resulting targets.

Ireland

Clare Joint Venture Exploration (Zinc, Lead, Silver)

The Company acquired the remaining interest of the Clare Project after the acquisition of JV partner Belmore Resources was completed at the beginning of the third quarter of 2011. The focus of the Clare Project is the development of zinc-lead-silver resources at the Kilbricken Deposit, first discovered in 2009 by Belmore Resources.

The objective of drilling in 2011 was to discover additional new zones of resource grade mineralization along strike of the Kilbricken Discovery Zone in addition to initial step-out drilling on the new zone of zinc-lead and copper sulphide mineralization discovered in late September, located approximately 750 metres west-southwest of the Kilbricken Discovery Zone. A second new zone of resource grade zinc-lead mineralization was also discovered east-southeast of the Kilbricken Discovery Zone.

Drilling in the first quarter of 2012 will continue to focus on step-out drilling of the two new zones of mineralization discovered at Kilbricken in addition to continued wide-spaced step-out drilling looking for more new high-grade zones. A set of five, widely spaced 2D seismic lines will be completed to provide additional structural control for better targeting. Borehole TEM will be done to assist in target generation of any off-hole conductors.

Lakelands Zinc-Lead Project

A total of 785 meters were drilled in 2011 at the Lakelands Project in County Leitrim. Strongly disseminated zinc-lead sulphide mineralization was encountered in two holes within Navan Bed Equivalent host rocks. These holes followed up on the scout drill hole that discovered zinc-lead mineralization in this area. Broad-spaced drilling will continue in 2012 to better understand the geology and to define the extent of the discovered zinc-lead mineralization. An application for an additional area of 377 kilometres of contiguous ground around this property was approved and 13 new licenses are expected to be granted in due course by the Exploration and Mining Division.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for 2011 were marginally higher than the average prices for 2010. During the first half of the year the metal market continued to be strong based on increased industrial output and strong demand and metal prices increased, in some cases to new all-time highs. However, during the second half of 2011 demand for metal slowed down due to tightened Chinese credit policy and renewed concerns about the Eurozone and at the end of 2011 the metal prices were considerably lower than the prices at the end of 2010.

		Three months ended December 31			Twelve months ended December 31		
(Average LME Prices)		**2011**	2010	**Change**	**2011**	2010	**Change**
Copper	US$/pound	**3.40**	3.92	-13%	**4.00**	3.42	17%
	US$/tonne	**7,489**	8,634	-13%	**8,811**	7,539	17%
Zinc	US$/pound	**0.86**	1.05	-18%	**0.99**	0.98	1%
	US$/tonne	**1,897**	2,315	-18%	**2,191**	2,158	1%
Lead	US$/pound	**0.90**	1.08	-17%	**1.09**	0.97	12%
	US$/tonne	**1,983**	2,390	-17%	**2,398**	2,148	12%
Nickel	US$/pound	**8.30**	10.70	-22%	**10.36**	9.89	5%
	US$/tonne	**18,303**	23,598	-22%	**22,831**	21,809	5%

The LME inventory for zinc and lead continued to increase during 2011 and ended the year 17% (zinc) and 70% (lead) higher than the closing levels of 2010. The LME inventory for copper and nickel decreased during 2011 and ended the year 2% (copper) and 34% (nickel) lower than the closing levels of 2010.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates increased over the first quarter of 2011. In January, the spot TC was $55 per dmt of concentrate and the spot RC was $0.055 per lb of payable copper and in March, the spot TC peaked at $115 per dmt with a spot RC of $0.115 per lb of payable copper. This was a result of reduced demand for imported concentrates in China and India due to higher inventories. From April 2011 the spot TC and RC started to fall as the Chinese and Indian smelters came back into the market and in December the spot market was trading at a spot TC of $32 per dmt of concentrates with a RC of $0.032 per lb payable copper. Annual negotiations for copper TC and RC have been finalized and for 2012 the benchmark TC have been agreed at $60-63.5 per dmt of concentrates with a RC of $0.06-0.0635 per lb payable copper, slightly above the numbers for 2011 at a TC of $56 per dmt and a RC of $0.056 per lb payable copper.

The spot TC for zinc concentrates decreased during 2011 from $135 per dmt, flat, in January to $60 per dmt, flat, in December. During most of 2011 the differential between the realized TC under the annual contracts and the spot TC have been around $100 per dmt, with the spot TC being lower. However, during the 4th quarter of 2011 this differential increased to about $145 per dmt. This increase is a function of an increase in demand for zinc concentrates and, consequently, the Company expects an improvement in the TC under annual contracts in favour of the mines for 2012.

Lead concentrate imports to China dropped during 2011 compared to 2010. During the year, the Chinese government closed several lead-acid battery manufacturers due to environmental reasons which reduced the demand for lead metal and consequently also reduced the demand for lead concentrates. The spot TC for lead concentrates increased over the year from $75 per dmt, flat, in January 2010 to $145 per dmt in December. Based on the increasing spot TC the Company expects the TC for lead concentrates under annual contracts to increase in favour of the smelters in 2012.

The Company's nickel concentrates are sold under a long term contract at terms which are in line with the recent market conditions. The contract provides for regular monthly delivery and pricing of the concentrates which ensure that nickel realizations correlate more closely with LME averages over the year. However, since the Aguablanca mine stopped production in December 2010 due to damages caused by torrential rainfall, this contract is presently under Force Majeure and the duration of the contract will be extended by the duration of the Force Majeure.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents increased by $66.5 million to $265.4 million as at December 31, 2011, from $198.9 million at December 31, 2010. Cash inflows during the year included operating cash flows of $308.7 million, $7.8 million distribution from Tenke and proceeds of $8.0 million from sale of investments. Uses of cash included:

- $179.1 million investment in mineral property, plant and equipment;
- $64.5 million for Tenke funding;
- $10.5 million for net repayment of long-term debt; and
- $9.5 for purchase of Belmore Resources.

Working Capital

Working capital is $306.6 million as at December 31, 2011, compared to $294.1 million as at December 31, 2010. The nominal increase in working capital reflects a higher cash balance and lower income taxes payable resulting from lower taxable earnings, offset by lower trade and other receivables due to lower fourth quarter sales in 2011 compared to 2010.

Revolving Credit Facility

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

Aside from a letter of credit issued in the amount of SEK 80 million ($11.6 million), there are no amounts outstanding on the facility.

Shareholders' Equity

Shareholders' equity was $3,297.9 million at December 31, 2011, compared to $3,153.6 million at December 31, 2010. Shareholders' equity increased primarily as a result of net earnings of $183.8 million and partially offset by translation adjustments in other comprehensive income of $49.8 million.

Contractual Obligations and Commitments

	Payments due by period				
US$ thousands	< 1 year	1-3 years	4-5 years	after 5 years	Total
Long-term debt	20,429	1,294	1,294	414	23,431
Finance leases	1,311	2,532	1,685	387	5,915
Reclamation and closure provisions[1]	5,244	9,693	12,463	71,295	98,695
Capital commitments	59,211	-	-	-	59,211
Operating leases and other	1,729	1,255	621	311	3,916
	87,924	14,774	16,063	72,407	191,168

[1] Reclamation and closure provisions are reported on an undiscounted basis and before inflation.

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. 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 was non-recourse to the Company and was fully repaid from operating cash flows in the third quarter of 2011. No other off-balance sheet arrangements exist as at December 31, 2011.

Financial Instruments

Summary of Financial Instruments

Financial Instrument	Fair value as at December 31, 2011 ($000's)	Basis of measurement	Associated Risks
Cash and cash equivalents	265,400	Carrying value	Interest/Credit/Exchange
Trade and other receivables	37,349	Carrying value	Credit/Market
Trade receivables	78,670	Fair value through profit and loss	Credit/Market/Exchange
Reclamation funds	54,392	Carrying value	Interest/Credit
Marketable securities	15,067	Fair value through profit and loss	Market/Liquidity
Trade payables and accrued liabilities	103,292	Amortized cost	Interest
Long-term debt and finance leases	29,346	Amortized cost	Interest
Other long-term liabilities	5,745	Amortized cost	Interest

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

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

Fair value through profit and loss (marketable securities) – The fair value of investments in shares is determined based on quoted market price and the fair value of warrants is determined using a valuation model that incorporates such factors as the quote market price and the historical prices of the shares of which the warrants can be exchanged for and the expiry date of the warrants.

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

Associated risks for all financial instruments are more fully discussed in the *Managing Risks* section below.

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

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

Metal	Provisional price on December 31, 2011 ($US/tonne)	Change	Effect on pre-tax earnings ($ millions)
Copper	7,597	+/- 10%	+/- 18.2
Zinc	1,843	+/- 10%	+/- 2.3
Lead	1,966	+/- 10%	+/- 1.6

Related Party Transactions

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

During the year ended December 31, 2011, the Company made cash advances of $64.5 million to fund its portion of Tenke expenditures. The Company had an off-balance sheet financing arrangement whereby Freeport was responsible for funding the Company's share of Phase I project development costs that were in excess of agreed budgets. The remaining $108.4 million of the financing arrangement was completely repaid by August 31, 2011. The Company received its first cash distribution of $7.8 million in 2011. In addition, the Company provides certain letters of credit and guarantees for $1.8 million worth of contracts entered into by Tenke. These letters of credit expire in 2013.

Key Management Personnel
The Company has identified its directors and certain senior officers as its key management personnel. The employee benefits for key management personnel are as follows:

		2011		2010
Wages and salaries	**$**	**5,992**	$	6,132
Post-retirement benefits		**146**		264
Share-based compensation		**523**		752
	$	**6,661**	$	7,148

During the year ended December 31, 2011, the Company paid $0.3 million for services provided by a management company owned by the Chairman of the Company. Lundin Mining also paid $0.2 million to a charitable foundation directed by members of the Company's key management personnel to carry out social programs in the DRC on behalf of the Company.

In 2011, the Company also sold a residential property to a senior officer for $0.6 million. This disposition was transacted at fair value and on regular arm's length terms.

Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standard Board ("AcSB") confirmed that IFRS will replace Canadian GAAP ("CGAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. Accordingly, the Company's first mandatory filing under IFRS will be its consolidated financial statements for December 31, 2011.

The Company has prepared its December 31, 2011 consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in Part 1 of 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*. The consolidated financial statements include IFRS-compliant financial statements on a comparative basis, as well as reconciliations for December 31, 2010 and as at the January 1, 2010 transition date.

The adoption of IFRS has not had a material impact on the Company's financial position, operations and business decisions.

The IFRS 1 *First time adoption of IFRS* elections on transition are as follows:

- **Business Combinations:** In electing this exemption, the Company is not required to apply IFRS 3 *Business combinations* retroactively to transactions prior to the date of transition to IFRS.
- **Fair value as deemed cost:** This exemption allows the use of a previous GAAP revaluation of a mineral property at the date of transition to IFRS as deemed cost.
- **Cumulative translation differences:** Allows the Company to deem the cumulative translation difference at the date of transition to IFRS as zero.
- **Reclamation and closure provisions included in the cost of mineral properties:** In electing this exemption, the Company is able to calculate its asset retirement obligation ("ARO") asset at the transition date using a simplified method based on the related ARO liability.
- **Designation of previously recognized financial instruments:** The Company has elected this option and on transition will reclassify the designation of its available-for-sale ("AFS") securities to fair value through profit and loss ("FVTPL"). This election will have an effect on shareholders' equity as all deferred gains and losses previously recognized in accumulated other comprehensive income ("AOCI") will be reclassified to retained earnings.
- **Share based-payments:** In accordance with IFRS 2 *Share based payments*, the Company will recognize a forfeiture rate on its initial recognition of stock option grants. In applying the IFRS 1 election, the effect of the forfeiture rates will be applied only to unvested options at the date of transition.

The following significant differences in accounting policy have been identified in converting to IFRS:

- **Foreign currency considerations**: The Company has analyzed functional currency under IAS 21 *The effect of changes to foreign exchange rates*. On assessment of primary indicators, the Company has changed the functional currency of two of its group companies.

  As a result of this change, the IFRS 1 *Cumulative translation adjustments* will be elected. This will have the effect of reclassifying all previously recorded translation adjustments from other comprehensive income to retained earnings.

- **Reclamation and closure provisions:** Under IAS 37 *Provisions, contingent liabilities and contingent assets*, the Company has reassessed its reclamation and closure provisions under IFRS. The IFRS standard requires the periodic updating of assumptions such as inflation and discount rates.

Accordingly, the Company has made adjustments to the reclamation and closure provision and related asset.

Presented below is the reconciliation of the Company's opening balance sheet showing the adjustments from CGAAP to IFRS.

Transition to IFRS - Opening Consolidated Balance Sheet

Unaudited $US thousands	CGAAP January 1, 2010	Notes	Transition adjustments to IFRS	IFRS January 1, 2010
ASSETS				
Cash and cash equivalents	$ 141,575		$ -	**$ 141,575**
Trade and other receivables	182,210		-	**182,210**
Income tax receivable	13,610		-	**13,610**
Inventories	27,519		-	**27,519**
Prepaid expenses	3,541		-	**3,541**
Current Assets	368,455		-	**368,455**
Reclamation funds	67,076		-	**67,076**
Mineral properties, plant and equipment	1,310,287	(a)	(9,108)	**1,301,179**
Investment in Tenke Fungurume	1,633,740	(b)	(4,987)	**1,628,753**
Marketable securities and other assets	42,508		-	**42,508**
Deferred tax assets	68,707	(f)	4,175	**72,882**
Goodwill	249,820		-	**249,820**
	$ 3,740,593		$ (9,920)	**$ 3,730,673**
LIABILITIES				
Trade and other accounts payable	$ 59,473		-	**$ 59,473**
Accrued liabiliites	48,235		-	**48,235**
Income taxes payable	14,657		-	**14,657**
Current portion of long term debt and capital leases	2,536		-	**2,536**
Current portion of reclamation and closure provisions	5,830		-	**5,830**
Current portion of deferred revenue	5,667		-	**5,667**
Derivative liabilities	40,557		-	**40,557**
Current Liabilities	176,955		-	**176,955**
Long-term debt and finance leases	188,352		-	**188,352**
Other long-term liabilities	11,936		-	**11,936**
Deferred revenue	72,230		-	**72,230**
Provision for pension obligations	16,385		-	**16,385**
Reclamation and closure provisions	120,954	(a)	1,895	**122,849**
Deferred tax liabilities	238,089	(f)	(4,431)	**233,658**
	824,901		(2,536)	**822,365**
SHAREHOLDERS' EQUITY				
Share capital	3,480,487		-	**3,480,487**
Contributed surplus	30,415	(c)	(572)	**29,843**
Accumulated other comprehensive income	265,051	(d), (e)	(265,051)	**-**
Deficit	(860,711)		258,239	**(602,472)**
	2,915,242		(7,384)	**2,907,858**

Transitional adjustments notes:

a) In applying IAS 37 *Provisions, contingent liabilities and contingent assets*, discount and inflation rates were updated resulting in an increase of the ARO by $1.9 million. Under CGAAP, the historical rates were applied. On election of IFRS 1 *Decommissioning liabilities included in the cost of mineral properties,* the Company has adjusted the mineral property balance by $9.1 million.

b) The financial statements of the entity holding the Company's equity investment in Tenke Fungurume are reported in accordance with Generally Accepted Accounting Principles in the United States. As a result, the Company had previously applied CGAAP harmonization adjustments in its recognition of equity income. Under CGAAP increased equity income was recognized subsequent to the date of the transition to recover the Company's share of losses attributable to the non-controlling interest. A new allocation of income was recorded under IFRS to reverse the previous CGAAP adjustment. At the date of transition, the effect of this change was a decrease of $5.0 million to the investment.

c) Under IFRS the Company will recognize a forfeiture rate in its initial recognition of stock option grants. Applied retroactively on all unvested options at the date of transition, contributed surplus was reduced by $0.6 million.

d) On transition to IFRS, and in applying the optional election IFRS 1 *Designation of previously recognized financial instruments*, the Company reclassed deferred gains and losses in AOCI to retained earnings in the amount of $23.5 million.

e) The Company has elected IFRS 1 *Cumulative translation difference.* All cumulative translation differences on the date of transition are deemed to be zero and recognized in retained earnings in the amount of $241.6 million.

f) Related tax effects on above adjustments.

The following is an overview of the impacts to the Company's December 31, 2010 consolidated financial results due to the transition to IFRS.

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

		Transition adjustments				
For the year ended, and as at December 31, 2010 ($millions, except per share amounts and percentages)	**CGAAP**	**Revaluation of securities[(a)]**	**Reclamation and closure provisions[(b)]**	**Deferred Tax**	**Other**	**IFRS**
Net Earnings	317.1	(6.7)	2.4	(5.7)	(0.8)	306.3
Operating Earnings	456.6	-	-	-	5.1[d]	461.7
Shareholders' Equity	3,168.1	-	(6.9)	(4.9)[c]	(2.7)[c]	3,153.6
Total Assets	3,833.4	-	0.5	(4.9)[c]	(2.7)[c]	3,826.3
Shareholders' equity per share	5.46					5.43
Basic and diluted income per share	0.55					0.53
Equity ratio	83%					82%

Notes

[a] In applying an IFRS 1 election the Company reclassified its AFS securities to FVTPL. This reclassification resulted in previously recognized revaluation gains and losses recognized in AOCI to be recorded in retained earnings as a transition adjustment.

[b] In applying IAS 37, *Provisions, contingent liabilities and assets* and the related IFRS 1 election, the Company revised its estimate for reclamation and closure provision and the related asset. This change had an impact on accretion and depreciation expense for the year ended December 31, 2010.

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

[d] Includes $4.4 million reclassification of accretion expense from operating earnings to financing costs

Deferred Stripping

The Company has early adopted IFRIC 20, *Stripping costs in the production phase of a surface mine,* which had a mandatory effective date for annual periods which begin on or after January 1, 2013. This interpretation provides clarity on how to account for and measure the removal of mine waste materials which provide access to mineral ore deposits, or "stripping activity".

IFRIC 20 requires that stripping activity be accounted for as an asset if it meets certain criteria, namely the probability of future economic benefit, identification of the ore body being accessed and related stripping costs. Stripping costs must be measured as accumulated costs directly attributable to the stripping activity, with reasonable allocation of costs to inventory production, if any.

For the year ended December 31, 2011, deferred stripping costs of $14.9 million, at the Aguablanca mine, met the criteria of IFRIC 20 and were capitalized. The Company has applied this standard retroactively to January 1, 2010. This had no impact on the comparative periods presented.

New Accounting Pronouncements

The Company is currently evaluating the impact of the following pronouncements:

- IFRS 7 *Financial instrument – 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.

- IFRS 7 *Financial instrument – disclosure,* was further amended to provide guideline on the eligibility criteria for offsetting assets and liabilities as a single net amount in the balance sheets. This amendment is effective for annual periods beginning on or after January 1, 2013.

- IFRS 9 *Financial instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

  Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial instruments – Recognition and Measurement*, except that fair value change due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for all annual periods beginning on or after January 1, 2015.

- 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.

- 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.

- 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.

- 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.

- IAS 1 *Presentation of financial statements,* was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. This standard is effective for annual periods beginning on or after July 1, 2012.

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

- IAS 28 *Investment in associates,* was amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. This amendment is effective for annual periods beginning on or after January 1, 2013.

- IAS 32 *Financial Instrument: presentation,* was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014.

Critical Accounting Estimates

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.

The Company has determined that the following accounting estimates are critical and could have a material effect on the financial statements of the Company if there is a change in an estimate.

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 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.

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 have longer mine lives and 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 any 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 there is a recognized impairment in value.

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 earnings.

Valuation of Investment in Tenke Fungurume
The Company carries its investment at cost and adjusts for its share of earnings of the investee. The Company reviews the carrying value of the investment whenever events or changes in circumstances indicate that impairment may be present. In undertaking this review, the Company makes reference to future operating results and cash flows. This requires making significant estimates of, amongst other things, future production and sale volumes, unit sales prices, future operating and capital 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 investment.

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 ("CGUs") acquired based on the assessment of which CGU would be expected to benefit from the synergies of the acquisition. Estimates of recoverable value may be impacted by changes in base metal prices, currency exchange rates, discount rates, level of capital expenditures, 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 CGUs that have recorded goodwill, the estimated recoverable amount 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.

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 liabilities 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.

Reclamation and closure provisions
The Company has obligations for reclamation and closure activities 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 reclamation and closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording reclamation and closure 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. This provision is updated as the estimate for future closure costs change. 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.

Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The principal assumptions used in determining the net cost for pensions include the discount rate, the rate of salary increase and the inflation rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Share-based compensation

The Company grants stock options to employees 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. Option pricing models require the input of highly subjective assumptions including the expected price, volatility and expected life. Changes in the input assumptions can materially affect the fair value estimate.

Managing Risks

Risks and Uncertainties

Metal Prices

Metal prices, primarily copper, zinc and lead are key performance drivers and fluctuations in the prices of these commodities can have a dramatic effect on the results of operations. Prices fluctuate widely and are affected by numerous factors beyond the Company's control. The prices of metals are influenced by supply and demand, exchange rates, inflation rates, changes in global economies, and political, social and other factors. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers and consumers.

If the market prices for metals fall below the Company's full production costs and remain at such levels for any sustained period of time, the Company may, depending on hedging practices, experience losses and may determine to discontinue mining operations or development of a project at one or more of its properties. If the prices drop significantly, the economic prospects of the mines and projects in which the Company has an interest could be significantly reduced or rendered uneconomic. Low metal prices will affect the Company's liquidity, and if they persist for an extended period of time, the Company may have to look for other sources of cash flow to maintain liquidity until metal prices recover.

Credit Risk

The Company is exposed to various counterparty risks. The Company is subject to credit risk through its trade receivables. The Company manages this risk through evaluation and monitoring process such as using the services of credit agencies. The Company transacts with credit worthy customers to minimize credit risk and if necessary, employs pre-payment arrangements and the use of letters of credit, where appropriate, but cannot always be assured of the solvency of its customers. Credit risk relating to derivative contracts arises from the possibility that a counterparty to an instrument with which the Company has an unrealized gain fails to settle the contracts.

Foreign Exchange Risk

The Company's revenue from operations is received in United States dollars while most of its operating expenses will be incurred in Euro and SEK. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results. The Company does not currently engage in foreign currency hedging activities.

Derivative Instruments

The Company may, from time to time, manage exposure to fluctuations in metal prices and foreign exchange rates by entering into derivative instruments approved by the Company's Board of Directors. The Company does not hold or issue derivative instruments for speculation or trading purposes. These derivative instruments are marked-to-market at the end of each period and may not necessarily be indicative of the amounts the Company might pay or receive as the contracts are settled.

Reclamation Funds and Mine Closure Costs

As at December 31, 2011, the Company had $54.4 million in a number of reclamation funds that will be used to fund future site reclamation and mine closure costs at the Company's various mine sites. The Company will continue to contribute annually to these funds as required, based on an estimate of the future site reclamation and mine closure costs as detailed in the closure plans. Changes in environmental laws and regulations can create uncertainty with regards to future reclamation costs and affect the funding requirements.

The Company has received regulatory approval for closure at its Galmoy mine in 2011 and closure activities remain on schedule. Remnant high grade ore continues to be mined and is sent to an adjacent mine for processing. Mining activity is expected to conclude in the first half of 2012. Current mining activity does not have a significant effect on closure activities.

Rehabilitation programs were largely completed at the Storliden mine during 2010 following production shutdown in 2008. The site is subject to ongoing monitoring for several years following the completion of closure activities. The Company also has ongoing long-term monitoring programs in place associated with legacy mining operations previously carried on in Honduras under the ownership of a subsidiary of Rio Narcea Gold Mines Ltd., which was acquired by the Company in 2007.

Closing a mine can have significant impact on local communities and site remediation activities may not be supported by local stakeholders. The Company endeavors to mitigate this risk by reviewing and updating closure plans regularly with external stakeholders over the life of the mine and considering where post-mining land use for mining affected areas has potential benefits to the communities.

In addition to the immediate closure activities, including ground stabilization, infrastructure demolition and removal, top soil replacement, re-grading and re-vegetation, closed mining operations require long-term surveillance and monitoring.

Site closure plans have been developed and amounts accrued in the Company's financial statements to provide for mine closure obligations. Future remediation costs for inactive mines are estimated at the end of each period, including ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. Actual costs realized in satisfaction of mine closure obligations may vary materially from management's estimates.

Competition

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Foreign Countries and Regulatory Requirements

The Company's operations in Portugal, Sweden, Ireland and Spain are subject to various laws and environmental regulations. The implementation of new, or the modification of existing laws and regulations affecting the mining and metals industry could have a material adverse impact on the Company.

The Company has a significant investment in mining operations located in the DRC. The carrying value of this investment and the Company's ability to advance development plans may be adversely affected by political instability and legal and economic uncertainty. The risks by which the Company's interest in the DRC may be adversely affected include, but not limited to: political unrest; labour disputes; invalidation of governmental orders, permits, agreements or property rights; risk of corruption including violations under U.S. and Canadian foreign corrupt practices statutes; military repression; war; civil disturbances; criminal and terrorist actions; arbitrary changes in laws, regulations, policies, taxation, price controls and exchange controls; delays in obtaining or the inability to obtain necessary permits; opposition to mining from environmental or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitations on mineral exports; and high rates of inflation and increased financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means without fair compensation. Africa's status as a developing continent may make it more difficult for the Company to obtain any required exploration, development and production financing for its projects.

There can be no assurance that industries which are deemed of national or strategic importance in countries in which the Company has operations or assets, including mineral exploration, production and development, will not be nationalized. The risk exists that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company's operations.

Mining and Processing

The Company's business operations are subject to risks and hazards inherent in the mining industry, including, but not limited to, unanticipated variations in grade and other geological problems, water conditions, surface or underground conditions, metallurgical and other processing problems, mechanical equipment performance problems, the lack of availability of materials and equipment, the occurrence of accidents, labour force disruptions, force majeure factors, unanticipated transportation costs, and weather conditions, any of which can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures and production commencement dates.

The Company's processing facilities are dependent upon continuous mine feed to remain in operation. Insofar as the Company's mines may not maintain material stockpiles of ore or material in process, any significant disruption in either mine feed or processing throughput, whether due to equipment failures, adverse weather conditions, supply interruptions, labour force disruptions or other causes, may have an immediate adverse effect on results of operations of the Company.

The Company periodically reviews mining schedules, production levels and asset lives in its life of mine ("LOM") planning for all of its operating and development properties. Significant changes in the LOM Plans can occur as a result of experience obtained in the course of carrying out mining activities, new ore discoveries, changes in mining methods and rates, process changes, investments in new equipment and technology, metal price assumptions, and other factors. Based on this analysis, the Company reviews its accounting estimates and in the event of an impairment, may be required to write-down the carrying value of a mine or mines. This complex process continues for the economic life of every mine in which the Company has an interest.

Mine Development Risks

The Company's ability to maintain, or increase, its annual production of copper, zinc, lead, nickel and other metals will be dependent in significant part on its ability to bring new mines into production and to expand existing mines. Although the Company utilizes the operating history of its existing mines to derive estimates of future operating costs and capital requirements, such estimates may differ materially from actual operating results at new mines or at expansions of existing mines. The economic feasibility analysis with respect to any individual project is based upon, among other things, the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed), precious and base metals price assumptions, the configuration of the orebody, expected recovery rates of metals from the ore, comparable facility and equipment costs, anticipated climatic conditions, estimates of labour, productivity, royalty or other ownership requirements and other factors. Some of the Company's development projects are also subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing. Although the Company's feasibility studies are generally completed with the Company's knowledge of the operating history of similar ore bodies in the region, the actual operating results of its development projects may differ materially from those anticipated, and uncertainties related to operations are even greater in the case of development projects.

Environmental and Other Regulatory Requirements

All phases of mining and exploration operations are subject to government regulation including regulations pertaining to environmental protection. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There can be no assurance that possible future changes in environmental regulation will not adversely affect the Company's operations. As well, environmental hazards may exist on a property in which the Company holds an interest, which were caused by previous or existing owners or operators of the properties and of which the Company is not aware at present. Operations at the Company's mines are subject to strict environmental and other regulatory requirements, including requirements relating to the production, handling and disposal of hazardous materials, pollution controls, health and safety and the protection of wildlife. The Company may be required to incur substantial capital expenditures in order to comply with these requirements. Any failure to comply with the requirements could result in substantial fines, delays in production, or the withdrawal of the Company's mining licenses.

Government approvals and permits are required to be maintained in connection with the Company's mining and exploration activities. With the exception of certain of Aguablanca's water licenses (see *Infrastructure*), the Company has all the required permits for its operations as currently conducted; however, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations or additional permits for any possible future changes to the Company's operations, including any proposed capital improvement programs. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the Company resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

Mineral Resource and Reserve Estimates

The Company's reported Mineral Resources and Mineral Reserves are only estimates. No assurance can be given that the estimated Mineral Resources and Mineral Reserves will be recovered or that they will be recovered at the rates estimated. Mineral Resource and Mineral Reserve estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral Resource and Mineral Reserve estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain Mineral Resources and Mineral Reserves uneconomic and may ultimately result in a restatement of estimated resources and/or reserves. Moreover, short-term operating factors relating to the Mineral Resources and Mineral Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades or types, may adversely affect the Company's profitability in any particular accounting period.

Estimation of Asset Carrying Values

The Company annually undertakes a detailed review of the LOM Plans for its operating properties and an evaluation of the Company's portfolio of development projects, exploration projects and other assets. The recoverability of the Company's carrying values of its operating and development properties are assessed by comparing carrying values to estimated future net cash flows and/or market values for each property.

Factors which may affect the recoverability of carrying values include, but are not limited to, metal prices, capital cost estimates, mining, processing and other operating costs, grade and metallurgical characteristics of ore, mine design and timing of production. In the event of a prolonged period of depressed prices, the Company may be required to take material write-downs of its operating and development properties.

Funding Requirements and Economic Volatility

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfill its obligations under any applicable agreements. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of the Company's properties.

Lundin Mining is a multinational company and relies on financial institutions worldwide to fund its corporate and project needs. Instability of large financial institutions may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect the Company's access to the liquidity needed for the business in the longer term.

The Company's access to funds under its Revolving Credit Facility is dependent on the ability of the financial institutions that are parties to the Facility to meet their funding commitments. Those financial institutions may not be able to meet their funding requirements if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under the Revolving Credit Facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others. Such disruptions could require the Company to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for the Company's business needs can be arranged.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political risks.

No Assurance of Titles or Boundaries

Although the Company has investigated the right to explore and exploit its various properties and obtained records from government offices with respect to all of the mineral claims comprising its properties, this should not be construed as a guarantee of title. Other parties may dispute the title to a property or the property may be subject to prior unregistered agreements and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of all of its properties and the precise area and location of claims or the properties may be challenged.

Partner in the Tenke Fungurume Project

The Company's partner in the Tenke Fungurume copper/cobalt project is Freeport-McMoRan Copper & Gold Inc. There may be risks associated with this partner of which the Company is not aware.

Tax

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. By this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over withholding tax rates.

Employee Relations

A prolonged labour disruption at any of the Company's mining operations could have a material adverse effect on the Company's ability to achieve its objectives with respect to such properties and its operations as a whole.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges and power and water supplies are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage or government or other interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

During recent years, the water supply has been the object of political debate between the region in which Aguablanca operates and the neighbouring region. The Company is continuing to advance its application with central and regional authorities to obtain all of the water licenses required to satisfy all of its supply requirements.

Key Personnel

The Company is dependent on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company does not have key person insurance on these individuals.

Outstanding Share Data

As at February 22, 2012, the Company had 582,497,510 common shares issued and outstanding and 8,978,917 stock options outstanding under its stock-based incentive plans.

Non-IFRS Performance Measures

The Company uses certain performance measures in its analysis. These performance measures have no meaning within generally accepted accounting principles under IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The following are non-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 earnings or loss. Operating earnings is defined as sales, less operating costs (excluding depreciation) and general and administration costs.

- **Cash cost per pound**

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

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

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

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

	Three months ended December 31, 2011				Three months ended December 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)	26,026	57,377	1.42	81,475	23,765	52,393	1.34	70,207
Zinkgruvan (Zn)	15,981	35,232	0.37	13,036	14,657	32,313	0.15	4,847
Aguablanca (Ni)[1,2]	-	-	-	(2,861)	559	1,232	15.39	18,960
Galmoy (Zn)[3]	-	-	-	4,687	-	-	-	970
				96,337				94,984
Add: By-product credits				24,509				34,180
Treatment costs				(21,426)				(22,757)
Royalties and other				6,502				5,586
Operating costs, excluding depreciation				**105,922**				**111,993**

	Twelve months ended December 31, 2011				Twelve months ended December 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)	69,974	154,266	1.76	271,508	69,935	154,180	1.33	205,059
Zinkgruvan (Zn)	61,661	135,939	0.30	40,782	59,405	130,966	0.22	28,813
Aguablanca (Ni)[1]	-	-	-	14,848	5,116	11,279	7.08	79,855
Galmoy (Zn)[3]	-	-	-	8,360	-	-	-	5,511
				335,498				319,238
Add: By-product credits				105,467				126,717
Treatment costs				(72,000)				(103,100)
Royalties and other				13,055				24,455
Operating costs, excluding depreciation				**382,020**				**367,310**

[1] Pit-slope failure caused suspension of operations in December 2010.
[2] Deferred stripping costs of $6.3 million, previously expensed in prior quarters, were capitalized in the fourth quarter of 2011.
[3] Operating costs for Galmoy include shipment and processing of ore by an adjacent mine.

Management's Report on Internal Controls

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures and has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as at December 31, 2011.

Internal control over financial reporting

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

Management has used the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') framework in order to assess the effectiveness of the Company's internal control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting and concluded that it was effective as at December 31, 2011.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the three month period ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

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

lundin mining

Consolidated Financial Statements

For the Year Ended December 31, 2011

Management's Report

The accompanying consolidated financial statements of Lundin Mining Corporation and other information contained in the management's discussion and analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International financial reporting standards, and include some amounts that are based on management's estimates and judgment.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which is comprised solely of independent directors. The Audit Committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Company's auditors have full access to the Audit Committee, with and without management being present. These consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants.

(Signed) Paul K. Conibear	*(Signed) Marie Inkster*
President and Chief Executive Officer	Chief Financial Officer

Toronto, Ontario, Canada
February 22, 2012

February 22, 2012

Independent Auditor's Report

To the Shareholders of
Lundin Mining Corporation

We have audited the accompanying consolidated financial statements of Lundin Mining Corporation, which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of earnings, comprehensive income, changes in equity, and cash flows for the years ended December 31, 2011 and December 31, 2010 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lundin Mining Corporation as at December 31, 2011 and December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 December 31, 2010 in accordance with International Financial Reporting Standards.

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Lundin Mining Corporation

CONSOLIDATED BALANCE SHEETS

(in thousands of US dollars)		**December 31, 2011**		December 31, 2010 Note 3		January 1, 2010 Note 3
ASSETS						
Current						
Cash and cash equivalents (Note 4)	**$**	**265,400**	$	198,909	$	141,575
Trade and other receivables (Note 5)		**116,019**		231,970		182,210
Income taxes receivable		**6,869**		1,850		13,160
Inventories (Note 6)		**41,203**		31,688		27,519
Prepaid expenses		**4,047**		5,038		3,541
		433,538		469,455		368,005
Non-Current						
Reclamation funds		**54,392**		61,559		67,076
Mineral properties, plant and equipment (Note 7)		**1,242,126**		1,249,339		1,301,179
Investment in Tenke Fungurume (Note 8)		**1,886,537**		1,735,148		1,628,753
Marketable securities and other assets (Note 9)		**19,515**		32,411		42,508
Deferred tax assets (Note 10)		**37,848**		45,591		72,882
Goodwill (Note 11)		**190,369**		232,813		249,820
		3,430,787		3,356,861		3,362,218
	$	**3,864,325**	$	3,826,316	$	3,730,223
LIABILITIES						
Current						
Trade and other accounts payable	**$**	**72,192**	$	70,976	$	59,473
Accrued liabilities (Note 12)		**49,541**		60,675		48,235
Income taxes payable		**5,211**		43,743		14,657
Current portion of long-term debt and finance leases (Note 13)		**21,740**		2,512		2,536
Current portion of reclamation and closure provisions (Note 14)		**6,581**		5,985		5,830
Current portion of deferred revenue (Note 15)		**12,523**		9,719		5,667
Derivative liabiliites (Note 16)		**-**		-		40,557
		167,788		193,610		176,955
Non-Current						
Long-term debt and finance leases (Note 13)		**7,606**		37,152		188,352
Other long-term liabilities (Note 18)		**5,745**		10,881		11,936
Deferred revenue (Note 15)		**68,514**		67,957		72,230
Provision for pension obligations (Note 17)		**18,525**		18,816		16,385
Reclamation and closure provisions (Note 14)		**103,046**		111,408		122,849
Deferred tax liabilities (Note 10)		**195,245**		232,906		233,658
		398,681		479,120		645,410
		566,469		672,730		822,365
SHAREHOLDERS' EQUITY						
Share capital (Note 19)		**3,497,006**		3,485,814		3,480,487
Contributed surplus		**29,450**		30,312		29,843
Accumulated other comprehensive loss		**(116,174)**		(66,349)		-
Deficit		**(112,426)**		(296,191)		(602,472)
		3,297,856		3,153,586		2,907,858
	$	**3,864,325**	$	3,826,316	$	3,730,223

Commitments and contingencies (Note 26)

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

APPROVED BY THE BOARD

(Signed) Lukas H. Lundin
Director

(Signed) Dale C. Peniuk
Director

Lundin Mining Corporation
CONSOLIDATED STATEMENTS OF EARNINGS
For the years ended December 31, 2011 and 2010
(in thousands of US dollars, except for shares and per share amounts)

		2011		2010
				Note 3
Sales	$	**783,786**	$	849,223
Operating costs (Note 20)		**(382,020)**		(367,310)
Depreciation, depletion and amortization (Note 7)		**(153,796)**		(121,862)
General and administrative		**(28,008)**		(20,227)
General exploration and project investigation		**(42,575)**		(23,624)
Income from equity investment in Tenke Fungurume (Note 8)		**94,681**		75,874
Finance income (Note 21)		**3,602**		49,301
Finance costs (Note 21)		**(16,741)**		(13,159)
Other income (Note 22)		**16,845**		9,661
Other expenses (Note 22)		**(5,238)**		(11,639)
Impairment of goodwill (Note 11)		**(35,726)**		-
Earnings before income taxes		**234,810**		426,238
Current tax expense (Note 10)		**(77,841)**		(85,193)
Deferred tax recovery (expense) (Note 10)		**26,796**		(34,764)
Net earnings	$	**183,765**	$	306,281

Basic and diluted earnings per share	$	**0.32**	$	0.53
Weighted average number of shares outstanding				
Basic		**582,074,865**		579,924,538
Diluted (Note 19c)		**582,964,608**		580,539,367

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

Lundin Mining Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2011 and 2010
(in thousands of US dollars)

		2011		2010
				Note 3
Net earnings	**$**	**183,765**	$	306,281
Other comprehensive loss, net of taxes				
Effects of foreign currency translation		**(49,825)**		(66,349)
Comprehensive income	**$**	**133,940**	$	239,932

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2011 and 2010
(in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, January 1, 2010 (Note 3)	579,592,464	$ 3,480,487	$ 29,843	$ -	$ (602,472)	$ 2,907,858
Exercise of stock options	982,891	5,327	(1,853)	-	-	3,474
Share-based compensation	-	-	2,322	-	-	2,322
Net earnings	-	-	-	-	306,281	306,281
Effects of foreign currency translation	-	-	-	(66,349)	-	(66,349)
Balance, December 31, 2010 (Note 3)	580,575,355	3,485,814	30,312	(66,349)	(296,191)	3,153,586
Exercise of stock options	1,899,932	11,192	(2,986)	-	-	8,206
Share-based compensation	-	-	2,124	-	-	2,124
Net earnings	-	-	-	-	183,765	183,765
Effects of foreign currency translation	-	-	-	(49,825)	-	(49,825)
Balance, December 31, 2011	**582,475,287**	**$ 3,497,006**	**$ 29,450**	**$ (116,174)**	**$ (112,426)**	**$ 3,297,856**

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

Lundin Mining Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2011 and 2010
(in thousands of US dollars)

		2011		2010
				Note 3
Cash provided by (used in)				
Operating activities				
Net earnings	**$**	**183,765**	$	306,281
Items not involving cash				
Finance income and costs		**8,784**		(38,863)
Share-based compensation		**2,124**		2,322
Depreciation, depletion and amortization		**153,796**		121,862
Foreign exchange gain		**(5,370)**		(3,938)
Income from equity investment in Tenke Fungurume		**(94,681)**		(75,874)
Deferred tax (recovery) expense		**(26,796)**		34,764
Recognition of deferred revenue		**(24,529)**		(5,688)
Impairment of goodwill		**35,726**		-
Other		**(5,397)**		(4,748)
Reclamation payments		**(2,700)**		(5,882)
Pension payments		**(1,293)**		(858)
Prepayments received (Note 15)		**30,443**		3,698
Settlement of derivative contracts		**-**		(30,591)
Changes in non-cash working capital items (Note 30)		**54,791**		(26,402)
		308,663		276,083
Investing activities				
Investment in mineral properties, plant and equipment		**(179,099)**		(129,770)
Acquisition of exploration properties		**(9,532)**		-
Investment in Tenke Fungurume		**(64,508)**		(30,521)
Distribution from Tenke Fungurume		**7,800**		-
Changes in reclamation funds		**5,563**		(1,321)
Proceeds from sale of marketable securities		**7,972**		52,280
Proceeds from sale of investments		**-**		31,500
Other		**934**		1,235
		(230,870)		(76,597)
Financing activities				
Long-term debt repayments		**(28,106)**		(157,637)
Proceeds from long-term debt		**17,592**		-
Common shares issued		**8,206**		3,474
Other		**(335)**		(1,684)
		(2,643)		(155,847)
Effect of foreign exchange on cash balances		**(8,659)**		13,695
Increase in cash and cash equivalents during the year		**66,491**		57,334
Cash and cash equivalents, beginning of year		**198,909**		141,575
Cash and cash equivalents, end of year	**$**	**265,400**	$	198,909

Supplemental cash flow information (Note 30)

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

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company. The Company's principal wholly-owned operating mine assets include the Neves-Corvo copper/zinc mine located in Portugal, the Zinkgruvan zinc/lead mine located in Sweden, the Aguablanca nickel/copper mine located in Spain, and a 24.75% equity accounted interest in the Tenke Fungurume copper/cobalt mine located in the Democratic Republic of Congo ("DRC").

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as defined 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 to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). In these financial statements, CGAAP refers to Canadian generally accepted accounting principles before the adoption of IFRS.

The consolidated financial statements have been prepared in compliance with IFRS. Subject to certain transition elections and exceptions disclosed in Note 3, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS balance sheet at January 1, 2010 throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company's reported balance sheets, statements of earnings and statement of cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2010 prepared under CGAAP.

The 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.

Balance sheet items are classified as current if receipt or payment is due within twelve months. Otherwise, they are presented as non-current items.

These consolidated financial statements were approved by the board of directors for issue on February 22, 2012.

(ii) **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.

(b) Investments in associates

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.

Investments in which the Company has the ability to exercise significant influence 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 ("OCI"), 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 earnings. 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 which are subject to an insignificant risk of change in value.

(e) Reclamation funds

Reclamation funds include cash that has been pledged for reclamation and closure activities and is not available for immediate disbursement.

(f) 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. If carrying value exceeds net realizable amount, a write down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

(g) Mineral properties

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges. Expenditures of mineral properties 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, evaluation and project investigation 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, evaluation and project investigation 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. Deferred stripping costs represent the cost incurred to remove overburden and other waste materials to access ore. Stripping costs incurred prior to the production phase of the mine are capitalized and included as part of the carrying value of the mineral property. During the production phase, stripping costs, which provide probable future economic benefits, that provide identifiable improved access to the ore body and which can be measured reliably are capitalized to mineral properties. Capitalized stripping costs are amortized using a unit-of-production basis over the proven and probable reserve to which they relate.

v. Pre-production expenditures net of the proceeds from sales generated, if any, relating to any one area of interest are recognized in the statement of earnings.

vi. 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.

(h) 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. Gains and losses on disposals are determined by proceeds received less the carrying amount and are recognized in the statement of earnings.

Useful lives are as follows:

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

(i) 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 earnings.

(j) Impairment

The Company assesses at each reporting period whether there is an indication that an asset or group of assets 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 earnings during the period.

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 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 earnings in the period it is determined.

(k) 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.

(l) 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 is recorded as goodwill. 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. Any excess of the aggregate fair value of net assets over the purchase price is recognized in the statement of earnings.

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 CGUs, 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 earnings. 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 gain or loss on disposal.

(m) 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 earnings 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 earnings.

(n) Deferred revenue

Deferred revenue consists of payments received by the Company in consideration for future commitments. The Company records a portion of the deferred revenue as sales, when substantial risk and rewards have been transferred.

(o) Provision for pension obligations

The Company's Zinkgruvan mine has an unfunded defined benefit pension plan based on employee pensionable remuneration and length of service. The cost of the defined benefit pension plan is determined annually 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 present value of the Company's pension obligations are amortized over the estimated remaining period of services to be received. Actuarial gains and losses which are less than 10% of the present value of the Company's pension obligations are not recognized.

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.

(p) Reclamation and closure provisions

The Company has obligations for reclamation and closure costs such as site restoration and decommissioning activities 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 is 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 reclamation and closure 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 current market pre-tax discount. Charges for accretion and reclamation expenditures are recorded as operating activities. The related reclamation and closure 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 earnings 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 costs are recognized as an increase or decrease in the reclamation and closure 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, a provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the statement of earnings.

(q) 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.

(r) Share-based compensation

The Company grants share-based awards in the form of share options in exchange for the provision of services from certain employees 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 earnings 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 adjust the total expense to be recognized over the vesting period.

(s) 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 earnings for the year. Taxable profit differs from earnings as reported in the consolidated statement of earnings 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 earnings. 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 earnings 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 earnings nor the accounting earnings. 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 earnings 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 earnings 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 earnings, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Income tax assets and liabilities are offset when there is a legally enforceable right to offset the assets and liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

(t) Earnings per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during each reporting period. Diluted earnings 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 earnings per share calculation.

(u) Financial instruments

Financial instruments are recognized on the consolidated balance sheet on the trade date, the date on which the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be classified and measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument. The Company classifies its financial instruments in the following categories:

Financial assets and liabilities at fair value through profit or loss (“FVTPL”)

A financial asset or liability 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 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 and liabilities are re-valued with any gains or losses recognized in the statement of earnings.

The Company has designated its trade receivables, marketable securities and derivatives which do not qualify for hedge accounting as FVTPL assets and liabilities.

Transaction costs for FVTPL assets and liabilities are expensed.

Loans and receivables

Loans and receivables include cash and cash equivalents, reclamation fund and restricted cash, and other current receivables and loans that have fixed or determinable payments that are not quoted in an active market. 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.

Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade payables, long-term debt, finance leases and other long-term liabilities. Trade payables are initially recognized at the amount required to be paid. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

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.

(v) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants relating to costs are deferred and recognized in the statement of earnings over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are credited to the cost of the property for which the grant was received for. The Company only recognizes grants when there is reasonable assurance that the conditions attached would be complied and the grants would be received.

(w) Adoption of new accounting standards

The Company has early-adopted IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine,* which has a mandatory effective date for annual periods which begin on or after January 1, 2013. Under this standard, production stripping costs in a surface mine are capitalized if certain criteria are met. The Company has applied this standard retroactively to January 1, 2010. This had no impact on the comparative periods presented.

(iii) **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 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.

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 have longer mine lives and would be less affected by a change in the reserve estimate.

Valuation of mineral properties and development properties - The Company carries its mineral properties at cost less any 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 earnings when a property is abandoned or when there is a recognized impairment in value.

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 earnings.

Valuation of Investment in Tenke Fungurume – The Company carries its investment at cost and adjusts for its share of earnings of the investee. The Company reviews the carrying value of the investment whenever events or changes in circumstances indicate that impairment may be present. In undertaking this review, the Company makes reference to future operating results and cash flows. This requires making significant estimates of, amongst other things, future production and sale volumes, unit sales prices, future operating and capital 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 investment.

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 ("CGUs") acquired based on the assessment of which CGU would be expected to benefit from the synergies of the acquisition. Estimates of recoverable value may be impacted by changes in base metal prices, currency exchange rates, discount rates, level of capital expenditures, 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 CGUs that have recorded goodwill, the estimated recoverable amount 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.

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 liabilities 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.

Reclamation and closure provisions - The Company has obligations for reclamation and closure activities 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 reclamation and closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording reclamation and closure 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. This provision is updated as the estimate for future closure costs change. 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.

Pension obligations - The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The principal assumptions used in determining the net cost for pensions include the discount rate, the rate of salary increase and the inflation rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Share-based compensation - The Company grants stock options to employees 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. Option pricing models require the input of highly subjective assumptions including the expected price, volatility and expected life. Changes in the input assumptions can materially affect the fair value estimate. Assumption details are discussed in the notes to the interim consolidated financial statements.

(iv) **New accounting pronouncements**

The Company is currently evaluating the impact of the following pronouncements and has not yet determined the impact:

- IFRS 7 *Financial instrument – 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.

- IFRS 7 *Financial instrument – disclosure,* was further amended to provide guideline on the eligibility criteria for offsetting assets and liabilities as a single net amount in the balance sheets. This amendment is effective for annual periods beginning on or after January 1, 2013.

- IFRS 9 *Financial instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial instruments – Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognize in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

  Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value change due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for all annual periods beginning on or after January 1, 2015.

- 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.

- 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.

- 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.

- 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.

- IAS 1 *Presentation of financial statements,* was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. This standard is effective for annual periods beginning on or after July 1, 2012.

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

- IAS 28 *Investment in associates,* was amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. This amendment is effective for annual periods beginning on or after January 1, 2013.

- IAS 32 *Financial instrument: presentation,* was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of “currently has a legally enforceable right of set-off” was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014.

3. TRANSITION TO IFRS

These are the first annual 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 *First time adoption of International Financial Reporting Standards* (“IFRS 1”). 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 deals with the first time adoption of IFRS and 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 adjustments ("CTA") 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 reclamation and closure provision under IAS 37 *Provisions, contingent liabilities and contingent assets*. The transition date reclamation and closure 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. IFRS 2 *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 available-for-sale ("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, presenting figures on the impact of 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 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 and the comparative date December 31, 2010; and
- Reconciliation of consolidated statement of earnings and other comprehensive loss for the year ended December 31, 2010.

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

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
Reclamation provisions 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
Reclamation provisions included in the cost of mineral properties	(a)	3,724	1,895
Deferred tax liabilities recognized on above		3,729	969
Deferred 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	January 1, 2010
Total equity - CGAAP		$ 3,168,111	$ 2,915,242
Transitional adjustments:			
Accumulated OCI - CTA	(b)	(244,507)	(241,550)
Accumulated OCI - AFS	(c)	(16,835)	(23,501)
Contributed surplus	(d)	(583)	(572)
Retained earnings		247,400	258,239
Total equity - IFRS		**$ 3,153,586**	**$ 2,907,858**

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

		Year ended December 31, 2010
Net earnings - CGAAP		$ 317,124
Accretion of reclamation provisions	(a)	710
Depreciation, depletion and amortization	(a)	1,528
Revaluation of marketable securities	(c)	(6,668)
Share-based compensation	(d)	10
Income from investment in Tenke Fungurume	(f)	(2,740)
Foreign exchange	(g)	3,127
Deferred tax on above adjustments		(6,810)
Net earnings - IFRS		**$ 306,281**
Other comprehensive loss - CGAAP		$ (70,062)
Revaluation of AFS	(c)	(36,793)
Reclassification adjustment of gains included in net earnings	(c)	43,460
Cumulative foreign exchange currency translation adjustment	(b),(g)	(2,954)
Other comprehensive loss - IFRS		**$ (66,349)**
Comprehensive income - IFRS		**$ 239,932**

Transitional adjustments

a) The significant changes from the CGAAP method of accounting for reclamation and closure provisions in comparison to IAS 37 includes the periodic re-assessment of discount rates and inflation rates in the measurement of reclamation and closure costs. In addition, the layer approach under CGAAP is no longer applied. During the year ended December 31, 2010, the reduction in accretion expense recorded based on the restated reclamation and closure balance was $0.7 million and the reduction in depreciation expense recorded based on the restated mineral properties balance was $1.5 million.

b) The Company elected the optional IFRS 1 election on cumulative foreign exchange currency translation differences whereby on transition all cumulative translation differences are deemed to be zero and recognized in retained earnings.

c) On the transition date to IFRS, the Company reclassified its AFS investments to FVTPL and as a result previously deferred gains and losses from the revaluation of the AFS investments were reclassified to retained earnings for $23.5 million. Overall, there was no effect on equity. During the year ended December 31, 2010, $6.7 million of previously recognized losses recorded in OCI under CGAAP were recognized in the statement of earnings.

d) In accordance with IFRS 2, the Company now estimates a forfeiture rate in its initial recognition and measurement of the stock option grant.

e) Under CGAAP, a two step process was used to determine impairment. The first step, using undiscounted cash flows, was undertaken to determine if impairment exists. If the carrying values exceeded the undiscounted cash flows, the second step measured the impairment loss 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 Company's 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 was $63.5 million at the date of transition.

f) The financial statements of the Company's equity investment in Tenke Fungurume Mining Corp S.A.R.L ("TFM") are reported in accordance with generally accepted accounting principles in the United States ("US GAAP"). As a result, the Company applied Canadian 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 reversing the previous CGAAP adjustment. During the year ended December 31, 2010, the effect of this change to net earnings was 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 was elected to reset cumulative translation differences to retained earnings. During the year ended December 31, 2010, the impact was an increase to foreign exchange gains in the statement of earnings of $3.1 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 was derecognized on transition to IFRS in order to comply with IAS 12.

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2011	2010	January 1, 2010
Cash	**$ 265,339**	$ 136,898	$ 102,774
Short-term investments	**61**	62,011	38,801
	$ 265,400	$ 198,909	$ 141,575

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	2011	2010	January 1, 2010
Trade receivables	**$ 83,239**	$ 207,508	$ 146,721
VAT and other receivables	**32,780**	24,462	35,489
	$ 116,019	$ 231,970	$ 182,210

The Company does not have any significant balances that are past due and does not have any allowances for doubtful accounts. The Company's credit risk is discussed in Note 28a.

The fair value of the embedded derivative arising from provisionally priced trade receivables is disclosed in Note 27.

The carrying amounts of receivables are $81.8 million, €27.3 million and SEK 37.6 million as at December 31, 2011.

6. INVENTORIES

Inventories comprise the following:

	2011	2010	January 1, 2010
Ore stockpiles	**$ 9,249**	$ 5,156	$ 3,884
Concentrate stockpiles	**11,349**	6,354	2,168
Materials and supplies	**20,605**	20,178	21,467
	$ 41,203	$ 31,688	$ 27,519

The cost of inventories expensed and included in total operating costs for the year was $401.8 million (2010 - $368.2 million) (Note 20).

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

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 transfers	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	89,343	3,784	9,532	87,546	190,205
Disposals and transfers	2,747	159,045	-	(172,649)	(10,857)
Effects of changes in foreign exchange rates	(51,935)	(24,771)	(1,641)	704	(77,643)
As at December 31, 2011	**$ 1,504,273**	**$ 617,288**	**$ 59,746**	**$ 12,127**	**$ 2,193,434**

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	92,245	29,617	-	-	121,862
Disposals and transfers	-	(6,272)	-	-	(6,272)
Effects of changes in foreign exchange rates	(6,407)	(10,590)	-	-	(16,997)
As at December 31, 2010	646,959	195,431	-	-	842,390
Depreciation	102,835	50,961	-	-	153,796
Disposals and transfers	-	(9,478)	-	-	(9,478)
Effects of changes in foreign exchange rates	(26,294)	(9,106)	-	-	(35,400)
As at December 31, 2011	**$ 723,500**	**$ 227,808**	**$ -**	**$ -**	**$ 951,308**

Carrying 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 December 31, 2011	**$ 780,773**	**$ 389,480**	**$ 59,746**	**$ 12,127**	**$ 1,242,126**

During the year ended December 31, 2011, the Company recorded the acquisition of exploration properties in the amount of $10.0 million relating to the purchase of Belmore Resources (Holdings) plc. The total cost of acquisition was $9.5 million, net of $0.5 million cash acquired.

The Company also capitalized $14.9 million (2010 – nil) of deferred stripping costs to mineral properties as part of its early adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (Note 2w).

The net carrying amount of equipment under finance leases is $6.8 million (2010 - $6.4 million).

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

Depreciation, depletion and amortization is comprised of:

		2011		2010
Operating costs	**$**	**153,433**	$	121,450
General and administrative expenses		**363**		412
Depreciation, depletion and amortization	**$**	**153,796**	$	121,862

8. INVESTMENT IN TENKE FUNGURUME

As at January 1, 2010	$ 1,628,753
Advances	30,521
Share of equity income	75,874
As at December 31, 2010	1,735,148
Advances	64,508
Cash distribution	(7,800)
Share of equity income	94,681
As at December 31, 2011	**$ 1,886,537**

The Company holds a 30% interest in TF Holdings Limited. ("TFH"), a Bermuda company, which in turn holds an 82.5% interest in a Congolese subsidiary company, Tenke Fungurume Mining Corp S.A.R.L ("TFM"). Freeport McMoRan Copper & Gold Inc. ("FCX") holds the remaining 70% interest in TFH. TFM holds a 100% interest in the Tenke Fungurume copper/cobalt mine. The Company's and FCX's effective interest in TFM is 24.75% and 57.75% respectively. La Générale des Carrières et des Mines ("Gécamines"), a DRC Government-owned corporation owns a free-carried 17.5% interest. The Company's interest in TFM will be reduced to 24% after receiving the required government approval of the modifications to the TFM's bylaws that reflect the signed agreements with the DRC government.

FCX is the operator of the mine. The Company exercises significant influence over TFM. Accordingly, the Company uses the equity method to account for this investment.

During the year ended December 31, 2011, the Company made cash advances of $64.5 million to fund its portion of TFM expenditures. The Company had an off-balance sheet financing arrangement whereby FCX was responsible for funding the Company's share of Phase I project development costs that were in excess of agreed budgets. During the year, $108.4 million of the financing arrangement was completely repaid by August 31, 2011. At December 31, 2011 the balance was $nil. The Company received its first cash distribution of $7.8 million in 2011. Other commitments relating to Tenke Fungurume are disclosed in Note 26.

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

		2011		2010
Total assets	**$**	**2,846,798**	$	2,533,463
Total liabilities		**869,608**		1,163,678

		2011		2010
Total revenue	**$**	**1,312,947**	$	1,126,503
Net income		**347,446**		269,914

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

9. MARKETABLE SECURITIES AND OTHER ASSETS

Marketable securities and other assets comprise the following:

		2011		2010		January 1, 2010
Marketable securities (a)	**$**	**15,067**	$	27,337	$	39,539
Other assets (b)		**4,448**		5,074		2,969
	$	**19,515**	$	32,411	$	42,508

a) Marketable securities

Investments in marketable securities consist of shares in publicly traded mining and exploration companies. The Company does not exercise significant influence over any of the companies in which investments in marketable securities are held, which in all cases, amounts to less than a 20% equity interest in any one company.

On transition to IFRS, the IFRS 1 election on designation of previously recognized financial instruments was applied. AFS securities with a fair value of $39.5 million were designated FVTPL (Note 3).

The changes in marketable securities are as follows:

As at January 1, 2010	$	39,539
Additions		2,962
Disposals		(52,885)
Revaluation		35,943
Effects of changes in foreign exchange rates		1,778
As at December 31, 2010		27,337
Disposals		(8,168)
Revaluation		(3,929)
Effects of changes in foreign exchange rates		(173)
As at December 31, 2011	**$**	**15,067**

During the year, the Company disposed of $8.2 million (2010 - $52.9 million) in marketable securities for cash proceeds of $8.0 million (2010 - $52.3 million).

b) Other assets

In 2010, the Company received final proceeds of $31.5 million in relation to a disposal of an investment in 2008.

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

10. CURRENT AND DEFERRED INCOME TAXES

		2011		2010
Current tax expense:				
Current tax on net earnings	$	**63,323**	$	77,007
Adjustments in respect of prior years		**14,518**		8,186
		77,841		85,193
Deferred tax (recovery) expense:				
Origination and reversal of temporary differences		**(23,882)**		21,084
Change in tax rates		**1,709**		14,280
Utilization of previously unrecognized tax losses		**(8,071)**		(1,164)
Tax losses for which no deferred income tax asset was recognized		**3,448**		564
		(26,796)		34,764
Total tax expense	$	**51,045**	$	119,957

Included in the adjustments in respect of prior years is a Spanish tax assessment of $12.5 million relating to deductibility of accelerated depreciation in fiscal years 2004 and 2005.

The tax on the Company's earnings before tax differs from the amount that would arise using the weighted average rate applicable to earnings of the consolidated entities as follows:

		2011		2010
Earnings before tax	$	**234,810**	$	426,238
Combined basic federal and provincial rates		**28.2%**		31.0%
Income tax expense based on statutory income tax rates	$	**66,329**	$	132,092
Effect of lower tax rates in foreign jurisdictions		**(32,763)**		(41,628)
Tax calculated at domestic tax rates applicable to earnings in the respective countries		**33,566**		90,464
Tax effects of:				
Non-deductible and non-taxable items		**8,558**		4,572
Effect on deferred tax balances due to change in foreign statutory tax rates		**1,709**		14,280
Adjustments in respect of prior years		**9,934**		13,587
Tax losses for which no deferred income tax asset was recognized		**3,448**		564
Utilization of previously unrecognized tax losses		**(8,071)**		(1,164)
Other		**1,901**		(2,346)
Total tax expense	$	**51,045**	$	119,957

The weighted average applicable tax rate for 2011 was 14.3% (2010 - 21.2%). The decrease in the tax rate is the result of an increase in the proportionate share of earnings attributable to the equity investment in Tenke Fungurume as well as to the change in the profitability of the Company's subsidiaries in their respective countries that have tax rates ranging from 25.0% to 30.0%.

During 2011, the statutory tax rate in Portugal increased from 29.0% to 31.5% for the 2012 and 2013 taxation years. As a result, an additional $1.7 million deferred tax expense was recorded reflecting the effect on deferred tax assets and liabilities.

During 2010, the statutory tax rate in Portugal changed from 26.5% to 29.0%. As a result, an additional $14.3 million deferred tax expense was recorded reflecting the effect on deferred tax assets and liabilities.

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

	2011	2010
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**$ 35,333**	$ 34,788
Deferred tax asset to be recovered within 12 months	**2,515**	10,803
	37,848	45,591
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	**(180,579)**	(196,374)
Deferred tax liabilities to be recovered within 12 months	**(14,666)**	(36,532)
	(195,245)	(232,906)
Deferred tax liabilities (net)	**$ (157,397)**	$ (187,315)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

	As at January 1, 2010	**Expensed/ (recovered)**	**Effect of changes in foreign exchange rates**	**As at December 31, 2010**
Deferred tax assets:				
Loss carryforwards	$ 26,939	$ (18,754)	$ 546	$ 8,731
Mineral properties, plant & equipment	7,119	253	(129)	7,243
Reclamation and closure provisions	21,651	816	(1,414)	21,053
Pension obligations	3,433	151	268	3,852
Derivative liabilities	10,223	(9,463)	(760)	-
Other	3,517	925	270	4,712
	72,882	(26,072)	(1,219)	45,591
Deferred tax liabilities:				
Mineral properties, plant & equipment	(207,351)	(11,090)	8,985	(209,456)
Reserves	(21,628)	1,730	147	(19,751)
Other	(4,679)	668	312	(3,699)
	$ (233,658)	$ (8,692)	$ 9,444	$ (232,906)

	As at December 31, 2010	**Expensed/ (recovered)**	**Effect of changes in foreign exchange rates**	**As at December 31, 2011**
Deferred tax assets:				
Loss carryforwards	$ 8,731	$ (3,504)	$ (81)	$ 5,146
Mineral properties, plant & equipment	7,243	(266)	(210)	6,767
Reclamation and closure provisions	21,053	(746)	(612)	19,695
Pension obligations	3,852	(334)	(98)	3,420
Other	4,712	(1,659)	(233)	2,820
	45,591	(6,509)	(1,234)	37,848
Deferred tax liabilities:				
Mineral properties, plant & equipment	(209,456)	24,699	4,134	(180,623)
Reserves	(19,751)	4,874	348	(14,529)
Other	(3,699)	3,732	(126)	(93)
	$ (232,906)	$ 33,305	$ 4,356	$ (195,245)

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

The Company did not recognize deferred tax assets of $9.4 million (2010 - $8.6 million) which are mainly in respect of mineral property, plant and equipment and marketable securities.

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. For 2011, the Spanish subsidiary had non-capital losses of $12.7 million for which a deferred tax asset of $3.8 million has been recognized. Based on the Company's approved 5 year plan, it is anticipated that operations at Aguablanca will restart in late 2012 and will generate sufficient taxable profits in 2013 and 2014 to fully utilize these tax losses.

The Company did not recognize deferred tax assets of $68.4 million (2010 - $73.2 million) in respect of tax losses amounting to $273.5 million (2010 - $287.7 million) that can be carried forward against future taxable income.

As at December 31, 2011, the Company had accumulated non-capital losses for income tax purposes in the following countries:

Year of expiry	Canada	Spain	Sweden	Ireland	Total
2012	$ 9,758	$ -	$ -	$ -	$ 9,758
2013	1,994	-	-	-	1,994
2014	4,416	-	-	-	4,416
2015	7,544	-	-	-	7,544
2016 and thereafter	165,638	12,704	5,075	84,147	267,564
	$ 189,350	$ 12,704	$ 5,075	$ 84,147	$ 291,276

The non-capital losses for Sweden and Ireland have an indefinite life.

The aggregate amount of temporary differences related to investments in subsidiaries and associates for which deferred tax liabilities have not been recognized is $214.3 million as at December 31, 2011.

11. GOODWILL

Goodwill resulted from the acquisition of EuroZinc Mining Corporation ("EuroZinc") which includes primarily the mining operations of Neves-Corvo and from the acquisition of Rio Narcea Gold Mines, Ltd. ("Rio Narcea"), which includes the mining operations of Aguablanca.

Goodwill is allocated to the below CGUs which reflect how it is monitored for internal management purposes.

	EuroZinc	Rio Narcea	Total
As at January 1, 2010	$ 180,259	$ 69,561	$ 249,820
Effect of changes in foreign exchange rates	(12,271)	(4,736)	(17,007)
As at December 31, 2010	167,988	64,825	232,813
Impairment loss	-	(35,726)	(35,726)
Effect of changes in foreign exchange rates	(5,318)	(1,400)	(6,718)
As at December 31, 2011	**$ 162,670**	**$ 27,699**	**$ 190,369**

CGU Impairment

The Company performs an impairment test annually or more frequently if there are impairment indicators for the carrying amount of its CGUs.

The Company did not make any significant changes to the valuation methodology used to assess CGU impairment since the last annual test performed. The recoverable value of a CGU was determined using cash flow projections based on financial budgets and approved life of mine plans. The key assumptions used in cash flow projections consist of forecasted commodity prices, reserve and resource quantities, operating costs, capital expenditures, discount rates and foreign exchange rates.

Commodity prices used in the cash flow projections are within the range of current market consensus observed during the fourth quarter of 2011. The valuation for the recoverable amount is most sensitive to long-term copper prices and short-term nickel prices, as well as Euro and US dollar exchange rates.

The reserves and resources were based on the Company's published statement dated June 30, 2011.

Operating costs included in the cash flow projections are based on budgeted long-term operating plans which consider past and estimated future performance.

For the Eurozinc CGU impairment test, the Company used a fair value less cost to sell model and assumed an after-tax discount rate of 9% per annum on copper and zinc price ranges of $2.75/lb to $4.00/lb and $1.00/lb to $1.20/lb respectively to calculate the present values of cash flows over the economic years of the Company's life of mine plan. Incorporated in the fair value, the Company developed fair value estimates for resources not captured in the cash flow model. These estimates were benchmarked using third-party market information. The impairment test did not result in an impairment loss being recognized as the carrying value of the CGU was below the recoverable amount of the CGU.

Impairment loss

In performing the CGU impairment test for Rio Narcea, the Company concluded that the recoverable amount of the CGU was lower than its carrying value. As a result, the Company recognized an impairment loss of $35.7 million which it has fully allocated to goodwill. Management assessed this CGU for impairment based on the annual test required by IAS 36 and also due to refined technical plans developed during 2011 related to the December 2010 slope failure affecting the main open-pit access ramp. In addition, there was a significant increase to the carrying value of the CGU as a result of the early adoption of IFRIC 20 related to deferred stripping of $14.9 million. The Company used a value-in use cash flow model and a pre-tax discount rate of 18% on nickel and copper price ranges of $8.75/lb to $9.00/lb and $2.75/lb to $4.00/lb respectively.

Sensitivities were performed for the cash flow models. A 5% decrease in the nickel and copper price would result in an approximately $14 million additional goodwill impairment loss for Rio Narcea. For the Eurozinc CGU test, a 5% decrease in the price of copper and zinc would not change the goodwill impairment assessment. Foreign exchange assumptions applied to the impairment test for €/$ was in the range of 1.39 to 1.43. The sensitivity of changes in foreign exchange on the cash flow models had similar quantitative effects as changes in commodity price.

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

12. ACCRUED LIABILITIES

Accrued liabilities comprise the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Unbilled goods and services	**$ 16,373**	$ 20,876	$ 20,972
Payroll obligations	**18,441**	16,138	19,128
Royalty payable	**14,727**	23,661	8,135
	$ 49,541	**$ 60,675**	$ 48,235

13. LONG-TERM DEBT AND FINANCE LEASES

Long-term debt and finance leases comprise the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Revolving credit facility (a)	**$ -**	$ -	$ 141,620
Somincor commercial paper program (b)	**19,350**	29,276	38,713
Finance lease obligations (c)	**5,915**	5,824	4,693
Rio Narcea debt (d)	**4,081**	4,564	5,862
	29,346	39,664	190,888
Less: current portion due within one year	**21,740**	2,512	2,536
	$ 7,606	$ 37,152	$ 188,352

The changes in long-term debt and finance leases are as follows:

As at January 1, 2010	$ 190,888
Additions	2,245
Payments	(157,637)
Effects of changes in foreign exchange rates	4,168
As at December 31, 2010	39,664
Additions	19,772
Payments	(28,106)
Revaluation	558
Effects of changes in foreign exchange rates	(2,542)
As at December 31, 2011	**$ 29,346**

a) The $300 million revolving credit facility carries a current rate of LIBOR plus 3%. The facility is secured by charges against the Company's mining assets and has covenants customarily required for such debt facilities, including minimum tangible net worth and interest coverage. The credit facility expires on September 1, 2013.

b) The Sociedade Mineira de Neves-Corvo, S.A. ("Somincor"), a subsidiary of the Company which owns the Neves-Corvo mine, has a commercial paper program with terms of a minimum of 7 days and a maximum of 1 year and bears interest at EURIBOR plus 4.5%. The effective interest rate at December 31, 2011 was 5.9% (December 31, 2010 – 3.0%). The program matures in December 2012.

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

c) Finance lease obligations relate to leases on mining equipment having lease terms of five to eight years and interest rates of approximately 8% over the term of the leases.

d) The Rio Narcea debt is an interest free loan extended by the Spanish Department of Trade, Industry and Commerce. It is repayable in equal annual installments of €0.5 million on December 15 of each year through 2017. The debt is recorded using an imputed interest rate of 2.0% (2010 – 4.7%).

The principal repayment obligations are scheduled as follows:

	Debt	Finance Leases	Total
2012	$ 20,429	$ 1,311	$ 21,740
2013	647	1,282	1,929
2014	647	1,250	1,897
2015	647	1,232	1,879
2016	647	453	1,100
2017 and thereafter	414	387	801
Total	$ 23,431	$ 5,915	$ 29,346

14. RECLAMATION AND CLOSURE PROVISIONS

Reclamation and closure provisions relating to the Company's wholly-owned mining operations are as follows:

	Reclamation provisions	Other closure provisions	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)	-	(5,882)
Effect of changes in foreign exchange rates	(5,652)	(2,581)	(8,233)
Balance, December 31, 2010	101,401	15,992	117,393
Accretion	3,261	-	3,261
Accruals for services	-	(1,342)	(1,342)
Changes in estimates	(2,444)	-	(2,444)
Payments	(2,700)	-	(2,700)
Effect of changes in foreign exchange rates	(3,201)	(1,340)	(4,541)
Balance, December 31, 2011	96,317	13,310	109,627
Less: current portion due within one year	5,382	1,199	6,581
	$ 90,935	**$ 12,111**	**$ 103,046**

At December 31, 2011, the reclamation and closure provision for the Neves-Corvo mine was $62.5 million (2010 - $69.7 million). The Company expects the payments for site restoration costs, including severance, to be incurred between 2012 to 2029 in the amount of approximately $74 million (€57 million). Change in estimate of $6.9 million was recorded during 2011 due to a change in the timing of payments and the pre-tax discount rate.

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

The reclamation and closure provision at the Zinkgruvan mine at December 31, 2011 was $9.5 million (2010 - $8.2 million). This was based on estimated undiscounted future site restoration costs of $10.4 million (SEK 71.7 million). The Company expects the future reclamation costs to be paid primarily during 2017. The Company has posted environmental bonds related to its site restoration provision (Note 26c)

The reclamation and closure provision at the Aguablanca mine was estimated based on undiscounted costs of $17.3 million (€13.4 million) for the mine. The reclamation and closure provision, including severance, for the Aguablanca mine at December 31, 2011 totaled $20.8 million (2010 - $18.4 million). The payments are expected to be settled between 2016 to 2018.

The reclamation and closure obligation at the Galmoy mine as at December 31, 2011 was $5.1 million (2010 - $5.9 million). It is expected that this will be settled primarily in 2013.

15. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at January 1, 2010	$	77,897
Prepayments received		3,698
Recognition of revenue		(5,688)
Effects of changes in foreign exchange rates		1,769
As at December 31, 2010		77,676
Prepayments received		30,443
Recognition of revenue		(24,529)
Effects of changes in foreign exchange rates		(2,553)
		81,037
Less: estimated current portion		12,523
As at December 31, 2011	**$**	**68,514**

a) Neves-Corvo mine

The Company has an agreement to sell all of the silver contained in concentrate produced from its Neves-Corvo mine in Portugal to Silver Wheaton Corp ("Silver Wheaton") (formerly Silverstone Resources Corp.). The Company received an up-front payment which was deferred and is being recognized as revenue as silver is delivered under the contract and receives the lesser of $3.90 per ounce (subject to a 1% annual adjustment) and the market price per ounce of silver. The agreement extends to the earlier of September 2057 and the end of mine life of the Neves-Corvo mine.

b) Zinkgruvan mine

The Company has an agreement with Silver Wheaton to deliver silver contained in concentrate from the Zinkgruvan mine in Sweden to Silver Wheaton. The Company received an up-front payment which was deferred and is being recognized as revenue as silver is delivered under the contract and receives a payment of the lesser of $3.90 per ounce (subject to adjustment based on changes in the US consumer price inflation index) and the market price per ounce of silver (Note 26d).

c) Galmoy mine

The Company received customer prepayments related to the sale of ore. Deferred revenue will be recognized in sales during 2012 and 2013.

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

16. DERIVATIVE LIABILITIES

During 2010, the Company settled 22,577 tonnes of its collar arrangements for copper. The Company paid $30.6 million to settle the contracts and recorded a gain on settlement of $10.2 million. The Company had no outstanding derivative contracts as at December 31, 2011 and December 31, 2010.

17. PROVISION FOR PENSION OBLIGATIONS

The Company has calculated its liability relating to the defined benefit plan at the Zinkgruvan mine using the accrued benefit pro-rated on services method. Actuarial assumptions, based on the most recent actuarial valuation dated January 3, 2012, used to determine benefit obligations as at December 31, 2011 and 2010 were as follows:

	2011	2010
Discount rate	3.7%	4.5%
Rate of salary increase	2.5%	2.5%

Discount rates used reflect high quality bond rates matching the currency and maturity of the obligation.

Information about Zinkgruvan's pension obligations is as follow:

	2011	2010
Accrued benefit obligation:		
Balance, beginning of the year	$ 14,021	$ 12,237
Current service costs	534	492
Interest costs	615	546
Actuarial losses	599	537
Benefits paid	(1,095)	(858)
Effects of changes in foreign exchange rates	(1,124)	1,067
Balance, end of the year	13,550	14,021
Adjustments of cumulative unrecognized actuarial losses	247	760
Unrecognized actuarial losses	(599)	(537)
Accrued benefit obligation	13,198	14,244
Other pension accruals	5,327	4,572
Total provision for pension obligations	$ 18,525	$ 18,816

The defined benefit plan is unfunded and, accordingly, there are no plan assets and the Company made no contributions to the plan. The Company's pension expense recorded within operating costs related to the defined benefit plan is as follows:

	2011	2010
Current service costs	$ 534	$ 492
Interest costs	615	546
Indirect taxes	279	252
Pension expense	$ 1,428	$ 1,290

A 1% change in the discount rate assumption would have no impact to the pension obligation or the pension expense for 2011.

The Company expects to make payments of $1.2 million under the defined benefit plan during the next financial year.

Defined contribution plans

In addition, the Company recorded a pension expense in operating costs in the amount of $2.3 million (2010 - $2.1 million) and in general and administrative expenses in the amount of $0.5 million (2010 - $0.5 million) relating to defined contribution plans.

In accordance with the transitional provisions set out in the amendment to IFRS 1, disclosures are presented prospectively from the date of transition.

18. OTHER LONG-TERM LIABILITIES

Included in other long-term liabilities are government grants of $5.7 million previously received that are expected to be repaid during 2012 to 2014 if certain conditions are not met.

19. SHARE CAPITAL

(a) Authorized and issued shares

The authorized share capital consists of an unlimited number of voting common shares with no par value and one special non-voting share with no par value of which 582,475,287 voting common shares (2010 – 580,575,355) are issued and fully-paid.

(b) Stock options

The Company has an incentive stock option plan (the "Plan") available for certain employees and officers to acquire shares in the Company. The term of any options granted are fixed by the Board of Directors and may not exceed ten years from the date of grant. The total options that are issuable are 21,000,000. The vesting requirements for the options include the passage of a specified time period as well as continued employment.

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 $2.1 million for 2011 (2010 - $2.3 million) with a corresponding credit to contributed surplus. The fair value of the stock options is estimated as at the date of the grant using the Black-Scholes pricing model assuming risk-free interest rates of 1.0% to 1.6% (2010 – 1.2% to 1.4%) , no dividend yield, expected life of 1.6 to 3.6 years (2010 – 1.5 to 2.1 years) with an expected price volatility ranging from 56% to 79% (2010 - 89% to 93%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of 17.97% is applied (2010 –15.97%). The weighted average fair value per option granted during 2011 was $2.13 (2010 - $2.23). As at December 31, 2011, there was $8.9 million of unamortized stock compensation expense.

During the year ended December 31, 2011, the Company granted 5,814,999 incentive stock options to employees and officers that expire between December 2013 and February 2017.

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

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

	Number of Options		Weighted average exercise price (C$)
Outstanding, January 1, 2010	9,171,370	$	6.93
Granted during the year	340,834		4.41
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 year	5,814,999		4.16
Forfeited during the year	(1,252,574)		6.70
Expired during the year	(643,566)		7.81
Exercised during the year	(1,899,932)		4.25
Outstanding, December 31, 2011	9,084,472	$	5.39

The following table summarizes options outstanding as at December 31, 2011, as follows:

	Outstanding Options			Exercisable Options		
Range of exercise prices (C$)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)
$2.67 to $3.77	491,668	0.4	$ 2.87	491,668	0.4	$ 2.87
$3.78 to $4.00	5,395,000	4.8	3.90	82,220	3.0	3.89
$4.01 to $4.99	1,363,885	1.5	4.43	1,096,657	1.4	4.43
$5.00 to $10.57	611,919	1.5	8.13	529,688	1.5	8.24
$10.58 to $13.75	1,222,000	0.7	12.68	1,222,000	0.7	12.68
	9,084,472	3.3	$ 5.39	3,422,233	1.07	$ 7.73

In 2011, 1,899,932 options (2010 - 982,891) were exercised which resulted in the issuance of an equal number of common shares. The weighted average share price on the date of exercise for all options exercised during the year was $7.31.

(c) Diluted weighted average number of shares

The basic weighted average number of common shares outstanding for the year ended December 31, 2011 was 582,074,865 (2010 – 579,924,538).

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 year ended December 31, 2011 is comprised of 889,743 (2010 – 614,829) shares which relate to the outstanding in-the-money stock options.

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

20. OPERATING COSTS

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

		2011		2010
Direct mine and mill costs		**350,074**		321,733
Transportation		**18,165**		18,251
Royalties		**13,781**		27,326
		382,020		367,310
Depreciation, depletion and amortization (Note 7)		**153,433**		121,450
Total operating costs	**$**	**535,453**	$	488,760

21. FINANCE INCOME AND COSTS

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

		2011		2010
Interest income	**$**	**3,602**	$	2,286
Unrealized gain on revaluation of marketable securities		**-**		35,943
Gain on derivative contracts		**-**		10,223
Other		**-**		849
Total finance income	**$**	**3,602**	$	49,301

		2011		2010
Interest expense and bank fees	**$**	**9,011**	$	8,763
Accretion expense on reclamation provisions		**3,261**		4,396
Unrealized loss on revaluation of marketable securities		**3,929**		-
Other		**540**		-
Total finance costs	**$**	**16,741**	$	13,159

22. OTHER INCOME AND EXPENSES

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

		2011		2010
Other income	**$**	**6,428**	$	4,133
Foreign exchange gain		**8,187**		-
Gain on sale of non-core assets		**2,230**		5,528
Total other income	**$**	**16,845**	$	9,661

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

		2011		2010
Other expense	**$**	**5,238**	$	9,681
Foreign exchange loss		**-**		1,958
Total other expenses	**$**	**5,238**	$	11,639

Other income and other expenses include ancillary activities of the Company.

23. EMPLOYEE BENEFITS

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

		2011		2010
Operating costs				
Wages and benefits	**$**	**108,597**	$	89,570
Pension benefits		**3,672**		3,355
Share-based compensation		**593**		857
		112,862		93,782
General and administrative expenses				
Wages and benefits		**10,157**		8,293
Pension benefits		**505**		546
Share-based compensation		**1,338**		1,173
		12,000		10,012
General exploration and project investigation				
Wages and benefits		**4,708**		3,898
Share-based compensation		**193**		292
Total employee benefits	**$**	**129,763**	$	107,984

24. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Portugal, Spain, Sweden, Ireland and the DRC. The segments presented reflect the way which the Company's management reviews its business performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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

Segmented Information
For the year ended December 31, 2011

	Neves-Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Tenke Fungurume DRC	Other	Total
Sales	$ 558,044	$ 188,566	$ (1,897)	$ 39,073	$ -	$ -	$ 783,786
Operating costs	(258,991)	(94,978)	(14,820)	(12,570)	-	(661)	(382,020)
General and administrative	-	-	-	-	-	(28,008)	(28,008)
Operating earnings (loss)*	299,053	93,588	(16,717)	26,503	-	(28,669)	373,758
Depreciation, depletion and amortization	(119,418)	(30,876)	(3,067)	(72)	-	(363)	(153,796)
General exploration and project investigation	(29,590)	(651)	(1,404)	-	-	(10,930)	(42,575)
Income from equity investment in Tenke	-	-	-	-	94,681	-	94,681
Finance income and costs	(2,117)	(562)	(3,901)	460	-	(7,019)	(13,139)
Other income and expenses	(3,834)	2,019	1,863	1,014	-	10,545	11,607
Impairment of goodwill	-	-	(35,726)	-	-	-	(35,726)
Income tax (expense) recovery	(37,498)	(15,615)	(819)	(549)	-	3,436	(51,045)
Net earnings (loss)	$ 106,596	$ 47,903	$ (59,771)	$ 27,356	$ 94,681	$ (33,000)	$ 183,765
Capital expenditures	$ 117,727	$ 41,506	$ 19,321	$ 34	$ 64,508	$ 10,043	$ 253,139
Total non-current assets**	$ 1,110,803	$ 223,660	$ 81,472	$ 15,337	$ 1,886,537	$ 1,223	$ 3,319,032

For the year ended December 31, 2010	Neves-Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Tenke Fungurume DRC	Other	Total
Sales	$ 541,313	$ 165,273	$ 129,784	$ 12,853	$ -	$ -	$ 849,223
Operating costs	(205,617)	(69,496)	(85,656)	(5,892)	-	(649)	(367,310)
General and administrative	-	-	-	-	-	(20,227)	(20,227)
Operating earnings (loss)*	335,696	95,777	44,128	6,961	-	(20,876)	461,686
Depreciation, depletion and amortization	(87,459)	(14,915)	(19,003)	(71)	-	(414)	(121,862)
General exploration and project investigation	(19,025)	-	(1,116)	-	-	(3,483)	(23,624)
Income from equity investment in Tenke	-	-	-	-	75,874	-	75,874
Finance income and costs	7,828	(855)	(31)	211	-	28,989	36,142
Other income and expenses	1,651	(7,020)	(5,265)	833	-	7,823	(1,978)
Income tax expense	(90,684)	(18,561)	(8,205)	(416)	-	(2,091)	(119,957)
Net earnings	$ 148,007	$ 54,426	$ 10,508	$ 7,518	$ 75,874	$ 9,948	$ 306,281
Capital expenditures	$ 88,413	$ 37,974	$ 3,127	$ -	$ 30,521	$ 256	$ 160,291
Total non-current assets**	$ 1,155,093	$ 217,985	$ 101,536	$ 6,573	$ 1,735,148	$ 965	$ 3,217,300
Total non-current assets, January 1, 2010**	$ 1,229,442	$ 185,129	$ 129,184	$ 6,982	$ 1,628,753	$ 262	$ 3,179,752

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

**Non-current assets include mineral properties, plant and equipment, investment in Tenke Fungurume and goodwill.

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

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

	2011	2010
Copper	$ 563,103	$ 557,794
Zinc	135,078	106,514
Lead	71,356	69,082
Nickel	(444)	92,743
Other	14,693	23,090
	$ 783,786	$ 849,223

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

	2011	2010
Europe	$ 732,031	$ 737,722
South America	51,473	18,754
Asia	220	78,873
North America	62	13,874
	$ 783,786	$ 849,223

25. 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 employee benefits for key management personnel are as follows:

	2011	2010
Wages and salaries	**$ 5,992**	$ 6,132
Pension benefits	**146**	264
Share-based compensation	**523**	752
	$ 6,661	$ 7,148

During the year ended December 31, 2011, the Company paid $0.3 million (for the year ended December 31, 2010 - $0.3 million) for services provided by a management company owned by the Chairman of the Company.

During the year, the Company sold a residential property to a senior officer for $0.6 million. This disposition was transacted at fair value and on regular arm's length terms.

The Company paid $0.2 million to a charitable foundation directed by members of the Company's key management personnel to carry out social programs in the DRC on behalf of the Company.

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

26. COMMITMENTS AND CONTINGENCIES

a) The Company's wholly-owned subsidiary, Somincor, has entered into the following commitments:

   i. Royalty payments under a fifty year concession agreement to pay the greater of 10% of net earnings or 0.75% of mine-gate production revenue with the Portuguese government. Royalty costs for the year ended December 31, 2011 in the amount of $13.1 million (2010 - $24.3 million) were included in operating costs;

   ii. Use of the railways under a railway transport agreement expires in November 2012. The estimated annual cost are $5 million per year;

b) Royalty payments relating to the Aguablanca mine are 2% of net sales. There were no royalty costs for the year ended December 31, 2011 (2010 - $2.6 million).

c) A Swedish bank issued a bank guarantee to the Swedish authorities in the amount of $11.6 million (SEK 80.0 million) relating to the future reclamation costs at the Zinkgruvan mine. Additional bonds of $2.3 million (SEK 16.2 million) and $1.4 million (SEK 10.0 million) were to be followed in 2016 and 2024 respectively. The Company has agreed to indemnify the Swedish bank for this guarantee.

d) Under agreements with Silver Wheaton, the Company has agreed to deliver all future production of silver contained in concentrate produced from the Zinkgruvan mine. The Silver Wheaton agreement with the Zinkgruvan mine includes a guaranteed minimum delivery of 40 million ounces of silver over an initial 25 year term. If at the end of the initial term the Company has not met its minimum obligation, it must pay $1.00 to Silver Wheaton for each ounce of silver not delivered. An aggregate total of approximately 12.7 million ounces has been delivered since the inception of the contract in 2004.

e) The Company provides certain letters of credit and guarantees for $1.8 million worth of contracts entered into by TFM. These letters of credit expire in 2013.

f) The Company is a party to certain contracts relating to operating leases, office rent and capital commitments. Future minimum payments under these agreements as at December 31, 2011 are as follows:

2012	$	60,940
2013		877
2014		378
2015		314
2016		307
2017 and thereafter		311
Total commitments	$	63,127

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

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at December 31, 2011 and December 31, 2010 and January 1, 2010:

		December 31, 2011		December 31, 2010		January 1, 2010	
	Level	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets							
Loans and receivables							
Cash and cash equivalents		$ 265,400	$ 265,400	$ 198,909	$ 198,909	$ 141,575	$ 141,575
Trade receivables		1,719	1,719	30,775	30,775	36,579	36,579
Other receivables		32,780	32,780	24,462	24,462	35,489	35,489
Reclamation funds		54,392	54,392	61,559	61,559	67,076	67,076
		$ 354,291	$ 354,291	$ 315,705	$ 315,705	$ 280,719	$ 280,719
Fair value through profit and loss							
Trade receivables	2	$ 81,520	$ 81,520	$ 176,733	$ 176,733	$ 110,142	$ 110,142
Marketable securities - shares	1	14,624	14,624	24,530	24,530	39,539	39,539
Marketable securities - warrants	2	443	443	2,807	2,807	-	-
		$ 96,587	$ 96,587	$ 204,070	$ 204,070	$ 149,681	$ 149,681
Financial liabilities							
Amortized cost							
Trade payables and accrued liabilities		$ 103,292	$ 103,292	$ 115,513	$ 115,513	$ 88,580	$ 88,580
Long-term debt and finance leases		29,346	29,346	39,664	39,664	190,888	190,888
Other long-term liabilities		5,745	5,745	10,881	10,881	11,936	11,936
		$ 138,383	$ 138,383	$ 166,058	$ 166,058	$ 291,404	$ 291,404
Fair value through profit and loss							
Derivative liabilities	2	$ -	$ -	$ -	$ -	$ 40,557	$ 40,557

Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

Level 1 – Quoted market price in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data.

The Company calculates fair values based on the following methods of valuation and assumptions:

Trade receivables – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on forward LME price. During the year, the Company recognized negative pricing adjustments of $29.6 million (2010 - $42.1 million positive adjustment) in sales;

Marketable securities – The fair value of investments in shares is determined based on quoted market price and the fair value of warrants is determined using a valuation model that incorporates such factors as the quoted market price and the historical prices of the shares of which the warrants can be exchanged for and the expiry date of the warrants;

Derivative liabilities – The fair value is determined using a valuation model that incorporates such factors as the prevailing forward price and volatility of the commodity; and

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

The carrying value of certain financial instruments maturing in the short-term approximates their fair values. These financial instruments include cash and cash equivalents, other receivables, trade and other accounts payable and accrued liabilities.

28. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, foreign exchange risk, commodity price risk and interest rate risk.

a) Concentration of credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes that its maximum exposure to credit risk as at December 31, 2011 is the carrying value of its trade receivables.

Concentrate produced at the Company's Neves-Corvo and Zinkgruvan mines and ore produced at the Galmoy mine is sold to a small number of strategic customers with whom the Company has established long-term relationships. Limited amounts are occasionally sold to metals traders on an ad hoc basis. Production from the Aguablanca mine is sold to a trading company under a long term contract expiring in July 2013, extendable for an additional 24 months. The payment terms vary and provisional payments are normally received within 2-4 weeks of shipment, in accordance with industry practice, with final settlement up to four months following the date of shipment. Sales to metals traders are made on a cash up-front basis. Credit worthiness of customers are reviewed by the Company on an annual basis and those not meeting certain credit criteria would be required to make 100% provisional payment up-front. The failure of any of the Company's strategic customers could have a material adverse effect on the Company's financial position. For the year ended December 31, 2011, the Company has three customers that individually account for more than 10% of the Company's total sales. These customers represent approximately 68% of total sales and relate primarily to the Neves-Corvo and Zinkgruvan mines.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with credit ratings of at least A or equivalent, or those which have been otherwise approved.

b) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient committed capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company has in place a revolving credit facility to meet its cash flow needs (Note 13).

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

The maturities of the Company's liabilities are as follows:

	Within 1 year	1 to 5 years
Accounts payable and accrued liabilities	$ 121,733	$ -
Long-term debt and finance leases	21,740	7,606
Other long-term liabilities	-	5,745
Outstanding, December 31, 2011	$ 143,473	$ 13,351

c) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the €, SEK and C$.

The Company's risk management objective is to manage cash flow risk related to foreign denominated cash flows. The Company is exposed to currency risk related to changes in rates of exchange between the US dollar and the local currencies of the Company's principal operating subsidiaries. The Company's revenues and certain debt are denominated in US dollars, while most of the Company's operating and capital expenditures are denominated in the local currencies. A significant change in the currency exchange rates between the US dollar and foreign currencies could have a material effect on the Company's net earnings and on other comprehensive income.

As at December 31, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars but held by group companies that have functional currencies in € or SEK:

	US Dollar
Cash and cash equivalents	$ 163,095
Other working capital items	$ 81,443

The impact of the US dollar strengthening by 10% at December 31, 2011 against the Company's foreign currencies with all other variables held constant is as follows:

	€	SEK	Total
Pre-tax earnings for the year	$ 8,206	$ 14,025	$ 22,231

d) Commodity price risk

The Company is subject to price risk associated with fluctuations in the market prices for metals.

The Company may, at its election, use forward or derivative contracts to manage its exposure to changes in commodity prices, the use of which is subject to appropriate approval procedures. The Company is also subject to price risk on the final settlement of its trade receivables.

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

The sensitivity of the Company's financial instruments recorded as at December 31, 2011 before considering the effect of changes in metal prices on smelter treatment charges is as follows:

	Price on December 31, 2011 ($US/tonne)	Change	Effect on pre-tax earnings ($ millions)
Copper	7,597	+/-10%	18.2
Zinc	1,843	+/-10%	2.3
Lead	1,966	+/-10%	1.6

e) Interest rate risk

The Company's exposure to interest rate risk arises both from the interest rate impact on its cash and cash equivalents as well as on its debt facilities. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any short-term investments included in cash and cash equivalents as they are generally held to maturity with large financial institutions.

As at December 31, 2011, holding all other variables constant and considering the Company's outstanding debt of $29.3 million, a 1% change in the interest rate would result in an approximate $0.3 million change in interest expense on an annualized basis.

29. MANAGEMENT OF CAPITAL RISK

The Company's objectives when managing its capital include ensuring a sufficient combination of positive operating cash flows and debt and equity financing in order to meet its ongoing capital development and exploration programs in a way that maximizes the shareholder return given the assumed risks of its operations while at the same time safeguarding the Company's ability to continue as a going concern. The Company considers the following items as capital: excess cash balances, shareholders' equity and long-term debt.

Through the ongoing management of its capital, the Company will modify the structure of its capital based on changing economic conditions in the jurisdictions in which it operates. In doing so, the Company may issue new shares or debt, buy back issued shares, or pay off any outstanding debt. The Company's current policy is to not pay out dividends but to reinvest its earnings in the business.

Planning, including life-of-mine plans, annual budgeting and controls over major investment decisions are the primary tool used to manage the Company's capital. Updates are made as necessary to both capital expenditure and operational budgets in order to adapt to changes in risk factors of proposed expenditure programs and market conditions within the mining industry.

The Company manages its capital by review of the following measures:

		2011		2010
Cash and cash equivalents	**$**	**265,400**	$	198,909
Long-term debt and finance leases		**(29,346)**		(39,664)
Net cash	**$**	**236,054**	$	159,245

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

		2011		2010
Shareholders' equity	**$**	**3,297,856**	$	3,153,586
Number of shares outstanding		**582,475,287**		580,575,355
Shareholders' equity per share	**$**	**5.66**	$	5.43

30. SUPPLEMENTAL CASH FLOW INFORMATION

		2011		2010
Changes in non-cash working capital items consist of:				
Accounts receivable, inventories and other current assets	**$**	**114,136**	$	(76,665)
Accounts payable and other current liabilities		**(59,345)**		50,263
	$	**54,791**	$	(26,402)
Operating activities included the following cash payments				
Interest received	**$**	**3,602**	$	2,286
Interest paid	**$**	**6,470**	$	5,867
Income taxes paid	**$**	**125,825**	$	56,995

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

lundin mining

Annual Information Form
For the Year Ended December 31, 2011

March 28, 2012

DEFINITIONS

In this Annual Information Form all units are SI metric unless otherwise noted. Abbreviations are as defined below unless the context otherwise indicates:

Ag means silver.

AIF means this Annual Information Form.

ARMC means Amended and Restated Mining Convention.

C$ means Canadian dollars.

CIM means the Canadian Institute of Mining, Metallurgy and Petroleum.

CIM Standards means the definitions adopted by CIM Council on November 27, 2010, which were adopted by the Canadian Securities Administrators' in National Instrument 43-101.

Co means cobalt.

Cu means copper.

DRC means Democratic Republic of the Congo.

dollars or **$** means United States dollars.

€ means the Euro.

Equinox means Equinox Minerals Limited.

EuroZinc means EuroZinc Mining Corporation, which was acquired by the Company on October 31, 2006 and subsequently amalgamated with the Company effective November 30, 2006.

FCX or Freeport means Freeport-McMoRan Copper & Gold Inc., a senior copper mining company with headquarters in Phoenix, Arizona, that owns the majority of TF Holdings and is indirectly majority owner and Operator of TFM.

Galmoy means Galmoy Mines Ltd. (Ireland), a wholly-owned indirect subsidiary of the Company that owns the Galmoy mine located in Ireland.

Gécamines means La Générale des Carrières et des Mines, the GDRC state-owned mining company.

GDRC means the Government of the DRC.

ha means hectare.

HSEC means Health, Safety, Environment and Community.

IFC means the International Finance Corporation.

Inmet means Inmet Mining Corporation.

Km means kilometer.

LOM means Life of Mine.

Lundin Mining or the **Company** means Lundin Mining Corporation, including Lundin Mining Corporation and its subsidiaries.

m means metre.

mm means millimeter.

MD&A means Management's Discussion and Analysis of results of operations and financial condition of the Company for the fiscal year ended December 31, 2011, dated February 22, 2012.

mtpa means million tonnes per annum.

National Instrument 43-101 means National Instrument 43-101 "Standards for Disclosure For Mineral Projects" adopted by the Canadian Securities Administrators.

National Instrument 52-110 means National Instrument 52-110 "Audit Committees" adopted by the Canadian Securities Administrators.

Ni means nickel.

NSR means Net Smelter Return.

OMX means the NASDAQ OMX Nordic Exchange, Stockholm.

Oz means ounces.

Pb means lead.

PD / Phelps Dodge means Phelps Dodge Corporation.

Qualified Person means a qualified person within the meaning of National Instrument 43-101.

Rights Plan means Shareholder Rights Plan.

Rio Narcea means Rio Narcea Gold Mines, Ltd. (Canada), a wholly-owned indirect subsidiary of the Company that indirectly owns the Aguablanca mine located in Spain.

Rio Tinto means the Rio Tinto Group.

SEDAR means the System for Electronic Document Analysis and Retrieval.

SEK means Swedish kronor.

SI means International System of Units

Silverstone means Silverstone Resources Corp.

Silver Wheaton means Silver Wheaton Corp., which acquired Silverstone in May 2009.

Somincor means Sociedade Mineira de Neves-Corvo, S.A. (Portugal), a wholly-owned indirect subsidiary of the Company that owns the Neves-Corvo mine located in Portugal.

Tenke Holdings means Tenke Holdings Ltd. (Bermuda), a wholly-owned subsidiary of the Company that owns a minority interest in TF Holdings and a minority indirect interest in TFM.

Tenke Mining means Tenke Mining Corp. which was acquired by the Company on July 3, 2007 and subsequently amalgamated with the Company effective July 31, 2007.

TF Holdings means TF Holdings Limited (formerly, Lundin Holdings Ltd.), a Bermuda company owned 30% by Tenke Holdings and 70% by FCX that owns a controlling position of TFM.

TFM means Tenke Fungurume Mining Corp. SARL, a Congolese company that owns the Tenke Fungurume mine.

Tenke Fungurume mine means the deposits of copper, cobalt and associated minerals under mining concessions granted to TFM in 1996 at Tenke and Fungurume, Katanga Province, DRC.

tpa/d means tonnes per annum/day.

TSX means the Toronto Stock Exchange.

Zinkgruvan means Zinkgruvan Mining AB (Sweden), a wholly-owned indirect subsidiary of the Company that owns the Zinkgruvan mine located in Sweden.

Zn means zinc.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain of the statements made and information contained herein are "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "potential", "pro forma" and similar expressions are intended to identify forward-looking information or statements. Forward-looking information and 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 information and statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of 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; the outcome of contract review processes and resolution of administrative disputes with government authorities; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's business in the Company's Annual Information Form and in each management's discussion and analysis.

Forward-looking information and statements are, 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 the forward-looking information and statements. Accordingly, readers are advised not to place undue reliance on forward-looking information and statements.

The forward-looking information and statements contained in this Annual Information Form are made as of the date hereof and Lundin Mining undertakes no obligation to update publicly or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement.

ITEM 1 INTRODUCTION

1.1. Date of Information

All information in this AIF is as of December 31, 2011 unless otherwise indicated.

1.2. Currency

The Company reports its financial results and prepares its financial statements in United States dollars. All currency amounts in this AIF are expressed in United States dollars, unless otherwise indicated. The United States dollar exchange rates for the Company's principal operating currencies and for the Canadian dollar are as follows:

As at December 31	2011	2010	2009
Canadian dollar (C$)	1.0170	0.9946	1.0525
Euro (€)	0.7729	0.7484	0.6974
Swedish krona (SEK)	6.9234	6.7910	7.2125

1.3. Accounting Policies and Financial Information

Financial information is presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Unless otherwise indicated, financial information contained in this AIF is presented in accordance with IFRS.

This AIF refers to various non-IFRS measures, such as "operating earnings" and "cash cost per pound", which are used by the Company to manage and evaluate operating performance at each of Lundin Mining's mines and are widely reported in the mining industry as benchmarks for performance, but do not have standardized meaning. To facilitate a better understanding of these measures as calculated by the Company, please refer to the MD&A where detailed descriptions and reconciliations, where applicable, have been provided.

1.4. Conversion Table

In this AIF, metric units may be used with respect to Lundin Mining's various mineral properties and operations. Conversion rates from imperial measures to metric units and from metric units to imperial measures are provided in the table set out below.

Imperial Measure	=	Metric Unit	Metric Unit	=	Imperial Measure
2.47 acres		1 hectare	0.4047 hectares		1 acre
3.28 feet		1 metre	0.3048 metres		1 foot
0.62 miles		1 kilometre	1.609 kilometres		1 mile
2.2 pounds		1 kilogram	0.454 kilograms		1 pound
0.032 ounces (troy)		1 gram	31.1 grams		1 ounce (troy)
2,204.62 pounds		1 tonne	0.000454 tonnes		1 pound

1.5. Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable Mineral Reserves and measured, indicated and inferred Mineral Resources are those used by Canadian Securities Administrators and conform to the definitions utilized by the CIM in the CIM Guidelines. Where Mineral Resources are stated alongside Mineral Reserves, those Mineral Resources are inclusive of, not in addition to, the stated Mineral Reserves.

ITEM 2 CORPORATE STRUCTURE

2.1. Incorporation and Registered Office

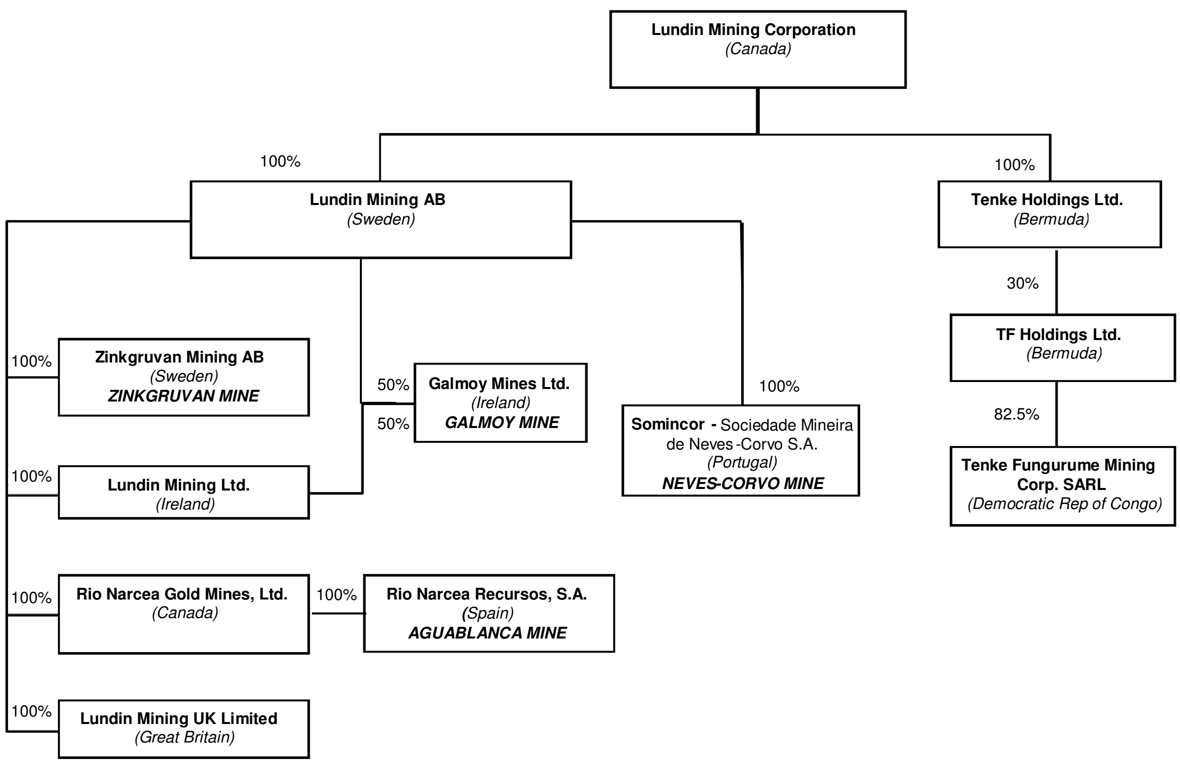
Lundin Mining was incorporated by Articles of Incorporation on September 9, 1994, under the Canada Business Corporations Act as South Atlantic Diamonds Corp. and subsequently changed its name to South Atlantic Resources Ltd. on July 30, 1996, and to South Atlantic Ventures Ltd. on March 25, 2002. The Company changed its name to Lundin Mining Corporation on August 12, 2004.

The Company amalgamated with EuroZinc effective November 30, 2006 and with Tenke Mining effective July 31, 2007.

As at December 31, 2011, the Company's registered and records office and corporate head office was located at 150 King Street West, Suite 1500, Toronto, Ontario, Canada M5H 1J9; telephone: +1 416 342 5560.

2.2. Inter-Corporate Relationships

A significant portion of the Company's business is carried on through its various subsidiaries. The following chart illustrates, as at December 31, 2011, the Company's significant subsidiaries, including their respective jurisdiction of incorporation and the percentage of voting securities in each that are held by the Company either directly or indirectly:



*On March 26th, 2012 the President and Prime Minister of the DRC signed a decree approving the bylaw changes for TFM. Accordingly, TF Holdings interest in TFM was reduced to 80.0% effective March 26th, 2012 in accordance to the signed agreements with the DRC government.

ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Lundin Mining 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 an equity stake in the Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo.

3.1. Three Year History

2009

a) On February 23, 2009, the Company entered into an agreement with HudBay to terminate the arrangement agreement dated November 21, 2008 that provided for, among other things, a mutual release in respect of any and all rights in connection with or arising from the arrangement agreement.

b) In March 2009, the Company announced the intention to voluntarily delist its common shares from the NYSE and at a future date, when permitted under SEC rules, to terminate its registration of its common shares with the Securities and Exchange Commission. The delisting of the Company's common shares from the New York Stock Exchange did not affect the listing of the Company's common shares on the TSX or the Swedish Depository Receipts on the OMX.

c) In March 2009, the first copper cathode was produced by the Tenke Fungurume mine in the DRC. Initial high-grade oxide ore facilities at the Tenke Fungurume mine have been designed to produce approximately 115,000 metric tonnes of copper cathode and 8,000 tonnes of cobalt per annum.

d) On April 27, 2009, the Company closed a bought-deal public offering for total gross proceeds of C$188.6 million ($155.8 million). The Company issued 92 million common shares of the Company at a price of C$2.05 per share.

e) On May 11, 2009, the Company entered into an agreement with HudBay consenting to the sale by HudBay of all of its shares in the Company. Pursuant to the agreement, the Company and HudBay terminated all continuing rights and obligations under the termination agreement dated February 23, 2009 and agreed to a mutual release in respect of any and all claims connected with or arising from the subscription agreement.

f) On July 6, 2009, the Company completed the restructuring of its credit facility. The revised terms incorporated in the Third Amending Agreement provide for a three-year, fully-revolving credit facility of $225 million.

g) On September 18, 2009, the Company completed the sale of its 49% interest in the Ozernoe zinc project in Russia for gross proceeds of $35 million. Proceeds of $3.5 million were received upon closing, with the balance of $31.5 million received over 10 months. This sale terminated all of the Company’s rights and obligations related to the project.

2010

a) On February 11, 2010, the Company announced an agreement with Astur Gold Corp. (formerly Dagilev Capital Corp.) for the sale of the Salave gold project in northern Spain. The sale was completed in April 2010.

b) On February 16, 2010, underground mining employees at Neves-Corvo commenced a program of strikes. This action terminated on April 1, 2010 and an agreement was reached on May 14, 2010 to end industrial action at Neves-Corvo based on a new productivity arrangement.

c) The Zinkgruvan copper plant was commissioned in the third quarter of 2010, and is expected to reach design production of 7,000 tpa of copper in 2013. The capital cost of the copper project was approximately $40 million.

d) On September 1, 2010, Lundin Mining's revolving credit facility agreement was amended, increasing the facility to $300 million from $225 million, and extending the term to September 2013. The amended facility provided additional flexibility for future growth projects and reduced carrying costs.

e) In October 2010, the government of the DRC announced the conclusion of the review of TFM'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's 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 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 and subject to implementation once a ratifying Presidential Decree was obtained. In addition, the change in Lundin Mining's effective ownership interest in TFM and the conversion of intercompany loans to equity will be given effect after obtaining approval of the modifications to TFM's bylaws.

f) During October 2010, Lundin Mining announced that surface exploration drilling focusing on a prospective area close to the Neves-Corvo mine discovered a new high-grade, copper-rich massive sulphide deposit, Semblana, one kilometre to the northeast of the Zambujal copper-zinc orebody. Exploration drilling outlined an area of at least 600 metres by 250 metres of massive sulphide + stockwork mineralization in 7 drill holes. This new deposit remains open in several directions and appears to be almost flat-lying.

g) During October 2010, Lundin Mining announced that Mr. Phil Wright, the President and CEO, would retire during the first half of 2011 and the Board of Directors appointed a committee to address the timing and manner of succession to ensure an orderly and effective transition.

h) Mining operations at Aguablanca were suspended following a major slope failure on the main access ramp caused by heavy rainfall in the second week of December 2010. The mine has approximately five years of reserves remaining and it is expected that production will resume in 2012.

2011

a) On January 12, 2011, Lundin Mining and Inmet announced that they entered into an arrangement agreement to merge and create Symterra Corp., a leading international copper producer. The transaction was valued at approximately C$9 billion.

b) On February 27, 2011, Lundin Mining announced that it had been advised by Equinox that Equinox intended to make an unsolicited take-over bid for the shares of Lundin Mining.

c) On March 29, 2011, Lundin Mining and Inmet jointly announced the termination of the arrangement agreement dated January 12, 2011. Also on that day, Lundin Mining announced that its Board of Directors had adopted a limited duration Rights Plan to enable a full consideration of strategic alternatives.

d) On April 18, 2011, Lundin Mining announced that the government of the DRC issued a Presidential Decree approving the amendments to the Tenke Fungurume Mining contracts and the decree was published in the DRC Official Gazette.

   This decree formalized the conclusion of the review process by the DRC government and confirmed that the Tenke Fungurume contract's were in good standing, and acknowledged the parties' continuing commitment to the rights and benefits granted under the Tenke Fungurume Mining contracts.

e) On April 25, 2011, Equinox announced the withdrawal of its offer to acquire the common shares of Lundin Mining. Subsequent to the hostile take-over bid for Lundin Mining, Equinox became subject to a take-over bid by Barrick Gold Corporation which was conditional on Equinox abandoning its bid for Lundin Mining.

f) In late May 2011, Lundin Mining announced the conclusion of its strategic review process.

g) On May 25, 2011, Lundin Mining announced the expiration of the Rights Plan, which was not renewed.

h) In September 2011, the Company reported its Mineral Reserve and Resource estimates as at June 30, 2011. The full release can be found on the Company's website at www.lundinmining.com.

   The Company also announced the results of the Feasibility Study for the Lomabdor Phase I project. The Feasibility Study shows that Lombador Phase I can be developed as a profitable and value accretive extension to the Neves-Corvo mine, and would extend the mine life to at least 2026.

i) On October 31, 2011, the Company announced the formal appointment of Mr. Paul Conibear as President and Chief Executive Officer, after having held the role on an interim basis following the retirement of Mr. Philip Wright on June 30, 2011.

j) On November 1, 2011, the Company reported that FCX, as operator of the Tenke Fungurume mining operations, approved the undertaking of a second phase of the Tenke Fungurume mine which targets the addition of approximately 68,000 tonnes of copper cathode production annually. The Phase 2 Expansion is expected to increase copper production by 50% to approximately 195,000 tonnes of copper cathode and 15,000 tonnes of cobalt in hydroxide, targeted for completion in 2013. The expansion will cost approximately $850 million and will include additional mining equipment, mill upgrades, acid plant expansion and a doubling of existing tank house capacity.

k) In December 2011, the Company released an interim report on exploration activities including an initial Inferred Mineral Resource for the Semblana Copper Deposit located adjacent to its 100% owned Neves-Corvo mine in southern Portugal.

2012

a) On January 23, 2012, Lundin Mining provided a summary of the results of the initial Future Underground Materials Handling Study (the "Study") for its Neves-Corvo mining complex in southern Portugal. This conceptual level study identified and evaluated the underground materials handling and access options necessary to pursue the exploitation of the deeper Lombador copper/zinc resources as well as the Semblana copper deposit which are adjacent to the Company's Neves-Corvo mine. Initial materials handling studies have indicated two preferred options; a conventional shaft system and a tunnel boring machine excavated decline tunnel equipped with conveyors. Trade off studies during 2012 will select a single option for advancement to feasibility study level with completion of this study anticipated by mid-2013

b) At the end of February 2012, Lundin Mining provided a Reserve and Resource update for TFM.

c) On March 26th, 2012 the President and Prime Minister of the DRC signed a decree approving the bylaw changes for TFM as announced in October 2010 and approved by Presidential Decree in April 2011. Accordingly, as of March 26th, 2012, Lundin Mining's effective ownership interest in TFM is reduced from 24.75% to 24% and $50 million in intercompany loans has been converted to equity.

ITEM 4 DESCRIPTION OF THE BUSINESS

Lundin Mining is a diversified 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.

4.1 Principal Products and Operations

Lundin Mining's principal products and sources of sales are copper, zinc, lead and nickel concentrates from Neves-Corvo, Zinkgruvan and Aguablanca. Lundin Mining also holds a minority interest in TFM. Information related to Lundin Mining's segmented information is set forth in Note 2 to the consolidated annual financial statements for the year ended December 31, 2011. The MD&A discusses each operation that is separately defined as a segment.

Production from operations was as follows:

	2011	2010	2009
Copper (tonnes)	75,877	80,035	93,451
Zinc (tonnes)(1)	111,445	90,129	101,401
Lead (tonnes)(1)	41,130	39,568	43,852
Nickel (tonnes)	-	6,296	8,029
Copper (tonnes) Tenke attributable (24.75%)(2)	31,523	29,767	17,325

(1) *Includes production from Galmoy mine which was originally planned to cease operational mining in mid-2009 but continues to mine and sell remnant high-grade ore.*

(2) *The Company's interest in Tenke was reduced to 24.0% on March 26th, 2012 as a result of signed modifications to Tenke Fungurume Mining's bylaws that reflect the signed agreements with the DRC government.*

4.2 Employees

At the end of 2011, Lundin Mining has a total of approximately 1,500 employees and 1,300 contract employees located in Canada, United Kingdom, Portugal, Sweden, Spain and Ireland.

4.3 Health, Safety, Environment and Community

Lundin Mining's policy is to conduct its business responsibly and in a manner designed to protect our employees, adjacent communities and the natural environment. The Company is committed to achieving a safe, productive and healthy work environment and to upholding the values of human rights. Lundin Mining seeks to create sustainable value for employees, business partners and the communities in which we work. These commitments are described in the Company's HSEC policy.

The HSEC policy, approved by the Board of Directors, commits to compliance with legal requirements as a minimum and to go beyond those requirements where deemed appropriate.

HSEC planning is part of the Company's business planning processes to assess the potential safety, health and environmental effects of our activities and integrate these considerations into our operational decisions and processes.

The Company is committed to design, develop and operate its facilities with a view to minimizing the environmental impact of its operations; providing efficient use of energy, water and other resources; reducing or preventing pollution, limiting waste generation and disposal; and where waste must be disposed of, doing so responsibly.

The Company has in place closure plans for all its operations and these are reviewed and updated in accordance with relevant national legislation. Each mine has in place an agreed financial mechanism to meet anticipated closure costs. Wherever practicable, the operations progressively rehabilitate areas no longer required for ongoing operations using environmentally sound methods.

Lundin Mining has a company-wide HSEC system that formalizes the Company's implementation of the HSEC policy supporting consistency across sites owned or operated by the Company, and clearly setting out expectations for HSEC management for joint ventures. The management system describes how the Company's operations and projects will comply with the Company's corporate values and the commitments.

The HSEC system exists to:

- Ensure that sound management practices and processes are in place in sites across the Company resulting in strong HSEC performance.
- Describe and formalize the expectations of the Company with respect to HSEC management.
- Provide a systematic approach to the identification of HSEC issues and ensure that a system of risk identification and risk management is in place.
- Provide a framework for HSEC responsibility and a systematic approach for the attainment of corporate HSEC objectives.
- Provide a structure to drive continuing improvement of HSEC programs and performance.

In applying the HSEC system, the Company engages its employees, contractors, the community, regulators and other interested parties to ensure that stakeholder concerns are considered in managing aspects of our business that have the potential to impact health, safety, the environment and communities.

The Company strives for continuous improvement in its HSEC performance through the development of objectives and targets. To achieve this, operations advise and train employees and contractors as necessary to meet HSEC undertakings and the operations establish clear accountabilities for employees, and especially managers, with respect to their HSEC performance.

To ensure that the Company meets its objectives and targets, management monitors and reviews performance and publically reports progress.

For further information on the Company's social and community programs and other HSEC information please consult Lundin Mining's Sustainability Report which is available on our website.

4.4 Description of Properties

The following descriptions of Lundin Mining's material properties, being Neves-Corvo, Zinkgruvan, Aguablanca, Galmoy and Tenke Fungurume, are based on filed technical reports, the 2011 Resource and Reserve Estimate Update and on the Company's previously filed material change reports, financial statements and MD&A. Unless noted otherwise, all of the technical reports referenced in this AIF have been filed on SEDAR under the Company's profile. For more detailed information in respect of Lundin Mining's properties, direct reference should be made to these technical reports.

4.4.1 OPERATING MINES

4.4.1.1 NEVES-CORVO MINE

4.4.1.1.1 Project Description and Location

The Neves-Corvo mine is owned and operated by the Portuguese company Somincor, which is a subsidiary of Lundin Mining. It is situated approximately 220 km southeast of Lisbon in the Alentejo district of southern Portugal. The mine site lies some 15 km southeast of the town of Castro Verde and exploits five major orebodies from an underground mine. The ore is processed on-site and tailings are disposed of in the Cerro de Lobo impoundment some 3 km from the plant. Concentrates are dispatched by rail and road for onward shipping to customers.

The mining operations are contained within a mining concession contract between the State and Somincor covering 13.5 km^2, located in the parishes of Santa Bárbara de Padrões and Senhora da Graça de Padrões, counties of Castro Verde and Almodôvar, district of Beja. The concession provides the rights to exploit the Neves-Corvo deposits for copper, zinc, lead, silver, gold, tin and cobalt for an initial period of fifty years (from November 24, 1994) with two further extensions of twenty years each.

This mining concession is in turn surrounded by the Castro Verde exploration concession, signed in 2006, covering an area of 549 km^2. Somincor also holds one further neighbouring exploration concession, the Almodovar concession, with an area of approximately 420 km^2.

The mine is operated under an Integrated Pollution Prevention and Control Licence (IPPC) granted by the Portuguese Environmental Agency in 2008.

4.4.1.1.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

Neves-Corvo has good connections to the national road network which links with Faro to the south and Lisbon to the north. The mine has a dedicated rail link into the Portuguese rail network and to the port of Setúbal.

There are no major centres of population close to the mine, although a number of small villages with populations numbered in the hundreds lie within the mining concession. Most employees travel to the mine by company-provided buses or private cars.

The climate of the region is semi-arid with an average July temperature of 23°C (maximum 40°C) and an average minimum temperature in winter of 3.8°C. Rainfall averages 426 mm, falling mainly in the winter months.

The topography around the mine is relatively subdued, comprising low hills with minimal rock outcrop. The mine collar is 210 m above sea level. The area supports low intensity agriculture confined to stock rearing and the production of cork and olives.

Fresh water is supplied to the mine via a 400 mm diameter pipeline from the Santa Clara reservoir, approximately 40 km west of the mine. The mine is connected to the national grid by a single 150 kV, 50 MVA rated, overhead power line 22.5 km long.

The mining concession provides sufficient surface rights to accommodate the existing mine infrastructure and allow for expansion if required.

4.4.1.1.3 History

The Neves-Corvo ore bodies were discovered in 1977. The Portuguese company Somincor was established to exploit the deposit and by 1983, the Corvo, Graça, Neves and Zambujal sulphide deposits had been partially outlined, covering an area of some 1.5 km by 2 km. Rio Tinto became involved in the project in 1985, effectively forming a 49%:51% joint venture with the Portuguese government (EDM). The project was reappraised with eventual first production commencing from the Upper Corvo and Graça orebodies in January 1989.

During the development of the mine, high-grade tin ores were discovered, associated with the copper mineralization, which led to the rapid construction of a tin plant that was commissioned in 1990.

The railway link between Neves-Corvo and Setúbal was constructed between 1990 and 1992 for the shipment of concentrates and the hauling of sand for backfill on the return journey. This was followed between 1992 and 1994 by a major mine deepening exercise to access the Lower Corvo orebody through the installation of an inclined conveyor ramp linking the 700 and 550 levels.
In June 2004, EuroZinc acquired a 100% interest in Somincor for consideration of €128 million. In October 2006, EuroZinc merged with Lundin Mining and the Lundin Mining name was retained.

In 2006, zinc production was commenced at Neves-Corvo with processing through the modified tin plant. In June 2007, Silver Wheaton (formerly Silverstone) agreed to acquire 100% of the life-of-mine payable silver production from the mine, as the mine produces around 0.5 million ounces per year in copper concentrate. Zinc production was suspended in November 2008 due to the low prevailing zinc price. In September 2009, the decision was made to expand the zinc plant at an estimated cost of €43 million, to a design capacity of 50,000 tpa zinc in concentrate and first zinc production was achieved from the expanded plant in mid-2011.

In mid-2009, a copper tailings retreatment circuit was commissioned to recover both copper and zinc, and in late 2010, tailings disposal changed from subaqueous to paste methods at the Cerro do Lobo facility.

In October 2010, the copper rich Semblana deposit was discovered located one km to the northeast of the Zambujal copper-zinc orebody within the Castro Verde exploration concession. In December 2011, following extensive diamond drilling, an initial Inferred Mineral Resource was published. A high-resolution 3D seismic survey carried out in 2011 also identified several new exploration targets in the Neves Corvo vicinity.

A Feasibility Study on the Lombador Phase 1 Project, which contemplated mining this zinc rich orebody and expanding the overall zinc capacity at Neves Corvo to 2.5 mtpa, was completed in September 2011. A conceptual Future Materials Handling Study was initiated in late 2011 to examine options for the mining and extraction of the deeper Lombador and Semblana orebodies.

4.4.1.1.4 Geological Setting

Neves-Corvo is located in the western part of the Iberian Pyrite Belt, which stretches through southern Spain into Portugal and which has historically hosted numerous major stratiform volcano-sedimentary massive sulphide deposits.

The Neves-Corvo deposits occur within the Volcanic Sedimentary Complex, which consists of acid volcanics separated by shale units, with a discontinuous black shale horizon immediately below the lenses. Above the mineralization, there is a thrust-faulted repetition of volcano-sedimentary and flysch units. The whole assemblage has been folded into a gentle anticline oriented NW-SE which plunges to the southeast, resulting in orebodies distributed on both limbs of the fold. All the deposits have been affected by both sub-vertical and low angle thrust faults, causing repetition in some areas.

4.4.1.1.5 Exploration

Exploration work within the mining concession has concentrated primarily on the extension of known orebodies by both underground and surface drilling. Some of the Neves-Corvo orebodies have not been completely delineated. Drilling from both surface and underground in the last few years has identified significant new zinc and copper mineralization within the Lombador massive sulphide lens and associated stockworks, as well as important bridge fissural copper mineralization between the Lower Corvo, Neves and Lombador orebodies.

In 2010, a new massive sulphide deposit containing a zone of copper-rich sulphide mineralization was discovered by surface drilling. The new deposit, named Semblana, lies 1.3 km northeast of the Zambujal orebody and is located in the exploration concession that surrounds the mine. In 2011, surface exploration drilling focused on delineating the extent of Semblana and defining an initial Mineral Resource. In December 2011, a National Instrument 43-101 compliant Inferred Mineral Resource of 6.58 million tonnes grading 3.0% copper was announced. In addition, two new copper-rich discoveries were made in late 2011, located approximately 300 metres south of the Semblana resource and 1.4 km south of Semblana in the vicinity of the Tailings Management Facility.

A high resolution 3D seismic survey covering the area immediately east and southeast of the mine was also completed in 2011. This survey was successful in detecting both the Lombador and Semblana massive sulphide bodies in great detail, in addition to identifying several seismic reflectors that have similar characteristics to massive sulphide bodies. Drilling of one of these high-priority reflectors led to the discovery of the high-grade copper sulphides located just south of Semblana.

4.4.1.1.6 Mineralization

Six massive sulphide lenses have been defined at Neves-Corvo comprising Neves (divided into North and South), Corvo, Graça, Zambujal, Lombador (divided North, South and East), and Semblana. The base metal grades are segregated by the strong metal zoning into copper, tin and zinc zones, as well as barren massive pyrite. The massive sulphide deposits are typically underlain by stockwork sulphide zones which form an important part of the copper orebodies.

4.4.1.1.7 Drilling

Surface and underground exploration drilling is an ongoing operation at the mine with the work undertaken by both contractors and in-house drill rigs. The nominal hole spacing on the underground diamond drilling is between 17.5 m and 35 m, with surface drilling on a spacing of 75 m to 100 m. As a standard procedure, drill holes, which are all NQ size, are surveyed with an Eastman Single Shot or Reflex EZ-Shot tool at 30 m intervals, which provides an accurate location of the drill intersections.

In 2011, 77,031 m of drilling was completed from surface with 75 holes completed and 32,977 m was drilled from underground.

4.4.1.1.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling, insertion of QC samples and density measurement protocols and procedures are in place at Neves-Corvo. In addition to drill core sampling, underground grade control sampling is carried out using face sampling in the areas subject to drift-and-fill mining and short diamond drill holes in the bench-and-fill areas. Samples are prepared on-site and analyzed at either the mine's fully accredited assay laboratory facility or by the ALS Chemex laboratory in Vancouver, Canada.

4.4.1.1.9 Security of Samples

Data and sample security procedures that conform to industry standards are in place at Neves-Corvo. All drill cores are logged and photographed, and the cores and sampling splits are stored on-site. Traceability records prevent errors of identification and ensure sample history can be followed.

4.4.1.1.10 Mineral Resource and Mineral Reserve Estimates

Mineral Resources at Neves-Corvo are estimated using three dimensional interpretation and modelling methods with calculations performed using specialized software and in particular Leapfrog® and Vulcan® 3D. The Ordinary Kriging method of interpolation is used to estimate metal grades and a multiple regression formula using the estimated metal grades is used to estimate density.

Mineral Reserves are calculated by the Neves-Corvo mine planning department primarily using Vulcan® 3D software. Stoping volumes are cognisant of the method of access to allow for the cut-off grade boundary and include an allowance for planned and unplanned dilution and ore loss. An effective minimum mining width of 5 m is applied.

The Semblana mineral resource was modelled and estimated using Datamine Studio software. Metal grades were estimated using Ordinary Kriging or Inverse Distance Weighting. Bulk density was estimated using Inverse Distance Weighting.

Details of the June 2011 Mineral Resource and Reserve estimates for Neves-Corvo and Semblana are included in Schedule A, attached to this AIF.

4.4.1.1.11 Mining Operations

Neves-Corvo is a major underground mine. The principle means of mine access are provided by one vertical 5 m diameter shaft and a ramp from surface. The shaft is used to hoist ore from the 700 m level. The surface is nominally 1200 m above datum. A conveyor decline descends from the 700 m level to the 550 m level and provides ore hoisting from the deeper levels of the mine. The mine is highly mechanized and a number of different stoping methods are employed but the most significant are bench-and-fill and drift-and-fill. Backfill is provided by hydraulically placed sand, paste tailings and internally generated waste rock.

The treatment facility at Neves-Corvo comprises of two processing plants. The copper plant treats copper ores and has a maximum capacity of approximately 2.64 mtpa and the zinc plant (former tin plant) which treats zinc or copper ores was expanded to 1.0 mtpa capacity during 2011. Both processing plants comprise secondary crushing, rod and ball mill grinding circuits, flotation cells and concentrate thickening and dewatering. In mid-2009, modifications to the copper plant were completed to regrind and recover additional copper and zinc concentrate from the copper tailings stream.

Concentrates are transported by road to a Spanish smelter or by rail to a dedicated port facility at Setúbal, Portugal from where they are shipped to smelter customers.

Tailings disposal was changed from subaqueous to paste techniques during 2010 following approval by the Portuguese authorities. Tailings are thickened and pumped from a new facility located at the Cerro de Lobo tailings impoundment, 3 km from the mine site.

Copper and zinc concentrates from the mine are sold to a variety of smelter customers that are primarily European based. Multi-year sales contracts are normally agreed with customers and treatment, refining and penalty charges are typical of those for copper and zinc sulphide concentrates.

The mine operates under an IPPC licence (No.18/2008) granted by the Portuguese Environmental Agency in 2008. The licence includes conditions covering Environmental Management Systems, tailings and waste rock disposal, water and energy consumption, emissions to atmosphere, emissions to water courses and water treatment, noise, industrial waste disposal, emergency and closure planning. Key environmental issues include the acid-generating potential of the ore and waste rocks; the close proximity of the Oeiras River to the mine site; the groundwater is a significant aquifer and connects to local water supplies and the Oeiras River; and the dispersal of dust and noise from the mine site. The mine permit requires that closure plans for the mine are updated every 5 years, and an accumulating closure fund is in place to cover final closure costs.

The corporation tax rate in Portugal is 27.5%, and a local tax of 1.5% is also payable. For 2012 and 2013, an extra tax rate of 3% for profits between €1.5 million and €10 million will be applicable, increasing to 5% for profits above €10 million. Royalties are either a profit-related royalty of 10%, or a revenue-based royalty of 1% (at the State's discretion). The payment may be reduced by 0.25% of the revenue-based royalty provided that the corresponding amount of such percentage is spent on mining development investment.

The current copper Mineral Reserves at Neves-Corvo will support a mine life of around 10 years with copper production, based on currently known reserves, gradually decreasing, and planned zinc production increasing. Exploration efforts will continue to be focused on discovering new high-grade copper resources. Underground development of the Lombador Phase 1 area will continue in 2012 and an exploration drive to enable infill drilling of the deeper Lombador mineralisation will be started. Expansion of the surface zinc plant to 2.5 mtpa has been put on hold pending advancement of a strategic study on future underground access and materials handling systems. Initial materials handling studies have indicated two preferred options; a conventional shaft system and a tunnel boring machine excavated decline tunnel equipped with conveyors. Trade off studies during 2012 will select a single option for advancement to feasibility study level with completion of this study anticipated by mid-2013.

4.4.1.1.12 Exploration and Development

Surface drilling will focus on enlarging the Semblana copper mineral resource and testing the numerous seismic reflector targets. Underground drilling will focus on upgrading the Lombador North and South, Neves North and South, Zambujal and Corvo orebodies. Additional high resolution 3D seismic surveying is also planned to extend coverage towards generating additional targets for drill testing.

Further information on the Neves-Corvo mine can be obtained by referencing the following technical reports filed on SEDAR:

1. Reserves and Resource Update, Neves-Corvo, Portugal dated May 2008 and prepared by Neil Burns.
2. Technical Report on the Neves-Corvo Mine, Southern Portugal dated October 2007 and prepared by Mark Owen and Owen Mihalop of Wardell Armstrong International Ltd.

4.4.1.2 ZINKGRUVAN MINE

4.4.1.2.1 Project Description and Location

The Zinkgruvan mine is located approximately 200 km south west of Stockholm in south-central Sweden. The mine site is some 15 km from the town of Askersund and comprises a deep underground mine, a processing plant and associated infrastructure and tailings disposal facilities. Concentrates are trucked from the mine to the inland port of Otterbäcken on Lake Vänern from where they are shipped via canal and sea to European smelter customers.

The mining operations are contained within two exploitation concessions covering the deposit and its immediate area. The “Zinkgruvan Concession” was amalgamated from a large number of smaller rights in 2000, has an area of 254 ha and is valid until 2025. The neighboring “Klara Concession” was granted in 2002, has an area of 355 ha and is valid until 2027. These concessions are automatically extendable for periods of 10 years provided the concession is being regularly exploited. In addition, the mine currently holds exploration concessions in the area totaling 10,096 ha. For exploitation concessions granted before 2005, there are no mining royalties in Sweden.

The mine is currently operated under an Environmental Licence granted by the Swedish authorities that is valid until December 2017.

4.4.1.2.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

Zinkgruvan has good local road access and is close to the main E18 highway linking Stockholm and Oslo. Rail and air links are available at the town of Örebro some 60 km distant. Lake Vänern, the largest lake in Sweden, is some 100 km distant and provides access to coastal shipping via a series of inland canals and the port of Göteborg.

The climate of the area is mild in the summer with average temperatures of 18°C, while in the winter temperatures are below freezing with a lowest average of -4°C in February. Annual rainfall is approximately 750 mm with modest snowfalls during the winter months.

The topography around the mine comprises gently rolling terrain approximately 175 m above sea level. The area is largely forested and is bisected by slow-moving streams in shallow valleys.

There is ready access to power, telephone lines and domestic water and industrial water sources. The mine owns sufficient freehold surface land to accommodate the existing and planned mine infrastructure.

4.4.1.2.3 History

The Zinkgruvan deposit has been known since the sixteenth century but it was not until 1857 that large scale production commenced under the ownership of the Belgian Vieille Montagne Company. The processing plant for these operations was initially based in Åmmeberg on the shores of Lake Vättern with ore transported approximately 5 km from the mine site by narrow gauge railway.

In the mid-1970s, a decision was made to significantly expand production to 600,000 tpa. A new shaft, P2, was sunk to access deeper ore and a new concentrator and tailings facility established adjacent to the mine site.

In 1990, Vieille Montagne merged with Union Miniere, and in 1995, North Limited of Australia acquired Zinkgruvan mine. In August 2000, Rio Tinto became the owner of the mine following its acquisition of North. In June 2004, Lundin Mining purchased the mine from Rio Tinto.

In December 2004, Silver Wheaton agreed to purchase the LOM silver production from the Zinkgruvan mine. In October 2007, the Zinkgruvan Expansion Programme was announced, a project to increase ore production by 300,000 tpa through the addition of copper to the current zinc-lead production.

In late 2010, the copper plant was commissioned and during 2011 modifications were made to allow this plant's 300,000 tpa ore capacity to be used to also treat zinc/lead ores. In November 2010, an access ramp from the surface to the underground workings was completed, allowing a significant increase in the mine's operational flexibility.

4.4.1.2.4 Geological Setting

Zinkgruvan is located in the south-west corner of the Proterozoic aged Bergslagen greenstone belt. The district is composed of a series of small, elongated basins with felsic metavolcanics overlain by metasediments. The basins are surrounded by mainly granitoid intrusions of which the oldest are the same age as the metavolcanics.

The Zinkgruvan deposit is situated in an east-west striking synclinal structure. The tabular-shaped Zn-Pb-Ag orebodies occur in a 5 m to 25 m thick stratiform zone in the upper part of the metavolcanic-sedimentary group. The orebody is 5 km long and is proven to a depth of 1,500 m below surface. A major sub-vertical fault splits the ore deposit in two parts, the Knalla mine to the west and the Nygruvan to the east.

4.4.1.2.5 Exploration

Exploration has focused primarily on replacing depleted resources initially by exploring the Nygruvan and Burkland areas at depth and more recently in the Knalla area to the west. Due to the depth of the exploration areas and relatively complex geometry, future exploration will be done by underground drilling. Additional underground development is required in order to provide drill platforms to fully evaluate the potential of new zones intersected from surface drilling.

4.4.1.2.6 Mineralization

The Zinkgruvan orebodies are dominated by sphalerite and galena and are generally massive, well banded and stratiform. Remobilization of galena and silver has occurred in response to metamorphism and deformation, and is most pronounced in the lead-rich western extension of Nygruvan and in the Burkland area.

Copper stockwork mineralization has been identified in the structural hanging wall of the Burkland deposit. Chalcopyrite is the main copper mineral and occurs as coarse disseminations and patches within a marble host rock.

4.4.1.2.7 Drilling

Underground exploration, comprising resource and stope definition drilling, is carried out on an ongoing basis. Stope definition holes are drilled from underground with intersections typically on 15 m by 20 m centres. All drill holes are surveyed at 3 m intervals using Maxibore surveying equipment which provides an accurate location of the drill intersections. In 2011, 21,000 m of drilling was completed from underground.

4.4.1.2.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling, insertion of QC samples and density measurement protocols and procedures are in place. Samples are prepared on-site and sent to ACME's laboratory in Vancouver, Canada for assay.

4.4.1.2.9 Security of Samples

Data and sample security procedures that conform to industry standards are in place at Zinkgruvan. All drill core is logged and photographed, and the cores and sampling splits are stored on-site in a new purpose built facility at the mine site. Traceability records prevent errors of identification and ensure sample history can be followed.

4.4.1.2.10 Mineral Resource and Reserve Estimates

Mineral resources at Zinkgruvan are estimated using two methods: the polygonal method and 3D block modelling. The polygonal method is generally used at the early stages of resource assessment and is carried out on parts of Nygruvan, Mellanby, Borta Bakom and Sävsjön. The remaining areas of Nygruvan and all of Burkland are estimated using block modelling with Microstation® AutoCad and Prorok® software. Ordinary Kriging is used for grade estimation and density estimation uses a regression formula based on estimated metal grades.

Mineral Reserves are calculated from the resources using Prorok® and Microstation® software. A zinc equivalent cut-off is applied together with dilution and mining recovery factors that are based on the mine's long operating experience.

Details of the June 2011 Mineral Resource and Reserve estimate for Zinkgruvan are included in Schedule A, attached to this AIF.

4.4.1.2.11 Mining Operations

Zinkgruvan is an underground mine with a long history. Mine access is currently via three shafts, with the principle P2 shaft providing hoisting and man access to the 800 m and 850 m levels with the shaft bottom at 900 m. A ramp connecting the underground workings with surface was completed in 2010 and now provides vehicle access direct to the mine. A system of ramps is employed to exploit resources below the shaft and the deepest mine level is now at 1,130 m below surface. The mine is highly mechanized and uses longhole primary secondary panel stoping in the Burkland area of the mine, sublevel benching in the Nygruvan area and in the Cecilia area. All stopes are backfilled with either paste tailings and cement or waste rock.

The processing plant is located adjacent to the P2 shaft. The run-of-mine ore is secondary crushed and then ground in an AG and ball mill circuit. A bulk flotation concentrate is produced initially before further flotation to separate zinc and lead concentrates. The concentrates are thickened and filtered and then stockpiled under cover. Tailings are pumped some 4 km to a dedicated tailings impoundment from which decant water is returned to the process.

A separate 0.3 mtpa copper treatment line in the processing plant was commissioned during 2010, and copper production has commenced. This line was further modified to allow it the flexibility to treat zinc-lead ore as well as copper during 2011.
Current Mineral Reserves at Zinkgruvan are sufficient for a mine life in excess of 10 years and the mine is able to fund all currently planned capital programmes through cash flow.

Zinc and lead concentrates from the mine are sold to a variety of European smelters. Multi-year sales contracts are normally agreed upon with customers and treatment, refining and penalty charges are typical of those for zinc and lead sulphide concentrates. The lead concentrates are particularly high grade and contain elevated levels of silver.

The mine is currently operated under an Environmental Licence granted by the Swedish authorities that is valid until December 2017. The licence includes conditions covering production levels, tailings disposal, water discharge limits, hazardous materials, process chemicals, water recirculation, noise levels, dust pollution, waste handling, energy use and closure planning.

The corporation tax rate in Sweden is 26.3% and Zinkgruvan does not pay mining royalties.

4.4.1.2.12 Exploration and Development

Exploration activities in 2012 will focus on converting inferred Mineral Resources to indicated resources through in-fill definition drilling, defining new inferred resource through down-dip step-out drilling of existing Mineral Resources and continuing exploration drives in order to establish underground drill platforms to allow drilling of deep extensions of known orebodies.

Further information on Zinkgruvan mine can be obtained by referencing the following technical report filed on SEDAR:

1. Mineral Reserves and Mineral Resources of the Zinkgruvan Mine in South-Central Sweden dated March 2009 and prepared by Per Hedström, Lars Malmström and Doug Syme, current or former employees of Zinkgruvan Mining AB.

4.4.1.3 AGUABLANCA MINE

4.4.1.3.1 Project Description and Location

The Aguablanca mine is located approximately 100 km north of Seville in the Extremadura region of southern Spain. The mine lies some 30 km south of the town of Monesterio, and comprises an open pit mine, processing plant and associated waste and tailings management facilities. Concentrates from the mine are trucked to the port of Huelva for onward shipping to customers.

In December 2010, a significant slope failure occurred that affected the main access ramp to the open pit and led to a suspension of mine and mill operations. Mining operations recommenced in August 2011 and processing is expected to restart in the second half of 2012. Remaining Mineral Reserves at the mine represent around 5 years of production.

The mining rights for Aguablanca are covered under a *Reserva Definitiva a Favor del Estado* which consists of 95 contiguous claims covering an area of 2,862 ha. The *Reserva Definitiva* is valid for 30 years from June 2003 and is extendable for a further 30 years. Mining royalties of 2% of Net Smelter Return are payable to the Spanish state.

The mine operates under environmental permits granted by the Spanish Government. These permits cover all aspects of the operations including tailings management and project closure and were obtained in June 2003.

4.4.1.3.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

Aguablanca has excellent road connections to the new A66 national highway which runs northwards from Seville and connects by a further national highway to the port of Huelva. The mine site lies approximately 10 km east of this road and is adjacent to the village of El Real de la Jara. There is ready access to power, telephone lines, and domestic and industrial water sources.

There are no major population centres close to the mine, although a number of small villages with populations numbered in the hundreds do lie close to the mine. Most employees travel to the mine by private cars.

The climate of the region is Mediterranean with relatively mild winters and hot dry summers. The mine lies at an elevation of 450 to 500 m above sea level in an area of low hills with moderate relief. Vegetation comprises trees and bushes forming classic Mediterranean forest, with local meadows comprising grass, oak, cork and olive trees.

The mine owns sufficient freehold surface land to accommodate the existing and planned mine infrastructure.

4.4.1.3.3 History

Exploration for nickel and copper mineralization has been carried out in the Aguablanca area since the mid-1980s. The Aguablanca deposit was discovered in 1993/4 following stream sediment sampling and subsequent diamond drilling by a Presur (Spanish state)/Rio Tinto Minera joint venture. The Aguablanca project was acquired by Rio Narcea in mid-2001 from the then owner Presur/Atlantic Copper S.A..

Construction of the Aguablanca mine started in November 2003 with first commercial production commencing in January 2005 and the first shipment of concentrate in May of the same year. With the commencement of the open pit mine, a 2.7 km long underground decline was developed to allow exploration of the mineralization beneath the planned open pit.

The Aguablanca mine was acquired by Lundin Mining in July 2007 through its purchase of Rio Narcea.

4.4.1.3.4 Geological Setting

The area of the Aguablanca nickel-copper deposit is underlain by mafic and ultramafic rocks of the Aguablanca Stock (AS), which has intruded carbonate rocks of Cambrian age. The AS is a small gabbroic intrusion (approximately 2.3 km^2) located along the northern contact of the much larger Santa Olalla Pluton (SOP). The northern and southern limits of the SOP are marked by major fault zones. A well developed contact metamorphic aureole surrounds the AS and SOP exemplified by skarn mineralization. Aguablanca represents a somewhat unique example of a magmatic sulphide breccia hosted by gabbro and gabbro-norites.

4.4.1.3.5 Exploration

Lundin Mining holds exploration rights over an area of 1,864 km^2, largely to the north and west of Aguablanca, known as the Ossa Morena. Additional exploration potential exists for nickel-copper and copper-gold mineralization within this area.

4.4.1.3.6 Mineralization

There are two mineralized bodies at Aguablanca. The larger South or Main Zone is some 400 m long on strike and dips steeply to the north. It has widths of up to 100 m and a known depth of over 600 m. The North Zone is also steeply dipping, 125 m long, up to 50 m thick and has a known depth of 300 m.

Three main types of sulphide mineralization have been recognized and are currently mined separately before blending from stockpiles.

4.4.1.3.7 Drilling

A total of approximately 3,400 m of drilling was completed in late 2009 - early 2010 in order to increase the data density between the 250 and the 350 mine levels. No other exploration drilling was carried out in 2010 nor in 2011.

4.4.1.3.8 Sampling and Analysis

Grade control sampling is carried out using open hole percussion rigs drilling 8 m deep holes on the open pit benches.

Samples are prepared on site and analysed at the mine's assay laboratory facility. Repeat samples are sent to the OMAC laboratory in Ireland for analysis.

4.4.1.3.9 Security of Samples

Data and sample security procedures that conform with industry standards are in place at Aguablanca. All drill core has been labelled, logged and photographed, and the cores and sampling splits are all stored on site. A bar code tagging system is in place at the mine.

4.4.1.3.10 Mineral Resource and Reserve Estimates

Mineral resources at Aguablanca were estimated at 30 June 2011 using three dimensional geological block modelling methods and specialised software (Datamine®). The Ordinary Kriging method of interpolation was used to estimate six metal grades (Ni, Cu, Pt, Pd, Co and Au) and the Inverse Distance Squared method was used for the density estimation.

Mineral Reserves were estimated from the June 2011 Mineral Resource block model within a re-optimised open pit shell produced by Golder Associates (using the specialised software Whittle® Four-X) in March 2011.

Details of the June 2011 Mineral Resource and Reserve estimate for Aguablanca are included in Schedule A attached to this AIF.

4.4.1.3.11 Mining Operations

The Aguablanca mine is a single open-pit mine. Mining operations recommenced in August 2011 with a new mining contractor using a conventional drill and blast, and truck and shovel fleet. The pit is mined with 8 m benches and the final slopes are designed with a double bench configuration. Waste rock is stacked to the immediate north of the open pit and the waste dumps form the downstream wall of the tailings impoundment.

Processing operations are expected to restart in the second half of 2012. Run-of-mine ore is stockpiled, blended and then primary crushed. The crushed ore is conveyor fed to a conventional grinding and flotation circuit to produce a bulk nickel-copper concentrate. The concentrate is thickened and filtered to produce a filter cake suitable for onward transport. The concentrate is truck hauled approximately 125 km to Huelva port from where it is shipped to customer smelter facilities. Tailings from the process plant are pumped to a fully lined tailings impoundment to the north of the plant site area. Decant water from the tailings dam is returned to the process plant.

All bulk nickel-copper concentrate produced from the Aguablanca operation is sold under a single, long-term contract. Principle payable metals are nickel and copper with by-product payments made for platinum, palladium, cobalt and gold, and the payment terms are typical of those for bulk nickel/copper sulphide concentrates.

The Aguablanca Mine operates under environmental permits granted by the Spanish Government. These permits include conditions covering environmental management systems, tailings and waste rock disposal, water and energy consumption, emissions to atmosphere, emissions to water courses and water treatment, noise, industrial waste disposal, emergency and closure planning. Key environmental issues include; the potential lack of water during drought periods; the dispersal of dust and noise from the mine site; and mine site rehabilitation.

The corporation tax rate in Spain is 30% and royalties of 2% of NSR apply.

4.4.1.3.12 Exploration and Development

In 2012, continued regional exploration in the Ossa Morena area is planned.

An underground mining study was initiated in late 2011 to define potential high grade feed to supplement open pit production.

Further information on Aguablanca mine can be obtained by referencing the following recent technical report filed on SEDAR:

1. Technical Report on the Aguablanca Ni-Cu deposit, Extremadura Region, Spain for Lundin Mining Corporation dated March 2009 and prepared by Juan Alverez, Sia Khosrowshahi and Juan Pablo Gonzalez of Golder Associates Global Iberica, S.L.U.

4.4.1.4 GALMOY MINE

The Galmoy zinc-lead mine is located in south-central Ireland in County Kilkenny. Galmoy is an underground mine with most of the workings between 100 m and 160 m below surface. The primary access is by a decline and mine production is carried out by room-and-pillar and by bench-and-fill methods. The Galmoy flow sheet employed a conventional SAG-ball mill grinding circuit with differential flotation for the production of lead and zinc concentrates. Tailings were placed in a fully lined, multi-phase impoundment at the mine site.

The Galmoy mine ceased concentrate production at the end of the second quarter 2009. The closure plan for the mine is being followed with the mill now dismantled and sold, and rehabilitation of the tailings management facility underway. Closure activities will continue in 2012 and the restricted cash closure fund accumulated during the mine life will continue to be drawn to meet the closure obligations.

In late 2009, following approval from the relevant Irish authorities, a test batch of high-grade ore was mined and trucked to an adjacent mine for treatment. This was successful and further ore deliveries were made in 2010 and 2011, and will continue until mid-2012.

Details of the June 2011 Mineral Resource and Reserve estimate for Galmoy are included in Schedule A, attached to this AIF.

4.4.1.5 TENKE FUNGURUME MINE

4.4.1.5.1 Property Description and Location

TFM’s copper-cobalt deposits comprise one of the world’s largest known copper-cobalt resources. The deposits are located on contiguous concessions which total in excess of 1,500 km^2. These concessions are located in Katanga Province, DRC, approximately 175 km northwest of Lubumbashi, the provincial capital.

Construction started in late 2006 on open-pit and oxide ore processing facilities designed to produce 115,000 tpa of cathode copper and over 8,000 tpa of cobalt in hydroxide. Commissioning of the copper facilities occurred at the end of the first quarter 2009, and of the cobalt hydroxide facilities at the end of the second quarter. By year end 2009, full name plate capacities for both products were being achieved. Subsequent debottlenecking and plant upgrades have allowed expansion to increase to 132,000 tpa of cathode copper and approximately 11,000 tpa cobalt. A Phase 2 Expansion of the plant was announced in November 2011, which will see production increase to at least 195,000 tpa of copper cathode and 15,000 tpa cobalt hydroxide.

This is one of several stages of development contemplated with the objective of ultimately producing in upwards of 500,000 tpa of copper mining multiple deposits concession-wide.

4.4.1.5.2 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The main highway, railroad and power line connecting Kolwezi and Likasi with Lubumbashi pass through the concessions. Scheduled air services are available between Lubumbashi and the capital Kinshasa, as well as from Johannesburg, South Africa and Zambia. An airstrip constructed on the concession can accommodate freight aircraft and small passenger jets. Most copper and cobalt product and bulk mine consumables are transported primarily by truck and to an extent by rail between Tenke and ports in Durban, South Africa and Dar-es-Salaam, Tanzania.

The site climate is characterized as mild, rainy, sub-tropical mid-latitude with dry winters, with three seasons. The average annual rainfall is approximately 1,150 mm. Monthly average temperatures are 28°C (max); 20°C (min) in September and 22°C (max); 13°C (min) in June.

Tailings facilities are located to the north of the process plant site and a first raise of the initial facility was completed during 2010. The current tailings storage location is of sufficient size to handle the majority of currently proven/probable reserves. Other adjacent areas have been identified to provide life-of-mine storage capacity. A potential location for a future sulphide concentrator has been identified as have potential heap leach pad areas.

Electrical power is provided from the national grid. The local Nseke hydro power station is being renovated and expanded as part of the project and new local power lines have been constructed. Water from local boreholes supplements runoff water collected and the project is operated in line with a zero discharge water management philosophy.

The dominant landform is the Dipeta Syncline, an east-west trending valley approximately 15 km long and 3 km wide. The Dipeta River runs along the valley bottom while the Kwatebala, Tenke (formerly called Goma) and Fwaulu orebodies lie on the north-western crest of this valley. The orebodies presently form hills and ridges rising to elevations of about 1,500 m above sea level and up to 170 m above adjacent valleys. The plant site elevation is 1,200 m above sea level. The ore deposits lie on a surface water divide, with waters to the north flowing into the Mofya River and waters to the south flowing into the Dipeta River.

The flora of the concessions is dominated by an agricultural mosaic of croplands and fallow fields. The second most common vegetation type is miombo woodland. The third most common type of vegetation is degraded miombo woodland (miombo woodland that has been impacted by agricultural clearing activity). Copper-cobalt vegetation types occupy less than five percent of the area.

4.4.1.5.3 History and Development Terms

The Tenke Fungurume deposits have a history dating back to at least 1917. A controlling interest in the concessions was acquired from Gécamines following a lengthy tender process, and in November 1996, pursuant to a mining convention and TFM formation agreement, the concessions were transferred to TFM in exchange for a series of transfer bonus payments and other significant commercial and development commitments. TF Holdings paid Gécamines the first stage of the transfer payments ($50 million) in May 1997.

In December 1998, Tenke Mining concluded an option agreement with BHP Copper Inc. (now BHP Billiton ("BHPB")) which established a formal structure for BHPB to acquire, directly or indirectly, a controlling interest in the Tenke Fungurume project. In December 2000, Phelps Dodge entered into an agreement with BHPB, whereby Phelps Dodge had the opportunity to earn up to one-half of BHPB's position. On September 13, 2002, BHPB's rights and obligations under the option agreement with the Corporation were formally transferred to Phelps Dodge.

As a result of the DRC's new 2002 World Bank sponsored mining code and other developments resulting from the DRC conflict, an extensive renegotiation process commenced upon formation of the transitional government in 2003, which successfully concluded with amended agreements ("Amended Agreements") in late 2005. Pursuant to the terms agreed in the Amended Agreements, the single purpose joint venture company, TF Holdings then controlled 70:30 by Phelps Dodge and Tenke Mining, agreed to pay Gécamines an additional US$50 million in stages based on pre-agreed development-related milestones. In accordance with shareholding agreements finalized between Phelps Dodge and Tenke Mining in January 2004, Phelps Dodge was obligated to fund $42.5 million of this balance, with Tenke Mining funding the remaining $7.5 million.

Upon the entry into force of the Amended Agreements, TF Holdings paid Gécamines $15 million leaving $35 million due according to the following milestone schedule: $5 million on a positive build decision; $10 million on commencement of commercial operations; and $10 million on each of the two successive anniversaries of commencement of commercial operations. As the deposits have been brought to the 'exploitation stage', TFM enjoys all rights and privileges with respect to mining activity including surface usage. A positive build decision was made in December 2006 by then operator Phelps Dodge.

Under the terms of the Amended Agreements, TF Holdings committed to start the first phase of facilities with a minimum production level of 40,000 tpa copper and associated cobalt. In fact, initial facilities were ultimately designed for a capacity of 115,000 tpa copper production. The Amended Agreements contain objectives without guarantee of reaching in excess of 130,000 tpa copper production by year 5 and 400,000 tpa by year 11 of operations, subject to a number of qualifications including DRC conditions and markets.

TFM was established in December 1996 under the DRC Companies Act and formed for the purpose of developing the deposits of copper, cobalt and associated minerals under mining concession nº 198[1] and mining concession nº 199[2] granted to TFM in 1996 at Tenke and Fungurume. In early 2007, Freeport acquired Phelps Dodge, which resulted in them taking over as operator and owner of a 70% interest in TF Holdings. In mid- 2007, Lundin Mining acquired Tenke Mining, resulting in Lundin Mining controlling the remaining 30% of TF Holdings. This resulted in FCX indirectly holding 57.75% of TFM, and Lundin Mining indirectly holding 24.75% of TFM. Gécamines held the balance of ownership – 17.5% by way of a directly held carried interest in TFM.

In accordance with the Amended Agreements, a Base Metals Royalty is payable at the rate of 2% of net sales. In addition, a 1% net sales metals export duty applies. Full repatriation of funds is allowed, subject to a 10% expatriated dividends withholding tax. Income tax is payable at the rate of 30% and certain other minor taxes and duties apply as defined in TFM's Amended Agreements consistent with the 2002 DRC Mining Code Title IX. In addition to the 15% of the Base Metals Royalty that is defined to be repatriated by the GDRC to the region of the mine, TFM has committed to a 0.3% net sales social fund, to be administered annually to benefit local communities.

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, including the amount of transfer payments payable to the government, the government's percentage ownership and involvement in the management of the mine, regularization of certain matters under Congolese law and the implementation of social plans.

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% 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

[1] Renumbered nº 123 by the *Cadastre Minier Certificat d'Exploitation* nº CAMI/CE/940/2004 dated November 3, 2004; subsequently divided and renumbered nº 123, nº 9707 and nº 9708 by the *Ministère des Mines* through Ministerial Decree dated February 20, 2009.

[2] Renumbered nº 159 by the *Cadastre Minier Certificat d'Exploitation* nº CAMI/CE/941/2004 dated November 3, 2004; subsequently divided and renumbered nº 159, nº 4728 and nº 4729 by the *Ministère des Mines* through Ministerial Decree dated July 7, 2006.

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 totalling $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 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 April 2011 the amended agreements were ratified by a Presidential Decree. On March 26, 2012 the President and Prime Minister of the DRC signed a decree approving the bylaw changes for TFM. Acordingly, the change in Lundin Mining's ownership interest in TFM and the conversion of intercompany loans to equity is now effective.

4.4.1.5.4 Geological Setting

The Tenke Fungurume copper-cobalt deposits are typical of those that comprise the Central African Copperbelt. The Copperbelt is located in a major geological structure called the Lufilian Arc, a 500 km fold belt that stretches from Kolwezi in the southern DRC to Luanshya in Zambia. The deposits of the Tenke Fungurume district are located at the northernmost apex of the arc. The arc formed between the Angolan Plate to the southeast and Congo Plate to the northwest during the late Neoproterozic, approximately 650 to 600 million years before present (Ma). Rocks in the arc are exposed in a series of tightly folded and thrust anticlines and synclines, generally trending east-west to southeast-northwest in the southern DRC. The Tenke Fungurume group of sediment hosted copper cobalt deposits occurs near the base of a thick succession of sedimentary rocks belonging to the Katanga System of Proterozoic age (1050-650 Ma).

The older rocks of the basement complex belonging to the Kibara Supergroup form the framework within which the Katangan sediments were deposited and consist of granitic rocks and metamorphosed sediments. Sedimentation took place in shallow intra-cratonic basins bounded by rifts. A series of cratonic events of Pan African age (650 Ma to 500 Ma) resulted in extensive deformation of these rocks. The principal tectonic event is referred to as the Lifilian Orogeny and this led to the formation of the Lufilian Arc. All of the major Zambian and Congolese copper-cobalt deposits are located along this 500 km long arcuate structure, which extends from Kolwezi in the Congo to Luanshya in Zambia. The Tenke and Fungurume deposits are located in the northernmost apex of the arc.

4.4.1.5.5 Exploration and Concession Potential

The mineral concessions have been subject to multiple phases of exploration over time. Exploration in 2011 focused on finding additional high-grade oxide resources and the investigation of deeper mixed and sulphide mineralization. A total of 78,742 m of diamond drilling was completed during 2011 in 439 individual holes on 10 different deposits.

In addition to the diamond drilling programmes, green field exploration was carried out during 2011 with surface mapping of numerous, unworked écailles, and regional stream sediment and soil geochemistry sampling over the entire concession.

Due to data and time availability, many of the known deposits have yet to be assessed with mineral resource and reserve models. The Tenke Fungurume concessions remain extensively under-explored.

4.4.1.5.6 Mineralization

The copper-cobalt mineralization is mainly associated with two dolomitic shale horizons (RSF and SDB respectively), each ranging in thickness from 5 m to 15 m, separated by 20 m of cellular silicified dolomite (RSC).

The main economic minerals present are malachite, chrysocolla, bornite, and hetrogenite. Primary copper and cobalt mineralogy is predominately chalcocite, digenite, bornite, and carrollite. Oxidation has resulted in widespread alteration producing malachite, pseudomalachite, chrysocolla (hydrated copper silicate) and heterogenite.

The primary copper-cobalt mineral associations are homogeneous in both mineralized zones and any variations are due to the effect of oxidation and supergene enrichment. Consequently the mineral assemblages can be grouped into three main categories dependent upon the degree of alteration – oxide, mixed and sulphide zones. Dolomite and quartz are the main gangue minerals present. Dolomite or dolomitic rocks make up the bulk of the host strata. Weathering of the host rocks is normally depth-related, intensity decreasing with increasing depth, producing hydrated iron oxides and silica at the expense of dolomite, which is leached and removed.

4.4.1.5.7 Drilling

The exploration and drilling history of Tenke Fungurume deposits began in 1919. UMHK explored the surface and drilled exploration core holes between 1919-1921, 1942-1951 and 1958-1968. Gécamines conducted exploration and drilling 1968-70 and 1981-1991. SMTF carried out exploration and core drilling 1971-1976. TFM carried out additional core drilling in 1997. These campaigns totalled 186,376 m of drilling plus mapping, trenching and exploration adits. Exploration core drilling carried out by PD/FCX between 2006 and the end of 2011 comprised 2,325 core holes totaling approximately 366,000 m. Reverse circulation drilling was used locally to drill through unmineralized waste. The 2011 exploration drilling took place on Kwatebala, Fwaulu, Tenke, Fungurume, Lutanda, Mambilima, Pumpi, Zakeo and Zikule.

In 2012, exploration will be targeted at the replacement of the mineralization depleted, further increases in high grade oxide resources and ongoing investigation of deeper mixed and sulphide resources. A further 100,000 m of drilling is planned, including infill and deeper drilling on the known orebodies of Fungurume, Mambilima, Mwadinkomba, Pumpi, Sefu and Tenke together with green field target drilling on Kamalondo and the Mwadinkomba Anticline.

In 2012, an underground bulk sample of mixed/sulphide mineralization will be obtained via a small shaft and underground development in the Fungurume orebody for metallurgical testwork purposes.

4.4.1.5.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling, QC sample insertion and density measurement protocols have been followed by Phelps Dodge and subsequently by FCX. An independent audit to review sampling activities with respect to quality assurance, quality control and sample security was completed in the first quarter 2009. In addition to drill core and drill cutting sampling, open-pit grade control sampling is carried out using a trench cutting tool.

Samples are prepared on-site and analyzed at the mine’s assay laboratory facility. Strict QA/QC protocols are in place including placement and assaying of duplicates, blanks and check samples. A computerized Laboratory Information Management System is used to manage data.

4.4.1.5.9 Security of Samples

Data and sample security procedures that conform to industry standards are in place. All drill cores are logged and photographed and the cores and sampling splits are stored on-site. These and other traceability records prevent errors of identification and ensure sample history can be followed.

4.4.1.5.10 Mineral Resource and Mineral Reserve Estimates

The current mineral resources at Tenke Fungurume have been estimated with 12 deposit models within the concessions: Kwatebala, Tenke, Fwaulu, Mwadinkomba, Kansalawile, Fungurume, Fungurume V1/VI Extension, Katuto, Shinkusu, Kazinyanga, Mambilima and Pumpi.

Mineral Resources have been estimated using three dimensional modelling methods with Minesight® software being used for geological modeling.Grade estimation has been carried out using specially developed Local Anisotropy Kriging (LAK) techniques to account for the narrow and complex nature of the orebodies.

The open-pit designs were optimized for all the twelve deposits listed above. Datamine NPV Scheduler was used for nine of the deposits with Tenke Fungurume and Katuto being evaluated using Minesight® as it uses a rotated model. In each case, a Lerch Grossman algorithm was used to maximize the gross value of the pit. Pits were designed with 38 degree inter-ramp slope angle, 35 degree overall slope angle and double 5 m benches between berms. Input parameters to the open-pit optimizations were updated in 2011 and include revisions to the mine operating costs, cobalt recovery factors and the gangue acid consumption estimations.

Dilution is potentially a significant issue as mineralized zones are long, typically narrow (6 m to 15 m wide), faulted and folded, and contacts are relatively sharp. To address this issue, the resource and reserve models have block dimensions of 5 m by 2.5 m by 2.5 m; the ore mining fleet uses small equipment and 0.625 m ore cuts broken by the surface miners. For mine planning purposes, resource grades are reduced by 5% to account for anticipated grade dilution during operations. A Minesight® ore control system based on the reserve block model and refined by trench sampling is used to control the selectivity of mining.

Details of the December 2011 resource and reserve estimate for Tenke Fungurume are included in Schedule A, attached to this AIF.

4.4.1.5.11 Mining Operations

The Tenke Fungurume operation mines copper-cobalt oxide ores by open-pit mining techniques. Continuous miners are used to break the ore, and drill and blast is employed in the waste rock. Conventional loaders and trucks transport the ore to the crusher or stockpiles and the waste to dumps. Larger mining equipment is currently being introduced to enable increased mining rates. In 2011, production was sourced primarily from the Kwatebala orebody with some Tenke ore also being mined for the first time towards year end. The other orebodies are scheduled to be mined in a number of phases over time.

The latest proven process technology is being used to extract copper and cobalt. Copper is extracted using standard SAG milling, sulphuric acid leach, solvent extraction and electro-winning to produce copper cathode. Solution from the copper SXEW plant feeds the cobalt plant where cobalt hydroxide is produced through purification and precipitation processes. Copper is marketed with guidance from FCX's global copper marketing programme. Cobalt is sold as cobalt hydroxide under contract and on the spot market.

Nominal daily mill feed of oxide ore has increased from the original design of 8,000 tpd to 11,000tpd following several phases of plant debottlenecking and upgrading. Planned copper production levels have increased from 115,000 tpa to 132,000 tpa.

Capital investment of approximately $2.0 billion was made for the initial project facilities, which included aspects to support major future expansions. This included a $140 million loan to accomplish a multi-year provincial hydro power rehabilitation project to provide reliable power to the project and national grid. Total power available to the project resulting from the power loan investment under agreement with SNEL (DRC power authority) is in excess of 200 MW to support expansions, which is more than sufficient for current plans.

A Phase 2 expansion of Tenke Fungurume is currently underway which will increase annual copper production by 50% to approximately 195,000 tonnes copper cathode and 15,000 tonnes cobalt hydroxide. The $850 million expansion includes additional mining equipment, mill upgrades, acid plant expansion and a doubling of the existing tank house capacity. The expansion is due for completion in 2013 and will result in an excess of SX-EW capacity. During 2011, test scale on/off heap leach pads were also constructed on site to evaluate the potential of commencing heap leaching of the low grade ores that are currently being mined and stockpiled, and future utilization of the excess SX-EW capacity.

Further expansion studies for Tenke Fungurume are also underway with mining and processing scenarios for future mixed and sulphide mineralization being evaluated by FCX.

4.4.1.5.12 Environmental and Social Aspects

The project has been developed in accordance with Equator Principles, Voluntary Principles of Security and Human Rights, applicable World Bank/IFC standards and the Extractive Industries Transparency Initiative. Development and operation are subject to a number of DRC laws, regulations, standards dealing with the protection of public health, public safety and the environment. Permits and authorizations are in place for construction and operation.

Key environmental issues addressed by the project include mitigation of damage to sensitive indigenous flora unique to highly mineralized areas of the DRC copper belt, design of the project to zero discharge objectives, and adoption of fully plastic-lined process water and tailings storage impoundments. As this is the first commercial development of mining on the concessions, there are no known existing environmental liabilities.

Key social investments addressed during project development include extensive community consultation, stimulation of both direct and indirect employment – during the initial phase of construction, employment peaked at more than 8,000 DRC nationals. The Phase 2 Expansion Project employed more than 2,000 people. Operations direct employment is greater than 4,000 personnel, most who are DRC citizens. Indirect effects are expected to be responsible for more than 5,000 jobs created in the region.

Other social investments include medical, fresh water supply, education, agricultural and regional infrastructure investments in power, roads and border crossings.

4.4.1.5.13 Reference Reports

Further information on the Tenke Fungurume mine can be obtained by referencing the following technical report filed on SEDAR:

1. Technical Report for the Tenke Fungurume mine dated March 31, 2011 prepared by John Nilsson, P.Eng, of Nilsson Mine Services Ltd. and Ronald G. Simpson, P.Geo, of GeoSim Services Inc.
2. Technical Report for the Tenke Fungurume mine dated December 15, 2011 prepared by John Nilsson, P.Eng, of Nilsson Mine Services Ltd., Ronald G. Simpson, P.Geo, of GeoSim Services Inc. and William McKenzie, P.Eng, of Global Project Management Corporation.

4.4.2 MINE CLOSURES

Lundin Mining acquired the Vueltas del Rio mine in Honduras, as part of the acquisition of Rio Narcea in 2007. Reclamation of the property is ongoing.
Production ceased in 2008 at the Storliden zinc-copper mine in northern Sweden. A rehabilitation programme has been completed in accordance with the approved closure plan and the site is now subject to a long-term monitoring program.

ITEM 5 RISKS AND UNCERTAINTIES

5.1 Risks and Uncertainties

The Company is subject to various risks and uncertainties, including but not limited to those listed below.

Metal Prices

Metal prices, primarily copper, zinc and lead are key performance drivers and fluctuations in the prices of these commodities can have a dramatic effect on the results of operations. Prices fluctuate widely and are affected by numerous factors beyond the Company's control. The prices of metals are influenced by supply and demand, exchange rates, inflation rates, changes in global economies, and political, social and other factors. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers and consumers.

If the market prices for metals fall below the Company's full production costs and remain at such levels for any sustained period of time, the Company may, depending on hedging practices, experience losses and may determine to discontinue mining operations or development of a project at one or more of its properties. If the prices drop significantly, the economic prospects of the mines and projects in which the Company has an interest could be significantly reduced or rendered uneconomic. Low metal prices will affect the Company's liquidity, and if they persist for an extended period of time, the Company may have to look for other sources of cash flow to maintain liquidity until metal prices recover.

Credit Risk

The Company is exposed to various counterparty risks. The Company is subject to credit risk through its trade receivables. The Company manages this risk through evaluation and monitoring process such as using the services of credit agencies. The Company transacts with credit worthy customers to minimize credit risk and if necessary, employs pre-payment arrangements and the use of letters of credit, where appropriate, but cannot always be assured of the solvency of its customers. Credit risk relating to derivative contracts arises from the possibility that a counterparty to an instrument with which the Company has an unrealized gain fails to settle the contracts.

Foreign Exchange Risk

The Company's revenue from operations is received in United States dollars while most of its operating expenses will be incurred in Euro and SEK. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results. The Company does not currently engage in foreign currency hedging activities.

Derivative Instruments

The Company may, from time to time, manage exposure to fluctuations in metal prices and foreign exchange rates by entering into derivative instruments approved by the Company's board of directors. The Company does not hold or issue derivative instruments for speculation or trading purposes. These derivative instruments are marked-to-market at the end of each period and may not necessarily be indicative of the amounts the Company might pay or receive as the contracts are settled.

Reclamation Funds and Mine Closure Costs

As at December 31, 2011, the Company had $54.4 million in a number of reclamation funds that will be used to fund future site reclamation and mine closure costs at the Company's various mine sites. The Company will continue to contribute annually to these funds as required, based on an estimate of the future site reclamation and mine closure costs as detailed in the closure plans. Changes in environmental laws and regulations can create uncertainty with regards to future reclamation costs and affect the funding requirements.

The Company has received regulatory approval for closure at its Galmoy mine in 2011 and closure activities remain on schedule. Remnant high grade ore continues to be mined and is sent to an adjacent mine for processing. Mining activity is expected to conclude in the first half of 2012. Current mining activity does not have a significant effect on closure activities.

Rehabilitation programs were largely completed at the Storliden mine during 2010 following production shutdown in 2008. The site is subject to ongoing monitoring for several years following the completion of closure activities. The Company also has ongoing long-term monitoring programs in place associated with legacy mining operations previously carried on in Honduras under the ownership of a subsidiary of Rio Narcea Gold Mines Ltd., which was acquired by the Company in 2007.
Closing a mine can have significant impact on local communities and site remediation activities may not be supported by local stakeholders. The Company endeavors to mitigate this risk by reviewing and updating closure plans regularly with external stakeholders over the life of the mine and considering where post-mining land use for mining affected areas has potential benefits to the communities.

In addition to the immediate closure activities, including ground stabilization, infrastructure demolition and removal, top soil replacement, re-grading and re-vegetation, closed mining operations require long-term surveillance and monitoring.

Site closure plans have been developed and amounts accrued in the Company's financial statements to provide for mine closure obligations. Future remediation costs for inactive mines are estimated at the end of each period, including ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. Actual costs realized in satisfaction of mine closure obligations may vary materially from management's estimates.

Competition
There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Foreign Countries and Regulatory Requirements
The Company's operations in Portugal, Sweden, Ireland and Spain are subject to various laws and environmental regulations. The implementation of new or the modification of existing laws and regulations affecting the mining and metals industry could have a material adverse impact on the Company.

The Company has a significant investment in mining operations located in the DRC. The carrying value of this investment and the Company's ability to advance development plans may be adversely affected by political instability and legal and economic uncertainty. The risks by which the Company's interest in the DRC may be adversely affected include, but are not limited to, political unrest, labour disputes, invalidation of governmental orders, permits, agreements or property rights; risk of corruption including violations under U.S. and Canadian foreign corrupt practices statutes, military repression, war; civil disturbances, criminal and terrorist actions, arbitrary changes in laws, regulations, policies, taxation, price controls and exchange controls, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports, and high rates of inflation and increased financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights, or the taking of property by nationalization, expropriation or other means without fair compensation. Africa's status as a developing continent may make it more difficult for the Company to obtain any required exploration, development and production financing for its projects.

There can be no assurance that industries which are deemed of national or strategic importance in countries in which the Company has operations or assets, including mineral exploration, production and development, will not be nationalized. The risk exists that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company's operations.

Mining and Processing

The Company's business operations are subject to risks and hazards inherent in the mining industry, including, but not limited to, unanticipated variations in grade and other geological problems, water conditions, surface or underground conditions, metallurgical and other processing problems, mechanical equipment performance problems, the lack of availability of materials and equipment, the occurrence of accidents, labour force disruptions, force majeure factors, unanticipated transportation costs, and weather conditions, any of which can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures and production commencement dates.

The Company's processing facilities are dependent upon continuous mine feed to remain in operation. Insofar as the Company's mines may not maintain material stockpiles of ore or material in process, any significant disruption in either mine feed or processing throughput, whether due to equipment failures, adverse weather conditions, supply interruptions, labour force disruptions or other causes, may have an immediate adverse effect on results of operations of the Company.

The Company periodically reviews mining schedules, production levels and asset lives in its LOM planning for all of its operating and development properties. Significant changes in the LOM Plans can occur as a result of experience obtained in the course of carrying out mining activities, new ore discoveries, changes in mining methods and rates, process changes, investments in new equipment and technology, metal price assumptions, and other factors. Based on this analysis, the Company reviews its accounting estimates and in the event of an impairment may be required to write-down the carrying value of a mine or mines. This complex process continues for the economic life of every mine in which the Company has an interest.

Mine Development Risks

The Company's ability to maintain, or increase, its annual production of copper, zinc, lead, nickel and other metals will be dependent in significant part on its ability to bring new mines into production and to expand existing mines. Although the Company utilizes the operating history of its existing mines to derive estimates of future operating costs and capital requirements, such estimates may differ materially from actual operating results at new mines or at expansions of existing mines. The economic feasibility analysis with respect to any individual project is based upon, among other things, the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed), precious and base metals price assumptions, the configuration of the orebody, expected recovery rates of metals from the ore, comparable facility and equipment costs, anticipated climatic conditions, estimates of labour, productivity, royalty or other ownership requirements and other factors. Some of the Company's development projects are also subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing. Although the Company's feasibility studies are generally completed with the Company's knowledge of the operating history of similar orebodies in the region, the actual operating results of its development projects may differ materially from those anticipated, and uncertainties related to operations are even greater in the case of development projects.

Environmental and Other Regulatory Requirements

All phases of mining and exploration operations are subject to government regulation including regulations pertaining to environmental protection. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their directors, officers and employees. There can be no assurance that possible future changes in environmental regulation will not adversely affect the Company's operations. As well, environmental hazards may exist on a property in which the Company holds an interest, which were caused by previous or existing owners or operators of the properties and of which the Company is not aware at present. Operations at the Company's mines are subject to strict environmental and other regulatory requirements, including requirements relating to the production, handling and disposal of hazardous materials, pollution controls, health and safety and the protection of wildlife. The Company may be required to incur substantial capital expenditures in order to comply with these requirements. Any failure to comply with the requirements could result in substantial fines, delays in production, or the withdrawal of the Company's mining licenses.

Government approvals and permits are required to be maintained in connection with the Company's mining and exploration activities. With the exception of Aguablanca's water licenses (see Infrastructure), the Company has all the required permits for its operations as currently conducted; however, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations or additional permits for any possible future changes to the Company's operations, including any proposed capital improvement programs. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the Company resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

Mineral Resource and Reserve Estimates

The Company's reported Mineral Resources and Mineral Reserves are only estimates. No assurance can be given that the estimated Mineral Resources and Mineral Reserves will be recovered or that they will be recovered at the rates estimated. Mineral Resource and Mineral Reserve estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral Resource and Mineral Reserve estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain Mineral Resources and Mineral Reserves uneconomic and may ultimately result in a restatement of estimated resources and/or reserves. Moreover, short-term operating factors relating to the Mineral Resources and Mineral Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades or types, may adversely affect the Company's profitability in any particular accounting period.

Estimation of Asset Carrying Values

The Company annually undertakes a detailed review of the LOM Plans for its operating properties and an evaluation of the Company's portfolio of development projects, exploration projects and other assets. The recoverability of the Company's carrying values of its operating and development properties are assessed by comparing carrying values to estimated future net cash flows and/or market values for each property.

Factors which may affect the recoverability of carrying values include, but are not limited to, metal prices, capital cost estimates, mining, processing and other operating costs, grade and metallurgical characteristics of ore, mine design and timing of production. In the event of a prolonged period of depressed prices, the Company may be required to take material write-downs of its operating and development properties.

Funding Requirements and Economic Volatility

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfill its obligations under any applicable agreements. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of the Company's properties.

Lundin Mining is a multinational company and relies on financial institutions worldwide to fund its corporate and project needs. Instability of large financial institutions may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect the Company's access to the liquidity needed for the business in the longer term.

The Company's access to funds under its Revolving Credit Facility is dependent on the ability of the financial institutions that are parties to the facility to meet their funding commitments. Those financial institutions may not be able to meet their funding requirements if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under the Revolving Credit Facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others. Such disruptions could require the Company to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for the Company's business needs can be arranged.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political risks.

No Assurance of Titles or Boundaries

Although the Company has investigated the right to explore and exploit its various properties and obtained records from government offices with respect to all of the mineral claims comprising its properties, this should not be construed as a guarantee of title. Other parties may dispute the title to a property or the property may be subject to prior unregistered agreements and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of all of its properties, and the precise area and location of claims or the properties may be challenged.

Partner in the Tenke Fungurume Mine

The Company's partner in the Tenke Fungurume copper/cobalt project is Freeport-McMoRan Copper & Gold Inc. There may be risks associated with this partner of which the Company is not aware.

Tax

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. By this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over withholding tax rates.

Employee Relations

A prolonged labour disruption at any of the Company's mining operations could have a material adverse effect on the Company's ability to achieve its objectives with respect to such properties and its operations as a whole.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges and power and water supplies are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage or government, and other interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

During recent years, the water supply has been the object of political debate between the region in which Aguablanca operates and the neighbouring region. The Company is continuing to advance its application with central and regional authorities to obtain all of the water licences required to satisfy all of its supply requirements.

Key Personnel
The Company is dependent on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company does not have key person insurance on these individuals.

ITEM 6 DIVIDENDS AND DISTRIBUTIONS

6.1 Dividends and Distributions

There are no restrictions which prevent the Company from paying dividends. The Company has not paid dividends on its common shares in the last five years and it has no present intentions of paying any dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business. The directors of the Company will determine if and when dividends should be declared and paid in the future, based on the Company's financial position at the relevant time.

ITEM 7 DESCRIPTION OF CAPITAL STRUCTURE

7.1 General Description of Capital Structure

The authorized share capital of the Company consists of an unlimited number of common shares without nominal or par value, and one special share without nominal or par value. The special share is not issued and outstanding at this time.

The holders of common shares are entitled to receive notice of and attend all meetings of shareholders with each common share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of Common Shares are entitled to dividends if, as and when declared by the board of directors of the Company. The common shares are entitled, upon liquidation, dissolution or winding up of the Company, to receive the remaining assets of the Company available for distribution to shareholders.

ITEM 8 MARKET FOR SECURITIES

8.1 Exchange Listings

The Common Shares of the Company are traded in Canada on the TSX under the symbol "LUN". In Sweden, the Common Shares are represented by Swedish Depository Receipts which trade on the O-list of the NASDAQ OMX Nordic Exchange under the symbol "LUMI".

8.2 Trading Price and Volume

The following table provides information as to the monthly high and low closing prices of the Company's Common Shares during the 12 months of the most recently completed financial year, as well as the volume of shares traded for each month on the TSX:

Month	High (C$)	Low (C$)	Volume
January 2011	7.55	7.31	104,868,400
February 2011	7.35	7.13	101,105,000
March 2011	7.60	7.38	146,896,700
April 2011	8.19	8.00	166,894,200
May 2011	8.55	8.36	188,045,700
June 2011	6.91	6.68	107,878,900
July 2011	7.20	6.99	85,906,300
August 2011	5.65	5.29	170,229,900
September 2011	4.74	4.50	89,482,100
October 2011	4.18	3.94	145,174,000
November 2011	3.79	3.65	100,323,800
December 2011	4.01	3.87	73,150,700

ITEM 9 ESCROWED SECURITIES

9.1 Escrowed Securities

There are no Lundin Mining securities in escrow.

ITEM 10 DIRECTORS AND OFFICERS

10.1 Name, Address, Occupation and Security Holding of Directors and Officers

The Board of Directors of the Company is currently comprised of eight directors who are elected annually and whose term of office will expire at the Company's annual meeting scheduled to be held May 11, 2012. Each director holds office until the next annual meeting of shareholders or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws of the Company. The names, provinces and countries of residence of each of the directors and officers of the Corporation as at the date of this AIF, their respective positions and offices held with the Company, their principal occupations within the preceding five years and the number of securities of the Company owned by them as at the date of this AIF is set forth in the following table:

Name, residence and current position(s) held in the Company	**Principal occupations for last five years**	**Served as director since**	**Number of securities owned (directly or indirectly) or controlled at present** [(1)]
Lukas H. Lundin British Columbia, Canada *Chairman and Director*	Chairman and a director of the Company; chairman, president and/or director of a number of publicly traded resource-based companies which include Denison Mines Corp., Fortress Minerals Corp., Lucara Diamond Corp., Lundin Petroleum AB, NGEx Resources Inc., Sirocco Mining Inc. and Vostok Nafta Investment Ltd.	September 9, 1994	2,271,449 common shares
Paul K. Conibear British Columbia, Canada *President, Chief Executive Officer and Director*	President and Chief Executive Officer since June 30, 2011, Senior Vice President, Corporate Development since October 2009; Senior Vice President, Projects, of the Company from July 2007 to October 2009; President and Chief Executive Officer of Suramina Resources Inc. from June 11, 2007 to September 30, 2007; President and Chief Executive Officer of Tenke Mining Corporation from November 26, 2002 to July 13, 2007.	June 30, 2011	699,904 common shares[(3)]
Colin K. Benner British Columbia, Canada *Director*	Interim President of Troon Ventures Ltd. and President of CKB Mining Inc. and a director of a number of publically traded companies; Executive Chairman of Creston Moly Corp. from August 2009 to September 2011; Vice Chairman and Chief Executive Officer of Skye Resources Inc. from March to August 2008; Chairman of PBC Coals Inc. from August 2007 to October 2008; Vice Chairman and Chief Executive Officer of Lundin Mining Corporation from October 2006 to April 2007; Vice Chairman and Chief Executive Officer of EuroZinc Mining Corporation from December 2004 to October 2006 and prior to this President and Chief Executive Officer of Breakwater Resources Ltd.	October 31, 2006	40,000 common shares
Donald K. Charter Ontario, Canada *Director*	President and CEO, and director of Corsa Coal Corp. since August 2010; since January 2006, he has been the President of 3Cs Corporation, his private consulting and investment company, and a director sitting on a number of public company boards.	October 31, 2006	21,424 common shares
John H. Craig Ontario, Canada *Director*	Lawyer, partner of Cassels Brock & Blackwell LLP.	June 11, 2003	213,849 common shares

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of securities owned (directly or indirectly) or controlled at present [(1)]
Brian D. Edgar British Columbia, Canada *Director*	Chairman of Silver Bull Resources, Inc.; director of a number of publicly traded companies.	September 9, 1994	230,000 common shares
Dale C. Peniuk C.A. British Columbia, Canada *Director*	Chartered Accountant; financial consultant to the mining industry; formerly an assurance partner with KPMG LLP, Chartered Accountants; director of a number of publicly traded companies.	October 31, 2006	17,600 common shares[(2)]
William A. Rand British Columbia, Canada *(Lead) Director*	President and director of Rand Edgar Investment Corp.; director of a number of publicly traded companies.	September 9, 1994	223,424 common shares
João Carrêlo United Kingdom *Executive Vice President and Chief Operating Officer*	Executive Vice President and Chief Operating Officer of the Company since April 2007; Chief Operating Officer of the Company in Iberia from October 2006 to March 2007. Chief Operating Officer for EuroZinc from June 2005 to October 2006.	N/A	10,000 common shares
James A. Ingram Ontario, Canada *Corporate Secretary*	Corporate Secretary of the Corporation since February 2010; Vice President, Secretary and General Counsel with Hudson's Bay Company from March 1998 to July 2009.	N/A	Nil
Marie Inkster Ontario, Canada *Chief Financial Officer*	Chief Financial Officer of the Company since May 2009; Vice President, Finance of the Company from September 2008 to April 30, 2009; Vice President, Finance, GBS Gold International Inc. from September 2007 to June 2008; LionOre Mining International Ltd., last position held being that of Vice President/ Controller from 2002 to 2007.	N/A	30,200
Julie Lee Harrs Ontario, Canada *Senior Vice President, Corporate Development*	Senior Vice President, Corporate Development since November 2011; President and Chief Operating Officer, Energizer Resources Inc. from September 2009 to September 2011, Senior Vice President, General Counsel and Secretary, Sherritt International Corp. from May 2006 to October 2008.	N/A	Nil

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of securities owned (directly or indirectly) or controlled at present [(1)]
Jinhee Magie Ontario, Canada *Vice President, Finance*	Vice President, Finance of the Company since May 2009; Director of Finance of the Company from September 2008 to April 2009; formerly, Director of Corporate Compliance, LionOre Mining International Ltd.	N/A	5,000 common shares
Paul McRae United Kingdom Senior Vice President, Projects	Senior Vice President, Projects of the Company since January 2012; Project Director, AMEC from June 2009 to December 2011; Project Director of the Company from February 2008 to May 2009; Project Director, AMEC from August 2003 to January 2008.	N/A	Nil
Peter Nicoll Ontario, Canada *Vice President Health, Safety, Environment and Community*	Vice President, Health, Safety, Environment and Community of the Company since July 2008; Vice President, Safety, Health, Environment and Corporate Social Responsibility of Uranium One from August 2007 to June 2008; Director, Office of Environmental Health and Safety, University of Toronto, February 2006 to August 2007.	N/A	Nil
Neil O'Brien Ontario, Canada *Senior Vice President, Exploration and Business Development*	Senior Vice President, Exploration and New Business Development of the Company since March, 2007; Vice President, Exploration of the Company from September 2005 to February 2007.	N/A	62,000 common shares
Mikael Schauman Sweden *Vice President, Marketing*	Vice President, Marketing of the Company since February 2007; formerly Senior Non-Ferrous Concentrates Trader at Mitsui & Co. Metals (USA), Inc.	N/A	Nil

(1) *On a non-diluted basis. The information as to common shares beneficially owned has been provided by the directors and officers themselves.*

(2) *Includes 15,000 common shares registered in the name of Mr. Peniuk's spouse and 100 common shares registered in the name of Mr. Peniuk's child.*

(3) *Includes 80,850 common shares registered in the name of Mr. Conibear's spouse.*

Certain directors of the Company have other business interests and do not devote all of their time to the affairs of the Company. See "Conflicts of Interest" below.

The directors and officers of the Company hold, as a group, a total of 3,842,850 common shares, representing 0.6% of the number of common shares of the Company issued and outstanding as at the date hereof.

There are currently four standing committees of the board. These committees are the Audit Committee, the Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the Human Resources/Compensation Committee. The following table identifies the members of each of these Committees:

Audit Committee	Human Resources and Compensation Committee	Corporate Governance and Nominating Committee	Health, Safety, Environment and Community Committee
Dale C. Peniuk (Chair) Donald K. Charter William A. Rand	Donald K. Charter (Chair) Dale C. Peniuk William A. Rand	Brian D. Edgar (Chair) John H. Craig Dale C. Peniuk	Colin K. Benner (Chair) Paul K. Conibear Brian D. Edgar

10.2 Corporate Cease Trade Orders or Bankruptcies

Except as noted below, no director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Lundin Mining), that:

(a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “order”) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Edgar and Mr. Rand were directors of New West Energy Services Inc. (formerly Lexacal Investment Corp.) (TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.

Except as noted below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Lundin Mining) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Benner was a director of Tahera Diamond Corporation (“Tahera”) which, on January 16, 2008, was granted creditor protection by the Ontario Superior Court of Justice under the Companies’ Creditor Arrangement Act (“CCAA”). Mr. Benner resigned as a director of Tahera on September 29, 2008. Pursuant to a number of extensions, Tahera remained under CCAA protection and was sold to a third party.

Ms. Inkster was Vice President, Finance of GBS Gold International Inc. (“GBS”) from September 2007 to June 2008. On September 15, 2008, GBS put its Australian group of subsidiaries into voluntary liquidation proceedings. In March 2009, GBS announced that it had agreed to transfer its remaining valued assets to the secured promissory noteholders pursuant to the terms of a note indenture and general security deed entered into on May 27, 2008. The shares of GBS have been suspended from trading on the NEX board and it has effectively ceased business.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any controlling shareholder of the Company individually.

10.3 Penalties or Sanctions

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

b) any other penalties or sanctions imposed by a court or regulatory body that wouldlikely be considered important to a reasonable investor in making an investment decision.

10.4 Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or the terms of such participation. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, the involvement in a greater number of programs or a reduction in financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of Canada, the directors or the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and the financial position at that time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors of officers in accordance with the *Canada Business Corporations Act* and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Other than as disclosed above, the directors and officers of the Company are not aware of any such conflicts of interest in any existing or contemplated contracts with or transactions involving the Company.

ITEM 11 AUDIT COMMITTEE

11.1 Overview

The Audit Committee of the Company's board of directors is principally responsible for recommending to the Company's board of directors the external auditor to be nominated for election by the Company's shareholders at each annual general meeting and approving the compensation of such external auditor, overseeing the work of the external auditor, reviewing the Company's annual and interim financial statements, MD&A and press releases regarding earnings before they are reviewed and approved by the board of directors and publicly disseminated by the Company, and reviewing the Company's financial reporting procedures with respect to the public disclosure of financial information extracted or derived from its financial statements.

11.2 Audit Committee Mandate/Charter

The Company's Board of Directors has adopted an audit committee mandate (the "Mandate") which sets out the audit committee's purpose, procedures, organization, powers, roles and responsibilities. The complete Mandate is attached as Schedule B to this AIF.

11.3 Composition of the Audit Committee

Below are the details of each audit committee member, including his name, whether he is independent and financially literate as such terms are defined under National Instrument 52-110 and his education and experience as it relates to the performance of his duties as an audit committee member. The qualifications and independence of each member is discussed below and in the Company's Management Information Circular, dated May 19, 2011, prepared in connection with the Company's annual meeting of shareholders held on June 24, 2011, a copy of which is available under the Company's profile on the SEDAR website at www.sedar.com.

Member Name	Independent[1]	Financially Literate[2]	Education and Experience Relevant to Performance of Audit Committee Duties
Dale C. Peniuk (Chair)	Yes	Yes	Mr. Peniuk is a chartered accountant and a graduate of the University of British Columbia (B.Comm). Mr. Peniuk was an assurance partner with KPMG LLP Canada from 1996 to 2006 and was the leader of their British Columbia mining practice. In addition to Lundin Mining, he is presently a director and audit committee Chair of Argonaut Gold Inc., Capstone Mining Corp., Rainy River Resources Ltd., and Sprott Resource Lending Corp.
Donald K. Charter	Yes	Yes	Mr. Charter has both an Honours B.A. in economics and an LLB, both from McGill University. Mr. Charter has attained financial experience and exposure to accounting and financial issues in his current role as a director of several publically traded Canadian companies, and in his previous roles as Chairman and Chief Executive Officer of Dundee Securities Corporation and as Executive Vice President of Dundee Corporation and Dundee Wealth Management.
William A. Rand	Yes	Yes	Mr. Rand is a retired corporate and securities lawyer and mining executive with a B.Comm. from McGill University (Honours in Economics and Major in Accounting), who has been a member of a number of boards and audit committees of public companies for over 30 years. Through this education and experience, Mr. Rand has experience overseeing and assessing the performance of companies and public accountants with respect to the preparation, auditing and evaluation of financial statements.

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the board of directors, reasonably interfere with the exercise of a member's independent judgment, or is otherwise deemed to have a material relationship pursuant to NI 52-110.
(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues and can reasonably be expected to be raised by the Company's financial statements.

11.4 Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Company's Board.

11.5 Pre-Approval Policies and Procedures

All audit and non-audit services performed by the external auditor are pre-approved by the Audit Committee.

11.6 External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Company by its external auditors during the financial year ended December 31, 2011. Services billed in C$, SEK or € were translated using average exchange rates that prevailed during 2011.

Fiscal Year Ending	Audit Fees(1)	Audit-Related Fees(2)	Tax Fees(3)	All other Fees(4)
December 31, 2011	$714,375	$106,548	$39,890	$598,760
December 31, 2010	$952,663	$91,545	$22,961	$35,056

(1) Audit fees represent the aggregate fees billed by the Company's auditors for audit services.
(2) Audit-related fees represent the aggregate fees billed for assurance and related services by the Company's auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and not disclosed in the Audit Fees column.
(3) Tax fees represent the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
(4) All other fees represent the aggregate of fees billed for products and services provided by the Company's auditors other than services reported under clauses (1), (2) and (3) above.

PricewaterhouseCoopers LLP, Chartered Accountants, have prepared the Independent Auditors' Report dated February 22, 2012 in respect of the Company's consolidated financial statements as at December 31, 2011, December 31, 2010 and January 1, 2010 and for the years ended December 31, 2011 and 2010. PricewaterhouseCoopers LLP have advised the Company that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ITEM 12 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

12.1 Legal Proceedings

The Company is not currently a party to any material legal proceedings; however, from time to time, the Company may become party to routine litigation incidental to Lundin Mining's business.

12.2 Regulatory Actions

No penalties or sanctions were imposed by a court relating to securities legislation or by a securities regulatory authority during the Company's recently completed financial year, nor were there any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, nor were any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority during the Company's recently completed financial year.

ITEM 13 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

13.1 Interest of Management and Others in Material Transactions

To the best of the Company's knowledge, none of the directors, officers or principal shareholders of the Company, and no associate or affiliate of any of them, has or has had any material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company other than the agreement entered into between the Company and HudBay dated November 21, 2008 which was terminated pursuant to a Termination Agreement between the Company and HudBay dated February 23, 2009. In this connection, Messrs. Colin K. Benner and Donald K. Charter, both of whom are directors of the Company, were also directors of HudBay. Mr. Benner formerly served as Chief Executive Officer of the Company from October 2006 to March 2007 and as the Chief Executive Officer of Skye Resources Inc. prior to its acquisition by HudBay in August 2008 and as interim CEO of HudBay from March 9, 2009 to March 23, 2009. Mr. Benner also served as Vice Chairman of the Company from October 2006 to January 2008. Mr. John H. Craig, a director of the Company, is a partner of Cassels Brock & Blackwell, LLP, Canadian legal advisor to HudBay in connection with the Arrangement.

ITEM 14 TRANSFER AGENTS AND REGISTRARS

14.1 Transfer Agents and Registers

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

ITEM 15 MATERIAL CONTRACTS

15.1 Material Contracts

There were no other contracts, other than those entered into in the ordinary course of business, that were material to the Company and that were entered into between January 1, 2011 and up to the date of this AIF or that were entered into prior to January 1, 2002 and remain in effect during 2011, other than as follows:

(a) Credit Agreement dated May 28, 2007, First Amending Agreement and Second Amending Agreement and Waiver dated May 15, 2008 and March 6, 2009, respectively, and the Third Amending Agreement dated July 6, 2009 between the Company and the Bank of Nova Scotia et al, pursuant to which the Company secured a five-year $225 million non-revolving and a $575 million revolving credit facility for general corporate purposes collateralized by shares owned by the Company in its subsidiaries. These loan facilities were used in part to acquire 100% of the issued and outstanding shares of Rio Narcea

Gold Mines, Ltd. ("Rio Narcea"). Following the purchase of Rio Narcea, the Company sold its Tasiast gold project for $225 million and retired the non-revolving credit facility.

(b) Amended and Restated Credit Agreement dated September 1, 2010 between the Company and the banking syndicate comprising Bank of Nova Scotia, Bank of Montreal, WestLB AG, ING Bank N.V., Export Development Canada and Skandinaviska Enskilda Banken AB, to increase the amount of the revolving credit facility from $225 million to $300 million. The restated agreement is for a full three- year term to September 2013, with reduced borrowing costs.

ITEM 16 INTERESTS OF EXPERTS

16.1 Interests of Experts

The Qualified Persons as defined by NI 43-101 who have supervised the preparation of the Company's Mineral Reserve and Mineral Resource estimates during 2011 or authored portions of the technical reports disclosed in this AIF are as follows:

- Messrs. John Nilsson, P.Eng., Nilsson Mine Services Ltd., and Ronald G. Simpson, P.Geo, GeoSim Services Inc. in respect of the Tenke Fungurume Mineral Resource and Mineral Reserve estimate;
- Messrs. John Nilsson, P.Eng., Nilsson Mine Services Ltd., Ronald G. Simpson, P.Geo, GeoSim Services Inc. and William McKenzie, P.Eng. Global Project Management Corporation in respect of the Tenke Fungurume technical report.
- Messrs. Graham Greenway, Corporate Resource Geologist, and Stephen Gatley, Director Technical Services, both employees of Lundin Mining, in respect of the Neves-Corvo Mineral Resource and Mineral Reserve estimate;
- Mr Graham Greenway, Corporate Resource Geologist, Lundin Mining, in respect of the Semblana Mineral Resource estimate.
- Mr. Neil Burns and Messrs. Mark Owen and Owen Mihalop of Wardell Armstrong International Ltd., in respect of the Neves-Corvo technical reports;
- Messrs. Graham Greenway, Corporate Resource Geologist, and Stephen Gatley, Director Technical Services, both employees of Lundin Mining, in respect of the Zinkgruvan Mineral Resource and Mineral Reserve estimate;
- Messrs. Per Hedström, Doug Syme and Lars Malmström, Resource Manager, an employee of Zinkgruvan Mining AB, in respect of the Zinkgruvan technical report;
- Messrs. Graham Greenway, Corporate Resource Geologist, and Stephen Gatley, Director Technical Services, both employees of Lundin Mining, in respect of the Aguablanca Mineral Resource and Mineral Reserve estimate;
- Messrs. Juan Alvarez, Sia Khosrowshahi and Juan Pablo Gonzalez of Golder Associates Global Iberica, S.L.U., and Mr. Stephen Gatley, an employee of Lundin Mining (author of the section entitled "Additional Requirements for Development and Production Properties") in respect of the Aguablanca technical report.; and
- Mr. Paul McDermott, Technical Services Superintendent, an employee of Galmoy mine, in respect of the Galmoy Mineral Resource and Mineral Reserve.

The above noted qualified persons have reviewed and approved the summaries of the properties for which they have been involved and approve the related scientific and technical disclosure in this AIF, including the Mineral Reserve Table included in Schedule A.

PricewaterhouseCoopers LLP, Chartered Accountants, have prepared the Independent Auditors' Report dated February 22, 2012 in respect of the Company's consolidated financial statements as at December 31, 2011, December 31, 2010 and January 1, 2010 and for the years ended December 31, 2011 and 2010. PricewaterhouseCoopers LLP have advised the Company that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

No person or company named or referred to under this Item beneficially owns, directly or indirectly, 1% or more of any class of the Corporation's outstanding securities.

ITEM 17 ADDITIONAL INFORMATION

17.1 Additional Information

Additional information regarding the Company is available on SEDAR website at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, if any, and securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular dated May 19, 2011 prepared in connection with the annual meeting of shareholders of the Company held on June 24, 2011. Additional financial information is provided in the consolidated financial statements of the Company as at December 31, 2011, December 31, 2010 and January 1, 2010, and for the years ended December 31, 2011 and 2010, together with auditors' report thereon and the notes thereto, and MD&A for the year ended December 31, 2011.

RESOURCE AND RESERVE ESTIMATE – 2011 SCHEDULE A

Mineral Reserves

									Contained Metal 000's (Ounces millions)						
	Category	000's Tonnes	Cu %	Zn %	Pb %	Ag g/t	Ni %	Co %	Cu T	Zn T	Pb T	Ag Oz	Ni T	Co T	Lundin Interest
Copper															
Neves-Corvo	Proven	23,235	3.2	1.0	0.3	44			737	230	75	33			*100%*
	Probable	4,508	2.3	0.5	0.4	45			105	25	17	7			*100%*
	Total	**27,744**	**3.0**	**0.9**	**0.3**	**44**			**842**	**254**	**92**	**39**			***100%***
Zinkgruvan	Proven	2,768	2.6	0.4		32			72	11		3			*100%*
	Probable	78	2.4	0.4		29			2	-		-			*100%*
	Total	**2,846**	**2.6**	**0.4**		**32**			**74**	**11**		**3**			***100%***
Tenke	Proven	54,142	3.3					0.4	1,763					193	*24%*
Fungurume	Stockpiles	14,480	1.1					0.4	160					58	*24%*
	Probable	87,038	2.8					0.3	2,471					257	*24%*
	Total	**155,660**	**2.8**					**0.3**	**4,393**					**509**	***24%***
Zinc															
Neves-Corvo	Proven	19,361	0.4	7.1	1.6	67			70	1,380	316	42			*100%*
	Probable	3,769	0.4	8.0	2.1	64			14	301	80	8			*100%*
	Total	**23,130**	**0.4**	**7.3**	**1.7**	**66**			**84**	**1,680**	**396**	**49**			***100%***
Zinkgruvan	Proven	8,212		9.3	4.8	103				764	394	27			*100%*
	Probable	2,442		9.0	2.9	60				220	71	5			*100%*
	Total	**10,654**		**9.2**	**4.4**	**93**				**983**	**465**	**32**			***100%***
Galmoy	Proven	201		16.5	6.2	56				33	12	0			*100%*
	Probable	3		11.0	1.2	10				-	-	-			*100%*
	Total	**204**		**16.4**	**6.1**	**55**				**33**	**12**	**0**			***100%***
Nickel															
Aguablanca	Proven	6,214	0.4				0.6		25				37		*100%*
	Probable	332	0.2				0.3		1				1		*100%*
	Total	**6,546**	**0.4**				**0.6**		**26**				**38**		***100%***
Note: totals may not summate correctly due to rounding								**Lundin's share**	**2,080**	**2,963**	**966**	**124**	**38**	**122**	

Mineral Resources - inclusive of reserves

									Contained Metal 000's (Ounces millions)						
	Category	000's Tonnes	Cu %	Zn %	Pb %	Ag g/t	Ni %	Co %	Cu T	Zn T	Pb T	Ag Oz	Ni T	Co T	Lundin Interest
Copper															
Neves-Corvo	Measured	37,621	3.2	1.2	0.4	49			1,193	451	147	59			*100%*
	Indicated	7,688	2.3	0.9	0.5	49			175	68	36	12			*100%*
	Inferred	28,490	1.8	0.9	0.4	40			524	259	100	37			*100%*
Semblana	Inferred	6,578	3.0	0.6	0.2	24			194	40	11	5			*100%*
Zinkgruvan	Measured	5,304	2.2	0.5		29			117	27		5			*100%*
	Indicated	172	2.5	0.3		35			4	1		-			*100%*
	Inferred	772	2.2	0.2		36			17	2		1			*100%*
Tenke	Measured	117,974	3.0					0.3	3,496					370	*24%*
Fungurume	Indicated	378,457	2.5					0.2	9,393					927	*24%*
	Inferred	246,599	2.0					0.2	4,809					594	*24%*
Zinc															
Neves-Corvo	Measured	61,252	0.4	6.1	1.4	59			221	3,724	833	117			*100%*
	Indicated	18,094	0.4	6.5	1.7	53			63	1,172	300	31			*100%*
	Inferred	32,985	0.4	4.9	1.2	55			119	1,610	386	58			*100%*
Zinkgruvan	Measured	8,464		11.0	5.5	119				931	466	32			*100%*
	Indicated	5,494		10.4	4.6	93				571	253	16			*100%*
	Inferred	5,572		9.6	3.2	69				535	178	12			*100%*
Galmoy	Measured	689		15.6	3.1	26				107	21	1			*100%*
	Indicated	131		10.5	0.8	7				14	1	-			*100%*
	Inferred	7		9.2	0.4	8				1	-	-			*100%*
Nickel															
Aguablanca	Measured	11,320	0.5				0.6		55				65		*100%*
	Indicated	1,210	0.2				0.3		2				4		*100%*
	Inferred	442	0.1				0.3		1				1		*100%*
								Lundin's share not including Inferred Resources	**4,923**	**7,066**	**2,057**	**273**	**69**	**311**	

Notes on Mineral Reserves and Resources Table

Mineral Reserves and Resources are shown on a 100 percent basis for each mine. Mineral Resources for all operations are inclusive of Mineral Reserves and all estimates, with the exception of Tenke Fungurume, are prepared as at June 30, 2011. The Tenke Fungurume estimate is dated December 31, 2011.

Estimates for all 100% owned operations are prepared by or under the supervision of a Qualified Person as defined in National Instrument 43-101. The Tenke Fungurume Mineral Resources and Mineral Reserves are estimated by the operator Freeport-McMoRan Copper & Gold Inc. ("Freeport"). The Mineral Reserves are prepared to SEC standards while the Mineral Resources shown in the text and the table are not reported under United States SEC guidelines, but are reported under the National Instrument 43-101 Canadian guidelines. The estimate methodology was reviewed by Lundin Mining's independent Qualified Persons.

Except as noted below, Mineral Reserves have been calculated using assumed long-term average prices of US$2.50/lb copper, US$1.00/lb zinc, US$0.90/lb lead, US$8.50/lb nickel and exchange rates of EUR/USD 1.35 and USD/SEK 7.50. Mineral Reserves at Tenke Fungurume have been calculated using assumed long-term average prices of US$2.00/lb copper and US$10.00/lb cobalt.

Neves-Corvo

The Mineral Resources are reported above cut-off grades of 1.0% for copper and 3.0% for zinc. The copper Mineral Reserves are reported above a cut-off of 1.4% while for zinc Mineral Reserves a cut-off of 5.0% is used for orebodies other than Lombador. For the Lombador Phase 1 a zinc cut-off of 6.0% was applied for Mineral Reserve reporting. Mineral Reserves and Resources for Neves-Corvo were estimated by the mine's geology and mine engineering departments under the guidance of Nelson Pacheco, Chief Geologist and Fernando Cartaxo, Chief Mine Planning Engineer. Qualified Persons are Graham Greenway, Group Resource Geologist and Stephen Gatley, Director Technical Services, both employed by Lundin Mining.

Semblana

The Mineral Resource is reported above a cut-off grade of 1.0% copper. The Mineral Resource estimate for Semblana was prepared by Graham Greenway who is also the Qualified Person for the project.

Zinkgruvan

The zinc Mineral Resources and Reserves are reported above a 3.7% zinc equivalent cut-off. The Copper Mineral Resources and Reserves are reported above cut-off grades of 1.0% copper and 1.8% copper respectively. The Zinkgruvan Mineral Resource and Reserve estimates are prepared by the mine's geology and mine engineering department under the guidance of Lars Malmström, Resource Manager, employed by Zinkgruvan mine. Qualified Persons are Graham Greenway and Stephen Gatley.

Aguablanca

The Mineral Resources and Reserves are reported above a 0.18% nickel cut off. Mineral Resources and Reserves for Aguablanca were estimated by the mine's geology and mine engineering departments under the guidance of César Martinez and Jorge Llidó. Qualified Persons are Graham Greenway and Stephen Gatley.

Galmoy

The Mineral Resources are reported above a cut-off of 4.5% zinc equivalent. The Mineral Reserves are those tonnes above a 6.0% zinc equivalent cut off that are amenable to mining and treatment at an adjacent mine. The Qualified Person responsible for the Galmoy Mineral Resource and Reserve estimate is Paul McDermott, Technical Services Superintendent, an employee of Galmoy mine.

Tenke Fungurume

Lundin Mining holds an effective 24.0% interest in the Tenke Fungurume copper and cobalt concessions in the DRC and figures in this Schedule utilize 24.0% for Lundin Mining attributable metal quantities.

The Mineral Resources are an estimate of what is mineralized material in the ground based on a cut-off of 1.30% copper equivalent and a cobalt to copper factor of 4.00 without assigning economic probability. The 2011 Mineral

Reserves are based on smoothed pit designs for measured and indicated resources. Mineral Resources are inclusive of Mineral Reserves with the exception of the stockpile material. The Mineral Resource (not reported under United States SEC guidelines) and Reserve estimates (reported under United States SEC guidelines) for Tenke have been prepared by Freeport staff and reviewed by independent consultants and Qualified Persons John Nilsson, P.Eng. of Nilsson Mine Services Ltd and Ron Simpson P.Geo. of GeoSim Services Inc., on behalf of Lundin Mining.

A. PURPOSE

The overall purpose of the Audit Committee (the "Committee") is to ensure that the Corporation's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements of the Corporation and to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts.

B. COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the Board of Directors (the "Board"), all of whom shall be "independent directors", as that term is defined in Multilateral Instrument 52-110, "Audit Committees".
2. All of the members of the Committee shall be "financially literate" (i.e. able to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements).
3. At least one member of the Committee shall have accounting or related financial expertise (i.e. able to analyze and interpret a full set of financial statements, including the notes thereto, in accordance with generally accepted accounting principles).
4. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
5. Unless the Board shall have appointed a chair of the Committee or in the event of the absence of the chair, the members of the Committee shall elect a chair from among their number.
6. The secretary of the Committee shall be designated from time to time from one of the members of the Committee or, failing that, shall be the Corporation's Corporate Secretary, unless otherwise determined by the Committee.
7. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
8. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
9. Meetings of the Committee shall be conducted as follows:
   (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the Chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;
   (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee;
   (c) the Chair of the Committee shall be responsible for developing and setting the agenda for Committee meetings and determining the time and place of such meetings;
   (d) the following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:
      (i) Chief Executive Officer; and

(ii) Chief Financial Officer.

(e) other management representatives shall be invited to attend as necessary; and

(f) notice of the time and place of every meeting of the Committee shall be given in writing to each member of the Committee a reasonable time before the meeting.

10. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its Chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

11. The Committee shall have authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Audit Committee and to communicate directly with the internal and external auditors.

C. ROLES AND RESPONSIBILITIES

1. The overall duties and responsibilities of the Committee shall be as follows:

(a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements;

(b) to establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;

(c) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and

(d) to report regularly to the Board on the fulfilment of its duties and responsibilities.

2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:

(a) to recommend to the Board a firm of external auditors to be engaged by the Corporation, and to verify the independence of such external auditors;

(b) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;

(c) review the audit plan of the external auditors prior to the commencement of the audit;

(d) to review with the external auditors, upon completion of their audit:

(i) contents of their report;
(ii) scope and quality of the audit work performed;
(iii) adequacy of the Corporation's financial and auditing personnel;
(iv) co-operation received from the Corporation's personnel during the audit;
(v) internal resources used;
(vi) significant transactions outside of the normal business of the Corporation;
(vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
(viii) the non-audit services provided by the external auditors;

(e) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles; and

(f) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.

3. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:

   (a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;

   (b) review and approve the internal audit plan; and

   (c) review significant internal audit findings and recommendations, and management's response thereto.

4. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

   (a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;

   (b) review compliance under the Corporation's Business Conduct Policy and to periodically review this policy and recommend to the Board changes which the Committee may deem appropriate;

   (c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and

   (d) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

5. The Committee is also charged with the responsibility to:

   (a) review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;

   (b) review and approve the financial sections of:

      (i) the annual report to shareholders;
      (ii) the annual information form;
      (iii) prospectuses; and
      (iv) other public reports requiring approval by the Board,

   and report to the Board with respect thereto;

   (c) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;

   (d) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;

   (e) review and report on the integrity of the Corporation's consolidated financial statements;

   (f) review the minutes of any audit committee meeting of subsidiary companies;

   (g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;

   (h) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts;

(i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors following each annual general meeting of shareholders; and

(j) establish procedures for:

(i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

2012

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
AND
MANAGEMENT INFORMATION CIRCULAR
WITH RESPECT TO THE
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON
MAY 11, 2012
FOR
LUNDIN MINING CORPORATION

April 1, 2012

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that an annual meeting (“Meeting”) of the shareholders of **LUNDIN MINING CORPORATION** ("Corporation") will be held at the St. Andrew’s Club & Conference Centre, 150 King Street West, 27th Floor (King Street/University Avenue) Toronto, Ontario, on Friday, May 11, 2012 at the hour of 10:00 a.m. (Toronto time), for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation for the year ended December 31, 2011 and the report of the auditors thereon;

2. To elect the directors for the ensuing year; **(Resolution 1)**

3. To appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year, and to authorize the directors to fix the remuneration to be paid to the auditors; and **(Resolution 2)**

4. To transact such further and other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

This Notice is accompanied by a management information circular (“Circular”) and form of proxy. The nature of the business to be transacted at the meeting is described in further detail in the Circular.

All shareholders are entitled to attend and vote at the Meeting in person or by proxy. Registered shareholders who are unable to attend the Meeting are requested to complete, date, sign and deliver the enclosed form of proxy to Computershare Investor Services Inc. (“Computershare”), 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1, Attention: Proxy Department. If a shareholder does not deliver a proxy to Computershare by 10:00 a.m. (Toronto, Ontario, time) on Wednesday, May 9, 2012 (or not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, before any adjournments or postponements of the Meeting at which the proxy is to be used), or deposit it with the Secretary of the Corporation or the Chairman of the Meeting prior to the time of voting at the Meeting, then the shareholder will not be entitled to vote at the Meeting by proxy.

As provided in the *Canada Business Corporations Act*, the directors have fixed a Record Date of March 30, 2012. Accordingly, shareholders registered on the books of the Corporation at the close of business on March 30, 2012 are entitled to receive notice of the Meeting and to vote at the Meeting or any adjournment thereof.

If you are a non-registered shareholder and receive these materials through your broker or other intermediary, please complete and return the voting instruction form or other authorization in accordance with the instructions provided to you by your broker or intermediary.

Dated at Toronto, Ontario this 1st day of April, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

Paul K. Conibear

Paul K. Conibear,
President, Chief Executive Officer and Director

GENERAL VOTING INFORMATION

SOLICITATION OF PROXIES

This Management Information Circular ("Circular") is furnished in connection with the solicitation of proxies being undertaken by the management of Lundin Mining Corporation ("Corporation" or "Lundin Mining") for use at the annual meeting of the Corporation's shareholders to be held on Friday, May 11, 2012 ("Meeting") at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders ("Notice") or at any adjournment thereof. Management's solicitation of proxies will primarily be by mail and may be supplemented by telephone or other means of communication to be made, without compensation other than their regular fees or salaries, by directors, officers and employees of the Corporation. The cost of solicitation by management will be borne by the Corporation.

It is anticipated that this Circular, together with the accompanying Notice and form of proxy will be mailed to shareholders of the Corporation on or about April 17, 2012.

Unless otherwise stated, the information contained in this Circular is as of April 1, 2012. All monetary amounts referred to herein are stated in United States currency, unless otherwise indicated.

VOTING OF PROXIES

Common shares of the Corporation represented by properly executed proxies in the accompanying form will be voted or withheld from voting on each respective matter in accordance with the instructions of the Registered Shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by such proxy will be voted accordingly. If no choice is specified, the person designated in the accompanying form of proxy will vote FOR all matters proposed by management at the Meeting.

APPOINTMENT OF PROXYHOLDER

The persons named as proxyholders in the enclosed form of proxy are directors and/or officers of the Corporation ("Management Proxyholders"). A registered shareholder ("Registered Shareholder") has the right to appoint a person or company other than one of the Management Proxyholders to represent the Registered Shareholder at the Meeting by striking out the printed names and inserting that other person's or company's name in the blank space provided. A proxyholder need not be a shareholder. If a shareholder appoints one of the Management Proxyholders as a nominee and there is no direction by the Registered Shareholder, the Management Proxyholder shall vote the proxy FOR all proposals set out in the enclosed proxy form, including FOR the election of the directors and the appointment of the auditors.

The instrument appointing a proxyholder must be signed in writing by the Registered Shareholder, or such Registered Shareholder's attorney authorized in writing. If the Registered Shareholder is a corporation, the instrument appointing a proxyholder must be in writing signed by an officer or attorney of the corporation duly authorized by resolution of the directors of such corporation, which resolution must accompany such instrument. An instrument of proxy will only be valid if it is duly completed, signed, dated and received at the office of the Corporation's registrar and transfer agent, Computershare Investor Services Inc. ("Computershare"), Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 by 10:00 a.m. (Toronto, Ontario time) on Wednesday, May 9, 2012 (or not less than 48 hours, excluding Saturdays, Sundays and holidays before any adjournments of the Meeting at which the proxy is to be used), or it is deposited with the Secretary of the Corporation or the Chairman of the Meeting prior to the time of voting at the Meeting.

If you have any questions about the procedures to be followed to vote at the Meeting or about obtaining, completing and depositing the required form of proxy, you should contact Computershare by telephone (toll free) at 1-800-564-6253 or by e-mail at service@computershare.com.

REVOCATION OF PROXY

A Registered Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing, including a proxy bearing a later date, executed by the Registered Shareholder or by his attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The instrument revoking the proxy must be deposited at the registered office of the Corporation, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the Secretary of the Corporation or the Chairman of the Meeting prior to the time of voting at the Meeting. Only Registered Shareholders have the right to revoke a proxy. Beneficial Shareholders who wish to change their vote must arrange for their respective intermediaries to revoke the proxy on their behalf.

EXERCISE OF DISCRETION

The enclosed proxy, when properly completed and delivered and not revoked, gives discretionary authority to the persons named therein with respect to any amendments or variations of matters identified in the Notice of Annual Meeting of Shareholders and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Annual Meeting of Shareholders are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the person designated in the accompanying form of proxy to vote in accordance with their best judgment on such matters. As of the date of this Circular, management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting.

VOTING BY BENEFICIAL (NON-REGISTERED) SHAREHOLDERS

The information in this section is important to many shareholders as a substantial number of shareholders do not hold their shares in their own name.

Shareholders who hold common shares of the Corporation through their brokers, intermediaries, trustees, or other nominees (such shareholders being collectively called “Beneficial Shareholders”) should note that only proxies deposited by shareholders whose names appear on the share register of the Corporation may be recognized and acted upon at the Meeting. If common shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholder will not appear on the share register of the Corporation. Such shares will most likely be registered in the name of the broker or an agent of the broker. In Canada, the vast majority of such shares will be registered in the name of “CDS & Co.”, the registration name of The Canadian Depository for Securities Limited, which acts as a nominee for many brokerage firms. Such shares can only be voted by brokers, agents, or nominees and can only be voted by them in accordance with instructions received from Beneficial Shareholders. As a result, Beneficial Shareholders should carefully review the voting and instructions provided by their broker, agent or nominee with this Circular and ensure that they direct the voting of their shares in accordance with those instructions.

Applicable regulatory policies require brokers and intermediaries to seek voting instructions from Beneficial Shareholders in advance of a shareholders’ meeting. Each broker or intermediary has its own mailing procedures and provides its own return instructions to clients. The purpose of the form of proxy or voting instruction form provided to a Beneficial Shareholder by such shareholder’s broker, agent or nominee is limited to instructing the registered holder on how to vote such shares on behalf of the Beneficial Shareholder. Most brokers in Canada now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Independent Investor Communication Corporation) (“Broadridge”). Broadridge typically prepares voting instruction forms, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received by it and provides appropriate instructions respecting the voting of such shares at the Meeting. A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote their shares at the Meeting. Instead, the voting instruction form must be returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting in order to ensure that such shares are voted.

Beneficial Shareholders should follow the instruction on the forms that they receive and contact their intermediaries promptly if they need assistance.

RECORD DATE

Shareholders registered as at March 30, 2012 (“Record Date”) are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the proxy to attend and vote, deliver their proxies at the place and within the time set forth in the notes to the proxy.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as otherwise set out herein, no director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of common shares and one special share, of which 582,502,510 common shares are issued and outstanding as of March 28, 2012. Each common share is entitled to one vote on all matters to be acted upon at the Meeting.

The following table sets forth those persons who, to the knowledge of the directors and executive officers of the Corporation, beneficially own, control or direct, directly or indirectly, common shares carrying more than 10% of the voting rights attached to all common shares of the Corporation:

Name of Shareholder	Number of Common Shares	Percentage of Common Shares
Lorito Holdings S.à.r.l. ("Lorito")(1) Luxembourg	33,950,000	5.8%
Zebra Holdings and Investments S.à.r.l. ("Zebra")(1) Luxembourg	36,264,854	6.2%

(1) Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settlor was the late Adolf H. Lundin.

BUSINESS OF THE MEETING

FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the year ended December 31, 2011 including the report of the auditor will be tabled at this Meeting and will be received by the shareholders. These audited consolidated financial statements of the Corporation for the year ended December 31, 2011 and the report of the auditor thereon have been provided to shareholders who have validly requested such statements separately and are available on SEDAR at www.sedar.com.

ELECTION OF DIRECTORS

The directors of the Corporation for the ensuing year will be elected at this Meeting.

NOMINEES

Directors are elected annually. The board of directors of the Corporation ("Board of Directors" or "Board") has accepted a recommendation of the Corporate Governance and Nominating Committee of the Corporation for a simplified corporate structure and has determined that the size of the Board should be 8 directors. The number of directors to be elected is 8. Unless authority to vote is withheld, the shares represented by the proxies hereby solicited will be voted by the persons named therein **FOR** the election of the nominees whose names are set forth below. All 8 nominees are presently members of the Board of Directors and the dates on which they were first elected or appointed are indicated below. Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote **FOR** another nominee in their discretion, unless the shareholder has specified in the accompanying form of proxy that such shareholder's shares are to be withheld from voting on the election of directors.

Each of the following persons is nominated to hold office as a director until the next annual meeting or until his or her successor is duly elected or appointed.

Name, province, and country of residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of voting securities beneficially owned or controlled or directed, directly or indirectly[(1)]
Lukas H. Lundin British Columbia, Canada Chairman	Chairman and a director of the Corporation; chairman, president and/or director of a number of publicly traded resource-based companies which include Denison Mines Corp., Fortress Minerals Corp., Lucara Diamond Corp., Lundin Petroleum AB, NGEx Resources Inc., Sirocco Mining Inc. and Vostok Nafta Investment Ltd.	September 9, 1994	2,271,449 common shares
Paul K. Conibear [(5)] British Columbia, Canada President & Chief Executive Officer	President and Chief Executive Officer of the Corporation since June 30, 2011, Senior Vice President, Corporate Development since October 2009; Senior Vice President, Projects, of the Company from July 3, 2007 to October 2009; President and Chief Executive Officer of Suramina Resources Inc. from June 11, 2007 – September 30, 2007; President and Chief Executive Officer of Tenke Mining Corporation from November 26, 2002 to July 13, 2007.	June 30, 2011	699,904[(6)] common shares
Colin K. Benner [(5)] British Columbia, Canada Director	Interim President of Troon Ventures Ltd. and President of CKB Mining Inc. and a director of a number of publicly traded companies; Executive Chairman of Creston Moly Corp. from August 2009 to September 2011; Vice Chairman and Chief Executive Officer of Skye Resources Inc. from March to August 2008; Chairman of PBC Coals Inc. from August 2007 to October 2008; Vice Chairman and Chief Executive Officer of Lundin Mining Corporation from October 2006 to April 2007; Vice Chairman and Chief Executive Officer of EuroZinc Mining Corporation from December 2004 to October 2006 and prior to this President and Chief Executive Officer of Breakwater Resources Ltd.	October 31, 2006	40,000 common shares
Donald K. Charter [(2) (4)] Ontario, Canada Director	President & CEO, and director of Corsa Coal Corp. since August 2010; since January 2006, he has been the President of 3Cs Corporation, his private consulting and investment company, and a corporate director.	October 31, 2006	21,424 common shares
John H. Craig [(3)] Ontario, Canada Director	Lawyer, partner of Cassels Brock & Blackwell LLP.	June 11, 2003	213,849 common shares
Brian D. Edgar [(3) (5)] British Columbia, Canada Director	Chairman of Silver Bull Resources, Inc.; director of a number of publicly traded companies.	September 9, 1994	230,000 common shares
Dale C. Peniuk [(2) (3) (4)] British Columbia, Canada Director	Chartered Accountant; financial consultant to the mining industry; formerly an Assurance partner with KPMG LLP, Chartered Accountants; Director of a number of publicly traded companies.	October 31, 2006	17,600 common shares[(7)]
William A. Rand [(2) (4)] British Columbia, Canada Director	President and Director of Rand Edgar Investment Corp.; Director of a number of publicly traded companies.	September 9, 1994	223,424 common shares

(1) The information as to common shares beneficially owned has been provided by the directors themselves.
(2) Members of the Audit Committee.
(3) Members of the Corporate Governance and Nominating Committee.
(4) Members of the Human Resources/Compensation Committee.
(5) Members of the Health, Safety, Environment and Community Committee.
(6) Includes 80,850 common shares registered in the name of Mr. Conibear's spouse.
(7) Includes 15,000 common shares registered in the name of Mr. Peniuk's spouse and 100 common shares registered in the name of Mr. Peniuk's child.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

Except as noted below, no proposed director is, as of the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

(a) Was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, "order") that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or

(b) Was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

Messrs. Rand and Edgar were directors of New West Energy Services Inc. (NEW-TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.

(c) Except as noted below, no proposed director is, as of the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Benner was a director of Tahera Diamond Corporation (TAH-TSX) ("Tahera") which, on January 16, 2008, was granted creditor protection by the Ontario Superior Court of Justice under the Companies' Creditor Arrangement Act ("CCAA"). Mr. Benner resigned as a director of Tahera on September 29, 2008. Pursuant to a number of extensions, Tahera remained under CCAA protection and was sold to a third party.

INDIVIDUAL BANKRUPTCIES

No proposed director of the Corporation has, within the 10 years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

PENALITIES OR SANCTIONS

No proposed director of the Corporation has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for the proposed director.

APPOINTMENT AND REMUNERATION OF AUDITORS

The auditors for the Corporation will be appointed at this Meeting. The directors of the Corporation recommend the re-appointment of PricewaterhouseCoopers LLP ("PwC"), Chartered Accountants, located in Toronto, Ontario, as auditors of the Corporation to hold office until the termination of the next annual meeting of the shareholders of the Corporation. PwC was first appointed as the auditors of the Corporation on October 19, 2006. It is also proposed that the remuneration to be paid to the auditors be determined by the directors of the Corporation.

The disclosure required by Form 52-110F1 of National Instrument 52-110, Audit Committees, including the text of the Audit Committee's charter and the fees paid to the Corporation's external auditor, can be found in the Corporation's Annual Information Form dated March 28, 2012 as filed on SEDAR at www.sedar.com.

STATEMENT OF EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

In the following pages we describe the Corporation's policies and practices with respect to the compensation of senior executives, the role and structure of the Human Resources/Compensation Committee ("HRCC") in this process, and the detailed disclosure of the remuneration of the Named Executive Officers ("NEOs"), namely the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the three other most highly compensated executives in the Corporation.

- **Paul Conibear** President and Chief Executive Officer
- **Philip Wright** Former President and Chief Executive Officer
- **Marie Inkster** Senior Vice President and Chief Financial Officer
- **Joao Carrelo** Executive Vice President and Chief Operating Officer
- **Neil O'Brien** Senior Vice President, Exploration & Business Development
- **Mikael Schauman** Vice President, Marketing

Paul Conibear was Senior Vice President, Corporate Development, from October 2009 to June 2011. On June 30, 2011, Mr. Conibear was appointed to the position of President and Chief Executive Officer. Philip Wright served as President and Chief Executive Officer until June 30, 2011.

Overview of Compensation Philosophy

The Corporation's aim is to provide market competitive remuneration to attract, retain and motivate the Corporation's executives to achieve the Corporation's business objectives. In 2011, the Corporation's management team was strengthened considerably and the Corporation was satisfied with its ability to attract and retain high calibre individuals capable of working within, and contributing to, the management team. The total reward package is designed to pay on the basis of an individual's personal effectiveness and contributions to corporate performance. An underlying principle of the remuneration package is that good performance will be recognized, and poor performance will not be tolerated or rewarded. A key aspect of remuneration is to align the interests of the executives with those of shareholders by tying compensation to corporate performance.

Compensation is set to be competitive with other companies in the mining and mineral exploration markets and consistent with geographic norms. Executive remuneration packages are determined on a Total Employment Cost ("TEC") basis. The TEC approach strives to achieve total compensation that is market competitive and an appropriate balance of base salary, benefits and at-risk remuneration in the form of both short-term and long-term incentives. Base pay is broadly targeted at a median level of industry competitors, compensation data is used only as a guidepost and salaries are not benchmarked to a specific peer group of companies.

The HRCC, with the input of the President and Chief Executive Officer, determines short-term and long-term incentive awards for senior management based on the individual's personal effectiveness in meeting key strategic deliverables and selected management behaviours that are designed to enhance overall company performance, improve financial strength and grow the business. To align management's interests with those of shareholders, the short-term incentive plan "pays for performance" in the form of annual cash payments. These payments are based on individual targets, which are a subset of the Corporation's targets, and provide above-median remuneration for individuals who demonstrate effectiveness in their roles and in achieving their objectives. Long-term incentive awards, in the form of stock option grants, give executives an opportunity to build ownership in the business and align their interests with those of shareholders. The long-term incentive plan represents a potentially significant portion of an executive's total remuneration and provides reward that is subject to the same external market conditions as the Corporation's shareholders.

2011 Approach and 2012 Changes

The Corporation ended the year with a strong quarter, achieving record tonnages of ore mined and milled, a healthy balance sheet and a strong net cash position. In 2011, the Corporation had the best annual safety record in the Corporation's history and successful environmental performance with no significant incidents during the year, attesting to improvements made in operations company-wide. However, 2011 was a year of significant corporate activity since the Corporation considered a merger and was the subject of a hostile takeover bid. To maintain consistency through these unexpected events, the HRCC did not make any significant changes to the structure of the remuneration package in 2011. Because this year was not typical for the Corporation, the HRCC exercised significant discretion in determining short-term and long-term award levels to ensure they were consistent with executive and company performance during these unanticipated developments. The Corporation will be undertaking a thorough review of certain aspects of the remuneration program in 2012 with the assistance of a compensation consultant.

Elements of Compensation

Total compensation of the Corporation's NEOs for the fiscal year ended December 31, 2011 was made up of the following components which together constitute the TEC: base salary, short-term incentive (cash award), long-term incentive (stock option grants), retirement benefits and other executive benefits. The Company's reporting 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).

These elements are now described in greater detail.

1. Base Salary

Base salaries for NEOs are set at a level that is required to attract and retain candidates with the necessary levels of expertise and experience while taking into account competitive rates for the relevant position and location. In 2010, the Corporation engaged Coopers Consulting to prepare a one-off, focused and customized 'Executive and Senior Staff Remuneration Report', particularly focused on base pay and target bonus against a group of similar mining companies. The study aided in aligning senior staff better against that competitive market. The HRCC believes that the salary paid to the CEO, CFO and each executive officer during the last fiscal year was consistent with the requirements of the position and the incumbent's experience, when considering the salary component as part of TEC. The HRCC used judgement in considering, among other things, the industry in which the Corporation operates, the competitive landscape for hiring executives within this industry, the public nature and the market capitalization of the Corporation, and the responsibilities of the particular executive officer.

Given the multiple jurisdictions in which the senior management team of the Corporation operates, and the breadth of the mining and resources sectors in which we compete for talent, the HRCC did not elect to use a fixed comparator group in 2011 for the purposes of salary comparison. The HRCC referred to independent market data from a number of service providers, including Coopers Consulting (the "Coopers Mining Survey") and Hay Management Consultants as it pertains to the mining industry. These surveys provide comparisons with companies of comparable size and complexity in the mining industry and are one source of relevant external market data which helps to inform the HRCC's judgment in setting base salaries. Base salary is broadly targeted at a median level of industry competitors, considering survey data, but compensation data is used only as a guidepost and salaries are not benchmarked to a specific peer group of companies.

In January 2011, an increase in base salaries was granted to the executive and management groups. Higher adjustments were made for a limited number of individuals based on special reasons including to recognize promotion or to address misalignment within the market. Mr. Conibear received a significant but temporary salary increase at the time of his appointment as the interim President and Chief Executive Officer on June 30, 2011 since that position did not include additional short-term or long-term compensation opportunities. His salary was later decreased upon his appointment as permanent President and Chief Executive Officer on October 31, 2011.

The base salaries of the Corporation's NEOs as at December 31, 2011, and adjustments thereto, are shown in the table below:

Name	Title	2011 Base Salary ($)(1)	Increase to base salary in 2011
Philip Wright	President and Chief Executive Officer (Jan 1 – Jun 30)	$290,768	n/a
Paul Conibear	President and Chief Executive Officer (Jun 30 – Dec 31)(2)	$918,659	n/a
Marie Inkster	Senior Vice President and Chief Financial Officer	$364,104	12.5%
Joao Carrelo	Executive Vice President and Chief Operating Officer	$556,680	17.8%
Neil O'Brien	Senior Vice President, Exploration and Business Development	$343,876	11.1%
Mikael Schauman	Vice President, Marketing	$255,808	3.5%

(1) NEOs were paid in C$, except Mr. Carrelo who was paid in € and Mr. Schauman who was paid in SEK. Average 2011 exchange rates were used in this and the following tables (US$ 1.0114: C$1.00; US$1.3760:€1.00: USD$1.6036:UK£1.00: US$ 0.1541:SEK1.00).

(2) Mr. Conibear was appointed President and CEO on June 30, 2011, initially on an interim basis, with a final agreement in place on October 31, 2011. Prior to June 30, 2011, Mr. Conibear served as Senior Vice President, Corporate Development.

2. Short-Term Incentive Plan

The Corporation's Short-Term Incentive Plan ("STIP") delivers an "at risk" annual cash payment based on a targeted level of incentive for each position and an assessment of an individual's personal effectiveness. Potential award amounts are capped. The STIP payment is one of the outcomes of a holistic process that links business planning with an evaluation of the personal effectiveness of senior executives and managers, using the tools described below:

- One Page Plans ("OPPs") are plans established for all executives and managers, and, in aggregate, they encompass the overall goals and targets of the Corporation. The OPPs contain linked strategic initiatives and intermediate targets covering operational matters, health, safety, environment and community, business growth and development, and the identification, development and attainment of better practices. They are not rigid documents but are modified as circumstances dictate.

- Job Results Descriptors (''JRDs'') set out the results to be achieved in each role, and weight the results taking into account the deliverables for the position.

- Personal Effectiveness Reviews (''PERs'') are individual performance management processes that provide a single, holistic methodology for reviewing individual performance in a disciplined, fair and consistent manner. The following two factors form the basis of measuring each executive's and each manager's overall personal effectiveness and determining factors in the payment of short-term incentives, overall reward and retention in his or her position:
  - Personal effectiveness – This factor is measured by achievement of financial and budgetary results, and the assessment of performance against the objectives set out in the individual's OPP (75% weighting).
  - Management behaviours – This factor is measured by an evaluation of 24 selected management behaviours covering business skills including planning abilities, leadership and management, problem solving and decision making, teamwork and personal behaviours and abilities including integrity (25% weighting). The selected behaviours are those that are broadly deemed to be of greatest value and influence in driving superior performance in the organization.

In previous years, the PER process had been a key factor which assisted in measuring individual contribution to determine STIP awards. In 2011, however, the NEOs faced an unusual situation regarding their targets for the year. The OPPs were generated in November or December of 2010, but with the onset of the proposed Symterra merger at that time, the Company's agenda and priorities changed beyond recognition, and continued to change further after the non-completion of that merger. Considerable effort was focused by the NEOs in responding to a hostile takeover bid. For this year, the OPPs and JRDs alone were not adequate in providing a complete picture of individual performance. During this challenging year, each NEO demonstrated an exceptional level of commitment, dedication, effort and performance which was recognized and rewarded accordingly.

Mr. Conibear was key in the merger negotiations during 2011 and was also very important to the Corporation's response to a hostile takeover bid. Mr. Conibear also assumed the CEO role and led a refocus on business optimization and improvement.

Ms. Inkster led the financial due diligence in merger negotiations and aided in the take-over response. Ms. Inkster's contribution to the performance for the year was judged to have been material enough to warrant a STIP award above her 100% target award.

Mr. Carrelo excelled in supporting all of the Corporation's initiatives. The Neves-Corvo mine and the Zinkgruvan mine moved near record tonnages through their respective plants. It was particularly notable that the Corporation's safety record was improved overall across operations, with the lowest accident rate figures yet. Good strides were made in modernizing the Corporation's mine planning processes through selection of industry standard mine planning software.

Mr. O'Brien's contribution to the year's performance was judged to have been material enough to warrant a STIP award above his 100% target award. During a year of considerable challenge and uncertainty, Mr. O'Brien ensured that his Exploration and Business Development teams were highly focused and productive. Exploration had excellent results in 2011, particularly with exciting prospects in Portugal and Ireland. Semblana development drilling in Portugal was performed efficiently and a maiden National Instrument 43-101 resource was announced. The novel 3D seismic program produced 18 new targets at the Neves-Corvo mine. Drilling in Ireland produced a new discovery and the Belmore Resources position was acquired at very low cost.

Mr. Schauman successfully negotiated the first copper off-take contracts for commencement of copper production at the Zinkgruvan mine. He also renegotiated existing agreements for zinc, lead and copper. Mr. Schauman advanced succession planning and staff development in the commercial departments and contributed marketing expertise to due diligence exercises and other corporate initiatives.

The key strategic initiatives included operational improvement, health and safety performance, process standardization and improvement, financial management, investor relations, increases in resources and reserves, and business growth and development initiatives. These, along with the key budgetary deliverables, were designed to enhance overall performance, improve financial strength and grow the business of the Corporation.

STIP awards were not based on a limited number of objective, identifiable measures but on a multitude of individual and corporate strategic, financial and operational initiatives, the disclosure of which would seriously prejudice the Corporation. The disclosure of performance goals related to the Corporation's operational and strategic objectives would give our competitors insight into our key business strategies and put the Corporation at a competitive disadvantage.

2011 Performance

In 2011, the Board exercised discretion in determining STIP payout levels, taking into account several significant performance achievements of the Corporation and the role each NEO played in these accomplishments. In 2011, the Corporation achieved record tonnages of ore mined and milled at both the Neves-Corvo and Zinkgruvan mines and did so while achieving the best annual safety record in the Corporation's history. Metal prices, on average, remained strong throughout the year, though did drop considerably in the fourth quarter. The Company generated net earnings of $183.8 million, $122.5 million lower than the $306.3 million reported in 2010, with the decline primarily a result of suspension of operations at the Aguablanca mine, lower net finance income and a $35.7 million impairment on goodwill related to the Aguablanca mine. Copper, zinc and lead production were essentially in line with expectations. During the year, significant progress was made in re-establishing the pit ramp and restarting nickel/copper mining at the Aguablanca mine. The Neves-Corvo mine zinc expansion project was completed on budget and on schedule, and the Lombador Phase 1 Feasibility Study was completed and released.

Overall, the Board decided that the performance of the Corporation's leadership merited an average payment of approximately 95% of the relevant individual target STIP levels after a comprehensive review of both corporate and personal performance. STIP target levels are a guideline, and individual incentive award decisions are made taking full account of individual performance and behavioural factors (as described in detail above), corporate performance including extraordinary events in the year and the competitive environment in which the Corporation is operating. In 2011, STIP awards made to individuals ranged from 70% to more than 100% of that employee's personal target. In particular, the HRCC judged that the personal contribution of the NEOs to 2011's overall corporate performance was both exceptional and material, and so it warranted STIP awards on this occasion that were commensurate with that level of exceptional performance.

The following table records the STIP target for each NEO in 2011 as a percentage of base salary as well as their awards for that performance year:

Name	2011 Target STIP as a Percentage of Base Salary	2011 STIP paid ($)(1)	2011 STIP Paid as a Percentage of Base Salary or as a Fixed Amount
Paul Conibear	n/a	$487,415(2)	$487,415
Philip Wright	n/a	n/a	n/a
Marie Inkster	50%	$197,382	56%
Joao Carrelo	60%	$247,773	48%
Neil O'Brien	50%	$197,382	59%
Mikael Schauman	40%	$99,541	40%

(1) Average exchange rates used for month in which STIP was paid.
(2) STIP for 2011 only was of fixed value (C$500,000) paid upon signing employment agreement.

3. Long-Term Incentive Plan

The Corporation provides long-term incentives primarily through grants of stock options made pursuant to the Incentive Stock Option Plan ("ISOP"). The Corporation chose to grant stock options as its long-term awards because they give executives an opportunity to build ownership in the business and align their interests with those of shareholders. The recipients of these awards achieve an increase in value only to the extent the Corporation's shareholders benefit from the increase in the Corporation's stock price. Stock option grants vest over three years from the date of grant and have a five-year term. The recipients of these awards can achieve an increase in value to the extent that the Corporation's shareholders will benefit from the increase in the Lundin Mining stock price.

Past stock option grants were considered in granting the 2011 awards and will be considered in awarding future grants.

2011 Option Grants

The following incentive stock options were granted during the most recently completed financial year to each NEO:

Name of Executive Officers	Securities Under Options Granted (#)	% of Total Options Granted to All Employees in the Financial Year[(1)]	Exercise or Base Price ($C/Security)	Market Value of Securities Underlying Options on the Date of Grant ($C/Security)	Date of Grant	Expiration Date
Paul Conibear	-	-	n/a	n/a	n/a	n/a
Philip Wright	-	-	n/a	n/a	n/a	n/a
Marie Inkster	300,000	5.2%	$3.89	$3.89	Dec 12, 2011	Dec 11, 2016
Joao Carrelo	300,000	5.2%	$3.89	$3.89	Dec 12, 2011	Dec 11, 2016
Neil O'Brien	300,000	5.2%	$3.89	$3.89	Dec 12, 2011	Dec 11, 2016
Mikael Schauman	270,000	4.6%	$3.89	$3.89	Dec 12, 2011	Dec 11, 2016

(1) A total of 5,814,999 stock options were granted during the calendar year.

Phantom Share Appreciation Rights

In 2011, Mr. Conibear was granted a long-term incentive award in the form of phantom share appreciation rights ("PSAR") on 500,000 shares of Lundin Mining stock. The grant was made in connection with his employment agreement as President and Chief Executive Officer to increase the alignment of his interests with those of shareholders. Under the award, Mr. Conibear will receive cash equal to the increase, if any, in the value of the Corporation's stock during the 18-month period following the date the employment agreement was signed. Future annual PSAR grants will have a 12-month term and will be based on 250,000 shares of the Corporation's common stock.

4. Retirement Benefits

In the year ended December 31, 2011, the Corporation provided retirement or pension benefits for executive officers in a manner which was appropriate to their personal contractual arrangements in the country in which they were based for employment purposes. These amounts are included in the Summary Compensation Table on page 15.

A retirement savings plan is in place in Canada, to which the Corporation contributes 6% of base salary up to a maximum of C$22,450 per annum (or $22,706). Four of the NEOs, Messrs. Wright, Conibear and O'Brien, and Ms. Inkster, were included in that plan.

Mr. Carrelo, who is employed in the United Kingdom, has a potential matched contribution of 10% to the contributory savings scheme offered in the UK.

Mr. Schauman, who is employed in Sweden, also receives retirement benefits, made as contributions to his personal plan in accordance with Swedish law.

5. Other Executive Benefits

Other benefits do not form a significant part of the remuneration package of any of the NEOs. In most cases, health care and life insurance are provided in a manner which is appropriate to the country of employment and are generally offered to all employees in those countries.

Compensation Risk Management

As part of its annual compensation review, the HRCC evaluated the potential risks related to the Corporation's compensation policies and practices. The HRCC considered the following policies and practices it uses to mitigate compensation risk. The annual incentive program awards are capped and the amount of any cash incentive bonus received by any employee is subject to the discretion of the CEO, the HRCC and the Board. Stock option grants vest over three years from the date of grant and have a five-year term. The recipients of these stock option awards can achieve an increase in value to the extent the Corporation's shareholders will benefit from the increase in the Lundin Mining stock price.

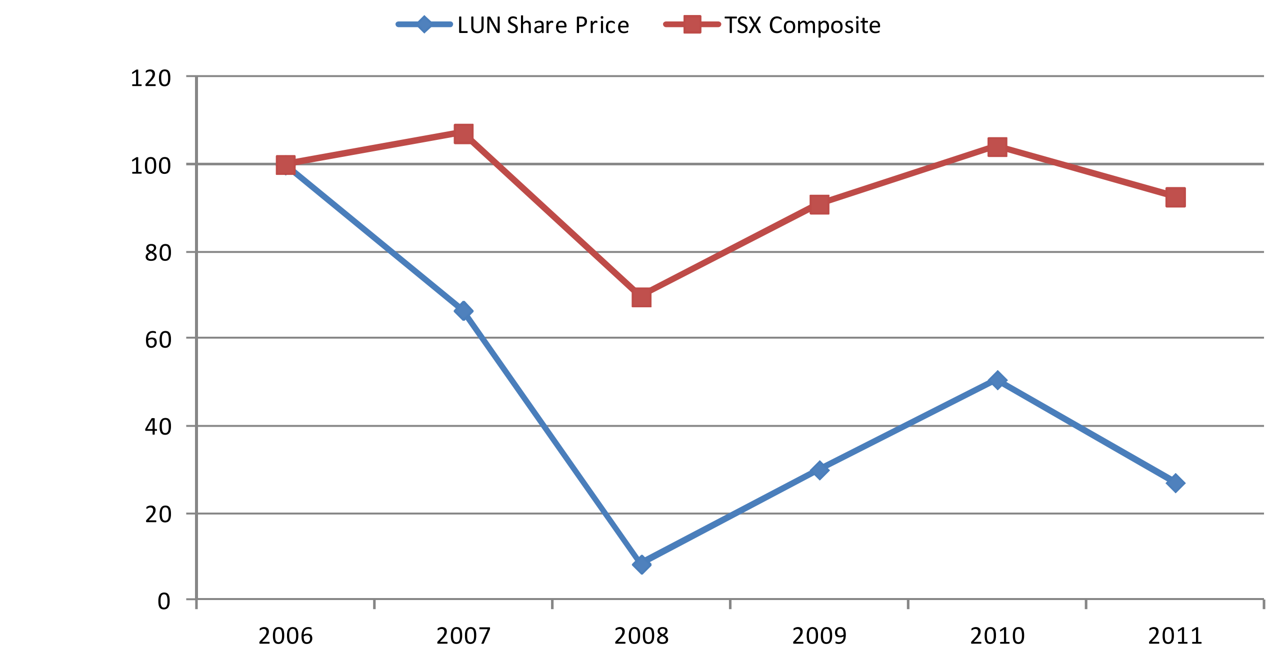
The HRCC determined that there are no risks arising from the Corporation's compensation policies and practices that are likely to have a material adverse effect on the Corporation.

Hedging

The Corporation has a policy prohibiting any NEO or director from purchasing financial instruments designed to hedge against a decrease in the market value of equity securities granted as compensation or held directly or indirectly by the NEO or the director.

PERFORMANCE GRAPH

The following graph compares the yearly percentage change in the cumulative total shareholder return on the Toronto Stock Exchange ("TSX") for C$100 invested in common shares of the Corporation on December 31, 2006 against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years of the Corporation.



	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11
LUN Share Price	100	67	8	30	51	27
TSX Composite	100	107	70	91	104	93

Following the trend in the Corporation's stock price performance as noted in the graph, average total NEO compensation decreased following a decrease in stock price from 2007 to 2008 and increased along with an increase in stock price from 2009 to 2010. This demonstrates significant correlation between company stock price performance and average total NEO pay levels over this five year period. Increases were made in 2011 to acknowledge exceptional performance during a year of significant corporate challenges.

COMPENSATION GOVERNANCE

Policies and Practices

Towards the end of each fiscal year, or as appropriate, the HRCC reviews the performance of the officers and certain senior executives of the Corporation. The HRCC considers a variety of factors when determining compensation policies and individual compensation levels. These factors include the long-term interests of the Corporation and its shareholders, the performance of the Corporation, each officer's and senior executive's personal effectiveness in his or her role, each officer's or senior executive's contractual terms, and external market conditions and movements.

Human Resources/Compensation Committee

The HRCC currently consists of three directors, Mr. Donald K. Charter (chair), Mr. Dale C. Peniuk and Mr. William A. Rand, all of whom are independent directors. The HRCC met seven times in 2011.

All of the members of the HRCC have the skills and experience required by the board and the HRCC mandate to carry out the responsibilities of the HRCC.

Mr. Charter is currently the CEO of a public producing coal mining company. Mr. Charter is a member or former member of the compensation committees of several Canadian publicly traded companies including IAMGOLD Corporation, Great Plains Exploration Inc., Hudbay Minerals Inc. and Baffinland Iron Mines Corporation. He was also Chief Executive Officer of Dundee Securities and, as such, was directly involved with the compensation matters for more than one thousand employees. As a member of these committees and his executive positions, Mr. Charter has developed the requisite experience in reviewing and approving compensation programs, policies and guidelines in the mining industry for the CEO level, other executive officers and senior management, to ensure that such compensation programs are relevant to the human resource goals of the Corporation. He has read extensively on the subject of executive compensation and worked with human resource specialists to develop such programs, policies and guidelines.

Mr. Peniuk is a member or former member of the compensation committees of several Canadian publicly-traded companies involved in the mining industry. As a member of these committees, Mr. Peniuk has developed the requisite experience in reviewing and approving compensation programs, policies and guidelines in the mining industry for the CEO level, other executive officers and senior management, to ensure that such compensation programs are relevant to the human resource goals of the Corporation. He has read extensively on the subject of executive compensation and worked with human resource specialists to develop such programs, policies and guidelines. Mr. Peniuk has also participated in various training and information sessions from Equilar, a US-based executive compensation group.

Mr. Rand is a member of the compensation committees of several Canadian and Swedish publicly-traded companies including Denison Mines Corp., Lundin Petroleum AB, New West Energy Services Inc. and NGEx Resources Inc. As a member of these committees, Mr. Rand has the requisite experience in reviewing and approving compensation programs, policies and guidelines in the mining industry for the CEO level, other executive officers and senior management, to ensure that such compensation programs are relevant to the human resource goals of the Corporation. He has read extensively on the subject of executive compensation and worked with human resource specialists to develop such programs, policies and guidelines.

Responsibilities, Powers and Operation of the HRCC

The HRCC is responsible for recommending to the Board the annual salary, bonus and other benefits, direct and indirect, of the CEO, approving the compensation of the Corporation's other executive officers after considering the recommendations of the CEO, approving other human resources and compensation policies and guidelines and ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre. The HRCC is also responsible for recommending the adequacy and form of director compensation to the Board.

The HRCC used judgement in considering, among other things, the industry in which the Corporation operates, the competitive landscape for hiring executives within this industry, the public nature of the Corporation, the market capitalization of the Corporation and the responsibilities of each particular executive officer. Given the multiple jurisdictions in which the senior management team of the Corporation operates and the breadth of the mining and resources sectors in which we compete for talent, the HRCC did not elect to use a fixed comparator group in 2011 for the purposes of salary comparison.

Please review the section in this Circular titled "Statement of Corporate Governance Practices" for further information about the duties and responsibilities of the HRCC.

Role of Management in Determining Compensation

The accountability for decisions on executive remuneration is within the mandate of the Board with recommendations from the HRCC. Management plays an important role in supporting the HRCC as required by the HRCC. The CEO and other senior members of his leadership team assist with the provision of both external data and analysis. They also provide, when required, the results of performance evaluations for the management team to assist the HRCC in their consideration of changes in the remuneration of individual executives.

The CEO is not a member of the HRCC. He provides input on the performance of senior executives and managers. Discussions affecting the CEO's remuneration package, either directly or indirectly, are held in camera without management present.

Compensation Consultants

During 2011, the HRCC referred, as required, to independent market data from a number of service providers, including Coopers Consulting, the Coopers Mining Survey and Hay Management Consultants as their survey pertains to the mining industry.

SUMMARY COMPENSATION TABLE

This table provides information regarding compensation received in or in respect of the financial year ended December 31, 2011 by each of the Corporation's NEOs, who are: (i) the President and Chief Executive Officer, (ii) the Senior Vice President and Chief Financial Officer, (iii) each of the Corporation's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers during the fiscal year ended December 31, 2011 and whose total compensation exceeded C$150,000 and (iv) any additional individuals for whom disclosure would have been provided under but for the fact that the individual was not serving as an executive officer of the Corporation as at December 31, 2011.

Name and principal position	Year	Salary ($)	Share-based awards ($)[1]	Option-based awards ($)[2]	Non-equity incentive plan compensation ($)		Pension Value ($)	All other compensation ($)[4]	Total compensation ($)
					Annual incentive plans[3]	Long-term incentive plans			
Paul Conibear,[5]	**2011**	**$918,659**	**$545,573**	**-**	**$487,415**	**n/a**	**n/a**	**$31,952**	**$1,985,599**
President and Chief Executive Officer (Jun 30 – Dec 31)	2010	$373,835	-	-	$291,300	n/a	n/a	$48,074	$713,209
	2009	$329,418	-	$102,151	$143,825	n/a	n/a	$27,343	$602,737
Philip Wright,	**2011**	**$290,768**	**-**	**-**	**-**	**n/a**	**n/a**	**$1,245,043**[6]	**$1,535,811**
President and Chief Executive Officer (Jan 1 – Jun 30)	2010	$558,325	-	-	-	n/a	n/a	$1,751,468[7]	$2,309,793
	2009	$505,917	-	-	-	n/a	n/a	$1,539,559	$2,045,476
Marie Inkster, [8]	**2011**	**$364,092**	**-**	**$623,265**	**$197,382**	**n/a**	**n/a**	**$31,439**	**$1,216,178**
Senior Vice President and Chief Financial Officer	2010	$310,720	-	$105,873	$291,300	n/a	n/a	$40,715	$748,608
	2009	$249,293	-	$134,618	$143,825	n/a	n/a	$21,354	$549,090
Joao Carrelo,	**2011**	**$550,418**	**-**	**$623,265**	**$247,773**	**n/a**	**n/a**	**$85,070**	**$1,506,526**
Executive Vice President and Chief Operating Officer	2010	$450,584	-	-	$464,520	n/a	n/a	$253,375	$1,168,479
	2009	$463,707	-	$113,501	$285,442	n/a	n/a	$39,776	$902,426
Neil O'Brien, Senior Vice President, Exploration & Business Development	**2011**	**$343,865**	**-**	**$623,265**	**$197,382**	**n/a**	**n/a**	**$20,632**	**$1,185,144**
	2010	$297,126	-	-	$291,300	n/a	n/a	$30,061	$618,487
	2009	$263,957	-	$102,151	$115,060	n/a	n/a	$25,286	$506,454
Mikael Schauman,	**2011**	**$255,808**	**-**	**$578,294**	**$99,541**	**n/a**	**n/a**	**$67,358**	**$1,001,001**
Vice President, Marketing	2010	$227,375	-	-	$74,324	n/a	n/a	$55,348	$357,047
	2009	$210,698	-	$77,411	$40,195	n/a	n/a	$49,788	$378,092

(1) This amount represents the fair value, on the date of grant, calculated using the Black Scholes model according to IFRS2 Share-based payment of IFRS since it is used consistently by comparable companies. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield. Fair values were calculated in C$ and translated into US$.

(2) This amount represents the fair value, on the date of grant, of awards made under the Corporation's stock option plan. The grant date fair value has been calculated using the Black-Scholes model according to IFRS2 Share-based payment of IFRS since it is used consistently by comparable companies. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield. Option fair values were calculated in C$ and translated into US$. Reference is made to the disclosure regarding the Corporation's stock option plan in Note 19 in the consolidated audited financial statements for the year ended December 31, 2011 available on the SEDAR website at www.sedar.com.

(3) Represents incentive awards in respect of the corresponding year's performance but are paid the following year.

(4) Except as described below, amounts in this column typically consist of, but are not limited to, benefits such as retirement savings benefits and parking/car allowance. There are no defined-benefit or actuarial plans in place. In 2010 a retroactive contribution was made to Mr. Carrelo's pension.

(5) Paul Conibear was Senior Vice President, Corporate Development, from October 2009 to June 2011. On June 30, 2011, Mr. Conibear was appointed to the position of President and Chief Executive Officer on an interim basis and was permanently appointed on October 31, 2011.

(6) This total includes $625,000 net (plus tax of C$200,000 paid by the Corporation which was an additional payment entitlement under Mr. Wright's employment contract.) Also included is a consulting fee for July and August 2011 of C$386,414 and standard benefits.

(7) This total includes C$1,500,000 net (plus tax of C$280,142 paid by the Corporation which was Mr Wright's additional payment entitlement under his employment contract), plus standard benefits.

(8) Ms. Inkster joined the Corporation as Vice President, Finance in September 2008 and was appointed to Chief Financial Officer of the Corporation on May 1, 2009. On June 30, 2011, Ms. Inkster was appointed to Senior Vice President and Chief Financial Officer.

In summary, significant factors included in this summary compensation table include Mr. Conibear's PSAR award. The initial grant of PSARs to Mr. Conibear on 500,000 common shares of Lundin Mining stock were made when he entered into his employment agreement as President and Chief Executive Officer effective October 31, 2011 and have an 18-month term. Future annual PSAR grants will have a 12-month term and will be on 250,000 shares of the Corporation's stock. At the end of the PSAR term, Mr. Conibear will receive cash equal to the increase, if any, in the value of the common shares of the Corporation from the date of grant to the maturity date. The value of the award will be equal to the positive difference between the closing price of the Corporation's common shares on the TSX on each PSAR maturity date minus the closing price on the related PSAR pricing date. If Mr. Conibear resigns, or his employment is terminated for just cause before the payout of any grant, the grant will lapse immediately. If his employment is terminated by the Corporation without just cause before the payout of any grant, the grant will be valued and paid out as of the employment termination date.

INCENTIVE PLAN AWARDS

OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table provides information regarding the equity incentive plan awards for each NEO outstanding as of December 31, 2011:

	Option-based Awards					Share-based Awards		
Name	**Grant Date**	**Number of securities underlying unexercised options (#)**	**Option exercise price (C$)**	**Option expiration date**	**Value of unexercised in-the-money options (C$)[1]**	**Number of shares or units of shares that have not vested (#)**	**Market payout value of share-based awards that have not vested (C$)**	**Market payout value of share-based awards not paid out or distributed (C$)**
Paul Conibear	Oct 31/11	n/a	n/a	n/a	n/a	500,000	-	-
	Sept 4/08	90,000	$4.42	Dec 31/12	-			
	Sept 4/08	90,000	$4.42	Dec 31/13	-			
Marie Inkster	May 20/09	50,000	$2.67	May 19/12	$60,000	n/a	n/a	n/a
	Sept 23/09	50,000	$3.77	Sept 22/12	$5,000			
	Sept 17/10	50,000	$4.47	Sept 16/13	-			
	Dec 12/11	300,000	$3.89	Dec 11/16	-			
Joao Carrelo	Nov 14/07	100,000	$10.58	Nov 13/12	-	n/a	n/a	n/a
	Dec 6/07	200,000	$9.63	Dec 5/12	-			
	Sept 4/08	100,000	$4.42	Dec 31/12	-			
	Sept 4/08	100,000	$4.42	Dec 31/13	-			
	May20/09	100,000	$2.67	May 19/12	$120,000			
	Dec 12/11	300,000	$3.89	Dec 11/16	-			
Neil O'Brien	Sept 24/07	240,000	$12.74	Sept 24/12	-	n/a	n/a	n/a
	Sept 4/08	27,777	$4.42	Dec 31/12	-			
	Sept 4/08	55,556	$4.42	Dec 31/13	-			
	May 20/09	60,000	$2.67	May 19/12	$72,000			
	Dec 12/11	300,000	$3.89	Dec 11/16	-			
Mikael Schauman	Sept 4/08	50,000	$4.42	Dec 31/12	-	n/a	n/a	n/a
	Sept 4/08	50,000	$4.42	Dec 31/13	-			
	May 20/09	60,000	$2.67	May 19/12	$72,000			
	Dec 12/11	270,000	$3.89	Dec 11/16	-			

[1] Based on closing pricing on December 31, 2011 of C$3.87.

INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED IN 2011

The following table provides information regarding the value on vesting of incentive plan awards for the financial year ended December 31, 2011, plus a summary of cash awards made under the STIP for 2011 performance.

Incentive Plan Awards Vested or Earned in 2011

Name	Option-based awards – value vested during the year ($)[(1)]	Share-based awards – value vested during year ($)	Non-equity incentive plan compensation – value earned during year ($)[(2)]
Paul Conibear	$396,344	-	$487,415
Philip Wright	-	-	-
Marie Inkster	$76,786	-	$197,382
Joao Carrelo	$516,283	-	$247,773
Neil O'Brien	$441,750	-	$197,382
Mikael Schauman	$235,570	-	$99,541

[(1)] Represents the aggregate dollar value that would have been realized if the options had been exercised on the vesting date, based on the difference between the closing price of the common shares of Corporation as traded on the TSX on the vesting date and the exercise price of the options.
[(2)] This column represents only the cash STIP plan payments referred to earlier in the report.

PENSION PLAN BENEFITS

The Corporation does not have any defined benefit or actuarial plans for the NEOs.

TERMINATION AND CHANGE OF CONTROL BENEFITS

INTRODUCTION

Each of the Corporation's NEOs as of December 31, 2011 is a party to an indefinite term employment agreement with the Corporation that sets forth certain instances where payments and other obligations arise on the termination of their employment or in the situation of a change of control of the Corporation. The former President and Chief Executive Officer, Mr. Philip Wright, was not entitled to any additional payments as a result of voluntary termination, involuntary termination or change of control.

TERMINATION WITHOUT CAUSE

The employment agreements for each of Ms. Inkster and Messrs. Carrelo, Conibear, O'Brien, and Schauman contain specific terms and conditions describing the Corporation's obligations if any of these NEOs had their employment terminated without cause. If those agreements are terminated by Lundin Mining without cause, or if the agreement is terminated by certain of these executive officers for good reason then payment of salary and, in some cases, short-term incentives, long-term incentives and benefits will be due for the appropriate notice period as provided in their respective contracts.

Following the termination of his employment by the Corporation of Mr. Conibear without cause, the Corporation will be required to pay this NEO on termination 24 months base salary, plus two times the average of the bonus received by this NEO in the previous two years. Mr. Conibear will also be entitled to be paid the long-term incentive bonus for the year in which the termination occurs with the PSAR valuation determined on the termination date as the increase, if any, of the value of those shares on the termination date compared to the pricing date. The NEO shall also continue to participate in the Corporation's health and medical benefits for 24 months following the termination date.

Following the termination of her employment by the Corporation of Ms. Inkster without cause, the Corporation will be required to pay this NEO at termination 12 months' base salary. In the case of a termination of her employment in the event of redundancy, the Corporation will also provide 12 months' bonus calculated as the average over the last two performance years and 12 months' benefits.

Following the termination of their employment by the Corporation of Messrs. Carrelo and O'Brien without cause, the Corporation will be required to pay these NEOs at termination 24 months base salary, plus two times the average of the cash bonuses paid to them for the two completed fiscal years preceding the year in which the termination occurred. These NEOs shall also be entitled to have their benefits maintained for 24 months following the termination date. Any stock options that would have vested during the 24-month period following the termination date shall vest and remain open for exercise until the earlier of their ordinary expiration date and 24 months following the termination date.

Following a decision by the Corporation to terminate the employment of Mr. Schauman without cause, the Corporation will be required to provide this NEO with 9 months' notice of termination. In the event of termination by redundancy, the Corporation will also provide an additional 3 months base salary plus bonus averaged over the last two performance years and 12 months' benefits.

For certain of the NEOs, the Corporation may elect to terminate their employment for disability in which case additional payments may be required.

Other than as set forth above, the Corporation has no compensatory plan, contract or arrangement where an NEO is entitled to receive compensation in the event of resignation, retirement or other termination of the NEO's employment with the Corporation.

The following table provides details regarding the estimated incremental payments from the Corporation to the NEOs assuming termination of employment without cause on December 31, 2011.

Name	**Base Salary ($)**(1)	**STIP ($)**(2)	**Value of Benefits ($)**(3)	**Equity ($)**(4)	**Total ($)**
Paul Conibear	$1,517,051	$789,019	$98,291	-	$2,404,361
Marie Inkster(5)	$364,092	-	-	$66,105	$430,197
Joao Carrelo	$1,100,836	$715,447	$159,907	$122,040	$2,098,230
Neil O'Brien	$687,730	$498,986	$77,673	$73,224	$1,337,613
Mikael Schauman(6)	$191,856	-	-	$73,224	$265,080

(1) Based on 9-24 months' salary, as set out in the individual employment contract, using average 2011 exchange rates (see page 8).
(2) Based on 2 times the average STIP paid over the 2 preceding fiscal years.
(3) Assumes benefits paid at the average 2011 exchange rates for the duration of the severance period.
(4) Based on the closing exchange rate of US$ 1.0170:C$1.00 on Dec 31, 2011.
(5) In the case of termination by redundancy, Ms. Inkster will also receive 12 months' bonus calculated as the average over the last two performance years and 12 months' benefits.
(6) In a case of termination by redundancy, Mr. Schauman will receive 3 months' additional base salary plus bonus averaged over the last two performance years and 12 months' benefits.

CHANGE OF CONTROL

In the majority of the employment agreements of the NEOs and in the case of change of control of the Corporation, certain of the NEOs have a commitment that they may not terminate their employment until the expiry of a 6 month period following the change of control, except in the case of a reduction in the NEO's compensation (other than any year-over-year change in their awards under incentive compensation plans) or a material change in the NEO's place of employment. During the period 6 to 12 months following a change of control, the NEO may terminate his or her employment with the Corporation, in which case the termination payments below would apply.

Within 12 months of a change of control of the Corporation, if Mr. Conibear is terminated without cause or if a triggering event, such as a significant diminution of this NEO's duties or responsibilities, occurs and the NEO elects to terminate his employment, this NEO will be entitled to receive the termination provisions of his employment agreement for termination without cause as set out above.

Within 6 to 12 months following a change of control of the Corporation, and upon the occurrence of an event of good reason, such as a material reduction in their duties or functions, which occurred during the 6 month period that followed the change of control of the Corporation, Messrs. Carrelo and O'Brien may terminate their employment with the Corporation and will be entitled to receive the termination provisions of their employment agreements for termination without cause as set out above.

After the expiration of the 6-month period following a change of control of the Corporation, Ms. Inkster may terminate her employment with the Corporation and will be entitled to a termination payment of 12 months' base salary. If this election is not made within 12 months of the date of the change of control then this right will lapse.

The following table provides details regarding the estimated incremental payments from the Corporation to the NEOs assuming change of control on December 31, 2011.

Name	Severance: Base Salary ($)[(1)]	Severance: STIP ($)[(2)]	Severance: Value of Benefits ($)[(3)]	Equity ($)[(4)]	Total ($)
Paul Conibear	$1,517,051	$789,019	$96,236	-	$2,404,361
Marie Inkster	$364,092	-	-	$66,105	$430,197
Joao Carrelo	$1,100,836	$715,447	$59,907	$122,040	$2,098,230
Neil O'Brien	$687,730	$498,986	$77,673	$73,224	$1,337,613
Mikael Schauman	-	-	-	$73,224	$73,224

(1) Based on 12-24 months' salary, as set out in the individual employment contract, using average 2011 exchange rates (see page 8).
(2) Based on 2 times the average STIP paid over the 2 preceding fiscal years.
(3) Assumes benefits paid at the 2011 exchange rates for the duration of the severance period.
(4) Based on the closing exchange rate of US$ 1.0170:C$1.00 on Dec 31, 2011.

DIRECTOR COMPENSATION

DIRECTOR COMPENSATION TABLE

The following table provides information regarding compensation paid to the Corporation's non-executive directors during the financial year ended December 31, 2011:

Name	Fees earned ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other Compensation ($)	Total ($)
Lukas H. Lundin	$232,615	-	-	n/a	-	-	$232,615
Colin K. Benner	$131,478	-	-	n/a	-	-	$131,478
Donald K. Charter	$217,444	-	-	n/a	-	-	$217,444
John H. Craig	$126,421	-	-	n/a	-	-	$126,421
Brian D. Edgar	$136,535	-	-	n/a	-	-	$136,535
Dale C. Peniuk	$212,387	-	-	n/a	-	-	$212,387
William A. Rand	$232,615	-	-	n/a	-	-	$232,615

The CEO, Mr. Conibear, who also acts as a director of the Corporation, does not receive any compensation for services as a director.

For the year ended December 31, 2011, the chairman of the Board received annual remuneration in the amount of C$200,000. Each non-executive director received annual base remuneration of C$90,000. The chair of the Audit Committee received annual remuneration of C$25,000 and each committee member received annual remuneration of C$15,000. The chair of the HRCC received annual remuneration of C$20,000 and each committee member received annual remuneration of C$10,000. The chair of each of the other Board committees received annual remuneration of C$10,000 and each committee member received annual remuneration of C$5,000. The lead director received annual remuneration of C$25,000. All of these amounts were paid in monthly installments. Notwithstanding the foregoing and in acknowledgement of the inordinate number of additional Board meetings held during the year 2011, it was decided to increase, on a one-time basis, the base retainer of the chairman and each non-executive director of the Corporation by C$30,000 for the year 2011 so that the chairman of the Board received an annual remuneration in the amount of C$230,000 during 2011 and each non-executive director received annual base remuneration in the amount of C$120,000 during 2011.

Non-executive directors do not receive any stock options or short-term incentives.

It was decided that the chair and the deputy chair of the special committee, created in conjunction with a proposed merger transaction and hostile takeover response, would each receive two payments totaling C$60,000 and each member would receive two payments totaling C$50,000.

Namdo Management Services Ltd. ("Namdo"), a private corporation owned by Mr. Lukas H. Lundin, chairman and a director of the Corporation, was paid or accrued the amount of approximately $267,000 for services rendered during the fiscal year ended December 31, 2011, plus reimbursement of out-of-pocket expenses at cost. Namdo has approximately 15 employees and provides administrative, investor and public relations and, in some cases, financial services to a number of public companies. Mr. Lundin is paid compensation by

Namdo. However, there is no basis for allocating the amounts paid by Namdo to Mr. Lundin as he is not receiving such compensation primarily in respect of his personal services provided to the Corporation.

During the most recently completed financial year, an amount of approximately $2.4 million was paid or accrued to the law firm of Cassels Brock & Blackwell LLP, of which Mr. John H. Craig, a director of the Corporation, is a partner, for legal services rendered to the Corporation.

No other director was compensated either directly or indirectly by the Corporation and its subsidiaries during the most recently completed financial year for services as consultants or experts.

DIRECTOR OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

No share-based or option-based awards were outstanding for directors at December 31, 2011.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Corporation, proposed nominees for directors, or associates or affiliates of said persons, have been indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The Corporation's Incentive Stock Option Plan, as described below, provides for the grant of non-transferable stock options to permit the purchase of the common shares of the Corporation by the participants of the ISOP.

Equity Compensation Plan Information as of December 31, 2011

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options (C$)	Number of securities remaining available for future issuance under the plan
Equity Compensation Plans approved by security holders	9,084,472	$5.39	11,915,528
Equity Compensation Plans not approved by security holders	-	-	-
Total	9,084,472	$5.39	11,915,528

The Corporation's Incentive Stock Option Plan

The ISOP is currently the only equity-based compensation arrangement pursuant to which securities may be issued from treasury of the Corporation. The major features of the ISOP are as follows:

The Board, or a committee appointed for such purposes, may, from time to time, grant to directors, officers, eligible employees of or consultants to, the Corporation or its subsidiaries, or to employees of management companies providing services to the Corporation (collectively, the "Eligible Personnel"), options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board or such committee.

The purpose of the ISOP is to advance the interests of the Corporation by providing Eligible Personnel with a financial incentive for the continued improvement of the Corporation's performance and encouragement to stay with the Corporation. The Corporation's current policy is to not grant directors of the Corporation stock options.

The Board has the authority under the ISOP to establish the option price at the time each share option is granted but, in any event, it shall not be lower than the market price of the common shares of the Corporation on the date of grant of the options. The market price shall be calculated as the closing market price on the TSX of the Corporation's common shares on the date of the grant, or, if the date of grant is not a trading day, the closing price of the Corporation's common shares on the last trading day prior to the date of grant.

The Board has the authority to set the periods within which options may be exercised and the number of options which may be exercised in any such period. This shall be determined by the Board at the time of granting the options provided, however, all options must be exercisable during a period not extending beyond ten years from the date of the option grant unless otherwise permitted by the TSX.

The Board has the authority to determine the vesting terms of the options at the date of the option grant and as indicated in any option commitment related thereto. Notwithstanding the foregoing, options granted to consultants providing investor relations services shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any 3 month period.

The aggregate number of common shares reserved for issuance for all purposes under the ISOP and all other share-based compensation arrangements is 21,000,000. In addition, the ISOP contains the following restrictions on the issuance of options:

- The aggregate number of common shares reserved for issuance pursuant to the ISOP or any other share based compensation arrangement (pre-existing or otherwise) to any one participant shall not exceed 5% of the Corporation’s common shares outstanding from time to time, to any consultant within any one-year period shall not exceed 2% of the common shares of the Corporation outstanding at the time of the grant, to any employee conducting investor relations activities within any one-year period shall not exceed 2% of the common shares of the Corporation outstanding at the time of the grant, and to insiders shall not exceed 10% of the common shares of the Corporation outstanding at any time unless the Corporation obtains disinterested shareholder approval to do so.

- The aggregate number of common shares issued and options granted pursuant to the ISOP or any other share based compensation arrangement (pre-existing or otherwise) to insiders within any one-year period shall not exceed 10% of the common shares of the Corporation outstanding unless the Corporation has obtained disinterested shareholder approval to do so, and to any one insider and such insider’s associates within any one-year period shall not exceed 5% of the common shares of the Corporation outstanding from time to time unless the Corporation has obtained disinterested shareholder approval to do so.

Any common shares subject to a share option which for any reason is cancelled or terminated without having been exercised will again be available for grant under the ISOP.

Options are not transferable other than by will or the laws of dissent and distribution. Typically, if an optionee ceases to be an Eligible Person for any reason whatsoever other than death, each option held by such optionee will cease to be exercisable 60 days following the termination date (being the date on which such optionee ceases to be an Eligible Personnel). If an optionee dies, the legal representative of the optionee may exercise the optionee's options within one year after the date of the optionee's death but only up to and including the original option expiry date.

The Board may from time to time, subject to applicable law and to the prior approval, if required, of the TSX or any other regulatory body having authority over the Corporation or the ISOP or, if required by the rules and policies of the TSX, the shareholders of the Corporation, suspend, terminate or discontinue the ISOP at any time, or amend or revise the terms of the ISOP or of any option granted under the ISOP and the option commitment relating thereto, provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any option previously granted to an optionee under the ISOP without the consent of that optionee.

It must be noted that current vesting provisions do not permit any immediate vesting of stock options upon the date of grant. The grants now stipulate that stock options will vest one third, one third and one third of the total number of stock options granted on the first, second and third anniversary dates of the grant of the stock options.

The Corporation provides no financial assistance to facilitate the purchase of common shares by Eligible Personnel who hold options granted under the ISOP.

As at December 31, 2011, there were 9,084,472 options outstanding exercisable for 9,084,472 common shares, representing approximately 1.5% of the Corporation's common shares currently outstanding. In addition, 11,915,528 options remain available for future issuances pursuant to the Incentive Stock Option Plan, representing approximately 2.1% of the Corporation’s current outstanding common shares.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During 2011, the Corporation maintained liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of C$60,000,000 against liabilities incurred by such persons as directors and officers of the Corporation and its subsidiaries, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the Corporation. The annual premium paid in 2011 by the Corporation for this insurance in respect of the directors and officers as a group was C$294,216. No premium for this insurance was paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Corporation to any liability in addition to the payment of the required premium.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

INTRODUCTION

This statement of corporate governance practices is made with reference to National Instrument 58-101, *Disclosure of Corporate Governance Practices* and to National Policy 58-201, *Corporate Governance Guidelines* ("Governance Guidelines") which are initiatives of the Canadian Securities Administrators. In accordance with the Governance Guidelines, the Corporation has chosen to disclose its system of corporate governance in this Circular. The following text sets forth the steps taken by the Corporation in order to comply with the Governance Guidelines and its system of corporate governance currently in force.

BOARD OF DIRECTORS

The Board has considered the relationship and status of each director. As of the date hereof, the Board currently consists of 8 directors, a majority of whom are independent.

The independent directors are Colin K. Benner, Donald K. Charter, Brian D. Edgar, Dale C. Peniuk and William A. Rand. Each of these directors do not have any material business relationships with the Corporation and are therefore considered independent under the Governance Guidelines and otherwise independent under National Instrument 52-110, *Audit Committees* ("NI 52-110") for the purposes of sitting on the Corporation's Audit Committee. John H. Craig is also considered independent. While Mr. Craig's law firm provides legal services for the Corporation, the amount of the fees charged by Mr. Craig's law firm for such legal services are considered insignificant relative to the overall fee income of his law practice. Mr. Craig is, however, not eligible to be a member of the Audit Committee because he is a partner of a law firm that provides legal services to the Corporation and is therefore deemed not to be independent pursuant to NI 52-110.

The non-independent directors of the Board are Paul K. Conibear and Lukas H. Lundin. Mr. Conibear is not independent because of his current role as President and Chief Executive Officer of the Corporation. Mr. Lundin, chairman of the Board, is not considered independent due to his direct involvement with management of the Corporation.

The Board regularly sets aside a portion of each Board meeting to meet without management and non-independent directors present. In addition, the mandates of the Board and the Corporate Governance and Nominating Committee require that procedures be implemented at such times as are desirable or necessary to enable the Board to function independently of management and to facilitate open and candid discussion among its independent directors.

The Board has appointed William A. Rand, an independent director, as lead director to act as effective leader of the Board, to ensure that the Board's agenda will enable it to successfully carry out its duties and to provide leadership for the Board's independent directors. As lead director, Mr. Rand, among other things, presides at meetings of the Board and of the Corporation's shareholders, ensures that the Board is alert to its obligations and responsibilities and that it fully discharges its duties, communicates with the Board to keep the Board up to date on all major developments, and acts as a liaison between the Board and management of the Corporation.

Directors Attendance Record at Board and Board Committee Meetings

Below is the attendance record of each director for all Board and Board committee meetings held during the period from January 1, 2011 to December 31, 2011:

			Board Committees									
	Board		Audit		Human Resources/ Compensation		Corporate Governance/ Nominating		Health, Safety, Environment and Community		Special Committee	
Directors	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)
Colin K. Benner	19	19	-	-	-	-	-	-	4	4	-	-
Donald K. Charter	19	19	6	6	7	7	-	-	-	-	15	15
Paul K. Conibear	5	5							1	1		
John H. Craig	19	19	-	-	-	-	1	1	-	-	-	-
Brian D. Edgar	19	19	-	-	-	-	1	1	4	4	-	-
Lukas H. Lundin	19	19	-	-			-	-	-	-	-	-
Dale C. Peniuk	19	19	6	6	7	7	1	1	-	-	15	15
William A. Rand	19	19	6	6	7	7	-	-	-	-	15	15
Philip J. Wright	14	14	-	-	-	-	-	-	2	2	-	-

(1) Represents number of meetings the Director was eligible to attend.

Directors' Other Board Memberships

Several of the directors of the Corporation serve as directors of other reporting issuers. Currently, the following directors serve on the boards of directors of other publically traded companies as listed below:

Director	Public Company Board Membership
Colin K. Benner	Adriana Resources Inc. (TSX-V), AuRico Gold Inc. (TSX-NYSE), Corsa Coal Corp. (TSX-V), Dalradian Resources Inc. (TSX), Mercator Minerals Ltd. (TSX), Redzone Resources Ltd. (TSX), Troon Ventures Ltd. (TSX-V)
Donald K. Charter	Adriana Resources Inc. (TSX-V), Corsa Coal Corp. (TSX-V)(1), Dundee Real Estate Investment Trust (TSX), IAMGOLD Corporation (TSX)
Paul K. Conibear	Lucara Diamond Corp. (TSX-V), NGEx Resources Inc. (TSX), Sirocco Mining Inc. (TSX-V)
John H. Craig	Africa Oil Corp. (TSX-V), Black Pearl Resources Inc. (TSX), Consolidated HCI Holdings Corp. (TSX), Corsa Coal Corp. (TSX-V), Denison Mines Corp. (TSX/AMEX), Etrion Corporation (TSX), Sirocco Mining Inc. (TSX-V)
Brian D. Edgar	Black Pearl Resources Inc. (TSX), Denison Mines Corp. (TSX/AMEX), Lucara Diamond Corp. (TSX-V), ShaMaran Petroleum Ltd. (TSX-V), Silver Bull Resources, Inc. (TSX/AMEX)
Lukas H. Lundin	Denison Mines Corp. (TSX/AMEX), Fortress Minerals Corp. (TSX), Lucara Diamond Corp. (TSX), Lundin Petroleum AB (OMX-Nordic), NGEx Resources Inc. (TSX), Sirocco Mining Inc. (TSX-V), Vostok Nafta Investment Ltd. (OMX-Nordic)
Dale C. Peniuk	Argonaut Gold Inc. (TSX), Capstone Mining Corp. (TSX), Rainy River Resources Ltd. (TSX), Sprott Resource Lending Corp. (TSX/NYSEamex)
William A. Rand	Denison Mines Corp. (TSX/AMEX); Lundin Petroleum AB (OMX-Nordic/TSX) New West Energy Services Inc. (TSX-V), NGEx Resources Inc. (TSX), Vostok Nafta Investment Ltd. (OMX-Nordic)

(1) Mr. Charter's principal occupation is President and Chief Executive Officer of Corsa Coal Corp. and he sits on the board of directors of this company in connection with his employment.

(Legend:

TSX	=	Toronto Stock Exchange
TSX-V	=	Toronto Stock Exchange Venture Exchange
NYSEamex	=	New York Stock Exchange Amex Equities
OMX-Nordic	=	OMX Nordic Stock Exchange
NYSE	=	New York Stock Exchange

BOARD MANDATE

The Board has adopted a mandate which acknowledges its responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business of the Corporation. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board considers the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the President and Chief Executive Officer, sets the standards of conduct for the Corporation.

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its chairman and lead director, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

Under its mandate, the Board is required to oversee the Corporation's communications policy. The Board has put structures in place to ensure effective communication between the Corporation, its shareholders and the public. The Corporation has established a Disclosure and Confidentiality Policy. The Board monitors the policies and procedures that are in place to provide for effective communication by the Corporation with its shareholders and with the public generally, including effective means to enable shareholders to communicate with senior management and the Board. The Board also monitors the policies and procedures that are in place to ensure a strong, cohesive, sustained and positive image of the Corporation with shareholders, governments and the public generally. Significant shareholder concerns are brought to the attention of management or the Board. Shareholders are informed of corporate developments by the issuance of timely press releases which are concurrently posted to the Corporation's website and are available on SEDAR at www.sedar.com.

The full text of the Board's mandate is attached hereto as Appendix A.

POSITION DESCRIPTIONS

The Board has adopted a written position description for each of the chairman, vice chairman, lead director, the chair of each Board committee, and the President and Chief Executive Officer.

Chairman, Vice Chairman and Lead Director

The chairman of the Board is currently Mr. Lundin and the lead director is currently Mr. Rand. The Board has established a written position description for the chairman, vice chairman and the lead director of the Board who are responsible for, among other things, presiding at meetings of the Board and shareholders, providing leadership to the Board, managing the Board, acting as liaison between the Board and management, and representing the Corporation to external groups including shareholders, local communities and governments.

Chairman of the Audit Committee

The chairman of the Audit Committee is currently Mr. Peniuk. The Board has established a written position description for the chairman of the Audit Committee, who is responsible for, among other things, acting as liaison between the Audit Committee, the Board and management, chairing all meetings of the Audit Committee, ensuring that meetings of the Audit Committee are held as required, coordinating the attendance of the Corporation's external auditors at meetings of the Audit Committee, and reporting regularly to the Board on all matters within the authority of the Audit Committee and in particular, the recommendations of the Audit Committee in respect of the Corporation's quarterly and annual financial statements.

Chairman of the Corporate Governance and Nominating Committee

The chairman of the Corporate Governance and Nominating committee is currently Mr. Edgar. The Board has established a written position description for the chairman of the Corporate Governance and Nominating Committee, who is responsible for, among other things, acting as liaison between the Corporate Governance and Nominating Committee and the Board, chairing all meetings of the Corporate Governance and Nominating Committee, proposing nominees for the Board and each committee of the Board, ensuring that the meetings of the Corporate Governance and Nominating Committee are held as required, monitoring the preparation of the statement of corporate governance to be given to the shareholders of the Corporation each year, and reporting regularly to the Board on matters within the authority of the Corporate Governance and Nominating Committee.

Chairman of the Health, Safety, Environment and Community Committee

The chairman of the Health, Safety, Environment and Community Committee is currently Mr. Benner. The Board has established a written position description for the chairman of the Health, Safety, Environment and Community Committee, who is responsible for, among other things, acting as liaison between the Health, Safety, Environment and Community Committee, the Board and management, chairing all meetings of the Health, Safety, Environment and Community Committee, ensuring that the meetings of the Health, Safety, Environment and Community Committee are held as required, and reporting regularly to the Board on matters within the authority of the Health, Safety, Environment and Community Committee.

Chairman of the Human Resources/Compensation Committee

The chairman of the Human Resources/Compensation Committee is currently Mr. Charter. The Board has established a written position description for the chairman of the Human Resources/Compensation Committee, who is responsible for, among other things, acting as liaison between the Human Resources/Compensation Committee, the Board and the CEO, chairing all meetings of the Human Resources/Compensation Committee, ensuring that the meetings of the Human Resources/Compensation Committee are held as required, overseeing the process whereby annual salary, bonus and other benefits of the Corporation's executive officers are reviewed assessed and revised in accordance with the recommendations of the CEO, reviewing the directors' compensation and reporting regularly to the Board on matters within the authority of the Human Resources/Compensation Committee.

President and Chief Executive Officer

The President and Chief Executive Officer is currently Mr. Conibear. The Board has established a written position description for the President and Chief Executive Officer, who is responsible for, among other things, the day to day management of the business and the affairs of the Corporation. The President and Chief Executive Officer is also responsible for assisting the chairman of the Board, the lead director and the chairs of the Board committees to develop agendas for the Board and Board committee meetings to enable these entities to carry out their responsibilities, reporting to the Board in an accurate, timely and clear manner on all aspects of the business that are relevant so that the directors may carry out their responsibilities, making recommendations to the Board on those matters on which the Board is required to make decisions, ensuring that the financial statements and other financial information contained in regulatory filings and other public disclosure fairly present the financial condition of the Corporation, ensuring the integrity of the financial and other internal control and management information systems and risk management systems, the promoting of ethical conduct within the Corporation and its subsidiaries, recruiting of senior management as may be directed by the board, senior management development and succession, acting as the principal interface between the Board and senior management, promoting a work environment that is conducive to attracting, retaining and motivating a diverse group of high-quality employees, promoting continuous improvement in the timeliness, quality, value and results of the work of the employees of the corporation, and speaking for the Corporation in its communications to its shareholders and the public.

ORIENTATION AND EDUCATION

The Corporation provides new directors with an orientation package upon joining the Corporation that includes financial and technical information relevant to the Corporation's operations, and periodically arranges for project site visits to familiarize members of the Board with the Corporation's operations and to ensure that their knowledge and understanding of the Corporation's business remains current. During 2010, the directors visited the Tenke Fungurume mine, a mine in which of the Corporation holds a significant interest, located in the Democratic Republic of Congo, to view first hand this modern copper mining facility. Additional mine site visits are planned in 2012.

Board members are encouraged to communicate with management and others, to keep themselves current with industry trends and development, and to attend related industry seminars. Board members have full access to the Corporation's records and receive a Monthly Report discussing the operations, health and safety matters, sales of product, projects and investments, financial summary, exploration, human resources, and new business and corporate development. The Corporation's legal counsel also provides directors and senior officers with summary updates of any developments relating to the duties and responsibilities of directors and officers and to any other corporate governance matters. In addition, the Board will provide any further continuing education opportunities for all directors, where required, so that individual directors may maintain or enhance their skills and abilities as directors.

It must be noted that the Corporation through its legal counsel has commenced a series of seminars and webcasts on topics of relevance to the directors. The first topic was an in-depth review of the insider trading rules as it pertains to directors and other insiders which was attended widely by both directors and executives of the Corporation.

ETHICAL BUSINESS CONDUCT

The Board has adopted a formal written Code of Conduct and Ethical Values Policy ("Code of Conduct") for its directors, officers and employees of Lundin Mining and its subsidiaries.

Individuals governed by the Code of Conduct are required to disclose in writing all business, commercial or financial interests or activities which might reasonably be regarded as creating an actual or potential conflict with their duties. Individuals must avoid all situations in which their personal interests conflict or may conflict with their duties to the Corporation or with the economic interest of the Corporation. All business transactions with individuals, corporations or other entities that could potentially, directly or indirectly, be considered to be a related party, must be approved by the Board of Directors regardless of the amount involved.

Directors, officers and employees are encouraged to report violations of the Code of Conduct on a confidential and, if preferred, anonymous basis to senior management, the Board or the Audit Committee chairman, in accordance with the complaints procedure set out in the Code of Conduct. If the Audit Committee becomes involved with the matter, the Audit Committee may request special treatment for any complaint, including the involvement of the Corporation's external auditors, legal counsel or other advisors. All complaints are required to be documented in writing by the person(s) designated to investigate the complaint, who shall report forthwith to the chairman of the Audit Committee. On an annual basis, or otherwise upon request from the Board of Directors, the Code of Conduct requires the chairman of the Audit Committee to prepare a written report to the Board summarizing all complaints received during the previous year, all outstanding unresolved complaints, how such complaints are being handled, the results of any investigations and any corrective actions taken.

The Code of Conduct is available on the Corporation's website and has been filed and is accessible through SEDAR on the Corporation's profile at www.sedar.com.

The Audit Committee has also established a Fraud Reporting and Investigation (Whistleblower) Policy to encourage employees, officers and directors to raise concerns regarding questionable accounting, internal controls, auditing or other fraudulent matters, on a confidential basis free from discrimination, retaliation or harassment.

NOMINATION OF DIRECTORS

The Board has established a Corporate Governance and Nominating Committee composed of independent directors which is responsible for the recommendation of director nominees that will best serve the Corporation based upon the competencies and skills necessary for the Board as a whole to possess, the competencies and skills necessary for each individual director to possess, and whether the proposed nominee to the Board will be able to devote sufficient time and resources to the Corporation. To encourage an objective nomination process, the independent directors conduct a discussion of the nominees among themselves. The Corporate Governance and Nominating Committee will also review, on a regular basis, the size of the Board and will consider the number of directors required to carry out the Board's duties effectively.

The Corporation recognizes that improving diversity on the Board of Directors and among its senior executives presents the Corporation with an opportunity to develop a competitive advantage by ensuring that the Corporation appeals to potential employees from the broadest possible talent pool. To that end, while the focus always has been, and will continue to be, to recruit and appoint the most qualified individuals, the Corporation proposes to make a greater effort to locate qualified women as candidates for nomination to the Board. Women are well represented in senior executive positions within the Corporation and its subsidiary corporations.

COMPENSATION OF DIRECTORS AND OFFICERS

The extent and level of directors' and officers' compensation is determined by the Board after considering the recommendations of the Human Resources/Compensation Committee which is composed entirely of independent directors. The Human Resources/Compensation Committee has been mandated to review the adequacy and form of the compensation of directors and officers to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director or officer in the Corporation and the mining industry. In making recommendations to the Board in respect of compensation to directors, this committee considers the time commitment, risks and responsibilities involved in being a director with the Corporation as well as market data pertinent to the compensation paid to directors of peer group companies.

Please review the section in this Circular titled "Statement of Executive Compensation" for further information concerning director compensation.

BOARD COMMITTEES

To assist the Board in its responsibilities, the Board has established four standing committees including the Audit Committee, the Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the Human Resources/Compensation Committee. Each committee has a written mandate and reviews its mandate annually.

AUDIT COMMITTEE

The Audit Committee (**"**AC**"**) is comprised of 3 directors. The current members of the AC are Dale C. Peniuk (chair), Donald K. Charter and William A. Rand, all of whom are independent and financially literate for the purposes of NI 52-110.

The AC oversees the accounting and financial reporting processes of the Corporation and its subsidiaries and all audits and external reviews of the financial statements of the Corporation, on behalf of the Board, and has general responsibility for oversight of internal controls, and accounting and auditing activities of the Corporation and its subsidiaries. All auditing services and non-audit services to be provided to the Corporation by the Corporation's auditors are pre-approved by the AC. The AC reviews, on a continuous basis, any reports prepared by the Corporation's external auditors relating to the Corporation's accounting policies and procedures, as well as internal control procedures and systems. The AC is also responsible for reviewing all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The AC also oversees the annual audit process, the quarterly review engagements, the Corporation's internal accounting controls, the Corporation's Fraud Reporting and Investigation (Whistleblower) Policy, any complaints and concerns regarding accounting, internal control or audit matters, and the resolution of issues identified by the Corporation's external auditors. The AC recommends to the Board annually the firm of independent auditors to be nominated for appointment by the shareholders at the shareholders annual meeting.

The Board appoints the members of the AC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the AC and may fill any vacancy in the AC.

The AC meets a minimum of 4 times a year. The AC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Additional information relating to the Audit Committee, including a copy of the Audit Committee's mandate, is provided in the Corporation's Annual Information Form for the year ended December 31, 2011, a copy of which is available on the SEDAR website at www.sedar.com.

HUMAN RESOURCES/COMPENSATION COMMITTEE

The HRCC consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The current members of the HRCC are Donald K. Charter (chair), Dale C. Peniuk and William A. Rand.

The principal purpose of the HRCC is to implement and oversee human resources and compensation policies approved by the Board of the Corporation. The duties and responsibilities of the HRCC include recommending to the Board the annual salary, bonus and other benefits, direct and indirect, for the CEO, after considering the recommendations of the CEO approving the compensation for the Corporation's other executive officers, approving other human resources and compensation policies and guidelines, ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre, and recommending the adequacy and form of director compensation to the Board.

The Board appoints the members of the HRCC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the HRCC and may fill any vacancy in the HRCC.

The HRCC meets regularly each year on such dates and at such locations as the chairman of the HRCC determines. The HRCC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel or advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

The Corporate Governance and Nominating Committee ("CGNC") consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The current members of the CGNC are Brian D. Edgar (chair), John H. Craig and Dale C. Peniuk.

The principal purpose of the CGNC is to provide a focus on corporate governance that will enhance the Corporation's performance, and to ensure, on behalf of the Board of Directors and shareholders that the Corporation's corporate governance system is effective in the discharge of its obligations to the Corporation's stakeholders. The duties and responsibilities of the CGNC include the development and monitoring of the Corporation's overall approach to corporate governance issues and, subject to approval by the Board, implementation and administration of a system of corporate governance which reflects superior standards of corporate governance practices, recommendation to the Board a slate of nominees for election as directors of the Corporation at the Annual Meeting of Shareholders, reporting annually to the Corporation's shareholders, through the Corporation's annual management information circular or annual report to shareholders, on the Corporation's system of corporate governance and the operation of its system of governance, analyzing and reporting annually to the Board the relationship of each director to the Corporation as to whether such director is an independent director or not an independent director, and advising the Board or any of the committees of the Board of any corporate governance issues which the CGNC determines ought to be considered by the Board or any such committee.

The Board appoints the members of the CGNC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the CGNC and may fill any vacancy in the CGNC.

The CGNC meets regularly each year on such dates and at such locations as the chair of the CGNC determines. The CGNC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY COMMITTEE

The Health, Safety, Environment and Community Committee ("HSEC") consists of 3 directors. The current members of the HSEC Committee are Colin K. Benner (chair), Paul K. Conibear and Brian D. Edgar.

The principal purpose of the HSEC is to assist the Board in its oversight of health, safety, environment and community risks, compliance with applicable legal and regulatory requirements associated with health, safety, environmental and community matters, performance in relation to health, safety, environmental and community matters, the performance and leadership of the health, safety, environment and community function in the Corporation, and external annual reporting in relation to health, safety, environmental and community matters.

The Board appoints the members of the HSEC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the HSEC and may fill any vacancy in the HSEC.

The HSEC meets a minimum of 4 times a year. The HSEC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

SPECIAL COMMITTEE

The Special Committee ("SC") consists of 3 directors. The current members of the SC are Donald K. Charter (co-chair), William A. Rand (co-chair) and Dale C. Peniuk.

The principal purpose of the SC is to assist the Board in the review of proposed transactions. The Board appointed the members of the SC as a special purpose committee of the Board.

The SC meets during the year on an as-required basis.

ASSESSMENTS OF THE BOARD

In accordance with the Board's mandate, the Board, through the CGNC, undertakes formal Board evaluations of itself, its committees and also of each individual director's effectiveness and contribution on an annual basis.

The CGNC prepares and delivers an annual Board Effectiveness Assessment questionnaire to each member of the Board. The questionnaire is divided into four parts dealing with: (i) Board Responsibility; (ii) Board Operations; (iii) Board Effectiveness; and (iv) Individual Assessments. Each director must complete the entire questionnaire including the ranking of each director and also complete a personal assessment. The CGNC reviews and considers the responses received and makes a final report, with recommendations, if any, to the Board of Directors. This process occurs prior to the consideration by the CGNC of nominations for director elections at the Corporation's annual meeting of shareholders each year.

MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by directors, executive officers or senior officers of the Corporation and not, to any substantial degree, by any other person with whom the Corporation has contracted.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the best of the Corporation's knowledge, no informed person of the Corporation, proposed directors or any associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction since the commencement of the Corporation's most recently completed financial year which has materially affected or will materially affect the Corporation or any of its subsidiaries.

OTHER BUSINESS

Management of the Corporation knows of no other matters which will be brought before the Meeting, other than those referred to in the Notice of Meeting. Should any other matters properly be brought before the Meeting, the common shares represented by the proxies solicited hereby will be voted on those matters in accordance with the best judgment of the persons voting such proxies.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on the SEDAR website under the Corporation's profile at www.sedar.com. Financial information related to the Corporation is contained in the Corporation's financial statements and related management's discussion and analysis. Copies of the Corporation's consolidated audited financial statements and Annual Information Form prepared for its fiscal year ended December 31, 2011 may be obtained free of charge by writing to the Corporate Secretary of the Corporation at Suite 1500, 150 King Street West, P.O. Box 38, Toronto, Ontario, Canada, M5H 1J9 or may be accessed on the Corporation's website at www.lundinmining.com or under the Corporation's profile on the SEDAR website at www.sedar.com.

CERTIFICATE OF APPROVAL

The contents and the distribution of this Circular have been approved by the Board.

DATED at Toronto, Ontario this 1st day of April, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

Paul K. Conibear

Paul K. Conibear,
President, Chief Executive Officer and Director

APPENDIX A
LUNDIN MINING CORPORATION MANDATE OF THE BOARD OF DIRECTORS

A. INTRODUCTION

The Board of Directors (hereinafter also referred to as the "Board") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

B. PROCEDURES AND ORGANIZATION

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, lead director, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation and the Canada Business Corporations Act (hereinafter also referred to as the "Act"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

C. DUTIES AND RESPONSIBILITIES

The Board's principal duties and responsibilities fall into a number of categories which are outlined below.

1. Legal Requirements

(a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;

(b) The Board has the statutory responsibility to:

- (i) manage or, to the extent it is entitled to delegate such power, to supervise the management of the business and affairs of the Corporation by the senior officers of the Corporation;
- (ii) act honestly and in good faith with a view to the best interests of the Corporation;
- (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and
- (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation's Articles and By-laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations.

2. Independence

The Board has the responsibility to ensure that appropriate structures and procedures are in place to permit the Board to function independently of management, including endeavouring to have a majority of independent directors as well as an independent Chair or an independent Lead Director, as the term "independent" is defined in National Instrument 58-101 "Disclosure of Corporate Governance Practices".

3. Strategy Determination

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving the mission of the business of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation's business.

4. Managing Risk

The Board has the responsibility to identify and understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

5. Division of Responsibilities

The Board has the responsibility to:

(a) appoint and delegate responsibilities to committees where appropriate to do so; and

(b) develop position descriptions for:

 (i) the Board;

 (ii) the Chairman, Vice-Chairman and Lead Director of the Board;

 (iii) the Chair of each Board Committee;

 (iv) the President and Chief Executive Officer;

 (v) the Chief Financial Officer; and

 (vi) the Chief Operating Officer.

(c) ensure that the directors of the Corporation's subsidiaries are qualified and appropriate in keeping with the Corporation's guidelines and that they are provided with copies of the Corporation's policies for implementation by the subsidiaries.

To assist it in exercising its responsibilities, the Board hereby establishes four standing committees of the Board: the Audit Committee, the Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the Human Resources/Compensation Committee. The Board may also establish other standing committees from time to time.

Each committee shall have a written mandate that clearly establishes its purpose, responsibilities, members, structure and functions. Each mandate shall be reviewed by the Board regularly. The Board is responsible for appointing committee members.

6. Appointment, Training and Monitoring Senior Management

The Board has the responsibility:

(a) to appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance, to satisfy itself as to the integrity of the Chief Executive Officer, and to provide advice and counsel in the execution of the Chief Executive Officer's duties;

(b) to develop or approve the corporate goals or objectives that the Chief Executive Officer is responsible for;

(c) to approve the appointment of all senior corporate officers, acting upon the advice of the Chief Executive Officer and to satisfy itself as to the integrity of such corporate officers;

(d) to ensure that adequate provision has been made to train, develop and compensate management and for the orderly succession of management and to ensure that all new directors receive a comprehensive orientation, fully understand the role of the Board and its committees, the nature and operation of the Corporation's business and the contribution that individual directors are required to make;

(e) to create a culture of integrity throughout the Corporation;

(f) to ensure that management is aware of the Board's expectations of management;

(g) to provide for succession of management; and

(h) to set out expectations and responsibilities of directors including attendance at meetings and review of meeting materials.

7. Policies, Procedures and Compliance

The Board has the responsibility:

(a) to ensure that the Corporation operates at all times within applicable laws, regulations and ethical standards; and

(b) to approve and monitor compliance with significant policies and procedures by which the Corporation is operated.

8. Reporting and Communication

The Board has the responsibility:

(a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;

(b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;

(c) to ensure the timely reporting of developments that have a significant and material impact on the value of the Corporation;

(d) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year;

(e) to develop appropriate measures for receiving shareholder feedback; and

(f) to develop the Corporation's approach to corporate governance and to develop a set of corporate governance principles and guidelines.

9. Monitoring and Acting

The Board has the responsibility:

(a) to monitor the Corporation's progress towards it goals and objectives and to revise and alter its direction through management in response to changing circumstances;

(b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant;

(c) to ensure that the Corporation has implemented adequate control and information systems which ensure the effective discharge of its responsibilities; and

(d) to make regular assessments of itself, its committees and each individual director's effectiveness and contribution.

Other Supplementary Information

1. ***List of directors and officers at February 22, 2012:***

(a) **Directors:**

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

(b) **Officers:**

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

2. **Financial Information**

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

3. **Other information**

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Canada
Telephone: +1-416-342-5560
Fax: +1-416-348-0303

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

Website: www.lundinmining.com
The corporate number of the Company is 306723-8

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